



**CITIZENS OVERSIGHT COMMITTEE
MEETING AGENDA
May 27, 2020 – 7:30 AM**

**IN ACCORDANCE WITH GOVERNOR’S EXECUTIVE ORDERS N-25-20 AND N-29-20 THE
CITIZENS OVERSIGHT COMMITTEE MEETING WILL BE HELD VIRTUALLY**

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

ZOOM TELECONFERENCE INSTRUCTIONS

PUBLIC COMMENT DURING THE MEETING:

The COC Chair will open the floor for public comment during the Public Comment periods on the agenda. Please check and test your computer settings so that your audio speaker and microphones are functioning. Speakers are asked to limit their comments to two (2) minutes. The amount of time allocated for comments during the meeting may vary at the Chairperson’s discretion depending on the number of speakers and length of the agenda

1. Call to Order
2. Approval of April 21, 2020 Minutes
3. Public Comment on Non-Agenda Items
4. Discuss Future of Citizen’s Oversight Committee
5. Fiscal Year 2020-21 Budget Update and Survey Results
6. Next Meeting: TBD
7. Adjournment

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**CITIZENS OVERSIGHT COMMITTEE
MEETING MINUTES
April 21, 2020 – 8:30 AM
*(NOTE TIME CHANGE)***

**IN ACCORDANCE WITH GOVERNOR’S EXECUTIVE ORDERS N-25-20 AND N-29-20
THE CITIZENS OVERSIGHT COMMITTEE MEETING WILL BE HELD VIRTUALLY**

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1. Call to Order

Chair Colombo called the meeting to order at 8:30AM. Committee members Steve Rabinowitsh, Peter Breen, David Oster, Tanya Narath and Julia Violich were in attendance. Steve Birdleough and Dennis Harter joined later.

SMART Staff: General Manager, Farhad Mansourian; Chief Financial Officer, Erin McGrath; Chief Engineer, Bill Gamlen; Information Systems Specialist, Bryan Crowley; and Clerk of the Board, Leticia Rosas-Mendoza

2. Public Comment on Non-Agenda Items

Richard Brand stated that he walked along SMART’s right-of-way south of Windsor to see the construction. He asked if the rail could be renovated instead of full replacement, as this could actually save SMART funds. Mr. Gamlen responded that the underlying of foundation of the track is in good shape. Construction of the track is to the subgrade and ballast is added.

Patricia Tuttle-Brown stated that at the April 15th Board of Directors meeting there was a discussion regarding expanding the COC committee. She said that in her view the committee needs to be expanded. The Strategic Plan does not have consistent language regarding the pathway. She has been a SMART supporter since 1990’s, and wrote a letter to the Argus Courier in support of Measure I.

John Reed stated that the current situation is an opportunity to change the approach and embrace the bicycle community especially with the failure of Measure I. He said that copper rails and touchable surface are known to reduce infections.

Duane Bellinger voiced his concerns regarding the Downtown Petaluma transaction based on an appraisal that is two years old. He suggested copper plating instead of replacement.

Sheila Baker said that the bicycle community is broader than the Bicycle Coalitions. Some people are starting to know that they can take their bicycles on the train.

Steve Birdlebough joined the meeting at 8:45AM

Chair Colombo stated that Item #5 will be moved on the Agenda due to the General Manager Mansourian needed to attend another meeting.

5. Input on Measure I

General Manager Mansourian stated staff recommended to the Board of Directors at their April 15th meeting to utilize our Citizens Oversight Committee (COC) to conduct outreach to seek input and ideas. Public outreach will be conducted in a workshop style.

Lastly, SMART needs to listen and conduct a lot of outreach to various groups. Once we seek input comments they will be compiled and prepare an action plan to move forward.

Comments

Chair Colombo stated that there is a way to engage citizens who have opposed SMART. There is a tremendous outreach that needs to be conducted with various groups to listen and address their input.

Peter Breen suggested communicating with the universal voters and not just special interest groups. He said that it will be helpful if SMART's staff prepares a draft plan which outlines areas that the COC members can assist.

Julia Violich stated that there is miscommunication and various groups don't feel they are being heard. She suggested reaching and listening to the various groups. The Marin Bicycle Coalition stayed neutral during the election; however, they do support SMART and love the train.

Tanya Narath stated than listening is extremely important. Having a list of various groups that the COC members conduct outreach will be helpful. SMART needs to be able to listen to input and reply. Perhaps finding new ways of communicating and providing information regarding the Pathway or other projects related to SMART. It could be challenging at this time due to budget constraints but she suggested having an on-line engagement tool for the public to provide feedback.

Steve Rabinowitsh stated that after reviewing and comparing 2008 and 2020 election results, SMART has a huge task connecting with the voters. As stated earlier there needs to be a new outreach strategy to connect with the voters. He would like to see a list of Measure I supporters and the groups that opposed the Measure. During the 2008 election the steering committee conducted a lot of door to door voter contact. While the COC members can assist with outreach, they are not the

main driver to reach out into the community.

Duane Bellinger stated that he has been a rail supporter since 1989. He voiced his concerns regarding East Petaluma property. The support from Petaluma has gone down, for Measure Q was 77% and for Measure I it was 55%. He suggested analyzing the reason the support decrease.

Mike Arnold said he submitted a memo to Chair Colombo. The memo addresses how they ran their campaign opposing SMART. He strongly urged the members to read the memo. The voters' concerns were about the agency's transparency and financial accountability. There is an opportunity for the COC members to have a role in the accountability and oversight of management in the interest of the public.

Chair Colombo said that the COC roles can be better defined.

Bob Williamson suggested having open and honest communication with members of the public. During Measure I he received campaign flyers that were misleading information regarding debt service saving of \$12 million. There is an opportunity for the COC members to establish their roles.

John Reed suggested having financial information with interpretation available for the public. Transit agencies are subsidized by other funding sources. Listening to public needs is very important.

Willard Richards said he submitted suggestions to the COC members on how to address the traffic congestion in Downtown San Rafael. SMART's General Manager Report, dated March 2020 provides excellent information on SMART's activities to address the issue. If it has not been adequately released, he recommends the COC discuss and advise on how that information would be made public.

Dennis Harter joined the meeting at 9:15AM

3. Review the Comprehensive Annual Financial Report Fiscal Year 2018-19

Chief Financial Officer, Erin McGrath, gave an overview of the Fiscal Year 2018-19 Memorandum of Internal Control and Comprehensive Annual Financial Reports.

We are pleased to report that the Auditors noted no transactions entered for which there is a lack of authoritative guidance or consensus and did not identify any deficiencies in the internal control that would be considered a material weakness.

The Comprehensive Annual Financial Report is a best practice in government for presenting annual financial information. The highlights include:

- SMART's net assets at the close of Fiscal Year were \$467.6 million
- Unrestricted Assets were \$64 million

- Sales Tax revenue of \$41.2 million (11% higher than the prior year which is higher than we anticipated during the budget)
- Total Operating Expenses were \$49 million

Comment

None

4. Discussion of SMART's Budget and Reserves

Chief Financial Officer, Erin McGrath stated that the PowerPoint presentation is available in your packet and it's the same presentation that the Board received on April 15th. Highlights include:

- Overview
- Budget Outlook Following Elections
- Refinancing as Cost Savings Strategy
- Minimum Reserves
- New Budget Challenge: COVID-19
- New Budget Challenge: Initial Projections
 - Total losses of \$11 million in Fiscal Year 2019-20
- CARES Act Relief
- Budget Composition
 - Administration – 13%
 - Administration Debt Service – 17%
 - Capital Projects- 38%
 - Operations – 32%
- Capital Budget FY 2019-20: \$51 million
- Administration Expenses FY 2019-20: \$29 million
- Operations Expenses FY-2019-20: \$32 million
- New Budget Challenge
 - First Challenge
 - Second Challenge
- Three Major Strategies
 - One-time Savings
 - Reduction in Ongoing Expenses, Salary and Non-Salary
 - Reduction in Ongoing Expenses due to Reduction in Services
- Next Steps

Sarah Hollenbeck with Public Financial Management provided an overview of the financial market. Highlights included:

- The market has been volatile last two weeks of March
- The current economic crisis is much different than 2008-2009 recession
- When the Federal Government announced available programs, the market has stabilized
- The MMD in the last several weeks has continued to move
- SMART Bonds are rated "AA"

Comments

David Oster stated that the existing bonds expire in 2028-29 and could be difficult to refinance twice.

Dani Sheehan Meyer stated that staff provided an excellent and detailed report. The reports are available to the public; however, the average person will not read a 110-page report or attend the meetings. The problem is not transparency but educating the public.

Mike Arnold asked the following: 1) the taxable advance for funding have been available for years and SMART issued a high premium at the time it issued the debt, why was it not presented to the Board as an alternative prior to trying to renew the sales tax measure nine years before it expires; 2) how do the COC members feel about SMART using the reserves for rail operations; and CDFTA (Board of Equalization) publishes monthly sales tax data, he has utilized the data to compare SMART's budget. He said that SMART's staff and COC members can use the information.

Willard Richard stated that the budget presented to the voters during Measure I campaign allocated \$3.2 million for operating cost from to Cloverdale. As long as Highway 101 between Healdsburg and Cloverdale is not congested, SMART can eliminate the need for those funds.

Mike Pechner asked if SMART can get a contract for purchasing gas, since the cost is very low at this time. Also, he asked if the Windsor Extension Project is fully funded and will the contractor be able to reduce the cost of construction. Ms. McGrath responded that the construction has a fixed price contract.

Julia Violich stated since the current state in fuel gas is at a low, will SMART be able to get a long-term contract and does SMART have the ability to store gas for the trains? She asked if SMART will be receiving CARES Act fund in fiscal year 2020-21. Ms. McGrath responded that SMART doesn't have availability to store fuel on site, staff will need to research if it's possible to get a long-term contract for gasoline.

Dennis Harter thanked Ms. McGrath for the report. He suggested including detail itemized information on each budget reduction item to help the public understand. He also said that he would like SMART to have a dedicated staff member to conduct ridership outreach and explain fares with various groups.

Tanya Narath acknowledged the attendees who joined the Zoom meeting today. She appreciates all the comments that have been shared. The questions around the budget are an opportunity for SMART and COC members to demonstrate that business is conducted differently. She suggested engaging more members of the community through the budget process.

6. Input on Citizen's Oversight Committee Role and Makeup

Chair Colombo said there has been a lot of discussion of SMART and the role of the COC members. He stated that the overall community does not understand the COC members role is to provide input and review the Strategic Plan every 5 years. It will be great to have a discussion and a clear definition for the community.

Steve Rabinowitsh stated that according to Measure Q the COC members are responsible for reviewing, providing input and updating the Strategic Plan. He suggested having more frequent and regular meetings.

Steve Birdleough stated that the COC members need to meet and have regular meetings scheduled. He asked how many government agencies does SMART need to report to yearly. How many complaints does SMART receive from transit riders? How much should the COC members dip into the schedule reduction. There is a lot of work that needs to be done and are the members available.

Chair Colombo stated that we as members need to be careful of the COC responsibilities vs. the Board of Directors responsibilities. We are an oversight committee that supports the role of providing input, review and making suggestions.

David Oster stated that Measure Q outlines the obligation of COC members needs to continue. If the roles of the COC members is going to be expanded, he suggested and Advisory group with various representatives.

Julia Violich stated the COC members have not had an influential role and she would like the public to understand. Perhaps having an Advisory Group that the members have more responsibility to the community/public.

Dani Sheehan Meyer stated that the COC role cannot change because of Measure Q. She suggested having an Advocacy Committee and expand the process on how to join.

Dennis Harter stated that there needs to be a clear definition of the roles and title.

Chair Colombo suggested defining the COC members roles to make it clear. He likes the idea of having more Zoom meetings.

John Reed stated that it's a very productive meeting and the COC members have a mandate. He suggested having more regular meetings, and defining the group name. Having the ability to have Zoom meeting now is a game changer. SMART can address the issue of climate change.

Patricia Tuttle Brown stated that it's important to realize that the Strategic Plan is the responsibility of the COC. The plan includes more than money and cents, it is also the bible.

Mike Arnold encouraged the COC members to continue to use Zoom meeting, it's very pro-communication. Secondly, it should be recognized the history of the COC that it is very difficult to get files and audio recordings of the meetings. He asked if the COC is the right committee to really execute oversight and represent the public.

Chair Colombo stated that in order for the Sales Tax Measure to pass, SMART will need to provide more information and be transparent to the public needs. He said that Mr. Arnold has not been a supporter of SMART, and his comments were acknowledged.

Peter Breen suggested providing input to staff of what the COC members can do.

Steve Rabinowitsh stated that he serves on the Open Space Advisory Committee and suggested reaching out of how they are organized and conduct business.

7. Next Meeting: TBD

Next Meeting tentatively scheduled: May 27, 2020 at 7:30AM

8. Adjournment

Meeting adjourned at 10:40AM

Respectfully submitted,

Leticia Rosas-Mendoza
Clerk of the Board

Approved on: _____



May 27, 2020

Eric Lucan, Chair
Transportation Authority of Marin

Barbara Pahre, Vice Chair
Golden Gate Bridge,
Highway/Transportation District

Judy Arnold
Marin County Board of Supervisors

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and
Councilmembers Association

Patty Garbarino
Golden Gate Bridge,
Highway/Transportation District

Dan Hillmer
Marin County Council of Mayors and
Councilmembers

Joe Naujokas
Sonoma County Mayors' and
Councilmembers Association

Gary Phillips
Transportation Authority of Marin

David Rabbitt
Sonoma County Board of Supervisors

Chris Rogers
Sonoma County Mayors' and
Councilmembers Association

Shirlee Zane
Sonoma County Board of Supervisors

Farhad Mansourian
General Manager

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Citizen's Oversight Committee Members
5401 Old Redwood Highway, Suite 200
Petaluma, CA 94954

SUBJECT: Citizen's Oversight Committee Future

Dear Citizen's Oversight Committee Members:

RECOMMENDATIONS:
Discuss Future of the Citizen's Oversight Committee

OVERVIEW:
At the last meeting it was decided that the next meeting would involve continued discussion of the future role of the Citizen's Oversight Committee. Please see attached a summary prepared by Steve Birdlebough of the comments received through the middle of last week. Other comments are also attached received after Steve prepared his summary.

At the meeting the Committee will discuss any recommendations you have for the future of the Citizen's Oversight Committee, including choosing a representative to compile and transmit the Committee's recommendations to the Board.

Sincerely,

/s/
Erin McGrath
Chief Financial Officer

Attachment(s): 1) Report from Steve Birdlebough
2) Comments from other members

To: Russ Colombo, Chair, SMART Citizens Oversight Committee
From: Steve Birdlebough
Date: May 21, 2020
Subject: Future Role and Membership of the COC

Recent comments received by the Citizens Oversight Committee and voiced at SMART Board meetings, suggest a need to consider expanding the role of the COC, along with an increase in the number of our members. I think the following issues need to be considered:

SHOULD THE ROLE OF THE COC INCLUDE:

- Serving as SMART’s “eyes and ears” by listening for the wishes, concerns, & needs of communities in the District?
- Assuring that information about SMART is reasonably accessible?
- Assisting in the development of a future funding measure?

SHOULD THE COC MEMBERSHIP INCLUDE:

- Individuals nominated by groups such as chambers of commerce, unions, cycling advocates, educational institutions, etc?
- Representatives of cities or districts affected by rail and pathway activities?

Because members of the COC are volunteers, and SMART staff time is limited, any expansion of duties or membership presents certain organizational issues. It has been suggested that the COC could operate in a manner similar to the advisory committees of the TAM and SCTA. The COC could also be renamed as an “advisory” committee. The Committee could meet more often and more regularly, and sub-committees might be assigned tasks to accomplish between COC meetings.

Below is a summary of the variety of issues that have been raised in recent comments. These are presented in order to challenge our thinking about the best ways to assure that such matters have been heard, and to assure that members of the public realize that they have been heard. Neither the COC nor others should expect to develop recommendations regarding more than a couple of these issues at any one time.

SOME EXAMPLES OF ISSUES

Financial issues:

How should the strategic plan be revised to reflect present circumstances?

How should rail & trail services to the public be prioritized given the constrained budget?

Is it a wise use of funding to be pursuing rail service to Cloverdale at this time?

Current Public Concerns:

San Rafael traffic impacts due to at-grade crossings.

Status of funding & construction for the MUP; closure of the MUP in Petaluma.

Transit-oriented developments at the Petaluma stations.

Planning for train service to Healdsburg, Cloverdale, and Suisun City.

The proposed pedestrian-bike crossing in Santa Rosa.

Future responsibility for and improvement of freight service.

Should the COC primarily serve as a sounding board for the staff, or as a means of assuring accountability and transparency for the public?

Some cities and districts along the SMART right of way have no representation on the SMART Board.

Sales Tax Renewal Issues:

How can SMART improve relationships with interest groups, media & policy makers, including cyclists, labor, elected officials, etc?

How can the detailed information in the General Manager's Reports become more widely understood?.

How should well researched documents be created to objectively examine issues raised by critics?

When should an exploratory group be established to work with the General Manager on a tax renewal campaign?

How soon should SMART's 1/4-percent sales tax go back on the ballot?

SMART Citizens Oversight Committee Meeting April 21, 2020

Summary of Dennis Harter's comments regarding the Agenda Topics

The following is the requested summary of my comments as it relates to the various Agenda topics:

- Discussion of SMARTS's Budget and Reserves –
 - **March 31, 2020 internal financial statements** - I requested that staff provide a copy of the internal financial statements as of March 31, 2020 (actual vs budget) so we have a good solid starting point for the Budget discussion. Without this information, it is not possible to provide any valid input. The comment from the Chairman that this information has no bearing, as the current economic climate is completely different from the prior quarters, is not acceptable as one needs to understand the actual financial position in order to formulate a solid potential plan to move forward. The comment by the CFO that they are too busy with preparing potential budgets and running the train to provide this is also troubling as I would believe these reports are monthly reports that are prepared and no additional work is needed other than distributing the information.
 - **Refinancing of the existing debt** – I am not in favor of this as there does not appear to be an adequate financial benefit. I would hope that SMART would consider placing another Measure on 2022 election cycle. Assuming this, the ability to repay the refinanced debt (Call Date of the new financing) would be limited.
 - **Minimum Reserves** – I am in agreement of a reduction from the current 50% reserve requirement. Based on the reserve policies of the other local transit agencies, a minimum \$10 million dollar reserve appears to be reasonable. I also support the 2/3 requirement by the Board for the use of the SMART's reserve and to preserve this as a last resort.
 - **One-time savings** – I am in agreement with the suggestions, at least until the local economy is open for business and we have some idea on how quickly it will recover. I would hope that these are temporary deferments.
 - **Reduction in Ongoing Expenses, salary and non-salary** – In order to provide any meaningful input, one needs to know the actual cost reduction each of the proposed items. For example, the reduction or elimination of the Train WiFi service sounds like it would be punitive punishment. Another example is the reduction of Federal and State advocacy services (Lobbyists). There is discussion of a large Federal Infrastructure Stimulus package, I would assume it would be beneficial to having Lobbyists trying to obtain funds for SMART. Again, for each of the suggested items for reduction or elimination, please provide the estimated cost savings and the potential effect it will have on SMART ridership.
 - **Reduction in Ongoing Expenses Due to Reduction in Service** – The shelter-in-place will change the work and commuter demand going forward. There are many

businesses and employees that discovered working from home was an acceptable alternative to commuting to an office location. With cheap gas, fewer cars on the road, the train will have a true opportunity to gain ridership. With this said, after we “open for business” and the shelter in place lifted, a deep analysis of each train ridership is needed to understand both the demand and the cost that riders are willing to pay for the SMART services.

- **ADDITIONAL RIDERSHIP** – There is no discussion about the potential increase in revenue by increased ridership. The only way for SMART to have a future successful tax Measure would be to document the increase in ridership. Might I suggest that you assign a SMART employee to contact employers within the two Counties and ask them what it would take for their employees to use the services of SMART? Does the train schedule need to be changed? What can be done to assist with the first/late mile of the employee’s commute? Does the employer/employees understand the current fare options? I would suggest starting with the employers listed on Table 11 of the June 30, 2019 CAFR.
- **Input on Measure I** – There is a lack of trust with the general voting public and SMART. The final blow was SMART’s initial refusal to respond to the ridership questions. It will take a lot of work and disclosures before the general public has faith in the good work done by SMART staff, Board and COC. SMART’s Management and Board members need to reach out to the community. The volunteer work of the COC is not adequate for overcome the current lack of trust by the general public.
- **Citizen’s Oversight Committee** – The name of this committee is a complete misnomer. Per Measure Q, the Citizen’s Oversight Committee is to assist with the development and oversight of the 5-year Strategic Plan. Based on the name of the committee, the general public assumes that the COC actually has some ability for the oversight of SMART. The Board needs to either change the duties/responsibilities of the COC or appoint a new committee consisting of interested, knowledgeable members from the two-counties to assume this oversight responsibility as expected by the general public.

May 21, 2020

Chair Colombo and fellow Committee Members,

At the most recent Citizens Oversight Committee (COC) meeting there was a discussion of the future role of the COC and each member was asked to provide additional thoughts. My thoughts are summarized in the following, and I look forward to a further discussion on May 27.

The COC was created essentially as a financial oversight control required by the 2008 Expenditure Plan incorporated into the successful Measure Q. SMART's long term financial measure/vehicle is its Strategic Plan, first adopted in 2009, and updated every five years thereafter. The specific charge and responsibility of the COC is to provide input and review of the Strategic Plan, as updated; but I believe that the intent was to have the COC focus on budgetary and financial matters, and specifically on the expenditure of Measure Q sales tax revenue.

But that's history. As you all know, the failure of Measure I, among other things, has caused the SMART Board to become aware of a need to be more open and receptive to public comment and input on all levels. From SMART's earliest beginnings following passage of Measure Q, its only formally established way of "hearing from the public" (other than through public comment at SMART board meetings) has been through the COC. That was not enough and the voting public told SMART so last March. It is obvious that things have to change, but the real question is what is the best way going forward for the SMART Board and staff to actually welcome, receive, accept and consider what the public thinks and has to say on a regular, formal basis? And that means public input about a lot more than just sales tax, financial matters, or the Strategic Plan. SMART needs to hear from the public about all aspects of its operations.

My personal opinion is that rather than expand the role of the COC, the significant public input and oversight role that SMART will be creating is important enough to justify the formation of a new committee (Citizens Advisory Committee?) for that purpose. It can be given significantly more power and responsibility than the COC possesses, and its membership can be far more diverse and its meetings held much more often. The COC can continue to perform its Measure Q financial oversight role, (which I believe that it has done responsibly), until the end of the Measure Q tax in 2028-2029 without conflicting with the more expanded role of the new Committee. I think that this may be a unique opportunity for SMART to demonstrate how willing that it now is to hear from and work with the public on a regular basis; and addressing the issue directly through the formation of a Committee charged with doing so would be a good start.

David Oster

SMART Citizens Oversight Committee

Currently the duties of the SMART OVERSIGHT COMMITTEE are limited in scope to the review and comment on the SMART Strategic Plan and Expenditure Plans as they are developed and approved by the SMART Board of Directors.

At the most recent meeting (April 21, 2020) the Committee agreed that the Duties and Scope of the Committee could possibly be expanded to provide a broader path for “community” participation in the overall planning and future development of SMART. The proposed expansion is driven by the recent loss of Measure I which would have refinanced the current tax currently set to expire in 2029. The loss of the Measure will lead to serious financial issues which threaten the future of North Bay commuter rail. The COC is looking to its’ role in assisting the effort to develop a future measure that will be approved by the voters of Marin and Sonoma counties.

Compounding the recent election loss is “uncertainty” of the future of public transit as it is known in the US, due to the Covid-19 pandemic which is sweeping across the globe. If and when the pandemic is at least controlled, serious questions regarding the future of mass public transit present themselves. Will the public be willing travel in the “crowded” vehicles which make up the major component of “mass transit” currently utilizing trains and buses?

The SMART Board will be reviewing a series of proposed reductions in the near future. The COC will be asked to review the proposed reductions as they affect the current and future budget. While this budget and service reductions will be severe, the recent \$10 million Federal aid will ease the problem for 2019-2020 leaving the future uncertain.

The question in the immediate future is the actual viability of a rail commuter system in the North Bay. Is any future taxing measure possible given the world-wide uncertainty? It seems almost foolish and irresponsible to be planning for a long term future when the entire social and commercial world has been “turned on its head”. Will there be a need for or lack of the need for mass transit in the North Bay and to San Francisco?

Assuming the most optimistic days ahead, the role of the COC could be modified to serve as the “eyes and ears” of the communities by seeking out the best information/wishes needed in the development of the most positive support for an additional tax measure in the future. While much of this information is already widely known as a result of the important work by the various groups and organized advocates interested in trails, bike paths, tourism, freight, environmental groups, academics and train riders, who have been with SMART since the early days. What will be needed now is the enthusiastic “support” of the greater voter population in the North Bay, normally known to the “average” voter.

The size of the COC could be expanded to include the advocate groups, North Bay businesses, commuters, college students, academics, casinos, etc. The expanded COC can be then subdivided into specific sub-committees with special interest and skills to develop and execute a Plan for the development of an overall strategy for the successful passage of a future Measure which would be presented to the SMART Board of Directors. The expansion proposal should be a major item of the next COC meeting. A working augmented sub-committee can be appointed at that meeting for approval by the SMART Board of Directors.

In the meantime the COC should to limit its work to the Review and Comment of the proposed and future SMART budget that will be proposed by the SMART staff for the 2010-2021 year in May.



May 27, 2020

Eric Lucan, Chair
Transportation Authority of Marin

Barbara Pahre, Vice Chair
Golden Gate Bridge,
Highway/Transportation District

Judy Arnold
Marin County Board of Supervisors

Damon Connolly
Marin County Board of Supervisors

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Sonoma County Mayors' and
Councilmembers Association

Gary Phillips
Transportation Authority of Marin

David Rabbitt
Sonoma County Board of Supervisors

Chris Rogers
Sonoma County Mayors' and
Councilmembers Association

Shirlee Zane
Sonoma County Board of Supervisors

Citizen's Oversight Committee Members
5401 Old Redwood Highway, Suite 200
Petaluma, CA 94954

SUBJECT: Budget Update and Survey Results

Dear Citizen's Oversight Committee Members:

RECOMMENDATIONS:

Receive report on SMART Budget Progress and Public Survey

OVERVIEW:

Attached are the last two reports given to the Board of Directors on the reductions contemplated in the Fiscal Year 2020-21 budget and the presentation from last meeting. The draft of the budget document is not yet final, but at the meeting we will brief you on the decisions made by the Board that will be included in the budget. Part of that decision-making process involved a survey undertaken about the cuts that had been proposed which is summarized in the attach presentation.

Sincerely,

/s/

Erin McGrath
Chief Financial Officer

Farhad Mansourian
General Manager

Attachment(s): 1) May 20, 2020 Board Presentation
2) May 20, 2020 Board Report
3) May 6, 2020 Board Report

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COMMUNITY SURVEY ON PROPOSED SERVICE REDUCTIONS AND BUDGET STRATEGY

ATTACHMENT #1

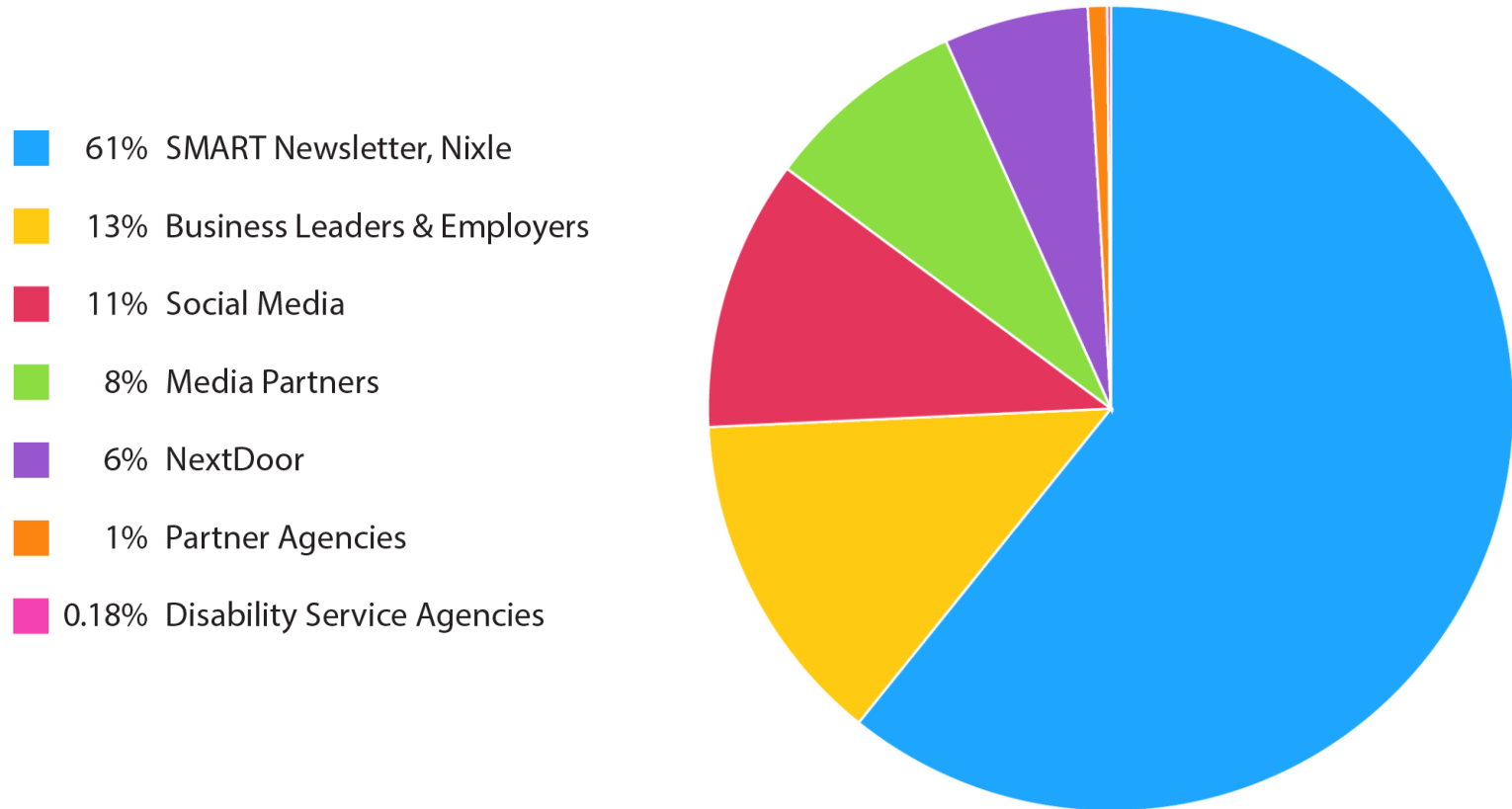
May 19, 2020

Community Survey on Proposed Service Reductions

- Open for 7 days from Monday, May 11 – Sunday, May 17
- Distributed through SMART's communication channels and thru 65 public and private agencies
- 3,281 respondents
 - 74% of respondents ride SMART
 - 26% of respondents have never traveled on SMART
- When comparing the responses of SMART riders to those of non-riders, they are remarkably similar
- The full survey results will be available online

EXECUTIVE SUMMARY

Where responses came from



On Eliminating WiFi

- 90% said eliminating WiFi would NOT factor in decision to ride
- 62% would use their own data plan
- 30% would create a personal hotspot
- 6% said data limits would prevent them from accessing internet

On paying a fee for WiFi service:

- 60% are not willing to pay for WiFi service
- 28% are willing to pay a \$1 - \$2 fee per use

On Eliminating Weekend Service

- 29% reported they primarily ride on weekdays, and elimination of weekend service **would not** impact them
- 18% of respondents said they ride SMART **only** on weekends
- 28% said they were likely to ride SMART **less** if weekend service were cut
- Comments received are [available online](#)
- With the arrival of spring and summer many respondents anticipated riding SMART more frequently, noting the connection to the Larkspur Ferry
- Many wanted later PM weekend service and fewer mid-afternoon trips
- Many suggested eliminating only one day on weekends for example: offering a Saturday-only service, or
- Offering a reduced level of weekend service

On Reducing Weekday Service

- 36% of respondents **ride primarily on weekdays**
- 42% of respondents found the weekday schedule to be acceptable
- Comments received are [available online](#)
- Respondents frequently cited the need for:
 - Earlier AM trains for **both** southbound & northbound commutes
 - Later PM trains for **both** southbound & northbound commutes
 - School commuters wanted to see earlier AM trains and later PM trains
 - Maintaining a schedule that is synced with the Larkspur Ferry

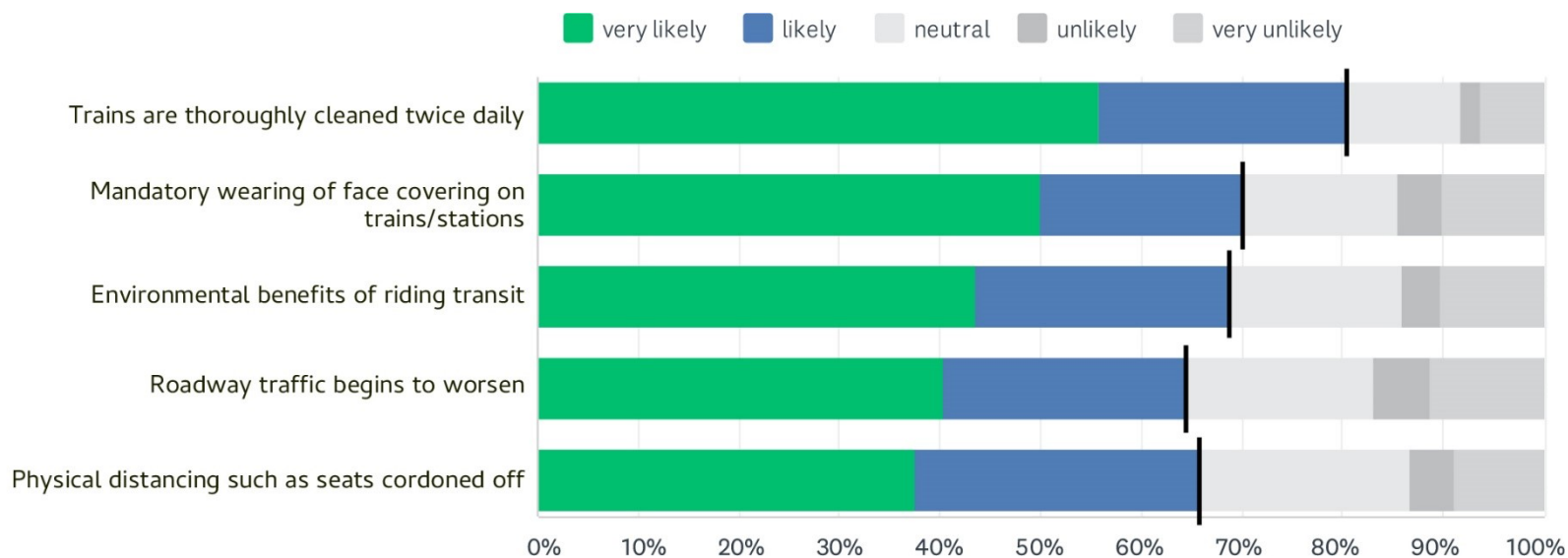
Rider frequency before shelter in place orders

Survey respondents said that before the shelter in place orders

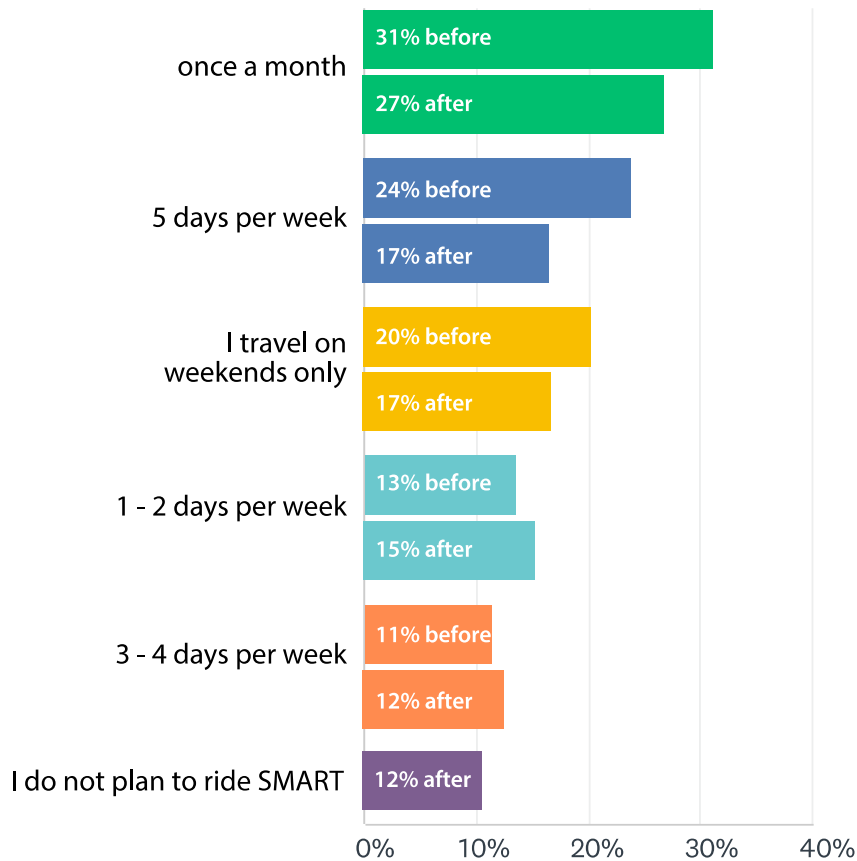
- 36% rode on weekdays
- 26% had never traveled on SMART
- 23% were occasional riders, traveling only once a month
- 15% ride SMART **ONLY on weekends**, 25% of this sub-group travel on a monthly frequency for leisure purposes

Top 3 factors SMART riders are considering when deciding to ride the train

- 81% - knowing the trains are thoroughly cleaned twice daily
- 70% - mandatory wearing of face covering on trains/stations
- 68% - environmental benefits of riding transit

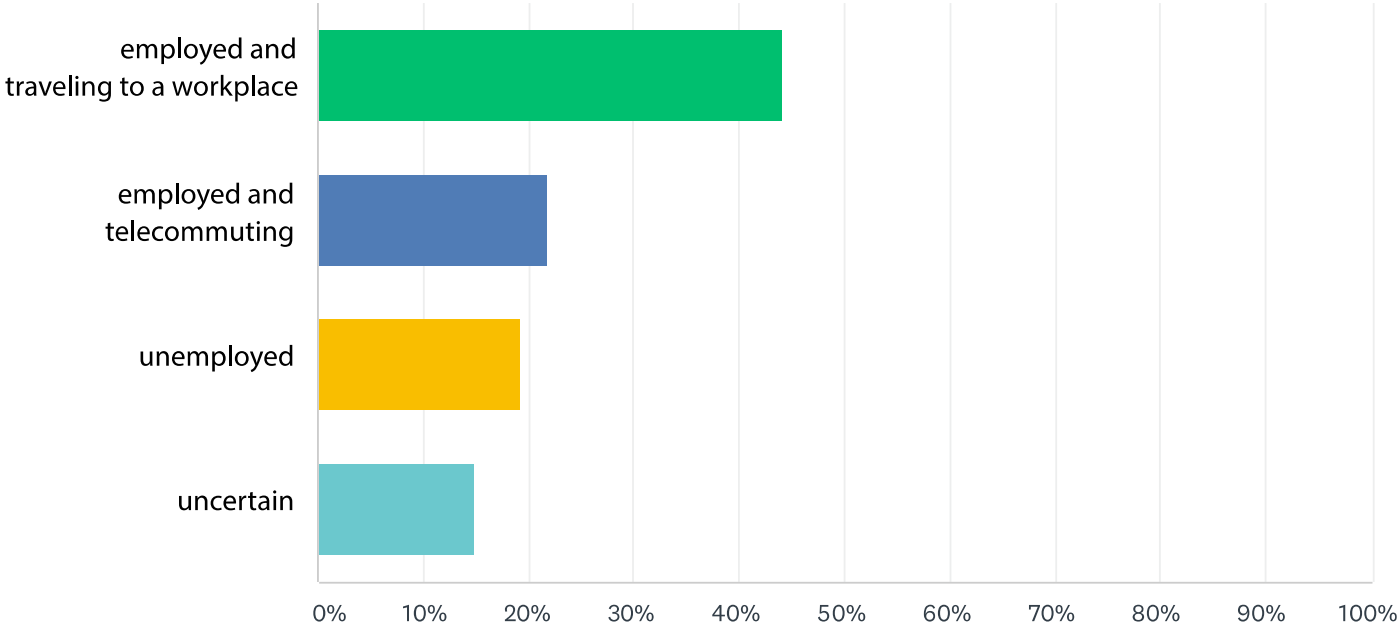


Comparison of Travel Frequency for SMART Riders Only - Before and After Shelter in Place



ANSWER CHOICES	BEFORE	AFTER	CHANGE
once a month	31%	27%	- 4%
5 - 7 days per week	24%	17%	- 7%
travel on weekends only	20%	17%	- 3%
1 - 2 days per week	13%	15%	+ 2%
3 - 4 days per week	11%	12%	+ 1%
I do not plan to ride SMART	0%	12%	+12%

As the shelter in place order begins to be eased, what do you anticipate your employment status be?



ANSWER CHOICES	RESPONSES
employed and traveling to a workplace	44%
employed and telecommuting	22%
unemployed	19%
uncertain	15%

Possible Impacts

- SMART will lose ridership **if weekend service is eliminated**
17% of survey respondents said they anticipate **ONLY** riding on weekends after shelter in place orders ease

Additionally:

- 12% of respondents **do not** anticipate returning to riding SMART as shelter in place orders ease
- 22% of respondents are continuing to telecommute
- 15% are uncertain about their employment status
- uncertainty about whether schools will be online this Fall
- concerns about the spread of the coronavirus

Summary

- 90% of respondents are amenable to the elimination of free onboard WiFi
- Elimination of Weekend service will result in a loss of leisure/recreational riders
- With the arrival of spring and summer many respondents expressed a desire to ride SMART for weekend leisure trips to San Francisco
- The proposed Weekday service reductions are acceptable to commuters **IF** there is
 1. earlier AM service
 2. later PM service
 3. and the schedule is coordinated with the Ferry to allow for commutes to San Francisco

QUESTIONS

REDUCTION STRATEGIES

Three major strategies for budget reduction proposals for FY 2020-21
The first two strategies your Board has given early approval for:

1. One-time savings: \$3.5 million

- Delay and funding shifts for equipment, repairs

2. Ongoing Expense Reductions: \$2.6 million

- Contracts for customer service, WiFi, other contracts
- Refinancing of debt, reduction in liability policies

We are moving forward with including those reductions in the budget we will be bringing to you on June 3

REDUCTION STRATEGIES

We are now requesting direction from you on the third strategy we outlined:

3. Reduction in Expenses Resulting from Service Reductions

Originally presented to you a reduction scenario that could include:

- Elimination of weekend service: Net savings of \$1.6 million
- Reduction to 22 trips daily: \$3.2 million
- Reductions in pay and benefits: \$1.1 million

REDUCTION STRATEGIES

How quickly do we move to implement the next “bucket” of reductions?

- We have imperfect information about the length and impact of the health and economic crises
- We do not know how deeply we need to cut in the long run

Three important considerations:

1. Federal CARES Act Funding:

- Substantial funds of \$16.9 million available IF (MTC) allocates the remaining 31% of CARES Act funds using the same formula
- This can support the equivalent of our full operating costs for 6 months
- Provides us time to determine with more accuracy the revenue impacts of the shelter in place order
- More time = better projections into future years

REDUCTION STRATEGIES

2. Implications of Staff Layoffs:

- Does not serve our riders or the public to react too quickly
- Possibly laying off highly skilled employees you will still need in 6 months
- Our ridership will ultimately begin to return, even if the timing of that is uncertain
- Ramping up service requires trained, qualified employees which, as you know, takes significant time
- Significant human toll and a long-term strategic risk to our future operations without the very specialized staff we have already trained

REDUCTION STRATEGIES

3. Year-Round Budget:

- We are required to adopt a budget by June 30
- However, after July 1 --
 - » More information on quarterly sales tax
 - » More information on the economy reopening
 - » Ability to reexamine our adopted budget and make corrections

In the face of these three important considerations and the survey results –

What should the ultimate service schedule look like when we are fully functioning? Do we make significant service cut assumptions now, or do we wait for more information?

REDUCTION STRATEGIES

Alternative service reduction option to include in the budget:

- Rather than reducing to 22 trips a day, we could, for now, plan on restoring an extra train at the beginning and another one at the end of the work day to accommodate public input

- Achieves two goals:
 1. Responds to the survey results we have received about an earlier and later train option
 2. Could be accomplished without staff layoffs. We would be able to make reductions using attrition and the deletion of vacant positions

REDUCTION STRATEGIES

- SMART would run a “6-1-6” schedule, which means six morning runs, six evening runs and one midday run, for a total of 26 runs on the weekday
- Savings associated with that service are \$1.1 million annually
- Board could delay a decision on weekend service until after our revenue picture is clearer
- However, we would continue not running weekend service until the shelter-in-place is lifted and weekend ferry service is restored
- Adding this additional \$1.1 million reduction to the earlier reductions already discussed puts us in a good place for now
- We could maintain that new level of service utilizing the CARES Act funding and our unallocated fund balances for several years without dipping into the minimum \$10 million operations reserve your Board approved

BUDGET PREPARATION

If directed, this reduction option would be included in the budget

- Budget will assume these changes in the June 3 presentation for further discussion and public input
- The budget will then be adopted on June 17 at your last meeting before the end of the Fiscal Year
- Continue to monitor and examine the revenues
- In July we can examine sales tax receipts for the April, May and June quarter
- Continue to engage Metropolitan Transportation Commission (MTC) on the disbursement of the CARES Act funds
- We will return in the coming months to report on our findings and whether our assumptions and decisions should be revisited

Illustrated 6-1-6 Weekday Schedule

☐ AM Times ☐ PM Times

SOUTHBOUND - Sonoma County Airport to Larkspur													
Sonoma County Airport	5:02	6:06	6:38	7:10	7:42	8:14	12:45	2:21	2:53	3:25	3:57	4:29	5:33
Santa Rosa North	5:09	6:13	6:45	7:17	7:49	8:21	12:52	2:28	3:00	3:32	4:04	4:36	5:40
Santa Rosa Downtown	5:13	6:17	6:49	7:21	7:53	8:25	12:56	2:32	3:04	3:36	4:08	4:40	5:44
Rohnert Park	5:21	6:25	6:57	7:29	8:01	8:33	1:04	2:40	3:12	3:44	4:16	4:48	5:52
Cotati	5:24	6:28	7:00	7:32	8:04	8:36	1:07	2:43	3:15	3:47	4:19	4:51	5:55
Petaluma Downtown	5:39	6:43	7:15	7:47	8:19	8:51	1:22	2:58	3:30	4:02	4:34	5:06	6:10
Novato San Marin	5:51	6:55	7:27	7:59	8:31	9:03	1:34	3:10	3:42	4:14	4:46	5:18	6:22
Novato Downtown	5:54	6:58	7:30	8:02	8:34	9:06	1:37	3:13	3:45	4:17	4:49	5:21	6:25
Novato Hamilton	6:02	7:06	7:38	8:10	8:42	9:14	1:45	3:21	3:53	4:25	4:57	5:29	6:33
Marin Civic Center	6:08	7:12	7:44	8:16	8:48	9:20	1:51	3:27	3:59	4:31	5:03	5:35	6:39
San Rafael	6:14	7:18	7:50	8:22	8:54	9:26	1:57	3:33	4:05	4:37	5:09	5:41	6:45
Larkspur	6:21	7:25	7:57	8:29	9:01	9:33	2:04	3:40	4:12	4:44	5:16	5:48	6:52

NORTHBOUND - Larkspur to Sonoma County Airport													
Larkspur	6:38	7:42	8:14	8:46	9:18	9:50	2:21	3:57	4:29	5:01	5:33	6:05	7:00
San Rafael	6:46	7:50	8:22	8:54	9:26	9:58	2:29	4:05	4:37	5:09	5:41	6:13	7:08
Marin Civic Center	6:51	7:55	8:27	8:59	9:31	10:03	2:34	4:10	4:42	5:14	5:46	6:18	7:13
Novato Hamilton	6:58	8:02	8:34	9:06	9:38	10:10	2:41	4:17	4:49	5:21	5:53	6:25	7:20
Novato Downtown	7:04	8:08	8:40	9:12	9:44	10:16	2:47	4:23	4:55	5:27	5:59	6:31	7:26
Novato San Marin	7:07	8:11	8:43	9:15	9:47	10:19	2:50	4:26	4:58	5:30	6:02	6:34	7:29
Petaluma Downtown	7:20	8:24	8:56	9:28	10:00	10:32	3:03	4:39	5:11	5:43	6:15	6:47	7:42
Cotati	7:33	8:37	9:09	9:41	10:13	10:45	3:16	4:52	5:24	5:56	6:28	7:00	7:55
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Santa Rosa Downtown	7:45	8:49	9:21	9:53	10:25	10:57	3:28	5:04	5:36	6:08	6:40	7:12	8:07
Santa Rosa North	7:49	8:53	9:25	9:57	10:29	11:01	3:32	5:08	5:40	6:12	6:44	7:16	8:11
Sonoma County Airport	7:55	8:59	9:31	10:03	10:35	11:07	3:38	5:14	5:46	6:18	6:50	7:22	8:17



May 20, 2020

Eric Lucan, Chair
Transportation Authority of Marin

Barbara Pahre, Vice Chair
Golden Gate Bridge,
Highway/Transportation District

Judy Arnold
Marin County Board of Supervisors

Damon Connolly
Marin County Board of Supervisors

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SUBJECT: SMART Budget Survey and Service Reduction Options

Dear Board Members:

RECOMMENDATIONS:

Receive report on Survey and Provide Direction on Further Budget Reductions

OVERVIEW:

As we have discussed at your last two meetings, we are continuing to work to address the dual challenges of the loss of Measure I and the ongoing impacts of the COVID-19 shutdowns. At your last meeting we presented options for reducing the budget. Today we will be presenting you with survey information you requested regarding our future service and the implications for our budget.

BUDGET INPUT:

Because we are facing uncertain economic circumstances, we have been working to provide your Board with options for budget reductions. At your last two meetings, we discussed potential inclusion of three "buckets" of expenditure reductions, two of which your Board has already given early direction on.

The first bucket, which will save \$3.5 million in one-time expenses that we are able to defer, eliminate or fund using other sources. The second bucket of \$2.6 million includes reductions in contracts for services such as customer service, WiFi and an expectation of savings from a smaller refinancing. Your Board has already given direction on this package and those will be included in the budget presentation in June.

We are also continuing to evaluate other savings we can squeeze out of the current expenditures and are making progress at capturing those for additional fund balance in the future. We anticipate our budget will include other reductions we have been able to capture as part of our efforts.

The third “bucket” we presented to you was made up of the elimination of weekend service, a reduction to 22 trips on weekdays, and the associated salary and employee reductions. We identified for you that the weekend service reduction would provide a net savings of \$1.6 million. The reduction to 22 trips would allow SMART a net savings of \$3.2 million. Also included in this bucket are various ideas to reduce benefits and pay of \$1.1 million that we are currently exploring with our staff and union representatives. These reductions are available to us at any point we need to implement them, whether we do it this year, or in the future as our economic circumstances require.

Upon presentation of these reduction options, your Board requested that we do outreach on the proposed new schedule and other reduction options such as the WiFi service. We immediately went to work on that request.

SURVEY RESULTS:

Within days of your meeting, we quickly prepared and distributed a survey to provide the public with an opportunity to hear about the reductions that SMART is considering and to receive input. We will have a complete presentation for you at our meeting, because the survey is still ongoing and will not be complete until Sunday May 17th. The survey was widely distributed and we are receiving good feedback.

Although we do not yet have complete survey results, we can share with you some preliminary results from the more than 2,700 responses so far.

Who responded to the survey?

- 75% of respondents have traveled on SMART (38% are regular weekday riders)
- 25% of respondents have never traveled on SMART

SMART riders on Elimination of WiFi

- 90% said the elimination of WiFi would NOT factor into their decision to ride SMART
- 57% were not willing to pay for WiFi service. (90% said they would either use their own data plan (64%) or create a personal hotspot (27%) to access the internet. Only 7% reported that data limits would prevent them from accessing the internet
- 30% would be willing to pay a \$1 - \$2 fee per use for onboard WiFi

SMART riders on the Elimination of Weekend Service

- 22% reported they ONLY ride SMART on weekends
- 37% reported they only ride on weekdays, and this change would not impact them
- Weekend and leisure riders who frequently take SMART would no longer have a use for the service if weekend service were to be eliminated.
- Respondents also expressed that the weekend schedule did not fit their needs. The majority of these comments suggested weekend schedule changes such as:
 - Earlier and Later Weekend Service, with fewer mid-afternoon trips.
 - Eliminating one, but not both, weekend service days. Example: Saturday only service

- Another common theme was the need for weekend service for recreation, events, cycling, tourism, and business. Riders were anticipating taking SMART more frequently, noting that the connection to the Larkspur Ferry increased their desire to ride.

SMART riders on the Weekday Service Reductions

- Only 50% weekday riders found the proposed weekday schedule to be acceptable for their commute needs.
- Respondents frequently cited the need for:
 - Earlier morning trains for both southbound and northbound commuters
 - Later evening trains for both southbound and northbound commuters
 - Trains that accommodated school commuters
 - Maintaining a schedule that synced with the Larkspur Ferry

Again, we will have more complete survey results for you by the end of Monday and will post those results on SMART website.

BUDGET IMPLICATIONS:

Our policy question is this: How quickly do we move to implement the next “bucket” of reductions? How many of those reductions should we implement right away? We have direction already to implement our first two “buckets” of reductions in the budget. However, we have imperfect information about the length and impact of the health and economic crisis. We do not know how deeply we need to cut in the long run.

In trying to answer this policy question there are three important factors that argue for a more measured approach to this moment in our decision making.

1. Federal CARES Act Funding:

We are very fortunate that we will be receiving substantial funds from the Federal government that will help us to close immediate revenue gaps. Assuming the Metropolitan Transportation Commission (MTC) allocates the remaining 31% of CARES Act funds using the same formula that they agreed to with the 25 General Managers of the Bay Area transit services, our share would be \$16.9 million in funding. This can support the equivalent of our full operating costs for 6 months.

Having these funds allows us time to determine the true impact of the shelter in place order on the sales tax and make better projections into future years.

2. Implications of Staff Layoffs: As we discussed in our May 6 meeting, we do not believe that it serves our riders and the public to react too quickly by laying off good employees that we discover 6 months later we needed to keep. Eventually the public will return to work and our ridership will ultimately begin to return, even if the timing of that is uncertain. Ramping up service requires trained, qualified employees which, as you know, takes significant time. So, although we have the ability to make drastic cutback decisions at any point, there is a human toll and a long-term strategic risk to our future sustainability.

3. Year-Round Budget: Finally, although we are required to adopt a budget by June 30th, we will not be stopping the budget process on July 1. After July 1 we will be getting more information on quarterly sales tax, more information on the economy reopening, and seeing if our budget needs to be corrected. Every service, business, government and individual will be doing the exact same thing seeing where we are and readjusting to the conditions on the ground.

In the face of these three important considerations and the survey results we have presented to you, the policy decision before the Board is what our ultimate service schedule will look like when we are fully functioning? Do we make significant service cut assumptions now, or do we wait?

There is no crystal ball that will tell us what level of reductions will be needed in the long run. Given the uncertainty of sales tax impacts over the next two to four years and our previously identified structural deficit, it would be prudent to make some assumptions of a reduction in full service now. It would also make planning more clear for our staff and our riders.

The cutback scenarios we presented to you at your May 6 meeting all involve layoffs that we might need to implement at some time in the coming months or beyond. However, given the significant CARES Act funding we expect to receive, the difficulty of replacing skilled employees who have been laid off, and our ability to review our decision making at any time, we would like to suggest an alternative fourth “bucket” for your consideration.

We have the option of choosing to look at a smaller reduction in service that would result in restoring an extra train at the beginning and another one at the end of the work day in response to the public input. This would achieve two goals: First it would respond to the survey results we have received to date about an earlier and later train option. Second, it could be accomplished without staff layoffs. We would be able to make reductions using attrition and the deletion of vacant positions.

In this scenario, SMART would run a “6-1-6” schedule, which means six morning runs, six evening runs and one midday run, for a total of 26 runs on the weekday. Our projection of the savings associated with that service are \$1.1 million. For now, we would not assume any cuts to the weekend. We would defer that decision to later in the year after our revenue picture is clearer. We would continue not running weekend service until the shelter-in-place is lifted and weekend ferry service is restored.

Based on the reduction decisions we have made so far, and this additional \$1.1 million reduction associated with running 26 trips on weekdays, we believe we could maintain that new level of service utilizing the CARES act funding and our unallocated fund balances for several years without dipping into the minimum \$10 million operations reserve your Board agreed on.

This policy choice could be implemented in the budget that we present on June 3 for your further discussion and public input. The budget will then be adopted on June 17th at your last meeting before the end of the Fiscal Year.

Again, that would only be the beginning of the process for our management of this crises. We will continue to monitor and examine the revenues and we will know more in July than we do today about sales tax receipts for the April, May and June quarter. We will also continue to engage MTC on the disbursement of the CARES Acts funds we have yet to receive. In whatever scenario we choose and reductions we implement, we will return in the coming months to report on our findings and whether our assumptions and decisions should be revisited.

Very truly yours,

/s/
Farhad Mansourian
General Manager



May 6, 2020

Eric Lucan, Chair
Transportation Authority of Marin

Barbara Pahre, Vice Chair
Golden Gate Bridge,
Highway/Transportation District

Judy Arnold
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SUBJECT: Fiscal Year 2019-20 Budget Update, Fiscal Year 2020-21 Budget Reductions, and Approval of Early Action Items

Dear Board Members:

RECOMMENDATIONS:

1. Provide Input on Budget and Operational Changes
2. Approve Early Actions on Fiscal Year 2019-20 and 2020-21 Budget items for:
 - a) Elimination of On Board WiFi Service
 - b) Reduce rail liability insurance
 - c) Proceed with steps for Bond Refinancing
 - d) Direct staff to notify public on service reductions

SUMMARY:

As discussed at our last Board meeting, we set a goal of identifying ongoing savings of \$6 million in Fiscal Year 2020-21 as an initial step toward addressing our potential COVID-19 revenue impacts as well as ongoing structural imbalances of \$9 million as a result of the loss of Measure I.

Today we will be providing you more detailed information on budget and operational changes that will allow us to reduce our operating expenses and achieve our budgetary goals. We are also asking for approval for immediate early reduction actions on cost management decisions related to contracts and insurance we would like to implement in advance of the approval of the Fiscal Year 2020-21 budget.

BUDGET INFORMATION:

CARES Act Assistance Update:

During your April 15 meeting, we discussed the combined potential impact of the COVID-19 shut-downs and the loss of Measure I. We presented to you our estimate of Fiscal Year 2019-20 (current year) impact could potentially be \$11 million. We also anticipate that that impact would continue into Fiscal Year 2020-21 and potentially grow to an additional \$14 million impact to our sales tax-driven revenues.

On April 18th, SMART was allocated federal CARES Act funds of \$10.3 million by the Metropolitan Transportation Commission (MTC). This is from the original action allocating 61% of the funding provided by Congress. We are in the process of receiving those funds from the federal government to our account.

The additional 39%, when allocated, would provide us with an additional \$6.6 million for Fiscal Year 2020-21 if the same formula was used. This amount, therefore, will be assumed in our budgeted revenue. If MTC changes the current agree-upon formula for the 61%, SMART could receive more or less in funds. For example, if we receive half of what we should get (i.e. \$3 million) this will impact 17 more full-time employees. Congress and the Department of Transportation made it clear that the funds were to be used to preserve service and staff and our belief is that a reduction would be opposite of what the funds were intended to do.

Revenue Projection Impacts:

We are working to determine what level of impact we could be facing as a result of the pandemic and economic shutdown. There is no roadmap for what the financial future holds. Different experts and economists will disagree. In the early days of the crises there was a belief that what we were experiencing would be a short-lived shock to the economy that federal aid would help to rectify. Because the fundamentals of the economy were strong, it seemed that the country could recover quickly from the shock. However, the longer the shutdowns last, and the clearer it becomes that continued social distancing will impact many sectors of the economy for much longer, the more analysts are predicting longer-lasting economic impacts.

For the current Fiscal Year 2019-20, we are assuming a loss of sales tax of 20%. We will not know the sales tax totals until after July 1. However, we are gratified that we can now rely on the \$10.4 million from the COVID-19 CARES Act to fill any holes for the current year. For next Fiscal Year, we have modeled three different scenarios, including one where the economy begins to recover quickly and COVID-19 has only a mild impact, one with a moderate impact and one with a deep impact. In each scenario, we assume that we are absorbing a 30% drop in fare revenue this year (Fiscal Year 2019 and an ongoing loss of 25% over what we had budgeted for Fiscal Year 2019-20). Each scenario also includes the 20% drop in sales tax revenue in the current Fiscal Year 2019-20. The scenarios then vary on what next fiscal year will look like as follows:

Deep Impact: In the “Deep Impact” scenario, we assume that the sales tax continues to drop an additional 5% and levels out at a total loss of 25% over what we had budgeted for the current year.

Moderate Impact: In the “Moderate” scenario, we assume that sales tax begins to climb back slightly from the 20% loss and ends the year with 15% of what had been budgeted in Fiscal Year 2019-20.

Mild Impact: In the “Mild” recovery scenario, we assume that taxes improve from the low of 20% to gain 15% of that back in the Fiscal Year resulting in a 4% drop from our budgeted amount in Fiscal Year 2019-20.

On the chart below we show what this means in dollar amounts for the different scenarios.

	2020 Budget Approved	YEAR END 2020 Revised	2021 Deep Impact	2021 Moderate Impact	2021 Mild Impact
REVENUE					
Measure Q - Sales Tax	\$ 39,266,002	\$ 31,412,802	\$ 29,842,162	\$ 32,983,442	\$ 36,124,722
Federal/State Rail Funding					
Federal			3,900,000	3,900,000	3,900,000
State	7,786,239	6,228,991	5,917,542	6,213,419	7,145,432
Fare Revenue	4,137,000	2,482,200	3,195,833	3,195,833	3,195,833
Other Operating Revenues (lease, fees, advertising)	1,216,646	1,309,505	939,594	939,594	939,594
Fed/State Bailout Funds	0	10,000,000	6,600,000	6,600,000	6,600,000
TOTAL REVENUE	\$ 52,405,887	\$ 51,433,498	\$ 46,495,130	\$ 49,932,287	\$ 54,005,580

At the bottom of this chart, we are showing that the total revenue difference between the “mild” scenario and the “deep” scenario is \$7.5 million, a dramatic difference. In any scenario, revenues are supported by the CARES act funding we anticipate receiving through MTC. As mentioned earlier in this report, in the budget we intend to include the full \$6.6 million in our budget that we believe is due under the current allocation method.

Even in the best scenario, SMART sales tax funds are \$3 million lower next year than what we anticipated in our budget for the *current* fiscal year. Each of these scenarios would require dipping into reserves without budget changes to expense. In addition, attempting to project the next year, Fiscal Year 2021-22, is wildly different depending on which scenario you choose. This makes long-term target setting very, very challenging for SMART.

REDUCTION STRATEGIES INCLUDING ACTION ITEMS: We are continuing to work on looking at each line item in the budget to determine what changes could be made to address the financial challenges we are facing. Today we are presenting more details within the categories of targeted reductions we are examining.

Before outlining potential reductions, we examined every line item in our budget to look for ways to lower costs and/or increase revenue. Although the challenge this year is a large one, it is a practice we undertake each and every year. During the capital project delivery phase, we undertook such efforts as consolidating construction delivery contractors, installing a used bridge, creating our own mitigation property, which were just a few of the decisions that allowed us to do more with less. In our operation decisions to date, we have already eliminated expensive professional service and other contracts by replacing them with more cost-effective in-house staffing, in areas such as legal, finance, and train control systems management. We also reduced our office lease footprint by 50%, capitalized on partnerships to reduce our IT costs, and instituted our own pension reform before the State of California undertook theirs.

This year, we must again face a daunting challenge of serving the public with fewer resources and greater uncertainties. In our discussions last month, we provided a broad overview of our goals and targets. Today we will be providing you with more detail on the budget reduction strategies for the budget as well as decisions we will need to make sooner than July 1. We continue to follow the guiding principles as outlined in the 2020 Expenditure Plan. Those are:

- Provide for Ongoing Operation, Maintenance and Financing of Current Operations
- Prioritize Safety, Education and Community Outreach
- Capital Projects and Rolling Stock

The three major strategies we are continuing to pursue, as outlined in our last meeting, are:

1. One-time savings as part of the Fiscal Year 2019-20 budget closing process
2. Ongoing Reductions in Fiscal Year 2020-21 that do not impact train service
3. Reductions in Fiscal Year 2020-21 related to train service reductions

1. One-time savings: Total of \$3.5 million

These are expenditure reductions for items that were part of our budget planning for the current and future fiscal year that will now be assumed savings. See below further detail on these savings.

- Fuel Savings: Due to reduced service and pricing \$280,000
- Elimination of Trailer Purchase at Rail Operations Facility: \$150,000
 - Would have provided more staff space for vehicle maintenance workforce
- Delay purchase of rail car mover and utility vehicle: \$200,000
 - Would swap for higher priority rereiling equipment to be purchased with grant in anticipation of absorption of Northwestern Pacific Company equipment to fill need.
- Deferral of tree and riparian mitigation: \$2.25 million
 - Work to identify future ways to finance
- Shift in funding for Black Point Bridge repairs: \$670,000
 - AB-1029 potential funding to make needed repairs

In the list of one-time items we are examining, we also reviewed upcoming one-time revenues related to real estate transactions. We currently anticipate receiving \$4 million in Fiscal Year 2020-21 from our purchase contract for the sale of the Railroad Square property in downtown Santa Rosa. We also anticipate receiving \$7.25 million from our purchase agreement for the Downtown Petaluma property. We currently do not have those funds budgeted for any purpose as the Board has not taken any policy actions surrounding those funds and the developers have not exercised their purchase option.

2. Reduction in Ongoing Expense Non-salary: Total of \$2.6 million. These are ongoing expenditures that are important but could be considered for reductions without a direct impact on the SMART train schedule. This would include reductions to or elimination of the following:

Category	Subject	FY21	Detail
Contract/Supplies	Turn off WiFi on Trains	531,872	Turn off within 30-days, cell service readily available, free WIFI remains on platforms
Contract/Supplies	Contracted Customer Service GGBHT	335,580	SMART would undertake in house, avg. of 1-3 calls/emails a day
Contract/Supplies	San Rafael-Larkspur Route 31 bus	68,664	Eliminated due to opening of Larkspur station
Contract/Supplies	North County Bus Service-Sonoma County Transit	192,109	SC Transit recommends elimination due to very low ridership
Contract/Supplies	Reduction in State lobbyist contract	80,000	New procurement for reduced cost state services
Contract/Supplies	Reduction in private security services	100,000	Replaced by recent hires in Code Compliance
Contract/Supplies	Financial system support reductions	25,000	Reduction in consulting services
Contract/Supplies	Agency-wide supplies	50,000	Efficiencies in office supply contracts, reductions in actual supply purchases
Contract/Supplies	Ops Reduction in Maintenance Contracts	25,000	Reduction in contracted services due to staff/equipment investments
Contract/Supplies	Reduction in Outreach contracts	50,000	Reduction in paid media placements, contracted public relations
Contract/Supplies	Various administrative contract reductions	100,000	Reduction in temporary staff allowance and misc. contracts
Financing Costs	Debt Refinancing	1,000,000	Estimate of savings potential with taxable direct placement
	SUBTOTAL ONGOING COST REDUCTIONS	\$ 2,558,225	

In some of these changes, the contracts for services will require a 30-day notice in order to implement the changes. In order to take action quickly, we therefore would like to request your early approval of two actions:

- a. Notice of Suspension of On-Board WiFi: We currently provide free Wifi at our stations and on the train itself. The free Wifi at the stations are provided at no cost to SMART as part of our public-private partnership with local firm Sonic. The onboard Wifi, with estimated 10,000 users monthly before COVID-19, requires \$531,872 annually. We investigate the reduction of bandwidth (for example email-only bandwidth). This reduction would only reduce our cost by \$50,000. While we are continuing to explore other options, we recommend giving notice to the contractor now so that we can recoup savings as quickly as possible.

Recommended Action: Give direction to staff to notice WiFi contractors of suspension of service.

- b. This list also includes an assumption of \$1 million in annual savings on debt on our construction bonds. As we briefed you at your April meeting, as a result of the public finance market and rates currently available, we are continuing to investigate potential savings of up to \$2 million annually on a refinancing. In order to do so we would like to continue to work with our financial advisors, PFM, on a Request for Proposals and other work around a potential direct placement of debt. However, their current contract does not include funding to assist with the preparation of those documents and evaluation of potential proposals. Therefore, we would like your Board’s direction to increase their current contract to achieve this savings.

Recommended Action: Authorize the General Manager to approve a contract extension with PFM, Inc. of up to \$150,000 and report back to your Board at our next meeting on that action.

- c. In addition to savings identification, we are facing certain expense increases that may be unavoidable. One such cost is for our rail liability coverage. In addition to the traditional liability, property, and other typical insurance policies, SMART must procure specialized railroad liability insurance to cover events that occur as part of rail service. Until 2016, the federal government had set the limit on claims related to railroads at \$200 million. In 2016 that limit was raised to \$295 million and since that time we carried coverage up to that limit.

That coverage requires multiple negotiations with up to 15 different large insurers in order to provide the multiple layers of coverage that make up a limit that high. Up through Fiscal Year 2019-20, the annual cost of that coverage was \$1.3 million. However, the rail liability market has been very volatile during this crises. Some insurers are leaving the market and others are setting benchmarks for revenue that are significantly higher per \$1 million in coverage than we are currently paying. Insurers are pricing increases of up to 50% in certain insurance layers. The result would be a \$635,000 increase in our annual premiums for rail liability. This an increase that we cannot absorb even in a normal year. While our goal is to provide as much coverage as possible for SMART, we can only purchase coverage that we can sustain and that reasonably protects SMART from incidents that may occur. Thus we are requesting your authorization today to return in our rail liability coverage to the \$200 million level in order to keep our cost increases to approximately 5% of the current amount, or \$133,000. We are actively negotiating this change and require direction from you on this before going forward. This decision must be made in the next week in order to complete negotiations and execute the policies in advance of their expiration on June 15.

Recommended Action: Authorize staff to complete negotiations on rail liability insurance using a reduced \$200 million liability limit.

3. Reduction in Ongoing Expense Due to Reductions in Service and Staff: Our goal always is to deliver as much service as possible to our riders within our financial and operational abilities. In our adopted 2020 Expenditure Plan, preserving ongoing operations was identified as the highest expenditure priority. Unfortunately, we are now facing a known long-term structural challenge of \$9 million as well as a short term losses of unknown amounts depending on which scenario we see going forward. The \$9 million problem was discussed numerous times during the 2019 Strategic Plan process and following the failure of Measure I. Thus, having already identified one-time and other expense reductions that do not impact service, we are now identifying options to reduce train service and therefore additional costs.

We have identified two potential changes to service that we implemented during this COVID-19 emergency that we would be continuing into the next fiscal year. We have also identified other reductions to benefits and pay that could be implemented in conjunction with these changes for a net savings of \$5.8 million annually if approved by your Board. Those changes are as follows:

1. Elimination of Weekend Service: Potential cost reduction of \$2.2 million. Our weekend service which had been growing in popularity, is likely important to many riders. However, as it serves more recreational and tourist needs, it doesn't serve the core commute ridership we intend to focus on preserving. The savings identified are largely the result of a reduction of 14 FTE in operations and administration. We have identified a potential revenue loss of \$600,000 annually for a net savings of \$1.6 million.
2. Reconfiguration of Train Service to 22 Trips Daily: Potential reduction of \$4.7 million to run 5 trains in the morning commute, one in midday and 5 during the afternoon commute. This change would reduce from 38 trips daily to 22 total daily. Savings would result a reduction

of 31 FTE in operations and administration. While it is difficult to determine the revenue loss from this change, we are projecting a loss of \$1.5 million in fare revenue for a net savings of \$3.2 million.

We are preparing examples of schedule options showing this reduction and will distribute those to you and the public early next week.

3. Other reductions to benefits and pay: \$1.1 million. We have met with our three unions and have discussed potential cost savings ideas to reduce the loss of filled positions. We will update you at the Board meeting on these discussions. We are looking for cost reductions such as eliminating cost of living increases, capping SMART's share of medical plans, voluntary separation incentives, and staff salary reductions. If fully implemented and agreed to, these could yield \$1.1 million in savings.

In considering these options, SMART will need to do its best to outreach to the public on the service changes that were implemented during this emergency that may need to continue. We have consulted Board's adopted Title VI Policy and Program that requires us to endeavor to not create disparate impacts on the basis of race, color or national origin when evaluating fare and service policies and practices. We will discuss these changes at each of our public meetings as part of the budget, and reach out as best we can through this time of isolation in order to gain feedback from the public on the changes.

Recommended Action: Invite public comment on the proposed new schedule.

SUMMARY: We have identified a range of budget options and savings proposals. Those include:

- One-time savings: Total of \$3.5 million
- Reduction in Ongoing Expense, Non-Service: Total of \$2.6 million annually
- Reduction in Ongoing Expense Due to Reductions in Service/Staff: Net savings of \$5.8 million annually

Today, in advance of your consideration of the revised Fiscal Year 2019-20 and Proposed 2020-21 budget, we recommend your Board:

1. Provide Input on Budget and Operational Changes
2. Approve Early Actions on Fiscal Year 2019-20 and 2020-21 Budget items for:
 - a) Elimination of On Board WiFi Service
 - b) Reduce rail liability insurance
 - c) Proceed with steps for Bond Refinancing
 - d) Direct staff to notify public on service reductions

Very truly yours,

/s/

Erin McGrath
Chief Financial Officer