

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT PROPOSED BUDGET: FISCAL YEAR 2015-16

and

Fiscal Year 2014-15 Year-End Report





PROPOSED BUDGET: FISCAL YEAR 2015-16 and Fiscal Year 2014-15 Year-End Report

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DISCUSSION -- PRELIMINARY BUDGET

OVERVIEW

There are two budgets being presented to your Board: The Fiscal Year 2014-15 Year-End Financial Report, which reflects financial changes since the budget was approved in June 2014, and the Proposed Fiscal Year 2015-16 Annual Budget to begin in July 2015. While the Year-End Financial Report reflects the tremendous capital activity that occurred through the year, the Proposed Annual Budget for FY 2015-16 reflects the significant increase in operating expenses.

TABLE 1 (below) provides a combined, broad overview of SMART's capital and operations budgets combined. Detailed discussion of each budget is provided in the following pages and charts.

TABLE 1			
BUDGET REPORT: SUMMARY OF ALL REVENUES AND EXPENSES			
	FY 2014-15 BUDGET AS APPROVED CAPITAL & OPERATIONS	FY 2014-15 ACTUALS & ESTIMATES CAPITAL & OPERATIONS	FY 2015-16 PROPOSED BUDGET: CAPITAL & OPERATIONS
REVENUES			
Beginning Fund Balance	216,607,834	215,691,280	106,625,372
Sales/Use Taxes	34,138,492	34,138,492	35,229,367
Interest and Lease Earnings	1,312,000	1,466,350	1,010,000
Intergovernmental Revenues - Grants	23,124,798	9,272,207	16,826,570
Charges for Services -- Fees	40,000	51,900	40,000
Miscellaneous Revenues	3,142,021	32,569	2,000
Other Sources - Transfers	114,171,142	115,034,188	2,044,813
TOTAL REVENUES INCLUDING FUND BALANCE	392,536,287	375,686,987	161,778,122
EXPENDITURES			
Salaries and Benefits	6,652,540	5,809,244	12,465,523
Services and Supplies	8,350,745	6,902,088	10,748,779
Other Charges and Payments	13,435,035	16,687,433	18,806,535
Buildings, Capital Improvements, and Equipment	180,653,154	125,120,441	92,164,488
Operating Transfer	10,000	10,000	20,000
Interfund Transfers	(2,053,311)	(551,779)	(301,788)
Contingencies	500,000	50,000	250,000
Transfer from Bond Fund to Operating	114,171,142	115,034,188	2,044,813
TOTAL EXPENDITURES	321,719,304	269,061,615	136,198,351

YEAR-END FINANCIAL REPORT: FY 2014-15 ACTUALS AND ESTIMATES

FINANCIAL TABLES OVERVIEW:

The Year-end Fiscal Year 2014-15 Financial Report reflects both actual revenues and expenditures to-date and estimates for the final weeks of the fiscal year. **TABLES 2 and 3**, on the following pages, detail the changes from Budget as approved. **TABLE 2** shows the Capital Report and **TABLE 3** shows the Operating Report. Where there is a change of more than 5%, we have provided an explanation of those changes. Fund balance is not reflected in the following tables but is used as a source to balance the overall budget. **TABLE 4** contains the Personnel and Position Authorizations, which have not changed since September 2014 when your Board made a revisions to the Vehicle Maintenance Superintendent and the Security Manager position and added a Deputy Operations Manager. We have included hourly rates in the position authorization to reflect the hiring practices of the District which rely on hourly rather than annual rates. Finally, more detailed discussion of the Year-End Financial Report is provided following the Tables.

TABLE 2

YEAR-END FINANCIAL REPORT: FY 2014-15 REVISED BUDGET

CAPITAL BUDGET

Description	FY 2014-15 APPROVED BUDGET	FY 2014-15 ACTUALS & ESTIMATES	NOTEABLE OR SIGNIFICANT CHANGES
REVENUES			
Sales/Use Taxes			
Board of Equalization Cost on Taxes	778,930	804,360	
Sales Tax withheld by Trustee	8,456,950	9,970,283	Adjustment to account for Principal Set-aside
Net Sales Tax	20,368,207	18,829,444	Reduced as a result of Principal Set-aside
Total Sales/Use Taxes	29,604,087	29,604,087	
Use of Money/Property			
Interest Earnings	835,000	989,350	
Rent - Real Estate	477,000	477,000	
Total Use of Money/Property	1,312,000	1,466,350	
Intergovernmental Revenues			
State - Grant Funds	654,111	54,226	Shift of State Pathway funds to FY16
Federal - ISTE A	1,468,159	507,839	Black Point Bridge project shifted to FY16
Federal - Grant Funds	2,538,610	24,119	Larkspur funding of \$2.5 million shifted to FY16
Other Governments	472,753	1,568,213	Coop. construction agreements increased
Measure M - Sonoma County	1,000,000	39,477	Partially included in FY14 financials and into FY16 Pathway schedule
MTC - Bridge Tolls	20,115,386	7,056,119	Shift of grant funds to match expenditures
Total Intergovernmental Revenues	26,249,019	9,249,992	
Charges for Services			
Other Charges - Fees	10,000	21,900	
Total Charges for Services	10,000	21,900	Increase in Right-of-Way permits
Miscellaneous Revenues			
Miscellaneous Revenue	1,000	32,569	Reimbursement based -- non recurring
Total Miscellaneous Revenues	1,000	32,569	
Other Financing Sources			
Revenue Transfer - Bond Funds	114,171,142	115,034,188	
Total Other Financing Sources	114,171,142	115,034,188	
TOTAL REVENUES	171,347,248	155,409,086	
EXPENDITURES			
Salaries and Benefits			
Employee Salaries	3,844,263	3,594,672	
Employee Benefits	1,248,270	1,064,607	
Total Salaries and Benefits	5,092,533	4,659,280	Savings due to vacant positions
Services and Supplies			
Communications	151,514	124,846	Savings in cellular and internet service
Insurance	868,771	498,372	Workers compensation shifted to benefits, pre-payment of premiums
Maintenance-Facilities	13,000	17,500	Increased maintenance for server cooling systems
Miscellaneous Expense	28,500	26,500	
Office Expense	131,644	67,915	Reduction in small office equipment needs
Postage, Printing, Periodicals	24,230	25,430	Increased for Board meetings
Accounting/ Payroll Services	232,560	225,000	
Professional Services - Administrative	356,927	398,243	Costs associated with accounting and payroll conversions
Professional Services -- Non-capitalized	2,056,730	1,498,902	Shift of non-capitalized costs to capitalized
Agency Extra Help	-	1,000	
Board of Equalization Administrative Fees	778,930	804,360	
Legal Services	705,000	375,000	Savings due to use of in-house resources
Public/Legal Notice	18,000	18,000	
Rents/Leases	646,572	664,772	
Computer Software and Hardware	302,779	179,170	Shift of software upgrades to FY15
Public Outreach	237,350	165,000	Shift of safety campaign to align with testing schedule
Training, Travel	98,420	45,000	Savings associated with slower hiring, shift to mileage expense
Permits/Fees	5,000	73,002	Higher environmental fees
Mileage Expense	43,620	48,620	Shift of travel budget to local mileage costs
Total Services and Supplies	6,699,547	5,256,632	

TABLE 2**YEAR-END FINANCIAL REPORT: FY 2014-15 REVISED BUDGET****CAPITAL BUDGET**

Other Charges and Payments			
Bond Principal, Interest	8,456,950	9,970,283	Revision of Principal Payment amount to match schedule
Self Insurance	-	50,000	Initial funding
Settlements - Legal	-	456,000	Anticipated legal settlements
Depreciation	4,593,908	4,593,908	
Other Governments	384,177	1,617,242	Unanticipated expenses for cooperative agreements (reimbursed)
Total Other Charges	13,435,035	16,687,433	
Buildings & Capital Improvements (Capital Assets)			
Land	1,000,877	2,682,520	Expenses for Mira Monte project (moved from Infrastructure line)
Buildings & Improvements	17,169,197	16,441,835	Slight shift of Operations Facility construction cost by one month
Equipment	500,000	-	Shift of fare collection costs to FY16
Capital Equipment - Work in Progress	21,737,498	6,654,008	Shift of Rail Vehicle Payments to FY16
Infrastructure	139,375,581	98,892,079	Shift of some construction costs to FY16
Total Buildings and Capital Improvements	179,783,154	124,670,441	
Operating Transfer			
Operating Transfer	10,000	10,000	
Total Operating Transfer	10,000	10,000	
Interfund Transfers			
Salaries and Benefits Transfer - Capital	(2,053,311)	(551,779)	Accounting transfer to Assets
Total Interfund Transfer	(2,053,311)	(551,779)	
Transfer from Bond Fund to Operating	114,171,142	115,034,188	
TOTAL EXPENDITURES	317,138,098	265,806,195	

TABLE 3**YEAR-END FINANCIAL REPORT : FY 2014-15 BUDGET REVISED****OPERATING BUDGET**

Description	FY 2014-15 APPROVED BUDGET	FY 2014-15 ACTUALS & ESTIMATES	NOTEABLE OR SIGNIFICANT CHANGES
REVENUES			
Sales/Use Taxes			
Net Sales Tax	4,534,405	4,534,405	
Total Sales/Use Taxes	4,534,405	4,534,405	
Intergovernmental Revenues			
North Coast Rail Authority	16,800	22,215	Reimbursement based on maintenance
Total Intergovernmental Revenues	16,800	22,215	
Charges for Services			
Other Charges - Reimbursement	30,000	30,000	
Total Charges for Services	30,000	30,000	
TOTAL REVENUES	4,581,205	4,586,620	
EXPENDITURES			
Salaries and Benefits			
Employee Salaries	1,178,500	851,500	
Employee Benefits	381,507	258,464	
Total Salaries and Benefits	1,560,007	1,109,964	Hiring shifted to FY16
Services and Supplies			
Uniform Expense	-	-	
Communications	50,540	22,800	Associated with slower hiring
Maintenance-Equipment	490,000	325,000	Lower anticipated repair costs
Maintenance-Radios	8,000	8,000	
Maintenance-Railway	205,000	205,000	
Maintenance-Buildings/Facilities		2,275	
Office Expense	25,000	5,000	Lower costs with slower hiring
Special Services-Operations	587,659	607,659	
Small Tools	15,000	55,000	Multiple tools associated with maintenance
Computer Software and Hardware	-	209,512	Information technology servers/other equipment
Gas/Oil	170,000	10,000	Rail car-related costs less than anticipated
Professional Services	-	135,210	IT set up costs associated with Operations
Utilities	100,000	60,000	Power at crossings less than anticipated
Total Services and Supplies	1,651,199	1,645,455	
Buildings & Capital Improvements (Capital Assets)			
Vehicles, Equipment	370,000	400,000	Workspace buildout needs, rail car jacks
Software/ Intangible Assets	500,000	50,000	Maintenance IT system shifted to FY16
Total Buildings and Capital Improvements	870,000	450,000	
Contingencies			
Operating Contingencies	500,000	50,000	Small amount for unanticipated FY close needs
Total Contingencies	500,000	50,000	
Transfer from Bond Fund to Operating			
TOTAL EXPENDITURES	4,581,205	3,255,420	

TABLE 4

Fiscal Year 2014-15 : Existing Position Authorization

Position	FTE	Salary Range Annual		Salary Range: Hourly	
		Low	High	Low	High
CAPITAL AND ADMINISTRATIVE					
Access Control Manager	1	102,000	127,500	49.04	61.30
Accountant	1	56,100	71,400	26.97	34.33
Accounting and Payroll Assistant	1	44,000	55,000	21.15	26.44
Administrative Analyst/ Contracts	1	66,300	86,700	31.88	41.68
Administrative Services Manager	1	56,100	92,820	26.97	44.63
Assistant Engineer *	3	71,400	91,800	34.33	44.13
Assistant Planner*	1	55,000	73,000	26.44	35.10
Chief Engineer	1	160,140	192,780	76.99	92.68
Chief Financial Officer	1	-	183,600	-	88.27
Clerk of the Board	1	59,160	77,520	28.44	37.27
Community Outreach Coordinator	1	55,000	75,000	26.44	36.06
Community Outreach Specialist	2	81,600	117,300	39.23	56.39
Construction Manager *	1	153,000	183,600	73.56	88.27
Contracts Manager/Procurement *	1	83,640	127,500	40.21	61.30
Deputy Project Manager *	1	160,140	192,780	76.99	92.68
Executive Assistant	1	45,900	71,400	22.07	34.33
Fiscal Manager	1	91,494	134,640	43.99	64.73
General Counsel	1	178,500	193,800	85.82	93.17
General Manager	1	-	250,920	-	120.63
Human Resources Manager	1	117,300	131,693	56.39	63.31
Human Resources Principal Analyst	1	95,880	117,300	46.10	56.39
Information Systems Specialist	1	117,300	131,693	56.39	63.31
Junior Engineer *	4	61,200	81,600	29.42	39.23
Office Assistant	3	42,432	44,880	20.40	21.58
Programming and Grants Manager	1	99,960	142,800	48.06	68.65
Project Controls Manager *	1	122,400	144,840	58.85	69.63
Project Extra hires *		-	up to \$50,000	-	up to \$50,000
Quality Manager *	1	86,700	122,400	41.68	58.85
Real Estate Assistant	1	48,960	74,460	23.54	35.80
Real Estate Property Manager	1	132,600	164,220	63.75	78.95
Security Manager	1	105,000	145,000	50.48	69.71
Senior Administrative Assistant	1	45,900	71,400	22.07	34.33
Senior Planner	1	75,000	100,000	36.06	48.08
Senior Rail Engineer *	1	132,600	164,220	63.75	78.95
Total Full Time Equivalents (FTE)	41				

* Denotes Limited-Term Project Position

OPERATIONS POSITIONS					
Controller /Supervisor	6	80,530	100,000	38.72	48.08
Deputy Operations Manager	1	110,000	145,000	52.88	69.71
Facilities Maintenance Supervisor	1	70,000	95,000	33.65	45.67
Parts Clerk	2	46,000	63,000	22.12	30.29
Railroad Information Systems Specialist	1	90,000	115,000	43.27	55.29
Safety & Compliance Officer	1	85,000	125,000	40.87	60.10
Signal Supervisor	2	75,000	105,000	36.06	50.48
Signal Technician	4	60,000	80,000	28.85	38.46
Superintendent of Vehicle Maintenance	1	90,000	135,000	43.27	64.90
Superintendent of Transportation	1	90,000	125,000	43.27	60.10
Superintendent Signals and Way	1	90,000	125,000	43.27	60.10
Track Maintainer	4	50,000	65,000	24.04	31.25
Track Maintenance Supervisor	2	75,000	105,000	36.06	50.48
Vehicle Maintenance Supervisor	3	75,000	105,000	36.06	50.48
Total Full Time Equivalents (FTE)	30				

FISCAL YEAR 2014-15 YEAR-END REPORT: DISCUSSION

Below are further details on the FY 2014-15 Year-End Financial Report

NOTES ON TABLE 2: CAPITAL REPORT

Revenues:

Final revenues for FY 2014-15 were reduced from the originally proposed budget primarily due to shifts in grant funding. This shift is entirely the result of construction schedules and do not reflect a loss of funding for the project. Below are further details on changes from the original budget:

- Sales tax is still projected to be on target at 3% higher than the prior year. There is no recommended change to this amount.
- Investment and lease earnings are revised upward by \$154,350 to reflect actual receipts.
- Federal Transit Administration spending on the Larkspur extension of \$2.5 million has been shifted to the FY 2015-16 budget year. This is due to the amount of time spent on the federal NEPA process for that extension, which has kept us from moving to the engineering phase of the project.
- Federal funds associated with the Black Point Bridge project have been shifted to FY 2015-16 to match construction schedules.
- Bridge Toll grants from MTC, including the Airport Extension grants were reduced by \$11 million to reflect the shift in receipt of those funds one month earlier than anticipated, which put them into the FY 2013-14 (prior year) final financial statements.

Finally, by the close of FY 2014-15, we anticipate substantial drawdown of the revenue bond funds generated by our 2011 Bond Series. The \$180 million generated by that sale has been used to fund all aspects of the Phase 1 capital project throughout the year.

Expenditures:

The vast majority of our capital expenditures this year were direct costs related to the Phase 1 construction project. Final expenditures will be lower than the approved budget, which is primarily a result of changing construction schedules that can cause large swings in fiscal year expenditures. Details of those changes are as follows:

- Spending on land purchases and improvements to property were adjusted upwards by \$1.7 million to fund the Mira Monte project, which was a shift of expenditures from the Infrastructure line.
- Payments for the rail cars, listed under Capital Equipment, were reduced by \$15.1 million to reflect a shift of payments to the rail car builder to FY 2015-16.
- Buildings and Improvements expenditures, which primarily fund the construction of the Operations and Maintenance Facility, were reduced by \$727,362 to match construction schedules.
- Professional Services – Non-capital were reduced by \$557,828 which reflects a shift of these expenditures to the infrastructure line in the budget in order to properly capitalize those costs.
- Salaries and benefits were reduced by \$433,253, as a result of vacant positions remaining unfilled.
- Debt service costs were increased by \$1.5 million to correct the budgeted amount to match the debt service schedule.

NOTES ON TABLE 3: OPERATING REPORT

Revenues:

No significant changes were made to Operating Revenues.

Expenditures:

The dynamic world of operations start-up led to some changes in the anticipated Operating Budget. Overall expenditures were reduced by \$1.1 million. Notable changes to the budget since the Board's approval are outlined below:

- Salary and budget savings of \$450,042 due to slower than anticipated hiring.
- Decrease in equipment maintenance costs of \$165,000 associated with slower turnover of track from the contractor.
- Addition of \$209,512 for information technology equipment (such as servers and routers), and other computer purchases for operations facilities.
- Increase of \$30,000 for necessary equipment and build out of workspaces at Operations facilities as well as the purchase of jacks for rail car maintenance.
- Shift of \$450,000 out of the FY 2014-15 Budget for a maintenance management system (to the FY 2015-16 Budget).
- Reduction of \$450,000 operating contingency to fund the needs identified above.

PROPOSED PRELIMINARY BUDGET: FY 2015-16

BUDGET TABLES OVERVIEW

In the coming year, SMART will continue with project activities up and down SMART's 43-mile Initial Operating Segment (Phase 1).

Work on replacing the Haystack Landing Bridge will continue and is scheduled to be completed by the end of 2015. Work on finishes at our stations, including platforms, ramps, shelters, lighting and other needs, will start in the fall of 2015, and will be completed before the end of the Fiscal Year. All crossing improvements funded by the Federal ISTEA grant will be complete. The Black Point Bridge project, in conjunction with the North Coast Rail Authority, will also be completed. And the SMART operations department will be growing rapidly in order to begin testing of both the new rail cars and the newly built train control systems. By the end of Fiscal Year 2015-16, the Operations staff will consist of 78 employees.

Expenditures in FY 2015-16 Budget will reflect the growth in operating costs, even as there are significant capital costs for completion of project still projected in Fiscal Year 2015-16. These revenues and expenditures are again divided into two divisions next year: Capital and Operating. There are agency administrative costs that apply to both budgets; for one more year, however, SMART administration costs are combined with the Capital Budget for consistency around the total costs of delivering the capital project. We anticipate the creation of separate Administration and Capital budgets in future budget submissions.

TABLE 5 shows the Proposed Capital Budget for Fiscal Year 2015-16 and **TABLE 6** shows the Proposed Operating Budget for Fiscal Year 2015-16. Where there is an annual change of 5%, we have provided an explanation of those changes. Fund balance is not reflected in the tables but is used as a source to balance. **TABLE 7** contains the Personnel and Position Authorizations necessary for staffing in Fiscal Year 2015-16, and includes a column showing any changes from the prior year. More detailed discussion of the FY 2015-16 Proposed Budget can be found following **TABLE 7**.

TABLE 5

PROPOSED BUDGET : FY 2015-16 PRELIMINARY

CAPITAL BUDGET

Description	FY 2014-15 ACTUALS & ESTIMATES	FY 2015-16 PROPOSED BUDGET	NOTEABLE OR SIGNIFICANT CHANGES
REVENUES			
Sales/Use Taxes			
Board of Equalization Cost on Taxes	804,360	845,650	State increase in fees
Sales Tax withheld by Trustee	9,970,283	13,258,617	Debt service increase
Net Sales Tax	18,829,444	7,262,585	Partial amount: Tax divided between Capital and Operating Budgets
Total Sales/Use Taxes	29,604,087	21,366,852	See Table 1 for overall sales tax receipts
Use of Money/Property			
Interest Earnings	989,350	533,000	Reduction due to drawdown of fund balances
Rent - Real Estate	477,000	477,000	
Total Use of Money/Property	1,466,350	1,010,000	
Intergovernmental Revenues			
State - Grant Funds	54,226	783,652	State funding of Pathway construction
Federal - ISTEAs	507,839	953,043	Funds associated with Blackpoint Bridge
Federal - Grant Funds	24,119	6,543,000	Funds for pathway in Sonoma; Rail engineering for Larkspur extension
Other Governments	1,568,213	511,752	Decrease in cooperative construction agreements
Measure M - Sonoma County	39,477	653,915	Pathway design and environmental costs
MTC - Bridge Tolls	7,056,119	7,359,208	Grant funding for Phase 1 tied to Expenditures
Total Intergovernmental Revenues	9,249,992	16,804,570	
Charges for Services			
Other Charges - Fees	21,900	10,000	Non-recurring Right-of-Way permits
Total Charges for Services	21,900	10,000	
Miscellaneous Revenues			
Miscellaneous Revenue	32,569	1,000	Reimbursement based
Total Miscellaneous Revenues	32,569	1,000	
Other Financing Sources			
Revenue Transfer - Bond Funds	115,034,188	2,044,813	
Total Other Financing Sources	115,034,188	2,044,813	Drawdown of Bond funds
TOTAL REVENUES	155,409,086	41,237,235	
EXPENDITURES			
Salaries and Benefits			
Employee Salaries	3,594,672	3,892,432	Increases related to cost of living and filling of vacant positions
Employee Benefits	1,104,607	1,163,950	
Total Salaries and Benefits	4,699,280	5,056,383	
Services and Supplies			
Communications	124,846	157,354	Associated with increased data needs and increased staff
Insurance	498,372	965,400	Increases projected for simulated service testing liability, property acceptance
Maintenance-Facilities	17,500	40,500	Purchase of Security System
Miscellaneous Expense	26,500	39,550	Increase in transit memberships, board related expenses
Office Expense	67,915	109,850	Average annual amount, some savings last year not anticipated this year
Postage, Printing, Periodicals	25,430	60,296	Increased outreach printing, increased Board materials, legal documents
Accounting/ Payroll Services	225,000	75,000	Decrease due to new accounting system
Professional Services - Administrative	398,243	501,870	Increase for operations staff testing, recruitment; class/compensation work
Professional Services -- Non-capitalized	1,498,902	1,113,832	Project related expenses expected to slow
Agency Extra Help	1,000	100,000	Expected cost of maternity/other leave coverage
Board of Equalization Administrative Fees	804,360	845,650	State administrative fees increase
Legal Services	375,000	600,000	Includes litigation contingency, increase labor negotiation costs
Public/Legal Notice	18,000	24,400	Staff recruitment, public outreach
Rents/Leases	664,772	706,446	Increased lease rates including shared building costs
Computer Software and Hardware	179,170	447,869	Increased GIS and Design software, accounting software, new servers
Public Outreach	165,000	538,000	Costs related to new marketing campaign, website upgrade
Training, Travel	45,000	71,000	Increased training for planning, finance, legal and human resources
Permits/Fees	73,002	93,000	Project related fees
Mileage Expense	48,620	43,620	Anticipated decrease in project-related local mileage expense
Total Services and Supplies	5,256,632	6,533,638	

TABLE 5**PROPOSED BUDGET : FY 2015-16 PRELIMINARY****CAPITAL BUDGET**

Description	FY 2014-15 ACTUALS & ESTIMATES	FY 2015-16 PROPOSED BUDGET	NOTEABLE OR SIGNIFICANT CHANGES
Other Charges and Payments			
Bond Principal, Interest	9,970,283	13,258,617	Debt service associated with 2013 Bond
Self Insurance	50,000	500,000	Increased self-insured retention
Settlements	456,000	-	Settlements will be adjusted during the year as needed
Depreciation	4,593,908	4,643,992	Non-cash adjustment for enterprise accounting
Other Governments	1,617,242	403,927	Decreased cooperative agreement costs (construction-related)
Total Other Charges	16,687,433	18,806,535	
Buildings & Capital Improvements (Capital Assets)			
Land	2,682,520	1,616,830	Capital costs associated with parking lots, land mitigation projects
Buildings & Improvements	16,441,835	778,561	Final capital costs associated with Operations Facilities
Equipment	-	540,000	Fare collection and other equipment related to Phase 1
Capital Equipment - Work in Progress	6,654,008	29,416,177	Rail Vehicle Payments anticipated
Infrastructure	98,892,079	57,771,687	Project costs reducing but continued for vehicle systems, rail, path and Haystack
Total Buildings and Capital Improvements	124,670,441	90,123,255	
Operating Transfer			
Operating Transfer	10,000	20,000	Accounting transfers necessary for benefit administration
Total Operating Transfer	10,000	20,000	
Interfund Transfers			
Salaries and Benefits Transfer - Capital	(551,779)	(301,788)	Accounting transfer to Assets
Total Interfund Transfer	(551,779)	(301,788)	
Contingencies			
Operating Contingencies			
Total Contingencies			
Transfer from Bond Fund to Operating	115,034,188	2,044,813	Final use of bond funds transferred from Trustee
TOTAL EXPENDITURES	265,806,195	122,282,836	

TABLE 6

PROPOSED BUDGET : FY 2015-16 PRELIMINARY

OPERATING BUDGET

Description	FY 2014-15 REVISED BUDGET	FY 2015-16 ACTUALS & ESTIMATES	NOTEABLE OR SIGNIFICANT CHANGES
REVENUES			
Sales/Use Taxes			
Net Sales Tax	4,534,405	13,862,515	
Total Sales/Use Taxes	4,534,405	13,862,515	Sales tax needed to fund Operations
Intergovernmental Revenues			
North Coast Rail Authority	22,215	22,000	
Total Intergovernmental Revenues	22,215	22,000	
Charges for Services			
Other Charges - Reimbursement	30,000	31,000	
Total Charges for Services	30,000	31,000	
TOTAL REVENUES	4,586,620	13,915,515	
EXPENDITURES			
Salaries and Benefits			
Employee Salaries	851,500	5,645,692	Reflects staffing increase to 78 FTE by June
Employee Benefits	258,464	1,763,448	Related benefits for more staffing
Total Salaries and Benefits	1,109,964	7,409,141	
Services and Supplies			
Uniform Expense	-	67,000	For new operations staff
Communications	22,800	102,660	Costs related to radios, cell phones
Maintenance-Equipment	325,000	505,000	Crossing repairs, inspections, graffiti removal
Maintenance-Radios	8,000	215,000	Increased lease cost for radio towers
Maintenance-Railway	205,000	230,000	Weed abatement, homeless cleanup
Maintenance-Buildings/Facilities	2,275	61,400	Security and other facility needs
Rent/ Lease of Equipment		16,600	Office equipment leases at operations facilities
Office Expense	5,000	225,000	Increases related to new employees
Special Services-Operations	607,659	1,039,080	Increases related to security, hazmat management, vehicle servicing
Small Tools	55,000	253,682	Tools necessary for both rail vehicles and maintenance of way
Computer Software and Hardware	209,512	191,920	IT purchases and ongoing costs for operations facilities
Training and Travel	-	142,500	Training costs for new staff, rail memberships
Gas/Oil	10,000	830,000	Diesel costs for new trains, maintenance vehicle fuel costs
Professional Services	135,210	25,300	Remaining IT Set up costs associated with Operations
Utilities	60,000	310,000	Monthly power at crossings, water & sewer at facilities
Total Services and Supplies	1,645,455	4,215,142	
Buildings & Capital Improvements (Capital Assets)			
Vehicles, Equipment	400,000	1,541,233	Cost of equipment needed at OMF, maintenance vehicles
Software/ Intangible Assets	-	500,000	Purchase of vehicle maintenance management system
Total Buildings and Capital Improvements	400,000	2,041,233	
Contingencies			
Operating Contingencies	50,000	250,000	Contingency for unanticipated one-time costs
Total Contingencies	50,000	250,000	
Transfer from Bond Fund to Operating			
TOTAL EXPENDITURES	3,205,420	13,915,515	

TABLE 7

Fiscal Year 2015-16 : Proposed Position Authorization

Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE FROM PRIOR YEAR
		Low	High	Low	High	
CAPITAL AND ADMINISTRATIVE						
Access Control Manager	0	102,000	127,500	49.04	61.30	DELETED
Accountant	1	57,503	73,185	27.65	35.19	
Accounting and Payroll Assistant	1	45,100	56,375	21.68	27.10	
Administrative Analyst/ Contracts	1	67,958	88,868	32.67	42.72	
Administrative Services Manager	1	57,503	95,141	27.65	45.74	
Assistant Engineer *	2	73,185	94,095	35.19	45.24	DELETED 1 FTE
Assistant Planner*	1	56,375	74,825	27.10	35.97	
Attorney	1	119,995	150,010	57.69	72.12	NEW
Chief Engineer	1	164,144	197,600	78.92	95.00	
Chief Financial Officer	1	-	188,190	-	90.48	
Clerk of the Board	1	60,639	79,458	29.15	38.20	
Community Outreach Coordinator	1	56,375	76,875	27.10	36.96	
Community Outreach Specialist	2	83,640	120,233	40.21	57.80	
Construction Manager *	1	156,825	188,190	75.40	90.48	
Contracts Manager/Procurement *	1	85,731	130,688	41.22	62.83	
Deputy Project Manager *	1	164,144	197,600	78.92	95.00	
Executive Assistant	1	47,048	73,185	22.62	35.19	
Fiscal Manager	1	93,781	138,006	45.09	66.35	
General Counsel	1	182,963	198,645	87.96	95.50	
General Manager	1	-	257,193	-	123.65	
Human Resources Manager	1	120,233	134,986	57.80	64.90	
Human Resources Principal Analyst	1	98,277	120,233	47.25	57.80	
Information Systems Specialist	1	120,233	134,986	57.80	64.90	
Junior Engineer *	5	62,730	83,640	30.16	40.21	ADDED 1 FTE
Office Assistant	2	43,493	46,002	20.91	22.12	DELETED 1 FTE
Paralegal	1	55,744	70,470	26.80	33.88	NEW
Payroll Technician	1	45,760	56,160	22.00	27.00	NEW
Programming and Grants Manager	1	102,459	146,370	49.26	70.37	
Project Extra hires *		-	Up to \$50,000 total	-	Up to \$50,000 total	
Quality Manager *	1	88,868	125,460	42.72	60.32	
Real Estate Assistant	1	50,184	76,322	24.13	36.69	
Real Estate Property Manager	1	135,915	168,326	65.34	80.93	
Security Manager	1	107,625	148,625	51.74	71.45	
Senior Administrative Assistant	1	47,048	73,185	22.62	35.19	
Senior Planner	1	76,875	102,500	36.96	49.28	
Senior Rail Engineer *	1	135,915	168,326	65.34	80.93	
Total Full Time Equivalents (FTE)	41					

* Denotes Limited-Term Project Position

OPERATIONS POSITIONS

Assistant Superintendent of Transportation	1	85,000	115,000	40.87	55.29	NEW
Bridge Tender*	2	45,000	50,000	21.63	24.04	NEW
Controller /Supervisor	10	82,543	102,500	39.68	49.28	4 FTE NEW
Deputy Operations Manager	1	125,000	185,000	60.10	88.94	** SEE NOTE
Engineer-Conductor	21	50,000	75,000	24.04	36.06	NEW
Facilities Maintenance Supervisor	1	75,000	105,000	36.06	50.48	
Facilities Maintenance Technician	2	47,000	63,000	22.60	30.29	NEW
Laborers	5	38,000	50,000	18.27	24.04	NEW
Parts Clerk	2	47,150	64,575	22.67	31.05	
Railroad Information Systems Specialist	1	92,250	117,875	44.35	56.67	
Safety & Compliance Officer	1	87,125	128,125	41.89	61.60	
Signal Supervisor	2	76,875	107,625	36.96	51.74	
Signal Technician	8	61,500	82,000	29.57	39.42	4 FTE NEW
Superintendent of Vehicle Maintenance	1	92,250	138,375	44.35	66.53	
Superintendent of Transportation	1	92,250	138,375	44.35	66.53	** SEE NOTE
Superintendent Signals and Way	1	92,250	138,375	44.35	66.53	** SEE NOTE
Track Maintainer	4	51,250	66,625	24.64	32.03	
Track Maintenance Supervisor	2	76,875	107,625	36.96	51.74	
Vehicle Maintenance Supervisor	4	76,875	107,625	36.96	51.74	1 NEW
Vehicle Maintenance Technician	8	55,000	75,000	26.44	36.06	NEW
Total Full Time Equivalents (FTE)	78					

* Denotes Limited-Term Project Position

** Salary Adjusted to Reflect Industry Analysis and Application Pool

PRELIMINARY FISCAL YEAR 2015-16 BUDGET: DISCUSSION

TABLE 5: CAPITAL BUDGET

The Proposed Capital Budget in FY 2015-16 contains all the expenditures needed for the Phase 1 construction project, including staff, construction and engineering contracts, agency insurance, supplies, and related administrative costs.

Revenues:

Although the growth in sales tax has been strong in the past three years, we are budgeting for a moderate 3% increase in the budget as a reasonable projection. As in FY 2014-15, the Capital Budget shows new sales tax needed for capital, while the rest of sales tax is used to fund operations. Other significant revenue details are as follows:

- Grant funding of \$5.4 million for construction of multiple segments of the SMART pathway
- Additional grant funds of \$80,000 for bike parking strategic planning
- Inclusion of engineering funds for the Larkspur extension of \$2.5 million. This is transferred from the FY 2014-15 Budget.
- Federal funding of \$953,043 for the Black Point Bridge project transferred from the FY 2014-15 Budget.
- Grant funds of \$6.6 million for the seventh rail car set as approved by SCTA and MTC in December of 2012.
- A decrease of \$456,350 in interest earnings as a result of the drawdown of bond funds and fund balance set aside for the project.

Expenditures:

As discussed in the quarterly project update provided to the Board with the budget, the SMART Phase 1 project costs have been increased to \$438.3 million. All necessary Phase 1 costs that have not yet been incurred are incorporated in the FY 2015-16 budget. This includes the District costs that support the project and administrative costs as well. After FY 2015-16, administrative costs of the District will be carried separately from capital needs or ongoing capital projects.

Salary and benefits cost for the Capital Budget show an increase of \$357,103 over FY 2014-15 due to several changes. First, there are vacant positions and the budget assumes that some are filled during the course of the year. Second, the budget includes a 2.5% cost-of-living increase for existing staff. This amount matches the increase in the Bay Area Consumer Price Index, and staff face these growing costs. In addition, we are assuming a projected increase of 5% in health care benefit costs, which are partially borne by employees. This includes changes to our dental, vision and insurance plans necessitated by our separation from Sonoma County's benefit pool. CalPERS costs per employee are reduced slightly as a result of pension reform efforts. Finally, we have shifted workers compensation costs out of the Insurance budget and into the benefits category to better reflect the nature of those costs.

The budget proposal contains three new staff positions that will replace services currently provided by contractors, and will result in no significant overall budget impact: The addition of Paralegal and Attorney for the legal needs of the District, and a Payroll Technician for the financial operations of the District. The additional legal staff will be offset by savings in expenditures on outside attorneys, including the County of

Sonoma. Hourly costs for the County's legal services are \$229 an hour, while the combined hourly rate of both a paralegal and attorney who work exclusively for SMART would be a projected \$137 per hour, including benefits. This change would mean the services of two employees, rather than one, at an annual projected savings of \$190,320. Likewise, the cost of a Payroll Technician will be offset by savings in our payments to the County of Sonoma for payroll services. The new staff person will cost approximately \$73,000 annually, which combined with the cost of our new Payroll provider, Paychex, will cost \$94,000 annually. The cost of paying the County of Sonoma for payroll would be \$105,600, a savings of \$11,600.

Other notable changes in project related costs include:

- Insurance costs are estimated to increase next year from \$498,372 to \$965,400 as a result of both increases in rail activity and assumption of property ownership from our contractors.
- An additional \$500,000 self-insured retention is included related to our rail liability policies and actuarial analysis of estimated losses.
- Administrative contracts will increase \$103,627 for services related to new operations staff. These include new drug testing, medical and other screenings necessary for operations staff. Additional funds are provided for class and compensation surveys for administrative staff whose job duties are changing as we transition to ongoing operations.
- Although ongoing legal costs are expected to be minimized by hiring in-house staff, the legal budget has included a conservative projection to cover new costs. The FY 2015-16 Proposed Budget has increased by \$225,000 to plan for current pending litigation, labor negotiation costs, and for prudent reserves related to claims and other potential litigation.
- Public outreach includes an increase of \$373,000 to fund new initiatives, including marketing for the new train service and planning, design and implementation of a new website for transit service.
- Capital costs related to Phase 1 are included in the Buildings and Capital Improvements category and total \$90,123,255. These are broken down into accounting categories, with the biggest being rail car payments in Capital Equipment-Work in Progress of \$29.4 million and Infrastructure costs of \$57.8 million primarily for train control systems, crossings improvements in San Rafael, Haystack Bridge completion and SMART pathway construction.

TABLE 6: OPERATIONS BUDGET

The Proposed Operations Budget shows the significant increase in SMART operating costs from \$3,205,420 in FY 2014-15 to \$13,915,515 in FY 2015-16. Operations staff have moved from the planning to the operating phase with the arrival of our new rail vehicles. By June 2016 SMART will be responsible for full-scale operational simulation of passenger service, as well as working with the Federal Railroad Administration to obtain approval for carrying passengers. Over the course of the new fiscal year, Operations will assume and activate the following functions: 24-hour dispatch, train and signal testing and operation, vehicle maintenance and inventory control, and maintenance of way (track, structures, grade crossings, communications and signals).

To accomplish this SMART will continue the hiring process to reach the 78 employees needed for service. They must undergo screening procedures, receive proper training, obtain qualifications and certification if required, and be provided with workspaces and equipment. Operations management must complete all necessary procedures, rules and guidelines, purchase required equipment, and have all materials and suppliers in place (fuel, lubricants, etc.) All of these actions must be scheduled to be fully consistent with the completion and delivery of project elements, vendor-supplied training, and coordinated with regulatory agency activity as our system moves into full implementation.

In addition to assuming responsibility for vehicles, track, structures, stations and other project elements, Operations will be working to procure, install and train staff on a maintenance information system and other electronic record-keeping systems. This is needed to manage all operating equipment, assist with warranty administration, and provide state of good repair reports to the federal government. We will also be developing train operating schedules for consideration and approval by the Board of Directors, in addition to operating procedures for enforcement of fare collection and other rules, and develop appropriate procedures and training.

EXPENDITURES – SALARIES AND BENEFITS:

The budget contains funding to staff all aspects of Operations, and shows an increase from 30 authorized positions in Fiscal Year 2014-15 to funding 78 positions by June of 2016. Details are reflected in **Table 7**. Positions are funded as they are needed throughout the year, with further explanation provided by division below:

Transportation Division: This division is responsible for dispatching all train movement including freight, controlling all activities that occur in the right-of-way, and operating all rail equipment. It requires the following staff:

- One Transportation Superintendent
- One Assistant Superintendent
- Ten Controller Supervisors
- Two Bridge Tenders
- 21 Engineer-Conductors

The hiring of these staff is scheduled around the anticipated delivery of the rail vehicle fleet, scheduled training, support for vehicle and systems testing, the assumption of responsibility for the SMART dispatching function, and the commencement of simulated revenue service. Bridge tenders, limited-term positions for staffing the new Haystack Landing Bridge, are required by the Coast Guard during an interim period for as much as two years to do on-site monitoring and bridge operation capability when the bridge is in a closed (down) position. We will eventually be able to operate the Haystack Bridge from Central Control, and will eliminate these positions at that time.

Vehicle Maintenance: This division is responsible for daily maintenance of rail and maintenance vehicles. It will require the following staff positions:

- One Superintendent of Vehicle Maintenance
- Four Vehicle Maintenance Supervisors
- Eight Vehicle Maintenance Technicians
- Two Storeroom Parts Clerks
- Five Laborers

The hiring schedule for this division is driven by delivery of the vehicle fleet, scheduling of training classes, arrival of spare parts, maintenance schedules and the operation of trains in the testing phase.

Signals and Way: This division maintains all crossing equipment, train control systems, track and related infrastructure, platforms, fare collection equipment, multi-use pathway, and general property upkeep. The following staff are necessary for these functions:

- One Superintendent of Signals and Way

- Two Track Supervisors
- Four Track Maintainers
- Two Signal Supervisors
- Eight Signal Technicians
- One Facility Maintenance Supervisor
- Two Facility Maintenance Technicians

Hiring is driven by anticipated completion of civil construction and grade crossing work, and subsequent handover of those assets from our contractors. Staff will also be hired in time for vendor-supplied training on the SMART signal system, including the Positive Train Control system, and assume the responsibility for maintaining the system as we move into integrated testing and simulated revenue service.

Operations Administration: Operations management, which oversees all three divisions, consists of:

- Operations Manager
- Deputy Operations Manager
- Safety and Compliance Officer
- Railroad Information Systems Specialist

Staff costs related to the 78 FTE outline above are \$7,409,141. This includes all salary and benefits for staff hired throughout the year. The number, title and salary ranges of positions are detailed further in **TABLE 6**, the Position Authorization table for the entire FY 2015-16 Budget. Operations positions are detailed at the bottom of that table. In that table we have identified the positions that are new to the FY 2015-16 Budget or have been revised in some way.

EXPENDITURES – NON-SALARY:

The budget for non-salary expenditures proposed in Fiscal Year 2015-16 is \$6,506,375 and includes all materials, supplies and services projected as necessary to operate and maintain a fully functional railroad and multi-use pathway. In some cases, our experience during the year may prove different than our projections, and we will bring updates to the Board as needed. From fuel to water to gate crossing replacement arms, each need has been projected to the best of our knowledge at this time. There are a significant number of one-time expenditures for vehicles and capital equipment, expenditures that will then reduce in future years to match replacement schedules. Some of the more significant expenditures include:

- Maintenance Equipment: \$505,000 for all equipment related to crossing maintenance and repairs, electronic parts, weekly inspections, rail grinding and maintenance of service vehicles.
- Maintenance-Radios: \$215,000 for radio maintenance and related tower sites for repeaters to provide full radio coverage and ensure reliable contact between central control and train crews.
- Maintenance-Railway: \$230,000 for weed abatement, homeless cleanup, fence repair.
- Special Services-Operations: \$1,039,080 (increase of \$431,421 over prior year) for security at all SMART facilities, vehicle services such tool calibration, cleaning of mats/towels and work gear, waste management, hazmat services, re-railing and wheel truing, and for contract with Operations Manager.
- Diesel fuel and emission fluids: \$830,000 to match fueling needs associated with train car arrival schedule.
- Utilities: \$310,000 for water, power, garbage and sewer service for the Maintenance Facility and all utilities needed for platforms, grade crossings, Haystack Bridge and the Puerto Suelo Tunnel.

- Vehicles and Equipment (Capitalized): \$1,541,233 for a wide range of equipment, from welding equipment, shop roof exhaust fans, forklift, utility carts, tools, band saw, parts cleaning tank, trucks, work train equipment, excavator and brush cutter for right-of-way maintenance.

The budget also includes an appropriated contingency of \$250,000 to allow for expenditures not anticipated at budget time, but could be needed during regular operations. Operational needs above that amount will be brought to the Board for their consideration, and would be funded by our fund balance.