SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO) FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MEETING AGENDA
SEPTEMBER 11, 2020 – 8:00AM

DUE TO COVID-19, THE SEPTEMBER 11, 2020 SANTA CRUZ METRO FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MEETING WILL BE CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20, WHICH SUSPEND CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT.

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON.

Directors, staff and the public may participate remotely via the Zoom website at this link and entering this pass code (508927) or by calling 1-669-900-9128 Meeting ID 874 0680 0419.

Public comment may be submitted via email to boardinquiries@scmtd.com. Please indicate in your email the agenda item to which your comment applies. Comments submitted before the meeting will be provided to the Directors before or during the meeting. Comments submitted after the meeting is called to order will be included in the Board's weekly correspondence that is posted online at board meeting packet link.

The Finance, Budget and Audit Standing Committee Meeting Agenda Packet can be found online at www.SCMTD.com.

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

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. If you wish to address the Committee, please

follow the directions at the top of the agenda. If you have anything that you wish distributed to the Committee and included for the official record, please include it in your email. Comments that require a response may be deferred for staff reply.

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

5   **MONTHLY FINANCIAL UPDATE**
Angela Aitken, CFO

6   **REQUEST AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS FOR AN ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM CONSULTANT**
Angela Aitken, CFO

7   **COVID-19 TRANSIT FISCAL CRISIS ORAL REPORT**
Alex Clifford, CEO

8   **ADJOURNMENT**

Accessibility for Individuals with Disabilities

This document has been created with accessibility in mind. With the exception of certain 3rd party and other attachments, it passes the Adobe Acrobat XI Accessibility Full Check. If you have any questions about the accessibility of this document, please email your inquiry to accessibility@scmtd.com. Upon request, Santa Cruz METRO will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested at least two days before the meeting. Requests should be emailed to boardinquiries@scmtd.com or submitted by phone to the Executive Assistant at 831.426.6080. Requests made by mail (sent to the Executive Assistant, Santa Cruz METRO, 110 Vernon Street, Santa Cruz, CA 95060) must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.

Public Comment

If you wish to address the Board, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Board and included in the official report, please include it in your email. Comments that require a response may be deferred for staff reply.

Year to Date Monthly Financial Report as of June 30, 2020

Santa Cruz METRO Board of Directors

September 11, 2020

Angela Aitken, Chief Financial Officer

5.1

FY20 Operating Revenue and Expenses*

For the Month Ending June 30, 2020
100% of Fiscal Year Elapsed

$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
Operating Revenue:	$25,674	$5,791	$19,883
Operating Expenses:			
Labor - Regular	$1,184	$1,456	$272
Labor - Overtime	$32	$155	$123
Fringe Benefits	$2,705	$1,572	($1,133)
Non-Personnel Expenses	$606	$789	$183
Total Operating Expenses:	$4,527	$3,973	($555)
Transfers:	($18,803)	($3,163)	$15,640
Operating Balance:			$3,688

*Preliminary pre-audit numbers
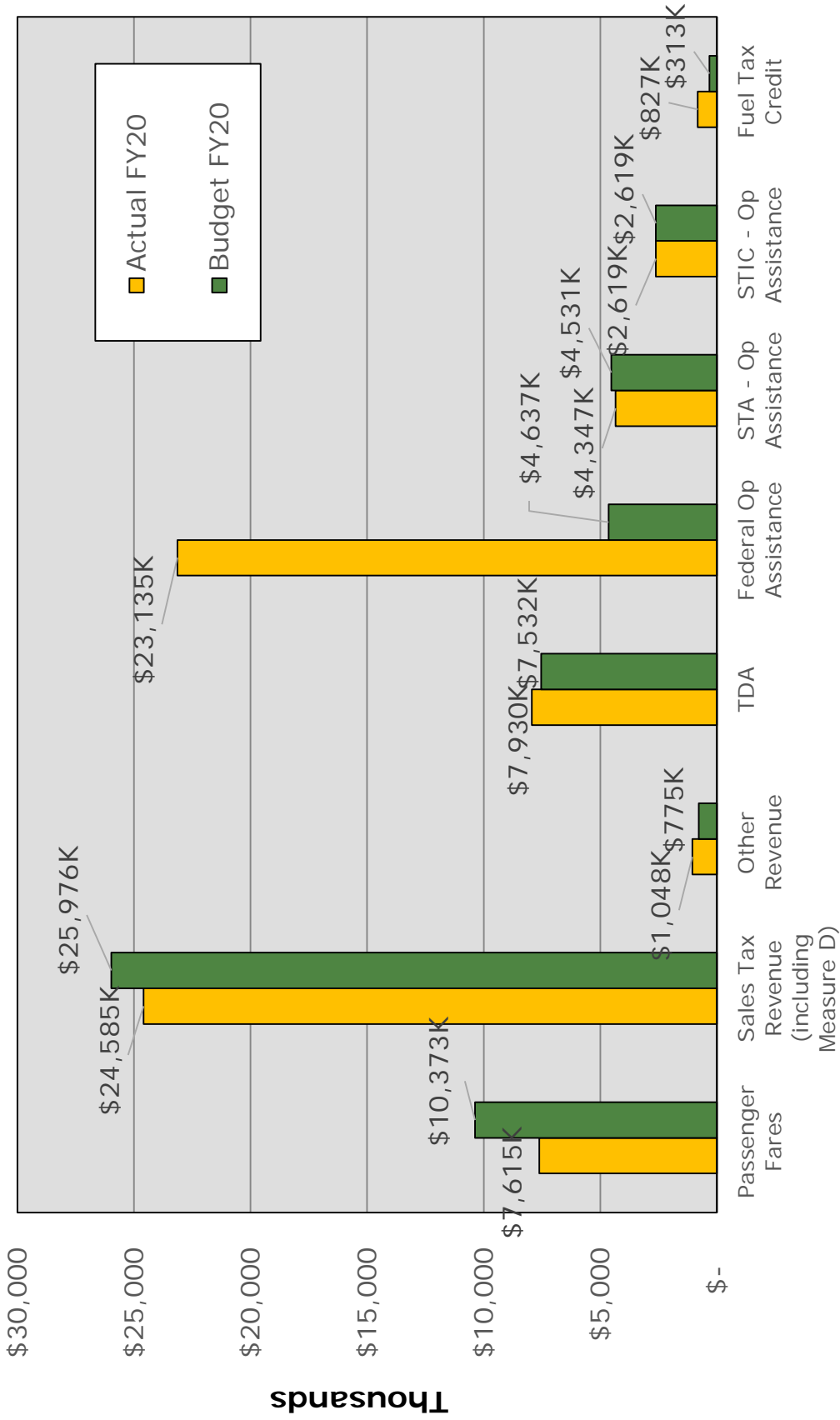
5.2

FY20 Operating Revenue and Expenses*

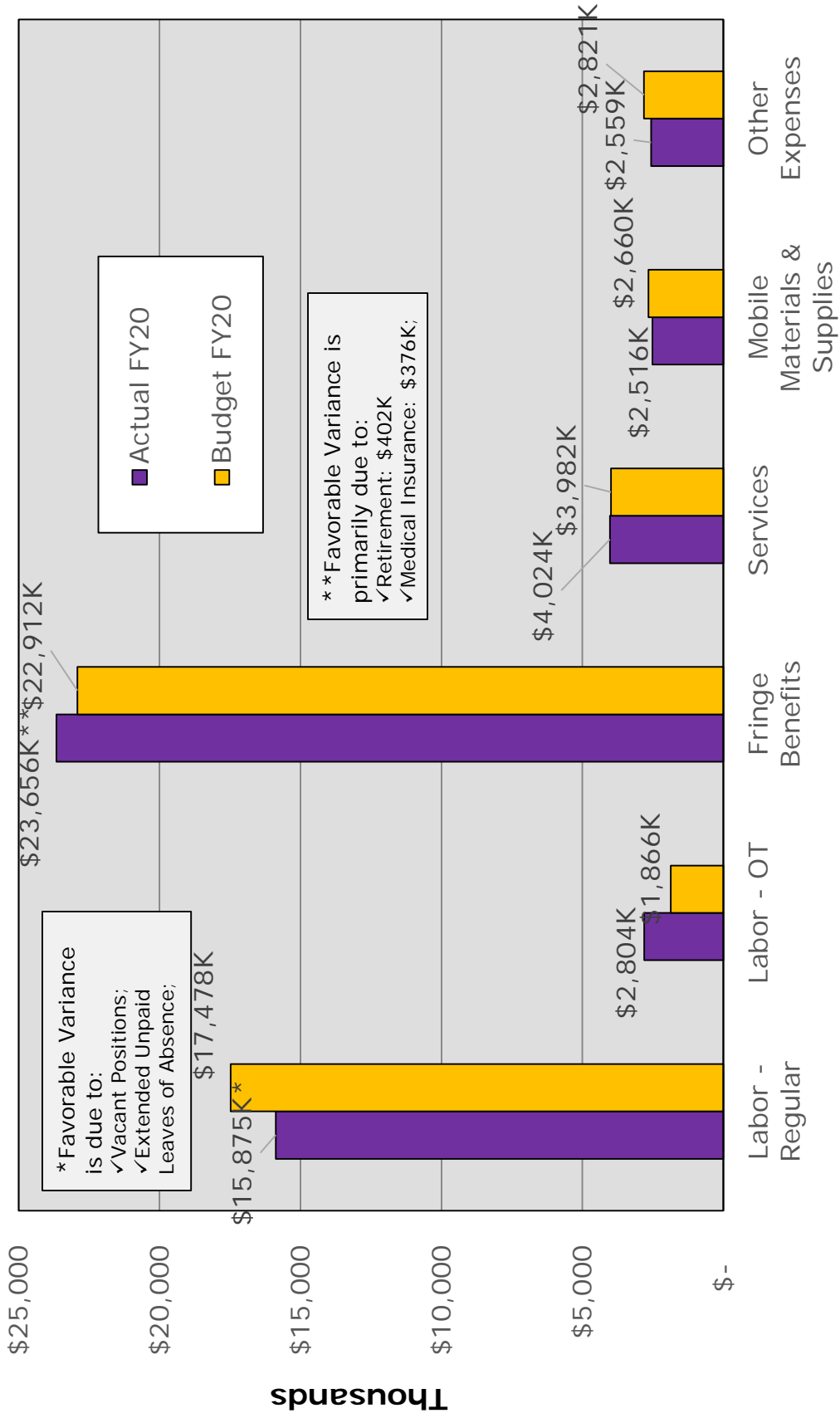## Year to Date as of June 30, 2020

100% of Fiscal Year Elapsed

$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
Operating Revenue:	$72,105	$56,756	$15,349
Operating Expenses:			
Labor - Regular	$15,875	$17,478	$1,603
Labor - Overtime	$2,804	$1,866	($938)
Fringe Benefits	$23,656	$22,912	$744
Non-Personnel Expenses	$9,100	$9,463	$363
Total Operating Expenses:	$51,435	$51,718	$283
Transfers:	($20,671)	($5,039)	$15,632
Operating Balance:	$0	$0	$0

*Preliminary pre-audit numbers

5.3

FY20 Operating Revenue by Major Funding Source Year to Date as of June 30, 2020:
100% of Fiscal Year Elapsed

Legend: Actual FY20 (yellow), Budget FY20 (green)

Funding Source	Actual FY20	Budget FY20
Passenger Fares	$7,615K	$10,373K
Sales Tax Revenue (including Measure D)	$24,585K	$25,976K
Other Revenue	$1,048K	$775K
TDA	$7,930K	$7,532K
Federal Op Assistance	$23,135K	$4,637K
STA - Op Assistance	$4,347K	$4,531K
STIC - Op Assistance	$2,619K	$2,619K
Fuel Tax Credit	$827K	$313K

5.4

FY20 Operating Expenses by Major Expense Category Year to Date as of June 30, 2020
100% of Fiscal Year Elapsed

Legend:
- Actual FY20
- Budget FY20

*Favorable Variance is due to:
✓Vacant Positions;
✓Extended Unpaid Leaves of Absence;

**Favorable Variance is primarily due to:
✓Retirement: $402K
✓Medical Insurance: $376K;

Labor - Regular: $15,875K* $17,478K
Labor - OT: $2,804K $1,866K
Fringe Benefits: $23,656K** $22,912K
Services: $4,024K $3,982K
Mobile Materials & Supplies: $2,516K $2,660K
Other Expenses: $2,559K $2,821K

Y-axis (Thousands): $-, $5,000, $10,000, $15,000, $20,000, $25,000

5.5

FY20 Transfers
Year to Date as of June 30, 2020
100% of Fiscal Year Elapsed

Thousands

Legend:
- Actual FY20
- Budget FY20

Transfers to COVID Reserves*
- Actual FY20: $17,567K
- Budget FY20: $0K

Transfer to Operating and Capital Reserve Fund
- Budget FY20: $2,670K
- Actual FY20: $827K

Transfer to Capital Budget (TDA-STA-Operating, Includes SB1)
- Budget FY20: $323K
- Actual FY20: $274K

Transfer to Capital Budget (2016 Net Sales Tax Measure D)
- Budget FY20: $2,046K
- Actual FY20: $2,003K

Axis: $0, $2,000, $4,000, $6,000, $8,000, $10,000, $12,000, $14,000, $16,000, $18,000, $20,000
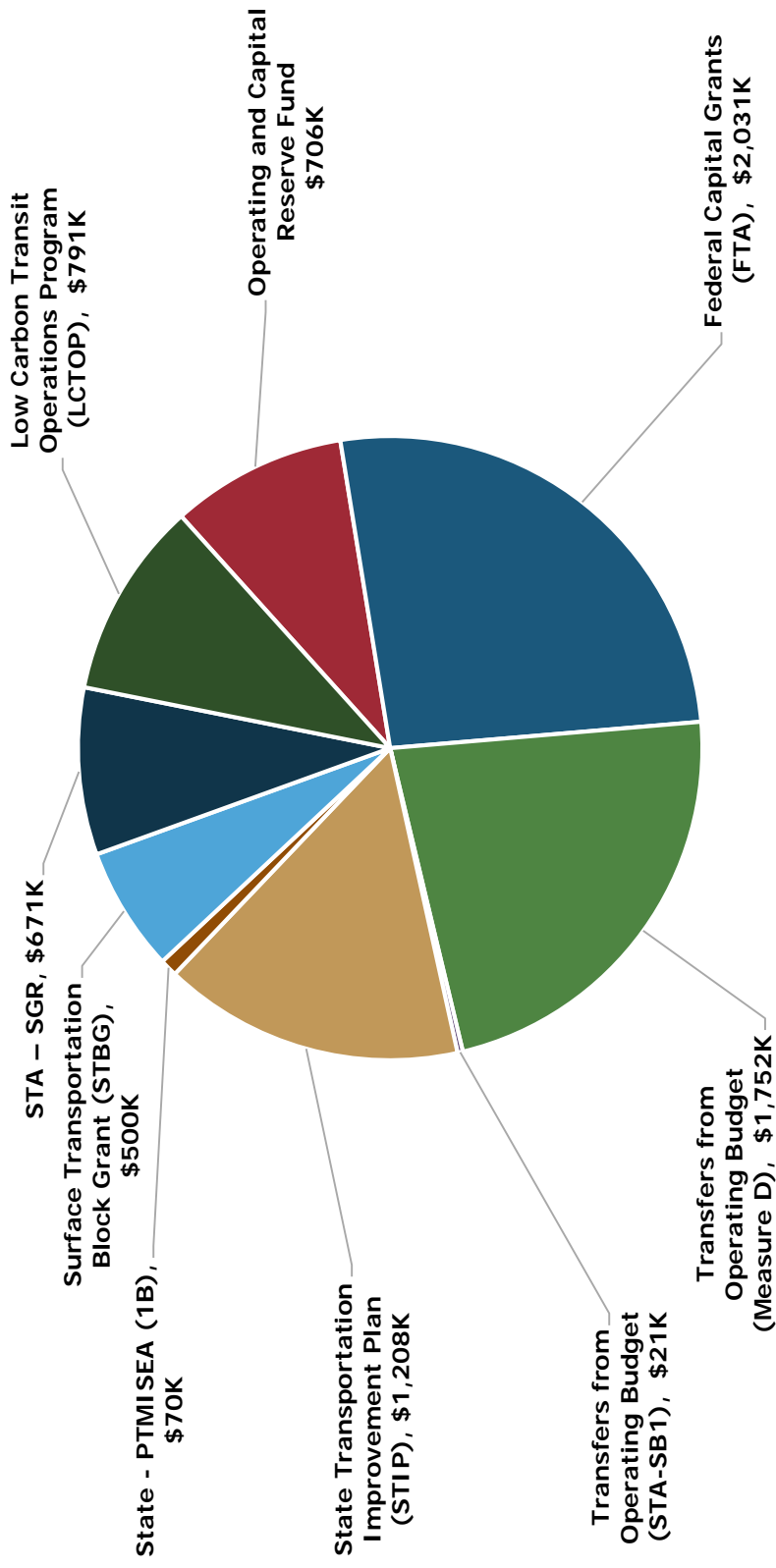
* METRO will reinvest the funds into the FY21 Operating budget, to sustain services to the greatest extend possible during the economic recovery, or until these funds are exhausted. Source is comprised of METRO's 1979 Local Sales Tax and 2016 Measure D Sales Tax, TDA-STA, TDA-LTF and Farebox revenues, as presented to the BOD on June 26, 2020.

5.6

FY20 Capital Budget:

Spending Year to Date (by Funding Source) as of June 30, 2020*

100% of Fiscal Year Elapsed

	Actual YTD	Total FY20 Budget	% Spent YTD
Total Capital Funding:	$7,750,816	$33,607415	23%

Low Carbon Transit Operations Program (LCTOP), $791K

Operating and Capital Reserve Fund $706K

Federal Capital Grants (FTA), $2,031K

STA – SGR, $671K

Surface Transportation Block Grant (STBG), $500K

State - PTMI SEA (1B), $70K

State Transportation Improvement Plan (STIP), $1,208K

Transfers from Operating Budget (STA-SB1), $21K

Transfers from Operating Budget (Measure D), $1,752K

Actual YTD

*Preliminary pre-audit numbers

5.7

FY20 Capital Budget:

Spending Year to Date as of June 30, 2020*

100% of Fiscal Year Elapsed

	Actual YTD	Total FY20 Budget	% Spent YTD
Total Capital Projects:	$7,750,816	$33,607,415	23%

Revenue Veh Replacement & Campaigns – Electrification Projects, $879K

Non-Revenue Vehicle Purchases & Replacements, $25K

Fleet & Maintenance Equipment, $81K

Office Equipment, $9K

Misc., $75K

Construction Related Projects, $37K

IT Projects, $6K

Facilities Repair & Improvements Projects, $548K

Revenue Veh Replacement & Campaigns, $6,091K

Actual YTD

*Preliminary pre-audit numbers

5.8
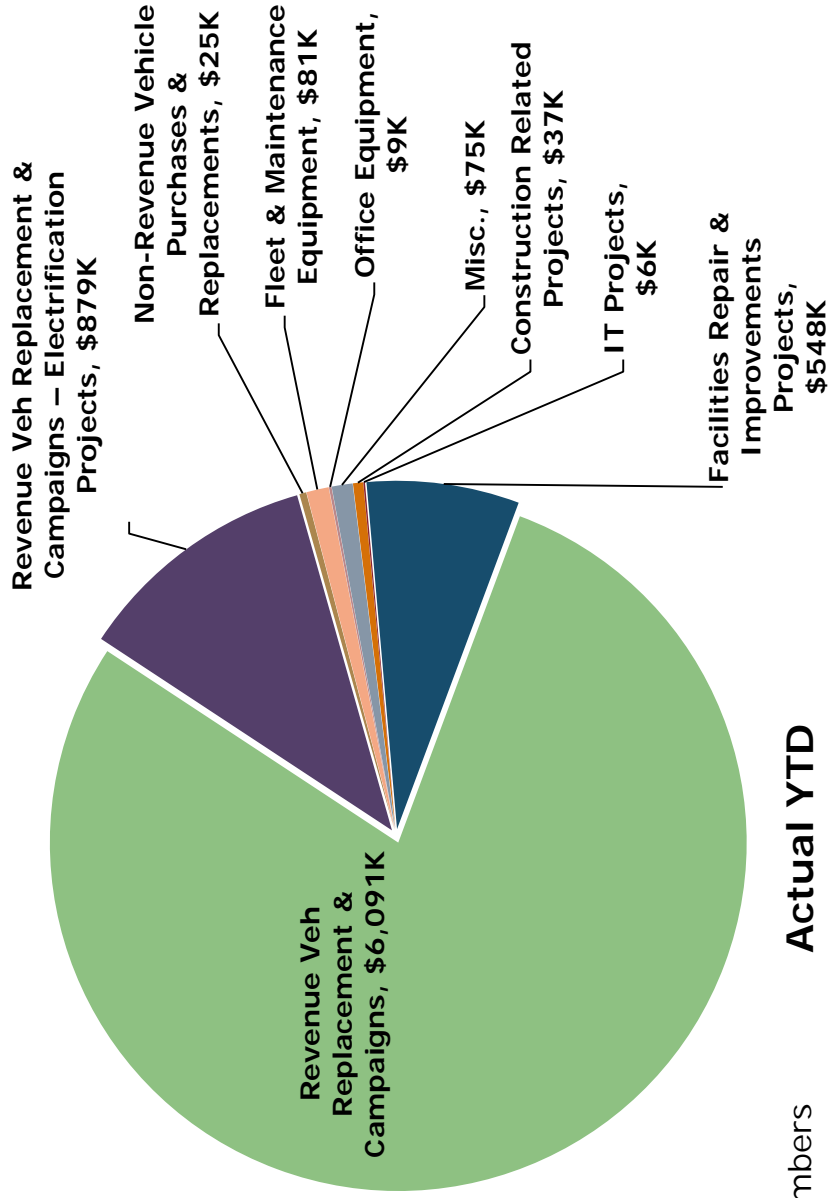
Additional Information

Economic Indicators & Ridership:

Unemployment Rate %
Santa Cruz County
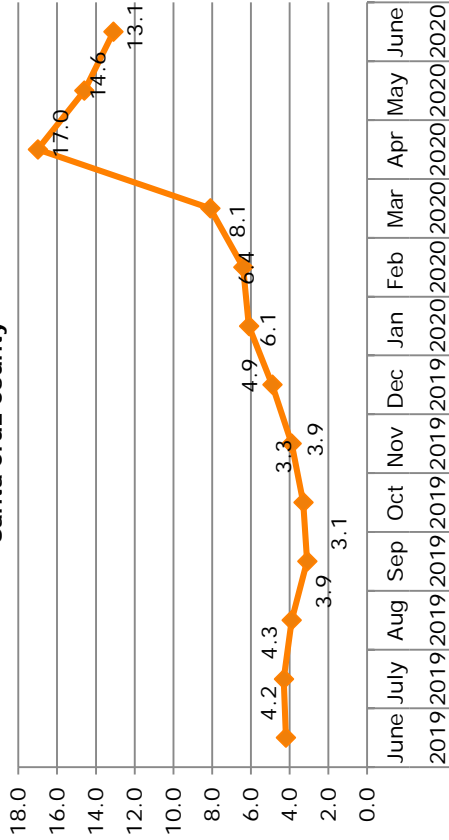
$ Diesel/Gasoline per Gallon
San Francisco – Oakland – San Jose

Enrollment Information

	Spring (Total On-campus)		
	2018/19	2019/20	% Change
UCSC	17,980	17,696	-1.6%
	Fall*		
	2018/19	2019/20	% Change
Cabrillo	11,490	12,548	9.2%

*Actual Spring 2020 enrollment for Cabrillo will be available later in the year.
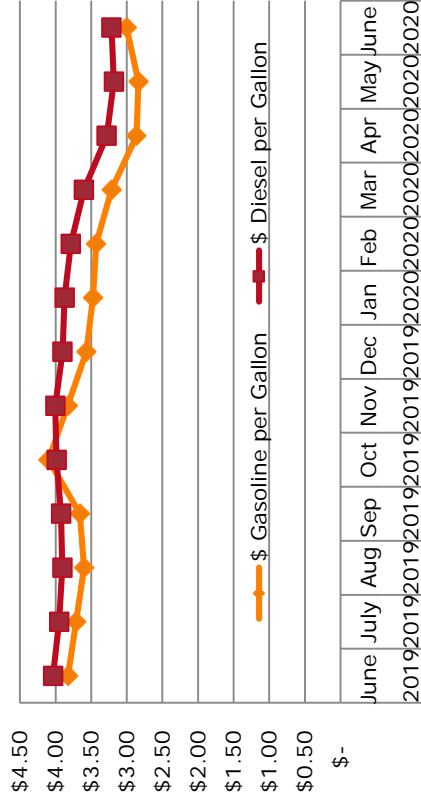
FY19-20 Ridership: June YTD			
Ridership	FY19	FY20	% Change
Total	5,045,972	3,540,268	-29.8%
Hwy 17	285,508	199,881	-30.0%
Local	4,760,464	3,340,387	-29.8%
UCSC	2,664,040	1,732,456	-35.0%
Cabrillo	309,164	220,062	-28.8%
Non-Student	1,787,260	1,387,869	-22.3%

5.10

FY21 Operating Revenue, Expenses, and Transfers:
Year to Date as of July 31, 2020: PRELIMINARY:
8% of Fiscal Year Elapsed

$ In Thousands	Actual	Budget	Budget to Actual Favorable/ (Unfavorable)
Revenue:	$2,888	$3,235	($347)
Operating Expenses:			
Personnel Expenses	$7,431	$7,845	$414
Non-Personnel Expenses	$362	$803	$441
Total Operating Expenses:	$7,793	$8,648	$855
Transfers:			
Transfers to Capital Budget	($222)	($174)	$48
Transfers to Operating and Capital Reserve Fund	$0	$0	$0
Total Transfers:	($222)	($174)	$48
Operating Balance:	$0	$0	$460

5.11

Questions

5.12

Santa Cruz Metropolitan
Transit District

DATE: September 11, 2020

TO: Finance, Budget and Audit Standing Committee

FROM: Angela Aitken, CFO

SUBJECT: REQUEST AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS FOR AN ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM CONSULTANT

I.   RECOMMENDED ACTION

That the Board of Directors authorize the Purchasing Manager to issue a formal Request for Proposals (RFP) for a project oversight and advisory consultant to assist METRO in assessing current computer-based resources and processes and to develop a bid document for a new ERP and to oversee its implementation

II.   SUMMARY

- The Santa Cruz Metropolitan Transit District (METRO) has a need for a robust Enterprise Resource Planning (ERP) system with Maintenance Support Options.

- Current systems do not all interface with each other.

- Some current systems are reaching the end of their useful life and are no longer supported by their manufacturer.

- Staff is requesting that the Board of Directors (Board) authorize the Purchasing Manager to issue a formal Request for Proposals (RFP) for a project oversight and advisory consultant to assist METRO in assessing current computer-based resources and processes and to develop a bid document for a new Enterprise Resource Planning (ERP) system and to oversee its implementation.

III.   DISCUSSION/BACKGROUND

The Santa Cruz Metropolitan Transit District (METRO) has a need for an ERP encompassing, but not limited to, the following key components: Financial Module, Budget Module, Procurement Module, Human Capital Management Module, and Timekeeping & Payroll Module.

6.1

The most immediate need is the replacement of the Financial Information System (FIS). The current Financial System was purchased in the late 1990's. A "front end – upgrade" eliminated the "green screen" and allowed the system to move to a Windows-based front end around 2009, but processes and reporting functionality were not changed nor enhanced.

METRO's Finance Department is able to have two years of financial information available electronically on the current system at one time, but no older historical information is electronically accessible on the current system; it is only available via tape backups.

Excessive manual data entry is needed to use the current system; and, there is no ability to scan in documentation that references financial transactions. Reporting out of the current system is limited and manually intensive.

METRO's Finance Department also continues to be heavily dependent upon spreadsheets. This is not a best practice due in part to the potential vulnerability of spreadsheets, which includes the potential of the data being corrupted and the individuality of the techniques utilized by the spreadsheet creator.

The current Financial System does not have a Budget Component and the Operating and Capital Budgets for METRO are entirely developed and maintained in Microsoft Excel.

The current procurement system was implemented in 2010 and is no longer supported as of late 2020. Additionally, the procurement system is not integrated with METRO's financial system.

The current fixed asset managements system was implemented over ten years ago and is a single user asset depreciation platform, also not integrated with the existing financial system.

Additionally, METRO's human capital management, payroll and timekeeping systems should be assessed and a roadmap for future modifications and improvements should be defined.

Staff is requesting that the Board authorize the Purchasing Manager to issue a formal Request for Proposals (RFP) for a project oversight and advisory consultant to assist METRO in assessing current computer-based resources and processes, to develop a bid document for a new ERP, and to oversee its implementation. The consultant will assist in identifying the most immediate replacement needs and any potential phasing of the replacement software/modules.

Human Capital Management and Timekeeping & Payroll Modules are also being looked at for potential incorporation into the new ERP system for a more efficient and integrated system.

IV. STRATEGIC PLAN PRIORITIES ALIGNMENT

This action pertains to METRO's Financial Stability, Stewardship & Accountability and Internal and External Technology priorities.

V. FINANCIAL CONSIDERATIONS/IMPACT

The required funding in the amount of $30,000 is included in the FY21 current fiscal year's finance operating budget within the professional technical fees (503031) account. It is likely that the consultant assistance will span over multiple fiscal years, and as such, will be budgeted in each annual budget cycle.

VI. ALTERNATIVES CONSIDERED

The Board may choose not to issue a formal Request for Proposals to secure a project oversight and advisory consultant contract

o   This alternative is not recommended by staff as current requests for financial information are not being met or continue to take an exorbitant amount of staff time to create.

VII. ATTACHMENTS

Attachment A: ERP Consultant Scope of Work

Prepared by: Isaac Holly, IT & ITS Director
                   Kristina Mihaylova, Finance Deputy Director
                   Angela Aitken, CFO

6.4

VIII. APPROVALS

Approved as to fiscal impact:
Angela Aitken, CFO

Alex Clifford, CEO/General Manager

6.4

ERP Consultant Project Overview and Environment

Agency Overview

The Santa Cruz Metropolitan Transit District ("Santa Cruz METRO" or "METRO") is the sole public transit operator in Santa Cruz County, and operates its transit services through four (4) transit centers located at: Pacific Station in downtown Santa Cruz, 920 Pacific Avenue, Santa Cruz, CA 95060; Watsonville Transit Center, 475 Rodriguez Street, Watsonville, CA 95076; Bart Cavallaro Transit Center, 246 Kings Village Drive, Scotts Valley, CA 95066; and Capitola Mall, 1855 41st Avenue, Capitola, CA 95010. It has a fleet of 94 buses and operates 25 routes. Santa Cruz METRO also provides paratransit services utilizing a fleet of shuttles and mini-vans. Santa Cruz METRO's service area is the entire county, an area of 441 square miles, with a population of 274,255 (according to the 2018 United States Census). Santa Cruz METRO was formed in 1968 and is a local public agency. As a recipient of Federal Transit Administration funding, Santa Cruz METRO is required to include certain clauses in its procurements, which the selected Contractor is required to follow.

Project Overview

METRO is seeking proposals from qualified consultants to provide RFP development, project implementation oversight and advisory services related to the district's new Enterprise Resource Planning (ERP) System software selection and implementation project. The system elements METRO envisions replacing are:

- Accounting Suite & Budgeting Component
- Purchasing System
- Fixed Asset Management

Additionally, the consultant shall evaluate the following systems for integration and possible replacement:

- Human Resource Information System (HRIS)
- Timekeeping System
- Payroll System

System Overview

METRO's current Finance related software consists of the following subsystems:

- **<u>Accounting</u>**

  American Business Systems (ABS) - Accounting suite containing the following modules:
  - Accounts Receivable
  - Accounts Payable
  - General Ledger

  This system was originally purchased and implemented approximately 15 years ago and is still supported by the vendor. The system is not directly integrated with other subsystems and is very antiquated by today's standards with regard to administration, interface and reporting capabilities.

6A.1

- **Procurement**

  Puridiom – Purchasing system that provides the following:
    o Requisitioning
    o Purchase Orders

  This system was implemented in 2010 and is no longer supported as of late 2020.

  Bonfire – Sourcing system
    o Solicitations
    o Contract Management

  This SaaS-based system was implemented in early 2020 to streamline METRO's solicitation process.

- **Fixed Asset Management**

  Sage Fixed Assets – Fixed assets system with the following function:
    o Depreciation

  This system was implemented over 10 years ago and is a single user asset depreciation platform.

- **HRIS**

  Epicor HCM – HRIS which provides the following:
    o Personnel information
    o Performance tracking
    o Pay rate management
    o Benefits tracking
    o Intranet

  This system was originally implemented in 2015 and is hosted on premises with a SQL database backend and IIS based web interface.

  NEOGOV – Recruitment system:
    o Applicant web portal
    o Equal Employment Opportunity (EEO) reporting
    o Class specifications (Job descriptions)

  This SaaS-based system was implemented in early 2019 as a replacement to the Epicor candidate portal.

- **Payroll & Timekeeping**

  iSolved Timeforce – Timekeeping system:
    o Employee timekeeping

  This system was implemented in early 2008 and has gone through several version upgrade cycles.

  Paytime – Payroll middleware developed in-house:
    o Processes timekeeping data for upload to a third party payroll processor

6A.2

This system was developed in-house in 2018 as a replacement to a legacy system.

Project Drivers

The following are considerations that are driving this project and the decisions of the executive team:

- The current environment is considered a legacy software solution that lacks subsystem integration and consists of elements that have reached their end of life.
- Management requires better and more flexible access to data, information and reporting than is currently unavailable, significantly restricted, or requires custom programming to obtain.
- METRO personnel find the current systems difficult to use and understand, which significantly increases the time it takes for new employees to be productive.
- Management is excessively dependent upon spreadsheets for capital asset tracking, capital finance and grants tracking and other FIS analytics, to name a few.
- As a result of current limitations to functionality and access to data, METRO personnel have developed work-around processes that are impacting Santa Cruz METRO business and are difficult to support.

Project Staffing

The project will have an ERP Steering Committee consisting of the Chief Financial Officer (CFO), IT and ITS Director, and representatives of each appropriate METRO department. This team will represent all executive level decision-making for the project. The designated project team staff will be available on a project-need basis, while sharing time with normal job duties. It is recognized there may be additional needs for staffing based upon consultant recommendations.

Scope of Work (high level)

1. Review METRO's current computer-based systems, software, modules and workflow processes, both manual and computer.

2. Work with METRO staff to develop and document detailed existing (as is) and proposed (to be) functional and data requirements, including business process work flow for all METRO departments for the new ERP software and the prioritization of system replacements and new software/module integration.

3. Identify METRO internal process changes that will help minimize ERP software customizations – strive of "off the shelf" software.

4. Prepare a detailed Request for Proposals (RFP) to be issued by METRO for the new ERP software environment and implementation services that will allow for thorough comparison of all qualified vendors. The RFP must be prepared in compliance with METRO Purchasing Policies and Procedures and applicable California Government Codes and Statutes.

5. Lead the METRO through the ERP software selection process including coordinating software demonstrations and on-site visits. Assist with the identification of potential risks and issues to ensure the METRO makes a selection decision that achieves METRO's ERP requirements.

6. Participate in contract negotiations with the selected vendor to ensure a performance-based contract, where milestones are paid when accomplished.

6A.3

7. Guide METRO through the implementation of the selected software and assist with the identification and assessment of process changes necessary for a successful ERP software roll-out.

8. Perform the duties of an Executive Project Manager through all phases of this project, ending with the successful implementation of the new ERP software.

    a. Act as a liaison between the steering committee stakeholder team, project team, vendor(s) and METRO staff.

    b. Work with vendor and project team to develop and manage a comprehensive project plan, detailing project stages, milestones and resources.

    c. Manage the change management process with oversight from the CFO for both the project and the selected vendor contract.

    d. Ensure adequate knowledge transfer to METRO staff to configure, manage, operate and support the new ERP environment.

    e. Provide project status reports, deliver presentations, act as public information officer to media, Council, Boards & Commissions, other outside agencies, and citizens, as deemed appropriate by the steering committee.

    f. Thorough system validations and quality control review prior to turning off the old systems and turning on the new systems.

    g. Assist and support METRO through full implementation of Phase I, and possibly additional phases, through project closeout.

Project Deliverables

1. Project documents necessary to support a project of this size – project plan, communications plan, executive status reports, etc.

2. Requirements Analysis Report detailing the functional and data requirements, including business process workflow needed for the new ERP system.

3. An analysis of current workflows related to each current software and suggested workflow changes needed to help ensure minimized new software customizations.

4. Completed RFP for new ERP system and implementation.

5. Evaluation and recommendation of vendor proposals for the new ERP system and implementation.
6. Project implementation oversight.

7. Successful completion of the ERP project scope of work.

8. Project closeout.

6A.4

VERBAL PRESENTATION

COVID-19 TRANSIT FISCAL CRISIS

Alex Clifford

7.1

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