

Board of Directors Meeting: February 3, 2021 – Public Comments

Date	Name	5. Public Comment on Non-Agenda Items
		None
Date	Name	6. Consent a. Approval of Monthly Financial Reports
2/2/21	Mike Arnold	See attachment
Date	Name	7. Authorize the General Manager to Execute Contract No. OP-SV-20-007 with Nick Barbieri Trucking, LLC DBA Redwood Coast Fuels - North Bay Petroleum for fuel delivery services to for the base term of two years with a maximum not-to-exceed amount of \$2,800,000
		None
Date	Name	8. Authorize the General Manager to Award the Purchase and Sale Agreement No. OP-EQ-20-004 to Herzog Contracting Corp for the design and delivery of a custom-built Hi-Rail Scrubber Brush Truck in the amount of \$458,410
		None
Date	Name	9. Approve a Resolution to Amend Budget for Fiscal Year 2020-21
2/2/21	Mike Arnold	See attached
		10. Review of 2020 Activities and 2021 Goals and Challenges Presentations (<i>Discussion/Provide Feedback</i>)
2/2/21	Richard Brand	What is the status of the 2020 project to solicit public/voter feedback re: SMART? Several virtual meetings have been held with many constituencies. In addition there has not been a scheduled meeting of the Citizens Oversight Comm since last October. Does this committee still exist?

Memo

To: SMART Board

From: Mike Arnold

Subject: Technical Comment on Agenda Item : **6A**

Date: February 3, 2021

The Monthly Finance Report (MFR) is based on receipt and expenditure of cash. This is not the same as tracking the financial position of the agency because there are timing differences that can be substantial impacting reported revenues and expenses. For example, in some cases a cash expense can increase reported expenses in a year, when appropriately accounted for expenditures would spread the expense over a subsequent period.

The difference in timing is best illustrated by comparing the sales tax revenue forecast in the revised budget of \$39.1 M with the reported receipts of sales tax revenues as of December 31, 2020 in the MFR. (\$14.5 M). Even though half the fiscal year has passed, nowhere near half the expected revenues have been received in cash.

Is this because the forecast of sales tax revenues for the fiscal year has overstated this potential revenue or that in the second half of this fiscal year sales tax revenues will be much higher?

No, this is due to lags in what the state reports on the CDFTA website vs. the actual receipt of the cash. **And this difference is material.** As of December 31, 2020, the CDFTA reported SMART's sales tax revenues of \$21.2 M. In the MFR just released, staff is reporting \$14.5M.

The conclusion is that the **MFR are not providing important updated information to the Board and public.** The MFR is consistently understating its sales tax revenues, a key revenue source, by material amounts by relying on its cash position. Table 1 (next page) provides this comparison for the last and current fiscal years.

Table 1
Comparison of CDFTA and Monthly Finance Reports
SMART Sales Tax Revenues

Cumulative Distributions				
Month	FY 2019/20		FY 2020/21	
	CDFTA	MFR	CDFTA	MFR
Jul	3.5	0.0	2.9	0.0
Aug	7.2	0.0	6.9	0.0
Sep	10.6	3.5	9.8	3.6
Oct	14.7	7.5	13.4	8.6
Nov	17.5	10.6	17.5	11.0
Dec	20.7	13.8	20.6	14.5
Jan	24.2	17.3	24.1	NA
Feb	28.7	22.0		
Mar	31.5	24.9		
Apri	34.2	27.5		
May	36.4	29.9		
June	39.2	33.6		
Financial Audit	39.0			

Memo

To: David Rabbit, Chair SMART

From: Mike Arnold

Subject: Comment on Agenda Item #9

SMART is Going to Spend over \$300 per Passenger this Fiscal Year:

Date: February 3, 2021

Main Conclusion:

According to the Revised Budget to be presented at the Board meeting, SMART intends to spend over \$300 in taxpayer dollars to subsidize each rider.

Documentation

This is how I made this estimate from the data provided by the new CFO:

1. The key revenue source for the agency is sales tax revenues. This has been revised up from \$33.1 M to \$39.0 M, which is an 18.5% increase in this revenue source. This is consistent the latest trends reported by the California Dept. of Finance and Tax Administration (CDFTA). SMART's sales tax revenue allocations through January are a bit higher than they were in 2019.
2. The budget as presented did not stratify the revenues and expenditures by department. However, in total the change to the two key expenditures (salaries and service & supplies) is very small. Hence we can refer to the budgeted entry in the MFR, as shown in Table 1.

Table 1

Estimate of Administrative and Operations Expenditures in the Revised Budget

Item	Value
Salaries and Benefits: Revised Budget	\$22.0 M
% of Salaries and Benefits in Capital Dept.*	6.47%
Est of Salaries and Benefits in Admin + Ops	\$20.5 M
Services and Supplies: Revised Budget	\$14.4 M
% of Services and Supplies in Capital Dept.*	5.24%
Est of Services in Admin + Ops Dept.	\$13.7 M
Equip, Bldg, & Improvements	\$2.4 M
Est of Admin + Operations Revised Budget	\$36.6 M

* From FY 2020/21 Adopted Budget

3. The budget as presented did not provide a ridership forecast. However, it did provide a forecast of fare revenues (\$655,525). I use data from the Dec 2020 MFR to estimate average fare revenues per passenger to then estimate the ridership number “implicitly” assumed in the revised budget. Table 2 provides the details of this calculation.

Table 2
Implicit Ridership in the Revised Budget

Item	Value
Ridership Jul-Dec 2020	52,263
Fare and Parking Revenue - Revised Budget	\$680,525
Parking Revenues	\$25,000
Fare Revenues - Revised Budget	\$655,525
Fares % of Fare and Parking	96.3%
Fare and Parking Jul - Dec	\$330,183
Est of Fare Revenue Jul-Dec	\$318,053
Est of Fare Revenue per Passenger	\$6.09
Est of Ridership in Revised Budget	107,717

Operating Expenses per Passenger and Taxpayer Passenger per Passenger

Some of SMART’s administrative staff’s time is spent on capital projects. However, this time is not currently allocated to the capital department and it is not in the reported capital department expenditures in the Monthly Finance Reports. The table below assesses the difference this may make to reported operating expenses, including administrative expenses per passenger.

Table 3
Estimate of Operating Expenses and Taxpayer Subsidy Per Passenger

Item	% of Admin Expenses Allocated to Capital Projects		
	0%	20%	30%
Admin & Operating Expenses: Rev Budget	\$ 36.6 M	\$ 34.5 M	\$ 33.4 M
Operating Expenses per Passenger	\$340.07	\$320.27	\$310.37
Taxpayer Subsidy per Passenger	\$333.98	\$314.18	\$304.28