



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MEETING MINUTES*
APRIL 9, 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, April 9, 2021, via teleconference.

The Committee Meeting Agenda Packet can be found online at 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 8:03AM by Chair Lind

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

Director Shebreh Kalantari-Johnson
Director Manu Koenig
Board Chair Donna Lind
Director Mike Rotkin

City of Santa Cruz
County of Santa Cruz
City of Scotts Valley
County of Santa Cruz

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**

Hearing none, 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 **MONTHLY FINANCIAL UPDATE**

Chuck Farmer, CFO, spoke to the presentation.

In response to Director Rotkin’s suggestion, CFO Farmer will rename “fringe benefits” column to “benefits”.

Marketing safety suggestions and the aid of Committee Members to increase ridership were proposed; e.g., there has never been any transmission traced back to METRO.

Cabrillo students will begin a two-week voting period on Monday, April 12, with results anticipated in mid-May. One ballot issue is the \$40 student transit fee. Director Rotkin, John Urgo and Eduardo Montesino met to discuss opportunities to provide factual information about the fee. Cabrillo's President has offered to meet if the vote fails. UCSC and Cabrillo students represent 60% of METRO's ridership. Director Rotkin noted UCSC is predicting near 100% in person classes in the fall. In anticipation of UCSC returning to in person classes in the fall, METRO recruited and started a new Operator class to meet the increased ridership demand.

CFO Farmer explained expenses are running lower than prior years' due to a combination of vacant positions, reduced overtime and a lower number of service hours at the beginning of the pandemic. Service is slowly being restored. We are now at 80% of service.

There were no public comments.

6 UPDATES OF SCHEDULE OF RESERVE BALANCES AND OPEB AND UAL LIABILITIES

Chuck Farmer, CFO, provided brief commentary to the presentation, noting METRO is one of the few agencies currently offering OPEB to their employees.

The purpose and logistics of being self-insured were discussed. CEO Clifford and CFO Farmer will provide more detailed information about insurance under separate cover as requested by Director Rotkin. An updated slide will be presented at a future committee meeting.

METRO will return to the Committee and Board in August with OPEB and pension funding opportunities and recommendations.

Public comment:

In response to James Sandoval's questions, CFO Farmer explained METRO pays OPEB on a pay as you go method. With the Pension, METRO pays the current portion plus interest due to under funding. The actuarial view of the total value over time is ~\$124M for OPEB and ~\$64M for Pension. If METRO begins funding now, this amount could be dramatically reduced over time. It will take 10-20 years to reach balance.

7 REVIEW OF STRUCTURAL DEFICIT

Chuck Farmer, CFO, provided brief commentary to the presentation noting METRO is currently running down a path to become structural deficit unless additional funding or cost reductions occur.

Public comment:

Eduardo Montesino said the recent increase in retirees contributed to the higher pension rate. METRO's workforce today is younger; so, he does not see the current rate continuing which would result in lower costs.

CFO Farmer responded yes, the costs would go down, but the costs would continue to exceed revenue as shown. Pension is not about retirees; it is about the number of participants, their pay rate and their age. Overall costs will increase with additional participants.

CEO Clifford emphasized that the early retirements have some impact, but that does not affect the slope of the revenue and/or expenses as shown. Actuarial expenses show an increase in life longevity, expenses, etc.

Public comment:

Holly Alcorn asked if the \$26M from the federal government assistance is included in the assumptions. CEO Clifford answered yes; this amount is depicted in the chart where expenses outpace revenues. CFO Farmer added this is one reason METRO is not facing a fiscal cliff until FY27. Director Rotkin noted METRO does not count on non-guaranteed revenue; e.g., Congressional plus-ups.

8 **CEO ORAL REPORT / COVID-19 UPDATE**

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

- METRO is focusing on increasing non-student ridership, which is 79% lower than the prior year. For the week ending April 4, 2021, there were 21K riders; this is the highest increase since ridership plummeted in March 2020.
- METRO has not had a COVID-positive since March 15, 2021, and February 1st before that.
- Staffing shortages due to METRO employees receiving second vaccines and taking advantage of California's new sick leave (SPSL), especially going "open-ended" or putting in for SPSL the day before their second vaccination, have resulted in cancelled service – numerous routes impacted; similar to that experienced at the end of CY2020 when FFCRA paid leaves were taken in the last few weeks of December 2020 because FFCRA was expiring December 31, 2020. It only takes a small increase in absenteeism to disrupt the delivery of service. For example, on Friday, April 9th, 15 Bus Operators were out on SPSL. A normal day's absenteeism for sick is 1-3 Bus Operators.
- Pass-ups are increasing as the county re-opens. Effective May 1, we will increase seating capacity to 25 seated passengers on a 40' bus and 17 seated passengers on a 35' bus.
- Governor Newsome announced a new green tier and planned re-opening of California on June 15. METRO may return to 100% bus capacity on June 15th.

Public comments:

James Sandoval asked that METRO continue physically blocking seats when bus capacity is increased. It is difficult for the Operators to enforce capacity limits when counting passengers with the barriers in place.

CEO Clifford responded that the seat blocks will come down on May1st and the between row plastic barriers may come down on June 15th.

9 **ADJOURNMENT**

Director Lind adjourned the meeting at 9:50AM.

Respectfully submitted,

Gina Pye

Executive Assistant