

Board of Directors Meeting: September 1, 2021 – Public Comments

Date	Name	5. Public Comment on Non-Agenda Items
8/31/2021	Mike Arnold	See attachment
Date	Name	6. Consent a. Accept Monthly Ridership Report – June 2021 b. Approval of Monthly Financial Reports – June 2021
		None
Date	Name	7. Authorize the General Manager to Award Contract No OP-PS-21-004 to Modern Railway Systems for Track Driver Extra (TDX) Dispatch System Technical Support Services, Rail Network Technical Support Services and Rail Network Management System Implementation for an initial term of one year, with a total not-to-exceed amount of \$157,000
		None
Date	Name	8. Authorize the General Manager to Execute Contract Amendment No. 1 with Nossaman, LLP for specialized legal support services in the amount of \$200,000 for contract not-to-exceed amount of \$275,000
		None
Date	Name	9. Approve a Resolution Amending the Fiscal Year 2021-22 Budget by Budgeting \$3,151,221 in projected American Rescue Plan (ARP) Funding; Authorize additional spending authority of \$427,907; and Authorize Position Changes
		None
Date	Name	10. Approve a Resolution Amending District Hiring Policy and Procedure to include Proof of COVID-19 Vaccination as a Condition of New Employment
		None

To: David Rabbit, SMART Chair and SMART Boardmembers;
Heather McKillop

From: Mike Arnold

Subject: Agenda Item 5: FY 2021 Estimates of Operating Expenses per Passenger and
Taxpayer Subsidy per Passenger

Date: August 31, 2021

Publication of SMART's year-end finances for June 2021 (even if "preliminary") in the Board Packet is a welcome and important advance for SMART. The Board should note that this is the first time since rail service started in 2017 that a June Monthly Finance Report has been issued for the Board and public to review.

In the calculations below, I use the preliminary year-end numbers to compute an estimate of FY 2021 operating expenses per passenger, taxpayer subsidy per passenger, and farebox recovery. Based on SMART's revised budget numbers and MTC information, I provide the same calculations for this year's budget (see table on next page).

Ridership:

July 1, 2020 – June 30, 2021: The ridership spreadsheet published on SMART's website shows ridership for FY 2021 at 122,855.

July 1, 2021 – June 30, 2022: For FY 2022, a submission to the MTC shows SMART expects 240,560 riders.

Fare Revenues:

July 1, 2020 – June 30, 2021: Actuals for FY 2021 reported in the budget indicate fare revenues were \$706,937

July 1, 2021 – June 30, 2022: The adopted budget indicates fare revenues are expected to be \$811,050 or about \$3.37 per boarding passenger.

Operations Expenditures:

July 1, 2020 – June 30 2021: The preliminary actual Operations expenditures estimate for the fiscal year is \$17,561,219.

July 1, 2021 – June 30, 2022: Budgeted Operations expenditures are \$25,208,795

Administration Expenditures excluding Debt Service:

July 1, 2020 – June 30 2021: The preliminary actual Administration estimate for the fiscal year is \$8,828,607.

July 1, 2021 – June 30, 2022: Budgeted Administration expenditures less debt service are \$16,597,022.

Portion of Actual Administration Expenditures Allocated to Operations

Some of the Administrative expenses are applicable to operations. The exact amount has never been reported to the Board or public. Therefore, I estimate the percentage based on SMART's FY 2021 National Transit Database (NTD) "operating expenses" reported in the CFO's "performance metrics" presentation earlier this year. Accordingly, 64.1 percent of these Administration expenses are part of NTD operating expense definitions. Since this is my *estimate* from available data, financial transparency of SMART's operating expenses would be enhanced if staff provided a detailed accounting of the calculation of operating expenses submitted to federal authorities.

Summary of Estimates

Item	Value	
	Actual Est. FY 2021	Budget FY 2022
Budgeted Operating Expenses	\$17,561,219	\$25,208,795
Budgeted Administrative Expenses	\$15,562,331	\$31,533,778
Debt Service and Other	\$6,739,724	\$14,936,756
Budgeted Admin less Debt Service	\$8,822,607	\$16,597,022
Proportion Allocated to Operating Expenses	64.1%	
Admin Expenses allocated to Operating Expenses	\$5,655,291	\$10,638,691
Total Operating Expenses (NTD Basis)	\$23,216,510	\$35,847,486
Ridership	122,855	240,560
Operating Expenses per Rider	\$189	\$149
Fare Revenues	\$706,937	\$811,050
Operating Expenses less Fare Revenues	\$22,509,573	\$35,036,436
Taxpayer Subsidy per Rider	\$183	\$146
Farebox Recovery	3.04%	2.26%

Comments

- Marin IJ Columnist Dick Spotswood wrote in a recent column on SMART (8/21/2021)
Renewal of that sales tax stands a far higher chance of passage if the two-county district can demonstrate to North Bay voters that it is a model of fiscal efficiency. SMART must set a new goal: Lowering costs while providing the same or better service to the traveling public. The reality is the Marin-to-Sonoma County rail line must decrease overhead costs by operating with fewer employees.
- As indicated by the outcome of the March 2020 Measure I election, voters expressed a significant negative response to subsidizing SMART riders by \$50 per one-way passenger trip which was the pre-pandemic estimate provided to voters in campaign mailers and advertisements. The calculations in this memo indicate that SMART financial performance is currently materially worse and that it is expected to continue. The Board's apparent indifference to these extreme tax subsidies per rider and low farebox recovery may severely impair prospects for voter approval of future sales tax funding.