

SMART PROPOSED BUDGET: JUNE 2014

Fiscal Year 2013-14 Year-End Report

Fiscal Year 2014-15 Proposed Annual Budget



SMART BUDGET PRESENTATION: JUNE 2014

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OVERVIEW

There are two budgets being presented to the SMART Board and the public in this document: The Fiscal Year 2013-14 Year-End Financial Report, and the Proposed Fiscal Year 2014-15 Annual Budget. Because of the nature of the constantly changing activities related to a large, complex construction project, there are significant changes between these two years that show construction that started off slower than anticipated in early 2013, but will pick up steam and accelerate to make up for lost time in the months ahead.

The preliminary FY 2013-14 Year-End Financial Report, which provides a revision of the original budget based on actuals and projections, reflects a temporary reduction in construction costs due to the extensive permitting requirements and delays. This reduction in current costs included a several month's shift in the award of the final construction contract and a resulting move of those activities past June 30, 2014. Therefore, the proposed FY 2014-15 budget shows a significant increase in construction activity over the current year, as it will reflect the work of four major construction contracts occurring simultaneously. The proposed budget for next year will also contain, for the first time, a distinct Operations Budget to include a number of new positions and increased operations costs to coincide with the arrival of the first train car set in 2015.

The chart below provides a broad overview of the approved FY 2013-14 budget, the revisions needed for a final FY 2013-14 budget and the proposed FY 2014-15 Annual Budget. Detailed discussion of each budget is provided in the following pages and charts.

TABLE 1			
	FY 2013-14	FY 2013-14	FY 2014-15
	BUDGET AS APPROVED	BUDGET REVISED: ACTUALS & ESTIMATES	PROPOSED BUDGET: CAPITAL & OPERATIONS
REVENUES			
Sales/Use Taxes	31,318,952	33,144,167	34,138,492
Interest and Lease Earnings	1,334,738	1,661,362	1,312,000
Intergovernmental Revenues - Grants	36,796,853	35,346,097	23,124,798
Charges for Services -- Fees	40,000	57,748	40,000
Miscellaneous Revenues	3,150,963	1,589,165	3,142,021
Other Sources - Transfers	102,227,201	26,511,805	114,171,142
TOTAL REVENUES Includes Fund Transfer	174,868,708	98,310,345	175,928,453
NET REVENUES Excludes Fund Transfer	72,641,507	71,798,540	61,757,311
EXPENDITURES			
Salaries and Benefits	5,567,755	4,401,294	6,652,540
Services and Supplies	7,308,556	6,203,713	8,350,745
Other Charges and Payments	8,956,950	13,360,264	13,435,035
Buildings, Capital Improvements, and Equipment	137,534,154	66,449,258	180,653,154
Operating Transfer	-	10,000	10,000
Interfund Transfers	(1,920,499)	(935,837)	(2,053,311)
Contingencies	300,000	-	500,000
Transfer from Bond Fund to Operating	102,227,201	26,511,805	114,171,142
TOTAL EXPENDITURES Includes Fund Transfer	259,974,116	116,000,497	321,719,304
NET EXPENDITURES Excludes Fund Transfer & Depreciation	157,746,915	84,970,856	202,954,254

SMART YEAR-END FINANCIAL REPORT: FY 2013-14 REVISED FINAL BUDGET

SUMMARY:

The revised Fiscal Year 2013-14 budget reflects both actual revenues and expenditures to date and projections for the final weeks of the fiscal year. **TABLE 2**, on the following pages, details the recommended changes.

In summary those changes are as follows:

Revenues:

Final revenues for FY 2013-14 are projected to be \$71,798,540 (excluding fund transfer). Sales tax receipts are increased from \$31,318,952 to \$33,144,167. The original budget projected a conservative increase over the previous year of 3%. Actual revenues are anticipated to be 5% over the previous year. Investment earnings are revised higher than originally budgeted to reflect earnings gained on Bond funds that were not drawn down as quickly as anticipated in June of 2013. Grant funding is projected to be received at slightly below originally budgeted amounts. This is a result of the tie between grant revenues and expenditures. Amounts not received in the current year are re-budgeted in FY 2014-15.

Expenditures:

Final expenditures for FY 2013-14 are projected to be \$84,970,856. There are significant reductions in budget at the close of the year as a result of the schedule of construction shifting out of the last construction season (Summer of 2013) and into this season (Summer of 2014). Infrastructure spending, which reflects the bulk of construction expenditures, is reduced by \$53,967,361 from the original budget. The expenditures not incurred in the current year are moved to the new budget in FY 2014-15, which will show a significant increase over the current year. Similarly, savings in Capital Equipment, which is lower by \$13,446,277, are the result of payments to the rail car manufacturer that were anticipated in the Spring being shifted to the Summer of 2014. Savings in Buildings and Improvements are related to costs in building the Operations and Maintenance Facility occurring after June of 2014 rather than before.

Salaries and benefit costs are decreased in the final budget by \$1,166,461. This is the result of a number of positions remaining vacant. In addition, the revised budget reflects the conversion of several positions from higher to lower level salaries to reflect changing needs. Detail on those changes is described further below.

Other notable changes in expenditures include savings in legal costs of \$221,463 which is the result of hiring an in-house General Counsel and working to avoid legal proceedings wherever possible.

Fund Balance:

Fund balance at the close of FY 2013-14 is projected to be \$216,607,834.

TABLE 2, on the next two pages, reflects these changes and the entire FY 2013-14 Year-End Financial Report.

TABLE 2

SMART YEAR-END FINANCIAL REPORT: FINAL FY 2013-14 BUDGET

Description	FY 2013-14	FY 2013-14	NOTEABLE OR SIGNIFICANT CHANGES
	ORIGINAL BUDGET	REVISED BUDGET: ACTUALS & ESTIMATES	
REVENUES			
Sales/Use Taxes			
Board of Equalization Cost on Taxes	740,210	740,210	
Sales Tax withheld by Trustee	8,456,950	8,456,950	
Net Sales Tax	22,121,792	23,947,007	
Total Sales/Use Taxes	31,318,952	33,144,167	Growth adjusted to 5%
Use of Money/Property			
Interest Earnings	884,738	1,185,300	
Rent - Real Estate	450,000	476,062	
Total Use of Money/Property	1,334,738	1,661,362	Higher fund balances resulted in increased earnings
Intergovernmental Revenues			
State - Grant Funds	4,775,348	4,231,843	Slight changes as a result of project timing
Federal - ISTECA	3,014,258	2,210,015	Shift of construction completion to Fall 2014
Other Governments	552,000	404,220	Reduction in reimbursements tied to reduction in work
Measure M - Sonoma County	1,468,621	5,006,427	Increased funding for Airport Extension
MTC - Bridge Tolls	26,986,625	23,493,593	Shift of reimbursable work to later in 2014
Total Intergovernmental Revenues	36,796,853	35,346,097	
Charges for Services			
Other Charges - Fees	40,000	57,748	
Total Charges for Services	40,000	57,748	
Miscellaneous Revenues			
Sale - Lease/Purchase	-	1,300,000	Receipt of cable conduit reimbursements
Miscellaneous Revenue	1,000	66,382	Operation Lifesaver Grant received
State - EEMP Grant	649,963	40,000	Shift to FY15 as a result of environmental process
Federal - FTA	2,500,000	182,783	Shift of Larkspur design funds to next fiscal year
Total Miscellaneous Revenues	3,150,963	1,589,165	
Other Financing Sources			
Revenue Transfer - Bond Funds	102,227,201	26,511,805	Use of bonds tied to construction expenses
Total Other Financing Sources	102,227,201	26,511,805	
TOTAL REVENUES Includes Fund Transfer	174,868,708	98,310,345	
NET REVENUES Excludes Fund Transfer	72,641,507	71,798,540	
EXPENDITURES			
Salaries and Benefits			
Employee Salaries	4,179,100	3,324,883	
Employee Benefits	1,388,655	1,076,411	
Total Salaries and Benefits	5,567,755	4,401,294	Savings from vacant positions
Services and Supplies			
Communications	198,543	131,075	
Insurance	411,270	341,270	Savings from workers compensation changes
Maintenance-Operations	351,628	557,310	Increased crossing repairs, weed control, homeless cleanup
Miscellaneous Expense	18,500	18,900	
Office Expense	112,000	110,000	
Postage, Printing, Periodicals	36,025	19,500	
Professional/Special Services-Operations	843,000	676,600	Reduction in flagging costs for other projects
Sonoma County Services - Accounting, Payroll, Claim	209,100	209,100	
Contract Services - Administrative	263,825	277,255	Additional Strategic Plan consulting
Consultant Services - Project	1,454,407	1,454,407	

Services and Supplies continued next page

SMART YEAR-END FINANCIAL REPORT: FINAL FY 2013-14 BUDGET

Description	FY 2013-14	FY 2013-14	NOTEABLE OR SIGNIFICANT CHANGES
	ORIGINAL BUDGET	REVISED BUDGET: ACTUALS & ESTIMATES	
Services and Supplies (Continued)			
Board of Equalization Administrative Fees	740,210	740,210	
Legal Services	702,800	481,337	Savings due to use of in-house counsel
Public/Legal Notice	5,000	5,000	
Rents/Leases	632,340	619,988	
Computer Software and Hardware	235,428	158,198	
Public Outreach	255,700	159,682	
Training, Travel	59,500	45,000	
Gas/Oil	32,700	7,882	
Permits/Fees	38,980	100,000	Increased cost of environmental permits
Mileage Expense	30,000	41,000	
Utilities	677,600	50,000	Costs shifted to FY15
Total Services and Supplies	7,308,556	6,203,713	
Other Charges and Payments			
Bond Principal, Interest	8,456,950	8,456,950	
Settlements	-	375	
Depreciation	-	4,517,836	Non-cash adjustment for enterprise accounting
Other Governments	500,000	385,103	
Total Other Charges	8,956,950	13,360,264	
Buildings & Capital Improvements (Capital Assets)			
Land	5,208,400	2,939,779	Savings from property issues resolution
Buildings & Improvements	4,289,554	2,746,918	Shift of operations facility building costs to FY14-15
Equipment	-	130,000	Office build-out for co-location of construction staff
Computer Equipment	46,000	56,000	Purchase of additional server equipment
Capital Equipment - Work in Progress	18,407,207	4,960,930	Reduction from shift in vehicle payments to FY14-15
Infrastructure	109,582,992	55,615,632	Shift of Construction costs from 2013 to 2014 season
Total Buildings and Capital Improvements	137,534,154	66,449,258	
Operating Transfer			
Operating Transfer	-	10,000	
Total Operating Transfer	-	10,000	
Interfund Transfers			
Salaries and Benefits Transfer - Capital	(1,920,499)	(935,837)	
Total Interfund Transfer	(1,920,499)	(935,837)	
Contingencies			
Operating Contingencies	300,000	-	
Total Contingencies	300,000	-	
Transfer from Bond Fund to Operating	102,227,201	26,511,805	
TOTAL EXPENDITURES Includes Fund Transfer	259,974,116	116,000,497	
NET EXPENDITURES Excludes Fund Transfer & Depreciation	157,746,915	84,970,856	
Beginning Fund Balance	228,654,480	229,780,151	
Total Revenue	72,641,507	71,798,540	
Total Expenditures	157,746,915	84,970,856	
Audit Adjustments	-	-	
Change in Fund Balance	(85,105,409)	(13,172,317)	
FUND BALANCE (Ending)	143,549,072	216,607,834	

REVISED PERSONNEL AND POSITION AUTHORIZATION FY 2013-14

In addition to revising and adopting a final budget for FY 2013-14, there were three changes implemented in May. As a result of two high level staff departures in our Planning and Outreach Divisions, we restructured positions in a manner that will save SMART on salary and benefit costs in the future, and allow current staff to be promoted into those positions. Those position changes are as follows:

1. Addition of 1.0 FTE Community Outreach Coordinator.
2. Deletion of 1.0 FTE Planning Manager and addition of 1.0 FTE Senior Planner.
3. Deletion of 1.0 FTE Associate Planner and addition of 1.0 FTE Assistant Planner.

Final revised FY 2013-14 Position Authorizations are on the following page in **TABLE 3**.

TABLE 3**Fiscal Year 2013-14 : SMART Position Authorization - REVISED**

Position	FTE	Salary Range	
		Low	High
Access Control Manager	1	100,000	125,000
Accountant	1	55,000	70,000
Administrative Analyst/ Contracts	1	65,000	85,000
Administrative Services Manager	1	55,000	91,000
Assistant Engineer *	3	70,000	90,000
Assistant Planner*	1	55,000	73,000
Chief Engineer	1	157,000	189,000
Chief Financial Officer	1	-	180,000
Clerk of the Board	1	58,000	76,000
Community Outreach Coordinator	1	55,000	75,000
Community Outreach Specialist	2	80,000	115,000
Construction Manager *	1	150,000	180,000
Contracts Manager/Procurement *	1	82,000	125,000
Deputy Operations Manager	1	115,000	140,000
Deputy Project Manager *	1	157,000	189,000
Executive Assistant	1	45,000	70,000
Fiscal Manager	1	89,700	132,000
General Counsel	1	175,000	190,000
General Manager	1	-	246,000
Human Resources Manager	1	115,000	129,111
Human Resources Principal Analyst	1	94,000	115,000
Information Systems Specialist	1	115,000	129,111
Junior Engineer *	4	60,000	80,000
Office Assistant	4	41,600	44,000
Operations Manager	1	153,000	185,000
Programming and Grants Manager	1	98,000	140,000
Project Controls Manager *	1	120,000	142,000
Project Extra hires *		-	\$50,000 total
Quality Manager *	1	85,000	120,000
Rail Safety and Compliance Officer	1	85,000	125,000
Real Estate Assistant	1	48,000	73,000
Real Estate Property Manager	1	130,000	161,000
Safety and Security Manager *	1	90,000	120,000
Senior Administrative Assistant	1	45,000	70,000
Senior Planner	1	75,000	100,000
Senior Rail Engineer *	1	130,000	161,000
Superintendent of Vehicle Maintenance	1	90,000	110,000
Supervisor Controller	1	80,538	95,118
Vehicle Maintenance Supervisor	1	82,000	100,000
Parts Supervisor	1	82,000	100,000
Parts Clerk	1	42,000	60,000
Superintendent Maintenance of Right-of-way	1	90,000	110,000

Total Full Time Equivalentts (FTE)**50**

* Denotes Limited-Term Project Position

SMART PRELIMINARY BUDGET: FY 2014-15 PROPOSED BUDGET

SUMMARY

In the coming year, there will be an exponential increase in project activities up and down SMART's 43-mile Initial Operating Segment (Phase 1). All four major construction contracts will be moving at full steam. By the end of the next fiscal year, all but final touches will be in place at our new Operations and Maintenance Facility on Airport Boulevard. Testing of track, signals and brand new train cars will be happening throughout Sonoma and Marin. Initial work to replace the Haystack Landing Bridge will be well underway and all 10 station sites will be close to complete. Several segments of the SMART pathway will be constructed and all 41 at-grade crossings improvements funded by federal ISTEA grants will be complete. Internally, the SMART operations department will be growing and taking shape in connection with the arrival of first train car set in Spring of 2015. Almost 30 new people will be hired to test the new trains and begin to maintain the new rail improvements as they are completed by the construction contractors.

Expenditure amounts in the SMART FY 2014-15 budget will reflect this tremendous growth in activity. Total expenditures (excluding transfers) are currently projected to be \$202,954,254. Total revenues, excluding transfers, will be \$61,757,311. These revenues and expenditures will be divided into two budgets next year: Capital and Operating. There are agency administrative costs that apply to both budgets; for now, however, SMART administration is combined with the Capital Budget for consistency and transparency around the total costs of delivering the capital project.

SMART CAPITAL BUDGET

The SMART Capital Budget in FY 2014-15 contains all the expenditures and revenues needed to continue progress on the Phase 1 construction project, including staff, construction and engineering contracts, agency insurance, supplies, and related administrative costs.

Revenues:

Revenues budgeted in the Capital Budget in FY 2014-15 total \$57,176,106. Of that amount \$29,604,087 will come from Sales Tax. Although the growth in sales tax has been strong in the past three years, we are again budgeting for a moderate 3% increase in the budget as a conservative but reasonable projection. Some of that revenue will be used to balance the Operating Budget, therefore the amount shown in the Capital Budget represents only partial receipts. Interest earnings will be lower as a result of the drawdown of \$114,171,142 in bond funds to pay project costs. Intergovernmental (grant) revenue will decrease in FY 2014-15 by \$12,238,099 over FY 2013-14 as a result of a shift from grant funds provided by the State and our regional partners to the use of bond funds.

Expenditures:

Salary and benefits cost for the Capital Budget are anticipated to be \$5,092,533. This is an increase of \$691,239 over FY 2013-14 due to several changes. First, there are several vacant positions currently and the budget assumes that those positions are filled during the course of the year. Second, the budget assumes a 2% cost-of-living increase for existing staff. SMART has not provided cost-of-living increases for staff in four years while benefit and other costs borne by staff have increased. Finally, the budget assumes a projected increase of 5% in health care benefit costs, which will change during the course of the year.

Other notable changes in costs include:

- Insurance costs projected at \$868,771 are due to the addition of rail testing of the new vehicles in 2015. Because the trains will be running at full speed on our right-of-way, insurers will require a much higher price for coverage. Final costs will not be known until later in the year following our procurement effort.
- Project consulting services are increased in the coming year by \$602,323 to account for increases in environmental monitoring, bridge engineering and other project related needs.
- Administrative contracts will increase to pay for increased personnel services contracts related to new operations staff. These include new drug testing, medical and other screenings necessary for train staff. Additional funds are provided to assist with completion of the Strategic Plan in the coming months.
- In addition to Board approved position changes at the end of FY 2013-14, the proposed budget contains two position changes that result in no budget impact: conversion of an Assistant Engineer to a Junior Engineer, and conversion of an Office Assistant to an Accounting and Payroll Assistant.
- Buildings and Improvements costs of \$17,169,197 will fund construction of the Operations and Maintenance Facility and related costs in the budget.
- Capital Equipment expenditures of \$21,737,498 will pay for new rail vehicles being manufactured and delivered during the Fiscal Year.
- All other construction costs on the rail and pathway can be found in the Infrastructure line, which will be \$139,375,581 in FY 2014-15. This includes all payments to our four major construction contractors.

Fund Balance:

The closing fund balance for Fiscal Year 2014-15 is projected to be \$75,410,892.

TABLE 4 on the next page details the FY 2014-15 proposed Capital Budget. Other notable changes are briefly explained in the row next to the proposed amount. Position authorizations are outlined in **TABLE 6** following discussion of the Operations Budget.

TABLE 4

SMART PROPOSED BUDGET : FY 2014-15

CAPITAL BUDGET

Description	FY 2013-14 BUDGET AS REVISED	FY 2014-15 PROPOSED BUDGET	NOTEABLE OR SIGNIFICANT CHANGES
REVENUES			
Sales/Use Taxes			
Board of Equalization Cost on Taxes	740,210	778,930	
Sales Tax withheld by Trustee	8,456,950	8,456,950	
Net Sales Tax	23,947,007	20,368,207	
Total Sales/Use Taxes	33,144,167	29,604,087	Partial amount: Tax divided between Capital and Operating Budgets
Use of Money/Property			
Interest Earnings	1,185,300	835,000	Reduction due to drawdown of fund balances
Rent - Real Estate	476,062	477,000	
Total Use of Money/Property	1,661,362	1,312,000	
Intergovernmental Revenues			
State - Grant Funds	4,231,843	51,700	Completion of drawdown of State provided grants
Federal - ISTEA	2,210,015	1,468,159	
Other Governments	404,220	472,753	
Measure M - Sonoma County	5,006,427	1,000,000	Use of allocation for rail complete, pathway funding in FY15
MTC - Bridge Tolls	23,493,593	20,115,386	Continued use and final drawdown of MTC funds for project
Total Intergovernmental Revenues	35,346,097	23,107,998	
Charges for Services			
Other Charges - Fees	57,748	10,000	
Total Charges for Services	57,748	10,000	
Miscellaneous Revenues			
Sale - Lease/Purchase	1,300,000	-	Reimbursement for cable infrastructure complete
Miscellaneous Revenue	66,382	1,000	Reimbursement based, currently unanticipated
State - EEMP Grant	40,000	602,411	Pathway funding
Federal - FTA	182,783	2,538,610	Larkspur extension design funds
Total Miscellaneous Revenues	1,589,165	3,142,021	
Other Financing Sources			
Revenue Transfer - Bond Funds	26,511,805	114,171,142	
Total Other Financing Sources	26,511,805	114,171,142	Drawdown of Bond funds
TOTAL REVENUES Includes Fund Transfer	98,310,345	171,347,248	
NET REVENUES Excludes Fund Transfer	71,798,540	57,176,106	
EXPENDITURES			
Salaries and Benefits			
Employee Salaries	3,324,883	3,844,263	
Employee Benefits	1,076,411	1,248,270	
Total Salaries and Benefits	4,401,294	5,092,533	Assumes filling of vacant positions
Services and Supplies			
Communications	131,075	151,514	Increased cost of phones, technology with more staff
Insurance	341,270	868,771	Associated with start of testing
Maintenance-Operations	557,310	13,000	Primarily now located in Operations
Miscellaneous Expense	18,900	28,500	Includes memberships and other staff development costs
Office Expense	110,000	131,644	Increased use of printers, other supplies
Postage, Printing, Periodicals	19,500	24,230	Plan document printing, other materials
Professional/Special Services-Operations	676,600	-	Moved to Operations
Sonoma County Services - Accounting, Payroll, Claim	209,100	232,560	Accounting, payroll, claim services
Contract Services - Administrative	277,255	356,927	Increase related to hiring of operations staff (testing, recruitment)
Consultant Services - Project	1,454,407	2,056,730	Increased engineering and environmental consultants
Board of Equalization Administrative Fees	740,210	778,930	
Legal Services	481,337	705,000	Prior year savings not assumed in ongoing legal costs
Public/Legal Notice	5,000	18,000	
Rents/Leases	619,988	646,572	Petaluma Office Space
Computer Software and Hardware	158,198	302,779	Increased GIS and Design software costs, ongoing licenses, computers
Public Outreach	159,682	237,350	More safety outreach associated with testing
Training, Travel	45,000	98,420	Travel to Colorado for testing
Gas/Oil	7,882	-	
Permits/Fees	100,000	5,000	Completion of permitting
Mileage Expense	41,000	43,620	
Utilities	50,000	-	Assumption of costs in infrastructure line
Total Services and Supplies	6,203,713	6,699,547	

SMART PROPOSED BUDGET : FY 2014-15

CAPITAL BUDGET

Description	FY 2013-14 BUDGET AS REVISED	FY 2014-15 PROPOSED BUDGET	NOTEABLE OR SIGNIFICANT CHANGES
Other Charges and Payments			
Bond Principal, Interest	8,456,950	8,456,950	
Settlements	375	-	
Depreciation	4,517,836	4,593,908	Non-cash adjustment for enterprise accounting
Other Governments	385,103	384,177	
Total Other Charges	13,360,264	13,435,035	
Buildings & Capital Improvements (Capital Assets)			
Land	2,939,779	1,000,877	Reduction following resolution of ROW issues
Buildings & Improvements	2,746,918	17,169,197	Operations and Maintenance Facility construction
Equipment	130,000	500,000	Station, fare and other equipment related to service
Computer Equipment	56,000	-	
Capital Equipment - Work in Progress	4,960,930	21,737,498	Rail Vehicle Payments
Infrastructure	55,615,632	139,375,581	Increase in construction activity on 44 miles
Total Buildings and Capital Improvements	66,449,258	179,783,154	
Operating Transfer			
Operating Transfer	10,000	10,000	
Total Operating Transfer	10,000	10,000	
Interfund Transfers			
Salaries and Benefits Transfer - Capital	(935,837)	(2,053,311)	
Total Interfund Transfer	(935,837)	(2,053,311)	
Contingencies			
Operating Contingencies	-	-	
Total Contingencies	-	-	
Transfer from Bond Fund to Operating	26,511,805	114,171,142	
TOTAL EXPENDITURES Includes Fund Transfer	116,000,497	317,138,098	
NET EXPENDITURES Excludes Fund Transfer & Depreciation	84,970,856	198,373,048	
Beginning Fund Balance	229,780,151	216,607,834	
Total Revenue	71,798,540	57,176,106	
Total Expenditures	84,970,856	198,373,048	
Audit Adjustments	-	-	
Change in Fund Balance	(13,172,317)	(141,196,942)	
FUND BALANCE (Ending)	216,607,834	75,410,892	

SMART OPERATIONS BUDGET

The proposed budget for Fiscal Year 2014-15 contains, for the first time, a separate Operations Budget to include a number of new positions and necessary operating expenditures at a total cost of \$4,581,205. While SMART has had an operating railroad for some time, those operations have been limited to dispatching infrequent freight trains and controlling access and safety on the rail line. Administrative support of operations are still carried in the Capital Budget in the current year since the bulk of the administrative costs are tracked as part of the capital project. In future years, those costs will be moved over to link more closely to operations. There are two main activities for which a significant increase in operating costs is required: first, the arrival of the first train car set for testing in 2015 and second, the turnover of completed project infrastructure back to SMART for maintenance, testing and operations.

Operations consultants and staff have already been involved in the planning, design and construction management of the rail infrastructure, train control and communications systems and the procurement of SMART's passenger vehicles and other facilities. Their involvement has been key to planning the delivery of rail service to Marin and Sonoma Counties. In addition, considerable activity now is focused on obtaining regulatory approvals from the Federal Railroad Administration (FRA), and the California Public Utilities Commission (PUC), setting up safety procedures and programs, and preparing for vehicle testing.

Operations will have three functional divisions, each organized around a set of basic interrelated functions. These are:

1. The Transportation Division, which staffs and moves the trains themselves. This division includes Controller/Supervisors who dispatch trains, monitor train movement and train handling, provide field supervision, and training (or re-training when required), and Engineer/Operators and Conductor/Train Hosts.
2. The Vehicle Maintenance Division, staffed by maintenance technicians and utility personnel who maintain, repair, clean and service SMART's passenger cars, as well as the mobile equipment needed to maintain our infrastructure and respond to urgent problems that will inevitably arise. Careful adherence to federally-required inspection and maintenance procedures and calendars and thorough record keeping are standard.
3. The Maintenance of Way Division, which maintains tracks, bridges, stations, buildings, grade crossing warning devices (gates, flashers, bells), miscellaneous electronic equipment, and the train signal system which is the key to safety in railroad operation. This division will also oversee maintenance of the SMART Pathway.

In the proposed FY 2014-15 budget, we have included authorization for 29 Operations positions. The number, title and salary ranges of positions are detailed further below in **TABLE 6**, the Position Authorization table for the entire FY 2014-15 budget. Operations staff are listed separately on page 2 of **Table 6**.

The total cost of salaries and benefits for these positions is \$1,560,007. New positions are budgeted at the top step of the salary range, but the total amount has been adjusted to account for the anticipated date of hiring of staff throughout the year.

Significant funding has been allocated to maintenance needs. Over \$700,000 will go toward track, signal and system inspection, repair, security, safety, equipment and other maintenance needs to keep the right of way safe for use by both freight and our new commuter trains. Contract expenditures of \$587,659 will fund our Operations Manager and other related operations contracts such as security for rail cars when they arrive. The proposed budget contains \$500,000 for development and procurement of a Maintenance Management System to comply with federal and state safety regulations as well as ensure proper care and maintenance of the new rail vehicles.

Finally, \$370,000 is budgeted for vehicle needs for operations, the bulk of which will go toward the purchase of a locomotive needed for testing of track, signals and other work in conjunction with the commissioning of rail infrastructure.

Total expenditures for Operations in Fiscal Year 2014-15 will be \$4,581,205. That is funded primarily through annual sales tax revenues and from reimbursements from the North Coast Railroad Authority. In the future, fare revenues will also support the cost of Operations.

Operations Reserve:

The proposed budget includes a \$500,000 operations reserve. This is a first step in building what will ultimately be a larger reserve in advance of commuter rail operations. Best practices, including those recommended by the Government Finance Officers Association, recommend minimum reserves of no less than two months of regular operating revenues or regular general fund operating expenditures. Additional reserves are recommended for security against revenue fluctuations or to satisfy rating agency expectations. As we get closer to 2016, we will be determining the proper levels of reserves, which we are currently projecting to be around \$10 million.

TABLE 5 on the next page provides further detail on the FY 2014-15 Operations Budget.

TABLE 5**SMART PROPOSED BUDGET : FY 2014-15****OPERATING BUDGET**

Description	FY 2013-14 BUDGET AS REVISED	FY 2014-15 PROPOSED BUDGET
REVENUES		
Sales/Use Taxes		
Net Sales Tax		4,534,405
Total Sales/Use Taxes		4,534,405
Intergovernmental Revenues		
North Coast Rail Authority		16,800
Total Intergovernmental Revenues		16,800
Charges for Services		
Other Charges - Reimbursement		30,000
Total Charges for Services		30,000
TOTAL REVENUES		4,581,205
EXPENDITURES		
Salaries and Benefits		
Employee Salaries		1,178,500
Employee Benefits		381,507
Total Salaries and Benefits		1,560,007
Services and Supplies		
Communications		50,540
Maintenance-Equipment		490,000
Maintenance-Radios		8,000
Maintenance-Railway		205,000
Office Expense		25,000
Professional/Special Services-Operations		587,659
Small Tools		15,000
Gas/Oil		170,000
Utilities		100,000
Total Services and Supplies		1,651,199
Buildings & Capital Improvements (Capital Assets)		
Vehicles, Equipment		370,000
Software/ Intangible Assets		500,000
Total Buildings and Capital Improvements		870,000
Contingencies		
Operating Contingencies		500,000
Total Contingencies		500,000
Transfer from Bond Fund to Operating		
TOTAL EXPENDITURES		4,581,205

TABLE 6**Fiscal Year 2014-15 : SMART Position Authorization**

Position	FTE	Salary Range	
		Low	High
CAPITAL AND ADMINISTRATIVE			
Access Control Manager	1	102,000	127,500
Accountant	1	56,100	71,400
Accounting and Payroll Assistant	1	44,000	55,000
Administrative Analyst/ Contracts	1	66,300	86,700
Administrative Services Manager	1	56,100	92,820
Assistant Engineer *	3	71,400	91,800
Assistant Planner*	1	55,000	73,000
Chief Engineer	1	160,140	192,780
Chief Financial Officer	1	-	183,600
Clerk of the Board	1	59,160	77,520
Community Outreach Coordinator	1	55,000	75,000
Community Outreach Specialist	2	81,600	117,300
Construction Manager *	1	153,000	183,600
Contracts Manager/Procurement *	1	83,640	127,500
Deputy Project Manager *	1	160,140	192,780
Executive Assistant	1	45,900	71,400
Fiscal Manager	1	91,494	134,640
General Counsel	1	178,500	193,800
General Manager	1	-	250,920
Human Resources Manager	1	117,300	131,693
Human Resources Principal Analyst	1	95,880	117,300
Information Systems Specialist	1	117,300	131,693
Junior Engineer *	4	61,200	81,600
Office Assistant	3	42,432	44,880
Programming and Grants Manager	1	99,960	142,800
Project Controls Manager *	1	122,400	144,840
Project Extra hires *		-	up to \$50,000 total
Quality Manager *	1	86,700	122,400
Real Estate Assistant	1	48,960	74,460
Real Estate Property Manager	1	132,600	164,220
Safety and Security Manager *	1	91,800	122,400
Senior Administrative Assistant	1	45,900	71,400
Senior Planner	1	75,000	100,000
Senior Rail Engineer *	1	132,600	164,220
Total Full Time Equivalents (FTE)	41		

* Denotes Limited-Term Project Position

Fiscal Year 2014-15 : SMART Position Authorization

Position	FTE	Salary Range	
OPERATIONS POSITIONS			
Superintendent of Transportation	1	90,000	125,000
Controller /Supervisor	6	80,530	100,000
Safety & Compliance Officer	1	85,000	125,000
Superintendent of Vehicle Maintenance	1	90,000	125,000
Vehicle Maintenance Supervisor	3	75,000	105,000
Parts Clerk	2	46,000	63,000
Superintendent Signals and Way	1	90,000	125,000
Track Maintenance Supervisor	2	75,000	105,000
Track Maintainer	4	50,000	65,000
Signal Supervisor	2	75,000	105,000
Signal Technician	4	60,000	80,000
Facilities Maintenance Supervisor	1	70,000	95,000
Maintenance Information System Support Technician	1	90,000	115,000
Total Full Time Equivalents (FTE)	29		