



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE
MEETING MINUTES*
MARCH 12, 2018 – 2:00 PM
METRO ADMIN OFFICES
110 VERNON STREET
SANTA CRUZ, CA 95060**

A Finance, Budget and Audit Standing Committee Meeting was convened on Monday, March 12, 2018 at METRO's Admin offices at 110 Vernon Street, Santa Cruz, California. The Meeting Agenda Packet can be found online at www.SCMTD.com and is available for inspection at METRO's Administrative offices at 110 Vernon Street, Santa Cruz, California. *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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COMMITTEE ROSTER

Director John Leopold, Committee Chair	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Cynthia Mathews	City of Santa Cruz
Alex Clifford	METRO CEO/General Manager
Julie Sherman	METRO District Counsel

MEETING TIME: 2:00 PM

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

CALL TO ORDER

Meeting was called to order at 2:09 PM by Committee Vice Chair Lind.

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

Director Donna Lind	City of Scotts Valley
Director Cynthia Mathews	City of Santa Cruz
Director Leopold (Arrived 2:13 PM)	County of Santa Cruz

METRO EMPLOYEES AND MEMBERS OF THE PUBLIC WHO VOLUNTARILY INDICATED THEY WERE PRESENT (IN ALPHABETICAL ORDER) THROUGH A SIGN IN SHEET OR VERBAL INTRODUCTION WERE:

Ciro Aguirre, METRO
Lorraine Bayer, METRO
Debbie Kinslow, METRO

Angela Aitken, METRO
Barrow Emerson, METRO

COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE

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

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

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

REVIEW AND RECOMMEND APPROVAL OF FY19 AND FY20 PRELIMINARY OPERATING BUDGETS AND FY19 CAPITAL BUDGET FOR REVIEW AND TDA/STA CLAIMS PURPOSES

Angela Aitken, Finance Manager, gave an update on the budget process. In March, METRO will bring to the Board a preliminary operating budget for the next two fiscal years and the capital budget for the next fiscal year. The March numbers being presented are very preliminary and the details could change between now and when we present the detailed version to the Board in May. Ms. Aitken went over the highlights of the preliminary report (i.e., revenue sources, expenses, personnel/non-personnel expenses, and transfers and operating balance).

Discussion ensued with regard to sales tax proceeds and SB1 funds.

The Directors suggested METRO put information in the next two Headways to raise public awareness and to educate the public on the benefits of SB1 (i.e. buying new buses).

Director Lind also recommended getting the word out on the two new Hwy. 17 express trips to help increase ridership. Barrow Emerson, Planning and Development Manager, spoke about the informational materials that have been put into place--public service announcements on Comcast channels, and digital media with KSBW. CEO Clifford said METRO plans to take measures in this coming year to address the tech buses that are taking valuable parking spaces at METRO parking facilities, impacting riders of our system. Director Lind said the City of Scotts Valley is reaching out to the tech companies and the story in the Sentinel has generated good discussion.

Director Mathews raised concerns about the nationwide trends in ridership. CEO Clifford said METRO is looking at innovative ideas—one is to protect the parking at the Cavallaro Transit Center in Scotts Valley so we can market the capacity we have on the Hwy. 17 Route. METRO continues to review existing routes and associated ridership. We are looking at on-demand or micro-transit types of approaches using a smaller vehicle for our lowest productivity areas of ridership. A common practice that other agencies are trying is to geo-fence an area for micro-transit. It addresses ADA requirements and can service a wide variety of people. Mr. Emerson is currently analyzing those low activity areas and will explain the models/options available to METRO later in the year.

CEO Clifford explained that METRO does not do a rollover budget. We review every line item with each department to create the current budget. Director Lind inquired as to what is the biggest item that jumps out when doing that process. Ms. Aitken said it is different every year but this year was training, increase in personnel, audit recommendations, different regulations and requirements we have to meet, and contractual expenses.

MOTION: RECOMMEND TO FULL BOARD THE ADOPTION OF FY19 AND FY20 PRELIMINARY OPERATING BUDGETS AND FY19 CAPITAL BUDGET FOR TDA/STA CLAIMS PURPOSES

MOTION: DIRECTOR LIND

SECOND: DIRECTOR MATHEWS

MOTION PASSED WITH 3 AYES (Directors Leopold, Lind and Mathews)

ORAL UPDATE ON THE STATUS OF THE FY17 FINANCIAL AUDIT-MANAGEMENT LETTER CONDITIONS

Angela Aitken, Finance Manager, gave an update regarding the management letter from METRO's auditors stating that they had a concern about how our tickets were being handled. Ms. Aitken is working with GFI on METRO's vending machines that issue the tickets. The concern from the auditors was the tracking of the tickets. We did not have backend reports saying how many tickets were sold, when they were sold, and how much was sold. We are addressing those issues and hope to have this resolved in the next two months.

Lorraine Bayer, Accountant II, added that we are being very proactive in getting these issues cleared.

RECOMMEND THE BOARD OF DIRECTORS TO HOLD IN ABEYANCE CONSIDERATION OF FARE RESTRUCTURING UNTIL LATE 2018

Barrow Emerson, Planning and Development Manager, explained that METRO has been doing a preliminary analysis of a fare restructuring. We have decided to hold off on the fare restructuring until several major financial aspects (i.e., SB1 repeal, UCSC student vote to raise fees, and Cabrillo's capacity to participate with low enrollment) have been determined. We are establishing some metrics to give us advance warning on the appropriate time to raise fares. We are looking at subsidy per passenger, CPI growth, and reviewing METRO's peers and how they are being strategic versus reactive.

The last meeting of the informal cycle for public outreach is tonight. We are not moving forward with the formal outreach process. We plan to keep doing surveys and online research because we want more information on the technology options available to us. We think upgrading our technology will increase discretionary ridership.

Director Lind commented that this makes sense strategically. CEO Clifford added that by waiting, we get past the general and local elections and METRO's needs don't get intermixed with the election discussions.

MOTION: RECOMMEND TO THE BOARD OF DIRECTORS TO HOLD IN ABEYANCE CONSIDERATION OF FARE RESTRUCTURING UNTIL LATE 2018

MOTION: MATHEWS

SECOND: LIND

MOTION PASSED WITH 3 AYES (Directors Leopold, Lind and Mathews)

Committee Chair Leopold adjourned the meeting at 3:33 PM.

Respectfully submitted,

Donna Bauer
Administrative Assistant