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
2. Sales Tax Impacts:

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

<table>
<thead>
<tr>
<th>SALES TAX FORECASTS</th>
<th>% Decrease from FY19 tax receipts (not cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal Year 2019-20</td>
</tr>
<tr>
<td>HDL (w/Beacon)</td>
<td></td>
</tr>
<tr>
<td>Sonoma County Measure M</td>
<td>-15%</td>
</tr>
<tr>
<td>Management Partners</td>
<td></td>
</tr>
<tr>
<td>City of Santa Rosa</td>
<td>-10%</td>
</tr>
<tr>
<td>Avenu (SMART's Auditor)</td>
<td></td>
</tr>
<tr>
<td>Most Likely forecast</td>
<td>-10%</td>
</tr>
</tbody>
</table>
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
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

- Federal Funds: 17%
- Other Grants, Govts.: 6%
- State Capital Grants: 13%
- Use of Fund Balance: 10%
- Sales/Use Taxes: 42%
- Fare & Parking Revenue: 8%
- Interest and Other Miscellaneous: 1%
- State Operating Assistance: 3%
Total Proposed Uses -- All Departments
FY 2020-21
Total $78.7 Million

- Capital Projects: 31%
- Operations: 34%
- Administration: 14%
- Construction Debt Service: 21%
Proposed Administration Expenditures
FY 2020-21
Total $27.6 Million

- Construction Debt Service: 59%
- Salaries and Benefits: 18%
- Services and Supplies: 23%
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
Proposed Capital Projects Expense
FY 2020-21
Total $24.0 million

- Windsor: 62%
- Sonoma Pathway: 12%
- SMART Rail Cars: 3%
- Reimbursable work for Other Agencies: 15%
- Environmental: 2%
- Surveying/Engineering Services: 1%
- Small Projects/Miscellaneous: 5%
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
Proposed Operations Expenditures
FY 2020-21
Total $27.1 Million

- Salaries and Benefits: 58%
- Services and Supplies: 31%
- Capital Equipment & Replacements: 11%
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