



SMART

Your train has arrived.

**PRELIMINARY BUDGET PROCESS
FISCAL YEAR 2020-21
FEBRUARY 19, 2020**

FISCAL YEAR 2020-21

BUDGET PROCESS TIMING:

JAN-APRIL: Staff work preparing options and projections

APRIL: Preliminary Board/Citizens' Oversight Public Meetings

MAY: Board & Public Preliminary Review

JUNE: Board Approval in Public Meeting

JULY 1: Start of New Fiscal Year

TWO BUDGET PATHS

Scenario 1: Approval of the Sales Tax extension (Measure I Approved)

- » Review our current level of service and staffing
- » Review fare structure and corresponding revenue
- » Discussion of patterns of ridership, optimization of resources based on patterns
- » Outline capital projects strategies
 - Completion of Windsor extension,
 - Progress/needs for new pathway projects in Sonoma
 - Petaluma second station
 - Grants strategy and opportunities for future expansions to Healdsburg, Cloverdale and pathway extensions.

TWO BUDGET PATHS

Scenario 2: No Sales Tax Extension (Measure I Defeated)

- » Without early tax extension, construction bond debt reduction of \$12 million annually not available as a solution
- » Doing nothing is not an option
- » Strategic Plan and Board presentations outlined the need for reduction of expenses of up to \$9 million to avoid using reserves

STRATEGIC PLAN PROJECTIONS

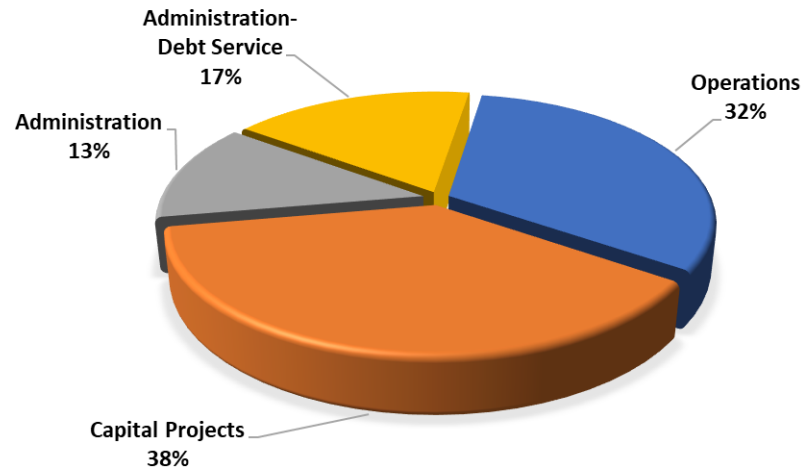
HYPOTHETICAL "DO-NOTHING" SCENARIO

—▶ No sales tax extension, No budget cuts, No revenue changes

	PRIOR YEARS		CURRENT	PROJECTIONS		
	Fiscal Year					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Operations Revenue	\$47.2	\$54.5	\$51.0	\$56.5	\$54.1	\$55.5
Operations Expense	-\$25.3	-\$38.3	-\$41.3	-\$43.2	-\$44.5	-\$45.8
Debt Service	-\$14.2	-\$16.1	-\$16.7	-\$17.4	-\$18.1	-\$18.7
Capital Expenses Not Covered by Grants	-\$9.1	-\$13.6	-\$12.2	-\$0.3	\$0.0	\$0.0
Subtotal (Needs Reserves/Annual Deficit)	-\$1.4	-\$13.5	-\$19.2	-\$4.4	-\$8.5	-\$9.0
Starting Unrestricted Reserves	\$41.5	\$40.0	\$26.5	\$7.3	\$2.9	\$0.0
Ending Unrestricted Reserves/Cumulative Deficit	\$40.0	\$26.5	\$7.3	\$2.9	-\$5.5	-\$9.0
Agency Reserve	\$17.0	\$17.0	\$17.0	\$17.0	\$11.5	\$2.5
					<i>Diminishing Reserves</i>	

BUDGET COMPOSITION

Budget Composed of Three Different Parts: Capital+Administration+Operations



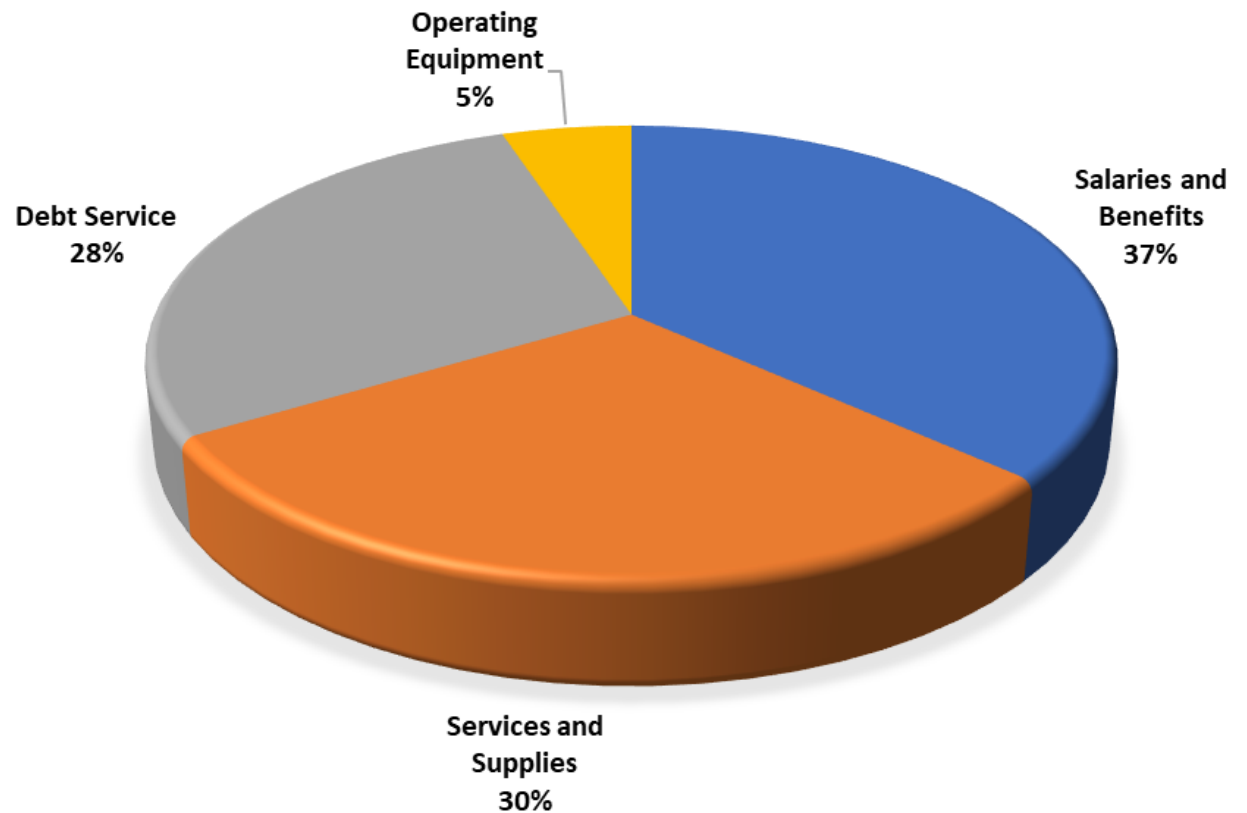
CAPITAL BUDGET

- FY20 current budget of \$51 million
- Almost entirely grant funded, one time in nature

ADMINISTRATION AND OPERATIONS

In evaluating future budget decisions, these recurring expenditures will be the focus

➤ FY20 Expenditures are \$61 million



SCENARIO #1: EXTENSION APPROVED

NEXT STEPS

Identify significant budget policy choices available using the 2020 Expenditure Plan as a guide. That Board-approved plan outlines the following three priorities:

1. Provide for Ongoing Operation, Maintenance and Financing of Current Operations
 2. Prioritize Safety, Education and Community outreach
 3. Capital Projects and Rolling Stock
- Ability to reduce debt payments allows the budget process to focus on maintaining current service and planning for the opening of Windsor, new pathways in the next 2 years

SCENARIO #2: EXTENSION DEFEATED

NEXT STEPS

Again, the 2020 Expenditure Plan provides our guiding principles:

1. Provide for Ongoing Operation, Maintenance and Financing of Current Operations
2. Prioritize Safety, Education and Community outreach
3. Capital Projects and Rolling Stock

➤ FY 2020-21 budget will begin the process of addressing the future \$9 million shortfall

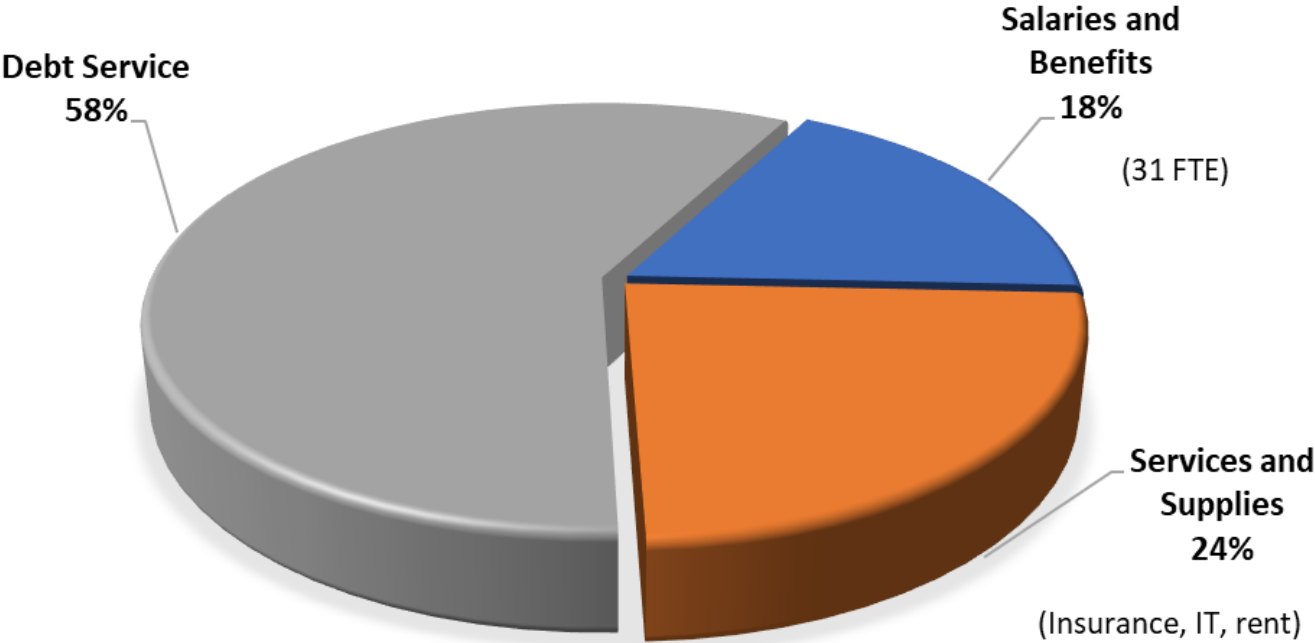
PROCESS AND OPTIONS

As part of the timeline prior to budget passage outlined earlier, process will include:

1. Identify SMART's "discretionary" budget
 - » Determine expenses that are one-time or ongoing
 - » Discuss mandatory vs. discretionary
 - Examples of mandatory: Debt service, dispatch, PTC, insurance
 - "Discretionary": WiFi, number of service runs, matching funds
2. Review changes that could be made to discretionary expenses and revenue

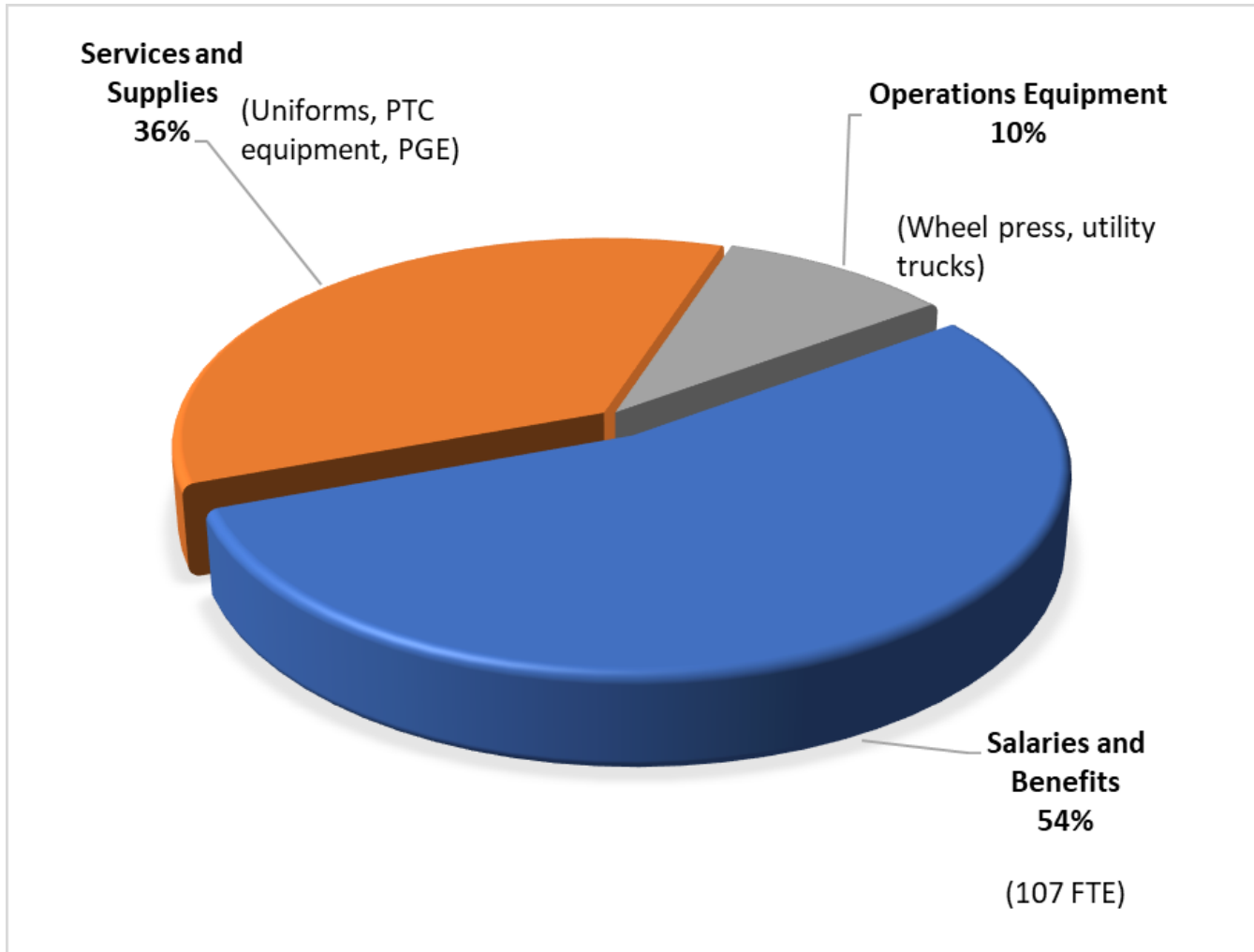
ADMINISTRATION EXPENSES FY 2019-20

\$29 MILLION



OPERATIONS EXPENSES FY 2019-20

\$32 MILLION



BUDGETED REVENUE

- **Sales Tax (Restricted):** \$40 million --Reliable revenue source
 - Amount cannot be increased by policy
- **Fare Revenue (Discretionary):** Currently \$4 million
 - Current year amounts hindered by PGE/Fires
 - Opening of Larkspur, Novato, new schedule: Fare revenues up but would be impacted by service cuts
 - Fare revenue review would include existing discounts
- **Other revenues \$7 million**(combination of restricted and discretionary)
 - State assistance: Currently maximizing state support by putting out more trains than required by Measure Q, tied to service levels
 - Advertising, leases, permits discretionary but limited

RESERVES

- Status Quo (“Do Nothing”) budget would mean dipping into reserves for operations
- Budget Process will include a discussion about establishing a policy for minimum reserves
- Develop Board policy about how much to tap into reserves in the coming years

NEXT STEPS

- Conduct public workshops in April/May to identify policy choices for the next two fiscal years with a goal of long-term sustainability
- Specific policy discussions will depend on the outcome of the March election
- Continue to work toward the future as we have always done