

# SONOMA-MARIN AREA RAIL TRANSIT DISTRICT PROPOSED BUDGET: FISCAL YEAR 2016-17

and

Fiscal Year 2015-16 Year-End Report





# **PROPOSED BUDGET: FISCAL YEAR 2016-17** and Fiscal Year 2015-16 Year-End Report

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## OVERVIEW

In the Fiscal Year closing June 30<sup>th</sup>, and in anticipation of the startup of a new one, SMART's two-year budget document shows a District shifting from being a primarily capital-focused organization to one that is primarily operational in nature, with continuing significant capital activities. It's an exciting and challenging time for the District. In the coming Fiscal Year 2016-17, SMART will begin service to our passengers who will ride inside brand new rail cars, travelling over an entirely rebuilt system of infrastructure after boarding at stations and utilizing new ticketing systems. They will have arrived, perhaps, via cars parked in one of our new parking lots (where available), or on bikes using one of 10 new stretches of bike path, or on buses utilizing transfer credits that have only recently been created. At night while passengers might sleep, SMART staff will be working to clean and maintain those cars so that they are available for the next morning's service. While all of this is occurring, SMART will be continuing to build toward the future in its work on bike paths yet to be built, as well as the extensions to Larkspur and going north to Cloverdale. The budget to fund this new phase of life for the District is presented here in these pages.

This document contains both the Fiscal Year 2015-16 Year-End Financial Report, which reflects financial changes since the budget was approved in June 2015, and the Proposed Fiscal Year 2016-17 Annual Budget to begin in July 2016. The Year-End Financial Report reflects again the significant capital activity that occurred through the year, and the Proposed Annual Budget for FY 2016-17 reflects both ongoing project activities and a full year of operating costs, as we anticipate the start of passenger service in late 2016.

**TABLE 1** (below) provides a combined, broad overview of SMART's budget, including the final report on the end of Fiscal Year 2015-16 and the Proposed Budget for Fiscal Year 2016-17. Detailed discussion of components of each budget is provided in the following pages and charts.

<b>TABLE 1</b>			
<b>BUDGET REPORT: SUMMARY OF ALL REVENUES AND EXPENSES</b>			
	<b>FY 2015-16</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
	<b>APPROVED BUDGET ALL DEPARTMENTS</b>	<b>YEAR END ACTUALS &amp; ESTIMATES ALL DEPARTMENTS</b>	<b>PROPOSED BUDGET: ALL DEPARTMENTS</b>
<b>REVENUES</b>			
Beginning Fund Balance	106,625,372	113,722,746	67,014,497
Sales/Use Taxes	35,229,367	35,229,367	36,286,248
Interest and Lease Earnings	1,010,000	1,151,660	864,697
Intergovernmental Revenues - Grants	16,826,570	8,372,284	20,522,580
Charges for Services -- Fares, Parking and Fees	40,000	50,400	2,006,000
Reimbursements/Donations	-	58,875	-
Miscellaneous Revenues	2,000	1,295,061	60,000
Other Sources - Transfers	2,044,813	2,044,813	-
<b>TOTAL REVENUES INCLUDING FUND BALANCE</b>	<b>161,778,122</b>	<b>161,925,206</b>	<b>126,754,022</b>
<b>EXPENDITURES</b>			
Salaries and Benefits	12,465,523	9,385,641	16,221,145
Services and Supplies	10,746,280	7,957,787	11,153,579
Other Charges and Payments	18,806,535	18,252,716	19,604,991
Buildings, Capital Improvements, and Equipment	92,164,488	62,679,854	56,626,160
Operating Transfer	20,000	20,000	-
Interfund Transfers	(301,788)	(786,111)	(1,196,769)
Contingencies	250,000	-	600,000
Transfer from Bond Fund to Operating	2,044,813	2,044,813	-
<b>TOTAL EXPENDITURES</b>	<b>136,195,851</b>	<b>99,554,700</b>	<b>103,009,106</b>

## YEAR-END FINANCIAL REPORT: FY 2015-16 ACTUALS AND ESTIMATES

### **YEAR-END FINANCIAL REPORT OVERVIEW – TABLE 2:**

The Year-end Fiscal Year 2015-16 Financial Report reflects both actual revenues and expenditures to date and estimates for the final weeks of the fiscal year. **TABLE 2**, on the following pages, detail the changes from Budget as approved. New this year is a breakout of all the information on expenditures by our three different SMART departments: Administration, Capital and Operations. Where there is a notable change we have provided an explanation of those changes. A more detailed discussion of the Year-End Financial Report is provided after presentation of **TABLE 2**.

**TABLE 2**

**YEAR-END FINANCIAL REPORT: FY 2015-16 REVISED BUDGET  
ADMINISTRATION, CAPITAL AND OPERATIONS**

DESCRIPTION	FY 2015-16 APPROVED BUDGET	FY 2015-16 YEAR-END ACTUALS & ESTIMATES	NOTEABLE OR SIGNIFICANT CHANGES
<b>REVENUES:</b>			
<b>Sales/Use Taxes</b>			
Board of Equalization Cost on Taxes	845,650	859,430	State deduction of sales tax for collection costs
Sales Tax withheld by Trustee	13,258,617	13,258,617	Set-aside for Debt Service Payments
Net Sales Tax	21,125,100	21,111,320	
<b>Total Sales/Use Taxes</b>	<b>35,229,367</b>	<b>35,229,367</b>	Sales tax anticipated to be on budget
<b>Intergovernmental Revenues</b>			
State - Grant Funds	783,652	410,313	Shift of grant funds for pathway to FY2017
Federal - ISTECA	953,043	961,959	Anticipated completion of both projects
Federal - Grant Funds	6,543,000	3,649,819	Shift in timeline for pathway in Sonoma; Larkspur extension
Other Governments	533,752	708,999	Reimbursement for a number of cooperative construction agreements
Measure M - Sonoma County	653,915	36,660	Funding shifted to match pathway expenditures in FY2017
MTC - Bridge Tolls	7,359,208	2,604,534	Funds shifted to FY2017 to match DMU expenditures
<b>Total Intergovernmental Revenues</b>	<b>16,826,570</b>	<b>8,372,284</b>	
<b>Use of Money/Property</b>			
Interest Earnings	533,000	671,018	Higher than anticipated fund balance and resulting earnings
Rent - Real Estate	477,000	480,642	Slightly higher advertising revenue related to billboards
<b>Total Use of Money/Property</b>	<b>1,010,000</b>	<b>1,151,660</b>	
<b>Charges for Services</b>			
Other Charges - Fees, Reimbursements	40,000	109,275	One time permit applications varied from anticipated
<b>Total Charges for Services</b>	<b>40,000</b>	<b>109,275</b>	
<b>Miscellaneous Revenues</b>			
Miscellaneous Revenue	2,000	1,295,061	Reimbursement on work for cable conduit
<b>Total Miscellaneous Revenues</b>	<b>2,000</b>	<b>1,295,061</b>	
<b>Other Financing Sources</b>			
Revenue Transfer - Bond Funds	2,044,813	2,044,813	
<b>Total Other Financing Sources</b>	<b>2,044,813</b>	<b>2,044,813</b>	Drawdown of Bond funds
<b>TOTAL REVENUES</b>	<b>55,152,750</b>	<b>48,202,459</b>	

TABLE 2

**YEAR-END FINANCIAL REPORT: FY 2015-16 REVISED BUDGET**  
**ADMINISTRATION, CAPITAL AND OPERATIONS**

DESCRIPTION	FY 2015-16 APPROVED BUDGET	FY 2015-16 YEAR-END ACTUALS & ESTIMATES	NOTEABLE OR SIGNIFICANT CHANGES
<b>EXPENDITURES:</b>			
<b>ADMINISTRATION</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	2,898,979	2,692,207	
Employee Benefits	996,359	837,080	
<b>Total Salaries and Benefits</b>	<b>3,895,338</b>	<b>3,529,288</b>	Salary savings due to vacancies
<b>Services and Supplies</b>			
Communications	157,354	132,576	Savings due to fiber agreement
Insurance	965,400	555,838	Competitive pricing results and shifts to match system acceptance
Maintenance-Facilities	30,500	14,709	Lower than anticipated cost related to security system, other equipment
Miscellaneous Expense	24,600	22,513	
Office Expense	119,850	88,214	Better purchasing process of essential supplies, fewer workstation needs
Postage, Printing, Periodicals	53,096	36,906	Lower mailing costs than anticipated
Accounting/ Payroll Services	112,890	79,756	Lower costs associated with new payroll and accounting systems
Professional Services	429,120	616,138	Personnel services such as drug testing, background checks, and other
Agency Extra Help	100,000	112,500	Slightly higher due to maternity leaves, startup HR assistance
Board of Equalization Administrative Fees	845,650	859,430	State administrative fees increase
Legal Services	600,000	551,521	Savings due to completion of agreements
Public/Legal Notice/Advertising	24,400	84,715	Shift of outreach advertising costs from outreach category; safety program
Rents/Leases	706,446	677,777	Slightly lower operating costs fees under office lease
Computer Software and Hardware	423,764	199,963	Delay of software conversions originally anticipated
Public Outreach	572,860	337,155	Shift of some website and other startup costs to FY17
Training, Travel and Memberships	75,950	155,563	Relocation expenses associated with hard to recruit staff
Mileage Expense	43,620	41,822	
<b>Total Services and Supplies</b>	<b>5,285,500</b>	<b>4,567,096</b>	
<b>Other Charges and Payments</b>			
Bond Principal, Interest	13,258,617	13,258,617	Debt service associated with 2013 Bond
Self Insurance	500,000	-	No expenses, moved to FY 2017
Depreciation	4,643,992	4,643,992	Non-cash adjustment for enterprise accounting
Other Governments	-	-	Moved to Capital section
<b>Total Other Charges</b>	<b>18,402,608</b>	<b>17,902,609</b>	
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Equipment	40,000	142,119	Replacement computer servers and security vehicle
<b>Total Buildings and Capital Improvements</b>	<b>40,000</b>	<b>142,119</b>	
<b>Operating Transfer</b>			
Operating Transfer	20,000	20,000	
<b>Total Operating Transfer</b>	<b>20,000</b>	<b>20,000</b>	
<b>TOTAL ADMINISTRATION EXPENDITURES</b>	<b>27,643,447</b>	<b>26,161,112</b>	
<b>CAPITAL</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	933,453	787,921	
Employee Benefits	227,591	209,424	
<b>Total Salaries and Benefits</b>	<b>1,161,044</b>	<b>997,345</b>	Savings due to vacancies
<b>Services and Supplies</b>			
Professional Services - Project	1,113,832	491,111	
Computer Software and Hardware	21,605	-	Costs accounted for in admin budget this year
Training, Travel	10,000	10,000	
Permits/Fees	93,000	-	Expenses moved to capital asset category
<b>Total Services and Supplies</b>	<b>1,245,637</b>	<b>501,111</b>	
<b>Other Charges and Payments</b>			
Other Governments	403,927	350,107	Reimbursements based on work anticipated before June
<b>Total Other Charges</b>	<b>403,927</b>	<b>350,107</b>	

TABLE 2

**YEAR-END FINANCIAL REPORT: FY 2015-16 REVISED BUDGET**  
**ADMINISTRATION, CAPITAL AND OPERATIONS**

DESCRIPTION	FY 2015-16 APPROVED BUDGET	FY 2015-16 YEAR-END ACTUALS & ESTIMATES	NOTEABLE OR SIGNIFICANT CHANGES
<b>CAPITAL (continued)</b>			
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Land	1,616,830	233,449	Costs anticipated in connection with Mira Monte avoided
Buildings & Improvements	778,561	656,487	Slight reduction costs associated with Operations Facilities
Machinery and Equipment	500,000	-	Costs associated with fare system reclassified into Infrastructure below
Capital Equipment - Work in Progress	29,416,177	6,985,958	Shift of DMU vehicle payments to FY2017
Infrastructure	57,771,687	52,993,427	Includes fare system costs, reduction due to shift of costs to FY2017
<b>Total Buildings and Capital Improvements</b>	<b>90,083,255</b>	<b>60,869,321</b>	
<b>Interfund Transfers</b>			
Salaries and Benefits Transfer - Capital	(301,788)	(786,111)	Increased capture of costs in asset calculation
<b>Total Interfund Transfer</b>	<b>(301,788)</b>	<b>(786,111)</b>	
<b>Transfer of Bond Funds</b>	<b>2,044,813</b>	<b>2,044,813</b>	
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>94,636,889</b>	<b>63,976,586</b>	
<b>OPERATIONS</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	5,645,692	3,696,834	
Employee Benefits	1,763,449	1,162,175	
<b>Total Salaries and Benefits</b>	<b>7,409,141</b>	<b>4,859,009</b>	Slower than anticipated hiring
<b>Services and Supplies</b>			
Uniform Expense	67,000	60,000	Slightly lower due to hiring timelines
Communications	102,660	127,660	Higher costs due short term overlap in phone/radio/internet systems
Maintenance-Equipment	505,000	420,975	Reduction in antipated parts & supplies, shift to capitalized equipment
Maintenance-Radios	215,000	87,160	Shift in timeline of activation of radio leases
Maintenance-Railway	230,000	209,302	Reduction in antipated parts and supplies, shift to contract costs
Maintenance-Buildings/Facilities	61,400	21,400	Reduction in equipment needed at Operating facilities
Office Expense	225,000	121,000	Lower than anticipated costs for equipping new offices
Special Services-Operations	1,039,080	832,643	Savings in security, operations consulting, vehicle servicing costs
Rents/Leases - Equipment	16,600	55,000	Increase in equipment rentals until purchased equipment delivered
Minor Equipment	253,682	407,871	Increased pace of equipment purchases for maintenance
Computer Software and Hardware	191,920	90,175	Lower than anticipated costs due to slower hiring
Training, Travel and Memberships	142,500	58,176	Lower than anticipated costs due to slower hiring
Fuel and Lubricants	830,000	105,904	Lower costs due to vehicle delivery/testing schedule timeline shift
Miscellaneous	-	10,000	Miscellaneous costs not included in other categories
Professional Services	25,300	92,349	Increased costs related to one-time purchasing assistance
Utilities	310,000	189,965	Slower than anticipated activation of signals
<b>Total Services and Supplies</b>	<b>4,215,142</b>	<b>2,889,580</b>	
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Vehicles, Equipment	1,541,233	1,589,004	Shift of anticipated equipment from non-capital category
Software/ Intangible Assets	500,000	79,410	Shift of maintenance system costs to FY2017
<b>Total Buildings and Capital Improvements</b>	<b>2,041,233</b>	<b>1,668,414</b>	
<b>Contingencies</b>			
Operating Contingencies	250,000	-	Not projected to be needed for the year
<b>Total Contingencies</b>	<b>250,000</b>	<b>-</b>	
<b>TOTAL OPERATIONS EXPENDITURES</b>	<b>13,915,516</b>	<b>9,417,003</b>	
<b>TOTAL EXPENDITURES</b>	<b>136,195,851</b>	<b>99,554,700</b>	



## FISCAL YEAR 2015-16 YEAR-END REPORT: DISCUSSION

Below are further details on the FY 2015-16 Year-End Financial Report

### TABLE 2: YEAR-END FINANCIAL REPORT DISCUSSION

#### Revenues:

Final revenues for Fiscal Year 2015-16 were reduced from the originally proposed budget primarily due to shifts in grant funding. This shift is entirely the result of construction schedules, and do not reflect a loss of funding for SMART. Below are further details on changes from the original budget:

- Sales tax is still projected to be on target at 3% higher than the prior year. There is no recommended change to this amount at this time.
- Federal funds for both the Pathway and the Larkspur Extension are shifted partially into Fiscal Year 2016-17. Both shifts are the result of project schedules moving following environmental process completion, and result in a total reduction in the year-end amount of \$2,893,181.
- State funds allocated for the SMART Pathway have been shifted slightly due to construction schedules and will be spent next fiscal year; however \$410,313 is still anticipated to be spent.
- Bridge Toll funds for the seventh, two-car rail car set were shifted to match vehicle payment schedules shifting into Fiscal Year 2016-17.
- Interest earnings were increased by \$138,018 to reflect good performance by the Sonoma County Pool and higher than anticipated fund balance during the year.

#### Expenditures:

In prior years, including last June, the Board-approved Capital Budget included administrative costs because of the singular focus at that time on capital project management. However, in the year-end report and going forward we will now show capital, administrative and operations costs separately. This is necessary for reporting at the state and federal level and provides additional clarity on the capital expenditures still underway. Final expenditures in the year-end report, as a whole, are lower than the approved budget. Notable changes are discussed more in detail below.

Administration: Total expenditures on District administration are reduced from \$27,646,437 to \$26,161,112. Some notable changes are:

- Salaries and benefits are anticipated to be \$366,050 below budget for the year due to vacant positions.
- Professional services increased \$187,018 during the year to include higher human resources costs for background checks, drug and alcohol screening and recruiting services.
- Legal costs were lower than budget by \$48,479 due to successful resolution of multiple agreements and minimal claims activity.
- Public outreach expenditures are lower by \$235,705 mainly due to the shift in some of the website and marketing costs to the next Fiscal Year. This includes website development activities.
- Information technology costs were reduced by \$223,801 due to the delay in software conversions to the Fiscal Year 2016-17 budget.
- Liquidation of the self-insurance balance of \$500,000 and shift of those funds to Fiscal Year 2016-17.

Other changes are explained in Table 2.



Capital: Total expenditures on capital projects are reduced from \$94,636,889 to \$63,976,586. This is primarily due to the following changes:

- A reduction in Capital Equipment by \$22,430,219. Although the SMART's new rail passenger vehicles have all been delivered and are currently on target to provide service, a slower than anticipated acceptance procedure has meant a delay in payments to the car builder. Those payments are shifted to Fiscal Year 2016-17.
- Slight shifts in acceptance of final track and signals, along with pathway construction timelines led to a reduction in infrastructure spending of \$4,778,260. Those expenditures are shifted to Fiscal Year 2016-17.
- Spending in the land category has been reduced by \$1,383,381 due to savings in work that was anticipated to occur at Mira Monte. Some of that work has been avoided and some has been shifted to Fiscal Year 2016-17.

Other changes are listed in Table 2.

Operations: Total expenditures in the Operations Department have been reduced by \$4,498,513. Primary reasons for this change are outlined below:

- Salary and benefits savings of \$2,550,132 are the result of slower hiring due to the strong job market and qualifications required for the safety of the railway.
- Operations special services, which includes contracted operations management and security services is reduced by \$206,437 to account for the hiring of more permanent staff to fill those needs.
- Fuel and lubricants, which was originally budgeted for \$830,000, is reduced to \$105,904 to match actual consumption of fuel by our rail cars. Original rail vehicle delivery and testing schedules were very tentative in the Spring of 2015 and thus this budget was very conservative.
- Professional services in areas such as Information Technology and temporary help during start up, required additional expenditures of \$67,049 to assist with setting up procurement systems for parts and integrating the various systems that will be needed at the Rail Operations Center.
- Equipment and vehicles were increased slightly due to a shift in equipment funding within equipment categories. Final expenditures are \$47,771 higher than budgeted.
- Design and implementation of the Maintenance Management System is underway, but some of the work and resulting payment schedule have been shifted to the new Fiscal Year leading to a reduction in Fiscal Year 2015-16 of \$420,590.

Please reference Table 2 for other details on changes.

## PROPOSED BUDGET: FY 2016-17

### **BUDGET TABLES OVERVIEW**

**TABLE 3**, which spans the following three pages, shows the Proposed Budget for Fiscal Year 2016-17. It is divided into Revenues and Expenditures. All Revenues are combined into one section. Expenditures are divided into three subsections: Administration, Capital and Operations. Where there is an annual change of significance over the prior year, we have provided an explanation of those changes. More detailed discussion of the Fiscal Year 2016-17 Proposed Budget can be found following **TABLE 3**. Finally, **TABLE 4**, which follows the budget discussion, contains the Personnel and Position Authorizations necessary for staffing in Fiscal Year 2016-17 and includes a column showing any changes from the prior year.

**TABLE 3**

**PROPOSED BUDGET : FY 2016-17**  
**ADMINISTRATION, CAPITAL AND OPERATIONS**

Description	FY 2015-16 YEAR-END ACTUALS & ESTIMATES	FY 2016-17 PROPOSED BUDGET	NOTEABLE OR SIGNIFICANT CHANGES
<b>REVENUES:</b>			
<b>Sales/Use Taxes</b>			
Board of Equalization Cost on Taxes	859,430	842,890	State provided notice of fee decrease next year
Sales Tax withheld by Trustee	13,258,617	13,600,350	Offsets Debt Service Payments
Net Sales Tax	21,111,320	21,843,008	
<b>Total Sales/Use Taxes</b>	<b>35,229,367</b>	<b>36,286,248</b>	Assumes 3% increase
<b>Intergovernmental Revenues</b>			
State - Grant Funds	410,313	2,104,500	State funding of pathway construction and additional train cars
Federal - ISTEAs	961,959	-	Completion of projects
Federal - Grant Funds	3,649,819	7,152,966	Pathway in Sonoma; Larkspur extension
Other Governments	708,999	2,478,177	Funding for Novato station and smaller projects
Measure M - Sonoma County	36,660	350,000	Pathway design and environmental costs
MTC - Bridge Tolls	2,604,534	8,436,937	Funding for 7th vehicle set and Larkspur extension
<b>Total Intergovernmental Revenues</b>	<b>8,372,284</b>	<b>20,522,580</b>	
<b>Use of Money/Property</b>			
Interest Earnings	671,018	377,500	Reduction due to drawdown of fund balances
Rent - Real Estate	480,642	487,197	Increase due to rental rate increases
<b>Total Use of Money/Property</b>	<b>1,151,660</b>	<b>864,697</b>	
<b>Charges for Services</b>			
Fare Revenue		1,976,000	Fare revenue starting January 2017
Other Charges - Fees, Reimbursements	109,275	30,000	FY16 included one-time increase that may not continue
<b>Total Charges for Services</b>	<b>109,275</b>	<b>2,006,000</b>	
<b>Miscellaneous Revenues</b>			
Miscellaneous Revenue	1,295,061	60,000	Reimbursement-based, prior year revenue not continued
<b>Total Miscellaneous Revenues</b>	<b>1,295,061</b>	<b>60,000</b>	
<b>Other Financing Sources</b>			
Revenue Transfer - Bond Funds	2,044,813	-	
<b>Total Other Financing Sources</b>	<b>2,044,813</b>	<b>-</b>	Bond funds exhausted
<b>TOTAL REVENUES</b>	<b>48,202,459</b>	<b>59,739,525</b>	

TABLE 3

**PROPOSED BUDGET : FY 2016-17**  
**ADMINISTRATION, CAPITAL AND OPERATIONS**

Description	FY 2015-16 YEAR-END ACTUALS & ESTIMATES	FY 2016-17  PROPOSED BUDGET	NOTEABLE OR SIGNIFICANT CHANGES
<b>EXPENDITURES:</b>			
<b>ADMINISTRATION</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	2,692,207	3,163,997	
Employee Benefits	837,080	984,138	
<b>Total Salaries and Benefits</b>	<b>3,529,288</b>	<b>4,148,136</b>	New enforcement staff, COLA, and filling of vacant positions
<b>Services and Supplies</b>			
Communications	132,576	55,026	Savings due to Fiber agreement
Insurance	555,838	1,323,693	Increased amounts for liability limit increases
Maintenance-Facilities	14,709	13,502	
Miscellaneous Expense	22,513	27,100	Increase in transit memberships, board related expenses
Office Expense	88,214	126,180	Additional workstations for enforcement
Postage, Printing, Periodicals	36,906	39,700	Slight increase for customer service materials
Accounting/ Payroll Services	79,756	80,701	
Professional Services	616,138	906,096	
Agency Extra Help	112,500	100,000	
Board of Equalization Administrative Fees	859,430	842,890	State administrative fees decrease
Legal Services	551,521	485,000	Anticipated ongoing legal costs
Public/Legal Notice	84,715	239,500	Increased advertising due to startup marketing and safety
Rents/Leases	677,777	680,369	Scheduled increase including shared building costs
Computer Software and Hardware	199,963	392,198	Increase integration of numerous operating systems
Public Outreach	337,155	348,000	Costs related to new marketing campaign, website upgrade
Training, Travel and Memberships	155,563	149,873	Reduction in recruiting/relocation expenses
Mileage Expense	41,822	48,020	Projection based on startup activities along 44 miles
<b>Total Services and Supplies</b>	<b>4,567,096</b>	<b>5,857,848</b>	
<b>Other Charges and Payments</b>			
Bond Principal, Interest	13,258,617	13,600,350	Debt service associated with 2013 Bond
Self Insurance	-	750,000	Increased self-insurance, prior year balance eliminated
Depreciation	4,643,992	5,191,464	Non-cash adjustment for enterprise accounting
<b>Total Other Charges</b>	<b>17,902,609</b>	<b>19,541,814</b>	
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Equipment	142,119	69,000	Vehicles and equipment associated with enforcement
<b>Total Buildings and Capital Improvements</b>	<b>142,119</b>	<b>69,000</b>	
<b>Operating Transfer</b>			
Operating Transfer	20,000	-	Accounting transfer one-time, not needed next year
<b>Total Operating Transfer</b>	<b>20,000</b>	<b>-</b>	
<b>SUBTOTAL ADMINISTRATION EXPENDITURES</b>	<b>26,161,112</b>	<b>29,616,798</b>	
<b>CAPITAL</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	787,921	937,971	
Employee Benefits	209,424	258,799	
<b>Total Salaries and Benefits</b>	<b>997,345</b>	<b>1,196,770</b>	Slight increases due to COLA/benefit costs, Larkspur project
<b>Services and Supplies</b>			
Professional Services - Project	491,111	364,500	End of Phase 1, ongoing pathway environmental work
Computer Software and Hardware	-	21,605	Replacement equipment
Memberships, Training, Travel	10,000	7,000	
<b>Total Services and Supplies</b>	<b>501,111</b>	<b>393,106</b>	
<b>Other Charges and Payments</b>			
Other Governments	350,107	63,177	Reduction in work for other jurisdictions
<b>Total Other Charges</b>	<b>350,107</b>	<b>63,177</b>	

TABLE 3

**PROPOSED BUDGET : FY 2016-17**  
**ADMINISTRATION, CAPITAL AND OPERATIONS**

Description	FY 2015-16 YEAR-END ACTUALS & ESTIMATES	FY 2016-17 PROPOSED BUDGET	NOTEABLE OR SIGNIFICANT CHANGES
<b>CAPITAL (continued)</b>			
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Land	233,449	266,100	Land-associated work on pathway, Mira Monte
Buildings & Improvements	656,487	-	Completion of facilities construction phase
Capital Equipment - Work in Progress	6,985,958	21,305,184	Shift of rail car payments from FY 2015-16
Infrastructure	52,993,427	32,409,448	Completion of Phase 1 rail/path, beginning of Larkspur project
<b>Total Buildings and Capital Improvements</b>	<b>60,869,321</b>	<b>53,980,732</b>	
<b>Interfund Transfers</b>			
Salaries and Benefits Transfer - Capital	(786,111)	(1,196,769)	Accounting adjustment for salaries included in asset amounts
<b>Total Interfund Transfer</b>	<b>(786,111)</b>	<b>(1,196,769)</b>	
<b>Transfer of Bond Funds</b>	2,044,813	-	
<b>SUBTOTAL CAPITAL EXPENDITURES</b>	<b>63,976,586</b>	<b>54,437,016</b>	
<b>OPERATIONS</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	3,696,834	8,351,836	
Employee Benefits	1,162,175	2,524,403	
<b>Total Salaries and Benefits</b>	<b>4,859,009</b>	<b>10,876,239</b>	Increased due to hiring full staff
<b>Services and Supplies</b>			
Uniform Expense	60,000	130,600	Cost of operator, dispatch uniforms under full staffing
Communications	127,660	57,176	Completion of setup and shift of radio costs
Maintenance-Equipment	420,975	62,000	Lower cost following initial purchase of vehicle equipment
Maintenance-Radios	87,160	122,095	Full cost of radio system including antenna leases
Maintenance-Railway	209,302	474,000	Increase due to full maintenance of all infrastructure
Maintenance of Signals	-	225,000	New account, takeover of signal system
Maintenance-Buildings/Facilities	21,400	21,400	Minor repair needs
Printing Services	-	10,000	Minimal costs anticipated for printed materials
Office Expense	121,000	159,000	Slight increase due to supplies for full staffing
Special Services-Operations	832,643	1,245,000	Contracts for shuttle services, fare machine maintenance
Rents/Leases - Equipment	55,000	66,600	Ongoing cost of renting large forklift, other equipment
Minor Equipment	407,871	215,000	Anticipated reduction in necessary tools purchase
Computer Software and Hardware	90,175	21,000	Lower expenditures ongoing to match replacement
Training and Travel	58,176	173,500	Increased rail-specific training for key staff
Fuel and Lubricants	105,904	1,276,654	Anticipated cost of diesel fuel/lubricants under full operation
Miscellaneous	10,000	24,500	Increased allowance for full operations staff
Professional Services	92,349	286,800	Increased IT monitoring and integration services
Utilities	189,965	332,300	Full year of signal houses, crossings, operations center
<b>Total Services and Supplies</b>	<b>2,889,580</b>	<b>4,902,625</b>	
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Vehicles, Equipment	1,589,004	2,269,615	Wheel truing, maintenance vehicles, signal/track replacement
Software/ Intangible Assets	79,410	306,813	Completion cost of maintenance management system
<b>Total Buildings and Capital Improvements</b>	<b>1,668,414</b>	<b>2,576,428</b>	
<b>Contingencies</b>			
Operating Contingencies	-	600,000	Contingency for emergencies, unanticipated equipment
<b>Total Contingencies</b>	<b>-</b>	<b>600,000</b>	
<b>SUBTOTAL OPERATIONS EXPENDITURES</b>	<b>9,417,003</b>	<b>18,955,292</b>	
<b>TOTAL EXPENDITURES</b>	<b>99,554,700</b>	<b>103,009,106</b>	
<b>PAGE 3 of 3</b>			

## PROPOSED FISCAL YEAR 2016-17 BUDGET: DISCUSSION

**TABLE 3: PROPOSED BUDGET FISCAL YEAR 2016-17**

### Overview:

The District is working daily on implementing all of the systems and supports needed to launch a successful transit system. Overall, the budget for the next year is challenging due to the mismatch between start-up revenues and start-up costs. In Fiscal Year 2016-17, SMART will procure and implement significant new operations systems without access to full operations revenues. Fare revenue will be less than in future Fiscal Years due to the start date of passenger service, and the expectation that it will take some time for passengers to change their commute habits. In addition, there are a minimum of \$2.8 million in one-time start-up costs that are necessary for that launch including temporary staffing for customer support and outreach, creation of a new website, and necessary operations equipment that will be used for the next 20 years. Thus, our operating budget, including administrative costs, is currently \$4.2 million higher than operating revenues. However, we have been protecting a minimum fund balance in all of our financial calculations in order to cover this unique scenario. In addition, in future years, we will have a full year of fare revenue, state operating funds as well as Cap and Trade Funds for operational needs. Our anticipated operating reserve balance, at the close of Fiscal Year 2016-17, is projected to be \$18.9 million which is 44% of our operations and administration budget, including debt service. Further, the Board has always directed us to ensure that we have enough funds set aside for emergencies and unforeseen expenses that a new agency could experience. Rail accidents, unforeseen regulatory demands and operating realities could mean a number of unanticipated capital expenses in our first year of operations. In addition, we plan to establish a sinking fund for equipment replacement in the future. For all of these reasons, we will set aside a \$10,000,000 capital fund reserve pending the Board's approval of the budget.

Below is a discussion of all revenues and expenditures changes of note in **Table 3**, the Proposed Budget for Fiscal Year 2016-17.

### Revenues:

Revenues available to fund the budget in Fiscal Year 2016-17, not including available fund balance, are \$59,739,525. Additionally, available fund balance for the year is projected to be \$67,014,497. Revenues include grants for ongoing capital projects, and operating revenues which includes both sales tax and fare revenue. Some highlights are outlined below:

- Although the growth in sales tax has been strong in the past three years and may exceed that in the Fiscal Year ending on June 30, we are budgeting for a moderate 3% increase, a total of \$36,286,248. We are watching economic signs closely and will bring updates to the Board as necessary.
- Fare revenue of \$1,976,000 is included in anticipation of revenue service beginning January 1, 2017.
- For the ongoing capital project work, the budget includes grant funding of \$2.8 million for construction of multiple segments of the SMART pathway including completion of the segments currently in contract, as well as the addition of the College to Guerneville pathway.
- Federal funds of \$5.53 million and Bridge Toll funds of \$2,979,331 for the Larkspur extension. This funding will complete engineering work and begin the construction phase of the project.
- Funding of \$4,707,606 from Metropolitan Transportation Commission for payment of the final seventh train car set to match expenditures anticipated to occur this summer early in the fiscal year.
- A decrease of \$293,518 in interest earnings as a result of the drawdown of bond funds and fund balance set aside for the project.

## **Expenditures:**

### Administration:

While ongoing administrative costs are generally remaining flat over Fiscal Year 2015-16, there are a few notable increases that lead to an increased overall administrative budget for Fiscal Year 2016-17 from \$26,161,112 to \$29,616,798. Those changes are as follows:

- Addition of two part-time Code Compliance Officers and related equipment expenses at a cost of \$154,781 to provide enforcement of parking areas and assist operations staff with fare enforcement. This cost is offset by parking and fare revenue.
- Assumption of a 3% Cost of Living increase for staff during the year. This amount matches the increase in the Bay Area Consumer Price Index, and our hardworking staff face these growing costs. In addition, we are assuming a projected mid-year increase of 5% in health care benefit costs, which are partially borne by employees.
- Outreach and advertising budget increase of \$165,630 to complete the creation of the new SMART rider-friendly website and provide new rider marketing and customer outreach functions.
- Information Technology expenditures of \$192,235 for multiple system upgrades and to connect operations systems to our Emergency Operations Center.
- Debt service costs increase by \$341,733 in accordance with the 2012 bond sale structure.

### Capital:

Capital Budget expenditures in Fiscal Year 2016-17 decrease from \$63,976,586 to \$54,437,016. The Proposed Capital Budget will provide for the completion of our major contract work on Phase 1, including final civil construction of all track work and bringing all signaling and PTC systems on-line for passenger service. The budget also includes the remaining construction funding for the following pathway segments: All seven CP-4 station connections, East Cotati to Golf Course Drive, College to Guerneville, and the design of a section of pathway in Petaluma from Payran to South Point. The budget provides for continued consultant support for SMART's bridge management program, system-wide survey control, and engineering survey management. The budget also includes both funding and expenditures of \$2.2 million for the new Downtown Novato station. In addition, the following are also included in Capital expenditures:

- A budget of \$21,305,184 for equipment to provide final payments to Sumitomo Corporation of America upon acceptance of the 7 rail car sets already delivered to SMART. Also provides for initial expenditures associated with the additional four cars funded by the State of California Cap and Trade funds.
- Infrastructure expenditures of \$32,409,448 which provides for completion of all seven multi-use pathway segments underway currently in addition to the two Rohnert Park segments and the College to Guerneville addition. It also funds substantial progress toward the Larkspur extension project, the Novato Downtown station infrastructure funded by Novato, and any remaining environmental costs associated with Phase 1.



## Operations:

The Proposed Operations Budget shows significant increases in SMART operating costs from \$9,417,003 in FY 2015-16 to \$18,955,292 in FY 2016-17. This represents substantial expenditures of a one-time nature as well as ongoing costs associated with Operations. This level of expenditure is necessary to provide 24-hour dispatch, scheduled service as currently anticipated in our train schedules, train and signal operation, vehicle maintenance and inventory control, and maintenance of all SMART infrastructure and facilities (including track, structures, grade crossings, communications and signals). Significant highlights include the following:

- Salary and benefits expenditures of \$10,876,239. This represents a significant increase due to full staffing of the Operations department, positions are listed in further detail in **Table 4**. It includes \$190,400 for a proposed Ambassador Program to hire temporary, part-time ambassadors who will educate and assist the public on how to buy tickets and ride SMART trains.
- Maintenance of Signals: \$225,000 for all equipment for inspection, repair, and replacement of gate mechanisms and gate arms at 63 grade crossings. Each grade crossing is inspected annually, quarterly, and monthly to meet federal requirements. This also includes funding to continue contracted services until all SMART staff are hired and trained for maintenance of SMART's signal system.
- Maintenance-Radios: \$122,095 for radio maintenance and related tower sites for repeaters to provide full radio coverage and ensure reliable contact between central control and train crews.
- Maintenance-Railway: \$474,000 for twice weekly inspection of and repairs necessary to track, ballast and ties, and all SMART property around the tracks, including vegetation, trees, bridges, communications and associated infrastructure, and drainage. In addition, the track is inspected with a geometry car bi-annually and the rail checked by a special ultrasound equipped vehicle two to three times per year. Our 25 dual-control power switches need to be inspected monthly and adjusted to ensure proper alignment. Communications include all wayside signals (signal masts), communications signals and equipment associated with Positive Train Control (PTC), fiber-optic lines, and all communications equipment located inside signal houses located along the alignment.
- Special Services-Operations: \$1,245,000 (increase of \$412,357 over prior year) for a number of necessary services, including the SMART shuttle buses to Cloverdale, Healdsburg, Windsor and Larkspur, derailment and hazardous materials services, waste management, Clipper machine maintenance services, security, and train wifi contracts.
- Fuel and emission fluids: Expenditures of \$1,271,654 projected as a result of 361,218 service miles a year, including weekday and limited service. This budget, which is a conservative estimate of costs based on our anticipated vehicle performance, includes lubricants such as oil and other necessary inputs to the passenger trains.
- Vehicles and Equipment (Capitalized): A total of \$2,269,615 includes \$1.5 million for an in-ground wheel truing machine. This will allow SMART to profile our wheelsets the recommended twice a year without having to remove the trucks and wheels and ship them to another rail facility. Its necessary for rail car reliability and will be offset by savings of at least \$190,000 in the first year of use and over \$60,000 a year for the next 20 years. This equipment budget also includes \$350,000 for the purchase of locomotive for rail maintenance needs and towing of the passenger vehicles in an emergency, and three field response trucks.

- Professional Services of \$286,800 includes funding for Information Technology experts who will ensure successful performance of the networks connecting to our dispatch center.
- The budget also includes an appropriated contingency of \$600,000 to allow for necessary expenditures not anticipated at budget time, but which may arise during regular operations. Given the startup nature of SMART there are likely a number of logistical or service needs that could require these resources. Operational needs above the contingency amount will be brought to the Board for their consideration, and would be funded by available operating fund balance.

**TABLE 4**

**Fiscal Year 2016-17 : Proposed Position Authorization**

Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE
		Low	High	Low	High	
<b>ADMINISTRATIVE</b>						
Accountant	1	59,228	75,381	28.47	36.24	
Accounting and Payroll Assistant	1	46,453	58,066	22.33	27.92	
Administrative Analyst/ Contracts	1	69,996	91,534	33.65	44.01	
Assistant Planner*	1	58,066	77,070	27.92	37.05	
Assistant General Counsel	1	123,595	154,510	59.42	74.28	Title Change
Chief of Police	1	153,470	185,400	73.78	89.13	
Chief Financial Officer	1	225,953	248,404	108.63	119.43	
Clerk of the Board	1	62,458	81,842	30.03	39.35	
Code Compliance Officer	1.5	47,798	61,402	22.98	29.52	New
Communications and Marketing Manager	1	123,600	144,200	59.42	69.33	
Community Outreach Coordinator	1	58,066	79,181	27.92	38.07	
Community Outreach Specialist	1	86,149	123,839	41.42	59.54	
Contracts & Procurement Manager	1	88,303	134,608	42.45	64.72	
Deputy General Manager	1		To Be	Determined		New
Executive Assistant	1	48,459	75,381	23.30	36.24	
Fiscal Manager	1	96,595	142,146	46.44	68.34	
General Counsel	1	225,057	247,563	108.20	119.02	
General Manager	1	-	278,154	-	133.73	
Human Resources Manager	1	123,839	139,035	59.54	66.84	
Human Resources Principal Analyst	1	101,225	123,839	48.67	59.54	
Information Systems Specialist	1	123,839	139,035	59.54	66.84	
Office Assistant	2	44,798	47,382	21.54	22.78	
Legal Administrative Assistant	1	57,416	72,585	27.60	34.90	Title Change
Payroll Technician	1	47,133	57,845	22.66	27.81	
Programming and Grants Manager	1	105,533	150,761	50.74	72.48	
Real Estate Assistant	1	51,690	78,611	24.85	37.79	
Real Estate Property Manager	1	139,992	173,375	67.30	83.35	
Senior Administrative Assistant	1	48,459	75,381	23.30	36.24	
Senior Planner	1	79,181	105,575	38.07	50.76	

**Subtotal Administrative Full Time Equivalents (FTE)** 30.5

<b>CAPITAL POSITIONS</b>						
Assistant Engineer *	2	75,381	96,918	36.24	46.60	
Chief Engineer	1	169,068	203,527	81.28	97.85	
Construction Manager *	1	161,530	193,836	77.66	93.19	
Deputy Project Manager *	1	169,068	203,527	81.28	97.85	
Junior Engineer *	5	64,612	86,149	31.06	41.42	
Project Extra hires *		-	Up to total	-	Up to \$75,000	
Quality Manager *	1	91,534	129,224	44.01	62.13	
Senior Rail Engineer *	1	139,992	173,375	67.30	83.35	

**Subtotal Capital Full Time Equivalents (FTE)** 12

TABLE 4

## Fiscal Year 2016-17 : Proposed Position Authorization

Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE
		Low	High	Low	High	
<b>OPERATIONS POSITIONS</b>						
Administrative Services Manager	1	59,228	97,995	28.47	47.11	
Assistant Superintendent of Transportation	1	87,550	118,450	42.09	56.95	
Bridge Tender*	2	46,350	51,500	22.28	24.76	
Controller /Supervisor	10	85,020	105,575	40.87	50.76	
Engineer-Conductor	21	51,500	77,250	24.76	37.14	
Extra Hires Operations		Up to total amount	190,400			
Facilities Maintenance Supervisor	1	77,250	108,150	37.14	52.00	
Facilities Maintenance Technician	2	48,410	64,890	23.27	31.20	
Laborers	5	39,140	51,500	18.82	24.76	
Operations Manager	1	138,993	199,203	66.82	95.77	Changed from Deputy Operations Manager
Parts Clerk	2	48,565	66,512	23.35	31.98	
Railroad Information Systems Specialist	1	95,018	121,411	45.68	58.37	
Safety & Compliance Officer	1	89,739	131,969	43.14	63.45	
Signal Supervisor	2	79,181	110,854	38.07	53.30	
Signal Technician	8	63,345	84,460	30.45	40.61	
Superintendent of Vehicle Maintenance	1	95,018	142,526	45.68	68.52	
Superintendent of Transportation	1	95,018	142,526	45.68	68.52	
Superintendent Signals and Way	1	95,018	142,526	45.68	68.52	
Track Maintainer	4	52,788	68,624	25.38	32.99	
Track Maintenance Supervisor	2	79,181	110,854	38.07	53.30	
Vehicle Maintenance Supervisor	4	79,181	110,854	38.07	53.30	
Vehicle Maintenance Technician	8	56,650	77,250	27.24	37.14	

Subtotal Operations Full Time Equivalents (FTE)

79

**TOTAL ALL SMART DEPARTMENTS****121.5**

\* Denotes Limited-Term Position