



**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
PROPOSED BUDGET: FISCAL YEAR 2019-20**

and

Fiscal Year 2018-19 Year-End Budget

JUNE 2019

PROPOSED BUDGET: FISCAL YEAR 2019-20 and Fiscal Year 2018-19 Year-End Budget

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EXECUTIVE SUMMARY

SMART's two-year budget document presents an updated Fiscal Year 2018-19 budget and the proposed Fiscal Year 2019-20 budget separated by SMART's three Departments: Administration, Operations and Capital. This allows for a breakdown of detail on revenues and expenditures by Department by fiscal year. Within this budget document are three detailed budget tables by Department, in addition to a summary overview chart and the proposed salary schedule.

As part of our Fiscal Year 2018-19 budget process we established an Agency Reserve by setting aside \$17,000,000 which remains intact through the end of the next fiscal year. This is an important reserve to allow SMART the ability to manage the challenges and the uncertainties of this new and growing operation. At the end of the Fiscal Year 2019-20 we are also showing a closing fund balance that will be available for operating, capital maintenance and other projects of \$7,711,929. In Fiscal Years 2018-19 and 2019-20, we utilize available fund balance to complete the capital project as we had planned at the beginning of construction. We are also relying on those funds for operations costs that our revenues are not yet sufficient to cover. The use of fund balance in each year is shown in summary Table 1 and discussed further within each department. We have been able to achieve the fare revenues we originally budgeted and are increasing the current year budget to \$3.94 million and are proposing \$4.1 million for passenger revenue in the new fiscal year. We continue to receive strong state operating revenue as a result of SB1 equaling \$7.4 million in the new Fiscal Year. These funds continue to allow us to leverage SMART funds towards the purchase of important operating equipment, such as the wheel press machine for our rail cars, right-of way maintenance equipment and spare parts necessary for service reliability.

As part of reviewing our staffing needs going forward, there is an increasing workload to keep trains running and in good repair. In the budget, we are proposing the addition of 3 full time employees for operations. One to replace a temporary worker who has assisted us with the purchasing of high volume and complex maintenance parts and equipment needed and two staff to reduce ongoing contracting costs while increasing responsiveness to rail right-of-way maintenance needs.

The budget also includes all the revenues and expenditures for all of SMART's capital projects, including the completion of the Phase 1 (IOS1) project, which includes final vehicle and signal system acceptance. It also included significant expenditures related to kick off of the Windsor project as well as completion of the Larkspur extension.

Figures 1 and 2 and Table 1 on the following pages provide combined, broad overviews of the sources and uses in the District's budget for all departments. There are three budget columns, the first reflecting the original budget for Fiscal Year 2018-19 approved in June of 2018, the second showing the year-end changes to reflect actual revenues and expenses, and the third showing the Proposed Budget for Fiscal Year 2019-20. This chart also shows funds available in SMART's fund balance, which is used for all purposes including capital project completion and operational needs.

The Fiscal Year 2018-19 Year-End Budget reflects all Board-approved amendments during the Fiscal Year as well as adjustments for actual spending levels. Overall approved expenses are reduced by \$3.2 million (2.7%) due to both shifting construction schedules into the next fiscal year and cost savings. Revenues were adjusted higher by \$6.8 million (7%) to reflect increased property transaction revenues, fare revenue and the addition of fully-funded cooperative capital projects. The Fiscal Year 2019-20 budget proposal reflects a decrease year-over-year in revenues by \$26 million (26%) and expenditures by \$20.7 million (18%). These decreases are related to the completion of both the Larkspur extension project and final railcar milestone payments for all 18 rail cars. More detailed discussion is included in the Budget by Department sections.

Figure 1: Overview of Proposed Sources, Fiscal Year 2019-20

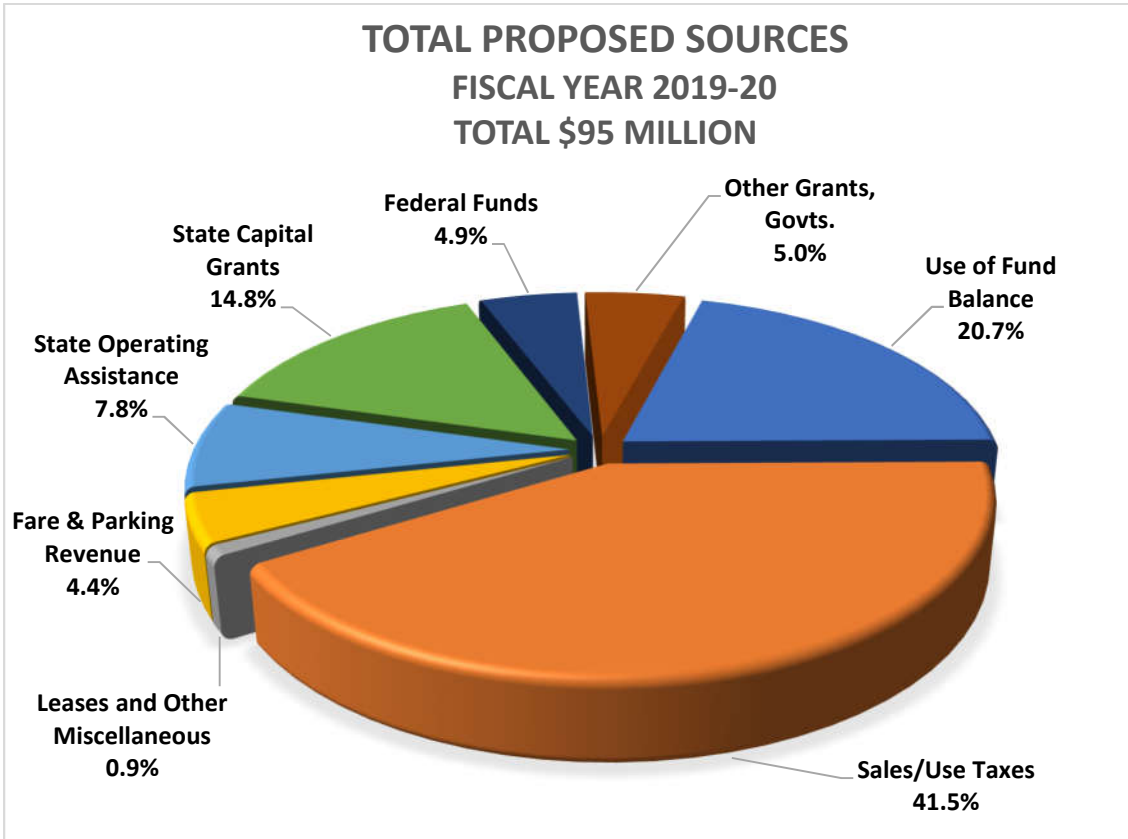


Figure 2: Overview of Proposed Uses, Fiscal Year 2019-20

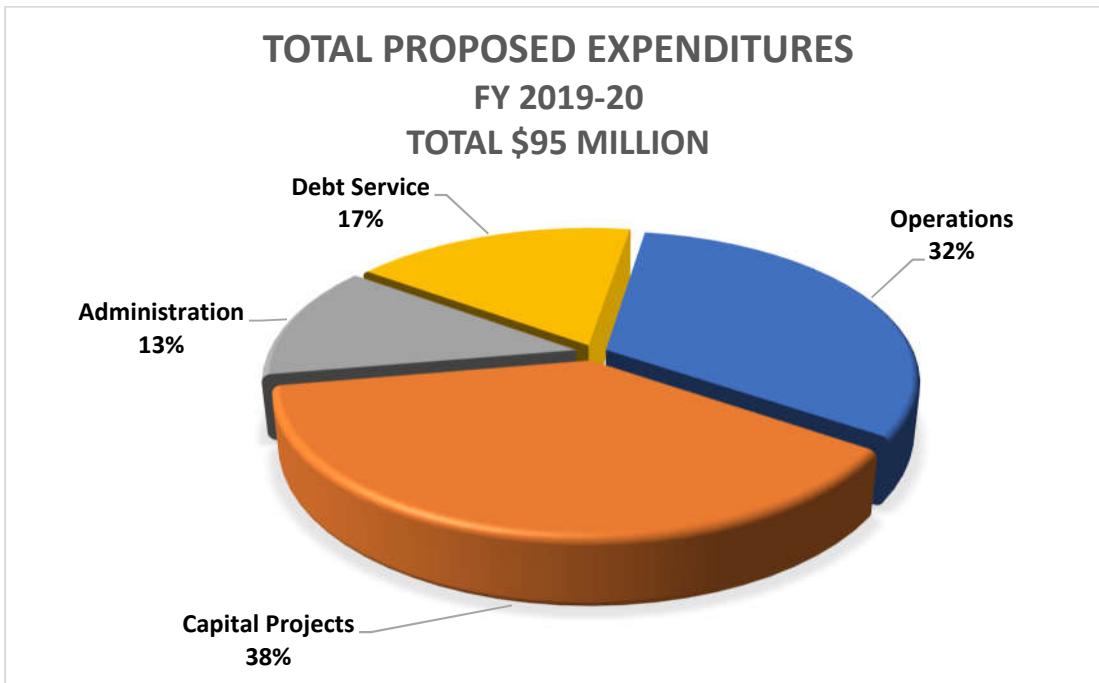


TABLE 1:

BUDGET REPORT: OVERVIEW OF ALL SOURCES AND USES

	FY 2018-19	FY 2018-19	FY 2019-20	
	APPROVED BUDGET	YEAR END ACTUALS & ESTIMATES	PROPOSED BUDGET	EXPLANATION OF SIGNIFICANT CHANGES
Budgeted Revenue				
Sales/Use Taxes	38,122,332	38,122,332	39,266,002	3% increase over FY19 assumed in proposed FY20 budget
Interest and Lease Earnings	742,000	1,078,591	782,505	45% increase in F19 actuals is tied to earnings on higher than anticipated ending Fund Balance
Miscellaneous Revenues	930,000	2,992,640	20,000	200% increase in FY19 actuals due to one-time revenue from property sales
Fare & Parking Revenue	3,690,000	3,990,000	4,187,000	8% increase in Passenger Fare Revenue in FY19 actuals budget; 5% increase assumed in FY20
State Grants	16,980,939	17,047,250	21,414,794	26% increase in proposed FY20 budget due to increased State operating revenue, Windsor Extension funding
Charges For Services	45,000	1,118,918	60,000	FY19 increase tied to one-time Insurance & legal fee reimbursement
Federal Funds	24,535,682	23,761,546	4,650,000	80% decrease in FY20 - completion of Larkspur
Other Governments/ Misc.	5,857,019	8,422,251	4,538,192	44% increase in FY19 revised - addition of Anderson, San Rafael Pathway, Dwtn Novato Station; 46% decrease in FY20 tied to project completion
Measure M	228,000	27,375	200,625	88% decrease in FY19 - completion of Payran pathway design; funds shifted to FY20 Sonoma County gap pathway design
MTC - RM2	3,211,740	4,612,881	-	44% Increase in FY19 tied to actuals related to the Larkspur project; funds for Larkspur exhausted
Total All Revenues	\$ 94,342,712	\$ 101,173,784	\$ 75,119,118	
Budgeted Expenditures				
Salaries & Benefits	21,040,490	21,040,490	22,916,720	9% increase in FY20 - 3 new FTE, step and benefit adjustments
Services & Supplies	17,050,876	16,886,835	18,847,361	12% increase in FY20 - insurance, capital professional services, required vehicle maintenance, fuel for testing and Larkspur
Debt Service/ Other Charges	16,095,850	16,299,733	16,747,600	3% Increase in FY20 required debt service schedule
Equipment, Buildings & Improvements	3,018,417	3,265,012	3,085,500	8% increase in FY19 - shift of expenditures from FY18 for items received after FY18 close, 5% decrease in FY20 - one-time purchases complete
Capital Projects	61,723,666	58,232,942	33,664,209	6% decrease in FY19 - shift in capital expenditures related to DMU payments, 42% decrease FY20 - Larkspur complete, Windsor & pathway design
Equipment Replacement Allocation	525,000	525,000	525,000	Annual allocation to equipment replacement fund
Capital Salary Transfer	(848,329)	(848,329)	(1,090,000)	28% increase in FY20 - tied to capitalizable labor related to projects
Total All Expenditures	\$ 118,605,970	\$ 115,401,683	\$ 94,696,390	
Subtotal	\$ (24,263,258)	\$ (14,227,899)	\$ (19,577,271)	Available Budget Sources minus All Uses
Beginning Available Fund Balance	\$ 29,222,015	\$ 41,517,099	\$ 27,289,200	Audited available fund balance FY19 increased by \$12 million due to shifts in capital project payments from the prior year, increases in one-time revenue from real estate sales, and smaller year-end anticipated expenses
Remaining Fund Balance (Capital Reserve)	\$ 4,958,757	\$ 27,289,200	\$ 7,711,929	
Remaining Agency Reserve	\$ 17,000,000	\$ 17,000,000	\$ 17,000,000	

BUDGETS BY DEPARTMENT

Each Department has its own Section, Tables and Figures that provide information on that Department's Fiscal Year 2018-19 Original budget, Revisions for Year End, and the Proposed Fiscal Year 2019-20 budget.

Administration Budget:

The Administration budget contains all of the expenditures related to running the District, including legal, human resources, finance, real estate, planning, grants, outreach and procurement. This is also where SMART's offices in Petaluma are budgeted, as well as the payments related to bond debt. Spending on the Administration budget is relatively flat with some reductions in costs during the current fiscal year that are invested in the new budget year for anticipated needs. Those include scheduled step increases, insurance coverage, public outreach, and strategic plan costs. One unavoidable cost increase of \$651,750 (4%) in the Fiscal Year 2019-20 budget is the scheduled Debt Service increase related to the 2011 bond sale. Below is a narrative overview, further detail can be found in **Table 2** following this discussion.

Fiscal Year 2018-19 Final Budget Report:

Revenues: Final projected revenue in Administration in Fiscal Year 2018-19 is \$27,778,435. SMART's sales tax is anticipated to match budgeted revenue. This tax revenue flows first into Administration as needed to cover costs such as debt service and salaries. To the extent other general revenues received are sufficient to cover administrative costs, the remaining sales tax is moved to fund operations. Miscellaneous revenues increased significantly due to property transactions related to Railroad Square that resulted in unanticipated one-time revenue of \$2 million. One-time revenue related to interest earning was higher than budgeted as were legal fees reimbursements. This increased revenue allowed for additional sales tax to flow to operations. Final revenue was \$597,398 (2%) lower than budgeted in order to match lower expense anticipated at year end.

Expenditures: Overall Expenditures in Administration are reduced by \$597,398 (2%) which led to lower Sales Tax Revenue needed as discussed above. Included in this change are reductions of \$150,000 in office lease payments as a result of our office consolidation at the District headquarters in Petaluma, as well as smaller reductions in a number of areas including office expense and computer software. The salaries and benefits costs related to public safety (3.5 Full Time Equivalent employees) were reclassified to the operations department to comply with State & Federal reporting requirements, which resulted in a decrease of \$651,947.

Fiscal Year 2019-20 Proposed Budget:

Revenues: Ongoing sales tax revenue is projected to increase by 3% over originally budgeted amounts from the prior year. Allocation of sales tax to Administration is increased in the new budget to match expenses. Total increase in all revenue allocated to Administration is \$1 million (4%).

Expenditures: Expenses for the new Fiscal Year are increased by \$1 million in the proposed budget primarily due to a \$651,750 increase in Debt Service. The remainder is due to increased insurance costs

and anticipation of scheduled step adjustments and projected benefit costs. There is a budget increase for the costs associated with the upcoming ballot measure. There is also an increase in public outreach cost for the upcoming testing and opening of the Larkspur and Novato Stations. Included in the professional services budget are costs related to the preparation for a new strategic plan in 2019, financial advisory services and ongoing ridership analysis needed for mandatory reporting.

Please reference **Table 2** on the next page for a detailed chart containing further breakdowns and explanations of changes. **Figure 3**, below, shows the proportion of Administration Expenditures proposed in Fiscal Year 2019-20.

Figure 3: Overview of Proposed Administration Expenditures Fiscal Year 2019-20

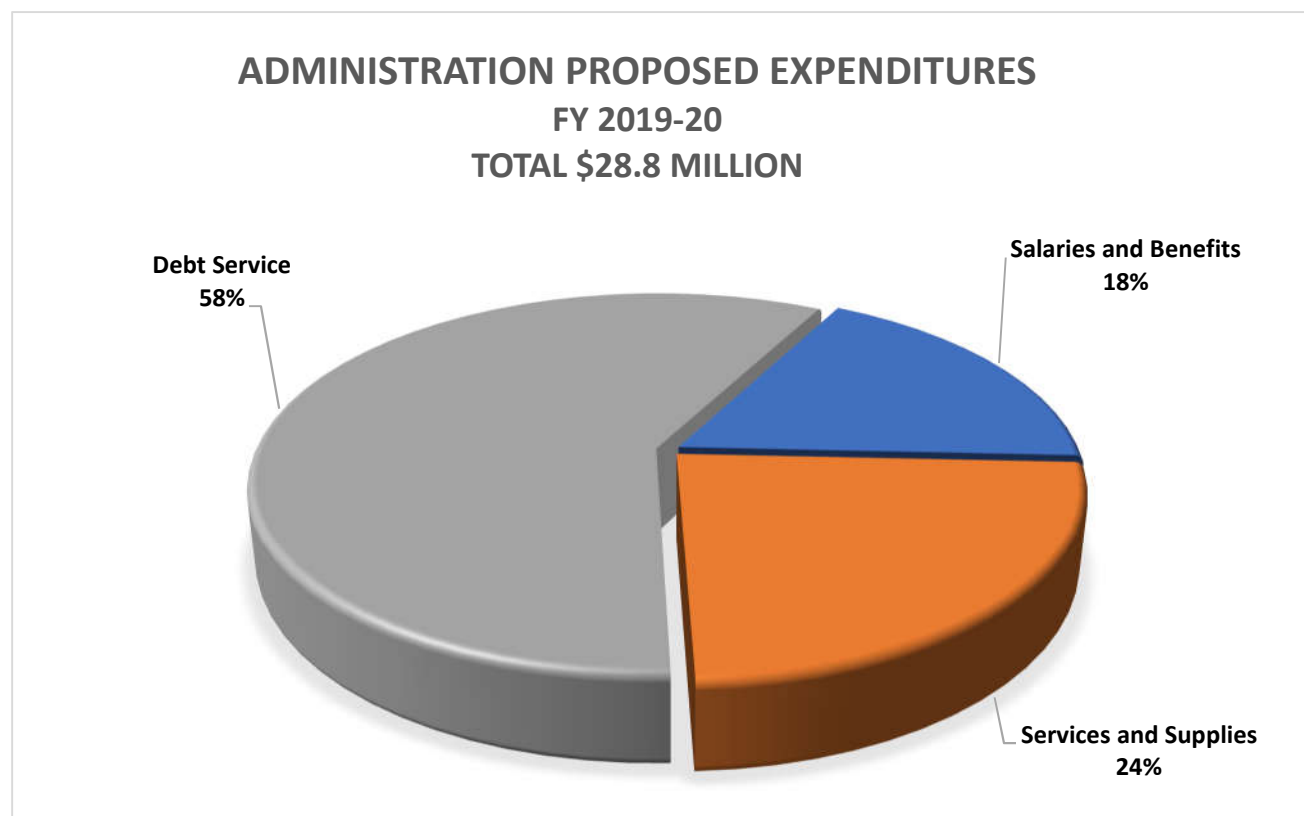


TABLE 2 :

ADMINISTRATION BUDGET
Original, Year End FY 2018-19 and Proposed FY 2019-20

DESCRIPTION	FY 2018-19 APPROVED BUDGET	FY 2018-19 YEAR-END ACTUALS & ESTIMATES	FY 2019-20 PROPOSED BUDGET	EXPLANATION OF SIGNIFICANT CHANGES
REVENUES:				
Sales/Use Taxes				
State Sales Tax Collection	\$ 934,766	\$ 934,766	\$ 962,809	Increase in state collection costs
Sales Tax withheld by Trustee	16,095,850	16,095,850	16,747,600	Debt schedule increase
Sales Tax Allocation to Administration	9,673,217	6,283,521	10,262,728	**Amount changes to balance revenue with expense
Total Sales/Use Taxes	26,703,833	23,314,136	27,973,136	**See notes below
Use of Money/Property				
Interest Earnings	295,000	575,000	295,000	FY19 Increase due to higher than anticipated fund balance
Advertising Revenue	145,000	201,591	221,750	Train and platform advertising
Rent - Real Estate	302,000	302,000	265,755	Reduction tied to lease terminations
Total Use of Money/Property	742,000	1,078,591	782,505	
Charges for Services				
Other Charges - Fees, Reimbursements	30,000	393,068	30,000	Application fees, and insurance reimbursements
Total Charges for Services	30,000	393,068	30,000	
Miscellaneous Revenues				
Sale - Lease/Purchase	850,000	2,972,640	-	FY19 sale of easements, TAM pathway agreement, Railroad Square
Miscellaneous Revenue	50,000	20,000	20,000	
Total Miscellaneous Revenues	900,000	2,992,640	20,000	
TOTAL REVENUES	\$ 28,375,833	\$ 27,778,435	\$ 28,805,641	
EXPENDITURES:				
ADMINISTRATION				
Salaries and Benefits				
Employee Salaries	\$ 4,251,813	\$ 3,726,066	3,899,865	FY19 shift Public Safety to Operations department
Employee Benefits	1,163,690	1,037,491	1,246,439	
Total Salaries and Benefits	5,415,504	4,763,557	5,146,304	Step adjustments, benefit cost increases, filling of vacant positions
Services and Supplies				
Communications	53,200	51,011	46,701	
Insurance	2,128,000	2,361,256	2,547,382	Increased insurance renewal costs
Maintenance-Facilities	18,950	17,200	5,000	Security access project complete
Fees/ Miscellaneous Expense	55,100	53,720	162,170	Includes estimated ballot measure fee
Office Expense	122,560	93,000	115,310	One-time savings FY19; ongoing reductions FY20
Postage, Printing, Periodicals	47,000	39,000	53,000	One-time increase in FY20 related to printed materials for Larkspur
Accounting/ Payroll Services	90,000	95,150	90,885	FY19 increase due to implementation of new payroll system
Professional Services	1,079,500	1,055,181	987,953	Ridership analysis, security screenings, advocacy, NTD analysis
Agency Extra Help	100,000	100,000	100,000	Short term leave coverage as needed
State Administrative Fee	934,766	934,766	953,461	State fee increases
Legal Services	475,000	500,000	475,000	As-needed legal expertise/ support
Rents/Leases	774,024	611,735	501,006	Reductions due to office consolidation
Computer Software and Hardware	361,110	286,196	318,000	Equipment replacements, software upgrade, ongoing license fees
Public Outreach	303,200	181,536	269,000	Increased outreach for Larkspur extension
Training, Travel and Memberships	147,350	158,924	154,350	Ongoing training of new and existing staff
Mileage Expense	36,520	37,840	37,520	Contracted and reimbursement-based mileage
Total Services and Supplies	\$ 6,726,279	\$ 6,576,513	\$ 6,816,737	
Other Charges and Payments				
Bond Principal, Interest	16,095,850	16,095,850	16,747,600	Debt service scheduled increase
Settlements	-	203,883	-	
Total Other Charges	16,095,850	16,299,733	16,747,600	
Buildings & Capital Improvements (Capital Assets)				
Equipment	138,200	138,633	95,000	Computer hardware replacements
Total Buildings and Capital Improvements	138,200	138,633	95,000	
TOTAL ADMINISTRATION EXPENDITURES	\$ 28,375,833	\$ 27,778,435	\$ 28,805,641	

**The entire amount of Sales Tax is realized and shown on Table 1. The amount allocated to Administration changes depending on year-end revenues and expenses. For Fiscal Year-End 2018-19, only \$23,314,136 was needed to balance. For Fiscal Year 2019-20 we are assuming a 3% increase in sales tax and budgeting \$27,973,136 for Administration in order to balance.

Capital Budget:

The Capital Department includes expenses for all capital projects large and small, such as Larkspur, Windsor, and the Pathways. This budget also contains ongoing engineering support and studies such as required bridge analysis, ongoing environmental and mitigation and monitoring, and smaller improvement projects. SMART continues to have a robust capital program related to buildout of the rail and pathway project. In each fiscal year, as planned for at the start of construction, SMART reserved sales tax funds in its fund balance to be used to pay for any project expenses not covered by available revenue such as grants. The Year-End Report for the Fiscal Year 2018-19 Capital Department shows new revenues of \$46.2 million and expenses of \$59.9 million with \$13.7 million coming from available fund balance. In the proposed Fiscal Year 2019-20 budget, total new revenues are anticipated to be \$23.4 million and expenses are projected to be \$35.6 million with \$12.2 million coming from fund balance. Further detail is provided in the discussion below and on the chart that follows.

Fiscal Year 2018-19 Final Budget Report:

Revenues: Overall revenues are increased \$2.1 million (5%) over the original budget to reflect actual receipts. There were a number of shifts in construction schedules and funding during the fiscal year that combined to make this change. Principally among them are increases in funding from other governments related to Anderson Drive, the Downtown Novato Station, and San Rafael Pathway, which are tied to expenditures on that project. The Larkspur Extension Project is funded by a mix of local and federal funds and was revised to match actual expenditures. The Windsor Extension project was added to the budget mid-year when funding became available.

Expenditures: Construction schedule shifts between the two fiscal years resulted in an overall reduction of \$3 million (5%) in Fiscal Year 2018-19 spending on capital. The largest shifts were payments to the vehicle manufacturer which moved out of the current year budget and into next fiscal year resulting in a \$1.9 million reduction. There was also a shift of work related to the Windsor Extension Project due to timing of funding availability. That was offset by an increase in cooperative work primarily related to Anderson Drive and the City of San Rafael Pathway Project.

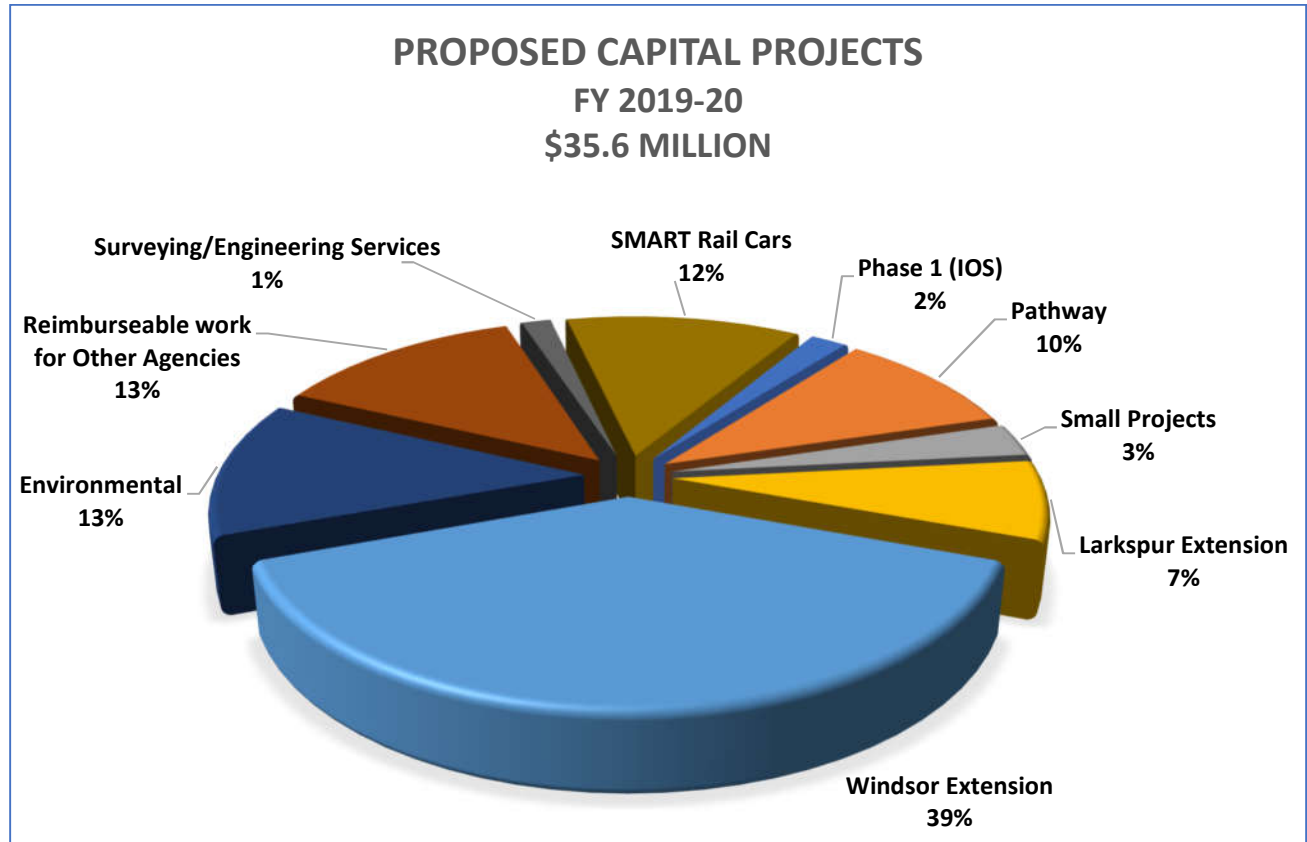
Fiscal Year 2019-20 Proposed Budget:

Revenues: Revenues for the next fiscal year budget are \$23,388,817, which is \$22.8 million (49%) lower than the current year to match capital project activity funded by grant revenue. Fund balance of \$12,237,643 provides the necessary funding for remainder of our capital program for the year. The State of California is funding SMART's four new rail cars as well as construction of the Payran Pathway in Petaluma. State funding is also included for the Windsor Extension and the new Sonoma County Pathway Gap project. Sonoma County Transportation Authority's Measure M also will fund the Gap project.

Federal funds are related to the Larkspur and Windsor project and include funds from three different federal sources. The City of Novato is providing funding for the Downtown Novato Station, The City of San Rafael for Anderson Drive, and The County of Sonoma for new Quad Crossing Gates in Penngrove.

Expenditures: Overall expenses for the new Fiscal Year will be \$35,626,460, which is \$24.2 million less than the prior year. This reflects the winding down of the Larkspur rail extension project and related pathway. Expenses related to the Novato Station and Anderson Drive, funded by others, are also included in the budget. The Windsor Extension and Sonoma Pathway Projects will see a full year of activity but limited construction activity. We are also budgeting for remaining costs of the Phase 1 project, including final acceptance of our first 14 rail cars and contract closeouts of all Civil and Train Control Systems-related work. We continue to budget for ongoing environmental mitigation and monitoring. On the following two pages we have shown a breakdown of the capital budget by project (**Figure 4**) and an explanation of the projects, and then the budget chart for the Capital Department (**Table 3**) showing all sources and uses.

Figure 4: Overview of Proposed Capital Projects Expense, Fiscal Year 2019-20



The chart above shows the breakdown of capital projects proposed for Fiscal Year 2019-20. The categories above include the following:

- Windsor Extension – Design and construction engineering for rail and pathway, clipper vending machine, train control systems infrastructure and permitting costs
- Reimbursable work for other agencies – Downtown Novato Station, Penngrove Quad Gates, Anderson Drive
- SMART Rail Cars – Final milestone payments for all 9 rail car sets
- Environmental – Ongoing required monitoring and maintenance of Mira Monte, Gallinas Creek Pathway, Riparian & Tree mitigation
- Pathway – Design and Permitting for Sonoma County gap project, construction of Payran Pathway
- Larkspur – Completion and opening of the Larkspur Extension
- Small Projects – Path of travel improvements, bridge & culvert repairs, track improvements to prevent flooding
- Surveying and engineering services – Annual bridge inspection, operations simulation, as-needed surveying, ADA consultation, cost-estimating services, Real Estate consultation
- Phase 1 IOS – Train Control Systems acceptance and final close-out of Phase 1 (IOS1) construction contract

TABLE 3:

CAPITAL BUDGET

Original, Year End FY 2018-19 and Proposed FY 2019-20

DESCRIPTION	FY 2018-19 APPROVED BUDGET	FY 2018-19 YEAR-END ACTUALS & ESTIMATES	FY 2019-20 PROPOSED BUDGET	EXPLANATION OF SIGNIFICANT CHANGES
REVENUES:				
Intergovernmental Revenues				
State - Grant Funds	\$ 10,261,000	\$ 9,394,036	\$ 14,010,000	Additional Rail Sets, Payran pathway, Windsor Extension
Federal - Grant Funds	24,535,682	23,761,546	4,650,000	Larkspur Extension Project ongoing, Windsor Extension
Other Governments	5,857,019	8,412,251	4,528,192	Anderson Dr., San Rafael path, Novato Station, Penngrove
Measure M - Sonoma County	228,000	27,375	200,625	Sonoma Gap Pathway Project - Payran to Southpoint design
MTC - Bridge Tolls	3,211,740	4,612,881	-	Larkspur extension funds completed
Total Intergovernmental Revenues	44,093,441	46,208,089	23,388,817	
TOTAL REVENUES	\$ 44,093,441	\$ 46,208,089	\$ 23,388,817	
USE OF FUND BALANCE	\$ 19,161,163	\$ 13,648,185	\$ 12,237,643	
EXPENDITURES:				
CAPITAL				
Salaries and Benefits				
Employee Salaries	\$ 1,093,864	\$ 1,093,864	1,362,957	
Employee Benefits	320,017	320,017	369,545	
Total Salaries and Benefits	1,413,881	1,413,881	1,732,501	Step adjustments, benefit cost increases, filling of vacant positions
Services and Supplies				
Communications	-	57,700	7,700	
Postage, Printing, Periodicals	5,000	-	-	
Professional Services - Project	885,740	862,191	1,239,000	Environmental maint., ADA, as-needed engineering, Suisun Study
Computer Software and Hardware	12,645	9,763	11,050	Engineering and design related
Training, Travel, Memberships	7,000	4,500	7,000	
Permits/Fees	50,000	100,125	50,000	Construction related
Utilities	-	18,500	-	
Mileage Expense	5,000	5,000	5,000	
Total Services and Supplies	965,385	1,057,779	1,319,750	
Other Charges and Payments				
Other Governments	1,100,000	649,375	-	Cooperative work: Anderson Drive, City of San Rafael
Total Other Charges	1,100,000	649,375	-	
Buildings & Capital Improvements (Capital Assets)				
Land	-	11,000	-	Land purchase for Larkspur extension complete
Capital Equipment - Work in Progress	19,134,836	15,947,692	4,832,201	Rail car final acceptance payments
Infrastructure	41,488,830	41,624,875	28,832,008	Larkspur & Windsor Extension; Novato, San Rafael, other pathway work
Total Buildings and Capital Improvements	60,623,666	57,583,568	33,664,209	
Interfund Transfers				
Salaries and Benefits Transfer - Capital	(848,329)	(848,329)	(1,090,000)	
Total Interfund Transfer	(848,329)	(848,329)	(1,090,000)	Adjustment based on salaries charged to projects
TOTAL CAPITAL EXPENDITURES	\$ 63,254,604	\$ 59,856,274	\$ 35,626,460	

Operations Budget:

The Operations Department contains all the functions more directly related to operating the rail and pathway. This includes all train, track, signal, train control systems and facilities expense, as well as public safety and safety compliance. While SMART is still a very new operating agency with a number of new challenges every day, we now have more than a year of operations and experience that has informed our budgeting process. We have been able to capture savings in some areas and utilize those savings in areas with additional needs and costs that we had not anticipated. In the Year End 2018-19 Budget Report, the most significant revisions from the originally approved budget are related to the cost of maintenance of the rail cars. A number of increases are proposed in the new Fiscal Year 2019-20 budget which are needed in order to continue our excellent service record as we open the Larkspur extension and ensure continued reliability in the coming years. Finally, as mentioned in the Executive Summary, we have an established Agency Reserve of \$17 million to protect against unknowns in revenue and expense, an amount we think is prudent for the District at this time. Further details are provided below.

Fiscal Year 2018-19 Final Budget Report:

Revenues: Overall revenues are projected to be \$27.2 million. We have increased our anticipated Fare revenue slightly to reflect actual experience during the fiscal year. Anticipated State revenue was increased by \$943,275 (14%) as a result of higher than anticipated revenues from State Transit Assistance funding. There was an increase in other charges of \$680,850 (1,513%) largely related to insurance reimbursement for damage to SMART's Diesel Multiple Unit (DMU) in an accident. Sales tax revenue available for Operations increased by \$3.4 million (30%) due to additional overall revenue increases freeing up more funds in the current year. Due to the additional revenues, Operations required a smaller infusion of fund balance, reduced from \$5,075,825 to \$579,714.

Expenditures: Overall expenditures are increased in the final budget report by \$817,711 (3%) to \$27,766,974. Salaries and benefits increased by \$651,947 (5%) and is a result of the reclassification of the Public Safety Department from the Administration budget to Operating budget to align with federal & State reporting requirements. The vehicles and equipment budget increased by \$246,162 (9%) primarily due to a shift in expenditures from Fiscal Year 2017-18 for items received after the close of the prior fiscal year. Categories that required additional funds during the year included Communications, which required an additional \$30,830 (13%) in order to fund network redundancy and emergency phones. Maintenance of Revenue Vehicles was increased by \$883,344 (86%) largely due to reimbursable repairs to SMART's damaged rail car. These increases were offset by savings in fuel and professional services.

Fiscal Year 2019-20 Proposed Budget:

Revenues: Revenues for Fiscal Year 2019-20 total \$22.9 million. This includes the allocation of Sales Tax to Operations, fare and parking revenues, as well as other charges related to the right-of-way. Fare revenue is projected to increase 5% due to the opening of the Larkspur and Novato Stations. This takes into account promotions planned this summer for weekends and holidays. The budget reflects ongoing State funding, some of which is allocated by formula to assist with operations and some of which is provided for specific maintenance equipment and capital purchases. All of these funds either exist or were increased as a result of SB1 which successfully survived voter repeal last year. These funds will be used to purchase a wheel pressing machine and install it at the Rail Operations Facility, as well as to

purchase rail car jacking equipment, track maintenance equipment, and spare parts for our rail cars, signals and track. We do not yet have ongoing local funds or fare revenue to fully support our operations. Available fund balance of \$7.3 million will be necessary in order to balance anticipated expenditures, leaving an anticipated closing fund balance of \$7.7 million for capital or other needs.

Expenditures: Operations costs are anticipated to increase \$2.5 million (9%) in the next fiscal year, for total expenditures of \$30,264,288. Increases are significant in three categories. First, salary and benefits costs are increasing by \$1,174,862 (8%). This reflects the addition of 3 new full-time employees, including two Maintenance of Way (MOW) Laborers, and One Purchasing Analyst, as well as anticipated step and benefit costs increases. The new staff resources will reduce maintenance of way contracting costs, and support research of the best way to procure specialized equipment for the rail cars and rail system. Second, fuel costs are increased \$307,004 (26%) in order to accommodate testing and opening of the Larkspur Extension. Third, as mentioned above, the budget includes significant investments in capital equipment designed to increase service reliability and decrease reliance on outside maintenance contracts. These investments include \$2 million associated with a wheel pressing machine, a rail car mover, jacking and re-railing equipment, and an excavator that can be used on and off the rails. These investments include overhauls of both the rail car's engines and braking systems, a requirement of both the FRA and our vehicle engines. A new category, Transportation Services, which covers emergency bus bridges and the North County express bus service, was created to track these types of expenditures for federal reporting purposes. In previous Fiscal Years these expenses would have been included in the professional services budget line. The Professional services budget continues to provide for the contracts that support passenger service and amenities, such as passenger WiFi service and maintenance, required equipment inspection, customer service via Golden Gate Bridge staff, servicing of security cameras and other rail network systems.

Table 4, on the next page, details the Operations Department budget.

Figure 5, below, shows the overview of Proposed Expenditures in the Operations budget for Fiscal Year 2019-20.

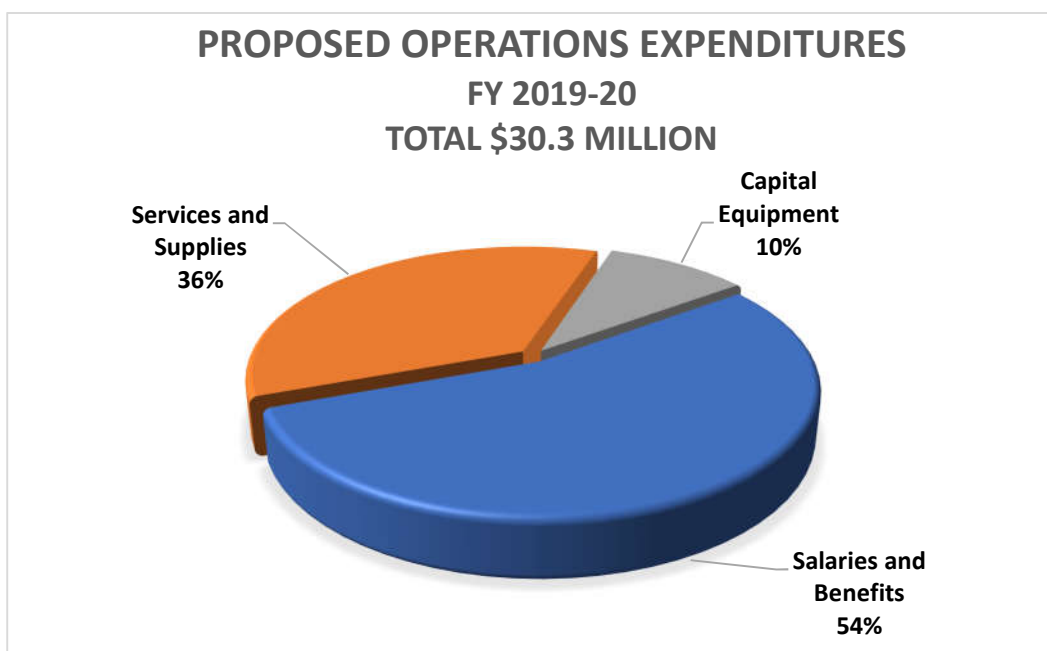


TABLE 4:

OPERATIONS BUDGET				
Original, Year End FY 2018-19 and Proposed FY 2018-20				
DESCRIPTION	FY 2018-19 APPROVED BUDGET	FY 2018-19 YEAR-END ACTUALS & ESTIMATES	FY 2019-20 PROPOSED BUDGET	EXPLANATION OF SIGNIFICANT CHANGES
REVENUES:				
Sales/Use Taxes				
Sales/Use Taxes **	\$ 11,418,499	\$ 14,808,196	\$ 11,292,866	FY19 Revised increase based increased revenue transferred from Administration
Total Sales/Use Taxes	11,418,499	14,808,196	11,292,866	**Allocated from budgeted revenue as available from Administration
Intergovernmental Revenues				
State - Grant Funds	6,709,939	7,653,214	7,404,794	State Commuter Rail/State Transit Assistance Operating Funding
Other Governments	10,000	10,000	10,000	Northwestern Pacific Maintenance Charges
Total Intergovernmental Revenues	6,719,939	7,663,214	7,414,794	
Charges for Services				
Fare Revenue	3,640,000	3,940,000	4,137,000	Assumption of 5% increase in FY20 due to opening of Larkspur, Novato
Parking Revenue	50,000	50,000	50,000	
Other Charges - Fees, Reimbursements	45,000	725,850	30,000	One-time insurance reimbursements; ongoing dispatch fee
Total Charges for Services	3,735,000	4,715,850	4,217,000	
TOTAL REVENUES	\$ 21,873,438	\$ 27,187,260	\$ 22,924,660	
USE OF FUND BALANCE:	\$ 5,075,825	\$ 579,714	\$ 7,339,628	
EXPENDITURES:				
OPERATIONS				
Salaries and Benefits				
Employee Salaries	\$ 10,991,152	\$ 11,516,899	12,498,755	
Employee Benefits	3,219,954	3,346,153	3,539,160	
Total Salaries and Benefits	14,211,105	14,863,052	16,037,914	New FTE additions, benefit cost increases, filling of vacant positions
Services and Supplies				
Uniform Expense	225,978	183,878	196,643	Uniform/boot costs tied to employee counts and usage
Communications	233,515	264,345	322,822	Cost of call boxes, cellular for AVL and WiFi, and equipment replacement
Maintenance-Equipment	235,000	163,953	555,282	Recategorization of fare machine maintenance previously in Professional Services
Maintenance-Radios	144,108	144,108	154,632	Radio site licenses and support
Maintenance-Revenue Vehicles	1,026,097	1,909,441	2,291,628	Train spare parts and maintenance; Some increases due to category reclassification
Maintenance-Railway	904,615	850,567	771,250	Track resurfacing, right-of-way maintenance, FY20 reduction tied to new FTE
Maintenance of Signals	358,200	215,000	246,500	Gate repair, flagging, signal equipment
Maintenance-Buildings/Facilities	277,960	236,921	285,720	Station & facility cleaning, bike lockers, HVAC and electrical
Maintenance - Pathway	42,500	35,500	25,500	Pathway maintenance costs projected ongoing, FY20 reduction tied to new FTE
Transportation Services	-	-	411,664	New account in FY20 - emergency bus bridges, North County bus
Office Expense	138,000	138,000	128,000	Projections based on actual expense, employee counts
Agency Extra Help	125,000	125,000	50,000	As-needed assistance during leaves
Rents/Leases - Equipment	123,420	113,020	101,520	Specialty equipment right-of-way maintenance reduced, in house capacity
Minor Equipment	260,915	214,431	308,190	Signage, tools, and cleaning supplies for trains and right-of-way
Computer Software and Hardware	240,159	262,691	267,918	Ongoing software and computer replacements, Larkspur extension needs
Training, Travel and Memberships	179,725	164,000	181,500	Professional training for PTC, signal and track regulations; site visits
Fuel and Lubricants	1,493,004	1,196,000	1,503,004	Increase in fuel prices and additional mileage for testing
Miscellaneous	60,000	61,000	8,000	
Professional Services	2,590,695	2,280,638	2,200,575	WiFi, network support, customer service, required equipment inspection, hazmat
Utilities	674,050	694,050	700,525	Electric, water, gas for signals, bridges, facilities, and rail operations center
Total Services and Supplies	9,332,941	9,252,542	10,710,873	
Buildings & Capital Improvements (Capital Assets)				
Buildings & Improvements	-	-	-	
Vehicles, Equipment	2,880,217	3,126,379	2,990,500	Capital Spare Parts, Wheel press machine, and track maintenance equip.
Total Buildings and Capital Improvements	2,880,217	3,126,379	2,990,500	
Equipment Replacement				
Annual Allocation	525,000	525,000	525,000	Allocation for future equipment replacement schedule
	525,000	525,000	525,000	
TOTAL OPERATIONS EXPENDITURES	\$ 26,949,263	\$ 27,766,974	\$ 30,264,288	

**The entire amount of Sales Tax is realized and shown on Table 1. The amount allocated to Operations changes depending on year-end revenues and expenses.

Position Authorizations

On the next three pages in **Table 5** are the proposed Position Authorizations necessary for the Fiscal Year 2019-20 budget. Additions and shifts were discussed in the Department Sections prior. These include the shift of safety-related positions out of Administration and into Operations. Also discussed is the addition of three positions and the upgrade of one position to increase our in-house capacity to maintain the right of way. In addition, we have reconfigured the Engineering salaries to more closely represent a continuous career ladder for our staff. This has no budgetary impact. Similarly, we have eliminated one Administrative Assistant position in order to add another Community Outreach Coordinator position to reflect the actual job duties. Finally, are proposing two of our administrative staff positions be given an equity increase of 5% in order to better compete with similar positions in the region and the field.

TABLE 5:

Fiscal Year 2019-20 : Proposed Position Authorization

Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE FROM PRIOR YEAR
		Low	High	Low	High	
ADMINISTRATIVE POSITIONS						
Accountant	1	\$ 72,413	\$ 88,026	\$ 34.81	\$ 42.32	
Accounting and Payroll Assistant	1	\$ 52,532	\$ 63,856	\$ 25.26	\$ 30.70	
Administrative Analyst/ Contracts	1	\$ 79,933	\$ 97,157	\$ 38.43	\$ 46.71	
Administrative Assistant	2	\$ 47,604	\$ 57,866	\$ 22.89	\$ 27.82	5% Equity Adjustment, Reclass of 1 to Community Outreach
	1	\$ 49,984	\$ 60,756	\$ 24.03	\$ 29.21	
Assistant General Counsel	1	\$ 137,606	\$ 167,253	\$ 66.16	\$ 80.41	
Assistant Planner*	1	\$ 68,942	\$ 83,803	\$ 33.15	\$ 40.29	
Chief Financial Officer	1	\$ 219,982	\$ 267,426	\$ 105.76	\$ 128.57	
Clerk of the Board	1	\$ 72,413	\$ 88,026	\$ 34.81	\$ 42.32	
		\$ 76,034	\$ 92,427	\$ 36.55	\$ 44.44	5% Equity Adjustment
Communications and Marketing Manager	1	\$ 134,264	\$ 163,197	\$ 64.55	\$ 78.46	
Community Outreach Coordinator 2	1	\$ 70,656	\$ 85,883	\$ 33.97	\$ 41.29	
	2					1 New - Converted from Admin. Assist.
Community Outreach Specialist	1	\$ 110,184	\$ 133,931	\$ 52.97	\$ 64.39	
Deputy General Manager	1	\$ 241,663	\$ 293,738	\$ 116.18	\$ 141.22	
Fiscal Manager	1	\$ 124,688	\$ 151,528	\$ 59.95	\$ 72.85	
General Counsel	1	\$ 219,982	\$ 267,426	\$ 105.76	\$ 128.57	
General Manager	1	\$ -	\$ 311,548	\$ -	\$ 149.78	
Human Resources Manager	1	\$ 121,624	\$ 147,846	\$ 58.47	\$ 71.08	
Human Resources Principal Analyst	1	\$ 110,184	\$ 133,931	\$ 52.97	\$ 64.39	
Human Resources Technician	1	\$ 65,600	\$ 79,747	\$ 31.54	\$ 38.34	
Information Systems Specialist	1	\$ 121,624	\$ 147,846	\$ 58.47	\$ 71.08	
Information Systems Technician	1	\$ 72,413	\$ 88,026	\$ 34.81	\$ 42.32	
Legal Administrative Assistant	1	\$ 65,600	\$ 79,747	\$ 31.54	\$ 38.34	
Payroll Technician	1	\$ 52,532	\$ 63,856	\$ 25.26	\$ 30.70	
Procurement Coordinator	1	\$ 102,321	\$ 124,363	\$ 49.19	\$ 59.79	
Programming and Grants Manager	1	\$ 141,056	\$ 171,475	\$ 67.82	\$ 82.44	
Real Estate Manager	1	\$ 151,875	\$ 184,621	\$ 73.02	\$ 88.76	
Safety & Compliance Officer	1	\$ 124,688	\$ 151,528	\$ 59.95	\$ 72.85	
Senior Administrative Analyst	1	\$ 90,431	\$ 109,928	\$ 43.48	\$ 52.85	
Senior Planner	1	\$ 95,015	\$ 115,482	\$ 45.68	\$ 55.52	
Senior Real Estate Officer	1	\$ 102,321	\$ 124,363	\$ 49.19	\$ 59.79	
Supervising Accountant	1	\$ 88,224	\$ 107,245	\$ 42.42	\$ 51.56	
Subtotal Administrative Full Time Equivalents (FTE)	31					

TABLE 5:

Fiscal Year 2019-20 : Proposed Position Authorization

Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE FROM PRIOR YEAR
		Low	High	Low	High	

CAPITAL POSITIONS						
Assistant Engineer *	4	\$ 86,082	\$ 104,624	\$ 41.39	\$ 50.30	
Associate Engineer*	2	\$ 102,321	\$ 124,363	\$ 49.19	\$ 59.79	
Construction Engineer *	1	\$ 112,947	\$ 137,280	\$ 54.30	\$ 66.00	Removed and reclassified below
Deputy Project Manager *	1	\$ 180,540	\$ 219,461	\$ 86.80	\$ 105.51	Removed and reclassified below
Junior Engineer *	1	\$ 76,077	\$ 92,477	\$ 36.58	\$ 44.46	
Principal Engineer*	1	\$ 134,254	\$ 163,186	\$ 64.55	\$ 78.45	Reclassified from Above
Senior Engineer*	1	\$ 118,661	\$ 144,233	\$ 57.05	\$ 69.34	Reclassified from Above
Chief Engineer	1	\$ 180,540	\$ 219,461	\$ 86.80	\$ 105.51	
Manager Train Control Systems	1	\$ 180,540	\$ 219,461	\$ 86.80	\$ 105.51	
Project Extra hires *		Up to amount	\$ 50,000	\$ -	\$ -	
Subtotal Capital Full Time Equivalents (FTE)	11					

* Denotes Limited-Term Position Dependent on Project need

Table 5 : Continued on Next Page (Page 2 of 3)

TABLE 5:						
Fiscal Year 2019-20 : Proposed Position Authorization						
Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE FROM PRIOR YEAR
		Low	High	Low	High	
OPERATIONS POSITIONS						
Administrative Assistant	1	\$ 47,604	\$ 57,866	\$ 22.89	\$ 27.82	5% Equity Adjustment
		\$ 49,984	\$ 60,756	\$ 24.03	\$ 29.21	
Administrative Analyst-Purchasing	1	\$ 79,933	\$ 97,157	\$ 38.43	\$ 46.71	New
Administrative Services Manager	1	\$ 86,082	\$ 104,624	\$ 41.39	\$ 50.30	
Assistant Superintendent of Transportation	1	\$ 104,892	\$ 127,462	\$ 50.43	\$ 61.28	
Bridge Tender*	2.5	-	\$ 58,531	-	\$ 28.14	
Chief of Police	1	\$ 163,572	\$ 198,827	\$ 78.64	\$ 95.59	Moved from Administration
Code Compliance Officer	2.5	\$ 64,015	\$ 77,792	\$ 30.78	\$ 37.40	Moved from Administration
Controller /Supervisor	10	\$ 92,252	\$ 112,133	\$ 44.35	\$ 53.91	
Conductor**	11	\$ 66,123	\$ 77,792	\$ 31.79	\$ 37.40	
Engineer-Conductor**	29	\$ 79,498	\$ 93,517	\$ 38.22	\$ 44.96	
Extra Hires Operations		Up to amount	\$ 350,000	\$ -	\$ -	
Facilities Maintenance Supervisor	1	\$ 95,015	\$ 115,482	\$ 45.68	\$ 55.52	
Facilities Maintenance Technician	3	-	\$ 73,070	-	\$ 35.13	
Laborers-Vehicle Maintenance	10	-	\$ 53,206	-	\$ 28.14	
Laborers-Track Maintenance	2	-	\$ 53,206	-	\$ 28.14	New- Replaces contract costs
Operations Manager	1	\$ 180,540	\$ 219,461	\$ 86.80	\$ 105.51	
Parts Clerk	2	\$ 59,430	\$ 72,238	\$ 28.57	\$ 34.73	
Railroad Information Systems Specialist	1	\$ 107,506	\$ 130,666	\$ 51.69	\$ 62.82	
Safety & Compliance Officer	1	\$ 124,688	\$ 151,528	\$ 59.95	\$ 72.85	Moved from Administration
Signal Supervisor	2	\$ 102,321	\$ 124,363	\$ 49.19	\$ 59.79	
Signal Technician	9	-	\$ 100,734	-	\$ 48.43	
Superintendent of Vehicle Maintenance	1	\$ 124,688	\$ 151,528	\$ 59.95	\$ 72.85	
Superintendent of Transportation	1	\$ 124,688	\$ 151,528	\$ 59.95	\$ 72.85	
Superintendent Signals and Way	1	\$ 124,688	\$ 151,528	\$ 59.95	\$ 72.85	
Track Maintainer 1	5	-	\$ 76,794	-	\$ 36.92	Reduced to convert to position below
	4					
Track Maintainer 2	1		\$ 84,473	-	\$ 40.61	New-replaces contract costs
Track Maintenance Supervisor	2	\$ 94,536	\$ 114,920	\$ 45.45	\$ 55.25	Increased per approved contract
		\$ 97,372	\$ 118,368	\$ 46.81	\$ 56.91	
Vehicle Maintenance Supervisor	4	\$ 97,372	\$ 118,373	\$ 46.81	\$ 56.91	
Vehicle Maintenance Technician	12	-	\$ 93,558	-	\$ 44.98	
Subtotal Operations Full Time Equivalents (FTE)**	107	**See footnote				
TOTAL ALL SMART DEPARTMENTS	149					

** Engineer/Conductor may be filled by Conductors, Total FTE for both positions combined is 29