

Board of Directors Meeting June 3, 2020



OVERVIEW

- Introduction
- High Level look at projections most important revenue and expenditure assumptions driving budget
- Summary of Fiscal Year 2019-20 Anticipated Year End
- Proposed Fiscal Year 2020-21
 - Administration
 - Capital
 - Operations
- Positions Authorizations for Proposed Fiscal Year 2020-21

OVERVIEW

- Budget Approval: Review and Approval of Two Years
 - Fiscal Year 2019-20 Year-End and
 - Fiscal Year 2020-21 Proposed Budget

For three departments

- Administration, Capital and Operating

Budget document starts with an Overview, including all Departments (Table 1)

OVERVIEW REVENUE PROJECTIONS

Two most important revenue projections included in the budget:

1. Full CARES Act Funding \$16.9 million-- crucial to weathering this financial crises.

- Without CARES Act Relief, SMART would be required to make faster, deeper cuts in service and staffing
- Provides “breathing room” to see how low sales tax will drop and when economy will reopen
- Avoids immediate layoffs of highly-trained staff that would difficult to replace
- Allows resumption of most service after shelter in place ends



REVENUE PROJECTIONS

2. Sales Tax Impacts:

- Since the shutdown, various experts have now weighed in on impacts
- For the budget, reviewed various projections:

SALES TAX FORECASTS	% Decrease from FY19 tax receipts (not cumulative)	
	Fiscal Year 2019-20	Fiscal Year 2020-21
HDL (w/Beacon)		
Sonoma County Measure M forecast	-15%	-18%
Management Partners		
City of Santa Rosa forecast	-10%	-15%
Avenu (SMART's Auditor)		
Most Likely forecast	-10%	-17%



REVENUE PROJECTIONS

We recommend using same sales tax projections that SCTA utilized (HDL) :

-15% for FY20 and -18% for FY21

This is applied to our Fiscal Year 2018-19 earnings, with some adjustments, to produce the following Budget Projections (current):

- \$33.6 million in Fiscal Year 2019-20
- \$33.0 million in Fiscal Year 2020-21

REVENUE PROJECTIONS

We will not know what the actual receipts will be for some time.

- Quarterly reporting for the second quarter of 2020 (April-June) is not normally analyzed until late August
- State has provided various extensions to taxpayers depending on the business size

Next Steps:

- Confirmation of final CARES Act amount – anticipated in July through MTC discussion
- Sales tax impacts –quarterly filings due July 31st, data available *starting* in late August

FARES

- Fares for Fiscal Year 2019-20, year end, are projected to be \$3.1 million, a reduction of 25% over budgeted amounts which assumes very little new revenue until June 30.
- Fares for Fiscal Year 2020-21 are anticipated to remain low and drop another 15% to \$2.6 million as many riders indicated in our survey that they either were unemployed, anticipated continued working from home, or may not ride in the near future.

EXPENDITURE PROJECTIONS

- **Goal** : Prudent reductions that allow us to keep train service intact as much as possible and maintain the system to highest safety standards
- Fiscal Year 2019-20 and Fiscal Year 2020-21 include three “buckets” of reductions outlined in last three meetings :
 - 1. One-time savings: Total of \$3.5 Million**
 - Fuel savings
 - Equipment delays or funding shifts
 - Various mitigation expenses

REDUCTION STRATEGIES

2: Reduction in Ongoing Contract Expense: \$2.6 million

- On board WiFi
- Contract for customer service
- North County and Larkspur bus services
- Debt refinancing
- Smaller misc. contract reductions

REDUCTION STRATEGIES

3. Reduction in service schedule : \$1.1 million ongoing savings

- New “6-1-6” schedule – total weekday trips of 26
 - Resumption of weekend service at previous levels
 - Reduce 7 **vacant** funded positions in operations and administration
- Further reductions, layoffs still possible if any revenue scenarios are not realized for CARES grant, Sales Tax, Fares

RESERVES AND FUND BALANCES

- Proposed budget provides necessary reserves and unallocated fund balance
- Fiscal Year 2020-21 ending Agency Reserve achieves minimum amount of \$10 million
- Additional unallocated fund balance available for any use of \$17 million (assuming all revenue projections are met)
 - This amount will be needed for the next two years until sales tax, ridership can recover
 - Next year, FY 2021-22, that amount would drop of \$6.7 million and eliminated the following year depending on the economy

RESERVES AND FUND BALANCES

- Other special purpose reserves included in the budget
 - Self-insured retention: liability deductibles
 - Equipment sinking fund: revenue and non-revenue vehicles
 - Post-employment pensions costs: to reduce future liabilities and operating costs

FISCAL YEAR 2019-20 YEAR END

- **Sources (Revenues+Use of Fund balance) increased From \$ 95 million to \$101.6 million**
 - Primarily due to capital shifts and new funding for capital projects
 - Loss of fare and sales tax funds will be offset by Federal CARES funds
 - Reduction in use of fund balance from \$20 million to \$14.6 million tied to one-time reductions, savings in Larkspur project, property sale and settlement revenue
- **Uses (Expense) also \$101.6 million**
 - Capital project cost shifts from prior year
 - Other projects added during year (Sonoma Pathway)
 - Expense reductions for one-time savings incorporated
- **Starting fund balance (from Fiscal Year 2018-19 year end):**
 - Increased \$11.9 million due higher year-end revenues higher (sales tax, state operating), salary savings from vacant positions, consultant and capital project savings

PROPOSED FY 2020-21 BUDGET

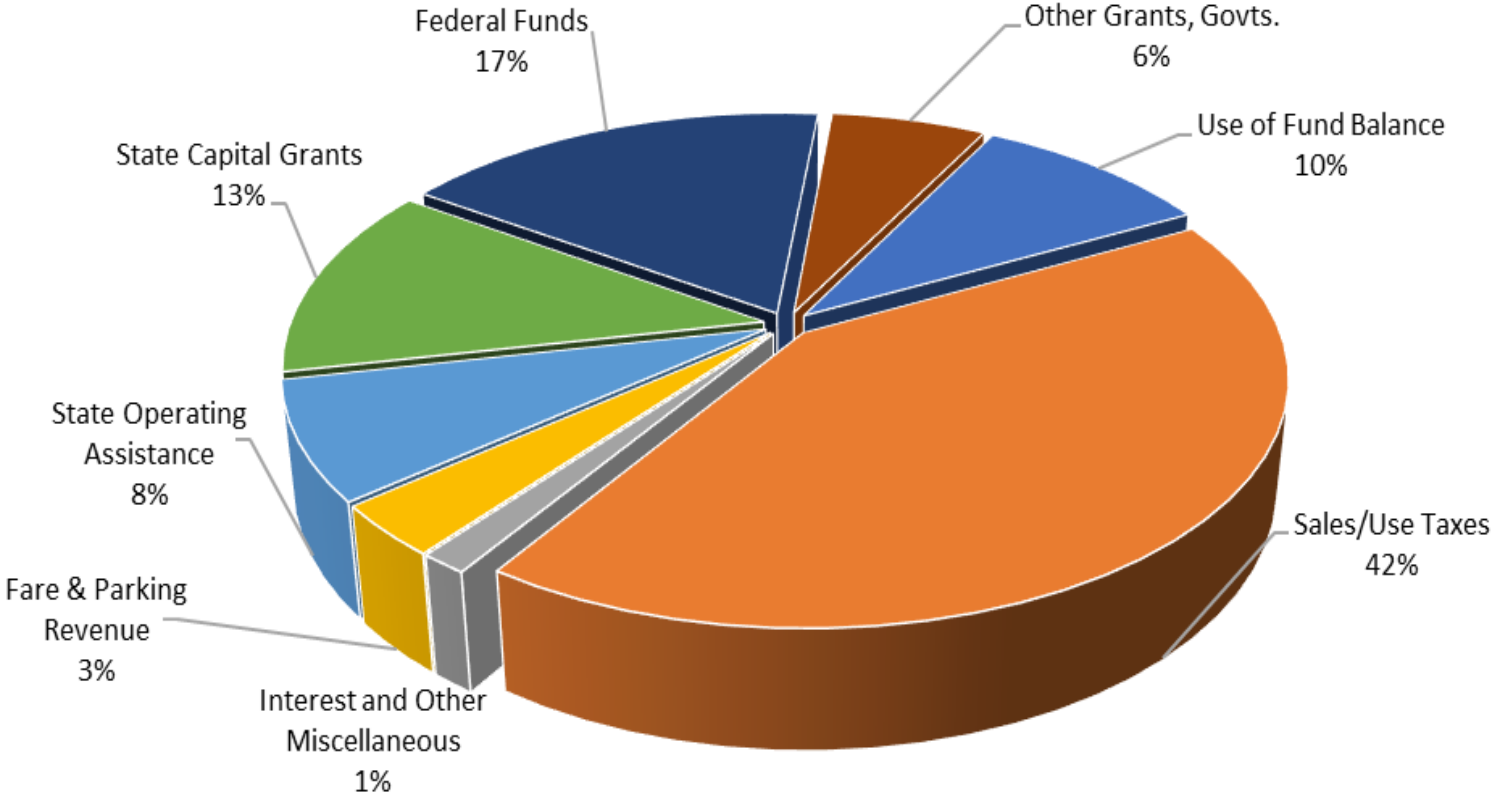
Incorporates all the revenue and expense changes we have discussed in previous meetings and outlined so far:

- Total Proposed Sources and Uses: \$78.7 million

Total Proposed Sources -- All Departments

Fiscal Year 2020-21

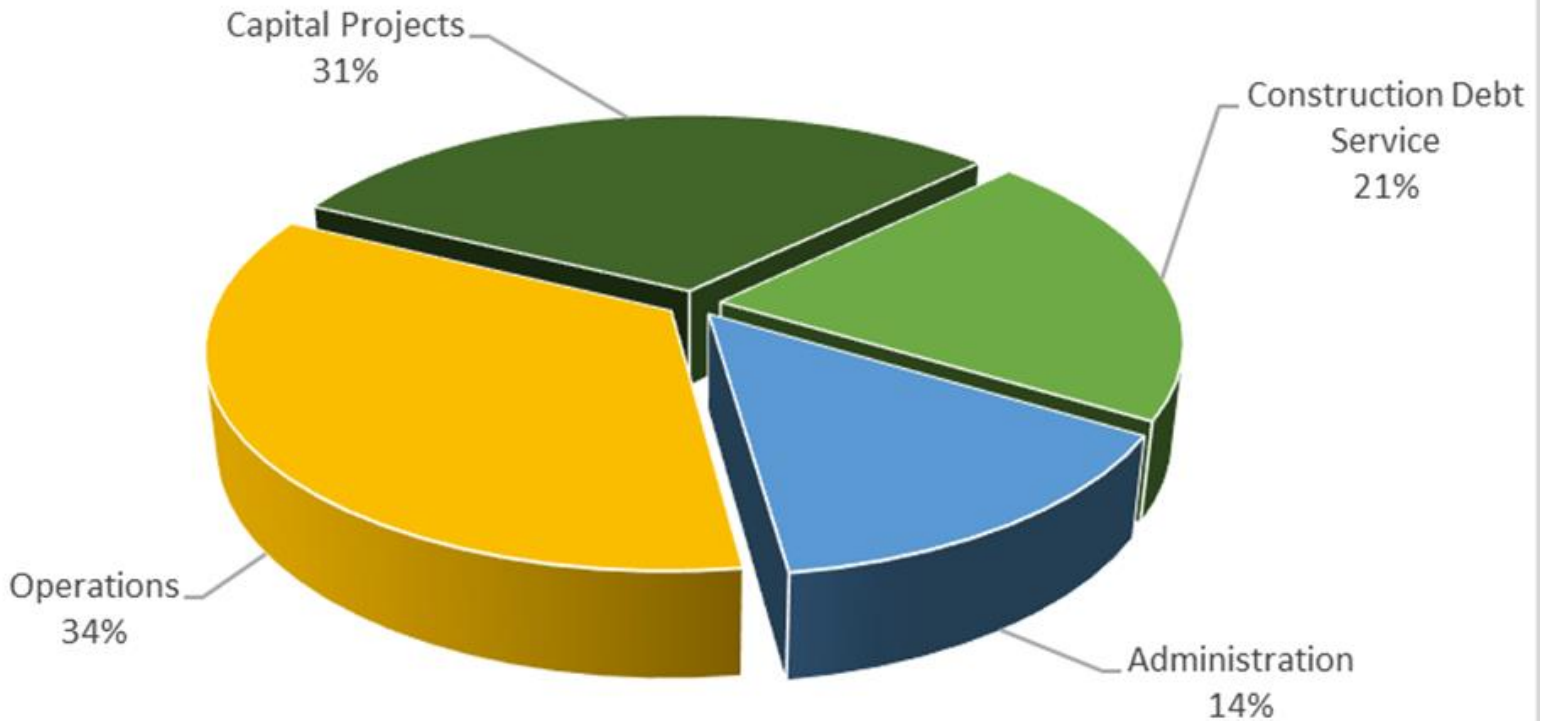
Total \$78.7 Million



Total Proposed Uses-- All Departments

FY 2020-21

Total \$78.7 Million

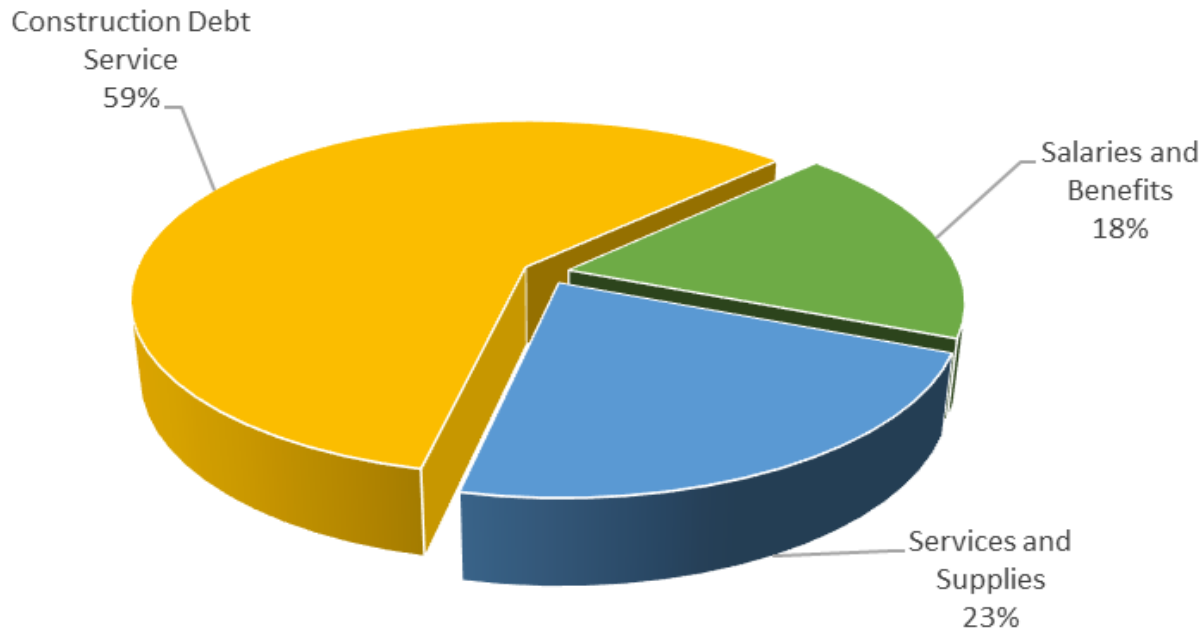


ADMINISTRATION

Proposed Administration Expenditures

FY 2020-21

Total \$27.6 Million



ADMINISTRATION

Expenses projected to be \$27.6 million

- \$1.6 million lower than FY 2019-20
 - Deletion of three vacant positions
 - Contract reductions as outlined for various expenses such as lobbying, information technology, supplies
 - Elimination of prior year one-time costs for ballot, opening of two new stations
 - Assumption of construction debt savings \$1 million

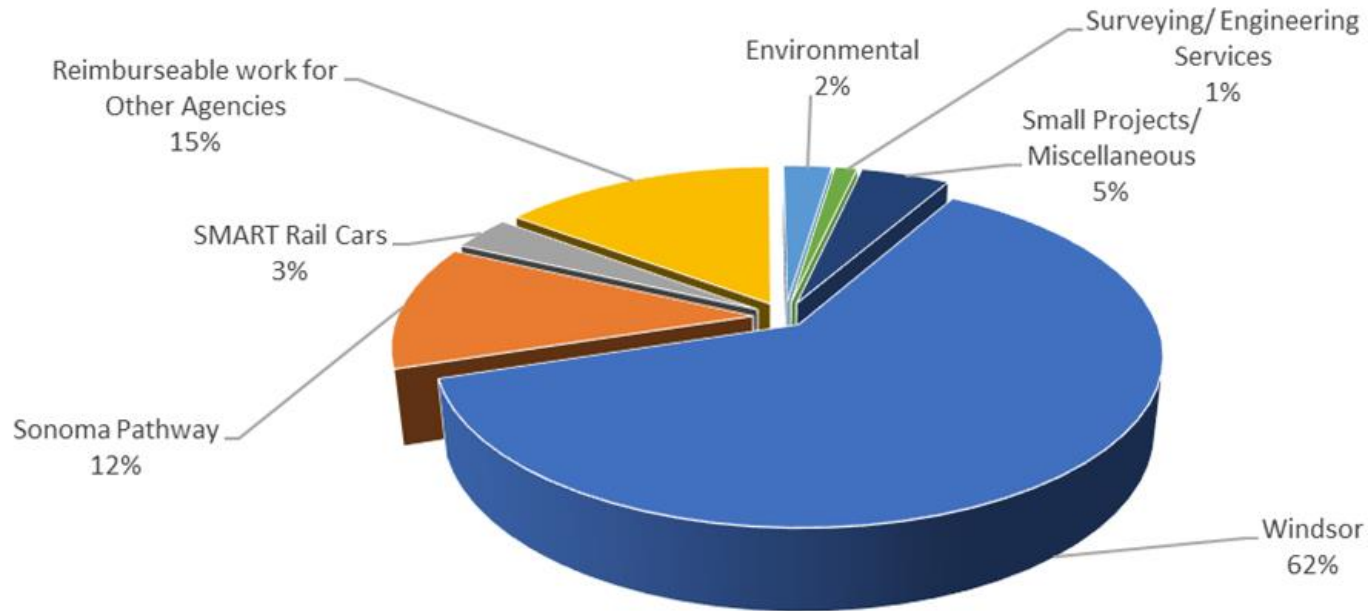
Detail Shown on Table 2

CAPITAL

Proposed Capital Projects Expense

FY 2020-21

Total \$24.0 million



CAPITAL

- Total Expense of \$24 million --\$20.6 million less than prior year
 - Includes increased Windsor project activity
 - Design and permitting for the Sonoma County Pathway
 - Pedestrian and crossing safety enhancements
 - Final milestone payments for rail cars
 - Smaller maintenance projects for bridges, culverts, other necessary annual repairs
 - Elimination of 4 vacant positions, not funded or needed for projects

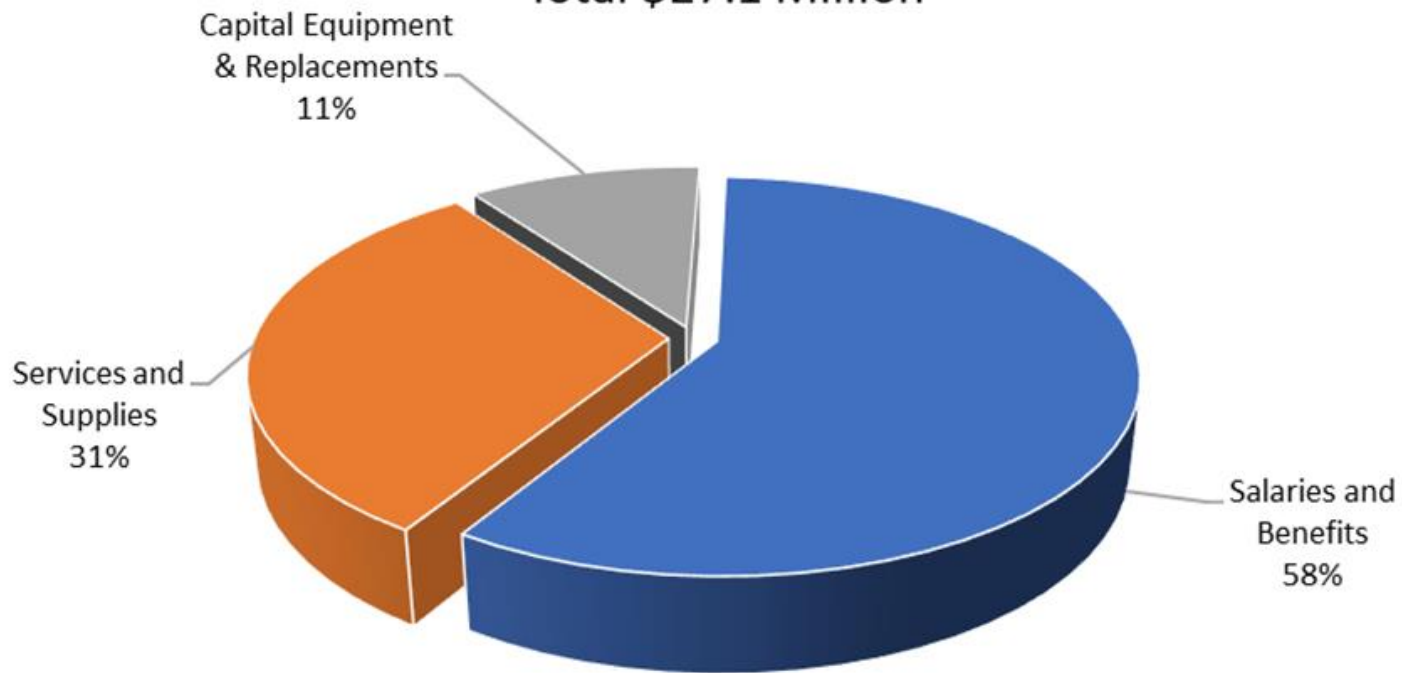
Detail Shown on Table 3

OPERATIONS

Proposed Operations Expenditures

FY 2020-21

Total \$27.1 Million



OPERATIONS

- Total Expense of \$27.1 million, decrease of \$595,539
 - Savings associated with resumption of 26 weekday trips rather than 38
 - Elimination of contracts such as WiFi, Customer Service
 - Cost increases for union wage agreements, health care and CalPers rates

Detail Shown on Table 4

POSITION AUTHORIZATIONS

- Total Authorized Full Time Equivalents: 136.5
- Reduction of 13:
 - Seven vacant, funded positions in Administration and Operations
 - Six capital project positions, vacant and unfunded for project needs
- Salary changes for union-contracted increases
- Detail shown on Table 5

ENDING RESERVES

- Agency Reserve: \$10 million per Board policy
- Unallocated Fund Balance: \$17 million (assumes projections are met for revenues)
- Special Purpose Reserves:
 - \$1.9 million Self-insured retention
 - \$7.6 million Equipment Sinking Fund
 - \$2.0 million Post-Employment Liability
- All reserves will be needed to weather what will likely be at least a continuing two-year impact on our revenues from COVID-19