

# REVENUE UPDATE

## September 2, 2020



# Revenue Update

## 1. CARES Act Update:

- Budgeted to receive a combined amount, between first and second allocation, of \$16.9 million
- Final allocation decided by MTC on July 22: \$14.95 million

= **\$1.9 million less** in CARES funding that budgeted

# Revenue Update

## 2. Sales Tax Update:

During budget process, we presented the best available information from tax professionals:

| SALES TAX FORECASTS              | % Decrease from FY19 tax receipts<br>(not cumulative) |                     |
|----------------------------------|---|---------------------|
|                                  | Fiscal Year 2019-20                                   | Fiscal Year 2020-21 |
| <b>HDL (w/Beacon)</b>            |   |                     |
| Sonoma County Measure M forecast | -15%  | -18%                |
| <b>Management Partners</b>       |   |                     |
| City of Santa Rosa forecast      | -10%  | -15%                |
| <b>Avenu (SMART's Auditor)</b>   |   |                     |
| Most Likely forecast             | -10%  | -17%                |



# Revenue Update

**SMART chose same sales tax projections that SCTA utilized (HDL) :**

-15% for FY20 and -18% for FY21

Applied to Fiscal Year 2018-19 earnings, with adjustments, produced the following Budget Projections:

- \$33.6 million in Fiscal Year 2019-20
- \$33.0 million in Fiscal Year 2020-21

# Revenue Update

On August 25, 2020, SMART received sales tax final allocation and true up from the State

- As a reminder, sales tax allocations received in August relate to taxes collected in June and adjusted for any discrepancies in earlier allocations
- Final amount (prior to fees) was \$39.8 million  
= \$6 million higher than budgeted

Combined Change in revenues for FY20 from these two sources: **\$4 million higher than budgeted**

# Revenue Update

- We continue to monitor sales tax and will be getting the breakdown of the last quarter in two weeks
- That data might inform whether we anticipate a better FY21 than we have budgeted, currently we do not have any data on which to change anything
- We continue to follow all the economic forecasts of the regions and will report in the coming months as information becomes available

# More Budget Updates

- At your next Board meeting we will be providing a broader budget update on the FY 2019-20 budget to include:
  - Final anticipated revenues from all sources
  - Final expenditures, including salaries
  - Progress on savings
- We will also be presenting information on new vacant positions that could be eliminated to achieve greater savings

# Public Comments

- We have received public comment from Mike Arnold who, for at least the last 15 years, has accused SMART of overestimating revenue.
- Mike Arnold has now, during the greatest recession of our lifetimes, accused SMART of **under** estimating revenue.
- Mike Arnold argues that **July** payments are evidence of what should have been included in the budget prepared in late **May**.



# Public Comments

- Mike Arnold repeats his incorrect statements that payments received from the State relate to whatever Fiscal Year they are received --this is false.
- For example, in May, Mike Arnold argued that SMART had “received” \$34.2 million in sales tax for FY20. This was and is incorrect. SMART had received \$27 million through April for FY20.

# Public Comments

- Mike Arnold also argues that data from the first three months of the calendar year are good predictors of the future – the opposite of what every projection shows.
- The logic of this comment argues that SMART should have ignored the historic rapid shutdown and book revenues **as if nothing would change after March.**

# Conclusion

- The projections that we use for the budget are based on best available data and regionally available projections
- The right approach, in these very volatile uncertain times, is to err on the side of caution
- Our practice, that we will continue to recommend, is to collaborate with other agencies and provide your Board with projections that are vetted, reasonable and err on the side of caution