



# BOARD OF DIRECTORS AUGUST 7, 2019

## Financial Projections

# TIMELINE:

- **Today: Board Workshop on Financial Projections**
  - » Receive input on preliminary projection results
- August 15 and 29, 2019:
  - » Citizens Oversight Committee review Strategic Plan
- September 4, 2019
  - » Board Review Draft Ordinance and Expenditure Plan
- September 19, 2019
  - » Board Review Draft Ordinance and Expenditure Plan
- October 2 and 16, 2019
  - » Board Discussion and Approval of Strategic Plan
- November 6, 2019
  - » Final Board Action Approving Ballot Measure
- March 3, 2020
  - » Voter approval of Sales Tax Renewal

# SIX-YEAR VIEW

- **Background:**

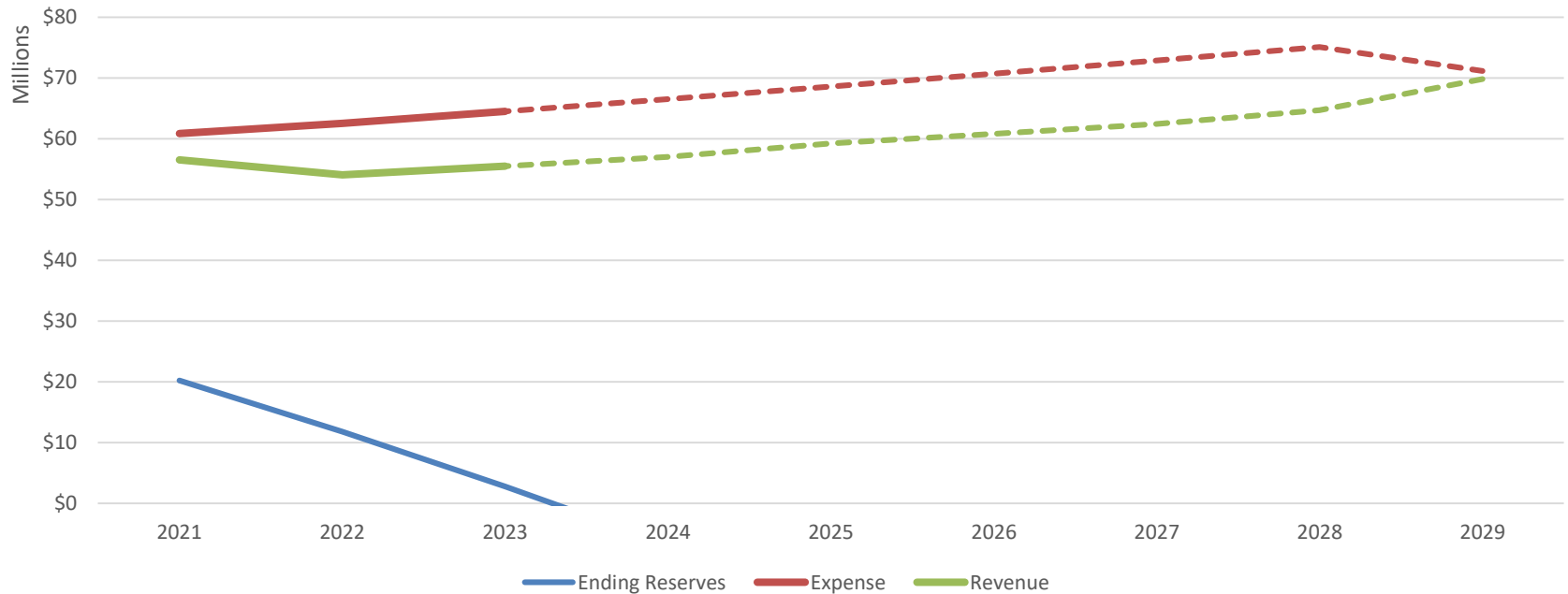
- » Before completion of Phase 1, Fund Balance was planned and used for capital projects
- » However, future operating costs exceed revenues and will deplete reserves and fund balance
- » Six-year view reflects discussions during April 3 Board presentation and May 15 Budget presentation

*(dollars in millions)*

	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 (incl. debt service)	\$	(39.5)	\$ (54.4)	\$ (58.0)	\$ (60.6)	\$ (62.5)	\$ (64.5)
Capital Expenses Not Covered by Grants	\$	(9.1)	\$ (13.6)	\$ (12.2)	\$ (0.3)	\$ 0.0	\$ 0.0
<b>Subtotal (Needs Fund Balance)</b>	<b>\$</b>	<b>(1.4)</b>	<b>\$ (13.5)</b>	<b>\$ (19.2)</b>	<b>\$ (4.4)</b>	<b>\$ (8.5)</b>	<b>\$ (9.0)</b>
<b>Starting Fund Balance</b>	\$	41.5	\$ 40.0	\$ 26.5	\$ 7.3	\$ 2.9	\$ 0.0
<b>Ending Fund Balance</b>	\$	<b>40.0</b>	<b>\$ 26.5</b>	<b>\$ 7.3</b>	<b>\$ 2.9</b>	<b>\$ (5.5)</b>	<b>\$ (9.0)</b>
<b>Operating Reserve</b>	\$	<b>17.0</b>	<b>\$ 17.0</b>	<b>\$ 17.0</b>	<b>\$ 17.0</b>	<b>\$ 11.5</b>	<b>\$ 2.5</b>

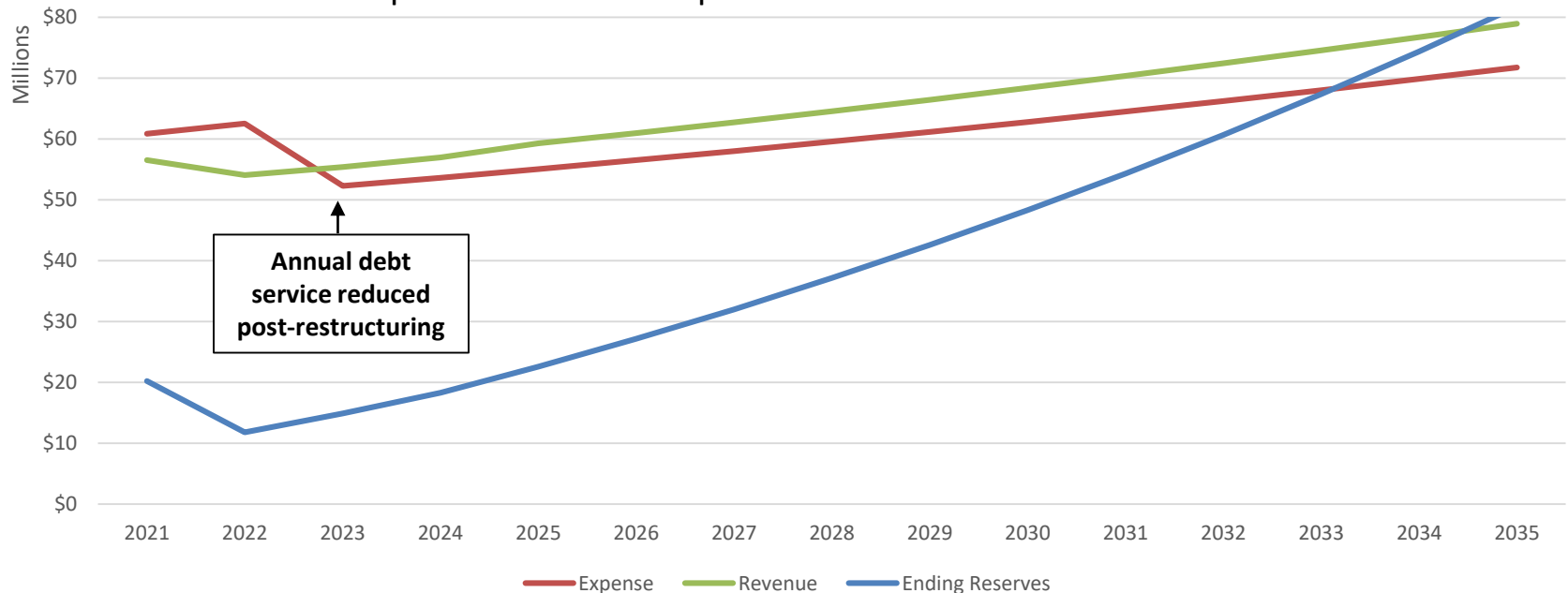
# NO 2020 SALES TAX RENEWAL

- With no changes to planned operations, expenses would continue to exceed revenues every year through FY 2029
  - » Reductions of \$9 million needed to bring future picture into balance
- Fund balance projected to be fully depleted during FY2024
  - » Operations unsustainable without cost reductions



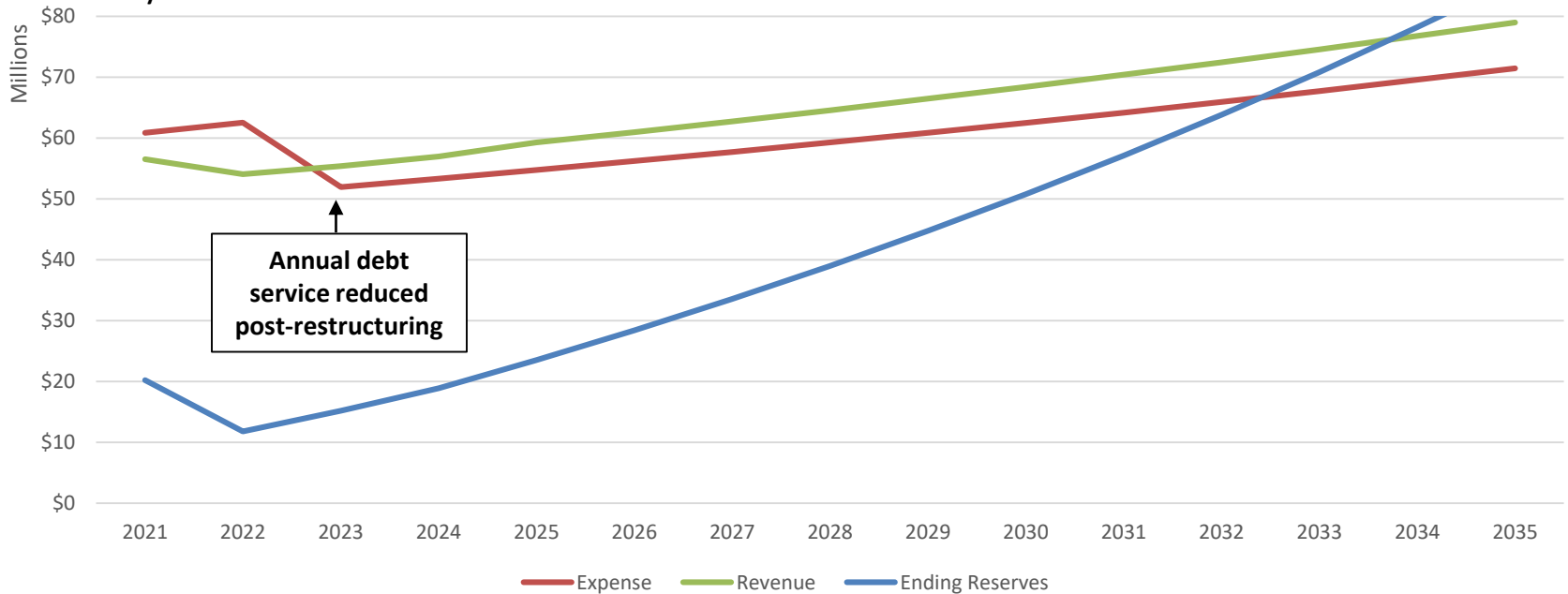
# 20-YEAR SALES TAX AND DEBT EXTENSION

- 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 fund balance 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 rail extensions



# 30-YEAR SALES TAX AND DEBT EXTENSION

- 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 fund balance 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



# NEXT STEPS

- Strategic Plan draft reviewed in August with Citizen Oversight Committee will include more detail on projections and assumptions
- Alternate scenarios can be discussed and presented as part of the Strategic Plan