



BOARD OF DIRECTORS AUGUST 21, 2019

Strategic Plan Update

TIMELINE:

- Citizen's Oversight Committee: Met August 15
- Week of August 19: Committee to Provide Comments
- August 29, 2019: Final Review of Document
- September/October: Board of Directors Review in conjunction with Expenditure Plan

STRATEGIC PLAN HISTORY

- 2009 Plan: Great Recession: \$6.6 million drop in revenue=\$100 million drop in ability to borrow for construction of project
 - » Timing crucial
 - » Reevaluation and need for phasing
- 2014 Plan: Phasing decisions meant SMART only from San Rafael to Railroad Square
 - » Nimble action, hard work building partnerships
 - » 3 additional stations Guerneville, Atherton/San Marin & Airport Boulevard
- 2019 Plan: SMART now open with 44 miles of rail service, 18.4 miles of path, reaching 80% of the population SMART was targeting for service
 - » 1.4 million passengers, 133,000 bikes, 5,100 passengers using wheelchairs
 - » Job creation
 - » Housing
 - » Retail and commercial

STRATEGIC PLAN = FUTURE STABILITY

- Goal: Ensure that the rail and pathway system built to date continues to serve the people of Sonoma and Marin
- Document Highlights: Thanks to 70% voter approval of ¼ cent existing sales tax:
 - » SMART has a **stable funding source** through 2029
 - » **Renewing early** will reduce our current debt service by more than \$12 million each year and will secure a stable path forward
 - » **Renewing early in March 2020** will secure not only current operations Larkspur to Windsor but also provide enough funds to operate once we get to **Healdsburg** and **Cloverdale**
 - » SMART will need to continue its successful grant efforts in order to fund any additional rail and path extensions to Healdsburg and Cloverdale

EXPENDITURE PLAN PRINCIPLES

Strategic Plan strives to address the expenditure plan principles discussed by the Board:

- Provide for ongoing Operation and Maintenance of the Current System
- Prioritize Safety and Security Maintenance and Improvements
- Provide for Capital Investment
- Allow Future Amendments by the Board to reflect future changes in economic conditions

CONTINUING SUCCESS

- Progress Continues Despite Challenges
- New Capital Projects Underway:
 - » Completing Larkspur, Downtown Novato
 - » Windsor Rail and Path
 - » Petaluma Second Station
 - » Petaluma SMART Pathways
 - Payran to Southpoint
 - Payran to Lakeville
 - Southpoint to Penngrove
 - » Sonoma County Pathway Connectors
 - 2.8 miles Southwest Santa Rosa to Rohnert Park

STRATEGIC PLAN ASSUMPTIONS: SALES TAX

- Sales Tax Historically Stable Revenue Source in District
- Great Recession: Unprecedented impact, unfortunate timing
 - » 23% revenue loss over three years
 - » 2008 measure projected \$890 million, 2009 plan \$845 million, current estimates over \$100 million less than 2008
 - » Revenue stream now recovering, but impact affected ability to bond, reduced project revenues
- Growth projection of 3% going forward reasonable
 - » 20-year history, INCLUDING unprecedented recession, 3%
 - » Since recession 5.6% annually
 - » 30-year history, no other recession reduced revenue more than 5%

STRATEGIC PLAN: OTHER REVENUES

- Fare Revenue: \$7.4 million through FY19, \$4.1 million FY20
 - » Revenue has exceeded budgeted amounts
 - » 56% of riders have some form of discount
 - » Average fare per trip is \$5.74, 70% of riders travel 2-3 zones or estimated 24 miles per trip
 - » Projections forward assume modest increases for Larkspur and Windsor opening and stable 3% growth thereafter
- Other revenues: \$8.6 million includes
 - » Miscellaneous: Lease, advertising, reimbursements
 - » State Revenues: Rail Assistance, Transit Assistance, others due to SB1
 - » Federal Revenues: FTA funding for operations, capital

STRATEGIC PLAN : EXPENDITURES

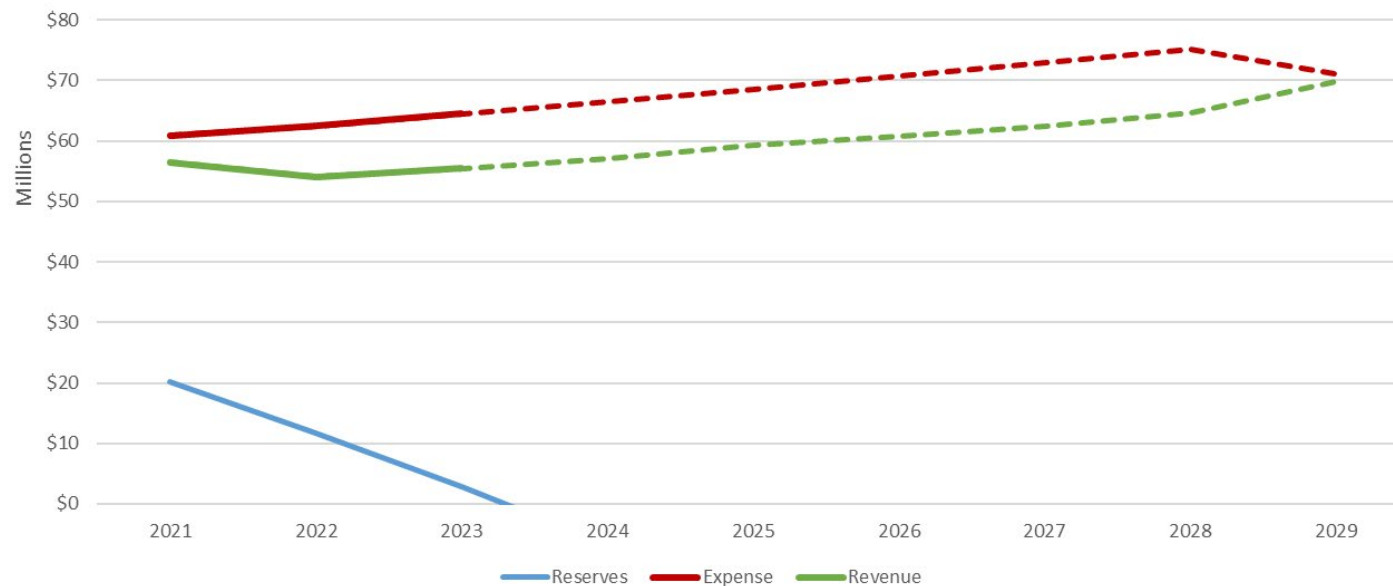
- Expenditures for future forecast based on Fiscal Year 2019-20 budget: \$58 million (non-capital)
- Major Expenditure Categories :
 - » Labor costs
 - » Debt service
 - » Safety and security
 - » State of Good Repair
 - » Risk Management
 - » Passenger Amenities
 - » Fuel and Utilities
 - » Pathway and Right of Way Maintenance

FORECAST SCENARIOS

- Forecast scenarios are based on a single point in time and project forward based on assumptions
- Purpose is to look ahead and make a plan of action
- Designed to give the District, at the direction of the Board, time to plan and act

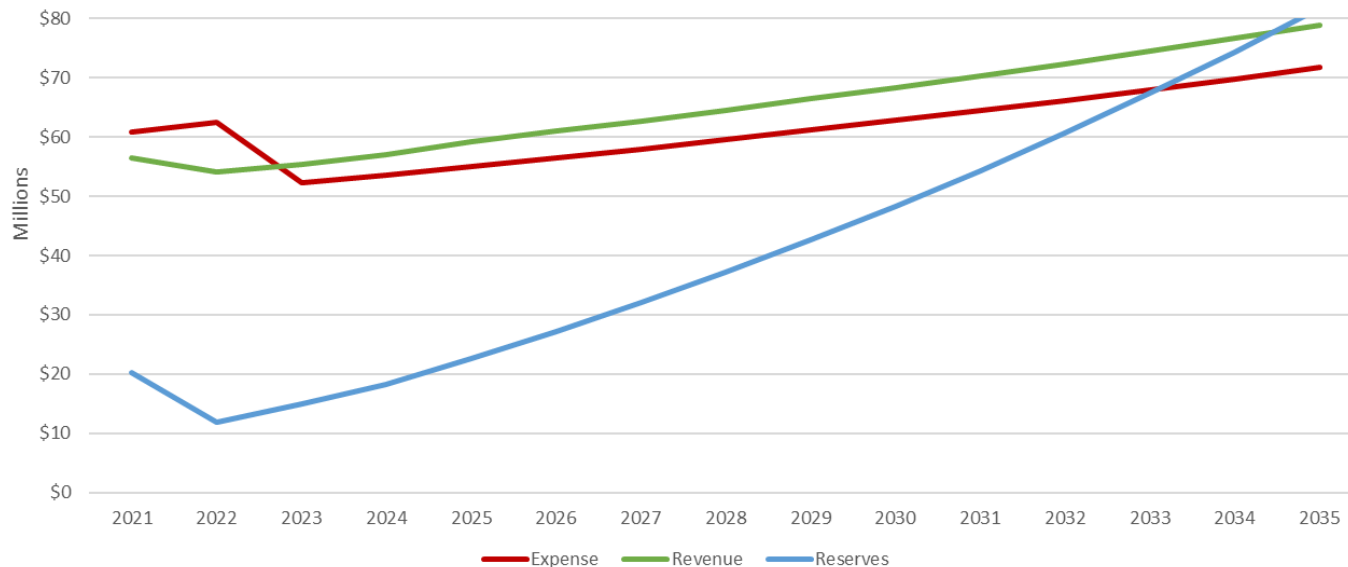
SALES TAX SCENARIOS

- “Do Nothing” Scenario= No Renewal in March 2020, No Cuts to Expense:
 - » Shows depletion of reserves in Fiscal Year 2023-24
 - » This only occurs if the sales tax is not renewed and the Board makes no cuts to the budget
 - » SMART will not allow this scenario to come to fruition



SALES TAX SCENARIOS

- 20-Year Extension Scenario: March 2020 Success
 - » Enables reduction of debt by \$12.2 million per year
 - » Brings stability to operations and reserves
 - » Generates excess revenue starting in 2023
 - » Excess revenue would cover cost of operating to Healdsburg and Cloverdale

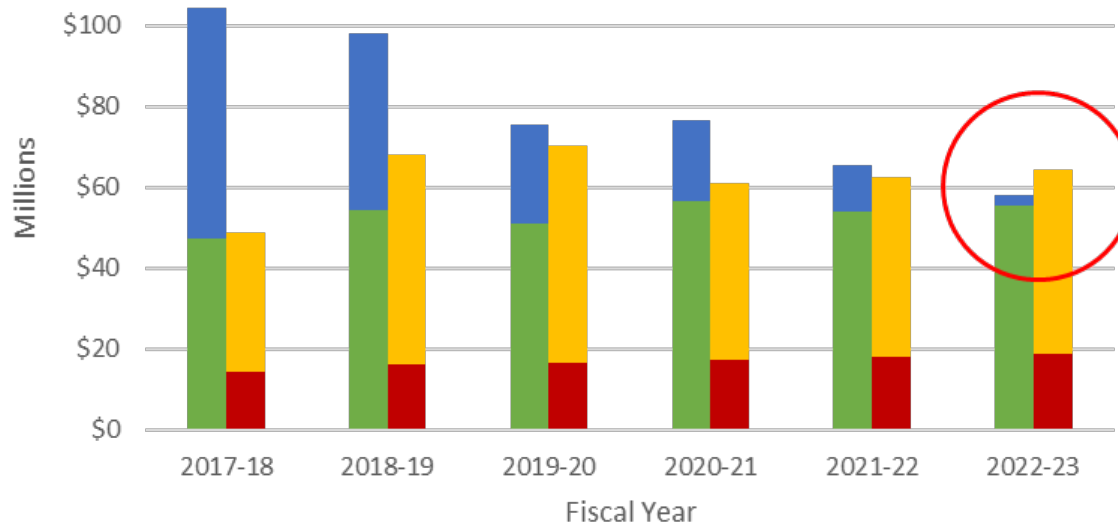


SALES TAX SCENARIOS

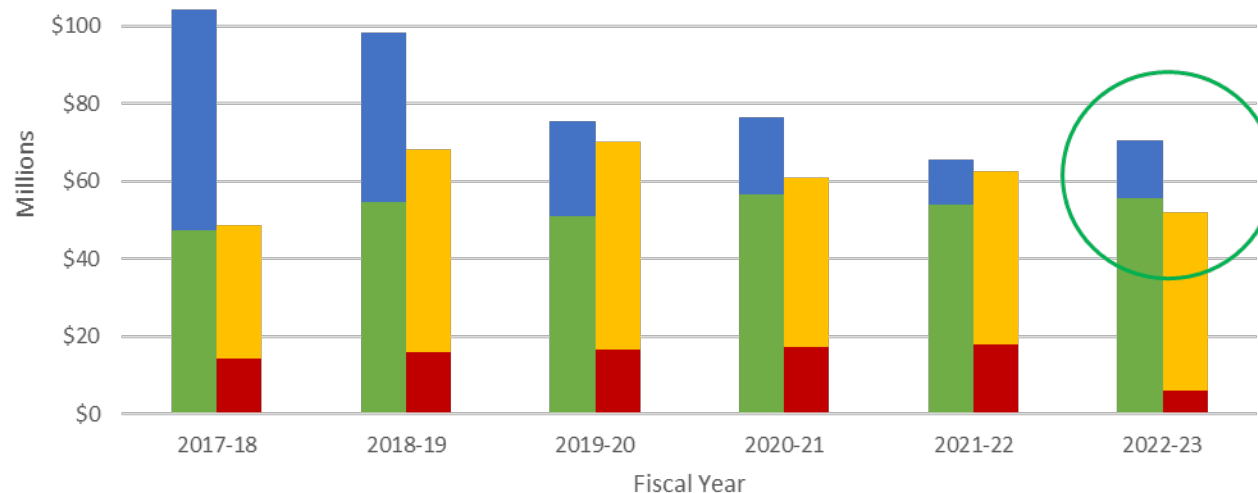
- 30-Year Extension Scenario: March 2020 Success
 - » Enables reduction of debt by \$12.5 million per year
 - » Brings stability to operations and maintains reserves
 - » Generates excess revenue starting in 2023
 - » Excess revenue would cover cost of operating to Healdsburg and Cloverdale
 - » Provides more flexibility in exploring capital funding options
 - » Does not provide sufficient revenue to complete future capital expansion costs by itself but can be leveraged to obtain new grants (as SMART has done in the past)

Do Nothing Scenario: No Sales Tax Renewal or Expenditure Reductions

Reserves Agency Revenue Debt Service Agency Expense



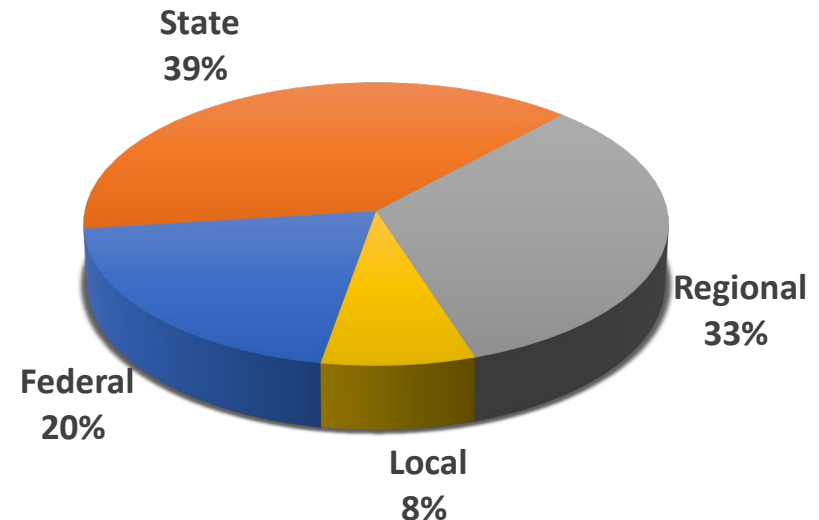
30-Year Sales Tax Extension Scenario



CONTINUING SUCCESS

- Through FY2018 SMART has received **\$289 million** in Measure Q Sales Tax
- SMART has leveraged sales tax (Measure Q) to generate **\$323 million** in outside investment to the North Bay
- Future success would employ same strategies used to deliver Larkspur to Windsor

Sales Tax Return on Investment



LARKSPUR SUCCESS EXAMPLE

- Time and hard work = success in funding
- Mix of funds can be very complicated: Larkspur

Larkspur Funding Mix	Fund Source (millions)
<i>SMART San Rafael to Larkspur Rail Extension Project</i>	
Federal Transit Administration Small Starts	\$ 2.5
Federal Railroad Administration Positive Train Control Funds	3
Metropolitan Transportation Commission Bridge Tolls	13.9
Regional Discretionary Federal Flexible Funds	9.3
SMART Measure Q	6.7
Federal Transit Administration Small Starts	20.0
TOTAL	\$ 55.4