



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)  
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AGENDA  
REGULAR MEETING  
FEBRUARY 14, 2020 – 8:00AM  
METRO ADMIN OFFICES  
110 VERNON STREET  
SANTA CRUZ, CA 95060**

The Finance, Budget and Audit Standing Committee Meeting Agenda Packet can be found online at [www.SCMTD.com](http://www.SCMTD.com) and is available for inspection at Santa Cruz METRO's Administrative offices at 110 Vernon Street, Santa Cruz, California.

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The Committee may take action on each item on the agenda. The action may consist of the recommended action, a related action or no action. Staff recommendations are subject to action and/or change by the Board of Directors.

**COMMITTEE ROSTER**

Director Trina Coffman-Gomez	City of Watsonville
Director Donna Lind	City of Scotts Valley
Director Donna Meyers	City of Santa Cruz
Director Mike Rotkin	County of Santa Cruz
Alex Clifford	METRO CEO/General Manager
Julie Sherman	METRO District Counsel

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**MEETING TIME: 8:00AM**

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER**
- 2 ROLL CALL**

**3 ORAL AND WRITTEN COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE**

This time is set aside for Directors and members of the public to address any item not on the Agenda, but which is within the matter jurisdiction of the Committee. Each member of the public appearing at a Committee meeting shall be limited to three minutes in his or her presentation, unless the Chair, at his or her discretion, permits further remarks to be made. Any person addressing the Committee may submit written statements, petitions or other documents to complement his or her presentation. When addressing the Committee, the individual may, but is not required to, provide his/her name and address in an audible tone for the record.

**4 ADDITIONS OR DELETIONS FROM AGENDA/ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS**

**5 MONTHLY FINANCIAL REPORT AS OF DECEMBER 31, 2019**

Angela Aitken, CFO

**6 FY21 & FY22 PRELIMINARY OPERATING BUDGET ASSUMPTIONS**

Angela Aitken, CFO

**7 ADJOURNMENT**

Pursuant to Section 54954.2(a)(1) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day. The agenda packet and materials related to an item on this Agenda submitted after distribution of the agenda packet are available for public inspection in the Santa Cruz METRO Administrative Office (110 Vernon Street, Santa Cruz) during normal business hours. Such documents are also available on the Santa Cruz METRO website at [www.scmtd.com](http://www.scmtd.com) subject to staff's ability to post the document before the meeting.



# **Year to Date Monthly Financial Report as of December 31, 2019**

Santa Cruz METRO Board of Directors

*February* ❤️ *14, 2019*

Angela Aitken, Chief Financial Officer

# FY20 Operating Revenue and Expenses For the Month Ending December 31, 2019

50% of Fiscal Year Elapsed

\$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
<b>Operating Revenue:</b>	<b>\$6,219</b>	<b>\$6,194</b>	<b>\$25</b>
<b>Operating Expenses:</b>			
Labor - Regular	\$1,266	\$1,456	\$190
Labor - Overtime	\$216	\$155	(\$61)
Fringe Benefits	\$1,595	\$1,572	(\$23)
Non-Personnel Expenses	\$765	\$789	\$24
<b>Total Operating Expenses:</b>	<b>\$3,842</b>	<b>\$3,973</b>	<b>\$131</b>
<b>Transfers:</b>	<b>(\$180)</b>	<b>(\$171)</b>	<b>\$9</b>
<b>Operating Balance:</b>			<b>\$147</b>

# FY20 Operating Revenue and Expenses

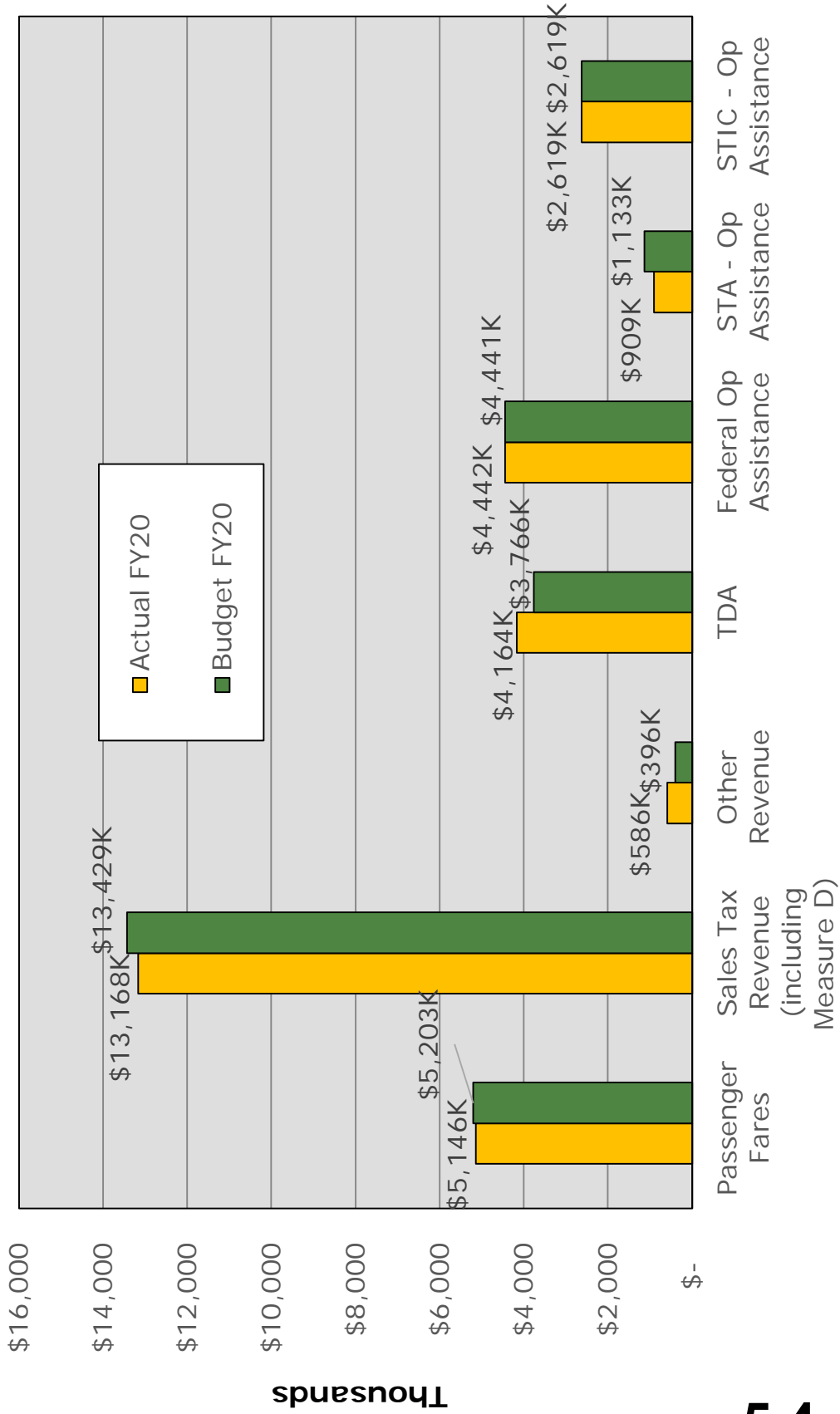
## Year to Date as of December 31, 2019

50% of Fiscal Year Elapsed

\$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
<b>Operating Revenue:</b>	<b>\$31,034</b>	<b>\$30,987</b>	<b>\$47</b>
<b>Operating Expenses:</b>			
Labor - Regular	\$8,233	\$8,739	\$506
Labor - Overtime	\$1,760	\$933	(\$827)
Fringe Benefits	\$12,860	\$13,478	\$618
Non-Personnel Expenses	\$4,849	\$4,731	(\$117)
<b>Total Operating Expenses:</b>	<b>\$27,702</b>	<b>\$27,881</b>	<b>\$179</b>
<b>Transfers:</b>	<b>(\$1,117)</b>	<b>(\$1,023)</b>	<b>\$94</b>
<b>Operating Balance:</b>			<b>\$132</b>

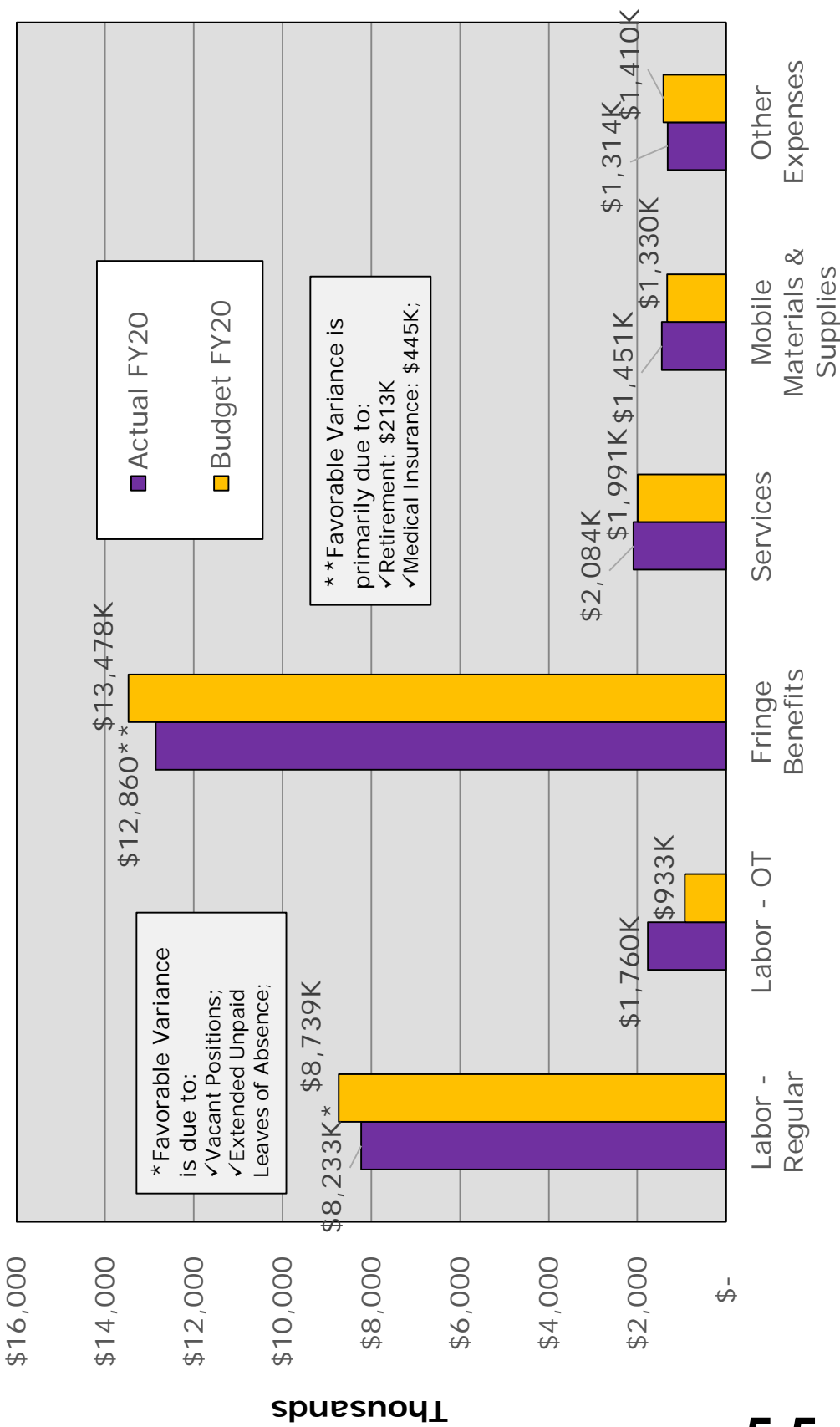
# FY20 Operating Revenue by Major Funding Source Year to Date as of December 31, 2019:

50% of Fiscal Year Elapsed

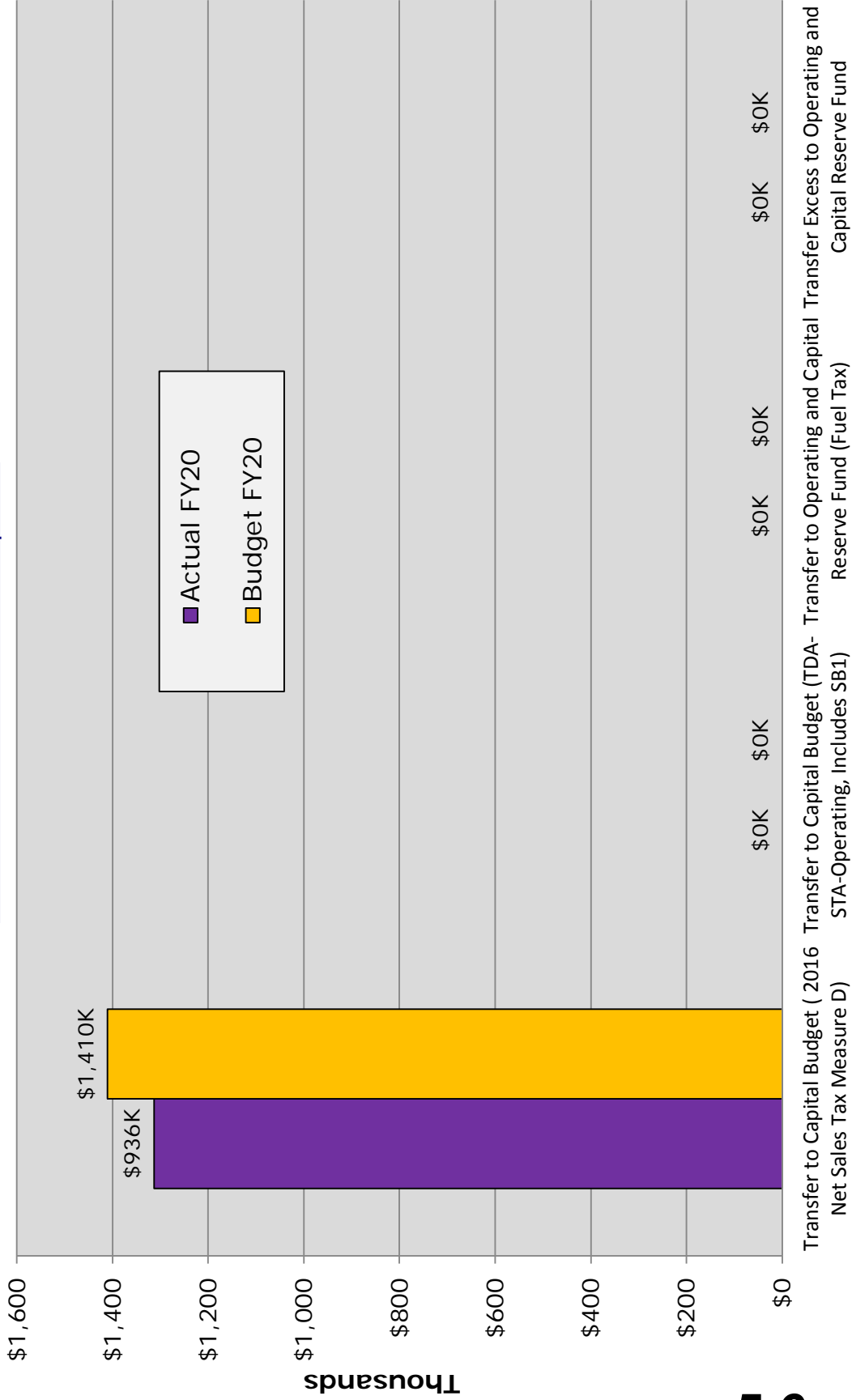


# FY20 Operating Expenses by Major Expense Category Year to Date as of December 31, 2019

50% of Fiscal Year Elapsed



# FY20 Transfers Year to Date as of December 31, 2019 50% of Fiscal Year Elapsed



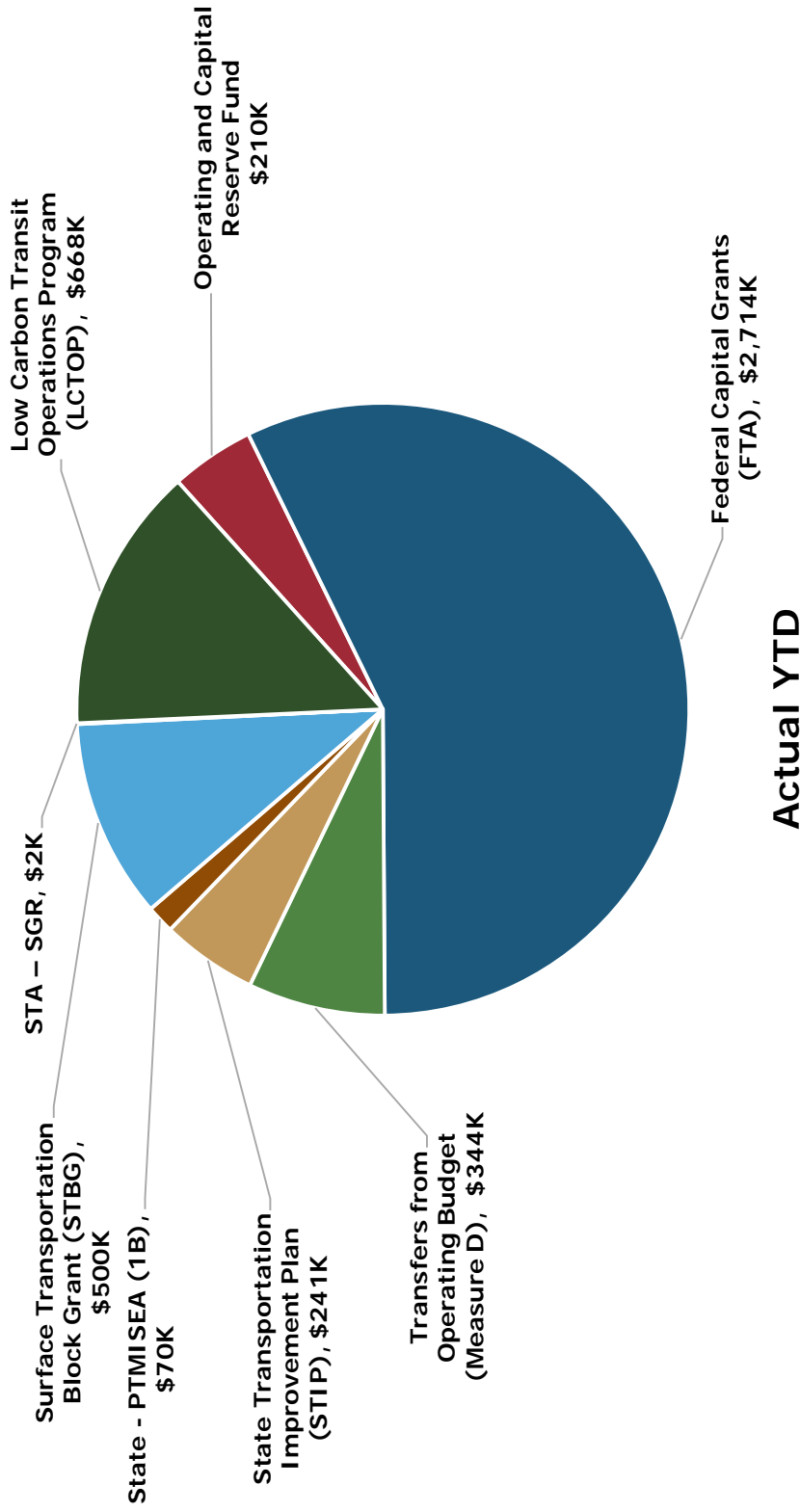


# FY20 Capital Budget:

Spending Year to Date (by Funding Source) as of December 31, 2019

50% of Fiscal Year Elapsed

	Actual YTD	Total FY20 Budget	% Spent YTD
<b>Total Capital Funding:</b>	<b>\$4,749,721</b>	<b>\$29,384,581</b>	<b>16%</b>

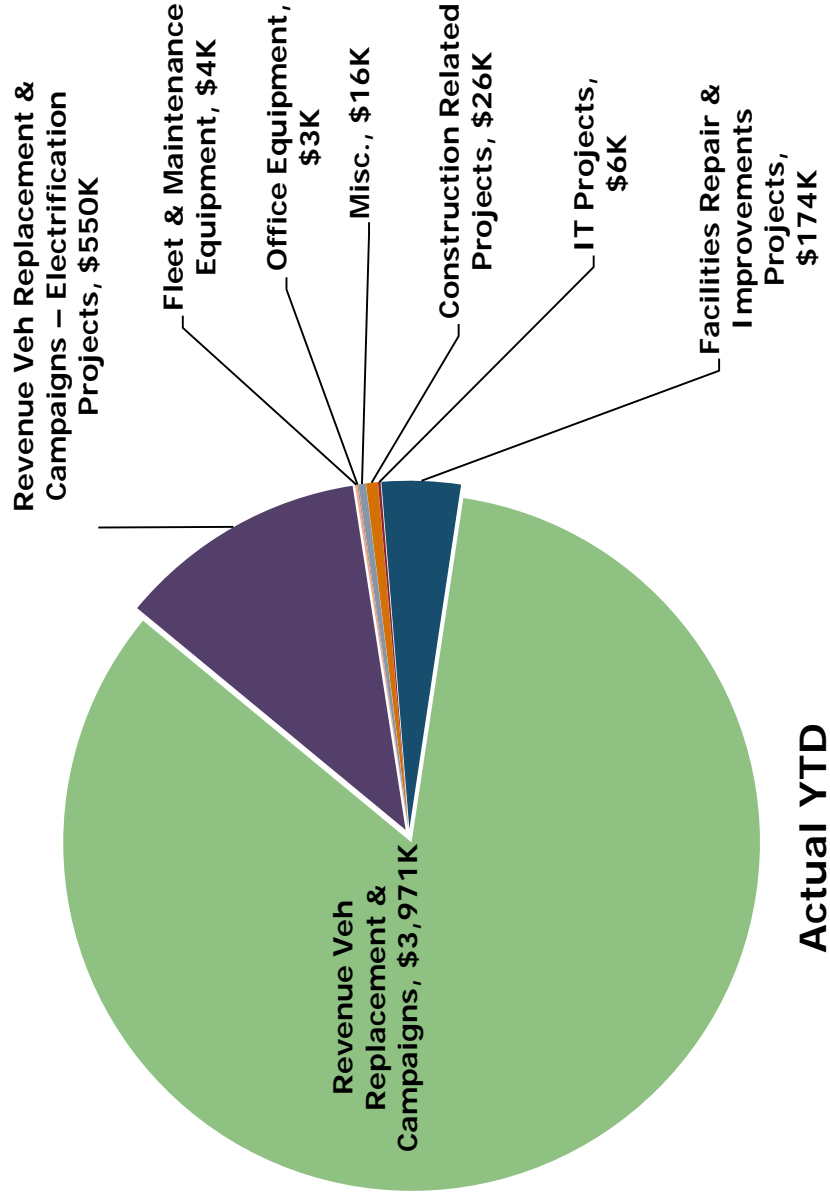


# FY20 Capital Budget:

Spending Year to Date as of December 31, 2019

50% of Fiscal Year Elapsed

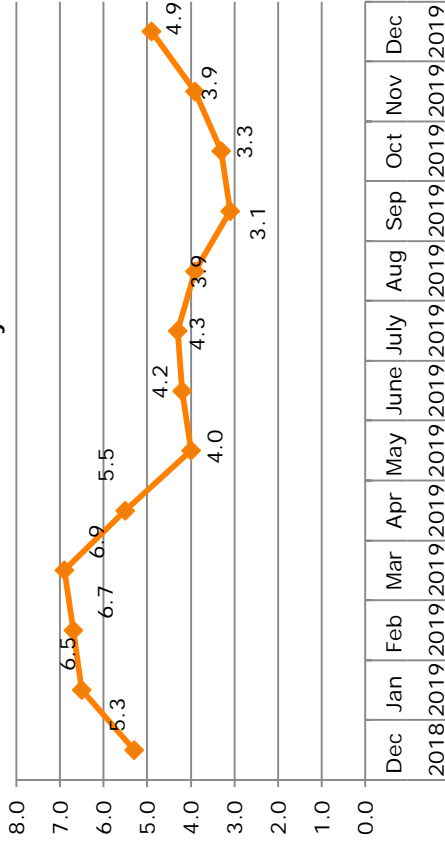
	Actual YTD	Total FY20 Budget	% Spent YTD
<b>Total Capital Projects:</b>	<b>\$4,749,721</b>	<b>\$29,384,581</b>	<b>16%</b>



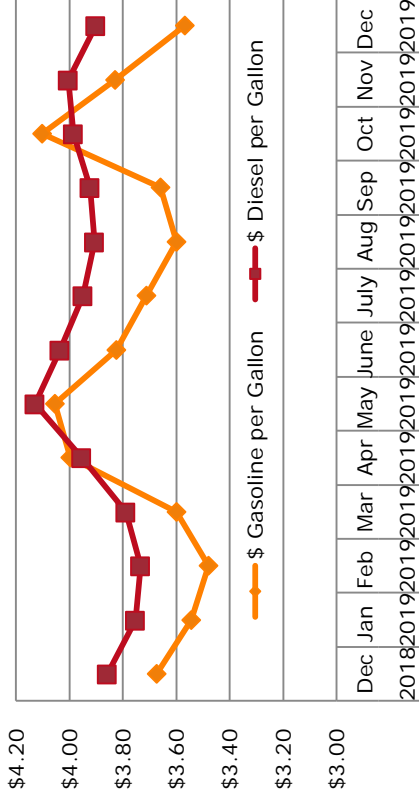
# Additional Information

# Economic Indicators & Ridership:

**Unemployment Rate %**  
Santa Cruz County



**\$ Diesel/Gasoline per Gallon**  
San Francisco – Oakland – San Jose



**FY19-20 Ridership: December YTD**

Ridership	FY19	FY20	% Change
<b>Total</b>	2,270,539	2,303,893	1.5%
Hwy 17	142,113	139,267	-2.0%
Local	2,128,426	2,164,626	1.7%
UCSC	1,054,034	1,108,491	5.2%
Cabrillo	162,339	155,355	-4.3%
Non-Student	912,053	900,780	-1.2%

**Enrollment Information**

UCSC	3 Quarter Average (On-campus)		% Change
	2018/19	2019/20	
18,598	19,010 (projection)	2.2%	
Fall/Spring Average			
Cabrillo	2018/19	2019/20	% Change
11,419	12,548: Fall 19 (est.)	Info Pending	

**FY20 Operating Revenue, Expenses, and Transfers:**  
**Year to Date as of January 31, 2020: PRELIMINARY:**

58% of Fiscal Year Elapsed

\$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
<b>Revenue:</b>	<b>\$34,218</b>	<b>\$34,099</b>	<b>\$119</b>
<b>Operating Expenses:</b>			
Personnel Expenses	\$26,198	\$26,334	\$136
Non-Personnel Expenses	\$5,658	\$5,520	(\$138)
<b>Total Operating Expenses:</b>	<b>\$31,856</b>	<b>\$31,854</b>	<b>(\$2)</b>
<b>Transfers:</b>			
Transfers to Capital Budget	\$1,317	\$1,194	\$123
Transfers to Operating and Capital Reserve Fund	\$0	\$0	\$0
<b>Total Transfers:</b>	<b>\$1,317</b>	<b>\$1,194</b>	<b>\$123</b>
<b>Operating Balance:</b>			<b>(\$6)</b>

# FY20 Operating Revenue, Expenses, and Transfers:

## Year to Date as of June 30, 2020: PRELIMINARY\*:

100% of Fiscal Year Elapsed

\$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
<b>Revenue:</b>	<b>\$57,423</b>	<b>\$56,756</b>	<b>\$667</b>
<b>Operating Expenses:</b>			
Personnel Expenses	\$43,325	\$42,255	(\$1,070)
Non-Personnel Expenses	\$9,699	\$9,463	(\$236)
<b>Total Operating Expenses:</b>	<b>\$53,024</b>	<b>\$51,718</b>	<b>(\$1,306)</b>
<b>Transfers:</b>			
Transfers to Capital Budget	\$2,369	\$2,369	\$0
Transfers to Operating and Capital Reserve Fund	\$2,030	\$2,670	(\$640)
<b>Total Transfers:</b>	<b>\$4,399</b>	<b>\$5,039</b>	<b>(\$640)</b>
<b>Operating Balance:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Reflects Actual Data for Qtr. 1 & 2 of FY20 and Projections for Qtrs. 3 & 4.

# Questions

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# **FY21 & FY22 Preliminary Operating Budget: Assumptions**

Board of Directors

*February 14, 2020*

Angela Aitken, Chief Financial Officer

# Overview of Today's Presentation

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- **FY21 and FY22 Preliminary Budget: Assumptions**
  - Revenue Sources
    - Fares
    - Sales Tax & TDA – LTF Funds
    - FTA 5307, STIC & TDA - STA
  - Operating Expenses
    - Personnel Expenses
    - Non-Personnel Expenses
  - Transfers
    - Transfers to Capital Budget
    - Transfers to Operating and Capital Reserve Fund
  - Budget Timeline

# FY21 and FY22 Revenue Sources

## Budget Assumptions: Fares

\$ In Thousands	Passenger Fares	Special Transit Fares	Highway 17 Fares	Highway 17 Payments
		UCSC	City of SC	VTA
FY20 Budget	\$2,425	\$4,623	\$233	AMTRAK
FY20 Actual (Projection)	\$2,439	\$4,491	\$233	\$350
FY21 Preliminary Budget	<u>\$2,371</u>	<u>\$4,600</u>	<u>\$311</u>	<u>\$330</u>
%VAR Budget (FY20-FY21)	-2%	0%	33%	-6%
%VAR (FY20 Actual FY21 Budget)	-3%	2%	33%	-6%
<u>FY22 Preliminary Budget</u>	<u>\$2,371</u>	<u>\$4,692</u>	<u>\$311</u>	<u>\$330</u>
%VAR Budget (FY20-FY21)	0%	2%	0%	0%

Based on Ridership trends

Contracts: UCSC: 2% increase based on increased ridership and anticipated increase in enrollment

Based on Ridership trends

Contracts

## Budget Assumptions: Sales Tax & TDA - LTF

\$ In Thousands	Sales Tax		TDA – LTF Funds
	1979 Gross Sales Tax (1/2 cent)	2016 Net Sales Tax (Measure D)	
FY20 Budget	\$22,617	\$3,358	\$7,532
FY20 Actual (Projection)	\$22,388	\$3,500	\$7,930
<u>FY21 Preliminary Budget</u>	<u>\$22,388</u>	<u>\$3,500</u>	<u>\$8,168</u>
%VAR Budget (FY20-FY21)	-1%	4%	8%
%VAR (FY20 Actual FY21 Budget)	0%	0%	3%
<u>FY22 Preliminary Budget</u>	<u>\$22,612</u>	<u>\$3,536</u>	<u>\$8,413</u>
%VAR Budget (FY20-FY21)	1%	1%	3%

Demographics and New economic models are eroding sales tax revenue. (Projections based on YTD actuals as of November 2019 and will be reviewed periodically)

Based on FY20 Actual claim as per RTC 12/5/2019 and 3% est. CPI

## Budget Assumptions: FTA 5307, STIC & TDA - STA

\$ In Thousands	FTA 5307	STIC	TDA – STA Operating
FY20 Budget	\$4,441	\$2,619	\$4,531
FY20 Actual (Projection)	\$4,441	\$2,619	\$4,523
<u>FY21 Preliminary Budget</u>	<u>\$4,583</u>	<u>\$2,703</u>	<u>\$4,494</u>
%VAR Budget (FY20-FY21)	3%	3%	-1%
%VAR (FY20 Actual FY21 Budget)	3%	3%	-1%
<u>FY22 Preliminary Budget</u>	<u>\$4,683</u>	<u>\$2,762</u>	<u>\$4,494</u>
%VAR Budget (FY20-FY21)	2%	2%	0%

As per FTA 2020 Apportionment Table, published in February 2020.

As per SCO estimate, provided in January 2020.

# FY21 and FY22 Operating Expenses

## Budget Assumptions: Personnel

- Wage Increase:

	FY21	FY22
Management	No Wage Increase	No Wage Increase
SEIU	1.5%	2.5%
SMART	3%	2.25%

- CalPERS Contribution (Employer Share):

	FY20	FY21	FY22
Normal Cost (% of Payroll)	9.4%	10.4%	10.4%
UAL Payment	\$4,044,782	\$4,434,223	\$4,902,000
Total as a % of Payroll	29.4%	32.8%	34.5%

- Medical Insurance: 5% increase effective in January of each Year

- Funded Personnel (Full Time Equivalent: FTE)

	FY20	FY21	FY22
326 FTEs	324 FTEs	323 FTEs	



## Budget Assumptions: Non-Personnel

- Most Non-Personnel Expenses are kept at or below their FY20 current budget level, except:

➤ Mobile Material and Supplies: 7.4% anticipated increase in FY21

\$ In Thousands	FY20	FY21	FY22
Fuel & Lubricants Rev Vehicles	\$1,500	\$1,600	\$1,600
Rev Veh Parts	\$900	\$1,000	\$1,000

Above increase is offset by:

➤ Services: 4.8% anticipated decrease in FY21, 4.6% decrease in FY22

Prof & Tech Fees	\$932	\$705	\$513
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- Total Non-Personnel Expenses are expected to increase **0.1%** in FY21 and decrease by **2.1%** in FY22

# FY21 and FY22 Transfers

6.10

## Budget Assumptions: Transfers

- **Transfers:**

	FY21	FY22
Transfers to Capital Budget (Measure D and STA)		
Transfers to Operating and Capital Reserve Fund (Fuel Tax Credit, CalPERS UAL & OPEB)		
	<b>\$3M Annual Commitments</b> to the Capital Budgets <b><u>are met in FY21 and FY22</u></b>	
	Operating Surplus, if available, would be committed to the UAL & OPEB Trust Fund.	

**Notes:**

- ✓ Projected operating surplus/deficit in some years could result in significant fluctuations in the Transfers to the Operating and Capital Reserve Fund

# Budget Timeline

## February 2020

**02-14-2020: Committee:** Presentation of FY21 and FY22 Preliminary Operating Budget Assumptions

## March 2020

### **03-13-2020: Committee:**

Presentation of FY21 and FY22 Preliminary Operating Budget, and FY21 Capital Budget

### **03-27-2020: Board Meeting:**

Adoption of the Preliminary line item budget in order to allow submittal of METRO's TDA and STA claims to the Santa Cruz County Regional Transportation Commission (SCCRTC) by the April 1<sup>st</sup> deadline.

## April 2020

Staff will continue to refine revenue and expense projections.

## May 2020

**1<sup>st</sup> week in May:** Budget Presentation to Union Partners

**05-08-2020: Committee:** Review and Recommend Approval of METRO's FY21 and FY22 Operating Budget, and FY21 Capital budget

### **05-15-2020: Board Meeting:**

Consideration of METRO's FY21 and FY22 Operating Budget, FY21 Capital Budget, and a Resolution setting a public hearing on June 26, 2020

## June 2020

**06-12-2020: Committee:** Review and Recommend Adoption of METRO's FY21 and FY22 Operating Budget, and FY21 Capital budget

**06-26-2020: Board Meeting:** Adoption of the Final FY21 and FY22 Budget

# Questions

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