

### SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO) FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AGENDA REGULAR MEETING JUNE 12, 2017 – 9:00 AM METRO ADMIN OFFICES 110 VERNON STREET SANTA CRUZ, CA 95060

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### **COMMITTEE ROSTER**

Director John Leopold

Director Donna Lind

Director Cynthia Mathews

Director Oscar Rios

County of Santa Cruz

City of Santa Cruz

City of Watsonville

Alex Clifford METRO CEO/General Manager
Julie Sherman METRO District Counsel

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**MEETING TIME: 9:00AM** 

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER
- 2 ROLL CALL

### 3 COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE

This time is set aside for Directors and members of the general 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 ACCEPT AND FILE MINUTES OF THE MAY 8, 2017 FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MINUTES
- DISCUSSION AND REVIEW OF STRATEGIC CHANGES TO THE FY18 & FY19 OPERATING BUDGET AND FY18 CAPITAL BUDGET SINCE THE MAY 8, 2017 MEETING:
  - A. New Strategy for the Transfers to Capital Budget
  - B. 5 Year Budget Plan
    - i. Add Bus Operators Contingent Upon Receipt of Signed Commitment from UCSC
  - C. Operating Reserves as of 6/30/17 (Estimate)
  - D. Transfers to Reserves 5 Year Projections
  - E. Estimated Operating Reserves as of 6/30/22
- 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 <a href="https://www.scmtd.com">www.scmtd.com</a> subject to staff's ability to post the document before the meeting.



### SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO) FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AGENDA MEETING MINUTES MAY 8, 2017 – 9:00 AM METRO ADMIN OFFICES 110 VERNON STREET SANTA CRUZ, CA 95060

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### **COMMITTEE ROSTER**

Director John Leopold County of Santa Cruz

Director Donna Lind City of Scotts Valley

Director Cynthia Mathews City of Santa Cruz

Director Oscar Rios City of Watsonville

Julie Sherman METRO District Counsel

**MEETING TIME: 9:00AM** 

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

In the absence of Committee Chair Leopold, Director Mathews was nominated and unanimously approved as Acting Committee Chair for today's meeting.

1 CALL TO ORDER

Meeting was called to order at 9:06AM by Acting Committee Chair Mathews.

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

Director Cynthia Mathews City of Santa Cruz

Director Donna Lind City of Scotts Valley

Director Oscar Rios City of Watsonville

Director Leopold was not present.

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

Angela Aitken, METRO Debbie Kinslow, METRO

Kristina Mihaylova, METRO

- 3 COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE Hearing none, the Acting Committee Chair moved to the next agenda item.
- 4 ADDITIONS OR DELETIONS FROM AGENDA / ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS

Hearing none, the Acting Committee Chair moved to the next agenda item.

5 ACCEPT AND FILE MINUTES OF THE MARCH 3, 2017 FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MINUTES

ACTION: MOTION TO ACCEPT AND FILE THE MINUTES OF THE MARCH 3, 2017 FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AS PRESENTED.

MOTION: Director Lind SECOND: Director Mathews

ABSTAIN: Director Rios

MOTION CARRIED.

- 6 DISCUSSION AND REVIEW OF FY18 & FY19 OPERATING BUDGET AND FY18 CAPITAL BUDGET:
  - A. 5-Year Budget Plan
  - B. FY18 & FY19 Operating Budget Revenue Sources
  - C. Budget Assumptions Revenue Sources
  - D. FY18 & FY19 Operating Budget Consolidated Expenses
  - E. Budget Assumptions Operating Expenses
  - F. Authorized and Funded Personnel: FY18 & FY19
  - G. FY17 PRELIMINARY Schedule of Reserve Account Balances Unaudited as of 05/08/2017
  - H. FY18 Capital Budget
  - I. Unfunded Capital Projects
  - J. Common Industry Acronyms

Finance Manager, Angela Aitken, outlined the documents to be discussed. At today's meeting, staff is seeking Committee approval of the budget assumptions and recommendation to present to the full board at the May 19, 2017 meeting with the FY18 and FY19 budget. She noted that, due to its successful passage, SB1 funding is now included in

Finance, Budget and Audit Standing Committee Meeting Minutes May 8, 2017 Page 3 of 3

the budget assumptions, although there remains some risk that the measure could be overturned in the future.

Acting Committee Chair Mathews asked why passenger fares were level across 5 years.

Ms. Aitken explained the rationale for the assumption.

Director Lind asked if METRO was considering fare increases.

Ms. Aitken reminded the Committee that CEO Clifford had advised the board members at the April Board meeting that FY17 would be a 'lull' year. She said METRO will begin looking at fare increases in FY18 but at this time can't say when that will occur. In 2012, METRO implemented an agency-wide fare increase. In 2015, Highway 17 fares were increased and the ParaCruz fares were adjusted.

Director Lind verbally shared PERS funding information recently presented to the Scotts Valley City Council by an outside consultant.

Director Rios asked Ms. Aitken why the workers' compensation reserves were down. She answered that the balance is approximately \$1M short and has been historically underfunded. The Board adopted minimum or target level, based on an analysis provided every two years.

Acting Committee Chair Mathews inquired regarding METRO's level of workers' comp claims.

Ms. Aitken responded that claims are down but there are a few long term claims. New workers' comp claims have not been extreme or large. METRO has taken a proactive approach by initiating a relatively new ergonomic policy and we have a great operator training program, which included union involvement when the larger buses were added to the fleet 12 – 15 years ago. These efforts have led to fewer and less expensive claims.

Director Mathews requested the information presented on page 6H.1 be provided in a larger format at the May 19, 2017 board meeting.

Director Rios voiced his appreciation for the presentation. He realizes there are many factors, which influence these decisions. Based on what he has learned so far, he concurs with the assumptions.

ACTION: MOTION TO CONCUR WITH THE ASSUMPTIONS PRESENTED AND PROVIDE THE INFORMATION TO THE FULL BOARD AT THE MAY 19, 2017 BOARD MEETING.

MOTION: Director Lind SECOND: Director Rios

MOTION CARRIED.

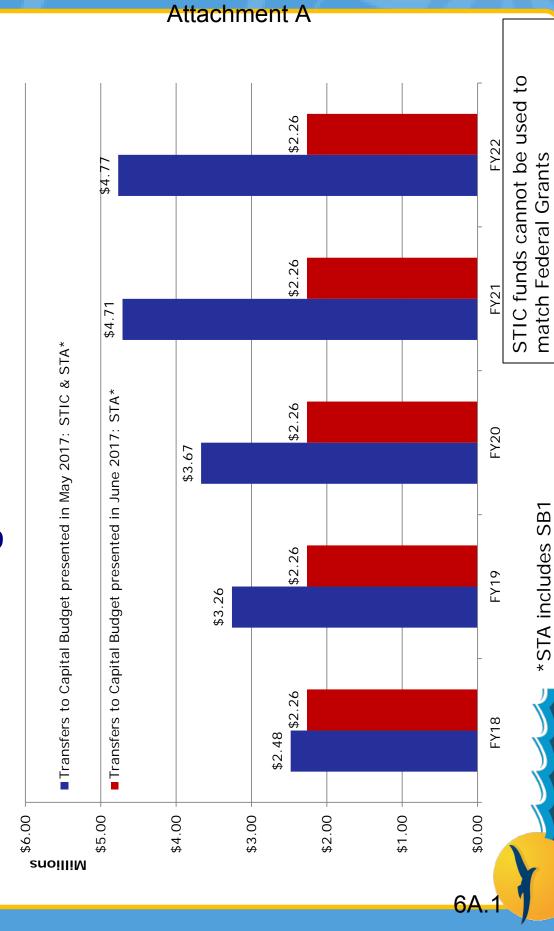
### Acting Committee Chair Mathews adjourned the meeting at 10:38AM

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DRAFT 5

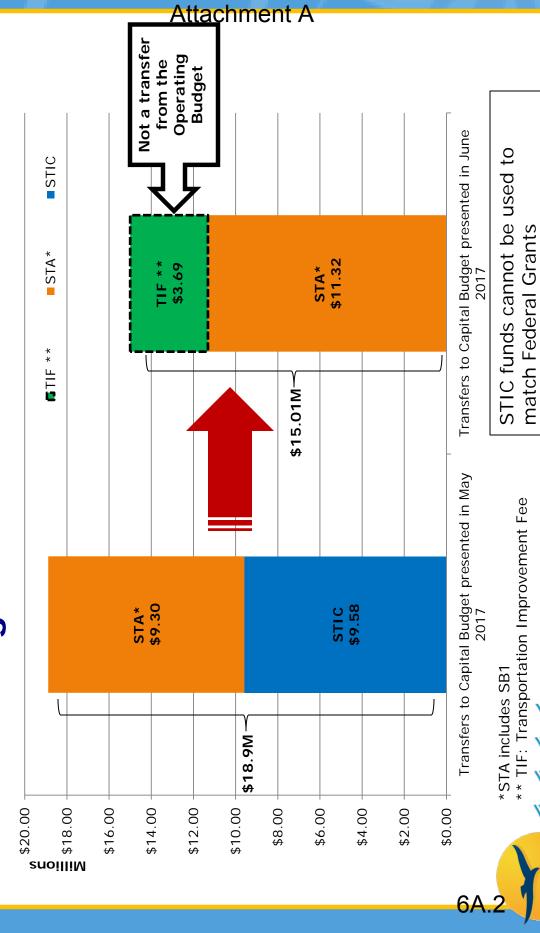
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# New Strategy for the Transfers to Capital **Budget: Overview**



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# New Strategy for the Transfers to Capital **Budget: Total FY18 to FY22**



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# SANTA CRUZ METROPOLITAN TRANSIT DISTRICT - 5 - YEAR BUDGET PLAN

DEVENIE	BUDGET	BUDGET	9	FORECASTED BUDGET	9	FORECASTED BUDGET	9 2 3	FORECASTED BUDGET	3
NEVEROCE:	0110	<u> </u>	70 VAR	r120	70 VAR	1771	% AAN	F122	NAV %
Passenger Fares	10,459,429	10,459,429	%0:0	10,459,429	%0.0	10,459,429	0.0%	10,459,429	%0.0
Passenger Fares	2,791,893	2,791,893	%0.0	2,791,893	%0.0	2,791,893	%0.0	2,791,893	%0:0
Special Transit Fares	5,044,644	5,044,644	%0.0	5,044,644	%0.0	5,044,644	%0.0	5,044,644	%0.0
Paratransit Fares	339, 141	339,141	%0.0	339, 141	%0.0	339,141	%0:0	339, 141	%0.0
Highway 17 Fares	1,758,751	1,758,751	%0.0	1,758,751	%0.0	1,758,751	%0:0	1,758,751	%0.0
Highway 17 Payments	525,000	525,000	%0.0	525,000	%0.0	525,000	%0.0	525,000	%0.0
Other Revenue	501,393	505,736	0.9%	510,029	0.8%	514,789	%6.0	519,048	0.8%
1979 Gross Sales Tax (1/2 cent)	20,061,806	20,563,351	2.5%	21,077,435	2.5%	21,604,371	2.5%	22,144,480	2.5%
2016 Net Sales Tax (Measure D)	2,978,897	3,053,369	2.5%	3,129,704	2.5%	3,207,946	2.5%	3,288,145	2.5%
Transp Dev Act (TDA) - Op Asst	6,767,933	6,937,131	2.5%	7,110,560	2.5%	7,288,324	2.5%	7,470,532	2.5%
*Federal Op Assistance	4,302,285	4,396,666	2.2%	4,493,117	2.2%	4,717,773	2.0%	4,820,737	2.2%
STA - Operating (includes SB1)	3,380,240	3,901,906	15.4%	3,901,906	%0:0	3,901,906	%0:0	3,901,906	%0.0
STA - Operating (includes SB1) (Transfer to Capital Budget)	(2,263,000)	(2,263,000)	0.0%	(2,263,000)	%0.0	(2,263,000)	%0.0	(2,263,000)	0.0%
STIC - Op Assistance	2,210,167	2,220,000	0.4%	2,520,687	13.5%	2,646,721	2.0%	2,704,684	2.2%
STIC (Transfer to Capital Budget)		•	0.0%		%0.0		%0.0		0.0%
Fuel Tax Credit	657,354	677,075	3.0%	697,387	3.0%	718,309	3.0%	739,858	3.0%
Fuel Tax Credit (Transfer to Reserves)	(657,354)	(677,075)	3.0%	(697,387)	3.0%	(718,309)	3.0%	(739,858)	3.0%
Transfers (to)/ from Operating Reserves	(507,685)	(915,130)	80.3%	(9,431)	-99.0%	(37,797)	300.8%	18,886	-150.0%
TOTAL REVENUE	47,891,465	48,859,459	2.0%	50,930,435	4.2%	52,040,462	2.2%	53,064,846	2.0%
OPERATING EXPENSES:									
I ahar and Eripan Banafite. Bus Operation	16 000 284	17 494 995	200	19 265 045	A F 0/.	18 642 070	20 10%	40.087.408	2 40%
Labor and Fringe Benefits: Bus Operations Labor and Fringe Benefits: Paratransit	4 137 880	4 284 021	3.5%	16,263,043 4 490 933	4.5%	4 602 061	2.5%	4 712 643	2.4% 2.4%
Labor and Fringe Benefits: Other	18,185,813	18.833.777	3.6%	19.469.682	3.4%	19.964.655	2.5%	20.434.320	2.4%
Services	3,543,479	3,085,840	-12.9%	3,533,840	14.5%	3,659,840	3.6%	3,659,840	0.0%
Mobile and Other Materials and Supplies	3,304,070	3,303,970	%0.0	3,303,970	%0.0	3,303,970	%0:0	3,303,970	%0.0
Utilities	000,609	000,609	0.0%	000,000	0.0%	000,609	0.0%	000,000	0.0%
Casualty & Liability and Taxes  Purchased Transportation	718,036	760,163	2.9% 0.0%	760,163	%0.0 %0.0	760,163	%°°°°°°°°°°°°°°°°°°°°°°°°°°°°°°°°°°°°°	760,163	%0:0 0 0
Misc. Expense and Leases & Rentals	492,902	497,802	1.0%	497,802	0.0%	497,802	%0:0	497,802	%0.0
TOTAL OPERATING EXPENSES	47,891,465	48,859,459	2.0%	50,930,435	4.2%	52,040,462	2.2%	53,064,846	2.0%
(DEFICIT)/SURPLUS	507,685	915,130		9,431		37,797		(18,886)	
Operations Sustainability Reserve Fund: \$5,357,927 (Balance as of 06/12/17)	5,792,757	6,707,887		6,717,319		6,755,115		6,736,230	

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# Operating Reserves as of 06/30/2017

Target: \$3.4M



\$1.2M Deficient

Target: \$0.7M



\$0.05M Deficient

(estimate as of 6/12/2017)

Target: \$7.3M



\$1.9M Deficient

Target: \$3.0M



**Fully Funded** 



No Minimum Balance

\* Committed against FTA 5339 Bus Grant Application



## **FY17 Preliminary Reserve Account Balances** as of 06/12/2017 (in \$ millions)



### Transfers to Reserves - 5 Year Projections (in \$ millions)



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# Estimated Operating Reserves as of

Target: \$3.4M



**Fully Funded** 





**Fully Funded** 

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### 06/30/2022

(After Transfers to Reserves in FY18 to FY22)

Target: \$3.0M

Target: \$7.3M



**Fully Funded** 



**Fully Funded** 



No Minimum Balance

(Assumes no use of Reserves in FY18 to FY21, \$0.02M used in FY22)

## **Estimated Reserve Account Balances - Fully Funded** as of 06/30/2022 (in \$ millions)

