



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MEETING MINUTES*
MAY 8, 2020 – 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, May 8, 2020, 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 8:06 AM by Board Chair Rotkin.

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

Director Trina Coffman-Gomez	City of Watsonville
Director Donna Lind	City of Scotts Valley
Director Donna Meyers	City of Santa Cruz
Board Chair Mike Rotkin	County of Santa Cruz

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

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

Angela Aitken	METRO CFO
Kristina Mihaylova	METRO Interim Finance Deputy Director
Caitlin Nelson	METRO Financial Analyst
Union Representatives:	Holly Alcorn, James Sandoval

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

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

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

Having none, Chair Rotkin moved to the next agenda item.

5 **COVID-19 TRANSIT FISCAL CRISIS ORAL UPDATE**

Alex Clifford, CEO/General Manager, spoke to the slide presented at the meeting (see attached), which is a preliminary look at a potential future fiscal "cliff". This is a “current” view; the timeline and data within will change as we receive new information. Chair Rotkin inquired as to the impact sales tax revenue

would have on pre-COVID disbursements; that is, how would METRO determine the most fiscally responsible move(s)? CEO Clifford informed the assembly that the State projected a significant reduction in tax revenues yesterday, which would then impose a significant impact to METRO at sales tax, fuel tax, etc. contribution levels.

Director Meyers asked if the CARES Act funds have been received and/or when will the funds be received and if METRO would be eligible for FEMA funds. CEO Clifford said the federal government will not send us a check; it works on a drawdown process, based on actual expenditures retroactive to January 20, 2020. We are in the process of preparing CARES Act paperwork for submission, with draw downs complete in the July timeframe. METRO is currently investigating the FEMA opportunity. CEO Clifford also mentioned that there may be a CARES Act II to provide further financial relief. We will monitor the situation to limit any premature judgments/actions.

Chair Rotkin asked CEO Clifford to define what constitutes an 'expense' under the relief programs. CEO Clifford responded the federal government, via the CARES Act, adopted a law that said this money would flow to transit agencies via the 5307 and 5311 program for qualifying operating expenses.

There were no public comments.

6 MONTHLY FINANCIAL UPDATE

Angela Aitken, CFO, provided brief commentary to the presentation. In response to Chair Rotkin's inquiry, CFO Aitken responded the purchase of buses had been delayed; but, is now moving. CEO Clifford added we are meeting in the near future to review local match funds to proceed with the planned purchases of 22 new buses. We do not want our capital expenses to affect our operating expenses or vice versa.

CFO Aitken noted we are tracking all current COVID related operating expenses. We do not currently have any COVID capital expenses. CEO Clifford added METRO began tracking COVID related expenses prior the implementation of the CARES Act; e.g., temporary employees who are sanitizing the buses.

Discussion among the assembly regarding CalPERS unfunded liability payments and the anticipated increase in CalPERS expense rate change due to COVID. The current FY21 and FY22 budget does not include payments to the UAL unfunded liability; this has been placed on indefinite hold.

Public comments.

James Sandoval asked how much the union saved by giving up the overtime in their new bid, which went into effect at the end of April. Due to the recent timing of the new bid, this information is not yet available, but CFO Aitken will provide this information in a future meeting.

1 REVIEW AND RECOMMEND APPROVAL OF SANTA CRUZ METRO'S DRAFT FY21 AND FY22 OPERATING BUDGET, FY21 CAPITAL BUDGET, AND A RESOLUTION SETTING A PUBLIC HEARING ON JUNE 26, 2020

Angela Aitken, CFO, provided commentary to the presentation, with specific attention to the changes impacted by the COVID environment. She emphasized to the assembly that this budget is a placeholder; any new information will be provided to the Board when received. Once we know our April sales tax impact, we will have a better picture. A new "bucket" will be added for the June meeting presentation to reflect CARES Act funds.

In response to Chair Rotkin's inquiry, CEO Clifford explained that the Netflix line item represents an agreement to lease some parking spaces at Scotts Valley transit center.

Discussion regarding UCSC revenue ensued. John Urgo, Planning and Development Director, will be meeting with UCSC to discuss a new (perhaps quarterly) contract going forward to more accurately reflect their student needs; such that summer would be lower than fall enrollment numbers.

There were no public comments

ACTION: MOTION TO RECOMMEND APPROVAL OF SANTA CRUZ METRO'S DRAFT FY21 AND FY22 OPERATING BUDGET, FY21 CAPITAL BUDGET, AND A RESOLUTION SETTING A PUBLIC HEARING ON JUNE 26, 2020 AS PRESENTED

MOTION: DIRECTOR LIND

SECOND: DIRECTOR MEYERS

The motion was unanimous.

7 ADJOURNMENT

Board Chair Rotkin adjourned the meeting at 9:11 AM.

Respectfully submitted,

Gina Pye

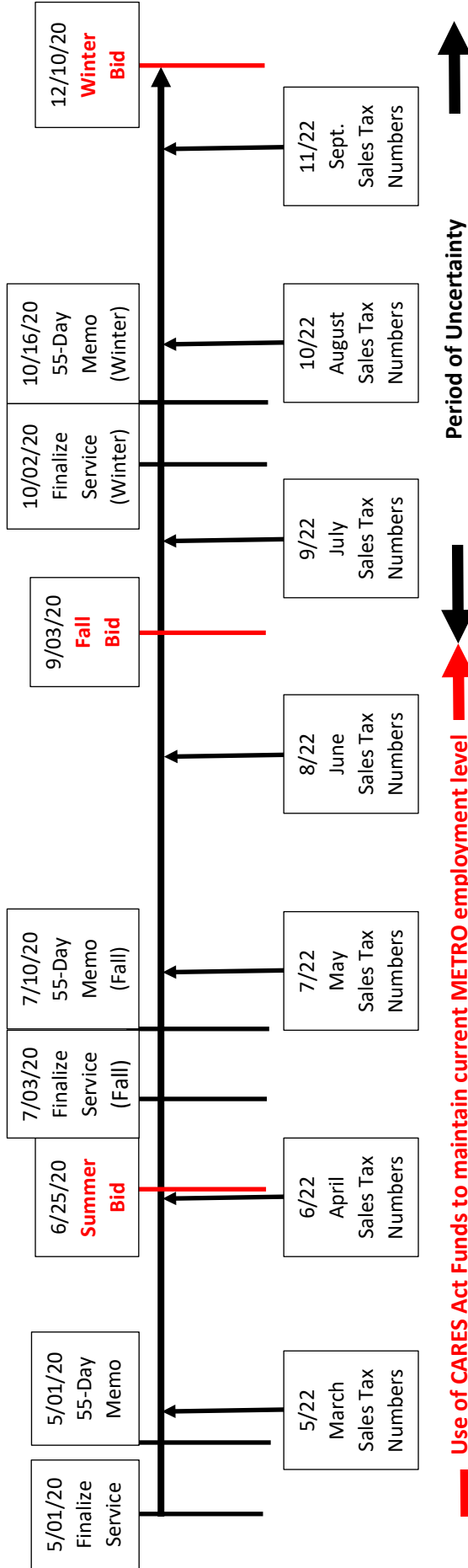
Executive Assistant

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COVID Fiscal Crisis

Timeline: Critical Conversations

Updated: April 30, 2020



Use of CARES Act Funds to maintain current METRO employment level

Period of Uncertainty

1. 6/22 - First glimpse at full month COVID impact on sales tax revenues

2. Emergency service reductions still in place

3. Begin building the Fall bid based on Summer bid plus strategic additions – Restoration of pre-COVID service levels subject to UCSC/Cabrillo return to in-person classes?

4. Preliminary analysis - Estimated burn rate of CARES Act funds & preliminary projection of sales tax

5. Status of shelter in place & social distancing Orders

1. 5/22 - Initial partial month look at COVID impact of sales tax revenues

2. Emergency service reductions still in place – modified weekend schedules

3. Build Summer bid based on 4/30 bid plus strategic additions – No A/B Groups

1. 9/22 - Trend analysis – First four full months COVID impact of sales tax revenues

2. Analyze CARES Act funds burn rate

3. Build Winter bid based on revenues trend analysis, including analysis of CARES Act burn rate

4. Consider proper timing for public hearing process for possible significant permanent service reduction

Period of Uncertainty

METRO Actions Dependent Upon: What is the burn rate on the CARES Act funds? – What is the pace of the economic recovery (sales tax)? – Is ridership returning to pre-COVID levels? – Is UCSC/Cabrillo back in Fall or Winter for in-person classes? Is there a CARES Act II program coming?