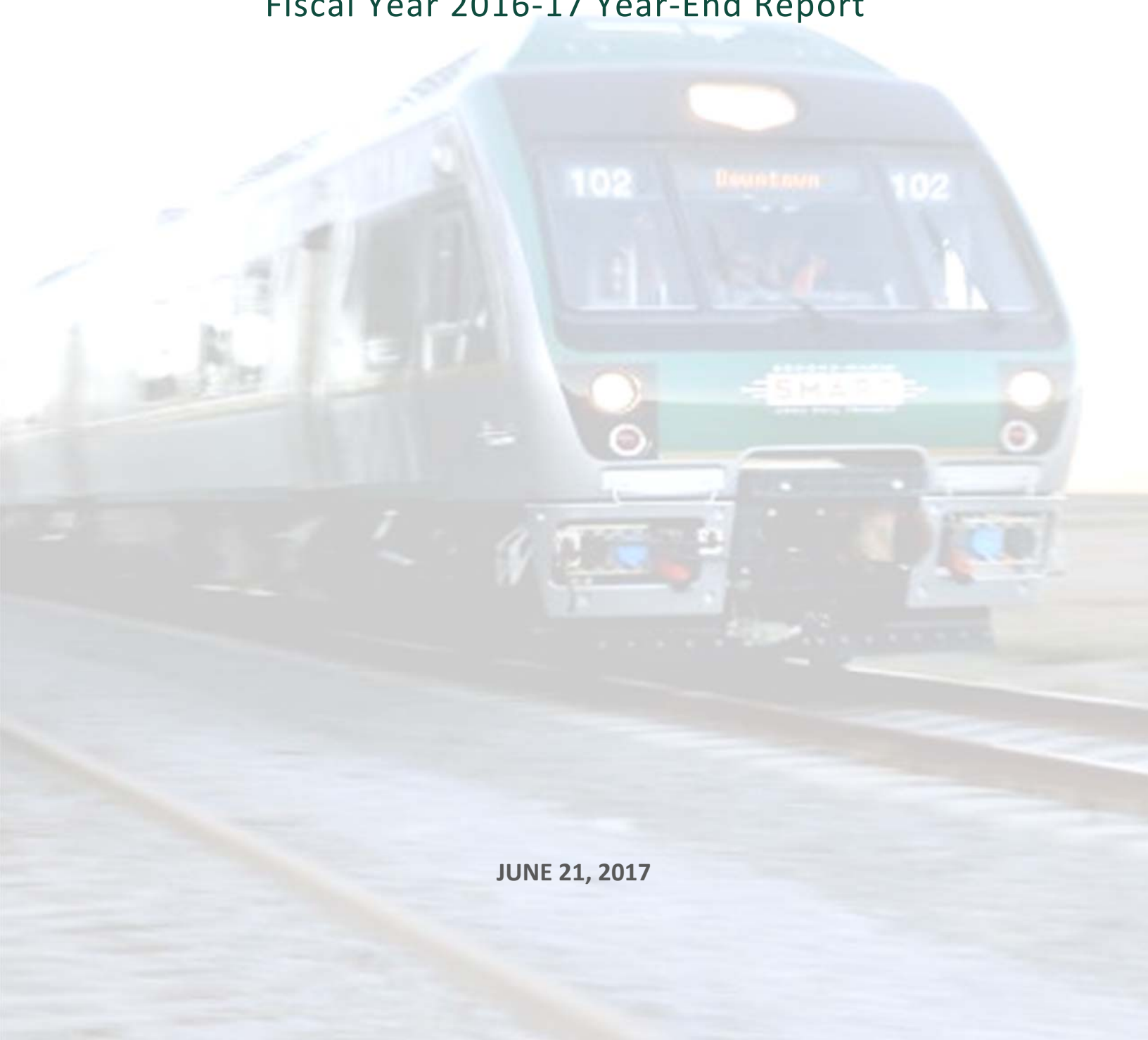


**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT  
PROPOSED BUDGET: FISCAL YEAR 2017-18**

and

Fiscal Year 2016-17 Year-End Report



JUNE 21, 2017



# **PROPOSED BUDGET: FISCAL YEAR 2017-18** and Fiscal Year 2016-17 Year-End Report

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## OVERVIEW

SMART's two-year budget document contains both the Fiscal Year 2016-17 Year-End Financial Report, which reflects financial changes since the budget was approved in June 2016, and the Proposed Fiscal Year 2017-18 Annual Budget to begin in July 2017. The Year-End Financial Report reflects ongoing capital activity on completion of the Phase 1 project, as well as ramp up for the Larkspur extension. The Proposed Annual Budget contains both ongoing Phase 1 project activities and our projected costs for a full year of passenger service.

**TABLE 1** (below) provides a combined, broad overview of SMART's budget, including the final report on the end of Fiscal Year 2016-17 and the Proposed Budget for Fiscal Year 2017-18. This chart also shows funds available in SMART's Beginning Fund Balance, which are not annual revenues but contain sales tax funds reserved for completion of the capital project, startup activities, and future financial needs. Detailed discussion of the annual components of each fiscal year and additional charts are provided in the pages that follow, including a breakout of expenditures by Administration, Operations and Capital expenditures.

<b>TABLE 1</b>			
<b>BUDGET REPORT: SUMMARY OF ALL REVENUES AND EXPENSES</b>			
	<b>FY 2016-17</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
	<b>APPROVED BUDGET ALL</b>	<b>YEAR END ACTUALS &amp;</b>	<b>PROPOSED BUDGET: ALL</b>
	<b>DEPARTMENTS</b>	<b>ESTIMATES</b>	<b>DEPARTMENTS</b>
	<b>ALL DEPARTMENTS</b>	<b>ALL DEPARTMENTS</b>	
<b>REVENUES</b>			
Beginning Fund Balance	67,014,497	78,674,736	54,362,265
Sales/Use Taxes	36,286,248	36,286,248	37,011,973
Interest and Lease Earnings	864,697	961,154	689,088
Intergovernmental Revenues - Grants	20,522,580	17,580,611	18,641,961
Charges for Services -- Fares, Parking and Fees	2,006,000	53,343	2,980,000
Miscellaneous Revenues	60,000	334,573	50,000
<b>TOTAL REVENUES INCLUDING FUND BALANCE</b>	<b>126,754,022</b>	<b>133,890,665</b>	<b>113,735,288</b>
<b>EXPENDITURES</b>			
Salaries and Benefits	16,503,572	15,578,572	18,866,052
Services and Supplies	12,107,969	10,873,445	14,549,441
Other Charges and Payments	13,663,527	13,773,099	14,314,100
Buildings, Capital Improvements, and Equipment	58,346,630	39,877,764	38,445,239
Interfund Transfers	(1,196,770)	(1,066,770)	(1,208,467)
Contingency & Equipment Reserve	600,000	492,290	1,125,000
Depreciation	5,191,464	5,191,464	15,698,600
<b>TOTAL EXPENDITURES</b>	<b>105,216,392</b>	<b>84,719,863</b>	<b>101,789,965</b>

## YEAR-END FINANCIAL REPORT: FY 2016-17 ACTUALS AND ESTIMATES

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

The Year-end Fiscal Year 2016-17 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 the Budget as approved by the Board, including subsequent amendments. Where there is a significant change of \$25,000 or more, 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 2016-17 REVISED BUDGET  
ADMINISTRATION, CAPITAL AND OPERATIONS**

DESCRIPTION	FY 2016-17 APPROVED BUDGET	FY 2016-17 YEAR-END ACTUALS & ESTIMATES	EXPLANATION OF SIGNIFICANT CHANGES
<b>REVENUES:</b>			
<b>Sales/Use Taxes</b>			
Board of Equalization Cost on Taxes	842,890	847,860	
Sales Tax withheld by Trustee	13,600,350	13,600,350	
Net Sales Tax	21,843,008	21,838,038	
<b>Total Sales/Use Taxes</b>	<b>36,286,248</b>	<b>36,286,248</b>	Sales tax anticipated to be on budget
<b>Intergovernmental Revenues</b>			
State - Grant Funds	2,104,500	469,683	Tied to expenditures that have shifted to new Fiscal Year
Federal - ISTEAs	-	182,499	Project closeout originally anticipated in prior year
Federal - Grant Funds	7,152,966	8,087,468	Pathway costs shifted from prior year for completion
Other Governments	2,478,177	2,881,949	Project reimbursements from Santa Rosa, Sonoma and Marin
Measure M - Sonoma County	350,000	10,000	Tied to pathway design occurring in FY2018
MTC - Bridge Tolls	8,436,937	5,949,012	Funds shifted to FY2018 to match rail vehicle expenditures
<b>Total Intergovernmental Revenues</b>	<b>20,522,580</b>	<b>17,580,611</b>	
<b>Use of Money/Property</b>			
Interest Earnings	377,500	473,957	Higher fund balance and resulting earnings
Rent - Real Estate	487,197	487,197	
<b>Total Use of Money/Property</b>	<b>864,697</b>	<b>961,154</b>	
<b>Charges for Services</b>			
Fare Revenue	1,976,000	-	Fare revenue shifted to FY18
Other Charges - Fees, Reimbursements	30,000	53,343	Higher right-of-entry permit fees
<b>Total Charges for Services</b>	<b>2,006,000</b>	<b>53,343</b>	
<b>Miscellaneous Revenues</b>			
Sale - Lease/Purchase	-	261,855	Real estate option payments
Miscellaneous Revenue	60,000	72,718	
<b>Total Miscellaneous Revenues</b>	<b>60,000</b>	<b>334,573</b>	
<b>TOTAL REVENUES</b>	<b>59,739,525</b>	<b>55,215,929</b>	

PAGE 1 of 3 (Continued Next Page)

TABLE 2

## YEAR-END FINANCIAL REPORT: FY 2016-17 REVISED BUDGET

## ADMINISTRATION, CAPITAL AND OPERATIONS

DESCRIPTION	FY 2016-17 APPROVED BUDGET	FY 2016-17 YEAR-END ACTUALS & ESTIMATES	EXPLANATION OF SIGNIFICANT CHANGES
<b>EXPENDITURES:</b>			
<b>ADMINISTRATION</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	3,269,600	3,269,600	
Employee Benefits	930,337	930,337	
<b>Total Salaries and Benefits</b>	<b>4,199,937</b>	<b>4,199,937</b>	
<b>Services and Supplies</b>			
Communications	55,026	174,070	One-time termination charges - internet provider switch for ongoing savings
Insurance	2,073,693	1,629,128	Decreased amount due to shift in passenger operations
Maintenance-Facilities	13,502	17,530	
Miscellaneous Expense	41,600	36,900	
Office Expense	118,480	96,725	
Postage, Printing, Periodicals	39,700	29,200	
Accounting/ Payroll Services	85,701	84,401	
Professional Services	906,796	753,004	Reduced need for IT consulting
Agency Extra Help	100,000	50,000	Reduced need for staff coverage
Board of Equalization Administrative Fees	842,890	847,860	
Legal Services	485,000	751,500	Increase due to labor negotiations, regulatory expertise (see writeup p. )
Rents/Leases	680,369	710,910	Includes new lease for Cotati customer service
Computer Software and Hardware	394,198	268,810	Shift of hardware purchases to FY18
Public Outreach	573,000	520,100	Savings on printing/other services
Training, Travel and Memberships	149,873	112,792	Based on actual expenses to date
Mileage Expense	48,020	37,640	
<b>Total Services and Supplies</b>	<b>6,607,848</b>	<b>6,120,569</b>	
<b>Other Charges and Payments</b>			
Bond Principal, Interest	13,600,350	13,600,350	
Settlements		113	
Depreciation	5,191,464	5,191,464	
<b>Total Other Charges</b>	<b>18,791,814</b>	<b>18,791,927</b>	
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Equipment	69,000	63,210	
<b>Total Buildings and Capital Improvements</b>	<b>69,000</b>	<b>63,210</b>	
<b>Contingencies</b>			
<b>Total Contingencies</b>			
<b>TOTAL ADMINISTRATION EXPENDITURES</b>	<b>29,668,599</b>	<b>29,175,644</b>	
<b>CAPITAL</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	937,971	837,971	
Employee Benefits	258,799	228,799	
<b>Total Salaries and Benefits</b>	<b>1,196,770</b>	<b>1,066,770</b>	Based on projected actuals
<b>Services and Supplies</b>			
Maintenance-Facilities	-	17,819	Repair of signal equipment during construction
Professional Services - Project	364,500	239,383	Reduction of work with Real Estate Consultants
Computer Software and Hardware	21,605	-	Cost reduced, shifted to next year
Memberships	2,000	500	
Training, Travel	5,000	5,000	
Permits/Fees	-	45,000	Permits and fees associated with Capital Project
Mileage Expense	-	10,000	Mileage reimbursement for site visits
<b>Total Services and Supplies</b>	<b>393,106</b>	<b>317,703</b>	
<b>Other Charges and Payments</b>			
Other Governments	63,177	172,636	Cooperative work with jurisdictions
<b>Total Other Charges</b>	<b>63,177</b>	<b>172,636</b>	

TABLE 2

## YEAR-END FINANCIAL REPORT: FY 2016-17 REVISED BUDGET

## ADMINISTRATION, CAPITAL AND OPERATIONS

DESCRIPTION	FY 2016-17 APPROVED BUDGET	FY 2016-17 YEAR-END ACTUALS & ESTIMATES	EXPLANATION OF SIGNIFICANT CHANGES
<b>CAPITAL (continued)</b>			
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Land	231,000	574,181	Mira Monte monitoring, Larkspur Extension Real Estate Costs
Buildings & Improvements	-	-	
Machinery and Equipment	35,100	32,710	
Capital Equipment - Work in Progress	22,446,083	14,125,175	Shift of Rail Car Payments to FY18
Intangible Asset	-	2,000	Utility Easments
Infrastructure	32,409,448	23,970,676	Shift of some Larkspur Extension costs to FY18
<b>Total Buildings and Capital Improvements</b>	<b>55,121,631</b>	<b>38,704,742</b>	
<b>Interfund Transfers</b>			
Salaries and Benefits Transfer - Capital	(1,196,770)	(1,066,770)	Accounting adjustment for salaries included in asset amounts
<b>Total Interfund Transfer</b>	<b>(1,196,770)</b>	<b>(1,066,770)</b>	
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>55,577,914</b>	<b>39,195,080</b>	
<b>OPERATIONS</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	8,582,462	7,982,460	
Employee Benefits	2,524,403	2,329,405	
<b>Total Salaries and Benefits</b>	<b>11,106,865</b>	<b>10,311,865</b>	Savings due to vacancies
<b>Services and Supplies</b>			
Uniform Expense	141,436	141,436	
Communications	57,176	147,484	Cell service for DMU WIFI, radio equipment, phone service
Maintenance-Equipment	62,000	70,858	
Maintenance-Radios	122,095	119,095	
Maintenance-Revenue Vehicles	-	122,608	
Maintenance-Railway	474,000	397,905	Slightly lower costs for debris removal, repair and clean-up
Maintenance of Signals	225,000	225,000	
Maintenance-Buildings/Facilities	21,400	71,530	
Maintenance - Pathway	-	-	
Printing Services	10,000	5,000	
Office Expense	162,549	120,661	Savings based on actuals
Special Services-Operations	1,245,000	492,841	Tied to passenger operations - shifted to FY18
Rents/Leases - Equipment	66,600	118,930	Increased need for rental of specialty equipment
Minor Equipment	275,005	406,834	Ramping up inventory for all operations
Computer Software and Hardware	21,000	239,301	Connectivity and security for Roblar Facility, maintenance managment. system
Training, Travel and Memberships	323,500	253,700	Savings based on actuals (Relocation reimbursements, specialized training)
Fuel and Lubricants	1,256,654	848,224	Cost of diesel fuel/lubricants adjusted pending full passenger runs
Miscellaneous	24,500	15,642	
Professional Services	286,800	282,642	Increased IT services for connectivity between systems
Utilities	332,300	355,481	
<b>Total Services and Supplies</b>	<b>5,107,015</b>	<b>4,435,173</b>	
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Vehicles, Equipment	2,849,185	899,330	Some equipment purchases shifted to FY18
Software/ Intangible Assets	306,813	210,481	Shift of non-capital costs to Computer software
<b>Total Buildings and Capital Improvements</b>	<b>3,155,998</b>	<b>1,109,811</b>	
<b>Contingencies</b>			
Operating Contingencies	600,000	492,290	Remaining balance
<b>Total Contingencies</b>	<b>600,000</b>	<b>492,290</b>	
<b>TOTAL OPERATIONS EXPENDITURES</b>	<b>19,969,878</b>	<b>16,349,139</b>	
<b>TOTAL EXPENDITURES</b>	<b>105,216,392</b>	<b>84,719,863</b>	

## FISCAL YEAR 2016-17 YEAR-END REPORT: DISCUSSION

Below are further details on the FY 2016-17 Year-End Financial Report.

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

#### Revenues:

Final revenues for Fiscal Year 2016-17 are anticipated to be \$55,215,929. They were reduced by \$4.5 million from the originally proposed budget primarily due to two changes: loss of fare revenue with a delay in the start of passenger service and a shift in grant funding related to rail vehicle payment timing. 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. We have noticed a flattening of revenue growth, but are not yet recommending a change in expectations.
- State Cap and Trade funds for the 8<sup>th</sup> and 9<sup>th</sup> rail vehicle sets are tied to the completion of milestones that are not anticipated to be reached before June and are shifted to the next year.
- Similarly, Bridge Toll funds for final acceptance of the 7<sup>th</sup> rail vehicle set are also shifted to the new fiscal year.
- The final option payment on a 2009 Railroad Square property sale.
- Interest earnings were increased to reflect good performance by the Sonoma County Pool and higher fund balance during the year.

#### Expenditures:

Year-end expenditures are projected to be \$84,719,863. In Table 2 they are separated by capital, administrative and operations uses. This is necessary for reporting at the state and federal level and provides additional clarity on the ongoing vs. one-time expenditures. Final expenditures in the year-end report, as a whole, are lower than the approved budget. Notable changes are discussed in more detail below.

Administration: Total expenditures on District administration are projected to be reduced from \$29,668,599 to \$29,175,644. Some notable changes are:

- Decrease in insurance costs due to shift in carrying passengers and thus the execution of new policies.
- Decrease in computer equipment costs related to shifts in purchasing of replacement hardware to new fiscal year
- Although offset by other decreases, legal costs did increase as a result of increased time on labor negotiations, specialized expertise for freight negotiation, and increased claims activities.

Other notable changes are explained in Table 2.



Capital: Total expenditures on capital projects are reduced from \$55,577,914 to \$39,195,080. This is primarily due to the following changes:

- A reduction in Capital Equipment by \$8.3 million related to anticipated delay in payments to the car builder pending final acceptance of the rail vehicles and completion of milestones for the new 8<sup>th</sup> and 9<sup>th</sup> vehicle sets. Those payments are shifted to Fiscal Year 2017-18.
- Shifts in Larkspur extension project costs to the next fiscal year following delays related to San Rafael-related project elements.

Other changes are listed in Table 2.

Operations: Total expenditures in the Operations Department have been reduced from \$19,969,878 to \$16,349,139. Notable changes are outlined below:

- Operations special services, which includes contracted operations needs such as fare machine maintenance, emergency bus services and security is reduced by \$752,159 due to the shift in the start of service reducing the need for those services.
- Fuel and lubricants are reduced \$408,430 to match anticipated year-end amounts and are tied to the shift in startup schedules.
- Computer and communications costs were both increased related to increasing needs for train WiFi, connectivity at our Roblar facility, and integration of numerous systems within operations.
- Equipment and vehicles decreased by \$1.9 million due to removal of wheel truing equipment and locomotive from budget. Costs of both exceeded available funds and are other options are being considered.

Please reference Table 2 for other details on changes.

## PROPOSED BUDGET: FY 2017-18

### PROPOSED BUDGET TABLES OVERVIEW

**TABLE 3**, which spans the following three pages, shows the Proposed Budget for Fiscal Year 2017-18. 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 2017-18 Proposed Budget can be found following **TABLE 3**. Finally, **TABLE 4**, which follows the budget discussion, contains the Personnel and Position Authorizations for Fiscal Year 2017-18 and includes a column showing any changes from the prior year.

**TABLE 3**

**PROPOSED BUDGET FISCAL YEAR 2017-18**  
**ADMINISTRATION, CAPITAL AND OPERATIONS**

DESCRIPTION	FY 2016-17 YEAR-END ACTUALS & ESTIMATES	FY 2017-18 PROPOSED BUDGET	EXPLANATION OF SIGNIFICANT CHANGES
<b>REVENUES:</b>			
<b>Sales/Use Taxes</b>			
Board of Equalization Cost on Taxes	847,860	890,253	Increase in state collection costs
Sales Tax withheld by Trustee	13,600,350	14,204,100	Debt schedule increase
Net Sales Tax	21,838,038	21,917,620	
<b>Total Sales/Use Taxes</b>	<b>36,286,248</b>	<b>37,011,973</b>	Assumption of 2% increase
<b>Intergovernmental Revenues</b>			
State - Grants and Rail/Transit	469,683	4,321,096	State Commuter Rail/STA Funding, Additional Rail Sets
Federal - ISTEAs	182,499	-	Project completed in FY17
Federal - Grant Funds	8,087,468	8,157,643	Larkspur Extension Project ongoing
Other Governments	2,881,949	1,805,000	Construction of Jennings Crossing
Measure M - Sonoma County	10,000	285,000	Sonoma Pathway Project - Payran to Southpoint design
MTC - Bridge Tolls	5,949,012	4,073,222	7th car set final funding, Larkspur extension, transit connection signs
<b>Total Intergovernmental Revenues</b>	<b>17,580,611</b>	<b>18,641,961</b>	
<b>Use of Money/Property</b>			
Interest Earnings	473,957	295,000	Reduction due to drawdown of fund balances
Rent - Real Estate	487,197	394,088	Reduction due to lease termination for Larkspur Extension
<b>Total Use of Money/Property</b>	<b>961,154</b>	<b>689,088</b>	
<b>Charges for Services</b>			
Fare Revenue	-	2,925,000	New
Parking Revenue	-	25,000	New
Other Charges - Fees, Reimbursements	53,343	30,000	Dispatch payments
<b>Total Charges for Services</b>	<b>53,343</b>	<b>2,980,000</b>	
<b>Miscellaneous Revenues</b>			
Sale - Lease/Purchase	261,855	-	Prior Revenue not continued
Miscellaneous Revenue	72,718	50,000	
<b>Total Miscellaneous Revenues</b>	<b>334,573</b>	<b>50,000</b>	
<b>TOTAL REVENUES</b>	<b>55,215,929</b>	<b>59,373,023</b>	

TABLE 3

**PROPOSED BUDGET FISCAL YEAR 2017-18**  
**ADMINISTRATION, CAPITAL AND OPERATIONS**

DESCRIPTION	FY 2016-17 YEAR-END ACTUALS & ESTIMATES	FY 2017-18 PROPOSED BUDGET	EXPLANATION OF SIGNIFICANT CHANGES
<b>EXPENDITURES:</b>			
<b>ADMINISTRATION</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	3,269,600	4,103,790	
Employee Benefits	930,337	1,205,496	
<b>Total Salaries and Benefits</b>	<b>4,199,937</b>	<b>5,309,286</b>	Step adjustments, benefit cost increases, filling of vacant positions
<b>Services and Supplies</b>			
Communications	174,070	46,700	Elimination of one-time costs
Insurance	1,629,128	2,677,667	Increased liability insurance limits, self insured retention
Maintenance-Facilities	17,530	17,530	
Miscellaneous Expense	36,900	43,600	
Office Expense	96,725	123,030	Savings in prior year not rebudgeted
Postage, Printing, Periodicals	29,200	35,500	
Accounting/ Payroll Services	84,401	86,000	
Professional Services	753,004	908,534	Increased for IT needs and emergency response
Agency Extra Help	50,000	100,000	Placeholder for short term leave coverage if needed
Board of Equalization Administrative Fees	847,860	890,253	State fee increases
Legal Services	751,500	525,000	Prior year rail legal expertise complete
Rents/Leases	710,910	741,194	Increase scheduled in current lease and new Cotati lease
Computer Software and Hardware	268,810	318,401	Replacement computers/software; license renewals
Public Outreach	520,100	312,000	Prior year startup marketing complete
Training, Travel and Memberships	112,792	187,300	Increase for staff training, recruitment of Deputy General Manager
Mileage Expense	37,640	37,740	
<b>Total Services and Supplies</b>	<b>6,120,569</b>	<b>7,050,449</b>	
<b>Other Charges and Payments</b>			
Bond Principal, Interest	13,600,350	14,204,100	Debt schedule increase
Settlements	113	-	
Depreciation	5,191,464	15,698,600	Non-cash accounting entry tied to placing infrastructure in service
<b>Total Other Charges</b>	<b>18,791,927</b>	<b>29,902,700</b>	
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Equipment	63,210	85,000	Server hardware replacements
<b>Total Buildings and Capital Improvements</b>	<b>63,210</b>	<b>85,000</b>	
<b>Contingencies</b>			
Operating Contingencies	-	-	
<b>Total Contingencies</b>	<b>-</b>	<b>-</b>	
<b>TOTAL ADMINISTRATION EXPENDITURES</b>	<b>29,175,644</b>	<b>42,347,435</b>	
<b>CAPITAL</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	837,971	919,013	
Employee Benefits	228,799	289,454	
<b>Total Salaries and Benefits</b>	<b>1,066,770</b>	<b>1,208,467</b>	Step adjustments, benefit cost increases
<b>Services and Supplies</b>			
Maintenance-Facilities	17,819	-	All facilities costs in operations following acceptance
Postage, Printing, Periodicals	-	5,000	
Professional Services - Project	239,383	243,000	
Computer Software and Hardware	-	12,645	
Memberships	500	2,000	
Training, Travel	5,000	5,000	
Permits/Fees	45,000	50,000	
Mileage Expense	10,000	10,000	
<b>Total Services and Supplies</b>	<b>317,703</b>	<b>327,645</b>	
<b>Other Charges and Payments</b>			
Other Governments	172,636	110,000	Cooperative work with jurisdictions
<b>Total Other Charges</b>	<b>172,636</b>	<b>110,000</b>	

TABLE 3

**PROPOSED BUDGET FISCAL YEAR 2017-18**  
**ADMINISTRATION, CAPITAL AND OPERATIONS**

DESCRIPTION	FY 2016-17 YEAR-END ACTUALS & ESTIMATES	FY 2017-18 PROPOSED BUDGET	EXPLANATION OF SIGNIFICANT CHANGES
<b>CAPITAL (continued)</b>			
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Land	574,181	2,754,000	Land purchase set-aside for Larkspur extension
Machinery and Equipment	32,710	-	
Capital Equipment - Work in Progress	14,125,175	9,203,450	Railcar final acceptance and new 7th and 8th Set payments
Intangible Asset	2,000	-	
Infrastructure	23,970,676	25,157,870	Larkspur Extension; Novato, San Rafael, Cotati and other pathway work
<b>Total Buildings and Capital Improvements</b>	<b>38,704,742</b>	<b>37,115,320</b>	
<b>Interfund Transfers</b>			
Salaries and Benefits Transfer - Capital	(1,066,770)	(1,208,467)	
<b>Total Interfund Transfer</b>	<b>(1,066,770)</b>	<b>(1,208,467)</b>	
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>39,195,080</b>	<b>37,552,965</b>	
<b>OPERATIONS</b>			
<b>Salaries and Benefits</b>			
Employee Salaries	7,982,460	9,516,920	
Employee Benefits	2,329,405	2,831,379	
<b>Total Salaries and Benefits</b>	<b>10,311,865</b>	<b>12,348,298</b>	Filling of vacant positions, step and benefit costs
<b>Services and Supplies</b>			
Uniform Expense	141,436	230,064	Uniforms, protective equipment - based on hiring and replacement
Communications	147,484	191,007	Multiple digital communication systems management
Maintenance-Equipment	70,858	188,000	Truck and heavy equipment maintenance
Maintenance-Radios	119,095	128,675	
Maintenance-Revenue Vehicles	122,608	274,169	Train Wheel truing, vehicle calibration tools, spart parts
Maintenance-Railway	397,905	397,165	Contract reduction due to hiring of permanent staff
Maintenance of Signals	225,000	128,320	Contract reduction due to hiring of permanent staff
Maintenance-Buildings/Facilities	71,530	240,660	Station, platform and facilities cleaning, spare parts
Maintenance - Pathway	-	42,500	Fence repair, weed abatement; new category
Printing Services	5,000	5,000	
Office Expense	120,661	155,000	Growth for additional facilities and staff
Special Services-Operations	492,841	-	Category discontinued, moved to professional services
Agency Extra Help	-	100,000	Allowance for temporary staff as necessary
Rents/Leases - Equipment	118,930	77,880	Equipment purchases replace leases
Minor Equipment	406,834	227,800	Decrease due to prior year purchases of necessary equipment
Computer Software and Hardware	239,301	214,754	
Training, Travel and Memberships	253,700	254,300	
Fuel and Lubricants	848,224	1,423,607	Increased in anticipation of full passenger operations
Miscellaneous	15,642	65,000	Increased for unanticipated daily operating needs
Professional Services	282,642	2,403,538	Fare machine maintenance, bus connections, other (see writeup p. )
Utilities	355,481	423,910	Projected increase in Utilities - water, garbage, power
<b>Total Services and Supplies</b>	<b>4,435,173</b>	<b>7,171,347</b>	
<b>Buildings &amp; Capital Improvements (Capital Assets)</b>			
Buildings & Improvements	-	15,000	Rail Operations Facility improvements
Vehicles, Equipment	899,330	1,229,919	Rail scrubbing machine, Pathway maintenance vehicle, extra wheel set
Software/ Intangible Assets	210,481	-	Maintenance Management System complete
<b>Total Buildings and Capital Improvements</b>	<b>1,109,811</b>	<b>1,244,919</b>	
<b>Equipment Replacement</b>			
Annual Allocation		525,000	Allocation for future equipment replacement schedule
		<b>525,000</b>	
<b>Contingencies</b>			
Operating Contingencies	492,290	600,000	Contingency for emergencies, unanticipated equipment
<b>Total Contingencies</b>	<b>492,290</b>	<b>600,000</b>	
<b>TOTAL OPERATIONS EXPENDITURES</b>	<b>16,349,139</b>	<b>21,889,565</b>	
<b>TOTAL EXPENDITURES</b>	<b>84,719,863</b>	<b>101,789,965</b>	

## PROPOSED FISCAL YEAR 2017-18 BUDGET: DISCUSSION

**TABLE 3: PROPOSED BUDGET FISCAL YEAR 2017-18**

### **Overview:**

The Fiscal Year 2017-18 budget proposal contains all the anticipated revenues and expenses related to final completion of the Phase 1 project, continuation and ramp-up of the Larkspur extension, and a full year of passenger service operations. There will continue to be a difference between revenues and expenditures since we will not be charging full fares until September. In addition, the passage of SB 1 by the State will bring revenues to the District, but will only start beginning January of 2018. As a result of this difference, again we are anticipating that operating expenditures will be \$3.5 million higher than revenues. However, as we discussed last year at this time, 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 and additional state operating funds. Our anticipated operating reserve balance, at the close of Fiscal Year 2017-18, is projected to be \$16.2 million. We continue to think that a healthy reserve is key to the ongoing stability of the District. Further, a healthy capital reserve to prepare for unforeseen expenses that a new agency could experience is also critical. 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 are holding funds for equipment replacement in the future, as well as, unanticipated capital project closeout costs. For all of these reasons, we are maintaining a total \$10 million capital reserve.

Below is a discussion of all revenues and expenditures changes of note in **Table 3**, the Proposed Budget for Fiscal Year 2017-18.

### **Revenues:**

Revenues available to fund the budget in Fiscal Year 2017-18, not including available fund balance, are \$59,373,023. Revenues include sales tax, new state rail funding, passenger fares and parking fees, and grants for ongoing capital expenses. Some highlights are outlined below:

- As reported during the year, we are beginning to see a slowdown in the growth of sales tax funds in the last three quarters of revenue. As a result, we are budgeting for a more conservative 2% increase in sales tax for the new fiscal year.
- Fare revenue of \$2,925,000 is included in anticipation of full fare service beginning September 2017.
- Grant funding of \$12.6 million is tied to ongoing pathway projects, ramp up of the Larkspur extension, final payments for rail cars and initial payments for the 7<sup>th</sup> and 8<sup>th</sup> car sets.
- Conservative projections of \$25,000 related to parking at SMART-owned lots is included.
- A decrease of \$178,957 in interest earnings as a result of the drawdown of fund balance set aside for the project.

### **Expenditures:**

#### Administration:

There are a few notable increases that lead to an increased overall administrative budget for Fiscal Year 2017-18 from \$29,175,644 to \$42,347,435. Those changes are as follows:

- Increase of \$1,048,539 in liability and self-insured retention costs related to the start of passenger service and a general increase in claims activity.

- Debt service costs increase by \$603,750 in accordance with the 2012 bond sale structure.
- Significant increase in depreciation expense as our new infrastructure and vehicles are placed into service. This does not result in actual spending but is required for transparency in financial reporting.
- Salary and benefits increase of \$1.1 million to fund needed new positions, benefit cost increases, and implementation of regular salary step increments within approved salary ranges.

#### Capital:

Capital Budget expenditures in Fiscal Year 2017-18 decrease from \$39,195,080 to \$37,552,965. The Proposed Capital Budget includes final payments for completion of Phase 1, including acceptance of all systems, facilities and rail car sets. In addition, the following are also included in Capital expenditures:

- Authorization of \$1.4 million for progress payments for additional four rail cars funded by the State of California Cap and Trade funds.
- Payments of \$7.5 million to vehicle manufacturer for original seven rail car sets.
- Shift of \$2 million for completion of pathway segments in Novato (Franklin to Grant and Rush Creek to Novato North station) that were delayed due to permitting.
- Appropriation of \$13.4 million in anticipated expenditures for the Larkspur extension project.
- Inclusion of \$1.8 million for the City of Santa Rosa for the Jennings Avenue crossing paid entirely by the City of Santa Rosa.
- Deletion of vacant and unused positions and addition of a new Associate Engineer position and reclassification of Three Junior Engineers to Assistant Engineers to allow for the progression of engineering positions for current staff. Engineering positions are funded primarily by grant and other funds for projects.

#### Operations:

The Proposed Operations Budget shows increases in SMART operating costs from \$16,349,139 to \$21,889,565 primarily due to increased services related to startup of passenger services. This level of expenditure is necessary to provide 24-hour dispatching, seven-day-a week scheduled service, train and signal operation, vehicle maintenance and regulatory tracking, and maintenance of all SMART infrastructure and facilities (including track, structures, grade crossings, communications, signals and pathway). Significant highlights include the following:

- Salary and benefits increase of \$2 million. This increase is for two reasons: first, the addition of 2 Engineer-Conductors, 2 vehicle Maintenance Technicians, 1 Track Maintainer, and 1 Signal Technician. Second, an increase due to anticipated staffing compared to the prior year. Positions are listed in further detail in **Table 4**.

- Decreases in Maintenance of Signals totaling \$96,680 due to hiring of permanent staff. Previously SMART relied on contracts for these functions.
- Increase of \$169,130 for Maintenance of Facilities to ensure stations are cleaned and well-maintained, which includes additional signage, parts and services.
- Deletion of Special Services-Operations account and shift of those expenses to Professional Services. Total budget for Professional Services is \$2.4 million. This is an increase of \$2.1 million over the prior year due to the start of service. It includes large contracts for maintenance and management of fare vending machines, payments to transit operators for bus connectors to future SMART stations, customer service provided by Golden Gate, expertise in operational technical systems, hosting and maintenance of WiFi, and emergency bus bridge services.
- Expenditures of \$1,423,607 for fuel and other necessary fluids. This budget is a conservative estimate of costs based on our anticipated vehicle performance and includes contingency for fluctuation of costs.
- Vehicles and Equipment (Capitalized): A total of \$1,229,919 which includes the purchase of additional wheel sets for seamless maintenance and truing of wheels throughout the year, a new vehicle specifically for pathway maintenance, a forklift, and a scrubber for ongoing conditioning of the rails.
- Creation of an equipment replacement fund with an allocation of \$525,000 tied to vehicles and other equipment. This will be an ongoing annual allocation to provide for the replacement of equipment as needed in the future.
- 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. In the current year this funding was used only for emergency costs related to flooding during the storms. 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**, on the following pages, contains the Personnel and Position Authorizations for Fiscal Year 2017-18 and includes a column showing any significant changes from the prior year. In addition to noted changes, we have adjusted the salary ranges to make them more uniform, with regular steps for advancement within a salary range. In a number of cases, our salary ranges were overly broad and we have thus adjusted them to a more standard 20% range from top to bottom. There are very few significant changes as a result and only two of our positions, Accountant and Real Estate Specialist, required a top step shift of 10%.

**TABLE 4**

**Fiscal Year 2017-18 : Proposed Position Authorization (Revised)**

Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE
		Low	High	Low	High	
<b>ADMINISTRATIVE</b>						
Accountant	2	68,266	82,971	32.82	39.89	Added One
Accounting and Payroll Assistant	1	49,525	60,195	23.81	28.94	
Administrative Analyst/ Contracts	1	75,338	91,582	36.22	44.03	
Administrative Assistant	2	44,866	54,538	21.57	26.22	
Assistant Planner*	1	64,979	78,978	31.24	37.97	
Assistant General Counsel	1	129,709	157,664	62.36	75.80	
Chief of Police	1	154,190	187,408	74.13	90.10	
Chief Financial Officer	1	207,355	252,054	99.69	121.18	
Clerk of the Board	1	68,266	82,971	32.82	39.89	
Code Compliance Officer	2.5	50,752	61,693	24.40	29.66	Added One
Communications and Marketing Manager	1	120,453	146,411	57.91	70.39	
Community Outreach Coordinator	1	66,602	80,954	32.02	38.92	
Community Outreach Specialist	1	103,854	126,256	49.93	60.70	
Deputy General Manager	1	227,781	276,869	109.51	133.11	
Fiscal Manager	1	117,520	142,834	56.50	68.67	
General Counsel	1	207,355	252,054	99.69	121.18	
General Manager	1	-	293,655		141.18	
Human Resources Manager	1	114,650	139,360	55.12	67.00	
Human Resources Principal Analyst	1	103,854	126,256	49.93	60.70	
Information Systems Specialist	1	114,650	139,360	55.12	67.00	
Legal Administrative Assistant	1	61,838	75,171	29.73	36.14	
Payroll Technician	1	49,525	60,195	23.81	28.94	
Procurement Coordinator	1	96,450	117,229	46.37	56.36	Title Change
Programming and Grants Manager	1	126,547	153,816	60.84	73.95	
Real Estate Officer	1	71,718	87,173	34.48	41.91	Title Change
Real Estate Manager	1	143,166	174,034	68.83	83.67	Title Change
Senior Administrative Assistant	1	61,838	75,171	29.73	36.14	
Senior Administrative Analyst	1	85,238	103,626	40.98	49.82	
Senior Planner	1	85,238	103,626	40.98	49.82	

**Subtotal Administrative Full Time Equivalents (FTE)** 32.5

<b>CAPITAL POSITIONS</b>						
Assistant Engineer *	5	81,141	98,634	39.01	47.42	Added Three
Associate Engineer*	1	96,450	117,229	46.37	56.36	New
Chief Engineer	1	170,186	206,877	81.82	99.46	
Construction Manager *	0	158,038	192,109	75.98	92.36	Deleted
Deputy Project Manager *	1	170,186	206,877	81.82	99.46	
Junior Engineer *	1	71,718	87,173	34.48	41.91	Deleted Four
Project Extra hires *		Up to total amount	50,000			
Construction Engineer *	1	106,454	129,397	51.18	62.21	New Title
Senior Rail Engineer *	0	143,166	174,034	68.83	83.67	Deleted

**Subtotal Capital Full Time Equivalents (FTE)** 10

**TABLE 4**

**Fiscal Year 2017-18 : Proposed Position Authorization (Revised)**

Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE
		Low	High	Low	High	
<b>OPERATIONS POSITIONS</b>						
Administrative Services Manager	1	81,141	98,634	39.01	47.42	
Assistant Superintendent of Transportation	1	98,862	120,162	47.53	57.77	
Bridge Tender*	2	43,763	53,206	21.04	25.58	
Controller /Supervisor	10	89,565	108,867	43.06	52.34	
Conductor**	11	58,864	71,552	28.30	34.40	
Engineer-Conductor**	23	69,971	85,051	33.64	40.89	Added Two
Extra Hires Operations		Up to total amount	190,400			
Facilities Maintenance Supervisor	1	89,565	108,867	43.06	52.34	
Facilities Maintenance Technician	2	54,662	66,435	26.28	31.94	
Laborers	5	43,763	53,206	21.04	25.58	
Operations Manager	1	170,186	206,877	81.82	99.46	
Parts Clerk	2	56,014	68,099	26.93	32.74	
Railroad Information Systems Specialist	1	101,338	123,157	48.72	59.21	
Safety & Compliance Officer	1	109,117	132,642	52.46	63.77	
Signal Supervisor	2	96,450	117,229	46.37	56.36	
Signal Technician	9	75,338	91,582	36.22	44.03	Added One
Superintendent of Vehicle Maintenance	1	117,520	142,834	56.50	68.67	
Superintendent of Transportation	1	117,520	142,834	56.50	68.67	
Superintendent Signals and Way	1	117,520	142,834	56.50	68.67	
Track Maintainer	5	57,429	69,805	27.61	33.56	Added One
Track Maintenance Supervisor	2	91,790	111,592	44.13	53.65	
Vehicle Maintenance Supervisor	4	91,790	111,592	44.13	53.65	
Vehicle Maintenance Technician	10	69,971	85,051	33.64	40.89	Added Two

**Subtotal Operations Full Time Equivalents (FTE)\*\*** 85

<b>TOTAL ALL SMART DEPARTMENTS</b>	<b>127.5</b>
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\* Denotes Limited-Term Position Dependent on Project need

\*\* Engineer/Conductor may be filled by Conductors, Total FTE for both positions combined is 23