



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)  
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MEETING MINUTES\*  
JUNE 11, 2021 – 8:00AM  
MEETING HELD VIA TELECONFERENCE**

A regular meeting of the Finance, Budget and Audit Standing Committee of the Santa Cruz Metropolitan Transit District (METRO) was convened on Friday, June 11, 2021, via teleconference.

The Committee Meeting Agenda Packet can be found online at [www.SCMTD.com](http://www.SCMTD.com). \*Minutes are “summary” minutes, not verbatim minutes. Audio recordings of Board meeting open sessions are available to the public upon request.

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1 **CALL TO ORDER** at 8:03 AM by Chair Lind

2 **ROLL CALL:** The following Directors were **present** via teleconference, representing a quorum:

<b>Director Shebreh Kalantari-Johnson</b>	<b>City of Santa Cruz</b>
<b>Director Manu Koenig</b>	<b>County of Santa Cruz</b>
<b>Board Chair Donna Lind</b>	<b>City of Scotts Valley</b>
<b>Director Mike Rotkin</b>	<b>County of Santa Cruz</b>

Alex Clifford  
Julie Sherman

METRO CEO/General Manager  
METRO General Counsel

METRO EMPLOYEES AND MEMBERS OF THE PUBLIC WHO VOLUNTARILY INDICATED THEY WERE PRESENT (IN ALPHABETICAL ORDER) WERE:

Chuck Farmer

METRO CFO

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

Director Rotkin commended METRO staff for their support of the Santa Clara Valley Transportation Authority (VTA) as they recover from their recent active shooter incident.

Hearing nothing further, Director Lind moved to the next agenda item.

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

Having none, Director Lind moved to the next agenda item.

5 **CONSIDERATION OF AUTHORIZING THE CEO TO EXECUTE A 2<sup>ND</sup> AMENDMENT EXTENDING THE CONTRACT WITH HANSON BRIDGETT FOR 7 YEARS**

Alex Clifford, CEO, spoke to the staff report and provided a brief description of the evolution to contracted legal counsel from in-house legal counsel.

Chair Lind and Director Rotkin expressed their appreciation for the support and services provided by General Counsel Sherman and extended staff at Hanson Bridgett.

In response to Director Rotkin's hypothetical inquiry regarding public bid legal obligation(s) with contracts of this nature, General Counsel Sherman provided brief historical information as to the laws governing services contract solicitations, highlighting the important aspects (length, options, etc.). This particular original contract is ever-green (continually renewing by mutual agreement) and it was drafted that way in the original solicitation. In her experience, the bid process for general counsel services varies from agency to agency; some go to bid every 5-10 years, others keep the(ir) same service in place for many, many years. CEO Clifford cited METRO's federal and state lobbyist contracts as examples of longstanding contracts.

Director Rotkin suggested METRO undertake a services cost comparison as the extended contract nears expiration, gauging market conditions in place at that time.

Director Kalantari-Johnson echoed her colleagues' comments pertaining to General Counsel Sherman's thoroughness and responsiveness. She asked why there had been no increase in CPI over the last five years. CEO Clifford explained that he and General Counsel Sherman annually discuss a CPI increase, noting it's been a mutual agreement not to increase the rates due, in part, to METRO's budget constraints.

There were no public comments.

**MOTION TO RECOMMEND THE FULL BOARD AUTHORIZE THE CEO TO EXECUTE A 2<sup>ND</sup> AMENDMENT EXTENDING THE CONTRACT WITH HANSON BRIDGETT FOR 7 YEARS AS PRESENTED**

**MOTION: DIRECTOR ROTKIN**

**SECOND: DIRECTOR KALANTARI-JOHNSON**

**Motion passed unanimously.**

**6 REVIEW UNCASHED CHECKS POLICY**

Chuck Farmer, CFO, spoke to the staff report and explained the intent of the proposed policy.

Director Kalantari-Johnson asked if METRO has a sense as to the cause of so many outstanding checks and if there is a more relevant method (other than newspaper) of communicating the issue without compromising privacy. CFO Farmer answered one contributing factor is the substantial increase in the quantity of checks issued and the fact that METRO's current financial system does not permit wire transfers or direct deposits. He is investigating potential communication methods with the Marketing Department.

Director Lind noted METRO may be unaware of any deceased recipients. CFO Farmer agreed this is a distinct possibility.

Holly Alcorn, Accounting Specialist, explained that the unclaimed employee checks are held at the County; and, unfortunately, CalPERS will not provide beneficiaries' names/contact information to provide any unclaimed check(s) to an estate. The largest outstanding check is \$1800 with an approximate total of \$4500 in unclaimed funds.

**MOTION TO RECOMMEND APPROVAL OF THE UNCASHED CHECKS POLICY TO THE BOARD OF DIRECTORS AS PRESENTED**

**MOTION: DIRECTOR ROTKIN**

**SECOND: DIRECTOR KALANTARI-JOHNSON**

**Motion passed unanimously.**

**7 MONTHLY FINANCIAL UPDATE**

Chuck Farmer, CFO, added commentary to the presentation.

There were no public comments.

**8 REVIEW & RECOMMEND ADOPTION OF THE FINAL FY22 & FY23 BUDGET**

Chuck Farmer, CFO, spoke to the presentation, highlighting the changes since the May 21<sup>st</sup> board meeting. He drew the assembly's attention to the new bucket slide on page 8A.19, entitled, "UAL & OPEB Shortfall".

There was discussion among the assembly regarding staffing changes. CEO Clifford noted the Union had no questions during the recent presentation; he believes any concerns have been resolved. He also reminded the assembly that there have been no layoffs or furloughs.

Chair Lind asked about the potential of issuing a bond to cover the anticipated pension fund needs. CFO Farmer is actively analyzing this and hopes to present some UAL expense options to the Committee and Board in August 2021.

Public comments.

SEIU-SEA Vice President, Holly Alcorn, said the Union is working with management on the Customer Service position and is looking forward to reaching an agreement. The elimination of the Provisional Transportation Planner position influenced that employee's decision to relocate. The Union is hopeful another can assume his duties. The Union supports the other position decisions.

**MOTION TO RECOMMEND APPROVAL OF THE FINAL FY22 & FY23 BUDGET TO THE BOARD OF DIRECTORS AS PRESENTED**

**MOTION: DIRECTOR KOENIG**

**SECOND: DIRECTOR ROTKIN**

**Motion passed unanimously.**

**9 ORAL INTRODUCTION OF THE ENTERPRISE RESOURCE PLANNING (ERP) PROJECT**

Chuck Farmer, CFO, briefly introduced the ERP project METRO will be undertaking. The intent is to implement one agency-wide system to obtain accurate financial and informational data within one schema or database. The initial emphasis will be on the older accounting, procurement, HRIS and Payroll systems that have been repurposed over the years and no longer communicate with each other. This inability to communicate results in a lot of manual data manipulation fraught with error and, ultimately, higher expense in terms of payroll, postage and physical supplies, paper, etc. The first step is to hire a consultant to assist with the RFP and to examine current systems to propose a packaged solution with delineated requirements to avoid future expensive customizations.

Citing his experience at UCSC as an example of technology projects undertaken, Director Rotkin offered a word of caution and the unanticipated time and expense required to implement a new agency-wide system.

CEO Clifford added the recent CFO recruitment included identifying a candidate with ERP implementation experience resulting in a strong collaboration between METRO's CFO and IT/ITS Director, Isaac Holly, working together toward a common goal.

Mr. Holly is confident METRO can, through a phased approach, identify and implement an agency-wide system. Customization has been the bane of METRO's existence. Looking at the business processes first is a logical way to approach this undertaking, and avoiding customization will be key to a successful project.

Director Koenig understands the necessity to update the system and asked what are the opportunities for savings after the system is fully implemented; e.g., direct deposits versus issuing paper checks. CFO Farmer said savings are anticipated through reducing paper use, postage, fewer manual labor hours, etc. Having accurate data will also enable cost savings. Although exact pricing is unknown at the current time, we anticipate lower licensing costs. Job roles could change through the implementation of a new system with the workforce adjusting to conform to the nature of the system and sun setting some internal systems to avoid expensive customization and reinvesting work hours into new activities. We will be examining METRO's internal processes and the correlation to the new system.

Director Koenig recommended an incremental approach to implementation. Mr. Holly noted finance and/or procurement will be among the first segments to be introduced. A big component of the RFP and scope of work is scalability.

A tangible system is not anticipated for the next year and a half.

There were no public comments.

#### **10 CEO ORAL REPORT / COVID-19 UPDATE**

Alex Clifford, CEO/General Manager, provided a brief update on the following:

- Onsite voluntary COVID testing is ongoing
- METRO has had no new COVID positive tests since March 18
- Continued COVID protective measures with incremental capacity increases
- Continued struggle with the Centers for Disease Control & Prevention, California Department of Health, CalOSHA and Santa Cruz County Health Department changing and often conflicting requirements

There were no public comments:

#### **11 ADJOURNMENT**

Director Lind adjourned the meeting at 9:17AM.

Respectfully submitted,

Gina Pye

Executive Assistant