



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AGENDA
REGULAR MEETING
JANUARY 5, 2018 – 9:30 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
Alex Clifford	METRO CEO/General Manager
Julie Sherman	METRO District Counsel

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MEETING TIME: 9:30AM

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 JUNE 12, 2017 FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MINUTES

6 APPROVE REQUEST THE FINANCE STANDING COMMITTEE RECOMMEND THE BOARD OF DIRECTORS INITIATE FARE RESTRUCTURING ANALYSIS PROCESS

Barrow Emerson, Planning and Development Manager

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 www.scmtd.com 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 MNUTES
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, Committee Chair	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Cynthia Mathews	City of Santa Cruz
Director Oscar Rios	City of Watsonville
Alex Clifford	METRO CEO/General Manager
Julie Sherman	METRO District Counsel

MEETING TIME: 9:00AM

NOTE: THE COMMITTEE CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER**
Meeting was called to order at 9:02AM by Committee Chair John Leopold.
- 2 ROLL CALL:** The following Directors were **present**, representing a quorum:

Director Cynthia Mathews	City of Santa Cruz
Director Leopold	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Oscar Rios	City of Watsonville

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

Angela Aitken, METRO
Lorraine Bayer

Antonio Castillo, SEIU VMU
Debbie Kinslow, METRO

- 3 COMMUNICATIONS TO THE FINANCE, BUDGET & AUDIT STANDING COMMITTEE**
Hearing none, the Committee Chair moved to the next agenda item.

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

Ms. Angela Aitken, Finance Manager, announced that additional materials would be provided as they are addressed in today's meeting. Copies would be available at the back of the room for the public.

- 5 ACCEPT AND FILE MINUTES OF THE MAY 8, 2017 FINANCE, BUDGET AND AUDIT STANDING COMMITTEE MINUTES**

ACTION: MOTION TO ACCEPT AND FILE THE MINUTES OF THE MAY 8, 2017 FINANCE, BUDGET AND AUDIT STANDING COMMITTEE AS PRESENTED.

MOTION: Director Mathews SECOND: Director Lind

ABSTAIN: Director Leopold

MOTION CARRIED, WITH ONE ABSTENTION.

- 6 DISCUSSION AND REVIEW OF STRATEGIC CHANGES TO THE FY18 AND FY19 OPERATING BUDGET AND FY18 CAPITAL BUDGET SINCE THE MAY 8, 2017 MEETING**

A. New Strategy for the Transfers to the Capital Budget

B. 5-Year Budget Plan

- i. Add Bus Operators Contingent Upon Receipt of Signed Commitment from UCSC**

C. New Strategy for the Transfers to the Capital Budget

D. 5-Year Budget Plan

E. New Strategy for the Transfers to the Capital Budget

CEO Clifford prefaced the budget discussion with a brief explanation of the purpose and flow of the meeting, the use of STIC funds and the Reserve 'bucket' achievement in five years. He cautioned that this is only a forecast; e.g., we cannot be certain how the sales tax will improve or decline, etc. This also makes no assumptions as to our labor contracts which are coming up at the end of FY19/beginning of FY20 (June 2019).

Ms. Aitken noted that, effective FY19, the State will no longer break out the funding sources within the STA allotment. She outlined the three elements which will improve METRO's financial standing:

1. Revised strategy as a result of inability to match STA Federal funds to Federal grants;
2. Revised strategy to transfer \$15M to the Capital Budget over the next 5 years; and,
3. Carryover monies will be transferred to replenish the Reserve buckets.

There was a short discussion around the efforts underway to reject SB1. In response to the Governor's request, METRO has provided documentation/hard commitments to the Governor and State as to how we would use these funds if available. CEO Clifford will also provide the Committee Members with a link so that they can include their own comments in support of SB1.

Page 6B.1 reflects the new strategy which permits a more fluid use of Operating funding. It also replenishes our Reserve buckets and keeps the operating budget balanced for a longer period of time. TIF is reflected in the Capital Budget; it is never in the Operating Budget only. Except as noted on the (Deficit) Surplus line, the numbers reflected in brackets indicate transfers to the Capital Budget or Reserve; not a negative or deficit number.

The term "Fringe benefits" is a Governmental Accounting Standards Board (GASB) term required by the Federal government for our Federal NTD data reporting. TIF is defined as Tax Increment Financing (contained in the Capital budget, never Operating Budget).

Director Mathews noted the allocated \$2.3M is low given the state of capital expenditures needed. Ms. Aitken agreed it is not enough to meet our needs, but it is a start. CEO Clifford added that this is a leveraging strategy and further explained that capital money would be used to purchase buses using annual grants; matching and otherwise. Many applications require that the matching funds be "in the bank". If the grant applications are not successful, we may use the \$2.3M to purchase CNG and/or electric buses each year.

Key points:

- Balanced operating budget for longer than originally anticipated;
- Fully funding reserve buckets over five years and then some; and,
- Sustainable, consistent \$3M targeted, going toward Capital investments; e.g., buying new buses every year for the next 5 years

On June 9th UCSC notified METRO that they would provide more money to METRO which will allow us to add funds in FY18 and FY19.

Mr. Barrow Emerson, Planning and Development Manager, elaborated: The new amendment includes a \$200K increase in their commitment which will allow METRO to hire two Bus Operators (1 FTE for new service and 1 FTE as an Extra Board) to provide new service between the Marine Lab and the UCSC campus. The new service would take effect September 2017.

CEO Clifford added that they are also planning a student ballot measure to increase the amount students pay for their bus pass or revert to charging per ride. We may also be getting closer to an articulated bus project between UCSC and METRO. Mr. Emerson noted

that the plan is to bring three buses into the system for UCSC's Winter and Spring quarters. We would like to 'wrap' them specifically for UCSC purposes.

Director Mathews suggested implementing a student engagement plan to ensure both TAPS and the student body are engaged.

Ms. Aitken distributed a revised 5 Year Budget Plan (see attached) which includes one FTE Bus Operator for new service and one FTE as an Extra Board.

Ms. Aitken summarized the changes incorporated and discussed today:

- Adding 2 bus operators;
- Various reclass changes; and,
- Minor changes to dues and subscriptions; e.g., professional association dues such as APTA, etc. (Refer to the listing within the budget presented May 19, 2017 for specifics)

These changes resulted in increases to the FY18 and FY19 budgets (to \$336K and \$378K, respectively) with corresponding Revenue.

There were no public comments.

In response to Director Lind's request for an explanation of the percentage METRO is aiming for, Ms. Aitken directed her to the page which includes a column labeled "Board Directed Minimum Balance". CEO Clifford added that METRO's goal is to obtain two months' operational sustainability. This is a long standing board policy which may be addressed in the future.

In summary, Ms. Aitken noted that the information presented today would be similar to that presented at the June 23, 2017 Board Meeting, including the UCSC changes to the 5 year plan.

ACTION: MOTION TO CONCUR WITH THE ASSUMPTIONS PRESENTED AND PROVIDE THE INFORMATION TO THE FULL BOARD AT THE JUNE 23, 2017 BOARD MEETING.

MOTION: Director Mathews

SECOND: Director Lind

MOTION CARRIED.

Committee Chair Leopold adjourned the meeting at 9:44AM.

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 www.scmtd.com subject to staff's ability to post the document before the meeting.



DATE: January 5, 2018
TO: Finance Standing Committee
FROM: Barrow Emerson, Planning & Development Manager
SUBJECT: REQUEST THE FINANCE STANDING COMMITTEE RECOMMEND THE BOARD OF DIRECTORS INITIATE FARE RESTRUCTURING ANALYSIS PROCESS

I. RECOMMENDED ACTION

That the Finance Standing Committee recommend the Board of Directors direct staff to initiate a fare restructuring analysis

II. SUMMARY

- Santa Cruz Metropolitan Transit District (METRO) staff has been conducting preliminary analysis on fare restructuring, including opportunities for improved fare payment technology.
- Staff requests the Finance Standing Committee recommend the Board initiate a fare restructuring analysis process.

III. DISCUSSION/BACKGROUND

Background

As part of long term financial and service planning, METRO staff has been conducting preliminary analysis of fare restructuring, including technological upgrades to fare payment methods.

The fare structure can be an important tool for operational efficiency, marketing and long-range budget planning.

This analysis is necessary because:

- Potential risks to the 5-year balanced budget.
- Reduced revenue from TDA-STA 99313 (Population Share) program beginning in FY20.
- Based on future budget projections, METRO will need additional revenue to maintain service levels over the next five years as funding sources remain relatively stable while costs increase. (See Attachments A1 and A2)
- It is standard transit industry practice to review fare structure at least every five years.

- METRO's last fixed route fare modification was in 2012.
- The 2012 fare changes were not actually a comprehensive restructuring of fares and pass policy, but merely an increase in the cost of the base fare and corresponding increases to the various passes to address the recurring structural deficit.
- Coming out of the recession, five Northern California transit agencies have implemented fare restructurings in the last two years resulting in base fares greater than METRO's current \$2.00 base fare. (See Attachment B)

Scale of Revenue Opportunities

METRO's current fare revenue is approximately \$10M annually with a farebox recovery ratio of 23%. Over half of fare revenue comes from funding contracts with UCSC/Cabrillo for public fixed routes that also serve the schools. (See Attachment C)

Staff will return to the Finance Standing Committee in February with detailed proposals as to how to increase fare revenue by up to \$2 million annually.

Targeted Strategies

Outside of these two basic scenarios, there are opportunities to implement targeted strategies that would address various needs and issues of our non-UCSC/Cabrillo ridership who are generally transit dependent and have lower incomes, including discount scenarios for various passes

Another opportunity is to incentivize non-cash fare payment by providing a discount for use of a smartcard (Cruz Cash or Cruz Pass)

Fare Payment Technology

Basic fare restructuring, such as raising the base fare and adjusting the discount of a monthly pass, can be achieved without any change in fare collection technology.

A fare restructuring provides an opportunity to consider other aspects of fare collection, such as improving customer convenience and trying to reduce inefficiencies in METRO's current fare collection process, such as increased dwell time and service delays due to on-board cash payments.

New fare collection technology could be implemented concurrently with the fare restructuring if required, or at a later date. That determination would be made based on the basis of whether the technology is required to implement the fare restructuring, and on cost considerations.

More sophisticated fare restructuring strategies would require a fare technology upgrade.

Process

It is requested that the Finance Standing Committee recommend the Board direct staff to initiate a fare restructuring analysis at its January 2018 meeting in order to give adequate time for public consideration prior to a final fare restructuring decision in May and the adoption of the METRO annual budget in June

The sequence of activities could be as follows:

- January 2018 – Introduction of project
- February thru March 2018 – Staff analysis and community engagement
- March 2018 - Preliminary staff recommendations to Board
- March - May 2018 – Public comment process
- May 2018 – Public Hearing and Board adoption of revised Fare Policy
- January 2019 - Implementation of revised fare structure

IV. FINANCIAL CONSIDERATIONS/IMPACT

The initiation of a fare restructuring analysis does not in itself have a financial impact although outcomes of the process may result in initiatives that could have financial considerations.

V. ALTERNATIVES CONSIDERED

The alternative is to not perform long-range fare restructuring analysis, missing possible opportunities related to operating efficiency, marketing and long-term budget planning. This is not recommended.

VI. ATTACHMENTS

Attachment A1: Total Revenue & Expenses FY12 – FY 22

Attachment A2: CPI Chart Updated 8-30-17

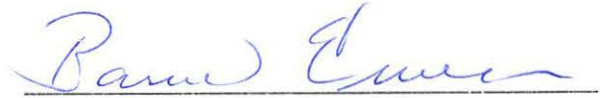
Attachment B: Peer Agency Fares

Attachment C: Current Fare Structure

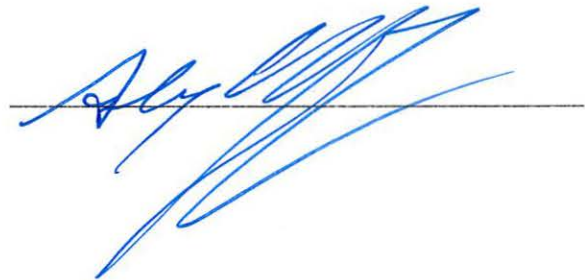
Prepared By: Barrow Emerson, Planning & Development Manager

VII. APPROVALS:

Barrow Emerson,
Planning & Development Manager

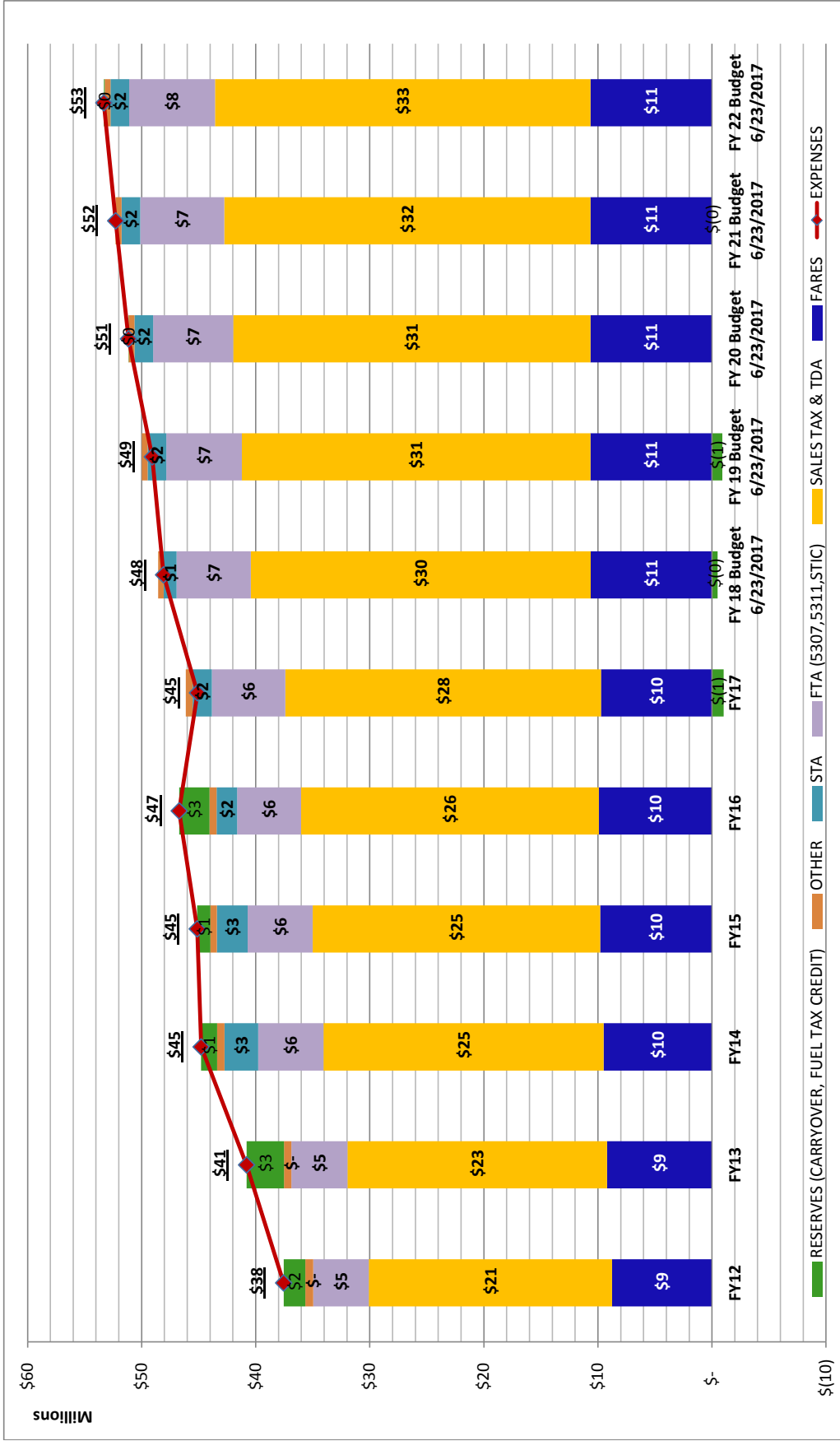


Alex Clifford, CEO/General Manager

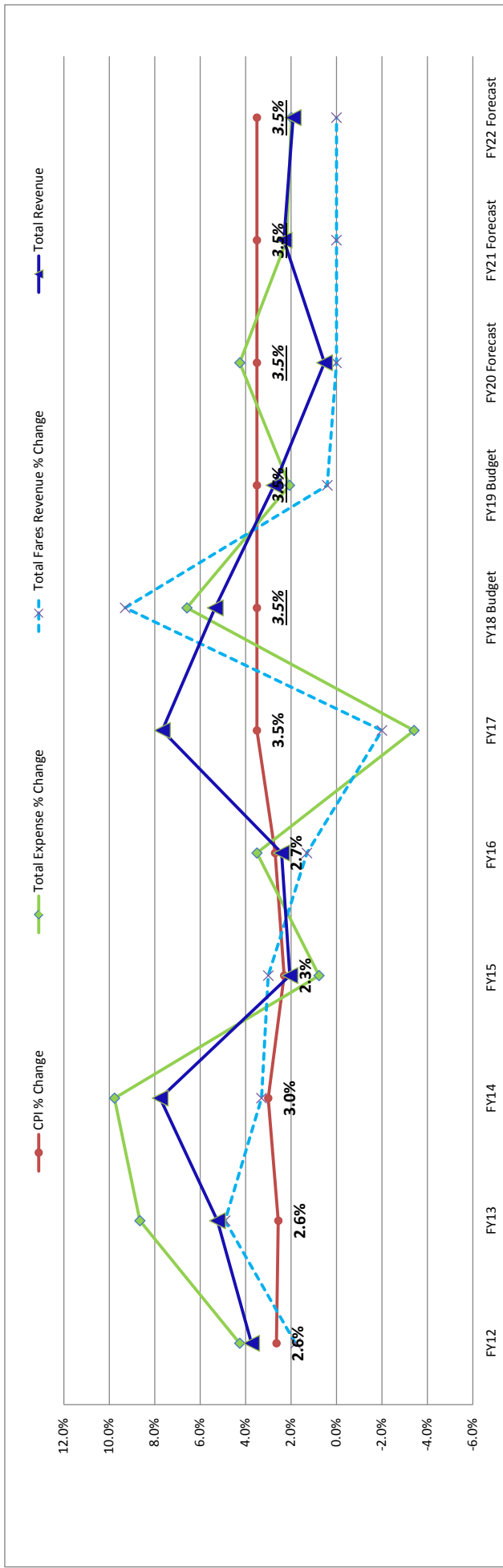


Attachment A1

Total Revenue and Expenses
FY12-FY22



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	Passenger Fares	Special Transit Fares	Highway 17 Fares	Highway 17 Payments	Paratransit Fares	Total Fares Revenue	Total Expenses*	Total Revenue**	%VAR	%VAR	%VAR
FY12	\$ 3,729,509	\$ 3,014,081	\$ 1,482,786	\$ 250,228	\$ 296,345	\$ 8,772,949	\$ 37,552,200	\$ 35,657,056			
FY13	\$ 3,849,089	\$ 3,249,049	\$ 1,471,122	\$ 330,265	\$ 304,536	\$ 9,204,061	\$ 40,801,065	\$ 37,524,342	3%	5%	9%
FY14	\$ 3,850,237	\$ 3,336,122	\$ 1,500,202	\$ 497,552	\$ 327,498	\$ 9,511,611	\$ 44,786,254	\$ 40,436,043	0%	3%	10%
FY15	\$ 3,759,724	\$ 3,647,730	\$ 1,547,791	\$ 511,729	\$ 329,050	\$ 9,796,024	\$ 45,128,510	\$ 41,264,128	-2%	0%	1%
FY16	\$ 3,614,890	\$ 3,726,200	\$ 1,816,162	\$ 411,842	\$ 327,768	\$ 9,896,862	\$ 46,706,727	\$ 42,260,818	-4%	0%	3%
FY17	\$ 2,849,064	\$ 4,424,951	\$ 1,644,388	\$ 503,961	\$ 298,506	\$ 9,720,869	\$ 45,110,026	\$ 45,499,534	-21%	-9%	-3%
FY18 Budget	\$ 2,791,893	\$ 5,206,844	\$ 1,758,751	\$ 525,000	\$ 339,141	\$ 10,621,629	\$ 48,077,820	\$ 47,927,640	-2%	14%	7%
FY19 Budget	\$ 2,791,893	\$ 5,246,644	\$ 1,758,751	\$ 525,000	\$ 339,141	\$ 10,661,429	\$ 49,069,801	\$ 49,244,470	0%	0%	2%
FY20 Forecast	\$ 2,791,893	\$ 5,246,644	\$ 1,758,751	\$ 525,000	\$ 339,141	\$ 10,661,429	\$ 51,155,709	\$ 49,502,961	0%	0%	4%
FY21 Forecast	\$ 2,791,893	\$ 5,246,644	\$ 1,758,751	\$ 525,000	\$ 339,141	\$ 10,661,429	\$ 52,276,268	\$ 50,645,344	0%	0%	2%
FY22 Forecast	\$ 2,791,893	\$ 5,246,644	\$ 1,758,751	\$ 525,000	\$ 339,141	\$ 10,661,429	\$ 53,312,478	\$ 51,609,055	0%	0%	2%

* Total Expenses do not include year-end Depreciation, W/C IBNR, GASB 45 OPEB adjustments, or GASB 68 Pension adjustments.

** Total Revenue does not include STA and TRANSFERS FROM RESERVES

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Attachment B

Agency	Last Fare Increase/ Restructure	Base Fare	
		Previous	Current
METRO	2012	\$1.50	\$2.00
MST	2009/2012	\$2.00	\$2.50
VTA*	2009/2017	\$2.00	\$2.25/\$2.50
AC**	2011/2017	\$2.10/\$2.00	\$2.25/\$2.15
SamTrans	2010/2016	\$2.00	\$2.25
GGT	2015/2017	Zone System	Restructured fare system with most zones increasing .25¢ to .50¢
*VTA is implementing their current fare increase in 2 phases; the current \$2 fare will increase to \$2.25 in Jan. of '18 and to \$2.50 in Jan. of '19.			
** AC Transit raised their cash fare from \$2.10 to \$2.25 and their clipper fare from \$2 to \$2.15.			

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Attachment C

Current Fare Structure				
FY17	Current Fares	Pass Values	# of Passes Sold 7/1/16-6/30/17	Revenue From Passes
Base Fare	\$2.00	NA	841,295	\$1,682,590
Disc. Fare	\$1.00	NA	244,647	\$244,647
Day Pass	\$6.00	3	43,775	\$262,650
Disc. Day Pass	\$3.00	3	20,489	\$61,467
3-Day Pass	\$15.00	7.5	593	\$8,895
Disc. 3-Day Pass	\$7.50	7.5	368	\$2,760
7-Day Pass	\$32.00	16	163	\$5,216
Disc. 7-Day Pass	\$16.00	16	125	\$2,000
15 Ride Pass	\$27.00	13.5	2,641	\$71,307
Disc. 15 Ride Pass	\$13.50	13.5	1,755	\$23,693
31-Day Pass	\$65.00	32.5	5,754	\$374,010
Youth 31-Day Pass	\$48.00	24	3,205	\$153,840
Disc. 31-Day Pass	\$32.00	32	6,466	\$206,912
Local Fare/Pass Revenue				\$3,099,987
HWY 17 Base Fare	\$7.00	NA	147,733	\$1,034,131
HWY 17 Disc. Fare	\$3.50	NA	24,687	\$86,405
HWY 17 Day Pass	\$14.00	2	18,389	\$257,446
HWY 17 15-Ride Pass	\$94.50	13.5	778	\$73,521
HWY 17 31-Day Pass	\$145	20.7	2,627	\$380,652
HWY 17 Fare/Pass Revenue				\$1,832,155
\$10 Stored Value	\$10.00	-	3,312	\$33,120
\$20 Stored Value	\$20.00	-	2,120	\$42,400
\$30 Stored Value	\$30.00	-	860	\$25,800
\$50 Stored Value	\$50.00	-	857	\$42,850
Stored Value Revenue				\$144,170
Total Fare Revenue				\$5,076,311
Special Transit Fares				
Account 402010		Projected FY17		
UCSC Students/Staff		\$3,569,353		
UCSC Route 16		\$37,599		
Cabrillo College		\$790,700		
			402010 Total	\$4,397,652
Account 402030				
Shaffer		\$24,540		
			402030 Total	\$24,540
Purchased Transportation Revenue				
VTA Service Contract		\$344,383		
VTA Eco Pass		\$27,043		
SJSU Bill		\$17,552		
AMTRAK Billing		\$144,504		
			Purchased Transportation Revenue Total	\$533,482
			Subtotal	\$4,955,674
FY17 Projected Total Revenue			\$10,031,985.30	

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