SMART Freight Budget Request & Update

January 5, 2022
Freight Funding
State Funding

- SMART received $4 million from SB 1029 for the acquisition of freight rights and equipment – Agreement executed in early 2021

- SMART received $2 million from AB 74 for maintenance and safety upgrades - Agreement executed in early 2021

- Another $4 million was included in the State’s Fiscal Year 22 budget for maintenance and upgrades – These funds have not been received and are not part of this budget revision.
Freight Funding
Other Sources

- Freight Fees – Flow through Union Pacific (UP) to SMART for movement of freight traffic (UP sets rates)
  - Hunt & Behrens
  - Dairymens
  - Lagunitas
  - Willowbrook Feed

- Storage Fees
  - Tesoro
  - Viper
  - Oxbow
  - Valero
  - Golden Gate Railroad Museum
Budget - Revenues

- Freight Movement Fees are based on 4 months of revenue (March – June)
- Storage Fees are also based on 4 months of revenues with the exception of LPG storage
- LPG storage revenues assumed for only two months (March & April) at $42,300/month
- State funds were already budgeted ($4 million less $50,000 spent in FY 21)
  - Will only use $271,197 in FY 22 remaining $1.6 million will roll to FY 23.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>FY 2021-22 CURRENT APPROVED BUDGET</th>
<th>FY 2021-22 PROPOSED BUDGET CHANGES</th>
<th>FY 2021-22 REVISED BUDGET</th>
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</thead>
<tbody>
<tr>
<td>FEES:</td>
<td></td>
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<tr>
<td>Freight Movement Fees</td>
<td>$372,000</td>
<td>$372,000</td>
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<tr>
<td>Storage Fees</td>
<td>$115,400</td>
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<td>$115,400</td>
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<td>STATE GRANTS:</td>
<td></td>
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<tr>
<td>State Grant for Freight Rights</td>
<td>$4,000,000</td>
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<td>State Grant for Freight</td>
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<tr>
<td>Total Estimated Revenues</td>
<td>$5,950,000</td>
<td>$487,400</td>
<td>$6,437,400</td>
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Freight Expenditures
Assumptions

- NWPCo. will operate the line through February 28, 2022
- With the approval of this budget request, SMART will start the hiring process – expected operations in-house (June 1, 2022)
- Will use 3rd party to operate (March – May 2022)
- Most expenditures with the exception of payroll are based on 4 months (March – June)
- Assuming the following capital/ state of good repair expenditures
  - Geometry car
  - PTC Installation on 2nd Locomotive
  - Locomotive Braking Modifications
The following positions are assumed:

- Freight Manager
- 4.5 Freight Utility Workers
- .5 Administrative Assistant

Administrative costs will be allocated to freight.

$2 million of the $4 million allocated by the State for acquisition of the freight rights was made to NWPCo. at the end of December 2021. The remaining $2 million will be paid out at the end of the performance period (February 28, 2022).
LPG Storage Impacts

• Assumption for FY 22
  • Two months of storage (March and April)
  • Revenue generated $42,300/ month

• Assumption for FY 23
  • No revenue from LPG storage
  • Will utilize state grant - Need estimated at ~$200,000/ year
Next Steps

• Acquire 3rd Party operator
• Contract will be brought to the Board January 19th meeting
• Transfer existing freight contracts to SMART
  • Union Pacific
  • Storage
  • Leases
• Notify customers
• Hire and onboard employees
Next Steps

- Develop and Implement policies and procedures
- Develop Capital Plan
- Identify new revenues sources
  - Have explored the following:
    - Lagunitas
    - Recology
    - Kendall Jackson
    - Alexander Valley Cellars
    - Pruitt Park
Questions?
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