TIMELINE:

- Today: Initial Overview, Presentation
- August 29, 2019: Final Review
STRATEGIC PLAN = FUTURE STABILITY

- **Goal:** Ensure that the rail and pathway system built to date continues to serve the people of Sonoma and Marin

- **Method:** Assist Decision Makers by Providing....
  - History, context and details on SMART system
  - Financial projections with different scenarios

- **Highlights:**
  - SMART has a stable path forward that can continue its current service and can operate more service, if voters approve early reauthorization of the existing sales tax in March of 2020
  - Renewing early will secure not only current operations Larkspur to Windsor but also Healdsburg and Cloverdale operations
  - SMART will need to continue its successful grant efforts in order to fund any additional rail and path extensions
STRATEGIC PLAN HISTORY

- 2009 Plan: Great Recession: $6.6 million drop in revenue=$100 million drop in revenue stream
  - Timing crucial
  - Reevaluation and need for phasing

- 2014 Plan: Phasing decisions meant SMART only from San Rafael to RR Square
  - Nimble action, hard work building partnerships
  - 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, 129,000 bikes, 5,100 passengers in wheelchairs
  - Job creation
  - Housing
  - Retail and commercial
CONTINUING SUCCESS

- Progress Continues Despite Challenges
- New Capital Projects
  - 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
CONTINUING SUCCESS

Sales Tax Return on Investment

- Through Fiscal Year 2018 SMART has received $289 million in Measure Q Sales Tax

- SMART has leveraged those funds to generate **$323 million** in outside investment to the North Bay

![Pie chart showing Sales Tax Return on Investment]

- State: 39%
- Federal: 20%
- Regional: 33%
- Local: 8%
SALES TAX FORECAST

- 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
  - 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%
OTHER REVENUES

- Fare Revenue: $7.4 million in last two years, $4.1 million this year
  - 56% of riders have some form of discount
  - Average fare per trip is $5.74, average length 2-3 zones or estimated 24 miles per trip
  - Projections forward assume increase for 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
EXPENDITURES

- Expenditures in Fiscal Year 2019-20 budget basis for forecast, $58 million

- 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
EXPENDITURES: SIX-YEAR VIEW IF NO CHANGES

- **Background:**
  - Before completion of Phase 1, reserved funds were planned and used for capital projects and for creating operating reserve.
  - Based on FY20 budget and escalating debt service schedule, costs would exceed revenues and deplete available reserves if NO changes are made in expenditures.

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<td>Capital Expenses Not Covered by Grants</td>
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*Dimishing Reserves*
NO MARCH 2020 SALES TAX RENEWAL SCENARIO

- If no changes to the District’s budget, expenses would continue to exceed revenues every year through FY 2029
  - Reductions of $9 million needed to bring future picture into balance

- With no other changes, reserves projected to be fully depleted during FY2024
  - Balanced budget cannot be achieved without cost reductions
20-YEAR SALES TAX & DEBT EXTENSION SCENARIO

- 20-year extension of the sales tax would enable SMART to restructure outstanding debt
  - Extending final maturity to FY2049 reduces annual payments by $12.2 million, providing capacity for operations
- Expenses exceed revenues annually until debt is restructured in FY2022
- From FY2023 forward, net revenue and reserves remain positive through end of tax
- Net revenue estimated at $3.1 million in FY2023 and forecast to grow annually thereafter, which could be used to fund additional operating costs related to Healdsburg and Cloverdale
- Net revenue would not provide sufficient capital for construction of rail extensions
30-YEAR SALES TAX AND DEBT EXTENSION SCENARIO

- Restructuring outstanding debt with a final maturity to FY2052 (30 years) reduces annual payments by $12.5 million, providing capacity for operations.

- Expenses exceed revenues annually until debt is restructured in FY2022.

- From FY2023 forward, net revenue and reserves remain positive through end of tax.

- Net revenue estimated at $3.4 million in FY2023 and forecast to grow annually thereafter, which could be used to fund additional operating costs related to Healdsburg and Cloverdale.

- Additional years provide more flexibility to explore capital funding options with additional net revenue in later years.

![Graph showing annual debt service reduced post-restructuring](image-url)
SYSTEM EXPANSION

- Financial forecasts DO provide sufficient revenue to **operate** additional rail extensions and pathway.
  
  » Estimated for operating to Healdsburg: $1.5 million
  » Additional for operating to Cloverdale: $3.2 million

- This provides the groundwork for grant applications which will require SMART to demonstrate the ability to operate extensions if given funds to build projects
Construction Costs are higher than available revenue. SMART will continue to seek grants for:

» Pathway: Completion of Path between Larkspur and Windsor estimated to be $34.5 million

» Rail:
  - Windsor to Healdsburg: $125 million
  - Rail Vehicle Expansion: $44 million
  - Rail Yard Capacity Expansion: $25 million
  - Healdsburg to Cloverdale: $170 million
NEXT STEPS

- Receive input from Committee
- Make any necessary changes
- Final Review in Two Weeks
- Board Approval in Sept/October timeframe