

**SAN MATEO COUNTY TRANSIT DISTRICT
1250 SAN CARLOS AVENUE, SAN CARLOS, CALIFORNIA**

**MINUTES OF SPECIAL BOARD OF DIRECTORS MEETING
Mavericks Event Center
107 Broadway Avenue, Half Moon Bay**

MARCH 19, 2019

Board Members Present: C. Groom, Chair; R. Collins, M. Fraser, R. Guilbault, K. Matsumoto, D. Pine (arrived at 9:26 am), J. Powell, P. Ratto, C. Stone

Staff Present: J. Hartnett, C. Mau, M. Bouchard, J. Cassman, R. Casumbal, A. Chan, J. Chen, D. Esse, B. Fitzpatrick, C. Fromson, J. Funghi, D. Hansel, D. Harbour, P. Ledezma, G. Martinez, L. Millard-Olmeda, G. Moyer, S. Murphy, D. Olmeda, D. Pape, R. Rios, M. Ross, D. Shockley, D. Seamans, M. Tolleson, S. van Hoften, C. Wegener

CALL TO ORDER / ROLL CALL

Chair Groom called the meeting to order at 8:52 am. District Secretary Seamans called the roll. A quorum was present.

PUBLIC COMMENT

None.

Jim Hartnett, General Manager/CEO, expressed appreciation to the current and past Board of Directors, and those present, for their guidance and work on what became Measure W. He acknowledged everyone's devotion to the agency's mission and the importance of the Board's direction to staff over the years.

ICEBREAKER

The Board Members and some staff members participated in an icebreaker exercise for approximately 15 minutes.

MULTI-YEAR FINANCIAL OUTLOOK (POST-MEASURE W)

Derek Hansel, Chief Financial Officer, provided an overview of his discussion regarding SamTrans financial outlook and its fiscal capacity, the fiscal challenges that existed prior to Measure W and the overall organizational capacity. He noted that expenses would continue to outpace revenue growth as they relate to sales tax, pension and benefit costs increases and the volatility of sales tax revenue. He reviewed multi-year operating projections and the expenses related to express buses. Mr. Hansel discussed opportunities related to Measure W, such as express buses and other Business Plan related items.

Mr. Hansel introduced David Olmeda, Chief Operating Officer, Bus, who provided an extensive overview of the entire District service operations for fixed route, paratransit and shuttle service, using a comparison of FY17 to FY18. He reviewed service statistics for each of the segments. Farebox recovery and sales tax revenue were reviewed.

A question and answer session ensued between Board members and staff regarding the shuttle market growth and interaction with the entire system, vehicle size, partnerships and business opportunities, labor challenges, and competition with the

private sector for drivers, guaranteed paratransit service and supplemental taxi services. The partnership with Peninsula Congestion Relief Alliance ("Commute.org") for shuttle services in and outside of the County was discussed.

At 9:26 am, Director Pine arrived.

Further, discussion ensued regarding paratransit services. Staff responded to Board member questions subsidies, cost to provide the service, determining partnerships with agencies to subsidize SamTrans services, reviewing on-demand paratransit scheduling software to enable better efficiencies in providing dynamic service to customers, investigating insurance-paid trips, subsidies, determining new routes through outreach with intended parties and researching outside funding for better coordination of services.

Mr. Olmeda responded to questions regarding how shuttle services are requested and put into place. April Chan, Chief Officer, Planning, Grants, and Transportation Authority, was introduced and she discussed how the agency works with Commute.org and Peninsula cities to provide shuttle services for employer shuttle routes as well as community shuttle routes to connect the senior centers to the shopping centers. Further to the discussion, staff discussed subsidies for shuttles and noted that annual surveys are conducted to obtain information on shuttle riders. A request was made to arrange for a presentation by Commute.org at a future meeting.

Mr. Hansel continued with his presentation with an in-depth discussion operating expenses and farebox recovery for motorbus/fixed route and paratransit services. He reviewed sales tax trends from 2001 – 2020 and the fluctuation associated with the taxes. He noted that the Bay Area inflation is outpacing sales taxes, from FY01-FY18. Historically, sales tax revenue has provided 39%-53% of operating funding. Mr. Hansel cautioned about a possible correction to the business cycle in the future.

Further discussion included fuel costs, electrified fleet, ridership density, poor routes and effect of cuts on transit-dependent, density in the North County vs. South County and Coastsides, and the challenge of serving schools at peak hours.

Mr. Hansel then reviewed in depth the sources of funds (sales tax, farebox, operating grants, Measure A, TDA/STA taxes) and the uses of funds (Motor Bus, Paratransit, Capital projects, debt and other). Looking to the future, Mr. Hansel reviewed a "status quo" revenue projection chart, assuming no recession, with several assumptions included. Corresponding expenditure projections were reviewed. He noted that both charts did not include or address Measure W expenses or special projects. He stated there are financial issues that must be addressed.

Key forecast drivers were reviewed, including an annual increase in salaries and wages, benefits costs, growth in Contracted Urban Bus (contract) costs, paratransit cost increases, pension costs and other post-employment benefit costs, unfunded pension liabilities, and debt burden.

Mr. Hansel discussed revenue projections for FY20, which included Measure W revenue for special projects and associated expenditure projections assuming the new sales tax. He discussed the additions to the FY20 forecast, including express bus costs, Measure W

operating budget requests, deferred maintenance/investment and significant capital improvements.

Mr. Hansel reviewed long-range strategic priorities of:

- Addressing organization capacity and results of the Comprehensive Organizational Analysis (COA);
- Expense growth outpacing revenue growth;
- Funding of pension/Other post-employment benefits (OPEB) liabilities;
- Central administration building
- Volatility of sales tax revenue;
- Existing debt retirement in FY34.

Mr. Hansel and Mr. Hartnett discussed the additional contribution from the SamTrans budget needed last year to cover the operating shortfall from Caltrain's operating budget. However, there is a proposal for a one-eighth sales tax for an upcoming ballot to generate sufficient funds for Caltrain, which would replace the funds from Caltrain's three partner agencies.

Concluding, Mr. Hansel stated that staff would be preparing an operating reserve policy, revenue stabilization fund, an agency-specific investment strategy, development of a pension funding strategy and development of a long-term forecast (10-30 years).

Recess

The meeting recessed at 10:37 am and reconvened at 10:52 am.

SAMTRANS BUSINESS PLAN UPDATE AND UPCOMING COMPREHENSIVE OPERATIONAL ANALYSIS

Mr. Hartnett encouraged continued Board comments and feedback as the discussion continued on both the Business Plan and Comprehensive Operational Analysis.

He introduced Christie Wegener, Director of Planning, who provided comprehensive presentations on the Business Plan and the Comprehensive Operational Analysis ("COA"). She provided details on sustaining and enhancing services for the transit-dependent, including the Youth Mobility Plan, Senior Mobility Plan and working with the San Mateo Community College. In the area of innovating mobility services, Ms. Wegener discussed the micro-transit pilot, fleet electrification and the U.C. Davis paratransit study.

Ms. Wegener responded to Board members' questions and comments in the following areas: sustaining and enhancing services for the transit-dependent, youth and senior mobility plans, vouchers, improvements for San Mateo Community College, expense related to the micro transit pilot.

In response to Board members questions, Mr. Olmeda discussed the new electrified fleet and challenges associated with installing the infrastructure to power the buses, training and timeline associated with the new fleet.

Continuing, Ms. Wegener discussed relieving traffic congestion on the El Camino Corridor, utilizing the tools such as installing the "Rapid" service and coordinating green-light signals on El Camino in San Mateo County. Further, she stated an initiative of a Shuttle Study is underway to examine current shuttle network and to evaluate the service delivery and management models in 2019-20.

Rob Casumbal, Manager, Marketing and Creative Services, stated a marketing team working with Ms. Wegener on the planning and marketing for the Foster City – San Francisco route. In response to a Board Member's concerns about appropriate branding of the service and have an impressive look that will capture people's attention.

Ms. Wegener noted that the Comprehensive Operational Analysis (COA) would be an overall roadmap for SamTrans from fiscal year 2019-2021 that would comprehensively tie all the business plans together. It would identify in-depth areas of strengths and areas of improvement and she presented information how public transit is being disrupted in many ways due to declining ridership. She said there is a need to change and "reimagine" SamTrans in order to become more effective and to identify and understand who and where the riders are. Ms. Wegener then reviewed topics and questions for discussion going forward.

The Board's comments and requests included the following: provide more illustrative data, make bus stops more attractive with more amenities, and to have more cost effective and business-like processes. Suggestions included considering what they can do with regional, county, and other transit partners to mitigate congestion as a high priority; consider creating of a sub-regional group with members from Belmont, Redwood Shores, and San Carlos to deal with congestion; work with businesses to make driving cars and parking less convenient than riding buses; increase the frequency of bus service. There was an observation that seniors may be more dependent on these services. Marketing ideas included attracting potential riders who are "well-heeled" with great bus service with all the bells and whistles, appealing to people's altruism and interest in the environment and reducing congestion by riding buses. There was a request to have the COA done faster than the estimated two and a half years given its value in making future decisions as well as the need to continue monitoring all the routes to increase ridership and to save money wherever possible.

Recess

The meeting recessed at approximately 11:53 am and reconvened at 12:16 pm.

CENTRAL ADMINISTRATION BUILDING ASSESSMENT

Brian Fitzpatrick, Director, Real Estate and Property Development, discussed the obsolete condition of the District's administration building, which included the inefficient floor plan, inefficient windows and an unreliable Heating, Ventilation and Air Conditioning system.

In response to Board Member questions and comments, staff clarified that new, modern buildings are much more energy and water efficient, the current site has a lot of redevelopment potential, the need for input and guidance Board, and public engagement. They may consider a public and private format that may include housing and retail in addition to the administrative offices. In response to a Board

Member's comment on needing more office space, Mr. Fitzpatrick emphasized the need for public outreach on what it should appropriately look like in future.

In response to a Board Member's question on the hypothetical scenario of selling to a developer and finding an alternative location, Mr. Hartnett related how an earlier opportunity to buy and move into the new San Mateo County building it did not make economic sense to do so.

Discussion between the Board with staff ensued, which included the following: extra community outreach takes extra time; some seismic work would be necessary for the current building; Measure W funding should not be used for any potential real estate development; a private and public partnership would be important and would require balancing competing interests; this should be revenue neutral. More housing is needed, such as building employee housing without FHA (Federal Housing Administration) requirements, and there was a request to request to poll District staff to determine the level of interest of living onsite. There was general agreement that this site could have mixed use of office, housing, and retail on the bottom, the building should not be sold, and provide public parking for residents and visitors to downtown.

In response to Board Member Collins' question, Ms. Cassman, Legal Counsel, confirmed that since he does not have a financial interest here nor lives within 500 feet of it, he does not need to recuse himself in this matter.

Mr. Harnett said they will move forward as quickly as possible on this process and thanked the Board for their time and work. He noted that doing work is not dependent upon the completion of the comprehensive analysis, but they will look at speeding up what they can and providing progress updates. He noted that everyone recognizes the need to be cautious and transparent on how they expend Measure W funds.

Chair Groom thanked everyone, opined that it was one of the best retreats here, and that the future is clear and bright with many decisions to be made down the road.

ADJOURN

The meeting adjourned at 12:53 pm.