



February 3, 2021

**David Rabbitt, Chair**  
Sonoma County Board of Supervisors

**Barbara Pahre, Vice Chair**  
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Highway/Transportation District

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Marin County Board of Supervisors

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Transportation Authority of Marin

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Sonoma County Mayors' and  
Councilmembers Association

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**Eric Lucan**  
Transportation Authority of Marin

**Chris Rogers**  
Sonoma County Mayors' and  
Councilmembers Association

**Farhad Mansourian**  
General Manager

5401 Old Redwood Highway  
Suite 200  
Petaluma, CA 94954  
Phone: 707-794-3330  
Fax: 707-794-3037  
www.sonomamarintrain.org

Sonoma-Marin Area Rail Transit Board of Directors  
5401 Old Redwood Highway, Suite 200  
Petaluma, CA 94954

**SUBJECT:** Approval of the Fiscal Year (FY) 2020/2021 Amended Budget

Dear Board Members:

**RECOMMENDATION:**

Approve the Amended Budget for Fiscal Year 2020/2021 as presented in Resolution No. 2021-01.

**SUMMARY:**

In June 2020, your Board adopted the FY 2020/2021 budget. In September 2020, the Chief Financial Officer, Erin McGrath, provided the Board with an update on how FY 2019/2020 year ended and provided information on additional savings that had been identified. We are now over halfway through FY 2020/2021 and are providing you with an update and amended budget for consideration. FY 2020/2021 has been a volatile year and it seemed appropriate to bring the latest information to the Board in the form of an amended budget request.

In summary, revenues increased by \$14.4 million, expenditures only increased by \$2.7 million, we were able to transfer an additional \$13.1 million to reserves, and we are projecting to end the fiscal year with a \$37.5 million unrestricted fund balance which is \$20.4 million more than anticipated.

Over the course of calendar year 2020, more than 6 meetings/workshops were held with the Board to discuss revenues and expenditure levels. The Board agreed to reductions in expenditures early on for the FY 2020/21 budget. The reductions totaled 20% of the operating budget or 10% of the total budget at the time. This action put SMART in a much more positive financial situation than perhaps other transit agencies are experiencing. Those previous actions taken along with other proposed reductions being presented today, will put SMART in a more positive cash position moving forward.

In the attached Board Resolution, we have included Table 1. Table 1 has been updated from the Board approved FY 2020-21 budget. Table 1 now includes four (4) columns. Column A is the current Board adopted budget, Column B contains revenues and expenditures rolled forward from FY 2019/2020, Column C is additional adjustments since the budget was adopted in June 2020, and Column D is the proposed Amended Budget that we are asking you to adopt. In addition, each line is numbered for ease of identification.

**Rollforward from FY 2019/2020 Budget (Table 1, Column B)**

Each year, there are certain activities are not able to be completed within the fiscal year. This may be planned, a multi-year projects such as the Windsor project, or unplanned such as delayed payment of equipment where we are waiting on warranty issues to be resolved. Those activities and their associated revenues are then “rolled forward” from one fiscal year to the next. For FY 2019/ 2020, **\$3,377,372** in revenues (Column B, Line 12) and **\$3,373,979** in expenditures (Column B, Line 24) are being rolled forward into FY 2020/2021. Of the \$3,373,979, \$2,200,000 is for payment of rail vehicles, the remaining is related to work on the Windsor project that will be completed in FY 2020/2021 and beyond.

**Revenues**

Several changes have been made to revenues. Those changes are delineated below.

Sales and Use Taxes (Columns C & D, Line 1)

When the FY 2020/21 budget was prepared in May of 2020, there was limited information on how sales and use tax would perform considering the pandemic. Three forecasts were considered: Avenue, HDL, and Management Partners (Santa Rosa). At that time, they were projecting a decrease in sales and use tax revenues between 15% and 22%. Based on that information, the sales and use tax forecast for SMART was determined to be \$33,020,754. Since that time, we have received nine months of actual revenues and an updated forecast from Muni Services, we have adjusted sales and use tax revenue up by \$6,112,246 to **\$39,133,000** which is the new forecast.

Interest and Lease Earnings (Columns C & D, Line 2)

This line item contains interest, lease and rental income, and advertising income. We are anticipating lower interest earnings and lower revenues from advertising. This is a reduction of \$236,583 for a total amount of **\$738,700**.

Miscellaneous Revenues (Columns C & D, Line 3)

We are increasing miscellaneous revenues by \$76,176 to **\$105,000**. Included in this line item are revenues such as insurance claim reimbursements, application/permit fees, and sale of used equipment.

Fare & Parking Revenues (Columns C & D, Line 4)

The original forecast for fare revenue was \$4.1 million and was decreased to \$2.6 million in the final FY 2020/21 budget it is now being further reduced to \$655,525. This is an 84% reduction in fare revenue. The original estimate for parking was originally \$50,000 and has now been reduced to \$25,000. The new estimated for fare and parking revenue is **\$680,525** (\$655,525 fares + \$25,000 parking).

State Grants (Columns B,C,& D, Line 5)

Have been increase by both the roll forward from FY 2019/2020 and higher than anticipated revenue allocation. The new forecasted amount for FY 2020/2021 is **\$18,801,631**. This includes revenues for Windsor, the bike path, and operating grants.

State Grants – Freight (Columns C & D, Line 6)

We were recently awarded \$4 million from the State of California for the transfer of freight rights and equipment from Northwestern Pacific Railroad Company and \$2 million for freight safety and maintenance for a total of **\$6,000,000**. These funds have not yet been received by SMART. These funds are restricted and can only be used to purchase freight rights and to pay for allowable maintenance activities. We have created a separate fund, Fund 40, to be able to more easily track revenues and expenditures related to freight activities.

Federal Funds - Non-Cares Act (Columns B & D, Line 8)

Federal Railroad Funds (FRA) in the amount of \$494,025 were rolled forward from FY 2019/2020 to FY 2020/2021 for a total of **\$7,394,025**.

Federal Funds - CARES Act Funding (Column C & D, Line 9)

This was increase by \$294,348 for a total of **\$6,894,348**. This was due to the timing of revenues. At this time, we have not assumed any additional funds.

Other Governments/ Misc. (Columns C & D, Line 10)

Revenues captured in this line item include revenues from other jurisdictions for projects performed by SMART and other miscellaneous revenues such as sale of property/ land. We received a net amount of \$3,985,693 for the sale of the Railroad Square property. These funds, combined with other revenues from local governments for other projects, total **\$8,957,193**.

There were no changes to the following revenue line items: Charges for Services (Column D, Line 7) and Measure M (Column D, Line 11).

The new updated revenue forecast for FY 2020-2021 is **\$88,941,770** (Column D, Line 12)

Beginning Fund Balance (Column A, B & D, Line 13)

The beginning fund balance is the amount of funds available from the end of the previous fiscal year that is available to be used in the current fiscal year. It is not restricted for other uses and can be spent or allocated by the Board. When the FY 2020/21 budget was adopted in June it was projected to be \$22,571,008. The final audited balance was **\$46,360,003**. In a September 16, 2020 memo, former CFO, Erin McGrath presented information that showed that we were estimating to end the FY 2019/20 with more in fund balance than anticipated. This was due to lower than anticipated expenditures, higher than anticipated revenues (mainly in sales & use tax) and less funds allocated to the operating reserve.

Debt Service (Columns C & D, Line 15)

SMART recently refinanced its 2011A Bonds. Based on that refinancing, we are expecting the debt service for FY 2021 to be \$2.1 million lower than what was originally budgeted. The new anticipated debt service for FY 2021 is **\$14,284,259**.

**Budgeted Expenditures**Salaries and Benefits (Columns C & D, Line 17)

In September 2020, the Board approved the elimination of two (2) vacancies. This resulted in savings of \$310,078 of savings. We are requesting as part of this amended budget a new position, titled "Principal Planner". This position will direct, plan, and organize staff and other resources needed to manage functions that provide direction for future transportation planning, services, and capital improvements. The annual fully loaded cost is expected to be \$163,480, however there is only 5 months remaining in the year. That cost is expected to be \$68,118. The net amount of \$241,962 is being reduced (\$310,078 - \$68,118). The total salaries and benefits cost for FY 2020/21 is now estimated at **\$21,970,309**.

Services and Supplies (Columns C & D, Line 18)

Reduction of \$972,997 due to lower than anticipated expenditures and roughly half of the savings related to reductions in vehicle maintenance related to mid-life overhauls and roughly half of the savings related to fuel. New estimated expenditures are **\$14,421,029**.

Capital Projects (Columns B, C, & D, Line 20)

Capital projects has been increased by \$3,144,379 for the cost of rail cars that not paid in FY 2019/20 due to warranty issues, the Windsor project, and \$30,000 of anticipated expenditures has been moved to Other Governments line item. This results in anticipated expenditures of **\$22,211,179**.

**Other Governments (Columns B, C, & D, Line 21)**

This line item is to capture work that SMART perform for other jurisdictions and are paid for entirely by other jurisdictions. This line item was increase by \$259,600 of which \$229,600 is a rollforward from FY 2019/2020 and \$30,000 was a line item adjustment between Capital Projects. The updated estimate for FY 2020/2021 is **\$3,786,500**.

**Freight (Columns C & D, Line 22)**

State funds were approved and are expected to be received this fiscal year for the purchase of freight rights, equipment, and maintenance. These funds can only be used for designated and authorized activities. Revenues and expenditures will be tracked in a new fund 40 which was established for this purpose. The amount is **\$6,000,000**. The revenue is listed on line 6.

There were no changes to the following expenditure line items: Equipment, Buildings, & Improvements (Column D, Line 19) and Account and Fund Transfers (Column D, Line 23).

Total expenditures are estimated at **\$70,471,928** (Column D, Line 24)

Budget expenditures do include funds for weekend service. If service is not restored, there will be additional savings in FY 2020/2021.

**Additional Adjustments****Pension Liability (Columns B & D, Line 26)**

At the end of each year, the amount of pension liability is calculated and transferred to the Pension Liability Fund for future use. The amount from the FY 2019/20 financial audit is **\$1,079,380**.

**Equipment Sinking Fund (Columns A & D, Line 27)**

This fund is used to accumulate funds for future equipment needs such as Diesel Multiple Units (DMUs). The original contribution in the FY 2020/21 budget was **\$5,000,000**. We are continuing that contribution in the amended budget.

**Adjustment to match Board approved minimum reserve (Columns A, B, & D, Line 28)**

Originally \$17 million had been deducted from the beginning fund balance for the operations reserve. In the FY 2020/21 budget, the Board approved \$10 million for the reserve. This resulted in \$7 million going back to the unrestricted reserve. This amount has already been accounted for in the Beginning Fund balance (Column B, Line 13), so we took it to \$0, so it wouldn't be duplicated.

**Corridor Completions Fund Reserve (Columns C & D, Line 29)**

We are recommending to the Board that they set aside \$7,000,000 (see line 28) for corridor completion activities. These funds could be used by the Board to leverage other funding for projects, or activities such as completing National Environmental Protection Agency (NEPA) work or preliminary design.

**Remaining Unrestricted Year End Fund Balance (Estimated)**

The remaining unrestricted fund balance is the portion of the fund balance that is not currently restricted for other uses and can be spent or allocated by the Board. The unrestricted fund balance is calculated by SMART using audited numbers in the following way:

Plus (+)	Forecasted Revenues
Plus (+)	Beginning Fund Balance
	Debt Service
Less (-)	Forecasted Expenditures
Plus (+) or Less (-)	Other Adjustments
Equals (=)	Remaining Unrestricted Fund Balance

The unrestricted fund balance for FY 2020/2021 year-end is estimated at **\$37,466,206** (Column D, Line 31). This is attributable to a higher beginning fund balance, higher revenues, and savings related debt service, vehicle maintenance, and fuel.

**Restricted Fund Balance – Reserves (Lines 32-36)**

SMART currently has four (4) reserve funds. We are recommending the addition of a Corridor Completion Reserve. It would require a 2/3rds vote to utilize as does the other reserves. These restricted reserve balances are in addition to the forecasted unrestricted fund balance above.

Reserve	Amount
Self-Insured Fund	\$1,876,019
Capital Sinking Fund	\$7,625,000
Future Other Post-Employment Benefits (OPEB)/ CalPers Liability Fund	\$3,074,676
Operating Reserve (Equivalent to 25% operations or 3 months)	\$10,000,000
Corridor Completion Fund (New)	\$7,000,000

Very truly yours,

/s/

Heather McKillop  
Chief Financial Officer

Attachment: Resolution No. 2021-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA-MARIN AREA RAIL TRANSIT DISTRICT AMENDING RESOLUTION NO. 2020-10 TO REVISE THE ANNUAL BUDGET FOR FISCAL YEAR 2020-21 TO PROVIDE FOR REVISED EXPENDITURE AUTHORITY AND INCREASED POSITION AUTHORITY**

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**WHEREAS**, as part of its approval of the Annual Budget for Fiscal Year 2020-21, the Board duly considered the annual expenditures necessary for the Sonoma-Marín Area Rail Transit District; and

**WHEREAS**, on June 17, 2020, the Board adopted Resolution No. 2020-10 approving the annual budget for Fiscal Year 2020-21; and

**WHEREAS**, Resolution No. 2020-10 considered the appropriation of funds for Operating expenses as part of the Annual Budget; and

**WHEREAS**, the Board desires to Amend the Annual Budget to provide increased appropriation authority for short line railroad related expenditures and revised position authority; and

**WHEREAS**, Resolution No. 2020-10 considered the creation of employee positions and fixed the compensation and salary for those positions; and

**NOW, THEREFORE, BE IT RESOLVED THAT** Resolution No. 2020-10, FY 2020-21 Annual Budget, Exhibit A, Table 1, is hereby amended to increase expenditure authority.

**NOW THEREFORE, BE IT ALSO RESOLVED** that Resolution No. 2020-10, Exhibit A, Table 5 (SMART Position Authorizations), is hereby revised to add one new position, Principal Planner, as shown below, and;

Position	Authorized FTE	Salary Range: Annual		Salary Range: Hourly	
		Low	High	Low	High
Principal Planner	1	\$122,096	\$148,408	\$58.70	\$71.35

**BE IT FURTHER RESOLVED** except as specifically amended or supplemented by this Resolution, Resolution No. 2020-10, together with all supplements, amendments and exhibits thereto is, and shall continue to be, in full force and effect as originally adopted, and nothing contained herein shall, or shall be construed to, modify, invalidate or otherwise affect any provision of Resolution No. 2020-21.

Resolution No. 2021-01  
Sonoma-Marín Area Rail Transit District  
February 3, 2021

<b>TABLE 1:</b>					
<b>BUDGET REPORT: OVERVIEW OF ALL SOURCES AND USES</b>					
		Column			
		A	B	C	D
		FY 2020-21 ADOPTED BUDGET	Rollover From FY19-20 Budget	Adjustments Since Budget Adopted	FY 2020-21 PROPOSED AMENDED BUDGET
<b>Forecasted Revenue</b>					
1	Sales/Use Taxes	\$ 33,020,754	\$ -	\$ 6,112,246	\$ 39,133,000
2	Interest and Lease Earnings	\$ 975,283	\$ -	\$ (236,583)	\$ 738,700
3	Miscellaneous Revenues	\$ 28,824	\$ -	\$ 76,176	\$ 105,000
4	Fare & Parking Revenue	\$ 2,658,366	\$ -	\$ (1,977,841)	\$ 680,525
5	State Grants	\$ 16,038,215	\$ 2,653,746	\$ 109,669	\$ 18,801,631
6	State Grants - Freight (Fund 40)	\$ -	\$ -	\$ 6,000,000	\$ 6,000,000
7	Charges For Services	\$ 80,000	\$ -	\$ -	\$ 80,000
8	Federal Funds (non-CARES)	\$ 6,900,000	\$ 494,025	\$ -	\$ 7,394,025
9	Federal Funds CARES	\$ 6,600,000	\$ -	\$ 294,348	\$ 6,894,348
10	Other Governments/ Misc.	\$ 4,741,900	\$ 229,600	\$ 3,985,693	\$ 8,957,193
11	Measure M	\$ 157,348	\$ -	\$ -	\$ 157,348
12	<b>Total All Revenues</b>	<b>\$ 71,200,690</b>	<b>\$ 3,377,372</b>	<b>\$ 14,363,708</b>	<b>\$ 88,941,770</b>
13	<b>Beginning Fund Balance</b>	<b>\$ 22,571,008</b>	<b>\$ 23,788,995</b>	<b>\$ -</b>	<b>\$ 46,360,003</b>
14	<b>Total Revenues + Beginning Fund Balance</b>	<b>\$ 93,771,698</b>	<b>\$ 27,166,367</b>	<b>\$ 14,363,708</b>	<b>\$ 135,301,773</b>
<b>Debt Service</b>					
15	Debt Service	\$ 16,405,850	\$ -	\$ (2,121,591)	\$ 14,284,259
16	<b>Total Revenues Less Debt Service</b>	<b>\$ 77,365,848</b>	<b>\$ 27,166,367</b>	<b>\$ 16,485,299</b>	<b>\$ 121,017,514</b>
<b>Budgeted Expenditures</b>					
17	Salaries & Benefits	\$ 22,212,271	\$ -	\$ (241,962)	\$ 21,970,309
18	Services & Supplies	\$ 15,394,026	\$ -	\$ (972,997)	\$ 14,421,029
19	Equipment, Buildings & Improvements	\$ 2,417,911	\$ -	\$ -	\$ 2,417,911
20	Capital Projects	\$ 19,096,800	\$ 3,144,379	\$ (30,000)	\$ 22,211,179
21	Other Governments	\$ 3,526,900	\$ 229,600	\$ 30,000	\$ 3,786,500
22	Freight (Fund 40)	\$ -	\$ -	\$ 6,000,000	\$ 6,000,000
23	Account and Fund Transfers	\$ (335,000)	\$ -	\$ -	\$ (335,000)
24	<b>Total Budgeted Expenditures</b>	<b>\$ 62,312,908</b>	<b>\$ 3,373,979</b>	<b>\$ 4,785,041</b>	<b>\$ 70,471,928</b>
25	<b>Total Revenues Less Debt Service and Budgeted Expenditures</b>	<b>\$ 15,052,940</b>	<b>\$ 23,792,388</b>	<b>\$ 11,700,259</b>	<b>\$ 50,545,586</b>
26	Transfer to Future OPEB/CalPERS Liability Fund	\$ -	\$ (1,079,380)	\$ -	\$ (1,079,380)
27	Transfer to Equipment Sinking Funds	\$ (5,000,000)	\$ -	\$ -	\$ (5,000,000)
28	Adjustment to match Board approved minimum agency reserve	\$ 7,000,000	\$ (7,000,000)	\$ -	\$ -
29	Transfer Fund Balance to New Corridor Completion Reserve	\$ -	\$ -	\$ (7,000,000)	\$ (7,000,000)
30	<b>Total Additional Adjustments</b>	<b>\$ 2,000,000</b>	<b>\$ (8,079,380)</b>	<b>\$ (7,000,000)</b>	<b>\$ (13,079,380)</b>
31	<b>Estimated FY 2020/21 Ending Fund Balance</b>	<b>\$ 17,052,940</b>	<b>\$ 15,713,008</b>	<b>\$ 4,700,259</b>	<b>\$ 37,466,206</b>
<b>Restricted Fund Balances (Reserves)</b>					
32	Self Insured	\$ 1,876,019			
33	Equipment Sinking Fund	\$ 7,625,000			
34	Future OPEB/ CalPERS Liability Fund	\$ 3,074,676			
35	Corridor Completion Reserve (New)	\$ 7,000,000			
36	Operating Reserve (25% or 3 months operating)	\$ 10,000,000			

**Resolution No. 2021-01  
Sonoma-Marín Area Rail Transit District  
February 3, 2021**

**PASSED AND ADOPTED** at a regular meeting of the Board of Directors of the Sonoma-Marín Area Rail Transit District held on the 3rd day of February 2021, by the following vote:

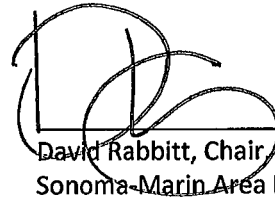
**DIRECTORS:**

**AYES:** Arnold, Colin, Connolly, Fudge, Garbarino, Gorin, Hillmer, Lucan, Pahre, Rabbitt and Rogers

**NOES:**

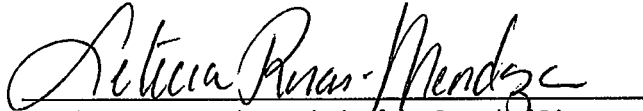
**ABSENT:**

**ABSTAIN:**



David Rabbitt, Chair, Board of Directors  
Sonoma-Marín Area Rail Transit District

**ATTEST:**



Leticia Rosas-Mendoza, Clerk of the Board of Directors  
Sonoma-Marín Area Rail Transit District