



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MEETING MINUTES*
MARCH 12, 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, March 12, 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 Director Rotkin.

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
Kristina Mihaylova

METRO CFO
METRO Finance Deputy Director

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

Hearing none, Director Rotkin moved to the next agenda item.

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

CEO Clifford introduced Chuck Farmer, new CFO, and Curtis Moses, new Safety, Security & Risk Management Director and provided short bios on both. The gentlemen expressed their appreciation and eagerness to work at METRO.

Having nothing further, Director Rotkin moved to the next agenda item.

5 **MONTHLY FINANCIAL UPDATE**

Kristina Mihaylova, Deputy Finance Director, provided brief commentary to the presentation.

Referring to page 5.5, FY21 Operating Expenses by Major Expense Category, Director Rotkin observed the fringe benefits cost exceeds the labor costs at a level higher than he recalled. Ms. Mihaylova responded Director Rotkin's observation is correct; the fringe benefits amount represents current and retired employees as well as additional COVID-related leaves/absences.

Director Rotkin asked if METRO is on target with the plan for total electrification of the fleet. CEO Clifford said we are on target with the board-adopted plan as a small transit agency under the California Air Resources Board (CARB) mandated classification. The first mandate will take effect in 2026, which requires 25% of the METRO fleet to be zero emission in 2026. After the next threshold in 2029, every acquired bus must be zero emission. METRO continues to purchase CNG buses as we wait for improved battery energy capacity, which translates to more range. METRO service requires buses that will achieve 300 miles per day after the battery degrades by 20%. We will thoroughly test the Proterra buses once received. Unlike typical construction projects that utilize financial drawdowns, bus purchases are not incrementally paid for. Bus purchases are paid for only after they have been received, thoroughly tested and accepted. Under the Biden-Harris administration, there may be changes to the regulations and funding thereof.

If available, the March 26, 2021 board presentation will include updated state and county unemployment rates.

John Urgo, Planning and Development Director, will provide the requested ridership by route information to Director Koenig.

There was no public comment.

- 6** **FY22 & FY23 PRELIMINARY OPERATIONS BUDGET ASSUMPTIONS**
- 6A** **FY22 & FY23 PRELIMINARY OPERATING AND FY22 PRELIMINARY CAPITAL BUDGET PRESENTATION**
- 6B** **FY22 & FY23 PRELIMINARY OPERATING BUDGET DETAIL**
- 6C** **FY22 PRELIMINARY CAPITAL BUDGET DETAIL FOR REVIEW AND TDA/STA CLAIMS PURPOSES**

Director Rotkin provided a brief explanation of METRO's budget process, noting that there is a range of unknown factors that could affect the final budget.

Kristina Mihaylova, Deputy Finance Director, provided commentary to the presentation (Agenda Item 6A), stressing that today's presentation represents a preliminary budget. One of the main goals of this preliminary budget is to submit a claim in March to the Santa Cruz County Regional Transportation Commission (RTC) for METRO's share of the TDA/STA funding.

Director Kalantari-Johnson asked about UCSC and/or Cabrillo student ridership. CEO Clifford and Director Rotkin responded that both institutions anticipate students returning in the fall semester at 2/3 of their respective enrollment level. To meet this anticipated service demand, METRO is preparing for a class of 10 Bus Operators. Director Rotkin reminded the assembly that Cabrillo and UCSC students pay a fee that provides them with a bus pass. CEO Clifford thanked the public for their support through the sales tax and Measure D passage, which pays for nearly 50% of METRO's operating expenses.

In response to Director Rotkin's inquiry regarding the six criteria essential to obtaining the Small Transit Intensive Cities' (STIC) funding, Wondimu Mengistu, Grants/Legislative Analyst, replied the FY18/19 data would support the same funding amount(s). CEO Clifford added although the federal government committed to benchmarking against 2018 or the year prior to COVID, lobbying efforts continue to increase the STIC allocation from 2.5 to 3%.

CEO Clifford and Director Kalantari-Johnson will continue the discussion regarding the City of Santa Cruz GoPass contract.

After discussion among the assembly, the CalPERS UAL and OPEB unfunded liability will be added to the April Finance, Budget & Audit Standing Committee agenda.

Through the CARES Act funding, METRO has been able to avoid layoffs and/or furloughs to date. CEO Clifford noted Santa Cruz County and cities did not receive funding under the CARES Act, which may have contributed to their respective furloughs.

However, METRO is heading towards a fiscal cliff, similar to that experienced in 2014 (\$6.5M shortfall). CEO Clifford then briefly described the fiscal actions taken from 2008 to 2014; maintaining service while funding METRO through the reserves bucket. Since 2015, through the efforts of many, METRO adjusted service levels, Measure D was passed, SB1 went into effect, Cabrillo College students passed their bus pass program, etc. And as the economy recovers, there may be some revenue, sales tax and other funding source increases. However, METRO needs to address the underlying structural deficit with measures in place to minimize or avoid it by 2026. If we can successfully defease the CalPERS UAL, we can realize an additional \$5M savings. One last resort is to change service levels. It is a complicated issue for the industry.

Director Rotkin advised the assembly to provide input to METRO during the month of May, rather than waiting until June when the budget is adopted.

There was no public comment.

7 COVID-19 TRANSIT FISCAL CRISIS ORAL UPDATE

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

- METRO has had no COVID positive tests since February 1, 2021
- On March 11, 2021, Governor Newsom announced transit workers would be eligible for COVID vaccines effective March 15. He thanked SMART, CTA and other contributing agencies who worked together to make this happen.
- METRO continues to test Operators on a weekly basis at an approximate cost of \$30-\$40 per test. We remain hopeful the state will cover this expense.
- Kudos to COO Ross and the team for their attempts to arrange service that would have run hourly from the Watsonville Transit Center to the Watsonville Fairgrounds' mass vaccination site providing in-vehicle vaccines. Unfortunately, the County Health Department did not accept our program.

There were no public comments.

8 ADJOURNMENT

Director Rotkin adjourned the meeting at 10:04AM.

Respectfully submitted,

Gina Pye

Executive Assistant