BOARD OF DIRECTORS
AUGUST 7, 2019
Financial Projections
TIMELINE:

- Today: Board Workshop on Financial Projections
  » Receive input on preliminary projection results

- August 15 and 29, 2019:
  » Citizens Oversight Committee review Strategic Plan

- September 4, 2019
  » Board Review Draft Ordinance and Expenditure Plan

- September 19, 2019
  » Board Review Draft Ordinance and Expenditure Plan

- October 2 and 16, 2019
  » Board Discussion and Approval of Strategic Plan

- November 6, 2019
  » Final Board Action Approving Ballot Measure

- March 3, 2020
  » Voter approval of Sales Tax Renewal
SIX-YEAR VIEW

- **Background:**
  - Before completion of Phase 1, Fund Balance was planned and used for capital projects
  - However, future operating costs exceed revenues and will deplete reserves and fund balance
  - Six-year view reflects discussions during April 3 Board presentation and May 15 Budget presentation

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<tbody>
<tr>
<td>Operations Revenue</td>
<td>$47.2</td>
<td>$54.5</td>
<td>$51.0</td>
<td>$56.5</td>
<td>$54.1</td>
<td>$55.5</td>
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<tr>
<td>Operations Expense (incl. debt service)</td>
<td>$(39.5)</td>
<td>$(54.4)</td>
<td>$(58.0)</td>
<td>$(60.6)</td>
<td>$(62.5)</td>
<td>$(64.5)</td>
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<tr>
<td>Capital Expenses Not Covered by Grants</td>
<td>$(9.1)</td>
<td>$(13.6)</td>
<td>$(12.2)</td>
<td>$(0.3)</td>
<td>0.0</td>
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<tr>
<td>Subtotal (Needs Fund Balance)</td>
<td>$(1.4)</td>
<td>$(13.5)</td>
<td>$(19.2)</td>
<td>$(4.4)</td>
<td>$(8.5)</td>
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<tbody>
<tr>
<td>Starting Fund Balance</td>
<td>$41.5</td>
<td>$40.0</td>
<td>$26.5</td>
<td>$7.3</td>
<td>$2.9</td>
<td>$0.0</td>
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<tr>
<td>Ending Fund Balance</td>
<td>$40.0</td>
<td>$26.5</td>
<td>$7.3</td>
<td>$2.9</td>
<td>$(5.5)</td>
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<tr>
<td>Operating Reserve</td>
<td>$17.0</td>
<td>$17.0</td>
<td>$17.0</td>
<td>$17.0</td>
<td>$11.5</td>
<td>$2.5</td>
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NO 2020 SALES TAX RENEWAL

- With no changes to planned operations, expenses would continue to exceed revenues every year through FY 2029
  - Reductions of $9 million needed to bring future picture into balance
- Fund balance projected to be fully depleted during FY2024
  - Operations unsustainable without cost reductions
20-YEAR SALES TAX AND DEBT EXTENSION

- 20-year extension of the sales tax would enable SMART to restructure outstanding debt
  - Extending final maturity to FY2049 reduces annual payments by $12.2 million, providing capacity for operations

- Expenses exceed revenues annually until debt is restructured in FY2022

- From FY2023 forward, net revenue and fund balance remain positive through end of tax

- Net revenue estimated at $3.1 million in FY2023 and forecast to grow annually thereafter, which could be used to fund additional operating costs related to Healdsburg and Cloverdale

- Net revenue would not provide sufficient capital for rail extensions
30-YEAR SALES TAX AND DEBT EXTENSION

- Restructuring outstanding debt with a final maturity to FY2052 (30 years) reduces annual payments by $12.5 million, providing capacity for operations

- Expenses exceed revenues annually until debt is restructured in FY2022

- From FY2023 forward, net revenue and fund balance remain positive through end of tax

- Net revenue estimated at $3.4 million in FY2023 and forecast to grow annually thereafter, which could be used to fund additional operating costs related to Healdsburg and Cloverdale

- Additional years provide more flexibility to explore capital funding options with additional net revenue in later years
NEXT STEPS

- Strategic Plan draft reviewed in August with Citizen Oversight Committee will include more detail on projections and assumptions
- Alternate scenarios can be discussed and presented as part of the Strategic Plan