



**BOARD OF DIRECTORS
MEETING AGENDA
November 17, 2021 – 1:30 PM**

In accordance with AB 361, Sonoma-Marin Area Rail Transit District Resolution 2021-24, Governor Newsom's March 4, 2020, State of Emergency due to the COVID-19 pandemic and Marin and Sonoma Counties Health Officials recommendations to continue measures that promote social distancing the SMART Board of Directors Meeting will continue to be held virtually through Zoom.

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

ZOOM TELECONFERENCE INSTRUCTIONS

PUBLIC COMMENT PRIOR TO MEETING:

If you wish to make a comment you are strongly encouraged to please submit your comment by 5:00 p.m. on Tuesday, November 16, 2021 at <https://www.surveymonkey.com/r/SMARTBoardComments>

PUBLIC COMMENT DURING THE MEETING:

The SMART Board Chair will open the floor for public comment during the Public Comment period 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 the November 3, 2021 Board Meeting Minutes
3. Board Member Announcements
4. General Manager's Report
5. Public Comment on Non-Agenda Items

Consent Calendar

- 6a. Accept Monthly Ridership Report – October 2021
- 6b. Approval of 2022 Monthly Board of Directors Meetings

Regular Calendar

- 7. Approve a Resolution to Authorizing the General Manager to Execute Contract Amendment No. 5 to Contract No. CV-PS-19-001 with GHD, Inc for Engineering Design and Support Services - Additional Vehicular Traffic Signal Design for an amount of \$119,000 and increasing the overall total contract amount to \$1,425,143.
- 8. Authorize the General Manager to Award Contract No.OT-PS-21-001 to Van Scoyoc Associates, Inc. to provide federal advocacy services on SMART's behalf with a not-to-exceed amount of \$60,000 for the initial one-year term and \$60,000 for each of the four (4) optional years available under the contract.
- 9. Review and Accept SMART's Fiscal Year 2020-21 Annual Financial Report, Federal Single Audit and Memorandum on Internal Control
- 10. Approval of the Short-Range Transit Plan
- 11. Status Report on Freight and Related Activities (*Provide Feedback and Direction*)
- 12. Next Regular Meeting of the Board of Directors, December 1, 2021 – 1:30 PM
- 13. Adjournment

DISABLED ACCOMODATIONS:

Upon request, SMART will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, service or alternative format requested at least two (2) days before the meeting. Requests should be emailed to Leticia Rosas-Mendoza, Clerk of the Board at lrosas-mendoza@sonomamarintrain.org or submitted by phone at (707) 794-3072. Requests made by mail SMART's, 5401 Old Redwood Highway, Suite 200, Petaluma, CA 94954 must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.



**BOARD OF DIRECTORS
REGULAR MEETING MINUTES
November 3, 2021 - 1:30 PM**

In accordance with AB 361, Sonoma-Marin Area Rail Transit District Resolution 2021-24, Governor Newsom's March 4, 2020, State of Emergency due to the COVID-19 pandemic and Marin and Sonoma Counties Health Officials recommendations to continue measures that promote social distancing the SMART Board of Directors Meeting will continue to be held virtually through Zoom.

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

1. Call to Order

Chair Rabbitt called the meeting to order at 1:30pm. Directors Bagby, Colin, Connolly, Fudge, Garbarino, Gorin, Lucan, Rogers and Pahre were present; Director Hillmer absent; Directors Arnold joined later.

2. Approval of the October 20, 2021, Board Meeting Minutes

MOTION: Vice Chair Pahre moved approval of October 20, 2021; Board Meeting Minutes as presented. Director Lucan second. The motion carried 10-0 (Director Hillmer absent; Director Arnold joined later).

3. Board Members Announcements

Director Lucan thanked the Marin County Bicycle Coalition for putting together the bicycle ride that several Board members and staff participated in. He thanked Director Garbarino although she was unable to join, she absolutely saved the day by providing helmets since he left his at home in the attempt to bring multiple bikes. Safety first at SMART, we were all riding with helmets.

Director Garbarino said she was happy to be able to help and provide helmets. She was not able to attend due to her colleagues at work were holding a little funeral memorial for one of her staff member.

Director Fudge thanked the Marin and Sonoma Bicycle Coalitions and said it was helpful to get out on the trail. They rode to dead end that backs into wetlands and they were able to see where a bridge was needed and had to get around where the trail wasn't complete, but it was a very helpful and very nice. She learned that she loves e-bikes. She and Director Bagby ended in Downtown Novato with Eris Weaver where they had salads and earned cocktails.

Director Rabbitt stated that he needs to visit Director Lucan to purchase a new bike to get back on the saddle. He appreciates everyone that participated.

4. General Manager's Report

General Manager Mansourian stated that since the start of passenger service in August 2017, SMART has carried 2,108,000 passengers, 228,000 bicycles, and over 8,000 wheelchairs.

He announced the upcoming holiday schedule and staff will continue to do outreach and keep everyone informed. The schedule is as follows:

- Thursday, November 25th (Thanksgiving Day) - **NO** service;
- Friday, November 26th (After Thanksgiving Day) - Holiday schedule;
- Friday, December 24th (Christmas Eve) - Holiday schedule;
- Saturday, December 25th (Christmas Day) - **NO** service;
- Friday, December 31st (New Year's Eve) - Holiday schedule;
- Saturday, January 1, 2022 (New Year's Day) – **NO** service.

General Manager Mansourian stated that the SMART Holiday Express Toy Drive is coming for the sixth year in a row on Saturday, December 4th. We will be partnering with organizations in Marin and Sonoma counties to collect unwrapped toys to help local families in need. Please join and donate a new, unwrapped toy at one of our drive-thru drop-off events and get a ticket for a free ride on the SMART train! As we do every year, we will festively decorate a Holiday Express Train. Stay tuned for more information on this year's SMART Holiday Express Toy Drive.

He said that Mr. Cumins the incoming SMART's General Manager is also attending the meeting today. They have been doing a lot of coordination and meetings together and looking forward to his arrival at SMART.

5. Public Comment on Non-Agenda Items

Director Arnold joined at 1:44pm

Warren Wells expressed his sincere gratitude to the SMART board members and staff who participated on the bike ride along SMART pathway and standing gaps on Friday, October 29th. Not every agency that has leadership and staff take half a day to go up and down some hills. He thanked Chief Engineer Gamlen for providing commentary about the pathway segments that are yet to be built and the challenges that staff is working with, Director Lucan for providing an extra e-bikes and Director Garbarino for providing spare helmets. As Patrick Seidler stated before and would love to have going forward is the role that the Marin County

Bicycle Coalition can have in helping SMART with the future ballot initiative, the tax reauthorization. He suggested having a fact sheet available that outlines the status to the pathway that they can relate to their members and the bicycle and community and to make that process more transparent.

Eris Weaver thanked Warren Wells and everyone who participated on the bike ride on Friday and a special thanks to Director Bagby for the donuts. She said that those who were unable to join will be able to watch a video of the entire bicycle ride. She agrees with Warren Wells comments about providing a fact sheet of the status of the pathway in Sonoma and Marin Counties could be helpful to communicate in way that people understand and a helpful outreach material.

Matthew Hartzell acknowledges that the Capital Projects list, which was missing from the Monthly Financial Report last month has been put back into the report this month. He thanked SMART for taking this action and active good faith with the bicycling and pedestrian community. He agrees with Warren Wells question if it is possible to provide a more detailed breakdown of all the incomplete pathway segments and their funding status, environmental clearance, engineering percentage complete status and provide all this information for every segment of the pathway. This would provide a lot more useful transparent information to the public and bicycling advocacy community.

Vice Chair Pahre asked for the link of the video. Ms. Weaver replied that the video will be posted on the Sonoma County Bicycle Coalition's site and will provide the link once available.

Chair Rabbitt stated that it could be helpful to include pathway status report monthly and will discuss with General Manager further and not wanting to you know hamper staffing and our ability to get the real work done but wanted to be as transparent as possible.

6. Consent
 - a. Consider and approve a Resolution to continue virtual Tele/Video Conference Meetings during the COVID-19 State of Emergency
 - b. Approval of Monthly Financial Reports

Chair Rabbitt asked for Board and public comments on the proposed Consent Agenda.

Comments

Chief Financial Officer, Heather McKillop stated that we are continuing to evolve that report, and we now have closed a couple months, we have data to put in that report and will continue to update it and look for ways for improvement every month.

MOTION: Director Lucan moved approval of the Consent Agenda as presented. Director Rogers second. The motion carried 11-0 (Director Hillmer absent).

7. Approve a Resolution to Revise Position Authorization Range Changes and Authorize one step increase for these positions effective November 1, 2021

Chief Financial Officer, Heather McKillop stated that the attached amendment to Appendix B, the position authorizations show certain step increases for nine positions that are listed in your board report. Staff conducted an analysis of non-represented employees and certain groups, and we will continue to do that analysis going forward. We have identified these nine positions that we fill that need a pay range adjustment to be able to accommodate the market, it has been very hard to not only attract but retain employees.

We currently have a vacancy in one of these positions and it will help attract applicants if the pay range is adjusted. We have looked at other agencies, particularly those that have a rail component and that have those requirements for rail knowledge, as well as transit knowledge. The resolution and Appendix B, address the position with the pay range in those areas identified. The they move from one step to three or four steps which we have five steps within a range depending on the position they're not all the same.

We are recommending one-step increase asking for effective November 1 for those positions.

MOTION: Director Rogers moved to Approve a Resolution to Revise Position Authorization Range Changes and Authorize one step increase for these positions effective November 1, 2021 as presented. Director Arnold second. The motion carried 11-0 (Director Hillmer absent).

8. Provide Comments on the Congressional Redistricting Maps and authorize the Chairman of the Board and the General Manager to provide comments during the redistricting process

Chair Rabbitt stated that most Board members believe are familiar with this item. The County of Sonoma had a very long discussion yesterday on the County redistricting process. He wanted to make sure that this item was brought forward and believes that we are all very well served by our Congressional delegation as it exists today. It is important that the District stay within one members district as well going forward. We want to make sure that we can just express that to the Commission, as they go through the visual visualization process.

General Manager Mansourian stated that we are providing you with this update, because we have a great concern regarding the various versions of changing the Congressional maps for our District. SMART was created pursuant to State Law, to make sure that Marin and Sonoma Counties serve the economic, environmental, as well as the transportation corridor, and SMART has been serving that. The 2019 data shows that there are over 80,000 trips every single day between Marin and Sonoma with about 34% of the people traveling from Sonoma County to their destination in Marin County, which ties the two counties and SMART. The two busiest stations and destinations are San Rafael Station and Petaluma Station.

The transportation ties between Marin and Sonoma has been significant to be served by one Congressional District has made it very easy for us to be able to pursue the Federal legislators

for grants for completion of the bicycle/pedestrian pathways that connect to the stations, as well as our railroad.

However, a couple of the versions that has been suggested separating Marin from Sonoma and makes Marin part of several other counties. The issue is that SMART will now have to compete in Marin for the needs of that other counties. We are the only train operators for passengers and freight in Marin and Sonoma. Staff has been coordinating very well with our other transit partners in Marin and Sonoma Counties.

For SMART to continue to preserve the economic, transportation and the environmental corridor and the Community needs of both of our Counties we like to submit comments urging the Commission not to go with those plans and maintain the Marin and Sonoma district.

We were notified that deadline to submit our proposals is today and subject to your approval today, we will be sending comments to the Commission.

Comments

Chris Rogers stated that having watched several of the independent redistricting Commission discussions and how it pertains to this body is that SMART was used as one of the justifications for Commissioners in drawing the district, the way that it did. Several Commissioners who cited SMART desire to come across to Napa County and connect to the to the Capital corridor as a justification for a community of interest that included Marin and Napa together. He is supportive of SMART clarifying the record that, while we have a desire to move eastward our charge continues to remain to be Sonoma/Marin and to complete our build out to Cloverdale.

Director Lucan stated that in August, the Commission and had forums where you can dial in and participate. He participated on August 23 which was the North Coast meeting and made the very same case that Marin and Sonoma should stay together primarily mentioning SMART as a community of interest, together with Marin and Sonoma. He is very shocked to see the maps the way that they're being drawn. He wanted to let the Board know that he and others provided the same feedback. It's concerning that the latest visualizations maps are drawn the way that they are. It is very important that anyone who can, including SMART, need to submit letters because this would be a very significant change and would not be a benefit to SMART at all.

Director Garbarino said she echoed what her colleagues just stated, about the need for this letter this advocacy in terms of promoting contiguous transportation and related issues.

Director Connolly stated that the Marin County Board of Supervisors has weighed in similarly with the same concepts.

Chair Rabbitt stated that the Sonoma County Board of Supervisors also weighed in.

Director Bagby stated she supports and appreciates the comments of my fellow Board members. She said that the communities of interest are the Hwy 101 corridor, and it was stated well in the staff report and is why SMART exists. We are common air districts, we have this Sonoma Mendocino Economic Development, hospital, and sport teams districts are along the corridor. The residents of Cloverdale and many in the North County are either working here and living here or commuting to Santa Rosa, Novato, Marin County and San Francisco. It is only natural that our communities of interest stay together so that we have unified a solid representation.

Richard Brand asked where he can get good quality maps. General Manager Mansourian provided the website: www.wedrawthelinesca.org

MOTION: Director Arnold moved approval to Provide Comments on the Congressional Redistricting Maps and authorize the Chairman of the Board and the General Manager to provide comments during the redistricting process as presented. Director Garbarino second. The motion carried 11-0 (Director Hillmer absent).

9. Next Regular Meeting of the Board of Directors November 17, 2021 – 1:30 PM
10. Adjournment - Meeting adjourned at 2:05pm

Respectfully submitted,

Leticia Rosas-Mendoza
Clerk of the Board

Approved on: _____



November 17, 2021

David Rabbitt, Chair
Sonoma County Board of Supervisors

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

Judy Arnold
Marin County Board of Supervisors

Melanie Bagby
Sonoma County Mayors' and
Councilmembers Association

Kate Colin
Transportation Authority of Marin

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and
Councilmembers Association

Patty Garbarino
Golden Gate Bridge,
Highway/Transportation District

Susan Gorin
Sonoma County Board of Supervisors

Dan Hillmer
Marin County Council of Mayors and
Councilmembers

Eric Lucan
Transportation Authority of Marin

Chris Rogers
Sonoma County Mayors' and
Councilmembers Association

Farhad Mansourian
General Manager

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Petaluma, CA 94954
Phone: 707-794-3330
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www.sonomamarintrain.org

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

SUBJECT: Monthly Ridership Report – October 2021

Dear Board Members:

RECOMMENDATIONS: Accept Monthly Ridership Report

SUMMARY:

We are presenting the monthly ridership report for activity for the month of October 2021. This report shows trends in ridership for SMART by tracking Totals, Average Weekday riders, and Average Weekend/Holiday riders via the two methods we employ to track riders on a daily basis: Onboard Counts and Clipper + Mobile App paid fares. The report details bicycles and wheelchairs counted as well. We have added charts and graphs of the information to further illustrate system trends.

As discussed in prior presentations to Your Board, using both Onboard Counts and Fare collection counts of riders is necessary to track progress. Onboard Counts capture all riders, including the riders who are riding during the Free Fare Days or Free Fare Programs offered by Your Board, riders with passes who neglect to tag on or off, as well as categories of riders such as children under five years old. Therefore, Clipper + Mobile App paid fare reports do not capture all riders.

This and future reports will compare the most recent month to the same month during the prior year, as is standard industry practice for tracking trends over time. The report also shows progress so far in the Fiscal Year compared to the same time in the last Fiscal Year, to enable tracking of riders relative to budget expectations. These reports also note relevant details associated with fare program discount usage and trends in riders bringing bicycles onboard. As this data collection and reporting process evolves, we will continue to revise data discussion and presentation in the reports.

SMART's rider data for September 2021 is posted on the SMART Ridership website (<http://sonomamarintrain.org/RidershipReports>) and SMART's detailed October 2021 data will be posted once validated.

The report covers the ongoing increase of riders returning to SMART as Bay Area Counties lift their Shelter-In-Place restrictions and phase the opening of schools, restaurants, retail shops, offices, and other places of work.

FISCAL IMPACT: None

REVIEWED BY: [x] Finance ____/s____ [x] Counsel ____/s/____

Very truly yours,

/s/
Emily Betts
Principal Planner

Attachment(s): Monthly Ridership Report – October 2021

OCTOBER 2021 (COVID-19) SMART RIDERSHIP

SMART Ridership Report
Board of Directors,
November 17, 2021

SMART's October 2021 ridership was nearly triple that of October 2020, which was heavily impacted by the COVID-19 shutdown. Average weekday ridership has rose steadily from February to September 2021, with October down 2% from September. Throughout the region, automobile traffic levels have returned to pre-pandemic levels in some areas and transit agencies are seeing the gradual signs of ridership recovery. SMART has recovered to nearly 40% of pre-pandemic ridership levels. However, the Delta variant and ongoing remote-work trends due to COVID continue to have a detrimental effect on transit ridership throughout the Bay Area.

As a reminder, SMART modified services in March 2020 due to the COVID-19 pandemic, with weekend service annulled starting March 21 & 22, 2020, and weekday service reduced first by 4 trips (down to 34) on March 23, 2020, then by another 18 trips, (down to 16), on April 6, 2020. Beginning on Monday, May 24, 2021, SMART added service to the weekday schedule with two new morning trips and three new afternoon trips, resulting in 26 weekday trips. Saturday service was also restored the last two weekends in May, with 3 morning and 3 afternoon round trips. Saturday ridership has been very strong, seeing approximately 65% of average weekday ridership levels on less than half the number of train trips.

The tables below present data from October 2020 and 2021, year-over-year, and comparing fiscal years to date (July – October).

FISCAL YEAR-TO-DATE (JUL-OCT)	Fiscal Year 2021	Fiscal Year 2022	% Change
Total Ridership (Onboard Counts)	36,891	102,959	179%
Total Paid Ridership (Clipper + App Only)	34,228	95,524	179%
Average Weekday Ridership (Onboard Counts)	424	1,073	153%
Average Weekday Paid Ridership (Clipper + App Only)	393	987	151%
Average Weekend/Holiday Ridership (Onboard Counts)	0	656	N/A
Average Weekend/Holiday Paid Ridership (Clipper + App)	0	559	N/A
Total Bikes Onboard	7,724	17,072	121%
Total Wheelchairs Onboard	139	554	299%

Youth ridership saw an increase with the start of school in mid-August, making up 13% of ridership by fare type in August, and 18% of ridership in September and October; SMART carried 4,345 youth in October, based on the fare analysis.

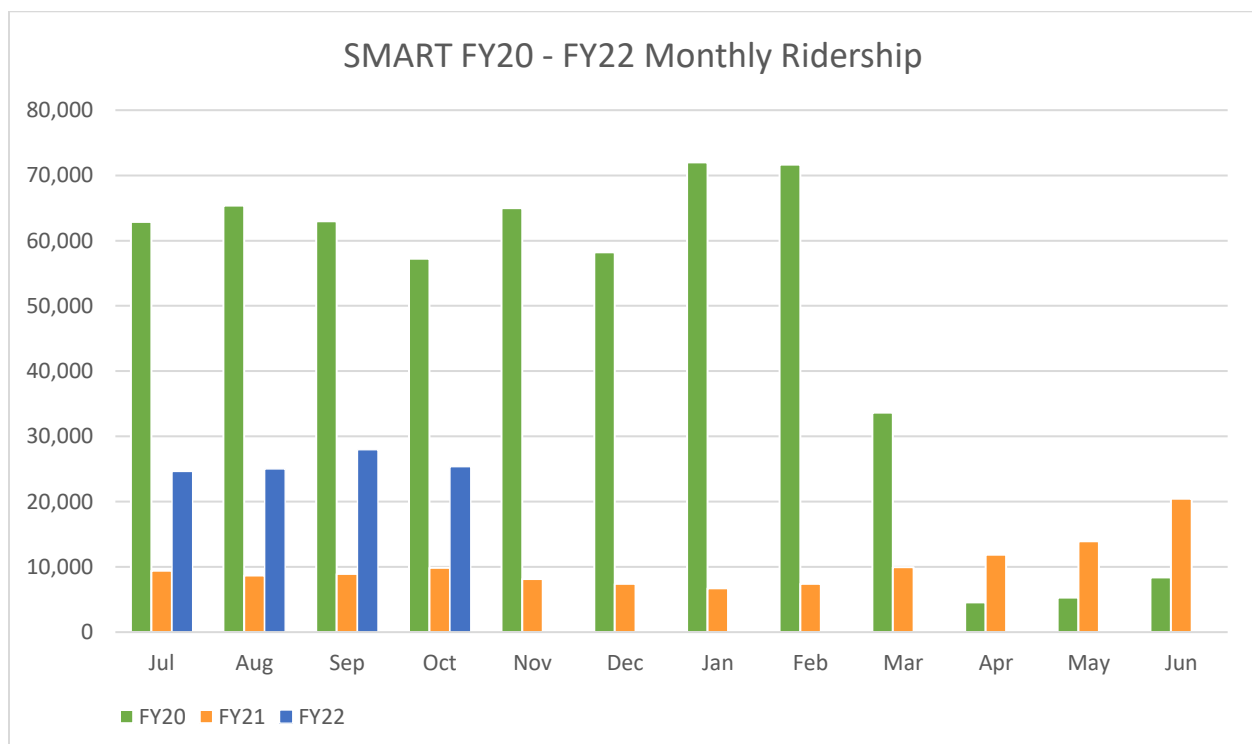
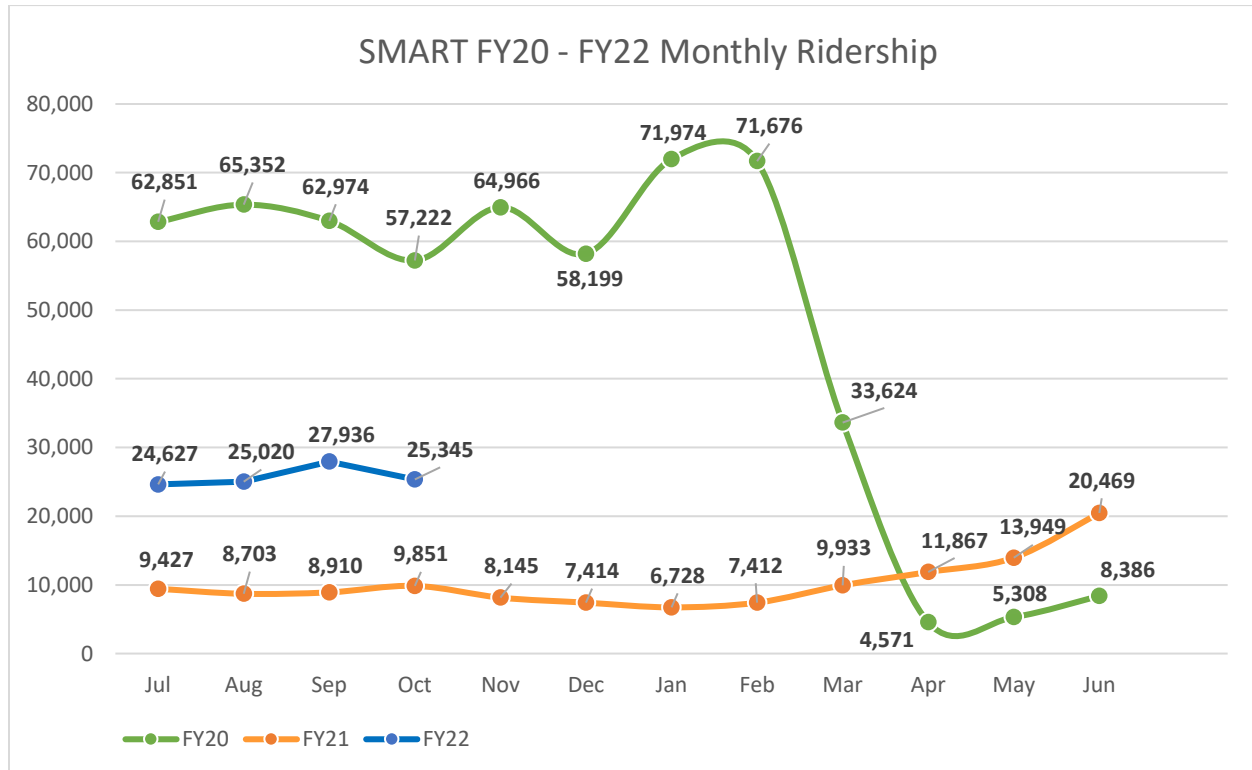
MONTHLY TOTALS YEAR-OVER-YEAR	OCT 2020	OCT 2021	% Change
Total Ridership (Onboard Counts)	9,851	25,345	157%
Total Paid Ridership (Clipper + App Only)	9,114	24,662	171%
Average Weekday Ridership (Onboard Counts)	448	1,140	154%
Average Weekday Paid Ridership (Clipper + App Only)	413	1,045	153%
Average Weekend/Holiday Ridership (Onboard Counts)	0	607	N/A
Average Weekend/Holiday Paid Ridership (Clipper + App)	0	532	N/A
Total Bikes Onboard	1,908	4,043	112%
Total Wheelchairs Onboard	52	107	105%

OCTOBER 2021 (COVID-19) SMART RIDERSHIP

SMART Ridership Report
Board of Directors,
November 17, 2021

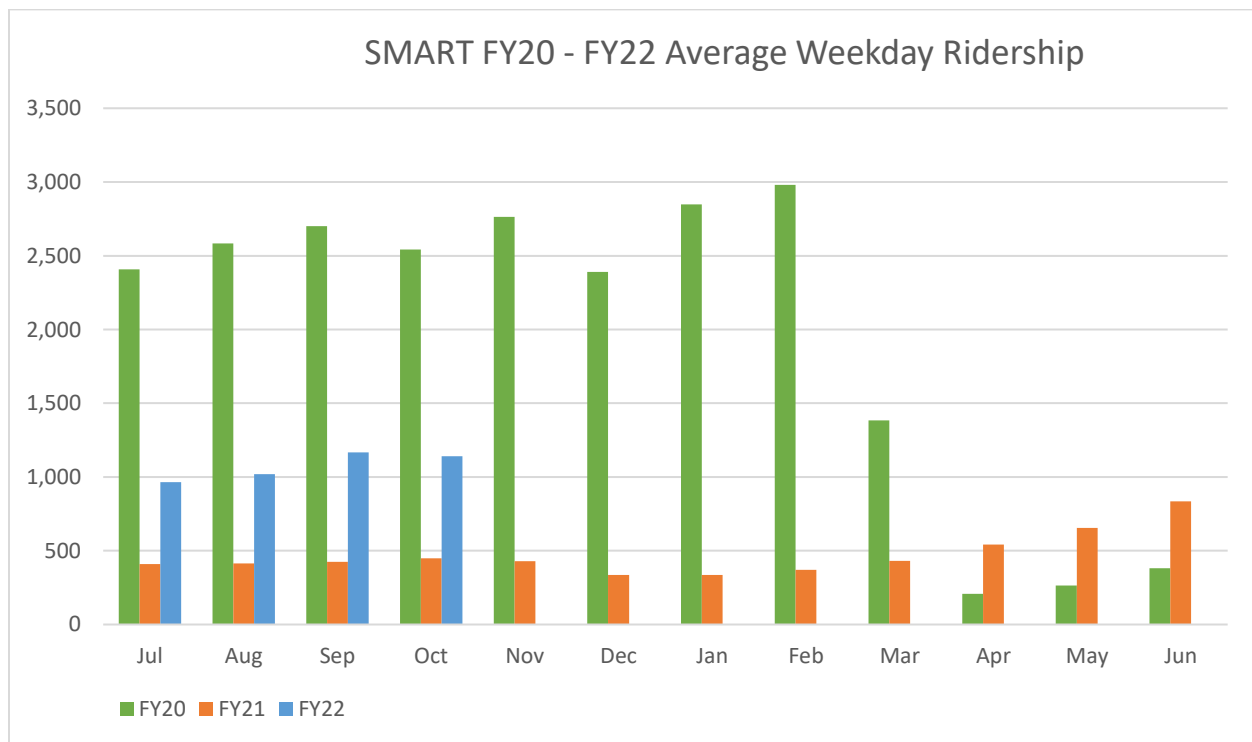
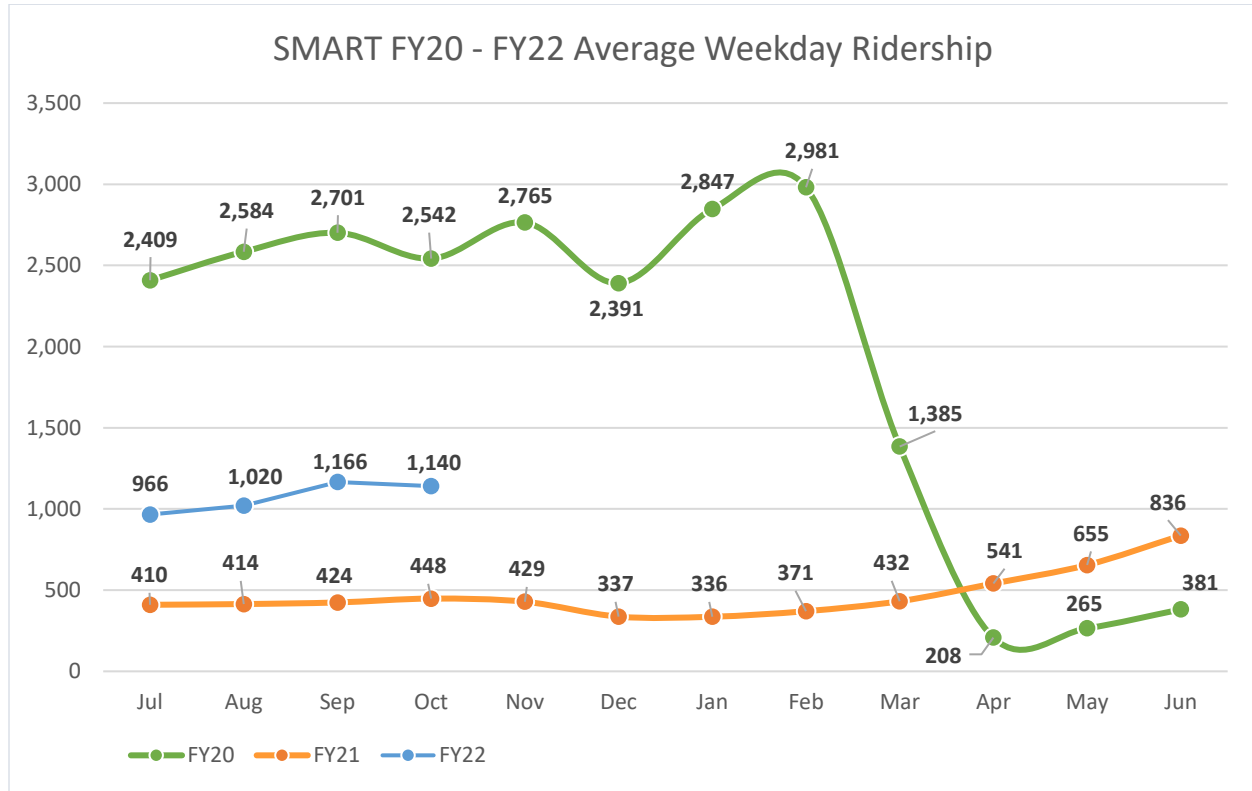
Usage of the “Rail & Sail” pass increased by 35% between August and October, following the schedule changes by the Golden Gate Larkspur Ferry in coordination with SMART. The Rail & Sail pass enables riders to purchase a one-way combo ticket for \$12 for travel on both ferry and train.

The following charts compare the monthly totals and average weekday ridership for FY20-FY22 to date and illustrate monthly and average weekday ridership trends.



OCTOBER 2021 (COVID-19) SMART RIDERSHIP

SMART Ridership Report
Board of Directors,
November 17, 2021





David Rabbitt, Chair
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Farhad Mansourian
General Manager

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November 17, 2021

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

SUBJECT: 2022 Regular Board of Directors Meeting Schedule

Dear Board Members:

RECOMMENDATION: Approve Schedule

SUMMARY:

SMART Board of Directors meet on the 1st and 3rd Wednesday of each month. All meeting are scheduled to be held at 1:30 pm.

2022 Regular Board of Directors Meeting Schedule	
<i>1st Wednesday</i>	<i>3rd Wednesday</i>
January 5, 2022	January 19, 2022
February 2, 2022	February 16, 2022
March 2, 2022	March 16, 2022
April 6, 2022	April 20, 2022
May 4, 2022	May 18, 2022
June 1, 2022	June 15, 2022
July 6, 2022	July 20, 2022
August 3, 2022	August 17, 2022
September 7, 2022	September 21, 2022
October 5, 2022	October 19, 2022
November 2, 2022	November 16, 2022
December 7, 2022	December 21, 2022

Please check the posted Agenda for confirmed meeting date, time and location as they are subject to change.

Very truly yours,

/s/
Leticia Rosas-Mendoza
Clerk of the Board



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Sonoma County Board of Supervisors

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November 17, 2021

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

SUBJECT: Approve a Resolution Authorizing the General Manager to Execute Contract Amendment No. 5 to Contract No. CV-PS-19-001 with GHD, Inc. in an amount of \$119,000 for a total not to exceed contract amount of \$1,425,143

Dear Board Members:

RECOMMENDATION:

Approve Resolution No. 2021-28 authorizing the General Manager to execute Contract Amendment No. 5 to Contract No. CV-PS-19-001 for Engineering Design and Support Services - Petaluma, Penngrove, and Santa Rosa Various Non-Motorized Pathway Segments with GHD, Inc. to TASK 13 – EXTRA WORK III - Additional Vehicular Traffic Signal Design for an amount of \$119,000 and increasing the overall total contract amount to \$1,425,143.

SUMMARY:

GHD, Inc. was awarded Contract No. CV-PS-19-001 to prepare construction documents for three sections of Non-Motorized Pathway (NMP) in Sonoma County starting from Lakeville Street to Payran Street in Petaluma, Southpoint Blvd to Main Street in Penngrove, and Golf Course Drive to Bellevue Avenue in Santa Rosa.

During the NMP design, the California Public Utilities Commission (CPUC) requested that a traffic signal system shall be included at several NMP road crossings to further enhance pedestrians and cyclists' safety and to eliminate the risk of vehicles queuing on the SMART track.

In July of this year, the Board approved Contract Amendment No. 4 to add traffic signal design for the following crossings:

- A. Corona Road (City of Petaluma)
- B. Ely Road (County of Sonoma)
- C. Scenic Avenue (County of Sonoma)
- D. West Robles Avenue (County of Sonoma)
- E. Bellevue Avenue (City of Santa Rosa)

After additional discussions with CPUC and our local jurisdictional partners, it has been determined that two remaining crossings, Payran Street (Petaluma) and Southpoint Boulevard (Petaluma) will also require vehicular traffic signals. It was thought that due to low traffic volume, these two pedestrian crossings could be designed without a traffic signal system. However, in recent meetings, the CPUC has indicated that vehicular traffic signal systems will be required for Payran Street and Southpoint Boulevard.

Contract Amendment No. 5 adds the vehicular traffic signal design at Payran Street and Southpoint Boulevard to the contract. This amendment also includes utility mapping at the grade crossings to plan for new signal installations. The negotiation between SMART and GHD, Inc. resulted on an agreed upon fair amount of \$119,00 for the additional work.

Staff recommends approving Resolution No. 2021-28 authorizing the General Manager to execute Contract Amendment No. 5 to Contract No. CV-PS-19-001 for Engineering Design and Support Services - Petaluma, Penngrove, and Santa Rosa Various Non-Motorized Pathway Segments with GHD, Inc. to TASK 13 – EXTRA WORK III - Additional Vehicular Traffic Signal Design and Utility Mapping at the At-Grade Crossings for an amount of \$119,000 and increasing the overall total contract amount to \$1,425,143.

FISCAL IMPACT: This additional scope will be absorbed by the project budget.

REVIEWED BY: [x] Counsel /s/ [x] Finance /s/

Very truly yours,

 /s/
Bill Gamlen, P.E.
Chief Engineer

Attachment(s): Resolution No. 2021-28

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA-MARIN AREA RAIL TRANSIT DISTRICT APPROVING CONTRACT AMENDMENT NO. 5 TO CONTRACT NO. CV-PS-19-001 WITH GHD, INC. FOR ENGINEERING DESIGN SERVICES

WHEREAS, the Sonoma-Marín Area Rail Transit District (SMART) is developing segments of non-motorized pathway between 1) Lakeville Street to Payran Street in Petaluma; 2) Southpoint Blvd to Main Street in Penngrrove; and 3) Golf Course Drive to Bellevue Avenue in Santa Rosa; and

WHEREAS, the District entered into Contract No. CV-PS-19-001 with GHD, Inc. for professional engineering design services; and

WHEREAS, SMART and GHD previously amended the Agreement to add Task 8 for the optional Environmental and Permitting Support scope of work, to incorporate Task 11 EXTRA WORK I, to extend the term of the Agreement through June 30, 2022, and to incorporate Task 12 EXTRA WORK II; and

WHEREAS, the California Public Utilities Commission has determined that the pathway grade crossing will require vehicular traffic signals at addition crossings and SMART has negotiated a fair and equitable price with GHD to add this work to the Contract; and

WHEREAS, Contract Amendment No. 5 to Contract No. CV-PS-19-001 to incorporate Task 13 EXTRA WORK III for the design of vehicular traffic signals at the grade crossings; and

NOW, THEREFORE, BE IT RESOLVED THAT THE BOARD OF DIRECTORS OF SMART HEREBY FINDS, DETERMINES, DECLARES, AND ORDERS AS FOLLOWS:

1. The forgoing Recitals are true and correct and are incorporated herein and form a part of this Resolution.
2. Authorize the General Manager to execute Contract Amendment No. 5 to CV-PS-19-001 with GHD, Inc., for a total contract amount of \$1,425,143.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Sonoma-Marín Area Rail Transit District held on the 17th day of November 2021, by the following vote:

DIRECTORS:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

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

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

**FIFTH AMENDMENT TO THE AGREEMENT FOR CONSULTANT SERVICES
BETWEEN THE SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
AND GHD, INC.**

This Fifth Amendment dated as of November 17, 2021 (the “Fifth Amendment”), to the Agreement for Consultant Services by and between GHD, Inc. (hereinafter referred to as “CONSULTANT”) and the Sonoma-Marin Area Rail Transit District (hereinafter referred to as “SMART”), dated as of June 23, 2020 (the “Original Agreement,” as amended and supplemented by the First, Second, Third, Fourth, and now this Fifth Amendment, the “Agreement”).

RECITALS

WHEREAS, CONSULTANT and SMART previously entered the Original Agreement on June 23, 2020 to provide design and engineering services to prepare construction documents for sections of Non-Motorized Pathway (NMP) in Sonoma County; and

WHEREAS, SMART and CONSULTANT previously entered into various Amendments to the Agreement between November 4, 2020 and July 21, 2021 to increase the not-to-exceed amount, amend the scope of services, and extend the term of the Agreement; and

WHEREAS, SMART desires to amend the Agreement to incorporate additional scope of work and increase the not-to-exceed amount by \$119,000 for a total not-to-exceed amount of \$1,425,143; and

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. **“ARTICLE III. STATEMENT OF WORK”.** Article III of the Agreement is amended to add Task 13 – Extra Work III into Section A “Consultant Tasks and Services”. The scope of work for this Task 13 is provided in Attachment A “EXTRA WORK III” of this Amendment No. 5.
 13. Extra Work III – Consultant shall provide additional design service to incorporate vehicular traffic signals for Payran Street and Southpoint Boulevard at-grade crossings and create utility mapping plans for all at-grade crossings improvements.
2. **“ARTICLE V. ALLOWABLE COSTS AND PAYMENTS”.** Article V, Section E is hereby removed and replaced with the following:
 - E. The total payment amount payable by LOCAL AGENCY shall not exceed \$1,425,143.

3. **“ATTACHMENT A – EXTRA WORK III – ADDITIONAL VEHICULAR TRAFFIC SIGNAL DESIGN AND UTILITIES MAPPING AT THE AT-GRADE CROSSINGS”.**

The “ATTACHMENT A - EXTRA WORK III” included in this Amendment No. 5 is hereby incorporated into the Agreement and shall be in addition to the previous attachments from the Original Agreement and subsequent Amendments.

4. **“ATTACHMENT B – COST PROPOSAL III”.** The Attachment B “Cost Proposal III” attached to this Amendment No. 5 is hereby added to this Agreement to incorporate the costs associated with the addition of Task 13.

5. Except to the extent the Agreement is specifically amended or supplemented hereby, the Agreement, together with all supplements, amendments and exhibits thereto is, and shall continue to be, in full force and effect as originally executed, and nothing contained herein shall, or shall be construed to, modify, invalidate, or otherwise affect any provision of the Agreement.

THIS SPACE INTENTIONALLY LEFT BLANK

IN WITNESS WHEREOF, the parties hereto have executed this Fifth Amendment as of the date first set forth above.

**SONOMA-MARIN AREA RAIL TRANSIT
DISTRICT**

Dated: _____

By _____
Farhad Mansourian, General Manager

GHD, INC.

Dated: _____

By _____
Bill Silva, Principal / VP

APPROVED AS TO FORM:

Dated: _____

By _____
District Counsel

ATTACHMENT A EXTRA WORK III

TASK 13 – EXTRA WORK III Additional Vehicular Traffic Signal Design and Utilities Mapping at the At-Grade Crossings

SCOPE OF WORK

1- Additional Vehicular Traffic Signal Design

GHD shall design a vehicular traffic signal system to each of the at-grade crossings listed below per the CPUC direction and recommendations.

- A- Payran Street (City of Petaluma)
- B- Southpoint Boulevard (City of Petaluma)

The consultant shall design and adhere to the following:

- Design for traffic signal poles, foundations, conduits, traffic cabinet and power source.
- Design a conduit system for a preemption connection to the adjacent signal system.
- Design of the traffic signal shall meet the local jurisdictions standards.
- Provide poles and material schedule, conduits and conductors schedule, and phasing diagram.
- A careful examination of existing utilities shall be taken into consideration before placing foundation, conduits run to and from the power source and to and from the traffic cabinet. Any unavoidable utility conflicts will be added to the utility relocation coordination. No potholing is included.
- All equipment shall be located on SMART or the local jurisdictions ROW. No design shall be in private properties.
- Line-of-sight shall be examined at each location for safe clear visibility of the traffic signal light to motor vehicles.
- Traffic signal pole shall be placed at a safe distance from the rail and or rail equipment's.
- The designer shall consider maintenance work in the future to be executed by local jurisdictions shall not impact, hinder, or slow down any aspect of rail operation including trains and gates.
- The consultant shall produce GO88B's forms for each location that are satisfactory to the CPUC and shall obtain approval for the mentioned above at grade crossings. If the CPUC made comments during their review time, the consultant shall address the comments promptly. The GO88B's will be submitted to SMART to submit to the CPUC. SMART will continue to coordinate with CPUC.
- The consultant shall coordinate with the local jurisdictions if any information is needed.

- The consultant shall update the cost estimates for Segment 1 and Segment 2 to reflect the additional traffic signal design work.

Deliverables:

An approved GO88B's by the CPUC for the following at-grade crossings:

- A- Payran Street (City of Petaluma)
- B- Southpoint Boulevard (City of Petaluma)

2- Utilities Mapping at the At-Grade Crossings


GHD shall request Underground Service Alert (USA) for each of the flowing at grade crossing.

- A- Payran Street (City of Petaluma)
- B- Southpoint Boulevard (City of Petaluma)
- C- Corona Road (City of Petaluma)
- D- Ely Road (County of Sonoma)
- E- Scenic Avenue (County of Sonoma)
- F- Todd Road (County of Sonoma)
- G- West Robles Avenue (County of Sonoma)
- H- Bellevue Avenue (City of Santa Rosa)

- After the USA service is called and marking are visible in the field, GHD shall update each grade crossing with the most recent field-marked utilities.
- No potholing is required as part of this service.
- GHD shall find a benchmark to reference the offset distance for each utility. All utilities shall be named and labeled.

ATTACHMENT B COST PROPOSAL III

The Costs identified below cover the incremental work associated with the addition of **TASK 13 – EXTRA WORK III – “Additional Vehicular Traffic Signal Design and Utilities Mapping at the At-Grade Crossings”**

<div style="display: flex; justify-content: space-between; align-items: center;">  <div style="text-align: right;"> <div style="display: flex; justify-content: space-between; width: 80%;"> <div>Labor + Overhead Rate</div> <div>\$ 280</div> <div>\$ 225</div> <div>\$ 205</div> <div>\$ 190</div> <div>\$ 250</div> <div>\$ 195</div> </div> <div style="display: flex; justify-content: space-between; width: 80%;"> <div>Silva PD/QA QC</div> <div>Van Parys PM</div> <div>Tortora PE</div> <div>Daas Engr</div> <div>Lee TE</div> <div>Phelps Drafting</div> <div>Hours</div> <div>Cost</div> <div>Project Cost</div> </div> </div> </div>										
SMART Various NMPs										
Task 13 Extra Work III - Additional										
1	Traffic Signal Design	2	16	16	96	80	64	274	\$ 58,160	\$ 58,160
	Payram Street	1	8	8	48	40	32		\$ 29,080	\$ 29,080
	Southpoint Blvd	1	8	8	48	40	32		\$ 29,080	\$ 29,080
2	Utility Mapping at At-Grade Crossings	0	14	28	112	0	140	294	\$ 57,470	\$ 57,470
	Payram St		2	4	16		20		\$ 8,210	\$ 8,210
	Southpoint Blvd		2	4	16		20		\$ 8,210	\$ 8,210
	Corona Road		2	4	16		20		\$ 8,210	\$ 8,210
	Ely Road		2	4	16		20		\$ 8,210	\$ 8,210
	Scenic Ave		2	4	16		20		\$ 8,210	\$ 8,210
	West Robles Ave		2	4	16		20		\$ 8,210	\$ 8,210
	Bellevue Ave		2	4	16		20		\$ 8,210	\$ 8,210
										16
TOTAL HOURS		2	30	52	208	80	204	572	\$ 118,910	\$ 118,910
Other Expenses										
ODC	Travel Costs								\$ 90	
	Task 7 Credit								\$ (23,039)	
	Task 7 shift to Task 2								\$ 23,039	
Total Other Expenses										\$ 90
TOTAL										\$119,000
									\$	119,000



November 17, 2021

David Rabbitt, Chair
Sonoma County Board of Supervisors

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

Judy Arnold
Marin County Board of Supervisors

Melanie Bagby
Sonoma County Mayors' and
Councilmembers Association

Kate Colin
Transportation Authority of Marin

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and
Councilmembers Association

Patty Garbarino
Golden Gate Bridge,
Highway/Transportation District

Susan Gorin
Sonoma County Board of Supervisors

Dan Hillmer
Marin County Council of Mayors and
Councilmembers

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: Authorize the General Manager to Award Contract No. OT-PS-21-001 to Van Scoyoc Associates, Inc. to provide federal advocacy services on SMART's behalf.

Dear Board Members:

RECOMMENDATION:

Authorize the General Manager to Award Contract No.OT-PS-21-001 to Van Scoyoc Associates, Inc. to provide federal advocacy services on SMART's behalf with a not-to-exceed amount of \$60,000 for the initial one-year term and \$60,000 for each of the four (4) optional years available under the contract.

SUMMARY:

SMART contracts with a third-party federal advocacy firm to assist in the development of strategies for advancing actions at the Federal level that are beneficial to SMART and its programs with special focus on passenger rail, non-motorized interests, and freight rail interests. This consultant represents and advocates on behalf of SMART in its dealings with relevant federal agencies and related interest groups including, but not limited to:

1. U.S. Senate
2. U.S. House of Representatives
3. White House
4. Department of Transportation
 - i. Federal Transit Administration
 - ii. Federal Railroad Administration
 - iii. Federal Highway Administration
 - iv. Build America Bureau
5. U.S. Department of Homeland Security
6. Other Federal Agencies as needed

SMART's existing contract with Van Scoyoc Associates, Inc. is set to expire December 31, 2021. In anticipation of the contract's expiration, SMART issued a Request for Proposal to procure the next Consultant under Solicitation No. OT-OP-21-001. SMART received 4 responsive proposals from the following vendors:

1. Cardinal Infrastructure, LLC
2. Kadesh & Associates, LLC
3. Squire Patton Boggs (US), LLP
4. Van Scoyoc Associates, Inc.

SMART's evaluation committee reviewed the proposals using the evaluation criteria listed in the Request for Proposal. The criteria included: the firm & key personnel qualifications, the service approach and understanding of SMART's needs, demonstrated history of performing similar work, and cost. Following the review of all four proposals, the Selection Committee is recommending that SMART retain the services of Van Scoyoc Associates, Inc. for the next contract for federal advocacy services and made the determination that Van Scoyoc Associates' proposal provides the best overall value to SMART. The demonstrated familiarity with SMART, a proven successful track record in supporting SMART's efforts seeking funding and support on a range of federal policy issues, their detailed service approach and legislative access, and the fact that they proposed to maintain their current fee structure over the next five years is why the evaluation committee made this determination.

Staff recommends authorizing the General Manager to Award Contract No. OT-PS-21-001 to Van Scoyoc Associates, Inc. to provide federal advocacy services on SMART's behalf with a not-to-exceed amount of \$60,000 for the initial one-year term and \$60,000 for each of the four (4) optional years available under the contract.

FISCAL IMPACT: Funding is included in the approved Fiscal Year 2021-22 and assumed in subsequent years.

REVIEWED BY: ☒ Finance /s/ ☐ Counsel /s/

Very truly yours,

 /s/
Ken Hendricks
Procurement Manager

Attachment(s): Van Scoyoc Associates, Inc. Agreement No. OT-PS-21-001

AGREEMENT FOR CONSULTANT SERVICES

This agreement (“Agreement”), dated as of January 1, 2022 (“Effective Date”) is by and between the Sonoma-Marín Area Rail Transit District (hereinafter “SMART”), and Van Scoyoc Associates, Inc. (hereinafter “Consultant”).

RECITALS

WHEREAS, Consultant represents that it is duly qualified and experienced in the areas of federal legislative advocacy and related services; and

WHEREAS, in the judgment of the Board of Directors of SMART or District, it is necessary and desirable to employ the services of Consultant to perform legislative advocacy services on SMART’s behalf; and

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, the parties hereto agree as follows:

AGREEMENT

ARTICLE 1. RECITALS.

Section 1.01 The above Recitals are true and correct.

ARTICLE 2. LIST OF EXHIBITS.

Section 2.01 The following exhibits are attached hereto and incorporated herein:

- (a) Exhibit A: Scope of Work & Timeline
- (b) Exhibit B: Schedule of Rates

ARTICLE 3. REQUEST FOR SERVICES.

Section 3.01 Initiation Conference. SMART’s General Manager or designee (hereinafter “SMART Manager”) will initiate all requests for services through an Initiation Conference, which may be in person, by telephone, or by email.

Section 3.02 Amount of Work. SMART does not guarantee a minimum or maximum amount of work under this Agreement.

ARTICLE 4. SCOPE OF SERVICES.

Section 4.01 Scope of Work. Consultant shall perform services within the timeframe outlined in **Exhibit A** (cumulatively referred to as the “Scope of Work”).

Section 4.02 Cooperation With SMART. Consultant shall cooperate with the SMART Manager in the performance of all work hereunder.

Section 4.03 Performance Standard. Consultant shall perform all work hereunder in a manner consistent with the level of competency and standard of care normally observed by a person practicing in Consultant’s profession. If SMART determines that any of Consultant’s work is not in accordance with such level of competency and standard of care, SMART, in its sole discretion, shall have the right to do any or all of the following: (a) require Consultant to meet with SMART to review the quality of the work and resolve matters of concern; (b) require Consultant to repeat the work at no additional charge until it is satisfactory; (c) terminate this Agreement pursuant to the provisions of Article 7; or (d) pursue any and all other remedies at law or in equity.

Section 4.04 Assigned Personnel.

- (a) Consultant shall assign only competent personnel to perform work hereunder. In the event that at any time SMART, in its sole discretion, desires the removal of any person or persons assigned by Consultant to perform work hereunder, Consultant shall remove such person or persons immediately upon receiving written notice from SMART.
- (b) Any and all persons identified in this Agreement or any exhibit hereto as the project manager, project team, or other professional performing work hereunder on behalf of the Consultant are deemed by SMART to be key personnel whose services were a material inducement to SMART to enter into this Agreement, and without whose services SMART would not have entered into this Agreement. Consultant shall not remove, replace, substitute, or otherwise change any key personnel without the prior written consent of SMART.
- (c) In the event that any of Consultant’s personnel assigned to perform services under this Agreement become unavailable due to resignation, sickness or other factors outside of Consultant’s control, Consultant shall be responsible for timely provision of adequately qualified replacements.
- (d) Consultant shall assign the following key personnel for the term of this Agreement:

Steve Palmer, Vice President, Team Leader, Overall Strategy, SMART delegation.
Harry Glenn, Vice President Appropriations
David Haines, Director, Government Relations, Liaison with House/Senate

ARTICLE 5. PAYMENT.

For all services required hereunder, Consultant shall be paid in accordance with the following terms:

Section 5.01 Consultant shall invoice SMART on a monthly basis, detailing the tasks performed pursuant to the Scope of Work requested by the SMART Manager and the hours worked. SMART shall pay Consultant within 30 days after submission of the invoices.

Section 5.02 Consultant shall be paid on a monthly basis in accordance with the rates established in **Exhibit B**; provided, however, that total payments to Consultant shall not exceed \$60,000, without the prior written approval of SMART. The rates set forth in Exhibit B are inclusive of all expenses such as travel, meals, telephone, materials, taxes, profit, overhead, insurance, labor, subconsultant costs, and any other direct and indirect cost associated with performing the services. Consultant shall submit its invoices in arrears on a monthly basis in a form approved by the Chief Financial Officer. The invoices shall show or include: (i) the task(s) performed; and (ii) the fixed monthly rate.

Section 5.03 Consultant must submit all invoices on a timely basis, but no later than thirty (30) days from the date the services/charges were incurred. District shall not accept invoices submitted by Consultant after the end of such thirty (30) day period without District pre-approval. Time is of the essence with respect to submission of invoices and failure by Consultant to abide by these requirements may delay or prevent payment of invoices or cause such invoices to be returned to the Consultant unpaid.

ARTICLE 6. TERM OF AGREEMENT.

Section 6.01 The term of this Agreement shall remain in effect through December 31, 2022, with four (4) additional one-year options to extend at SMART's sole discretion unless terminated earlier in accordance with the provisions of **Article 7** below.

ARTICLE 7. TERMINATION.

Section 7.01 Termination Without Cause. Notwithstanding any other provision of this Agreement, at any time and without cause, SMART shall have the right, at their sole discretion, to terminate this Agreement by giving 30 days written notice to the other party.

Section 7.02 Termination for Cause. Notwithstanding any other provision of this Agreement, should Consultant fail to perform any of its obligations hereunder, within the time and in the manner herein provided, or otherwise violate any of the terms of this Agreement, SMART may immediately terminate this Agreement by giving Consultant written notice of such termination, stating the reason for termination.

Section 7.03 Delivery of Work Product and Final Payment Upon Termination. In the event of termination by either party, Consultant, within 14 days following the date of termination, shall deliver to SMART all materials and work product subject to **Section 12.08** and

shall submit to SMART an invoice showing the services performed, hours worked, and copies of receipts for reimbursable expenses up to the date of termination.

Section 7.04 Payment Upon Termination. Upon termination of this Agreement by SMART, Consultant shall be entitled to receive as full payment for all services satisfactorily rendered and expenses incurred hereunder, an amount which bears the same ratio to the total payment specified in the Agreement as the services satisfactorily rendered hereunder by Consultant bear to the total services otherwise required to be performed for such total payment; provided, however, that if services are to be paid on an hourly or daily basis, then Consultant shall be entitled to receive as full payment an amount equal to the number of hours or days actually worked prior to termination times the applicable hourly or daily rate; provided further that if SMART terminates the Agreement for cause pursuant to **Section 7.02**, SMART shall deduct from such amount the amount of damage, if any, sustained by SMART by virtue of the breach of the Agreement by Consultant.

Section 7.05 Authority to Terminate. The Board of Directors has the authority to terminate this Agreement on behalf of SMART. In addition, the General Manager, in consultation with SMART Counsel, shall have the authority to terminate this Agreement on behalf of SMART.

ARTICLE 8. INDEMNIFICATION

Consultant agrees to accept all responsibility for loss or damage to any person or entity, including SMART, and to indemnify, hold harmless, and release SMART, its officers, agents, and employees, from and against any actions, claims, damages, liabilities, disabilities, or expenses, that may be asserted by any person or entity, including Consultant, to the extent caused by the Consultant's negligence, recklessness or willful misconduct in its performance or obligations under this Agreement. Consultant agrees to provide a complete defense for any claim or action brought against SMART based upon a claim relating to Consultant's performance or obligations under this Agreement. Consultant's obligations under this Section 8 apply whether or not there is concurrent negligence on SMART's part, but to the extent required by law, excluding liability due to SMART's conduct. SMART shall have the right to select its legal counsel at Consultant's expense, subject to Consultant's approval, which shall not be unreasonably withheld. This indemnification obligation is not limited in any way by any limitation on the amount or type of damages or compensation payable to or for Consultant or its agents under workers' compensation acts, disability benefits acts, or other employee benefit acts.

ARTICLE 9. INSURANCE.

With respect to performance of work under this Agreement, Consultant shall maintain and shall require all of its Subcontractors, Consultants, and other agents to maintain, insurance as described below. If the Consultant maintains broader coverage and/or higher limits than the minimums shown below, SMART requires and shall be entitled to the broader coverage and/or the higher limits maintained by the Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to SMART"

Section 9.01 Workers' Compensation Insurance. Workers' Compensation as required by the State of California, with Statutory Limits, and Employer's Liability insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.

Section 9.02 General Liability Insurance. Commercial General Liability insurance covering products-completed and ongoing operations, property damage, bodily injury and personal injury using an occurrence policy form, in an amount no less than \$1,000,000 per occurrence, and \$2,000,000 aggregate.

Section 9.03 Automobile Insurance. Automobile Liability insurance covering bodily injury and property damage in an amount no less than \$1,000,000 combined single limit for each occurrence. Said insurance shall include coverage for owned, hired, and non-owned vehicles.

Section 9.04 Professional Liability Insurance (Errors and Omissions). Professional Liability insurance with limit no less than \$2,000,000 per occurrence or claim, and \$2,000,000 aggregate.

Section 9.05 Endorsements. Prior to commencing work, Consultant shall file Certificate(s) of Insurance with SMART evidencing the required coverage and endorsement(s) and, upon request, a certified duplicate original of any of those policies. Said endorsements and Certificate(s) of Insurance shall stipulate:

- (a) SMART, its officers, and employees shall be named as additional insured on all policies listed above, with the exception of the workers compensation insurance policy and the professional services liability policy (if applicable).
- (b) That the policy(ies) is Primary Insurance and the insurance company(ies) providing such policy(ies) shall be liable thereunder for the full amount of any loss or claim which Consultant is liable, up to and including the total limit of liability, without right of contribution from any other insurance effected or which may be effected by the Insureds.
- (c) Inclusion of the Insureds as additional insureds shall not in any way affect its rights either as respects any claim, demand, suit or judgment made, brought or recovered against Consultant. Said policy shall protect Consultant and the Insureds in the same manner as though a separate policy had been issued to each, but nothing in said policy shall operate to increase the insurance company's liability as set forth in its policy beyond the amount or amounts shown or to which the insurance company would have been liable if only one interest had been named as an insured.
- (d) Consultant hereby grants to SMART a waiver of any right to subrogation which any insurer of said Consultant may acquire against SMART by virtue of the payment of any loss under such insurance. Consultant agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not SMART has received a waiver of subrogation endorsement from the

insurer.

- (e) The insurance policy(ies) shall be written by an insurance company or companies acceptable to SMART. Such insurance company shall be authorized to transact business in the state of California.

SMART reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances.

Section 9.06 Deductibles and Retentions. Consultant shall be responsible for payment of any deductible or retention on Consultant's policies without right of contribution from SMART. Deductible and retention provisions shall not contain any restrictions as to how or by whom the deductible or retention is paid. Any deductible or retention provision limiting payment to the name insured is not acceptable.

Section 9.07 Claims Made Coverage. If any insurance specified above is written on a claims-made coverage form, Consultant shall:

- (a) Ensure that the retroactive date is shown on the policy, and such date must be before the date of this Agreement or beginning of any work under this Agreement;
- (b) Maintain and provide evidence of similar insurance for at least three (3) years following project completion, including the requirement of adding all additional insureds; and
- (c) If insurance is cancelled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to Agreement effective date, Consultant shall purchase "extending reporting" coverage for a minimum of three (3) years after completion of the work.

Section 9.08 Documentation. The following documentation shall be submitted to SMART:

- (a) Properly executed Certificates of Insurance clearly evidencing all coverages and limits required above. Said Certificates shall be submitted prior to the execution of this Agreement. At SMART's request, Consultant shall provide certified copies of the policies that correspond to the policies listed on the Certificates of Insurance. Consultant agrees to maintain current Certificates of Insurance evidencing the above-required coverages and limits on file with SMART for the duration of this Agreement.
- (b) Copies of properly executed endorsements required above for each policy. Said endorsement copies shall be submitted prior to the execution of this Agreement. Consultant agrees to maintain current endorsements evidencing the above-specified requirements on file with SMART for the duration of this Agreement.
- (c) After the Agreement has been signed, signed Certificates of Insurance shall be submitted for any renewal or replacement of a policy that already exists, at least ten (10) days

before expiration or other termination of the existing policy.

Please email all renewal certificates of insurance and corresponding policy documents to InsuranceRenewals@sonomamarintrain.org.

Section 9.09 Policy Obligations. Consultant's indemnity and other obligations shall not be limited by the foregoing insurance requirements.

Section 9.10 Material Breach. If Consultant, for any reason, fails to maintain insurance coverage, which is required pursuant to this Agreement, the same shall be deemed a material breach of this Agreement. SMART, in its sole option, may terminate this Agreement and obtain damages from Consultant resulting from said breach. Alternatively, SMART may purchase such required insurance coverage, and without further notice to Consultant, SMART may deduct from sums due to Consultant any premium costs advanced by SMART for such insurance. These remedies shall be in addition to any other remedies available to SMART.

ARTICLE 10. PROSECUTION OF WORK.

When work is requested of Consultant by SMART, all due diligence shall be exercised and the work accomplished without undue delay, within the performance time specified in the Task Order. Performance of the services hereunder shall be completed within the time required herein, provided, however, that if the performance is delayed by earthquake, flood, or wildfire, the time for Consultant's performance of this Agreement shall be extended by a number of days equal to the number of days Consultant has been delayed.

ARTICLE 11. EXTRA OR CHANGED WORK.

Extra or changed work or other changes to the Agreement may be authorized only by written amendment to this Agreement, signed by both parties. Minor changes, which do not increase the amount paid under the Agreement, and which do not significantly change the scope of work or significantly lengthen time schedules may be executed by the SMART Manager in a form approved by SMART Counsel. The Board of Directors or General Manager must authorize all other extra or changed work. The parties expressly recognize that SMART personnel are without authorization to order extra or changed work or waive Agreement requirements. Failure of Consultant to secure such written authorization for extra or changed work shall constitute a waiver of any and all right to adjustment in the Agreement price or Agreement time due to such unauthorized work and thereafter Consultant shall be entitled to no compensation whatsoever for the performance of such work. Consultant further expressly waives any and all right or remedy by way of restitution and quantum meruit for any and all extra work performed without such express and prior written authorization of SMART.

ARTICLE 12. REPRESENTATIONS OF CONSULTANT.

Section 12.01 Standard of Care. SMART has relied upon the professional ability and training of Consultant as a material inducement to enter into this Agreement. Consultant hereby agrees that all its work will be performed and that its operations shall be conducted in

accordance with generally accepted and applicable professional practices and standards as well as the requirements of applicable federal, state and local laws, it being understood that acceptance of Consultant's work by SMART shall not operate as a waiver or release.

Section 12.02 Status of Consultant. The parties intend that Consultant, in performing the services specified herein, shall act as an independent Consultant and shall control the work and the manner in which it is performed. Consultant is not to be considered an agent or employee of SMART and is not entitled to participate in any pension plan, worker's compensation plan, insurance, bonus, or similar benefits SMART provides its employees. In the event SMART exercises its right to terminate this Agreement pursuant to **Article 7**, above, Consultant expressly agrees that it shall have no recourse or right of appeal under rules, regulations, ordinances, or laws applicable to employees.

Section 12.03 Taxes. Consultant agrees to file federal and state tax returns and pay all applicable taxes on amounts paid pursuant to this Agreement and shall be solely liable and responsible to pay such taxes and other obligations, including but not limited to state and federal income and FICA taxes. Consultant agrees to indemnify and hold SMART harmless from any liability which it may incur to the United States or to the State of California as a consequence of Consultant's failure to pay, when due, all such taxes and obligations. In case SMART is audited for compliance regarding any withholding or other applicable taxes, Consultant agrees to furnish SMART with proof of payment of taxes on these earnings.

Section 12.04 Records Maintenance. Consultant shall keep and maintain full and complete documentation and accounting records concerning all services performed that are compensable under this Agreement and shall make such documents and records available to SMART for inspection at any reasonable time. Consultant shall maintain such records for a period of four (4) years following completion of work hereunder. Consultant and Subconsultants shall permit access to all records of employment, employment advertisements, employment application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission, or any other agency of the State of California designated by the State, for the purpose of any investigation to ascertain compliance with this document.

Section 12.05 Conflict of Interest. Consultant covenants that it presently has no interest and that it will not acquire any interest, direct or indirect, that represents a financial conflict of interest under state law or that would otherwise conflict in any manner or degree with the performance of its services hereunder. Consultant further covenants that in the performance of this Agreement no person having any such interests shall be employed. In addition, if requested to do so by SMART, Consultant shall complete and file and shall require any other person doing work under this Agreement to complete and file a "Statement of Economic Interest" with SMART disclosing Consultant's or such other person's financial interests.

Section 12.06 Nondiscrimination. Consultant shall comply with all applicable federal, state, and local laws, rules, and regulations in regard to nondiscrimination in employment because of race, color, ancestry, national origin, religion, sex, marital status, age, medical condition, pregnancy, disability, sexual orientation or other prohibited basis, including without limitation, SMART's Non-Discrimination Policy. All nondiscrimination rules or

regulations required by law to be included in this Agreement are incorporated herein by this reference

Section 12.07 Assignment Of Rights. Consultant assigns to SMART all rights throughout the world in perpetuity in the nature of copyright, trademark, patent, right to ideas, in and to all versions of the plans and specifications, if any, now or later prepared by Consultant in connection with this Agreement. Consultant agrees to take such actions as are necessary to protect the rights assigned to SMART in this Agreement, and to refrain from taking any action which would impair those rights. Consultant's responsibilities under this provision include, but are not limited to, placing proper notice of copyright on all versions of the plans and specifications as SMART may direct, and refraining from disclosing any versions of the plans and specifications to any third party without first obtaining written permission of SMART. Consultant shall not use or permit another to use the plans and specifications in connection with this or any other project without first obtaining written permission of SMART.

Section 12.08 Ownership And Disclosure Of Work Product. All reports, original drawings, graphics, plans, studies, and other data or documents ("documents"), in whatever form or format, assembled or prepared by Consultant and other agents in connection with this Agreement shall be the property of SMART. SMART shall be entitled to immediate possession of such documents upon completion of the work pursuant to this Agreement. Upon expiration or termination of this Agreement, Consultant shall promptly deliver to SMART all such documents, which have not already been provided to SMART in such form or format, as SMART deems appropriate. Such documents shall be and will remain the property of SMART without restriction or limitation. Consultant may retain copies of the above- described documents but agrees not to disclose or discuss any information gathered, discovered, or generated in any way through this Agreement without the express written permission of SMART.

ARTICLE 13. DEMAND FOR ASSURANCE.

Each party to this Agreement undertakes the obligation that the other's expectation of receiving due performance will not be impaired. When reasonable grounds for insecurity arise with respect to the performance of either party, the other may in writing demand adequate assurance of due performance and until such assurance is received may, if commercially reasonable, suspend any performance for which the agreed return has not been received. "Commercially reasonable" includes not only the conduct of a party with respect to performance under this Agreement, but also conduct with respect to other agreements with parties to this Agreement or others. After receipt of a justified demand, failure to provide within a reasonable time, but not exceeding thirty (30) days, such assurance of due performance as is adequate under the circumstances of the particular case is a repudiation of this Agreement. Acceptance of any improper delivery, service, or payment does not prejudice the aggrieved party's right to demand adequate assurance of future performance. Nothing in this **Article 13** limits SMART's right to terminate this Agreement pursuant to **Article 7**.

ARTICLE 14. ASSIGNMENT AND DELEGATION.

Neither party hereto shall assign, delegate, sublet, or transfer any interest in or duty under

this Agreement without the prior written consent of the other, and no such transfer shall be of any force or effect whatsoever unless and until the other party shall have so consented.

ARTICLE 15. METHOD AND PLACE OF GIVING NOTICE, SUBMITTING INVOICES AND MAKING PAYMENTS.

All notices, invoices, and payments shall be made in writing and shall be given by personal delivery, U.S. Mail or email. Notices, invoices, and payments shall be addressed as follows:

If to SMART Manager:	Sonoma-Marín Area Rail Transit District Attn: General Manager 5401 Old Redwood Highway, Suite 200 Petaluma, CA 94954 707-794-3330
----------------------	---

If to SMART Billing:	Sonoma-Marín Area Rail Transit District Attn: Accounts Payable 5401 Old Redwood Highway, Suite 200 Petaluma, CA 94954 billing@sonomamarintrain.org 707-794-3330
----------------------	--

If to Consultant:	Van Scoyoc Associates, Inc. Attn: Steve Palmer 800 Maine Avenue SW, Suite 800 Washington, D.C. 20024 spalmer@vsadc.com 202-253-8848
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When a notice, invoice or payment is given by a generally recognized overnight courier service, the notice, invoice or payment shall be deemed received on the next business day. When a copy of a notice, invoice or payment is sent by facsimile or email, the notice, invoice or payment shall be deemed received upon transmission as long as (1) the original copy of the notice, invoice or payment is promptly deposited in the U.S. mail and postmarked on the date of the facsimile or email (for a payment, on or before the due date), (2) the sender has a written confirmation of the facsimile transmission or email, and (3) the facsimile or email is transmitted before 5 p.m. (recipient's time). In all other instances, notices, invoices and payments shall be effective upon receipt by the recipient. Changes may be made in the names and addresses of the person to whom notices are to be given by giving notice pursuant to this paragraph.

ARTICLE 16. MISCELLANEOUS PROVISIONS.

Section 16.01 No Waiver of Breach. The waiver by SMART of any breach of any term or promise contained in this Agreement shall not be deemed to be a waiver of such term or provision or any subsequent breach of the same or any other term or promise contained in this

Agreement.

Section 16.02 Construction. To the fullest extent allowed by law, the provisions of this Agreement shall be construed and given effect in a manner that avoids any violation of statute, ordinance, regulation, or law. The parties covenant and agree that in the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby. Consultant and SMART acknowledge that they have each contributed to the making of this Agreement and that, in the event of a dispute over the interpretation of this Agreement, the language of the Agreement will not be construed against one party in favor of the other. Consultant and SMART acknowledge that they have each had an adequate opportunity to consult with counsel in the negotiation and preparation of this Agreement.

Section 16.03 Consent. Wherever in this Agreement the consent or approval of one party is required to an act of the other party, such consent or approval shall not be unreasonably withheld or delayed.

Section 16.04 No Third-Party Beneficiaries. Nothing contained in this Agreement shall be construed to create and the parties do not intend to create any rights in third parties.

Section 16.05 Applicable Law and Forum. This Agreement shall be construed and interpreted according to the substantive law of California, regardless of the law of conflicts to the contrary in any jurisdiction. Venue for any action to enforce the terms of this Agreement or for the breach thereof shall be in the Superior Court of the State of California in the County of Marin.

Section 16.06 Captions. The captions in this Agreement are solely for convenience of reference. They are not a part of this Agreement and shall have no effect on its construction or interpretation.

Section 16.07 Merger. This writing is intended both as the final expression of the Agreement between the parties hereto with respect to the included terms and as a complete and exclusive statement of the terms of the Agreement, pursuant to Code of Civil Procedure Section 1856. No modification of this Agreement shall be effective unless and until such modification is evidenced by a writing signed by both parties.

Section 16.08 Acceptance of Electronic Signatures and Counterparts. The parties agree that this Contract, Agreements ancillary to this Contract, and related documents to be entered into this Contract will be considered executed when all parties have signed this Agreement. Signatures delivered by scanned image as an attachment to electronic mail or delivered electronically through the use of programs such as DocuSign must be treated in all respects as having the same effect as an original signature. Each party further agrees that this Contract may be executed in two or more counterparts, all of which constitute one and the same instrument.

Section 16.09 Time of Essence. Time is and shall be of the essence of this Agreement and every provision hereof.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

CONSULTANT: VAN SCOYOC ASSOCIATES, INC.

By: _____
Steven Palmer, Vice President

Date: _____

SONOMA-MARIN AREA RAIL TRANSIT (SMART)

By: _____
Farhad Mansourian, General Manager

Date: _____

**CERTIFICATES OF INSURANCE ON FILE WITH AND
APPROVED AS TO SUBSTANCE FOR SMART:**

By: _____
Ken Hendricks, Procurement Manager

Date: _____

APPROVED AS TO FORM FOR SMART:

By: _____
District Counsel

Date: _____

EXHIBIT A

SCOPE OF WORK & TIMELINE

I. Overview

The Sonoma-Marín Area Rail Transit District (SMART) is contracting with Van Scoyoc Associates, Inc. (hereinafter “Consultant”) to provide federal advocacy services on SMART’s behalf. The Consultant is expected to assist in the development of strategies for advancing actions at the Federal level that are beneficial to SMART and its programs with the anticipated workload to be focused on passenger rail, non-motorized interests, and freight rail interests. The scope of services includes representation and advocacy on behalf of SMART in its dealing with all relevant federal agencies and related interest groups, including but not limited to:

1. U.S. Senate
2. U.S. House of Representatives
3. White House
4. U.S. Department of Transportation
 - a. Federal Transit Administration
 - b. Federal Railroad Administration
 - c. Federal Highway Administration
 - d. Build America Bureau
 - e. U.S. Department of Homeland Security

II. Project Management

All work shall be initiated and coordinated by the General Manager or designee (hereinafter “SMART Manager”) in writing or by teleconference. Consultant shall have regular communication with the SMART Manager and staff through bimonthly conference calls, weekly and monthly written reports, and regular email correspondence and calls.

III. Scope of Work

Under the general direction of the SMART Manager, the Consultant shall provide professional support and assistance on a regular basis to accomplish the following:

1. Monitor, report and advise on activities of Congress, the White House, and federal transportation and security agencies that are pertinent to transportation

providers and public transit agencies in general, with an emphasis on activities that have a potential impact on SMART and its programs.

2. Assist SMART in developing working relationships with Congress, including members and staff of transportation, appropriations, and other relevant committees.
3. Serve as SMART's liaison and represent SMART to congressional committees and federal agencies, including, but not limited to, the U.S. Department of Transportation and its subdivisions (Federal Railroad Administration, Federal Transit Administration, and Federal Highway Administration).
4. Identify programs for which SMART can compete for funds and assist its efforts to secure funding through the annual appropriations process or any similar processes.
5. Monitor the development of transportation-related legislation, regulations, or policy directives at the federal level, including participation in relevant coalitions, organizations, and forums, and keep SMART staff informed of significant developments.
6. Provide professional advice and counsel on the development of SMART's legislative program and recommend strategies to advance SMART's legislative goals.
7. Conduct activities necessary to carry out SMART's goals with respect to the passage, defeat, or amendment of proposed legislation and the development of federal regulations.
8. Provide logistical support to arrange appointments and meetings with members of Congress and federal agencies as required. Consultant shall provide detailed itineraries for SMART's General Manager, staff, and Board Members and comprehensive briefing materials uniquely tailored to the SMART's federal advocacy plans prior to all meetings. During these trips, Consultant shall provide SMART officials with access to office space and conference rooms at Consultant's office.
9. Be available as needed to provide timely legislative updates to SMART staff and respond to regular staff inquiries related to the advancement of SMART's legislative goals.
10. Provide a written monthly reports to SMART's General Manager on pending legislation, budgetary issues, administrative policies, and other developments at the federal level that are of interest to SMART. Provide legislative updates and make presentations to SMART staff as requested.

11. Provide an annual summary to be completed by December 1 of each year detailing developments on significant issues and actions taken to address SMART interests and the issues that are likely to emerge in the coming year.
12. Maintain a visible presence with SMART, as requested by the SMART Manager, to include regular meetings and visits to Petaluma to meet with SMART's General Manager, Senior staff, and Board Members. All travel is already included in the fixed monthly fee.

IV. Acceptance Criteria

The SMART Manager will be responsible for reviewing all work performed to ensure it meets the requirements identified in the contract. If work performed does not meet the requirements of the contract, Consultant shall be required to replace defective work at no cost to SMART. Following the replacement of the defective work, the SMART Manager will approve the Consultant's invoice.

EXHIBIT B
SCHEDULE OF RATES

INITIAL CONTRACT TERM			
ITEM	CONTRACT YEAR	MONTHLY FEE	TOTAL ANNUAL FEE
1	January 1, 2022 – December 31, 2022	\$5,000	\$60,000.00

OPTIONAL TERM EXTENSIONS			
ITEM	CONTRACT YEAR	MONTHLY FEE	TOTAL ANNUAL FEE
1	January 1, 2023 – December 31, 2023	\$5,000	\$60,000
2	January 1, 2024 – December 31, 2024	\$5,000	\$60,000
3	January 1, 2025 – December 31, 2025	\$5,000	\$60,000
4	January 1, 2026 – December 31, 2026	\$5,000	\$60,000

Consultant shall perform all services for the fixed monthly fee identified in the above tables. This monthly fee is inclusive of all expenses such as travel, meals, telephone, materials, profit, overhead, insurance, labor, subconsultant costs, and any other direct or indirect cost that may be incurred by the Consultant.



November 17, 2021

David Rabbitt, Chair
Sonoma County Board of Supervisors

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

Judy Arnold
Marin County Board of Supervisors

Melanie Bagby
Sonoma County Mayors' and
Councilmembers Association

Kate Colin
Transportation Authority of Marin

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and
Councilmembers Association

Patty Garbarino
Golden Gate Bridge,
Highway/Transportation District

Susan Gorin
Sonoma County Board of Supervisors

Dan Hillmer
Marin County Council of Mayors and
Councilmembers

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: Annual Financial Report Fiscal Year 2020-21, Single Audit for Fiscal Year 2020-21, and Memorandum on Internal Control

Dear Board Members:

RECOMMENDATIONS: Review and Accept SMART's Fiscal Year 2020-21 Annual Financial Report, Federal Single Audit and Memorandum on Internal Control

SUMMARY:

Following the close of each fiscal year, SMART's finance staff prepares a summary of our financial activities for the year following best practices and guidelines issued by the Government Accounting Standards Board (GASB). Our financial reports are reviewed, tested, and adjusted by our independent auditor.

Included in the packet are three documents: SMART's Fiscal Year Annual Financial Report, the Federal Single Audit, and the Memorandum of Internal Control provided by Maze & Associates, our independent auditor. We are pleased to report that the audit did not identify any deficiencies in internal control that would be considered material weaknesses and reported no difficulties in completing the audits.

Annual Financial Report

The Annual Financial Report is a best practice in government for presenting annual financial information. For the eighth year in a row, the report contains our annual achievement award from the Government Finance Officers Association for our 2020 report. The contents of the annual report are consistent from year to year. In addition to basic audited financial statements and notes, the report contains a Letter of Transmittal which provides an overview of the district, its activities and financial practices, a Management Discussion providing an overview of the statements and a statistical section which provides general, historical, and regional information.

It also contains the Auditor's Report which states that the financial statements present fairly, in all material respects, the respective financial position of the district as of June 30, 2021. At the end of the financial report, the auditor's report on Internal Controls states that the auditors did not identify any deficiencies in internal control considered to be material weaknesses.

Key measurements of the District's financial status are outlined in the Management Discussion and Analysis. It includes the following information.

- Fiscal Year 2020-21 was the first year that we have reported freight. Freight revenues and expenditures will be tracked and reported under a separate fund.
- SMART's financial activity for the year ended June 30, 2021, reflects on the revenue side, COVID-19 impacts on SMART's revenues, including a \$2.4 million reduction in fare revenue. However, sales tax increased \$5 million over 2020 due to a strong rebound in both Sonoma and Marin Counties.
- SMART received both federal Coronavirus Aid, Relief, and Economic Security Act (CARES) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) which provided \$6.9 million and \$1.8 million respectively for operating support for Fiscal Year 2020-21 allowing SMART to restore some service.
- Operating expenses, net of depreciation, were 12% less in FY 2020-21 due to planned reductions in costs due to the pandemic and significant decreases in ridership during the shelter in place orders.
- Capital assets decreased \$7 million (net of depreciation) due to reduced construction activity during the year and older assets.
- Assets of SMART exceeded its liabilities at the close of the year ended June 30, 2021, by \$525.9 million (net position). Of this amount, \$91 million is unrestricted.
- SMART's net position increased \$28.2 million during the year ended June 30, 2021, due mainly to the restructuring of long-term debt.

Single Audit

In addition to the regular audit, SMART is required to undergo a separate audit process related to significant expenditures of federal funds, called the Single Audit. This audit is to ensure compliance with Title 2 U.S. Code of Federal Regulations CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit requirements for Federal Awards (Uniform Guidance). When completed, this audit document is provided to our federal funding agencies. As with our annual financial audit, we are pleased to report that there are no material weaknesses or significant deficiencies identified during this process. The Single Audit for Fiscal Year 2020-21 reviewed several different grants including 5307 Preventive Maintenance, 5307 CARES Act Operating Assistance, 5307 CRRSAA Operating Assistance, and FRA Consolidated Rail Infrastructure and Safety Improvements. SMART had no audit findings related to these funds.

Memorandum of Internal Control and Required Communications

In this communication to the Board, Maze reports that they did not find any transactions entered by the district that did not have the authoritative guidance under the rules and that all significant transactions have been recognized in the statements. It also notes that Maze encountered no significant difficulties in completing the audits and there were no disagreements with management.

FISCAL IMPACT: No fiscal impact.

Very Truly Yours,
/s/
Heather McKillop
Chief Financial Officer

Annual Comprehensive Financial Report



**Sonoma ~ Marin
Area Rail
Transit District
Petaluma, California**

For Fiscal Year Ended June 30, 2021

**SONOMA-MARIN AREA RAIL
TRANSIT DISTRICT
PETALUMA, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

PREPARED BY THE FINANCE DEPARTMENT

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended June 30, 2021

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General Manager

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

November 4, 2021

State law requires that the Sonoma-Marín Area Rail Transit District (SMART) "cause a post audit of the financial transactions and records of the district to be made at least annually by a certified public accountant." Pursuant to that requirement, the Annual Comprehensive Financial Report of the District for the fiscal year end June 30, 2021, is hereby issued.

The report consists of management's representation concerning the finances of SMART. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of SMART's financial statements in conformity with generally accepted accounting principles (GAAP). The cost of internal controls should not outweigh the benefits, SMART's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As the General Manager, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

SMART's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of SMART for the fiscal year ending June 30, 2021, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that SMART's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP.

The report consists of three sections:

- The Introduction section includes this letter of transmittal, SMART's organization chart and officials, a map of the SMART system and certificates of achievement.
- The Financial section includes the report of the independent auditors, the Management's Discussion and Analysis (MD&A), SMART's basic financial statements and the accompanying notes to the financial statements. Required supplementary information other than the MD&A is also included in the financial section.
- The Statistical section includes selected financial and demographic information, on a multi-year basis.

The independent audit of the financial statements of SMART was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SMART's MD&A can be found immediately following the report of the independent auditors.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT (SMART)

The Sonoma Marin Area Rail Transit (SMART) District was established by the California Legislature through the enactment of AB 2224 in 2002. The SMART District includes both Sonoma and Marin Counties and was created for the purpose of providing unified and comprehensive structure for the ownership and governance of passenger and freight rail system within Sonoma and Marin Counties and to provide passenger and freight train service along the existing publicly owned railroad right-of-way.

SMART passenger rail service began in August of 2017 with two-way passenger train service on 43 miles to 10 stations between Downtown San Rafael in Marin County and Airport Boulevard in Sonoma County. In late 2019, two new stations were completed in Downtown Novato and Larkspur near the regional Ferry to San Francisco. These two stations in Marin County brought rail service to its current total of 45 miles with 12 passenger stations. SMART also manages 24 miles of an ancillary bicycle/pedestrian pathway on its right of way connecting to the SMART's stations where cyclists can find secure parking at the station or on-board the train for their bikes.

November 4, 2021

Train service is provided in state-of-the-art diesel multiple unit (DMU) rail vehicles utilizing one of the first Positive Train Control systems for passenger rail.

Freight

SMART owns the railroad from a place called “Brazos Junction” in American Canyon (East of the Napa River) west to the Ignacio Wye (Highway 101 and 37) in Novato south to Corte Madera and then north to the Mendocino-Sonoma County Line.

As required by State Law, S.B. 1029 and S.B. 69, on February 2, 2021, SMART filed a “Verified Notice of Exemption” with the Surface Transportation Board (STB) to exempt from regulation under U.S.C. Section 10902 SMART’s acquisition of railroad, right-of-way and a freight rail operating easement from North Coast Railroad Authority and SMART’s operation of the line. On February 12, 2021, the Notice of Exemption was approved by the STB. On March 26, a quit claim deed was executed that transferred the line of railroad and right-of-way between the Sonoma – Mendocino County border milepost 89 and Healdsburg at milepost 70.7 and the freight rail operating easement between Healdsburg milepost 68.2 and Brazos Junction at milepost SP 63.4.

On February 22, 2021, the freight operator, NWPCo, petitioned the STB for Discontinuance of Service Exemption (requesting authority to cease being the freight operator). On June 11, 2021, the STB approved NWPCo’s petition for discontinuance of service and authorized SMART to assume freight operations and common carrier duties over the rail line which became final on July 11, 2021. Currently, NWPCo. is expected to provide interim service until SMART replaces their operation by either self-performing the operation or contracting with a third-party operator to fulfill the service.

SMART is governed by a 12-member Board of Directors, made up of two Supervisors from each County, three City Council members from each County and two representatives from the Golden Gate Bridge, Highway and Transportation District. The Board has the authority under State law to own, operate, manage, and maintain a rail system within the territory of the SMART District.

SMART is primarily funded by a one-quarter of one cent sales tax approved by voters in the SMART District in 2008, a District which encompasses the two Counties of Sonoma and Marin.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered in the broader perspective of the specific environment within which SMART operates.

SMART’s passenger service and pathways currently operate in Marin and Sonoma Counties. These two counties are home to a mix of tourism, recreation, agriculture, and industry. The major population centers of Marin and Sonoma are located along the Highway 101 corridor and the parallel SMART rail line.

November 4, 2021

SMART's finances have relied on the strength of its voter-approved sales tax revenue which was approved in 2008 and in Fiscal Year 2021 provided more than 44% of SMART's annual revenues. Sales tax revenue is directly linked to local employment rates and median incomes. The district is home to a wealthy taxpayer base. The per capita income in Marin County is \$147,735 and Sonoma County is \$66,7001. In addition, the most recent unemployment data shows Marin County's and Sonoma County's unemployment rate at 4.4% and 5.3% respectfully compared to the State of California at 7.6%. SMART also receives significant funding from the State of California for its transit services ultimately derived from State fuel and sales taxes.

Since the start of SMART service four years ago, there have been over twelve federal disaster declarations in Sonoma County, including three catastrophic wildfires, two floods, extended Public Safety Power Shut-offs from the public power utility company, and, starting in March of 2020, the COVID-19 pandemic. SMART has experienced service disruption in several of these events, including evacuation of SMART's rolling stock and temporary closure of the northernmost stations, along with service reductions due to COVID-19. The true impact of these events, however, has been to the people SMART serves. These events have caused significant loss of housing stock, massive evacuation efforts, and unprecedented disruption in the daily rhythm of people's lives. It remains to be seen what the ultimate impact will be to work and school commute patterns, including the impact of regional relocation of workers from elsewhere in the Bay Area to Sonoma County during the COVID-19 pandemic.

Although COVID-19 has been devastating from a ridership and fare collection perspective, the North Bay area has done considerably better than other parts of California and in particular San Francisco. As was mentioned previously sales and use tax, which is our largest funding source, has recovered much faster than expected in Fiscal Year 2021 and exceeded our forecasts for the year.

FINANCIAL PLANNING

Every 5 years, SMART completes a Strategic Plan identifying future operational needs and capital plans. In the first half of Fiscal Year 2019-20, SMART completed a Strategic Plan that identified a future revenue and expenditure imbalance that could be addressed by debt refinancing or service reductions. The Board approved a plan to extend SMART's 20-year sales tax to provide for significant reductions in annual debt costs that would have addressed the imbalance. However, that measure failed to obtain the required 67% in the March 2020 election. An effort to achieve debt service savings within the confines of SMART's existing sales tax revenue was completed after the close of the Fiscal Year that will bring average overall debt service reductions of \$3.47 million annually because of the historically low rates available because of the recession.

In April of 2021, the Board of Director's adopted the first Capital Plan. This plan forecasts revenues and expenditures related to capital expenditures for the period July 1, 2021 – June 30, 2029. In addition, the Metropolitan Transportation Commission (MTC) requires each transit

1 US Department of Commerce, Bureau of Economic Analysis - www.bea.gov, released Nov 14, 2019

November 4, 2021

operator receiving federal funds to prepare, adopt, and submit a Short-Range Transit Plan. The plan is required to clearly describe the basis for SMART's capital and operating budgets and provides MTC and the public with information on projects and programs of regional significance.

FINANCIAL INFORMATION

SMART's management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. SMART has designed its internal control structure to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the costs of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgment by management.

Single Audit: As a recipient of federal assistance, SMART is responsible for ensuring that an adequate internal control structure is instituted to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of SMART's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to evaluate SMART's compliance. SMART's single audit for the fiscal year ended June 30, 2021, found no instances of material weakness in the internal control structures or significant violations of applicable laws and regulations.

Independent Audit: SMART's enabling legislation requires an annual audit by an independent certified public accountant. The accounting firm of Maze & Associates is performing the audit. This audit is also designed to meet the requirements of the Federal Single Audit 2 CFR 200.501, Uniform Grant Guidance and related 2 CFR 200, Uniform Grant Guidance – Uniform Administrative Requirements, Cost Principles, and Audit Requirements. The auditor's report on the financial statements and schedules are included in the Financial Section of this report.

Investment Policy: SMART's investment policy is intended to outline the guidelines and practices to be used in effectively managing SMART's available cash and investment portfolio. In accordance with California Government Code Section 53600.5, and in order of importance, the Chief Financial Officer of SMART is required to adhere to the following three criteria: (1) Safety of Principal (2) Liquidity (3) Return on Investment.

Risk Management: SMART purchases insurance in its efforts to protect assets and control and prevent losses. Commercial insurance policies provide coverage including Railroad Protective and Railroad Liability, Auto, General Liability, Property, Worker's Compensation, Crime, Public Officials Liability & Employment Practices, and Deadly Weapons Response Program.

AWARDS

The Government Finance Officers Associations (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SMART for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This is the eighth consecutive year that SMART has been awarded this prestigious award.

To receive the Certificate of Achievement for Excellence in Financial Reporting, SMART must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, the contents of which must conform to program standards. This report must also satisfy both GAAP and applicable legal requirements.

The Certificate of Achievement is valid for one year only. It is my belief that the current Annual Comprehensive Financial Report meets the program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

CONCLUSION

The financial statements presented here show the magnitude of the public assets that have resulted from the voters' approval of the SMART sales tax measure in 2008. Measure Q revenues have made possible not only the construction of a world-class transit system, but also the ongoing operation and maintenance of that system in the future. Certainly, the challenges of the COVID pandemic have had an impact on SMART and our customers but with continued leadership from the Board, ongoing vigilance on maintaining necessary reserves, and planning for future financial challenges, SMART's current and future operations will remain on solid footing.

ACKNOWLEDGEMENTS

Timely preparation of the Annual Comprehensive Financial Report was made possible by the dedicated service of the Finance Department led by Heather McKillop, Chief Financial Officer. I extend my sincere appreciation to each of them for their contributions. Moreover, I thank the Board of Directors for its continued support and leadership.

Sincerely,



Farhad Mansourian
General Manager



Heather McKillop
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Sonoma-Marin Area Rail Transit District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

**Sonoma Marin Area Rail Transit District
Fiscal Year 2020-21 Principal Officials**

Board of Directors

David Rabbitt – Chair Sonoma County Board of Supervisors	Barbara Pahre – Vice Chair Golden Gate Bridge District
Judy Arnold Marin County Board of Supervisors	Melanie Bagby Sonoma County Mayors and Councilmembers Association
Kate Colin Transportation Authority of Marin	Damon Connolly Marin County Board of Supervisors
Debora Fudge Sonoma County Mayors and Councilmembers Association	Patty Garbarino Golden Gate Bridge District
Susan Gorin Sonoma County Board of Supervisors	Daniel Hillmer Marin County Council of Mayors and Councilmembers
Eric Lucan Transportation Authority of Marin	Chris Rogers Sonoma County Mayors and Councilmembers Association

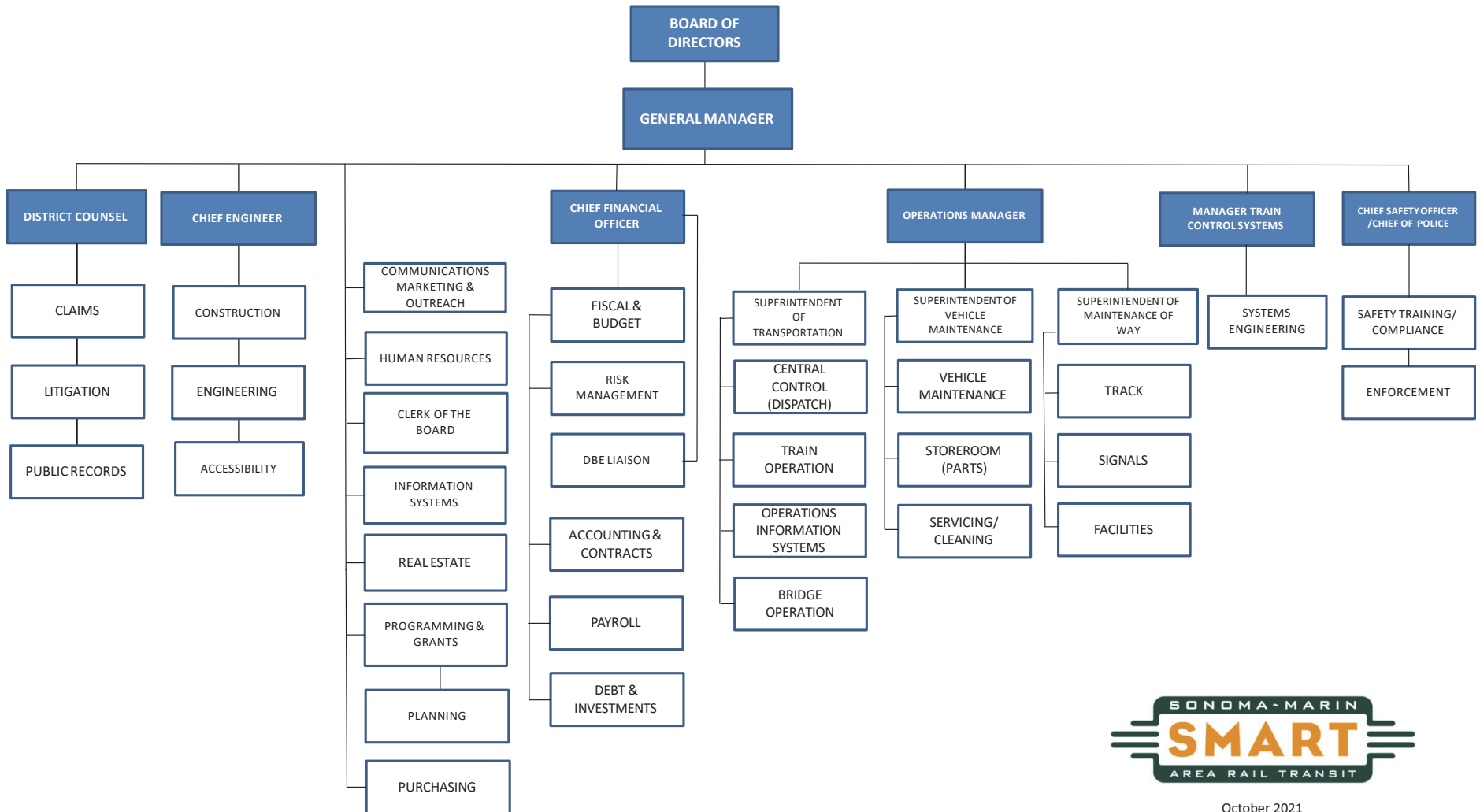
Organizational Structure

The Board appoints a General Manager for the District. In addition, the Chief Financial Officer, General Counsel, and Chief Engineer are appointed by the Board.

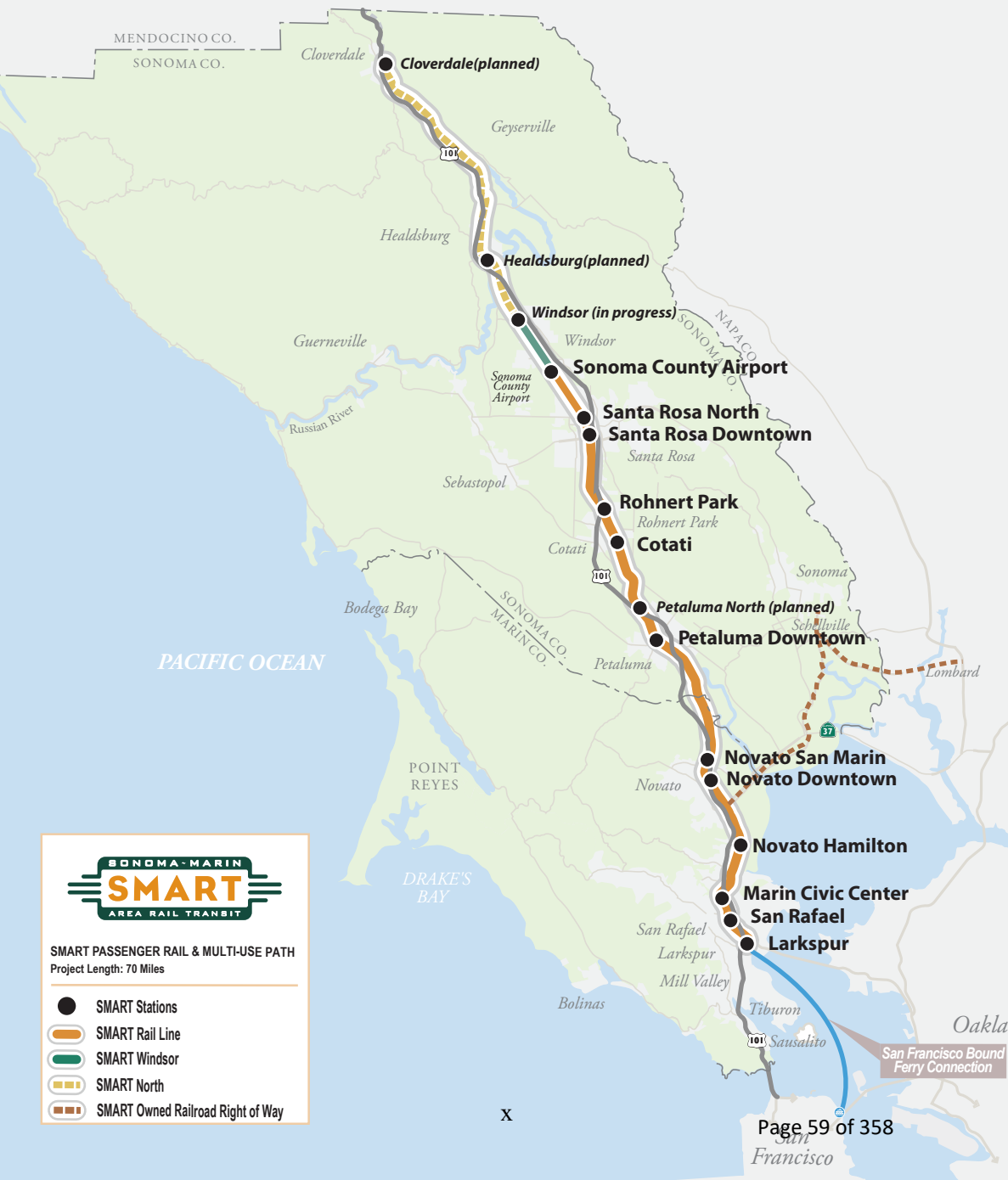
General Manager – Farhad Mansourian	Chief Financial Officer – Heather McKillop
General Counsel – Tom Lyons	Chief Engineer – Bill Gamlen

SONOMA -MARIN AREA RAIL TRANSIT DISTRICT

Organization Chart



October 2021



MENDOCINO
COUNTY

MP 89

CLOVERDALE

MP 68.2

HEALDSBURG

SONOMA
COUNTY

WINDSOR

101

SANTA ROSA

NAPA
COUNTY

VALLEJO ROUTE |
FREIGHT LINE

SMART | COMMUTER
FREIGHT LINE

ROHNERT
PARK
COTATI

SONOMA

PETALUMA

BRAZOS | FREIGHT LINE
(SMART OWNED)

SP MP 63.4

101

MARIN
COUNTY

NOVATO

MP 25.6

VALLEJO
FERRY

37

FAIRFIELD

VACAVILLE

SUISUN CITY

CAPITOL | COMMUTER
FREIGHT LINE

SOLANO
COUNTY

RIO VISTA

DIXON



SEPTEMBER 15, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Sonoma-Marín Area Rail Transit District
Petaluma, California

Report on Financial Statements

We have audited the accompanying financial statements of the Sonoma-Marín Area Rail Transit District (District), California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2021, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
November 4, 2021

**Sonoma-Marin Area Rail Transit District
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**

As management of the Sonoma-Marin Area Rail Transit District (SMART or the District), we offer readers of SMART’s financial statements this narrative overview and analysis of the financial activities of SMART for the year ended June 30, 2021. We encourage readers to combine the information presented here with SMART’s basic financial statements and the accompanying notes to the basic financial statements.

Financial Highlights

COVID-19 Pandemic

In March 2020, the COVID-19 pandemic hit, and California was the first state to issue “Stay-at-Home” orders as a result of these orders, SMART modified services in March 2020, with weekend service suspended starting March 21st and weekday service reduced first by 4 trips (down to 34) on March 23rd and then by another 18 trips (down to 16) on April 6th, 2020.

Beginning in March of 2021, SMART started to see an increase in ridership as vaccines became more available and people began to venture out for work and leisure activities. On May 24, 2021, SMART added an additional 10 trips per weekday for a total of 26 trips each weekday and added 12 trips on Saturday.

Freight

In Fiscal Year 2021, SMART acquired the railroad, right-of-way and freight operating rights from a place called “Brazos Junction” in American Canyon (East of the Napa River) west to the Ignacio Wye (Highway 101 and 37) in Novato and from there north to the Mendocino-Sonoma County Line.

On February 2, 2021, SMART filed a “Verified Notice of Exemption” with the Surface Transportation Board (STB) to exempt from regulation under U.S.C. Section 10902 SMART’s acquisition of railroad, right-of-way and a freight rail operating easement from North Coast Railroad Authority and SMART’s operation of the line. On February 12, 2021, the Notice of Exemption was approved by the STB. On March 26, a quit claim deed was executed that transferred the line of railroad and right-of-way between the Sonoma – Mendocino County border milepost 89 and Healdsburg at milepost 70.7 and the freight rail operating easement between Healdsburg milepost 68.2 and Brazos Junction at milepost SP 63.4.

On February 22, 2021, the freight operator, NWPCo, petitioned the STB for Discontinuance of Service Exemption (requesting authority to cease being the freight operator). On June 11, 2021, the STB approved NWPCo’s petition for discontinuance of service and authorized SMART to assume freight operations and common carrier duties over the rail line which became final on July 11, 2021. Currently, NWPCo. is expected to provide interim service until SMART replaces their operation by either self-performing the operation or contracting with a third-party operator to fulfill the service.

**Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**

Financial Statistics

- SMART's financial activity for the year ended June 30, 2021 reflects, on the revenue side, COVID-19 impacts on SMART's revenues, including a \$2.4 million reduction in fare revenue. However, sales tax increased \$5 million over 2020 due to a strong rebound in both Sonoma and Marin Counties.
- SMART received both federal Coronavirus Aid, Relief, and Economic Security Act (CARES) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) which provided \$6.9 million and \$1.8 million respectively for operating support for Fiscal Year 2020-21 allowing SMART to restore some service.
- Operating expenses, net of depreciation, were 12% less in FY 2020-21 due to planned reductions in costs due to the pandemic and significant decreases in ridership during the shelter in place orders.
- Capital assets decreased \$7 million (net of depreciation) due to reduced construction activity during the year and older assets.
- Assets of SMART exceeded its liabilities at the close of the year ended June 30, 2021 by \$525.9 million (net position). Of this amount, \$91 million is unrestricted.
- SMART's net position increased \$28.2 million during the year ended June 30, 2021, due mainly to the restructuring of long-term debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SMART's basic financial statements which are comprised of financial statements and the notes to the basic financial statements. SMART provides its financial information utilizing enterprise fund reporting. This type of fund reporting is used for funds whose activities are financed with bonds secured solely by a pledge of net revenues from fees or charges of the activity and for which fees are designed to recover costs, as a matter of policy. These requirements apply to SMART.

Basic Financial Statements

The financial statements are designed to provide readers with a broad overview of SMART's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of SMART's assets, deferred outflows of resources, liabilities and deferred inflow of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SMART is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how SMART's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items

**Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**

that will only result in cash flows in future fiscal periods (e.g., uncollected rental revenue and earned but unused vacation leave).

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 19-38 of this report.

Analysis of the Financial Statements

The financial statements provide both short-term and long-term information about the District's overall financial condition. This analysis addresses the financial statements of the District as a whole. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SMART's net position was \$525,930,782 on June 30, 2021.

The largest portion of SMART's net position (83%) reflects its investment in capital assets (e.g., land, stations, track and crossings, pathway, bridges and tunnels). SMART uses these capital assets to provide passenger rail services to its customers and a multiuse pathway for the general public; consequently, these assets are not available for future spending.

Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

STATEMENT OF NET POSITION

	<u>2021</u> <u>Combined *</u>	<u>2020 Transit/</u> <u>Pathway</u>	<u>2021-2020</u> <u>Change</u>
Total Current Assets	\$ 106,309,602	\$ 99,689,099	\$ 6,620,503
Total Noncurrent Assets	<u>\$ 554,122,776</u>	<u>\$ 561,171,310</u>	<u>\$ (7,048,534)</u>
Total Assets	\$ 660,432,378	\$ 660,860,409	\$ (428,031)
 Total Deferred Outflows of	 \$ 3,312,099	 \$ 2,747,500	 \$ 564,599
 Total Current Liabilities	 \$ 24,959,203	 \$ 25,304,499	 \$ (345,296)
Total Noncurrent Liabilities	<u>\$ 112,665,099</u>	<u>\$ 139,747,844</u>	<u>\$ (27,082,745)</u>
Total Liabilities	\$ 137,624,302	\$ 165,052,343	\$ (27,428,041)
 Total Deferred Inflows of Resources	 \$ 189,390	 \$ 246,990	 \$ (57,600)
 Net Position:			
Net investment in capital assets	\$ 434,505,310	\$ 398,251,858	\$ 36,253,452
Unrestricted	<u>\$ 91,425,472</u>	<u>\$ 99,456,719</u>	<u>\$ (8,031,247)</u>
Net Position End of Year	\$ 525,930,782	\$ 497,708,577	\$ 28,222,205

* Includes both transit/ pathway and freight

SMART's net position at the end of fiscal year 2021 increased by \$28,222,205 from the prior fiscal year. This increase is primarily the result of SMART issuing 2020 Measure Q Sales Tax Revenue Refunding Bonds on October 21, 2020 which were used to refund the outstanding Series 2011A bonds. Current assets increased due to the receipt of revenues from the State of California for freight activities and non-current assets decreased due to construction in progress and accumulated depreciation.

Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2021

	<u>2021 Combined *</u>	<u>2020</u>	<u>2021-2020</u> <u>Change</u>
Operating Revenues			
Fare Revenues	\$ 706,938	\$ 3,090,458	\$ (2,383,520)
Other operating revenues	\$ 564,668	\$ 874,657	\$ (309,989)
Total Operating Revenues	\$ 1,271,606	\$ 3,965,115	\$ (2,693,509)
Operating Expenses:			
Public transportation - rail/pathway development:			
Salaries and Employee benefits	\$ 19,099,305	\$ 20,157,177	\$ (1,057,872)
Capitalized employee costs	\$ (744,995)	\$ (861,571)	\$ 116,576
Services and supplies	\$ 9,217,567	\$ 11,624,479	\$ (2,406,912)
Depreciation	\$ 22,697,348	\$ 22,150,111	\$ 547,237
Other charges	\$ 416	\$ 100,000	\$ (99,584)
Total Program Operating Expenses	\$ 50,269,641	\$ 53,170,196	\$ (2,900,555)
Operating Income/(Loss)	\$ (48,998,035)	\$ (49,205,081)	\$ 207,046
Non-Operating Revenues (Less Expenses)			
Sales/Use taxes	\$ 44,002,410	\$ 38,978,630	\$ 5,023,780
State operating assistance	\$ 5,140,237	\$ 7,516,612	\$ (2,376,375)
Federal Operating Assistance	\$ 11,161,605	\$ 8,058,183	\$ 3,103,422
Investment earnings	\$ 628,728	\$ 338,227	\$ 290,501
Miscellaneous revenue	\$ (1,190,816)	\$ 1,438,087	\$ (2,628,903)
Gain (loss) sale of asset	\$ 5,779,530	\$ -	\$ 5,779,530
Capital expenses passed through to other agencies	\$ (3,673,565)	\$ (918,506)	\$ (2,755,059)
Interest expense	\$ (3,374,308)	\$ (5,273,801)	\$ 1,899,493
Total Non-Operating Revenues, Net	\$ 58,473,821	\$ 50,137,432	\$ 8,336,389
Capital Grants	\$ 18,746,419	\$ 29,211,620	\$ (10,465,201)
Change in Net Position	\$ 28,222,205	\$ 30,143,971	\$ (1,921,766)
Net Position			
Beginning of the Year	\$ 497,708,577	\$ 467,564,606	\$ 30,143,971
End of the Year	\$ 525,930,782	\$ 497,708,577	\$ 28,222,205

* Combined includes transit/pathway and freight

**Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**

Fiscal Year 2021 Revenues

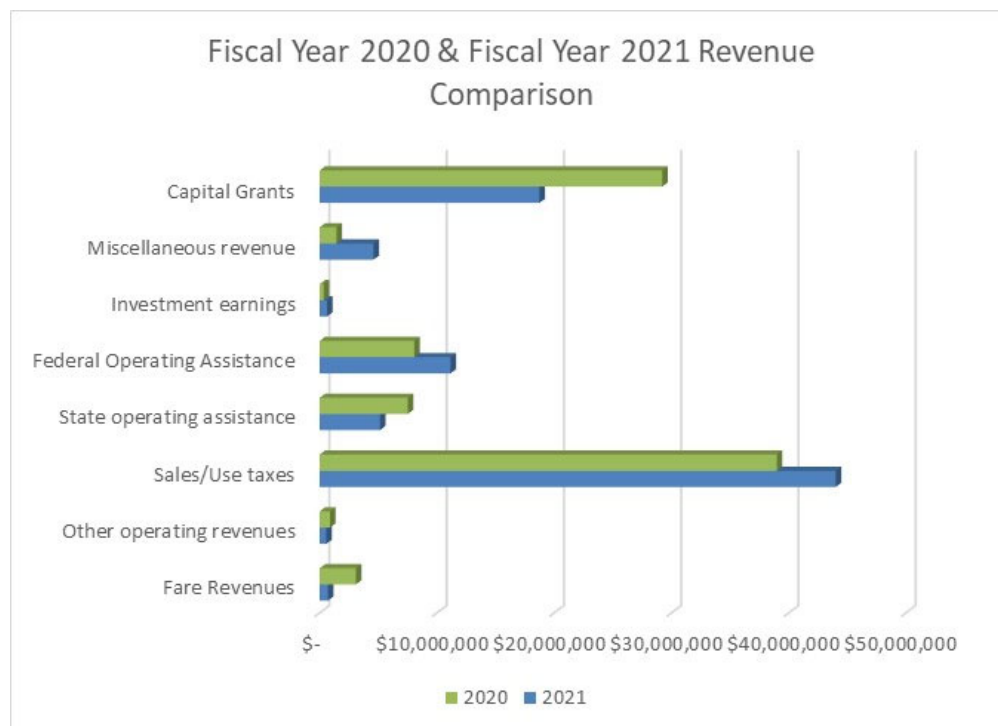
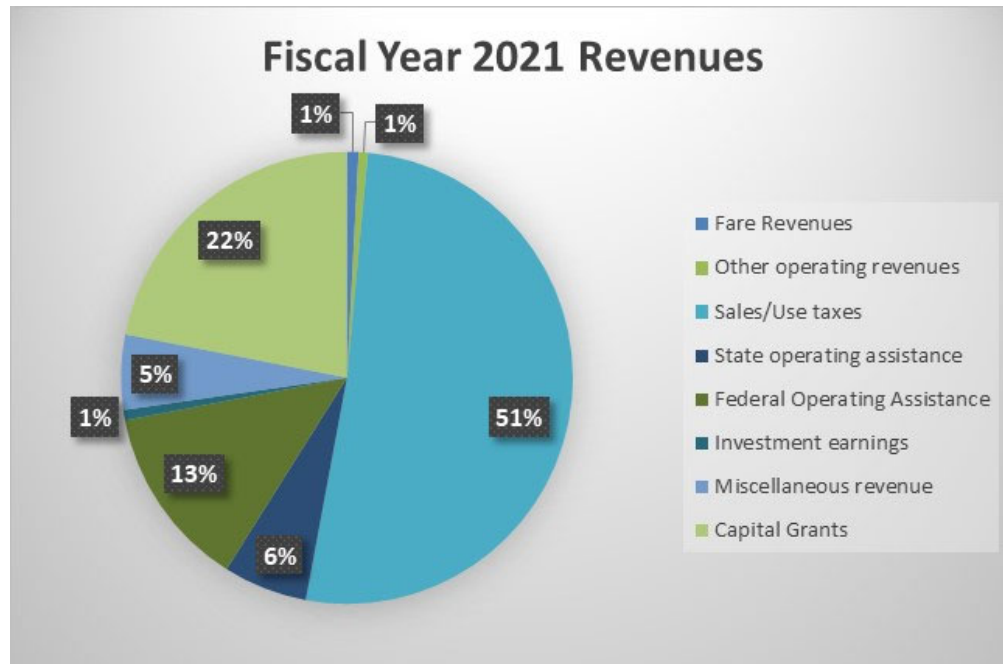
SMART revenues are categorized as either operating or non-operating.

- Operating revenues of \$1,271,606 consisting of fare, advertising, parking and other revenues directly generated by operations and ownership of property within the District. As discussed previously, these revenues have been impacted by the COVID-19 Pandemic health orders and were \$2.7 million lower than the prior year.
- Non-operating revenues (less expenses) of \$58,473,821 are comprised of sales tax revenue to SMART, state and federal operating assistance, and miscellaneous revenue.
 - Sales tax, SMART's single largest ongoing source of revenue, rebounded in FY 2020-21 by 12.9% or \$5 million (net of fees) over the previous year.
 - SMART received \$6.9 million CARES and \$1.8 million in CRRSAA federal operating assistance which is designed to offset revenue losses and support operations through the duration of the COVID-19 impacts.
- Capital grants of \$18,746,419 are \$10,465,201 lower than the year ended June 30, 2020. The decrease is related the completion of the Larkspur extension, the new Novato Downtown Station, and new multiuse pathways.

REVENUE ANALYSIS

	2021	2020
Fare Revenues	\$ 706,938	\$ 3,090,458
Other operating revenues	\$ 564,668	\$ 874,657
Sales/Use taxes	\$ 44,002,410	\$ 38,978,630
State operating assistance	\$ 5,140,237	\$ 7,516,612
Federal Operating Assistance	\$ 11,161,605	\$ 8,058,183
Investment earnings	\$ 628,728	\$ 338,227
Miscellaneous revenue	\$ 4,588,714	\$ 1,438,087
Capital Grants	\$ 18,746,419	\$ 29,211,620
Total	\$ 85,539,719	\$ 89,506,474

**Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**



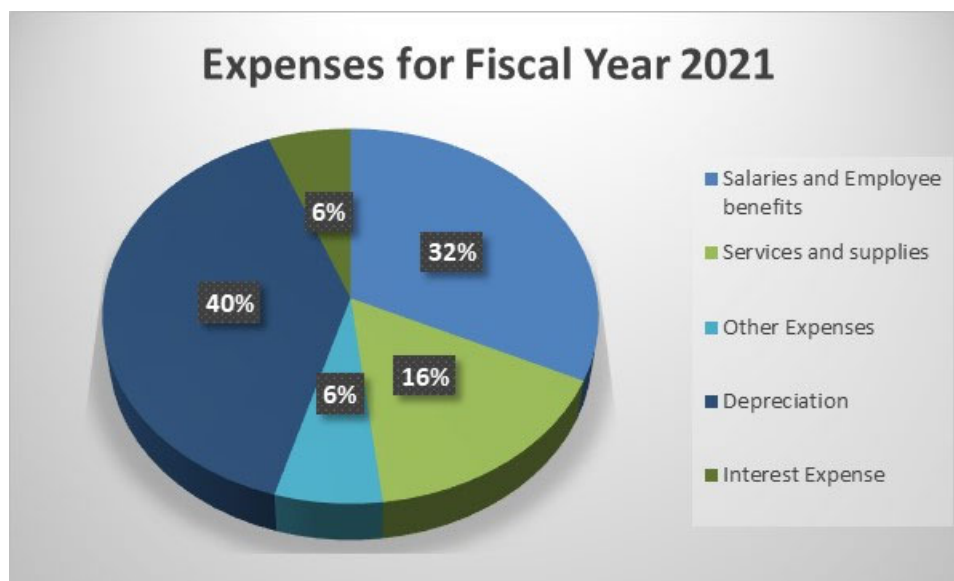
**Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**

Fiscal Year 2021 Expenses

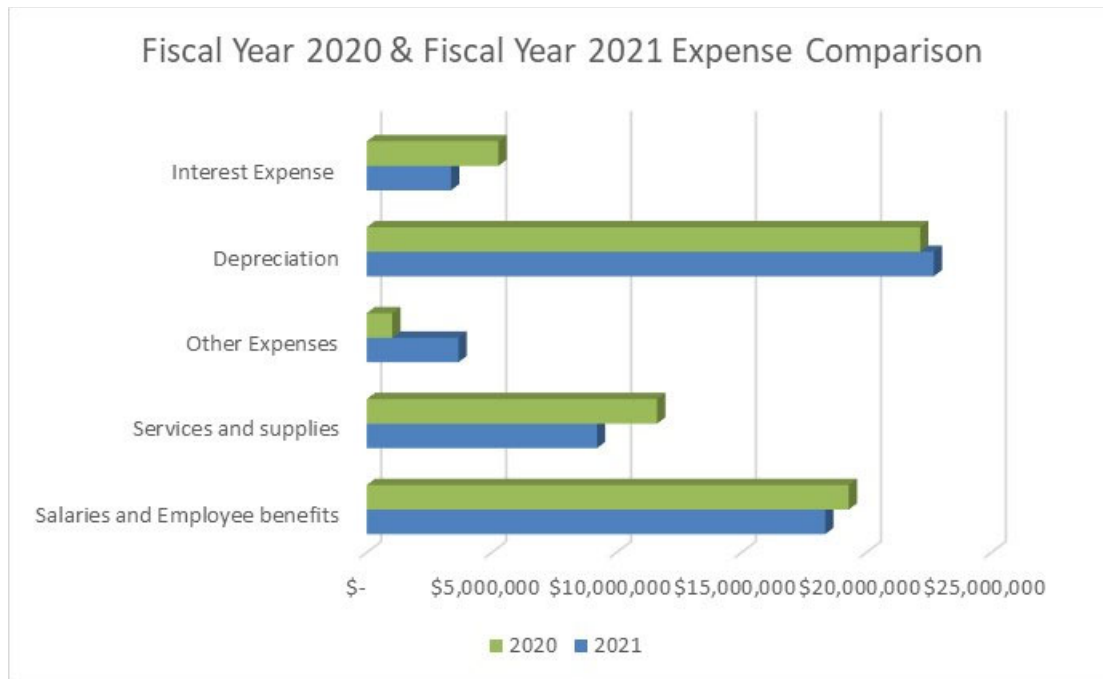
- SMART had operating expenses of \$50,269,641, tied to salaries, benefits, other services and supplies. This also includes \$22,697,348 in depreciation expense.
- Salaries and benefits decreased over the year ended June 30, 2020, by \$196,301 due to vacancy savings.
- Services and supplies decreased by \$2,406,912 over the year ended June 30, 2020 due to reductions in service levels due to the pandemic.
- Expenditures related to freight were \$196,527.

EXPENSE ANALYSIS

	2021	2020
Salaries and Employee benefits	\$ 18,354,310	\$ 19,295,606
Services and supplies	\$ 9,217,567	\$ 11,624,479
Other Expenses	\$ 3,673,981	\$ 1,018,506
Depreciation	\$ 22,697,348	\$ 22,150,111
Interest Expense	<u>\$ 3,374,308</u>	<u>\$ 5,273,801</u>
Total	\$ 57,317,514	\$ 59,362,503



**Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**



Capital Assets

SMART's capital assets, as of June 30, 2021 are \$554,122,776 (net of accumulated depreciation) which is a decrease of \$7,048,535 over June 30, 2020. The decrease was a result of higher accumulated depreciated. SMART assets include land, construction in progress, infrastructure (tracks/rails, crossings, bridges, fencing, tunnels, road crossings and pathway improvements), buildings and improvements, and equipment.

**Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**

CAPTIAL ASSETS

	<u>2021</u>	<u>2020</u>	<u>2021-2020</u> <u>Change</u>
Land	\$ 43,326,251	\$ 43,532,414	\$ (206,163)
Intangible Assets (Non-Amorizable)	\$ 19,770	\$ 20,770	\$ (1,000)
Construction in Progress	\$ 25,987,692	\$ 13,519,021	\$ 12,468,671
Total Non-Depreciable Assets	\$ 69,333,713	\$ 57,072,205	\$ 12,261,508
Infrastructure	\$ 498,807,467	\$ 498,244,969	\$ 562,498
Revenue Vehicles	\$ 61,253,699	\$ 59,603,699	\$ 1,650,000
Buildings and Improvements	\$ 24,868,302	\$ 24,868,302	\$ -
Equipment	\$ 10,211,671	\$ 9,036,864	\$ 1,174,807
Intangible Assets	\$ 387,672	\$ 387,672	\$ -
Total Depreciable Assets	\$ 595,528,811	\$ 592,141,506	\$ 3,387,305
Accumulated Depreciation	<u>\$(110,739,748)</u>	<u>\$ (88,042,400)</u>	<u>\$ (22,697,348)</u>
Capital Assets being Depreciated (net)	\$ 484,789,063	\$ 504,099,106	\$ (19,310,043)
Total Capital Assets, Net of Depreciation	\$ 554,122,776	\$ 561,171,311	\$ (7,048,535)

Additional information on SMART's capital assets can be found in Note 3 of the notes to the basic financial statements.

Debt

SMART had \$119,605,000 in bonds outstanding June 30, 2021 compared to \$145,846,953 on June 30, 2020. Additional information on SMART's long-term debt can be found in Note 4. In October 2020, SMART paid off the remaining balance of this debt by placing the proceeds of new 2020 debt in an irrevocable trust to provide for all future debt service payment on the old bonds.

Economy

SMART operations rely directly on the strength of its designated Measure Q sales and use tax receipts which provides more than 51% of its operating revenue on an ongoing basis. The strength of this revenue source is dependent on the economic health of the two counties of the SMART District, particularly employment rates and job growth. As discussed previously, due to shelter-in-place orders issued in March of 2020, it was unclear what the impact would be to sales taxes in SMART's jurisdiction. Based on that uncertainty, SMART moved quickly to reduce

**Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021**

expenses in the face of these economic pressures and has benefitted from federal relief funds which, combined with budget reductions, have stabilized the finances of the District. In addition, although sales and use tax receipts were down by over 5% in FY 2019-20, they are up over 12% in FY 2020-21.

Subsequent Events

Key Official Changes

The current General Manager has announced his retirement effective December 31, 2021. The SMART Board of Directors conducted a national search. On October 20, 2021, the Board announced that they have hired Eddy Cumins, the Chief Operating Officer for the Utah Transit Authority. Mr. Cumins will start on November 29, 2021.

Federal COVID-19 Relief Funds

Since the end of Fiscal Year 2020-21, SMART has received \$6.9 million in American Rescue Plan (ARP) funds to be used towards operating costs in Fiscal Year 22 and Fiscal Year 23.

Request for Additional Information

This financial report is designed to provide a general overview of SMART's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sonoma-Marin Area Rail Transit District, Chief Financial Officer, 5401 Old Redwood Highway, Suite 200, Petaluma, CA 94954.

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Transit/Pathway	Freight	Total
ASSETS			
Current Assets			
Cash and cash equivalents (Note 2)	\$63,951,746	\$5,906,313	\$69,858,059
Restricted cash, cash equivalents, and investments with trustee (Note 2)	5,014,272		5,014,272
Due from other governments	16,914,400		16,914,400
Other receivables	9,936,787		9,936,787
Deposits with others	883,300		883,300
Inventory	1,619,411		1,619,411
Prepaid expenses	2,083,370		2,083,370
Total current assets	100,403,286	5,906,313	106,309,599
Noncurrent Assets			
Capital assets (Note 3):			
Non-depreciable:			
Land	43,326,251		43,326,251
Construction in progress	25,987,692		25,987,692
Intangible assets	19,770		19,770
Depreciable (net of accumulated depreciation):			
Infrastructure	403,796,309		403,796,309
Buildings and improvements	20,339,471		20,339,471
Equipment and vehicles	6,638,312		6,638,312
Revenue vehicles	53,818,421		53,818,421
Intangible assets	196,550		196,550
Total capital assets, net	554,122,776		554,122,776
Total noncurrent assets	554,122,776		554,122,776
Total Assets	654,526,062	5,906,313	660,432,375
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 5)	2,211,678		2,211,678
OPEB related (Note 6)	1,100,421		1,100,421
Total Deferred Outflows of Resources	3,312,099		3,312,099
LIABILITIES			
Current Liabilities			
Accounts payable and other current liabilities	3,892,459	102,840	3,995,299
Unearned revenue	9,901	5,803,473	5,813,374
Interest payable	552,252		552,252
Compensated absences - due within one year (Note 1H)	1,318,278		1,318,278
Long-term debt - due within one year (Note 4)	13,280,000		13,280,000
Total current liabilities	19,052,890	5,906,313	24,959,203
Noncurrent Liabilities			
Compensated absences (Note 1H)	258,665		258,665
Net other post-employment benefits liability (Note 6)	4,487,421		4,487,421
Net pension liability (Note 5)	1,484,496		1,484,496
Long-term debt (Note 4)	106,325,000		106,325,000
Other noncurrent liabilities	109,517		109,517
Total noncurrent liabilities	112,665,099		112,665,099
Total Liabilities	131,717,989	5,906,313	137,624,302
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 5)	10,835		10,835
OPEB related (Note 6)	178,555		178,555
Total Deferred Inflows of Resources	189,390		189,390
NET POSITION (Note 1L)			
Net investment in capital assets (Note 1L)	434,517,776		434,517,776
Unrestricted	91,413,006		91,413,006
Total Net Position	\$525,930,782		\$525,930,782

See accompanying notes to basic financial statements

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

OPERATING REVENUES	Transit/Pathway	Freight	Total
Fare revenues	\$706,938		\$706,938
Other operating revenues	564,668		564,668
Total operating revenues	1,271,606		1,271,606
OPERATING EXPENSES			
Salaries and employee benefits	19,099,305		19,099,305
Capitalized employee costs	(744,995)		(744,995)
Services and supplies	9,021,040	\$196,527	9,217,567
Depreciation (Note 3)	22,697,348		22,697,348
Other charges	416		416
Total program operating expenses	50,073,114	196,527	50,269,641
Operating loss	(48,801,508)	(196,527)	(48,998,035)
NON-OPERATING REVENUES (EXPENSES)			
Sales/Use taxes	44,002,410		44,002,410
State operating assistance	4,943,710	196,527	5,140,237
Federal operating assistance	11,161,605		11,161,605
Investment earnings	628,728		628,728
Miscellaneous revenue	(1,190,816)		(1,190,816)
Capital expense passed through to other agencies	(3,673,565)		(3,673,565)
Gain (loss) on sale of asset	5,779,530		5,779,530
Interest expense	(3,374,308)		(3,374,308)
Total non-operating revenues, net	58,277,294	\$196,527	58,473,821
Income before capital grants	9,475,786		9,475,786
CAPITAL GRANTS			
State of California	11,287,984		11,287,984
State of Good Repair	304,477		304,477
Metropolitan Transportation Commission			
Sonoma County Transportation Authority- Measure M	109,468		109,468
Federal	2,500,000		2,500,000
Other governmental agencies	4,544,490		4,544,490
Total capital grants	18,746,419		18,746,419
Change in net position	28,222,205		28,222,205
NET POSITION			
Beginning of Year	497,708,577		497,708,577
End of Year	\$525,930,782		\$525,930,782

See accompanying notes to basic financial statements

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Transit/Pathway	Freight	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$706,938		\$706,938
Payment to others	11,030,503		11,030,503
Payments to suppliers for goods and services	(17,271,372)	\$5,709,786	(11,561,586)
Payments to and on behalf of employees	(17,103,057)		(17,103,057)
Net cash provided (used) by operating activities	(22,636,988)	5,709,786	(16,927,202)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income received	767,076		767,076
Net cash provided by investing activities	767,076		767,076
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Sales tax received	42,194,294		42,194,294
State operating assistance	4,121,007	196,527	4,317,534
Federal operating assistance	11,161,605		11,161,605
Net cash provided by noncapital and financing activities	57,476,906	196,527	57,673,433
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(13,697,582)		(13,697,582)
Gain from sale of capital asset	5,779,530		5,779,530
Labor costs related to capital projects	(744,995)		(744,995)
Capital grants received restricted for capital purposes	16,552,916		16,552,916
Cash paid on projects on behalf of other governments	(3,673,565)		(3,673,565)
Cash receipts for third party infrastructure	(1,192,892)		(1,192,892)
Principal payments on long-term debt	(26,241,953)		(26,241,953)
Interest paid on capital debt	(5,102,415)		(5,102,415)
Net cash provided (used) by capital and related financing activities	(28,320,956)		(28,320,956)
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,286,038	5,906,313	13,192,351
CASH AND INVESTMENTS AT BEGINNING OF YEAR	61,679,980		61,679,980
CASH AND INVESTMENTS AT END OF YEAR	\$68,966,018	\$5,906,313	\$74,872,331
RECONCILIATION TO STATEMENT OF NET POSITION			
Cash and Cash Equivalents	\$63,951,746	\$5,906,313	\$69,858,059
Restricted cash, cash equivalents, and investments with trustee	5,014,272		5,014,272
Total cash and cash equivalents	\$68,966,018	\$5,906,313	\$74,872,331
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	(\$48,801,508)	(\$196,527)	(\$48,998,035)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	22,697,348		22,697,348
Changes in operating assets and liabilities:			
Prepaid expenses	(414,169)		(414,169)
Accounts receivable	10,465,835		10,465,835
Accounts payable and other accrued liabilities	(7,835,747)	5,906,313	(1,929,434)
Compensated absences	107,034		107,034
Net other post-employment benefits liability	809,227		809,227
Net pension liability and related deferred outflow/inflow of resources	334,992		334,992
Net cash provided (used) by operating activities	(\$22,636,988)	\$5,709,786	(\$16,927,202)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Inventory	36,008		36,008

See accompanying notes to basic financial statements

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
--

A. *General*

The Sonoma-Marín Area Rail Transit District (SMART or the District) was formed in January 2003 by provisions of the Sonoma-Marín Area Rail Transit District Act, as successor to the Sonoma-Marín Area Rail Transit Commission and the Northwestern Pacific Railroad Authority in the California Counties of Sonoma and Marin. Its purpose, as defined by the State, is to provide for a unified, comprehensive institutional structure for the ownership and governance of a passenger rail system within the Counties of Sonoma and Marin that shall operate in concert with existing freight service that operates upon the same rail line and serves the Counties of Humboldt, Marin, Mendocino, Napa and Sonoma. The District also owns and is constructing additional portions of a multiuse non-motorized pathway within its right-of-way.

SMART is governed by a 12-member Board of Directors consisting of two supervisors each from the counties of Marin and Sonoma, two members from the Golden Gate Bridge, Highway and Transportation District, and six members representing jurisdictions within the SMART District.

B. *Fund Accounting*

SMART uses a proprietary (enterprise) fund to account for its activities. An enterprise fund may be used to report any activity for which a fee is charged to external users for goods or services. Enterprise funds are required for any activity whose principal external revenue sources meet any of the following criteria: (1) issued debt is backed solely by fees and charges, (2) the cost of providing services for any activity (including capital costs such as depreciation or debt service) must be legally recovered through fees or charges, or (3) if the government's policy is to establish activity fees or charges designed to recover the cost of providing services.

C. *Basis of Accounting*

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. All assets and liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recorded when earned and reported as non-operating revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges for services. Operating expenses for the District include expenses relating to the operating and maintaining passenger railway as well as administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

D. Cash Equivalents

The District considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The District's cash and investments in the Sonoma County Treasury Pool (Treasury Pool) are, in substance, demand deposits and are considered cash equivalents.

E. Investments

SMART measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, using observable market transactions or available market information.

F. Restricted Cash and Investments with Trustee

Assets whose use is restricted to specific purposes by bond indenture or otherwise are segregated on the statement of net position. These assets are primarily restricted for direct project-related expenses and debt service purposes. Bond interest and redemption represent funds accumulated for debt service payments due in the next twelve months and reserve funds set aside to make up potential future deficiencies. A bond trustee holds these funds.

G. Receivables

Receivables consist of amounts owed to SMART by other governmental agencies and the public. Amounts due from other governments are considered fully collectible. Accounts receivable from the public include reimbursements from other entities for services provided or for use of SMART owned assets. An allowance for doubtful accounts receivable is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection may not occur.

H. Compensated Absences

It is SMART's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay reported in the basic financial statements is accrued when earned. Twenty-five percent of sick leave is payable on termination and is accrued as it is earned.

Employee liabilities as of June 30, 2021 are as follows:

Beginning Balance	\$1,469,909
Additions	973,622
Payments	<u>(866,588)</u>
Ending Balance	<u><u>\$1,576,943</u></u>
Current Portion	<u><u>\$1,318,278</u></u>

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

I. Risk Management

SMART is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which SMART carries commercial insurance, including, but not limited to, comprehensive railroad liability and other relevant liability policies, automobile, employment and workers compensation policies. In addition, SMART has policies and procedures that ensure appropriate insurance coverage and risk procedures for third-party service providers doing work on behalf of the agency. SMART did not settle any claims that exceeded SMART's insurance coverage during the past three years, nor did it reduce its insurance coverage from the prior year.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

L. Net Position

Net Position is classified into two components: 1) net investment in capital assets and 2) unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt related to financing the acquisition of capital assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of the capital assets or related debt are included in this component of net position. At June 30, 2021, the breakout of this calculation is reflected as follows:

Total Capital Assets at June 30, 2021	\$554,122,776
Related Debts at June 30, 2021:	
Measure Q Sales Tax	
Revenue Refunding Bonds	<u>119,605,000</u>
Net Investment in Capital Assets	<u><u>\$434,517,776</u></u>

- *Unrestricted* – This component of net position consists of resources that do not meet the definitions of “restricted” or “net investment in capital assets.”

SMART applies restricted resources first when expenses are incurred for purposes for which both restricted and unrestricted resources are available.

M. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

N. *Implementation of Governmental Accounting Standards Board (GASB) Pronouncements*

GASB 84 – In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The Statement is effective for the periods beginning after December 15, 2019, or the fiscal year 2020-21. The implementation of this Statement did not have a material effect on the financial statements.

GASB 90 – In August 2018, GASB issued Statement No. 90, Majority Equity Interest, an amendment of GASB statement No. 14 and No. 61. The objective of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. This Statement is effective for reporting periods beginning after December 15, 2019, or fiscal year 2020-21. The implementation of this Statement did not have a material effect on the financial statements.

O. *Future Accounting Pronouncements*

GASB has issued the following statements which may impact the District's financial reporting requirements in the future. The District is currently analyzing the impact of implementing these new statements.

GASB 87 – In June 2017, the GASB issued Statement No. 87, Leases. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement were originally effective for reporting periods beginning after December 15, 2019. GASB has since updated the effective date for fiscal periods beginning after June 15, 2021.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement establishes accounting and reporting requirements for interbank offered rate (IBOR) financial instruments. Some governments, including the District, have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address these and other accounting and financial reporting implications that result from the replacement of an IBOR. The District has LIBOR based investment and derivative financial instruments in its portfolio. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

NOTE 2 – CASH AND INVESTMENTS

Cash, cash equivalents, and investments are carried at fair value and are categorized as follows at June 30, 2021:

	Available for Operations	Held by Trustee	Total
Cash equivalent:			
Sonoma County Treasury Pool	\$36,905,720	\$5,014,272	\$41,919,992
Deposits	32,952,339		32,952,339
Total Cash and Investments	<u>\$69,858,059</u>	<u>\$5,014,272</u>	<u>\$74,872,331</u>

A. *Investments Authorized by the District's Investment Policy*

Investments are guided by the SMART investment policy adopted each year with the budget. The policy outlines the guidelines and practices to be used in effectively managing SMART's available cash and investment portfolio. District funds that are not required for immediate cash requirements are to be invested in compliance with the California Code Section 53600, et seq. In accordance with California Government Code Section 53600.5, and in order of importance, the Chief Financial Officer is required to adhere to the following three criteria: (a) Safety of Principal (b) Liquidity (c) Return on Investment.

SMART investments beyond those needed for near-term requirements are invested with the Sonoma County Treasury Pool which adheres to SMART's investment policy.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds. The California Government Code requires these funds to be invested in accordance with SMART's Policy, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Negotiable Certificates of Deposit	5 years	A-1/ P-1	30%	None
Bankers Acceptances	180 days	A-1/ P-1	40%	30%
Commercial Paper	270 days	A-1	25%	10%
Money Market Mutual Funds	N/A	AAAm	20%	10%
Medium-Term Notes	5 years	AA	30%	None
Time Deposits	5 years	N/A	30%	None
Municipal Obligations	5 years	N/A	None	None
General Obligations of States	5 years	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Obligations	5 years	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	N/A	None	\$75 million
County Pooled Investment	N/A	N/A	None	None

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the liquidity needed for operations.

D. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)
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E. *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Treasury Pool's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under state law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure SMART deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. SMART's cash deposits at the Bank of Marin are secured by at least 110% government issued securities.
- The California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

F. *Concentration of Credit Risk*

SMART's Investment Policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. SMART was invested in the Treasury Pool and the Bank of Marin at June 30, 2021. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total Treasury Pool, refer to the 2021 Sonoma County Comprehensive Annual Financial Report.

G. *Fair Value Hierarchy*

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District only invests in the Sonoma County Treasury Pool which is exempt from the fair value hierarchy.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 – CAPITAL ASSETS

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition value at the date of donation. Capital assets include land, construction in progress, infrastructure (tracks & rails, switches, fencing, tunnels, bridges, and road crossings), buildings and improvements, and equipment. It is SMART's policy to capitalize qualifying machinery and equipment with an initial cost of more than \$5,000, land and buildings with an initial cost of more than \$25,000, infrastructure and intangible assets with an initial cost of more than \$100,000, and an estimated useful life in excess of one year.

Infrastructure and buildings and improvements are being depreciated using the straight-line method over their estimated useful lives of 20 to 99 years. Equipment is depreciated using the straight-line method over their estimated useful lives. Computer equipment, which on the financial statements is included in equipment, is being depreciated using the straight-line method over 5 years based on commonly used governmental computer technology standards.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized.

Capital assets comprised the following at June 30, 2021:

	Balance June 30, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$43,532,414		(\$206,163)		\$43,326,251
Intangible assets	20,770			(\$1,000)	19,770
Construction in progress	13,519,021	\$15,854,976		(\$3,386,305)	25,987,692
Total capital assets not being depreciated	57,072,205	15,854,976	(206,163)	(3,387,305)	69,333,713
Capital assets being depreciated:					
Infrastructure	498,244,969			562,498	498,807,467
Buildings and improvements	24,868,302				24,868,302
Equipment and vehicles	9,036,864			1,174,807	10,211,671
Revenue vehicles	59,603,699			1,650,000	61,253,699
Intangible assets	387,672				387,672
Total capital assets being depreciated	592,141,506			3,387,305	595,528,811
Less accumulated depreciation for:					
Infrastructure	(75,915,940)	(19,095,218)			(95,011,158)
Buildings and improvements	(3,885,565)	(643,266)			(4,528,831)
Equipment	(2,765,145)	(808,214)			(3,573,359)
Revenue vehicles	(5,338,488)	(2,096,790)			(7,435,278)
Intangible assets	(137,262)	(53,860)			(191,122)
Total accumulated depreciation	(88,042,400)	(22,697,348)			(110,739,748)
Total capital assets being depreciated, net	504,099,106	(22,697,348)		3,387,305	484,789,063
Capital assets, net	\$561,171,311	(\$6,842,372)	(\$206,163)		\$554,122,776

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 4 – LONG TERM DEBT

A. Composition and Changes

Long-term debt activity for the year ended June 30, 2021 was as follows:

	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Amount due within one year
Bonds Payable:						
Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds) Series 2020A 0.45-2.09%, due 3/1/2029	\$122,970,000		\$122,970,000	\$3,365,000	\$119,605,000	\$13,280,000
Remarketed Series 2011A 2.00-5.00%, due 3/1/2029	170,725,000	\$136,865,000		136,865,000		
Unamortized bond premium	19,371,688	8,981,953		8,981,953		
Total long-term debt, net		\$145,846,953	\$122,970,000	\$149,211,953	\$119,605,000	\$13,280,000

B. Description of District's Long-Term Debt Issues

Measure Q Sales Tax Revenue Bonds Series 2011A – In December 2011, the District issued \$190,145,000 in variable rate Measure Q Sales Tax Revenue Bonds Series 2011A (Initial Series 2011A Bonds). The Initial Series 2011A Bonds had an initial term of 1% until January 10, 2013. Although the Initial Series 2011A Bonds had a maturity date of March 1, 2029, they had certain provisions that allowed SMART to remarket them. In May 2012, SMART successfully remarketed the Initial Series 2011A Bonds and raised \$199,172,032 (Remarketed Series 2011A Bonds). The Remarketed Series 2011A Bonds were issued to finance the construction of the initial phase of a passenger rail system and adjacent multi-use pathway from Santa Rosa, California to San Rafael, California. The fixed rate Remarketed Series 2011A Bonds will bear interest between 2-5% and mature by March 1, 2029. On October 21, 2020, proceeds from the 2020 Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds), Series 2020A (described below) were used to refund \$157,163,502 of the Series 2011A Bonds.

Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds) Series 2020A – In October 2020, the District issued \$122,970,000 in variable rate Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds) Series 2020A. Although the Initial Series 2020A Bonds had a maturity date of March 1, 2029, they had certain provisions that allowed SMART to remarket them. The Bonds will bear interest between 0.449%-2.088%% and mature by March 1, 2029.

The total projected Measure Q Sales Tax revenue, as projected in the 2021 Capital Improvement Plan, is expected to approximate \$384 million over the 8 year life of the tax, which is sufficient to repay the estimated debt service, including interest. The Measure Q Sales Tax revenue recognized during the fiscal year ended June 30, 2021 was \$44,002,411 whereas debt service on the Measure Q bonds was \$5,623,970 for the fiscal year ended June 30, 2021.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 4 – LONG TERM DEBT (Continued)

The following table presents the District's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2021:

For The Year Ending June 30	Principal	Interest
2022	\$13,280,000	\$1,656,756
2023	14,015,000	1,581,192
2024	14,765,000	1,479,444
2025	15,580,000	1,324,116
2026	15,860,000	1,136,844
2027 - 2030	46,105,000	1,793,082
	\$119,605,000	\$8,971,434

If an event of default shall occur and be continuing, SMART shall immediately transfer to the Trustee all revenue held by it and the Trustee shall apply all revenue and any other funds then held or thereafter received by the Trustee under any of the provisions of the indenture to protect the interests of the Holders of the Bonds.

NOTE 5 – PENSION PLANS

A. General Information about the Pension Plans

SMART has contracts with the California Public Employees' Retirement System (CalPERS) for purposes of providing a defined pension benefit plan for its employees, defined by CalPERS as the "Miscellaneous Plan." SMART currently has different pension tiers, depending on an employee's hire date. For all employees hired before June 1, 2012, SMART is part of CalPERS cost-sharing multiple-employer plan known as the "Miscellaneous 2.0% at 55 Risk Pool" whereby the benefit obligations are pooled. There are two tiers of employee within this pool. The CalPERS reporting system does not track Tier 2, which contains three employees, separately. Therefore the liability for this tier is tracked under the Miscellaneous 2.0% at 55 Risk Pool. For employees hired on June 1, 2012, and through December 31, 2012, SMART is part of the "Miscellaneous 2% at 60 Risk Pool." As of January 2013, all new employees were subject to California's Public Employees' Pension Reform Act of 2013 (PEPRA), which mandates a "Miscellaneous 2% at 62 Plan." In December 2016, SMART approved a contract with CalPERS for the creation of a new Safety 2.7% at 57 Plan. SMART has only one position eligible for this Tier. For each pool, an actuarial valuation is performed covering all participants, all employers contribute at the same rate, and all plan assets are available to pay plan benefits pertaining to the employees and retirees of any employer.

Plan Descriptions – All full-time and certain other qualifying employees of the District are eligible to participate in CalPERS, a cost-sharing multiple-employer Miscellaneous or Safety plan (the Plans). CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. CalPERS provides retirement, disability, and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service. Benefit provisions and other requirements are established by State statute and by District resolution.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 – PENSION PLANS (Continued)

Benefits Provided – Through CalPERS, SMART provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit provided by SMART is the 1959 Survivor Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous			
	Tier I	Tier II	Tier III	PEPRA
Hire date	Prior to September 1, 2011	On or after September 1, 2011	On or after June 2, 2012	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	55	60	62
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.426%-2.418%	1.092%-2.418%	1.000%-2.500%
Required employee contribution rates	7%*	7%	7%	6.75%
Required employer contribution rates	10.484%	10.484%	8.794%	7.732%

*SMART pays employee share

	Safety
	PEPRA
Hire date	On or after January 1, 2013
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	57
Monthly benefits, as a % of eligible compensation	2.0%-2.7%
Required employee contribution rates	13.0%
Required employer contribution rates	13.034%

Contributions – The Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the contributions recognized as part of pension expense for the Plans were as follows:

	Safety	Miscellaneous
Contributions - employer	\$16,454	\$1,016,199

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 – PENSION PLANS (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plans	\$1,473,514
Safety Plans	10,982
	<u>\$1,484,496</u>

The District's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability of each of the Plan is measured as of June 30, 2020, and the total pension liability for each of the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was actuarially determined at the valuation date.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

	Miscellaneous
Proportion - June 30, 2019	0.02813%
Proportion - June 30, 2020	0.03493%
Change - Increase (Decrease)	0.00680%
	<u>Safety</u>
Proportion - June 30, 2019	0.00001%
Proportion - June 30, 2020	0.00001%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2021, the District recognized a pension expense of \$1,367,645.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,016,199	
Differences between actual and expected experience	75,935	
Changes in assumptions		(\$10,510)
Net differences between projected and actual earnings on plan investments	43,773	
Net Change in proportion and differences between actual contributions and proportionate share of contributions	<u>1,028,180</u>	
Total	<u>\$2,164,087</u>	<u>(\$10,510)</u>

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 – PENSION PLANS (Continued)

At June 30, 2021, the District reported \$1,016,199 as deferred outflows of resources related to contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan	
Year Ended June 30	Annual Amortization
2022	\$538,266
2023	389,711
2024	188,407
2025	20,994
Total	<u>\$1,137,378</u>

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the Safety Plan from the following sources:

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$16,454	
Differences between actual and expected experience	852	
Changes in assumptions		(\$37)
Net differences between projected and actual earnings on plan investments	239	
Net Change in proportion and differences between actual contributions and proportionate share of contributions	<u>30,046</u>	<u>(288)</u>
Total	<u>\$47,591</u>	<u>(\$325)</u>

At June 30, 2021, the District reported \$16,454 as deferred outflows of resources related to contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Safety Plan	
Year Ended June 30	Annual Amortization
2022	\$13,020
2023	11,983
2024	5,690
2025	119
Total	<u>\$30,812</u>

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities was determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.5% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 – PENSION PLANS (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS Comprehensive Annual Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$3,102,562	\$31,175
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$1,473,514	\$10,982
1% Increase	8.15%	8.15%
Net Pension Liability (Asset)	\$127,483	(\$5,589)

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 – PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position – CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

NOTE 6 – OTHER POST- EMPLOYMENT HEALTH CARE BENEFITS (OPEB)

A. *General Information about the District's Other Post Employment Benefit (OPEB) Plan*

By SMART Board of Directors resolution, SMART will provide certain health care benefits for retired employees under third-party insurance plans. The District's Post Employment Benefit Plan is a single-employer defined benefit plan. Employees become eligible to retire and receive healthcare benefits upon reaching retirement age with at least 5 years of service or being converted to disability, retiring directly from the District, and continue participating in Public Employees' Medical and Hospital Care Act (PEMHCA) after retirement. The PEMHCA minimum benefit was \$139 per month in 2020 and is \$143 per month in 2021. As of June 30, 2021, there were two retiree receiving OPEB benefits.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

Active employees	132
Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	0
Total	134

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 6 – OTHER POST- EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

B. Total OPEB Liability

Actuarial Methods and Assumptions – The District's total OPEB liability was measured as of June 30, 2020 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2020 to determine the \$4,487,421 total OPEB liability as of June 30, 2020, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age actuarial cost method
Actuarial Assumptions:	
Discount Rate	3.62% at June 30 2018, and 3.13% at June 30 2019. Since the benefits are not funded, the discount rate is equal to the 20-year bond rate.
20 Year Bond Rate	SMART has chosen to use the "Fidelity General Obligation AA" as its 20-year bond rate. That Index was 3.62% at June 30 2018, and 3.13% at June 30 2019.
Premium Increases	Medical Premiums and PEMHCA minimum are assumed to increase as follows: 2021-2023 to 4%, 2024-2027 to 4.5%, 2028 and later to 5.0%. Total payroll is assumed to increase 3.0% per year in the future.
Payroll Growth	
Mortality Rate	Rates are taken from 2017 CalPERS valuation.
Retirement	Rates are taken from 2017 CalPERS valuation for miscellaneous public employees with 2% at age 55, 2% at 60, or 2% at 62 retirement formula. depending on which the employee has now.
Coverage Elections	80% of future eligible retired employees are assumed to participate in this program. Employees with no current medical coverage are assumed to elect Kaiser employee-only coverage upon retirement.
Turnover (withdrawal)	Likelihood of termination within the next year is taken from the 2017 CalPERS valuation, rates for Public Miscellaneous employees.
Inflation	Long-term inflation is assumed to be 2.75% per year.
Age-Specific Medical Claims	The estimated per person medical claims (true cost of coverage) during the 2019-20 fiscal year are as follows: Ages 50, 55, 60, 64 amount per age respectfully are \$11.363; \$14.014; \$16.334; \$17.525.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 6 – OTHER POST- EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance at June 30, 2019	<u>\$3,074,676</u>
Changes Recognized for the Measurement Period:	
Service cost	638,813
Interest on the total OPEB liability	96,162
Differences between expected and actual experience	0
Changes of assumptions	682,576
Benefit payments	<u>(4,806)</u>
Net changes	<u>1,412,745</u>
Balance at June 30, 2020 (Measurement Date)	<u><u>\$4,487,421</u></u>

D. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.45% or 1-percentage-point higher 3.45% than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
1.45%	2.45%	3.45%
\$5,793,668	\$4,487,421	\$3,529,077

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower 3% to 4% or 1-percentage-point higher 5% to 6% than the current healthcare cost trend rates:

Total OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost	1% Increase
	Trend Rates	
3% to 4%	4% to 5%	5% to 6%
\$3,505,285	\$4,487,421	\$5,806,567

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 6 – OTHER POST- EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)

E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$809,227. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date		
Differences between actual and expected experience	\$215,515	
Net difference between projected and actual earnings on OPEB plan investments		
Changes of assumptions	884,906	\$178,555
Total	<u>\$1,100,421</u>	<u>\$178,555</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2022	\$79,058
2023	79,058
2024	79,058
2025	79,058
2026	79,058
Thereafter	526,576
Total	<u>\$921,866</u>

NOTE 7 – COMMITMENTS

A. Lease Commitments

SMART's future noncancellable lease payments are:

Year Ending June 30	Minimum Lease Payment
2022	456,363
2023	73,582
Total	<u>\$529,945</u>

B. Purchase Commitments

At June 30, 2021, SMART had outstanding purchase and contract commitments for the rail and pathway project of \$39 million. This includes a contract for the three mile Windsor extension that will be delayed following a legal challenge to the Regional Measure 3 funds in that project.

REQUIRED SUPPLEMENTARY INFORMATION

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Miscellaneous and Safety Cost Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2021
Last 10 Years*
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Miscellaneous Plan*						
	2015	2016	2017	2018	2019	2020	2021
Measurement Period	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Plan's proportion of the Net Pension Liability (Asset)	0.01018%	0.02813%	0.02136%	0.02376%	0.02309%	0.02813%	0.03493%
Plan's proportion share of the Net Pension Liability (Asset)	\$633,530	\$585,152	\$742,146	\$936,778	\$870,893	\$1,126,646	\$1,473,514
Covered Payroll	3,073,231	3,572,374	6,017,592	9,930,773	11,175,297	12,916,529	13,265,008
Plan's Proportionate Share of the Net Pension Liability/(Asset)							
as a Percentage of its Covered Payroll	20.61%	16.38%	12.33%	9.43%	7.79%	8.49%	11.11%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%	74.32%

	Safety Plan **		
	2019	2020	2021
Measurement Period	6/30/2018	6/30/2019	6/30/2020
Plan's proportion of the Net Pension Liability (Asset)	0.00001%	0.02813%	0.03493%
Plan's proportion share of the Net Pension Liability (Asset)	\$709	\$4,177	\$10,982
Covered Payroll	\$180,138	\$195,041	\$211,670
Plan's Proportionate Share of the Net Pension Liability/(Asset)			
as a Percentage of its Covered Payroll	0.39%	2.14%	5.19%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	75.26%	74.32%

* - Fiscal year 2015 was the first year of implementation.

** - Fiscal year 2019 was the first year that Safety Plan information was available.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Cost Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2021
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Miscellaneous						
	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$347,672	\$409,897	\$699,783	\$747,878	\$910,518	\$976,474	\$1,016,199
Contributions in relation to the actuarially determined contributions	(347,672)	(477,840)	(699,783)	(747,878)	(910,518)	(976,474)	(1,016,199)
Contribution deficiency (excess)	-	(\$67,943)	-	-	-	-	-
Covered payroll	\$3,572,374	\$6,017,592	\$9,930,773	\$11,175,297	\$12,916,529	\$13,265,008	\$12,561,577
Contributions as a percentage of covered payroll	9.73%	7.94%	7.05%	6.69%	7.05%	7.36%	8.09%
	Safety Plan **	Safety Plan **	Safety Plan **				
Fiscal Year	2019	2020	2021				
Actuarially determined contribution	\$23,680	\$27,589	\$16,454				
Contributions in relation to the actuarially determined contributions	(23,680)	(27,589)	(16,454)				
Contribution deficiency (excess)	-	-	-				
Covered payroll	\$195,041	\$211,670	\$122,516				
Contributions as a percentage of covered payroll	12.14%	13.03%	13.43%				

Notes to Schedule Contributions

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost in accordance with the requirements of GASB Statement No.68
Actual Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

(1) Net of pension plan investment expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS 2017 experience study report available on CalPERS website.

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

** - Fiscal year 2019 was the first year that Safety Plan information was available.

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
SINGLE EMPLOYER PLAN
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

Last 10 fiscal years*

Measurement Date	6/30/17	6/30/18	6/30/2019	6/30/2020
Total OPEB Liability**				
Service Cost	\$478,730	\$438,273	\$444,687	\$638,813
Interest	36,782	54,494	72,116	96,162
Changes of benefit terms				
Differences between expected and actual experience			260,415	
Changes of assumptions	(241,085)	(26,755)	308,419	682,576
Benefit payments	(3,801)	(2,891)	(6,257)	(4,806)
Net change in total OPEB liability	<u>270,626</u>	<u>463,121</u>	<u>1,079,380</u>	<u>1,412,745</u>
Total OPEB liability - beginning	<u>1,261,549</u>	<u>1,532,175</u>	<u>1,995,296</u>	<u>3,074,676</u>
Total OPEB liability - ending	<u><u>\$1,532,175</u></u>	<u><u>\$1,995,296</u></u>	<u><u>\$3,074,676</u></u>	<u><u>\$4,487,421</u></u>
 Covered-employee payroll	 <u><u>\$9,930,773</u></u>	 <u><u>\$11,175,297</u></u>	 <u><u>\$18,840,794</u></u>	 <u><u>\$13,476,678</u></u>
 Total OPEB liability as a percentage of covered payroll	 15.43%	 17.85%	 16.32%	 33.30%

* Fiscal year 2018 was the first year of implementation.

** The District does not have assets in a trust to pay related OPEB benefits.

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- Table 1- Net Position by Component
- Table 2- Changes in Net Position
- Table 3- Non-Capital Expenditures by Category

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue source, capital grants and contributions. Also included in this section is current information on the District's ongoing significant source of revenues, the sales tax.

- Table 4- General Revenue by Source
- Table 5- Revenue Base and Revenue Rate
- Table 6- Overlapping Governments and Sales Tax Rates
- Table 7- Principal Revenue Payers

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

- Table 8- Debt Service Coverage – Pledged Sales Tax Revenue
- Table 9- Ratios of Outstanding Debt

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

- Table 10- Demographic and Economic Statistics
- Table 11- Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

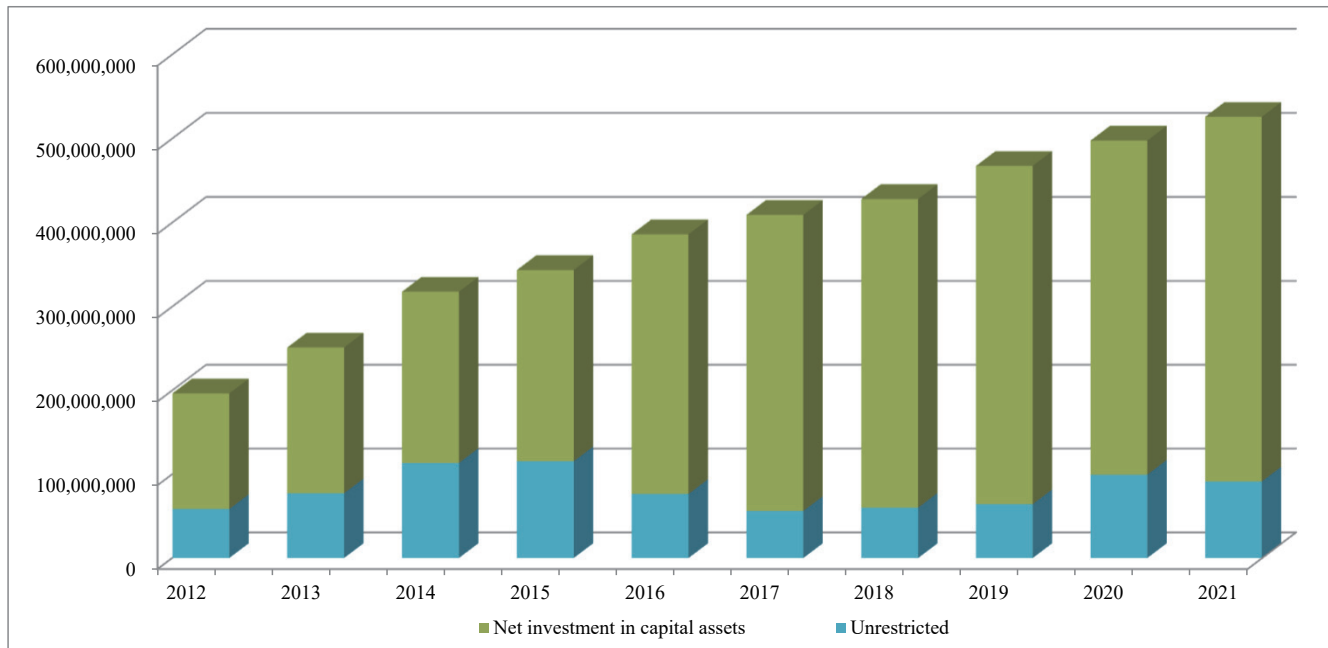
- Table 12- Operating Information
- Table 13- Employees – Full-Time Equivalent

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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Table 1
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NET POSITION BY COMPONENT
Last Ten Fiscal Years



	2012	2013	2014	2015	2016
Net investment in capital assets	\$137,997,431	\$173,996,072	\$204,389,312	\$228,244,612	\$309,724,259
Unrestricted	58,533,319	77,347,530	113,506,183	115,465,740	76,452,056
Total net position	\$196,530,750	\$251,343,602	\$317,895,495	\$343,710,352	\$386,176,315

	2017	2018	2019	2020	2021
Net investment in capital assets	\$353,088,871	\$367,957,650	\$403,239,649	\$398,251,858	\$434,505,310
Unrestricted	56,226,336	60,223,084	64,324,957	99,456,719	\$91,425,472
Total net position	\$409,315,207	\$428,180,734	\$467,564,606	\$497,708,577	\$525,930,782

Table 2
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2012	2013	2014	2015	2016
Operating Revenues:					
Operating Revenue	\$650,877	\$597,880	\$840,586	\$640,249	\$529,191
Total Operating Revenues	650,877	597,880	840,586	640,249	529,191
Operating Expenses:					
Public transportation - rail/pathway development:					
Net salaries and employee benefits	2,597,001	2,683,628	3,041,027	4,303,358	7,736,893
Services and supplies	4,179,668	4,772,700	4,466,562	5,275,106	5,998,630
Depreciation	4,527,575	4,527,575	4,473,500	4,575,530	4,610,295
Bad Debt	-	-	-	-	-
Loss on impairment of assets	-	-	433,295	-	-
Other charges	76,671	700,783	215,922	380,000	7,541
Total Operating Expenses	11,380,915	12,684,686	12,630,306	14,533,994	18,353,359
Operating loss	(10,730,038)	(12,086,806)	(11,789,720)	(13,893,745)	(17,824,168)
Nonoperating Revenues (Expenses):					
Sales/Use taxes	28,303,501	30,435,753	32,473,329	33,845,426	34,776,012
Federal, state, and other operating assistance	-	-	-	-	-
Investment earnings	437,618	1,495,066	1,182,159	1,384,557	585,178
Sale of contract option	-	-	-	-	-
Capital expense passed through to other agencies	-	-	-	(1,557,743)	(295,894)
Miscellaneous revenue	26,236	62,178	65,638	49,351	2,264,334
Interest expense	(1,117,492)	(5,328,770)	(4,420,558)	(2,761,502)	(805,558)
Total Nonoperating Revenues	27,649,863	26,664,227	29,300,568	30,960,089	36,524,072
Income before capital grants	16,919,825	14,577,421	17,510,848	17,066,344	18,699,904
Capital Grants					
State of California	8,148,143	24,130,596	4,295,318	3,381	284,094
Metropolitan Transportation Commission	-	4,541,421	35,500,504	7,119,973	2,683,108
Sonoma County Transportation Authority	4,594,099	5,758,121	5,136,487	35,358	47,780
Federal Grants	1,203,349	6,021,838	2,562,581	500,595	3,779,595
Other governmental agencies	209,796	666,592	1,543,983	1,534,698	749,376
Donated asset	-	-	-	-	16,222,106
Total Capital grants	14,155,387	41,118,568	49,038,873	9,194,005	23,766,059
Change in net position	\$31,075,212	\$55,695,989	\$66,549,721	\$26,260,349	\$42,465,963

Source: SMART annual financial statements.

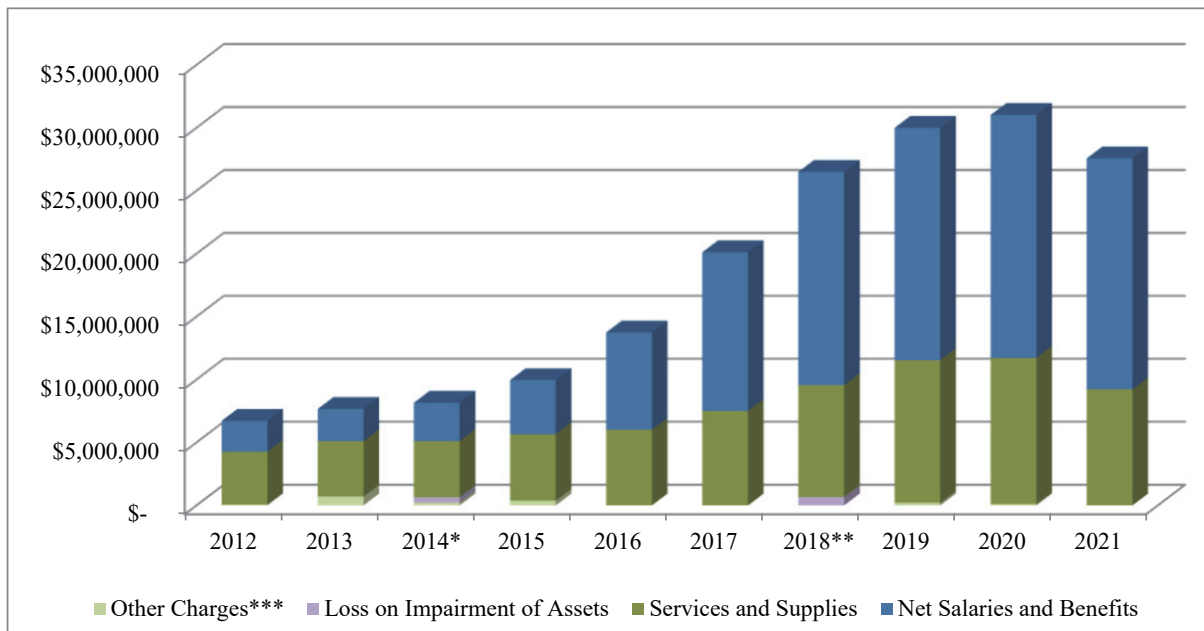
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Table 2
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2017	2018	2019	2020	2021
Operating Revenues:					
Operating Revenue	\$588,402	\$4,025,111	\$5,036,875	\$3,965,115	1,271,606
Total Operating Revenues	588,402	4,025,111	5,036,875	3,965,115	1,271,606
Operating Expenses:					
Public transportation - rail/pathway development:					
Net salaries and employee benefits	12,610,874	16,950,114	18,453,125	19,295,606	18,354,310
Services and supplies	7,498,986	8,877,465	11,336,573	11,624,479	9,217,567
Depreciation	4,716,779	17,800,126	19,033,577	22,150,111	22,697,348
Bad Debt	-	-	-	-	-
Loss on impairment of assets	-	671,378	-	-	-
Other charges	212	954	203,883	100,000	416
Total Operating Expenses	24,826,851	44,300,037	49,027,158	53,170,196	50,269,641
Operating loss	(24,238,449)	(40,274,926)	(43,990,283)	(49,205,081)	(48,998,035)
Nonoperating Revenues (Expenses):					
Sales/Use taxes	36,061,895	37,135,476	41,241,140	38,978,630	44,002,410
Federal, state, and other operating assistance	-	3,701,366	5,000,756	15,574,795	16,301,842
Investment earnings	366,748	724,313	1,974,246	338,227	628,728
Sale of contract option	-	-	-	-	-
Capital expense passed through to other agencies	(62,636)	(3,778,891)	(770,156)	(918,506)	(3,673,565)
Miscellaneous revenue	438,639	2,236,508	4,174,454	1,438,087	4,588,714
Interest expense	(1,164,558)	(5,819,778)	(5,591,608)	(5,273,801)	(3,374,308)
Total Nonoperating Revenues	35,640,088	34,198,994	46,028,832	50,137,432	58,473,821
Income before capital grants	11,401,639	(6,075,932)	2,038,549	932,351	9,475,786
Capital Grants					
State of California	458,549	837,950	2,883,980	20,311,493	11,592,461
Metropolitan Transportation Commission	5,007,846	9,939,309	4,388,830	224,051	-
Sonoma County Transportation Authority	33,440	356,219	55,249	22,632	109,468
Federal Grants	2,750,431	9,450,100	21,270,383	2,609,220	2,500,000
Other governmental agencies	3,036,898	4,357,881	8,746,881	4,716,659	4,544,490
Donated asset	1,116,726	-	-	1,327,565	-
Total Capital grants	12,403,890	24,941,459	37,345,323	29,211,620	18,746,419.00
Change in net position	\$23,805,529	\$18,865,527	\$39,383,872	\$30,143,971	28,222,205.00

Source: SMART annual financial statements.

Table 3
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NON-CAPITAL EXPENSE BY CATEGORY
Last Ten Fiscal Years



Fiscal Year Ended June 30	Net Salaries and Benefits	Services and Supplies	Other Charges***	Loss on Impairment of Assets	Total
2012	\$ 2,462,175	\$ 4,179,668	\$ 76,671	\$ -	\$ 6,718,514
2013	2,558,849	4,406,463	700,783	-	7,666,095
2014*	3,041,027	4,466,562	215,922	433,295	8,156,806
2015	4,303,358	5,275,106	380,000	-	9,958,464
2016	7,736,893	5,998,630	7,541	-	13,743,064
2017	12,610,874	7,498,986	212	-	20,110,072
2018**	16,950,114	8,877,475	954	671,378	26,499,921
2019	18,453,125	11,336,573	203,883	-	29,993,581
2020	19,295,606	11,624,479	100,000	-	31,020,085
2021	\$ 18,354,310	\$ 9,217,567	\$ 416	\$ -	\$ 27,572,293

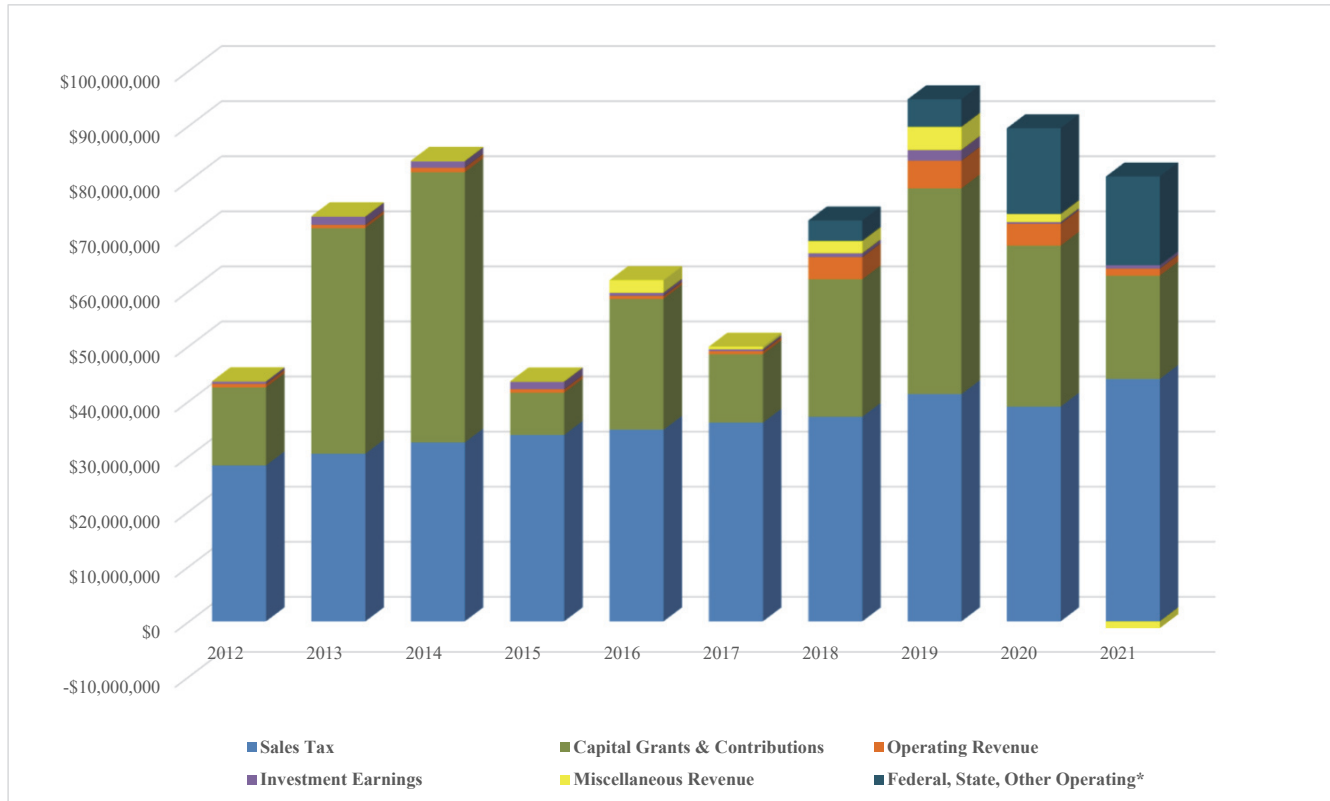
Source: Sonoma-Marín Area Rail Transit District Financial Statements

*2014 is the first year that the District presented financial reports in an enterprise format

**2018 is the first year of Operations; Other Charges Net of Non-cash adjustments

*** Other charges adjusted for non-cash transactions beginning 2018

Table 4
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
GENERAL REVENUE BY SOURCE
Last Ten Fiscal Years



Fiscal Year	Sales Tax	Capital Grants & Contributions	Operating Revenue	Federal, State, Other Operating*	Investment Earnings	Miscellaneous Revenue	Total
2012	\$ 28,303,501	\$ 14,155,387	\$ 650,877		\$ 437,618	\$ 26,236	\$ 43,573,619
2013	30,435,753	40,952,030	597,880		1,495,066	62,178	73,542,907
2014	32,473,329	49,038,873	840,586		1,182,159	65,638	83,600,585
2015	33,845,426	7,636,262	640,249		1,384,557	49,351	43,555,845
2016	34,776,012	23,766,059	529,191		585,178	2,264,334	61,920,774
2017	36,061,895	12,403,890	588,402		366,748	438,639	49,859,574
2018	37,135,476	24,941,459	4,025,111	3,701,366	724,313	2,236,508	72,764,233
2019	41,241,140	37,345,323	5,036,875	5,000,756	1,974,246	4,174,454	94,772,794
2020	38,978,630	29,211,620	3,965,115	15,574,795	338,227	1,438,087	89,506,474
2021	\$ 44,002,410	\$ 18,746,419	\$ 1,271,606	\$ 16,105,315	\$ 628,728	\$ (1,190,816)	\$ 79,563,662

Source: Sonoma-Marin Area Rail Transit District Financial Reports

*Transit Operation began Fiscal Year 2018

Table 5
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
REVENUE BASE AND REVENUE RATE
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>SMART Sales Tax Rate</u>	<u>Total Sales Tax Revenue</u>	<u>Marin County Total Taxable Sales (In Thousands)</u>	<u>Sonoma County Total Taxable Sales (In Thousands)</u>	<u>SMART District Total Taxable Sales (In Thousands)</u>
2012	0.25%	\$ 28,303,501	\$ 4,185,542	\$ 7,152,875	\$ 11,338,417
2013	0.25%	30,435,753	4,500,247	7,711,052	12,211,299
2014	0.25%	32,473,329	4,769,878	8,264,339	13,034,217
2015	0.25%	33,845,426	4,957,364	8,626,295	13,583,659
2016	0.25%	34,776,012	5,091,014	8,843,184	13,934,198
2017	0.25%	36,061,895	5,004,443	9,154,084	14,158,526
2018	0.25%	37,135,476	5,343,038	9,444,873	14,787,910
2019	0.25%	41,241,140	5,454,389	9,966,334	15,420,723
2020	0.25%	38,978,630	5,148,864	9,113,111	14,261,975
2021	0.25%	\$ 44,002,410	\$ 5,894,353	\$ 10,771,239	\$ 16,665,592

Source: California Department of Tax and Fee Administration

Table 6
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
OVERLAPPING GOVERNMENTS AND SALES TAX RATES
Last Ten Fiscal Years*

Marin County					
Fiscal Year	State(a)	City	County(b)	SMART(d)	Total
2012	7.25%	0 to 0.50%	0.50%	0.25%	8% to 9%
2013	7.50%	0 to 0.50%	0.50%	0.25%	8% to 9%
2014	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2015	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2016	7.50%	0 to 0.50%	0.75%	0.25%	8.5% to 9%
2017	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2018	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2019	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2020	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%
2021	7.25%	0 to 0.75%	0.75%	0.25%	8.25% to 9%

Sonoma County					
Fiscal Year	State(a)	City	County(c)	SMART(d)	Total
2012	7.25%	0 to 0.50%	0.50%	0.25%	8.0% to 8.5%
2013	7.50%	0 to 0.50%	0.50%	0.25%	8.25% to 8.75%
2014	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2015	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2016	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2017	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2018	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2019	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2020	7.25%	0 to 1.00%	0.750%	0.25%	8.25% to 9.25%
2021	7.25%	0 to 1.00%	1.000%	0.25%	8.50% to 9.50%

*FY2012 First Year SMART began compiling statistical data

The cities within each county sales tax varies and they are combined to create this chart.

(a) Statewide sales and use tax rate increased 0.25% on January 1, 2013, and decreased by 0.25% on January 1, 2017

(b) Marin Parks/Open Space/Farmland Preservation Transactions and Use Tax (0.25%, effective 04-01-13) and Transportation Authority of Marin County (0.50%, effective 04-01-05)

(c) Sonoma County Transportation Authority (0.25%, 04-01-05), Sonoma County Agricultural Preservation & Open Space District Transactions and Use Tax (0.25%, 04-01-11), Sonoma County Library Maintenance, Restoration, Enhancement Act (0.125%, 4-1-17), Sonoma County Parks and Safety Transactions (0.25%, 04-01-19)

(d) SMART sales tax effective April 1, 2009

Source: California State Board of Equalization, California City & County Sales & Use Tax Rates
[District Taxes, Rates, and Effective Dates (CDTFA-105)]

Table 7
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
PRINCIPAL REVENUE PAYERS

Fiscal Year 2021**		
Principal Revenue Payers: Sales Tax Generators	Percentage	Total Receipts
General Retail	31.2%	\$ 13,522,463
Auto and Other Transportation	19.4%	8,418,009
Food & Beverage Products	16.2%	6,996,824
Business to Business	14.8%	6,424,299
Construction Related	14.0%	6,076,770
Miscellaneous	4.3%	1,843,768
Totals	100.0%	\$ 43,282,133

Fiscal Year 2011*		
Principal Revenue Payers: Sales Tax Generators	Percentage	Total Receipts
General Retail	30.5%	\$ 7,978,547
Auto and Other Transportation	21.4%	5,597,576
Food & Beverage Products	19.0%	4,972,020
Business to Business	15.9%	4,156,846
Construction Related	10.7%	2,796,876
Miscellaneous	2.5%	654,932
Totals	100%	\$ 26,156,797

*First available year of SMART sales tax payer analysis

**Based on data from MuniServices, Categorizations and Totals May Differ from State published/Audited

Table 8
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
DEBT SERVICE COVERAGE - PLEDGED SALES TAX REVENUE

SMART Measure Q Sales Tax Revenue Refunding Bonds (Green Bonds) Series 2020A (Taxable)

Fiscal Year Ending	Sales Tax Revenue Actual	Sales Tax Revenue Projected*	Series 2020A Bond Interest**	Series 2020A Bonds Principal	Series 2020A Bonds Debt Service Total	Annual Debt Service Coverage Ratio
6/30/2020	\$ 38,978,630	\$ -	\$ 7,312,600	\$ 9,435,000	\$ 16,747,600	2.33
6/30/2021 ***	44,002,410	-	3,987,001	3,365,000	7,352,001	5.99
6/30/2022		42,074,000	1,656,756	13,280,000	14,936,756	2.82
6/30/2023		43,964,000	1,581,193	14,015,000	15,596,193	2.82
6/30/2024		45,686,000	1,479,444	14,765,000	16,244,444	2.81
6/30/2025		47,340,000	1,324,116	15,580,000	16,904,116	2.80
6/30/2026		48,927,000	1,136,844	15,860,000	16,996,844	2.88
6/30/2027		50,449,000	893,869	16,105,000	16,998,869	2.97
6/30/2028		51,962,470	614,931	16,385,000	16,999,931	3.06
6/30/2029****		\$ 53,521,344	284,281	13,615,000	13,899,281	3.85
Total		\$ 466,904,854	\$ 20,271,035	\$ 132,405,000	\$ 152,676,035	
Maximum Annual Debt Service Coverage:						3.06

*Sales tax forecast provided by Avenu Insights & Analytics

**Debt service shown is cash basis

*** SMART's 2011A bonds were refunded in October 2020 with the Series 2020A bonds part of debt service is from 2011A bonds

****Sales tax expires 3/31/2029

Table 9
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
RATIOS OF OUTSTANDING DEBT (Unaudited)

TOTAL DEBT TO INCOME RATIO
SMART District: Sonoma and Marin Counties Combined

Fiscal Year	Total Outstanding Debt	Personal Income	Population	Ratio of Debt to Personal Income	Total Debt Per Capita
2013*	\$ 190,145,000				
2014	192,365,524	53,487,101,000	759,238	0.37%	253
2015	190,096,688	57,742,796,000	762,362	0.34%	249
2016	183,318,018	59,833,017,000	763,882	0.31%	240
2017	175,819,899	62,676,073,000	762,971	0.28%	229
2018	167,528,327	67,113,317,000	759,608	0.26%	216
2019	157,163,502	69,657,112,000	763,554	0.23%	206
2020**	\$ 145,846,953	70,353,683,120	753,162	0.21%	\$ 194

TOTAL DEBT SERVICE TO NON-CAPITAL EXPENSES

Fiscal Year	Total Debt Service	Non-Capital Expenditures Including Debt Service	Ratio Debt Service to Non-Capital Expenditures
2013*	\$ 7,047,458	\$ 14,713,553	48%
2014	8,456,950	16,613,756	51%
2015	8,456,950	18,415,414	46%
2016	12,996,950	26,740,014	49%
2017	13,600,350	33,710,422	40%
2018	14,204,100	40,704,021	35%
2019	16,095,850	46,089,431	35%
2020	\$ 16,747,600	\$ 47,767,685	35%

*Fiscal Year 2013 is the first full year SMART had outstanding debt service payments on Series 2011A bonds

**2020 Personal income amount estimated assuming 1% increase from prior year

Sources: Bureau of Economic Analysis, US Dept of Commerce; Series 2011A Bond; Table 3

Table 10
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)
Last Ten Fiscal Years

Marin County					
Year	Population	Personal Income (in thousands)		Per Capita Personal Income	Unemployment Rate
2011	255,363	\$	22,741,276	\$ 89,009	7.4%
2012	256,072		23,918,732	93,407	6.3%
2013	258,453		25,093,401	97,124	5.0%
2014	260,435		27,176,774	104,319	4.3%
2015	261,016		29,227,230	114,455	3.6%
2016	260,633		30,222,883	117,552	3.4%
2017	259,725		32,867,529	124,552	2.9%
2018	259,666		33,196,204	134,275	2.3%
2019*	258,826		36,684,680	141,735	2.3%
2020**	262,321	\$	37,051,527	\$ 141,245	10.0%

Sonoma County					
Year	Population	Personal Income (in thousands)		Per Capita Personal Income	Unemployment Rate
2011	487,423	\$	22,356,767	\$ 45,805	9.8%
2012	490,071		23,548,182	47,879	8.6%
2013	494,243		24,905,827	50,312	6.7%
2014	498,803		25,224,331	50,533	5.6%
2015	501,346		27,284,819	55,445	4.5%
2016	503,249		28,457,348	57,264	4.1%
2017	503,246		30,343,873	60,286	3.4%
2018	499,942		30,647,311	64,501	2.7%
2019*	494,336		32,972,432	66,700	2.7%
2020**	488,863	\$	33,302,156	\$ 68,122	11.4%

*2019 Most recent complete data available

**2020 Personal Income and Per Capita Personal Income estimated based on one percent increase from previous year

Sources:

Population: US Department of Commerce, Bureau of Economic Analysis - www.bea.gov, released Nov 14, 2019

Unemployment: Employment Development Department, Labor Market Information - www.labormarketinfo.edd.ca.gov

Table 11
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
MAJOR EMPLOYERS (UNAUDITED)
Current Year*

Marin County 2021		
Employer	Number of Employees	Percent of Total Employment**
County of Marin***	2,099	1.67%
Kaiser Permanente San Rafael Medical Center***	2,059	1.64%
BioMarin Pharmaceutical	1,663	1.33%
San Quentin State Prison	1,543	1.23%
Marin General Hospital***	1,279	1.02%
Glassdoor	970	0.77%
Novato Unified School District	800	0.64%
Autodesk	765	0.61%
San Rafael City Schools	650	0.52%
Marin Community Clinics	594	0.47%
Dominican University of California	394	0.31%
Novato Community Hospital	375	0.30%
Sonoma County 2021		
Employer	Number of Employees	Percent of Total Employment**
County of Sonoma	3,851	1.58%
Kaiser Permanente	3,015	1.23%
Graton Resort and Casino	1,942	0.79%
Santa Rosa School District	1,576	0.64%
Keysight Technologies	1,500	0.61%
Providence - Sonoma County	1,476	0.60%
Sutter Santa Rosa Regional Hospital	1,200	0.49%
Safeway, Inc***	1,200	0.49%
Jackson Family Wines	1,070	0.44%
City of Santa Rosa	1,091	0.45%
Oliver's Market	827	0.34%
Santa Rosa Junior College	719	0.29%

Sources:

North Bay Business Journal
County of Marin
San Quentin State Prison
Novato Unified School District
BioMarin Pharmaceutical
County of Sonoma
Graton Resort & Casino
City of Santa Rosa
Santa Rosa School District
Employment Development Department, State of California
Santa Rosa Junior College
Marin County Office of Education
Autodesk

*The "9 Years Ago" data unavailable, SMART records began 2013

**Percent of Total Employment reflects September 2021 employed, calculated using California Employment Development Department data

***Utilized 2020 data, 2021 data not available

Table 12
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Operating Information (Unaudited)

Start of Operations	August 2017	Rail Stations in Service	12
Form of Governance	Board of Directors with General Manager	Park and Ride Lots	7
Service Area	Sonoma and Marin Counties, California	Rail Vehicles in Service	18
Operation	45		

OPERATING STATISTICS

Fiscal Year	Ridership	Fare Revenue	Average Fare	Revenue Vehicle Hours	Revenue Vehicle Service Miles
2020-21**	122,855	\$706,938	\$5.75	24,496	404,011
2019-20*	567,103	\$3,090,458	\$5.45	28,993	821,415
2018-19	716,847	\$4,094,540	\$5.71	32,560	923,002
2017-18	636,029	\$3,315,274	\$5.21	43,959	766,833

FARE INFORMATION***

Daily Fares By Zone	1 Zone	2 Zones	3 Zones	4 Zones	5 Zones	Daily Max
Adult Fare	\$1.50	\$3.00	\$4.50	\$6.00	\$7.50	\$15.00
Seniors, youth, and disabled	\$0.75	\$1.50	\$2.25	\$3.00	\$3.75	\$7.50

Passes	Adult	Discount
31-Day Pass	\$135	\$67.50

*2018-19 is the first full year of service

**2019-2020 ridership and related data subject to change through NTD review

Table 13
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Employees- Full-Time Equivalent (Unaudited)

Division	Fiscal Year Ended June 30							
	2013*	2014	2015	2016	2017	2018	2019	2020
General Manager	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Legal	0.0	0.8	1.0	1.3	2.8	3.0	3.0	3.0
Capital Projects	11.8	13.8	13.9	13.2	8.1	6.0	11.0	11.0
Administration	5.6	8.0	8.4	9.0	13.3	15.0	18.0	20.0
Finance	5.8	5.8	5.8	6.1	6.2	7.0	8.0	7.0
Operations	1.0	1.3	4.7	36.9	79.4	86.0	99.5	102.0
Safety & Security	0.0	0.0	0.8	1.0	2.0	3.0	4.5	5.0
Total	25.2	30.7	35.6	68.6	112.8	121.0	145.0	149.0

* FY2013 was the first year SMART prepared Statistical Charts, no data available for prior years

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of the
Sonoma-Marín Area Rail Transit District
Petaluma, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Sonoma-Marín Area Rail Transit District (District), California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 4, 2021 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
November 4, 2021

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

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**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For The Year Ended June 30, 2021

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of
Sonoma-Marín Area Rail Transit District
Petaluma, California

In planning and performing our audit of the basic financial statements of the Sonoma-Marín Area Rail Transit District (District) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze + Associates' in a cursive, stylized font.

Pleasant Hill, California
November 4, 2021

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REQUIRED COMMUNICATIONS

To the Board of Directors of
Sonoma-Marín Area Rail Transit District
Petaluma, California

We have audited the basic financial statements of the Sonoma-Marín Area Rail Transit District (District) for the year ended June 30, 2021. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance.

Significant Audit Matters

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

GASB 84 –Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The Statement is effective for the periods beginning after December 15, 2019, or the fiscal year 2020-21. The implementation of this Statement did not have a material effect on the financial statements.

GASB 90 –Majority Equity Interest, an amendment of GASB statement No. 14 and No. 61. The objective of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government’s holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. This Statement is effective for reporting periods beginning after December 15, 2019, or fiscal year 2020-21. The implementation of this Statement did not have a material effect on the financial statements.

These pronouncements became effective, but did not have a material effect on the financial statements.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statement were:

Estimated Fair Value of Investments: As of June 30, 2021, the District held approximately \$74.9 million of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2021. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2021.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 3 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension assets and liabilities and deferred outflows/inflows of resources are disclosed in Note 5 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liabilities and OPEB-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension assets and liabilities and deferred outflows/inflows of resources are disclosed in Note 6 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the District's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 4, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

This information is intended solely for the use of Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
November 4, 2021



November 17, 2021

David Rabbitt, Chair
Sonoma County Board of Supervisors

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

Judy Arnold
Marin County Board of Supervisors

Melanie Bagby
Sonoma County Mayors' and
Councilmembers Association

Kate Colin
Transportation Authority of Marin

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and
Councilmembers Association

Patty Garbarino
Golden Gate Bridge,
Highway/Transportation District

Susan Gorin
Sonoma County Board of Supervisors

Dan Hillmer
Marin County Council of Mayors and
Councilmembers

Eric Lucan
Transportation Authority of Marin

Chris Rogers
Sonoma County Mayors' and
Councilmembers Association

Farhad Mansourian
General Manager

5401 Old Redwood Highway
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Petaluma, CA 94954
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www.sonomamarintrain.org

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

SUBJECT: Short-Range Transit Plan (SRTP)

Dear Board Members:

RECOMMENDATION: Approval of the Short-Range Transit Plan

SUMMARY:

Federal statutes require that the Metropolitan Transportation Commission (MTC), in partnership with the state and with local agencies, develop and periodically update a long-range Regional Transportation Plan (RTP), also known as Plan Bay Area, and a Transportation Improvement Plan (TIP) which implements the RTP by programming federal funds to transportation projects contained in the RTP. In order to execute these responsibilities, MTC requires each transit operator receiving federal funds to prepare, adopt, and submit a Short-Range Transit Plan to MTC.

The purpose of the SRTP is the following:

- To serve as a management and policy document
- To clearly and concisely describe and provide the basis for the capital and operating budgets
- To submit requests for federal, state, and regional funds for capital and operating purposes
- To assess financial capacity to carry out proposed levels of operations and the associated capital improvements
- To provide MTC with information on projects and programs of regional significance
- To assess progress implementing recommendations provided through the Transit Sustainability Project

The planning horizon for the SRTP is 10 years and the plan is supposed to be updated at least once every four years. The scope of the SRTP is prescribed by MTC. MTC is currently having discussions with operators about the timing of SRTP, so timing of future updates may change.

The attached Short-Range Transit Plan is the first one that SMART has prepared. Although the normal plan document is for a period of 10 years, SMART's plan goes through FY 29 since our largest funding source, sales tax, currently expires in FY 29. The SRTP was based on Capital Plan that was adopted in April 2021.

The document was presented to you on October 6, 2021, and released for public comment. The comment period closed on Friday, November 5th at 5:00pm. The draft plan was on SMART's website, in the Bay Link, and in SMART's newsletter which reaches over 9,500 readers. The draft document was also sent to MTC for review and comment. We received two comments. One was internal and one was external. They were:

- On page 19 of the draft plan, the tunnel is listed as the California Park Tunnel and should be the California Park Hill Tunnel
- On page 35 of the draft plan, the milepost for one of the bridges was listed as MP 31.47 and it should be MP 31.74

These comments have been incorporated into the final document. In addition, I have attached an organization chart that is easier to read than the one that was in the draft document. No other changes have been made.

FISCAL NOTE: There is no fiscal impact as this is a planning document and actual expenditures will be approved by the Board through adoption of annual budgets.

Very truly yours,

/s/
Heather McKillop
Chief Financial Officer

Attachment(s): Short-Range Transit Plan



Short-Range Transit Plan

Fiscal Year 2022 – Fiscal Year 2029

Sonoma-Marin Area Rail Transit District

Approved November 17, 2021

Federal transportation statutes require that the Metropolitan Transportation Commission (MTC), in partnership with state and local agencies, develop and periodically update a long-range Regional Transportation Plan (RTP), also known as Plan Bay Area, and a Transportation Improvement Plan (TIP) which implements the RTP by programming federal funds to transportation projects contained in the RTP. To effectively execute these planning and programming responsibilities, MTC requires that each transit operator in its region which received federal funding through the TIP, prepare, adopt, and submit to MTC a Short-Range Transit Plan (SRTTP).

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<ul style="list-style-type: none">Farebox Revenues: SMART passengers pay for their rides using the fare structure approved by the SMART Board in 2015 and 2016. SMART participates in the regional Clipper fare system that allows riders to transfer seamlessly among Bay Area operators using one fare media card. SMART also has its own mobile ticket device that provides for easy purchasing of multiple or discounted tickets without purchasing a Clipper card. The fares are based on a zones travelled. Prior to May	

24, 2021, daily fares range from \$3.50 for a non-discounted adult travelling one zone, and \$11.50 if travelling 5 zones. SMART also provides several discounts available to SMART riders such as a youth, senior, low income, and passengers with disabilities. Effective May 24, 2021, fares were lowered from \$3.50 to \$1.50 for a non-discounted adult travelling one zone, and \$7.50 if travelling 5 zones.	28
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Overview of Transit System

History

The Sonoma Marin Area Rail Transit (SMART) District was established by the California Legislature through the enactment of AB 2224 in 2002. The SMART District includes both Sonoma and Marin Counties and was created for the purpose of providing unified and comprehensive structure for the ownership and governance of passenger and freight rail system within Sonoma and Marin Counties and to provide passenger and freight train service along the existing publicly owned railroad right-of-way.

SMART passenger rail service began in August of 2017 with two-way passenger train service on 43 miles to 10 stations between Downtown San Rafael in Marin County and Airport Boulevard in Sonoma County. In late 2019, two new stations were completed in Downtown Novato and Larkspur near the regional Ferry to San Francisco. These two stations in Marin County brought rail service to its current total of 45 miles with 12 passenger stations.

Train service is provided in state-of-the-art diesel multiple unit (DMU) rail vehicles utilizing one of the first Positive Train Control systems for passenger rail. Prior to the COVID-19 shutdown, service was provided roughly every 30-minutes during commute hours with additional service midday and weekends. SMART also manages 24 miles of an ancillary bicycle/pedestrian pathway on its right of way connecting to the SMART's stations where cyclists can find secure parking at the station or on-board the train for their bikes.

As a railroad, SMART is subject to the Federal Railroad Administration (FRA) for safety oversight, including compliance of Positive Train Control requirements. SMART is also subject to the California Public Utilities Commission (CPUC) for grade crossing safety oversight. The FRA has found SMART in compliance with all Positive Train Control (PTC) requirements, operating safety oversight requirements and has favorably reviewed SMART on two occasions for expansion project management oversight.

In 2015, the Federal Transit Administration (FTA) designated SMART as a Direct Recipient and eligible to receive operating and capital formula grant funds. To receive that designation SMART had to prove legal, financial, and technical capacity. As a result of that designation, SMART must adhere to FTA's numerous policy oversight requirements, including the Civil Rights requirements that every public transit agency must comply with: Americans with Disabilities Act (ADA); Title VI; Disadvantaged Business Enterprise (DBE); and Equal Employment Opportunity (EEO). SMART adheres to the FTA's policy requirements and the SMART Board has current adopted Title VI and DBE programs, as required. The FTA has not yet conducted a policy compliance review of SMART, but those reviews are generally conducted every three years.

Key Milestones and Events

2002	SMART was created by the California Legislature
2008	SMART's ¼ cent sales tax was passed
2015	Federal Transit Administration designates SMART as a direct grantee
August 2017	Federal Railroad Administration grants SMART positive train control revenue service demonstration status
August 2017	Service Started between San Rafael and Santa Rosa Airport to include 34 trips/ weekday and 10 trips/ weekend
October 2017	Tubbs Fire in Sonoma County
August 2018	1 st Anniversary of the start of service
November 2018	Camp Fire in Sonoma County
February 2019	Flooding in Marin County and Sonoma County
August 2019	2 nd Anniversary of the start of service
October 2019	Kincade Fire in Sonoma County
December 2019/ January 2020	Larkspur Extension and Downtown Novato opens. Service increases to 38 trips/ weekday
March 2020	COVID-19 Shelter-in-Place Orders go into effect. Trips reduced to 16 trips/ weekday and no weekend service
August 2020	3 rd Anniversary of the start of service
August 2020	LNU Lighting Complex Fires in Sonoma County
March 2021	Marin County Progresses to less restrictive COVID tier
April 2021	Sonoma County Progresses to less restrictive COVID Tier
May 2021	Service is expanded to add 10 additional trips on weekdays and service is resumed on Saturday with 12 trips
May 2021	Fares are reduced approximately 40%
August 2021	4 th Anniversary of the start of service

Governance

SMART is governed by a 12-member Board consisting of elected and appointed officials appointed as specified in AB 2224 serving staggered 4-year terms.

Sonoma County

- Two members of the Sonoma County Board of Supervisors, each of whom shall serve on the Board of Directors of the Sonoma County Transportation Authority, appointed by the Sonoma County Board of Supervisors.
- Three members, each of whom shall be a mayor or council member of a city or town within the Sonoma County, appointed by the Sonoma County Mayors and Council Members Association. They must meet the following conditions: (1) Two members are also city representatives for the Sonoma County Transportation Authority (2) All the members are from cities on the rail line in Sonoma County (3) No city has more than one member.

Marin County

- Two members of the Marin County Board of Supervisors appointed by the Marin County Board of Supervisors.
- One member of the City Council of the City of Novato who also serves on the Marin County Congestion Management Agency, appointed by the Marin County Congestion Management Agency
- One member of the City Council of the City of San Rafael who also serves on the Marin County Congestion Management Agency, appointed by the Marin County Congestion Management Agency
- One member, who shall be a mayor or council member of the city or town within Marin County and a member of the Marin County Congestion Management Agency, appointed by the Marin County Council of Mayors and Council Members

Golden Gate Bridge, Highway and Transportation District

- Two representatives from the Golden Gate Bridge District neither of whom shall be a member of the Sonoma or Marin County Board of Supervisors, appointed by the Golden Gate Bridge, Highway and Transportation District.

Current representation on the SMART Board of Directors:

David Rabbitt – Chair Sonoma County Board of Supervisors	Barbara Pahre – Vice Chair Golden Gate Bridge District
Judy Arnold Marin County Board of Supervisors	Melanie Bagby Sonoma County Mayors and Councilmembers Association
Kate Colin Transportation Authority of Marin	Damon Connolly Marin County Board of Supervisors
Debora Fudge Sonoma County Mayors and Councilmembers Association	Patty Garbarino Golden Gate Bridge District
Susan Gorin Sonoma County Board of Supervisors	Daniel Hillmer Marin County Council of Mayors and Councilmembers
Eric Lucan Transportation Authority of Marin	Chris Rogers Sonoma County Mayors and Councilmembers Association

Organizational Structure

The Board appoints a General Manager for the District. In addition, the Chief Financial Officer, General Counsel, and Chief Engineer are appointed by the Board.

General Manager – Farhad Mansourian	Chief Financial Officer – Heather McKillop
General Counsel – Tom Lyons	Chief Engineer – Bill Gamlen

The SMART organization has been developed in conjunction with the project construction, including the creation and staffing of SMART's three operating department divisions: Transportation, Maintenance of Way, and Vehicle Maintenance. As of 2021, has 139.5 employees. All operations are performed by SMART employees. SMART has 3 unions:

- Operating Engineers Local Union No. 3 AFL-CIO
 - Collective Bargaining Agreement (CBA) expires December 15, 2022
- International Brotherhood of Teamsters Local No. 665
 - Maintenance of Way Technicians Unit CBA expires June 30, 2022
 - Supervisors Unit Expires June 30, 2022
- International Association of Machinists and Aerospace Workers Local Lodge 1414
 - CBA expires June 30, 2022

Short-Range Transit Plan

This is SMART's first Short-Range Transit Plan. As a new transit agency that has just celebrated its 4th year of revenue service, we are just starting to mature our systems, policies, and procedures and have tried to comply as thoroughly as possible with MTC and SMART's Short-Range Transit Plan Agreement dated August 5, 2019.

This plan only covers the first eight-years, July 1, 2021, through June 30, 2029, of the ten-year period traditionally covered in a Short-Range Transit Plan. This is due to the expiration of SMART's local sales tax funding in Fiscal Year (FY) 2029. The voters of Marin and Sonoma Counties approved Measure Q which imposed a ¼ of 1% sales tax on tangible personal property at retail, was passed with 69.6% of the votes in November of 2008. The collection of that voter approved sales tax sunsets in March of 2029. To reauthorize Measure Q well in advance of its expiration, thus providing financial stability for SMART's ongoing operating expenses, in March 2020, Measure I went to the ballot to extend the sales tax through March 31, 2059. Even though it received over 50% of the vote, Measure I failed to garner the two-thirds super majority that is required on specified tax measures in California. The final count was 53.6% in favor and 46.4% opposed.

This first SMART Short-Range Transit Plan is fiscally balanced for the first eight years (FY 22 – FY 29). With the expiration of Measure Q local sales tax funding and until a voter authorized extension of the sales tax measure is secured, SMART cannot balance years after FY 29. It is currently estimated that the combined shortfall for FY 30 and FY 31 will be approximately \$74 million based on the forecasts contained in this document.

Freight

Smart owns the railroad from a place called "Brazos Junction" in American Canyon (East of the Napa River) west to the Ignacio Wye (Highway 101 and 37) in Novato, south to Corte Madera and north to the Mendocino-Sonoma County Line.

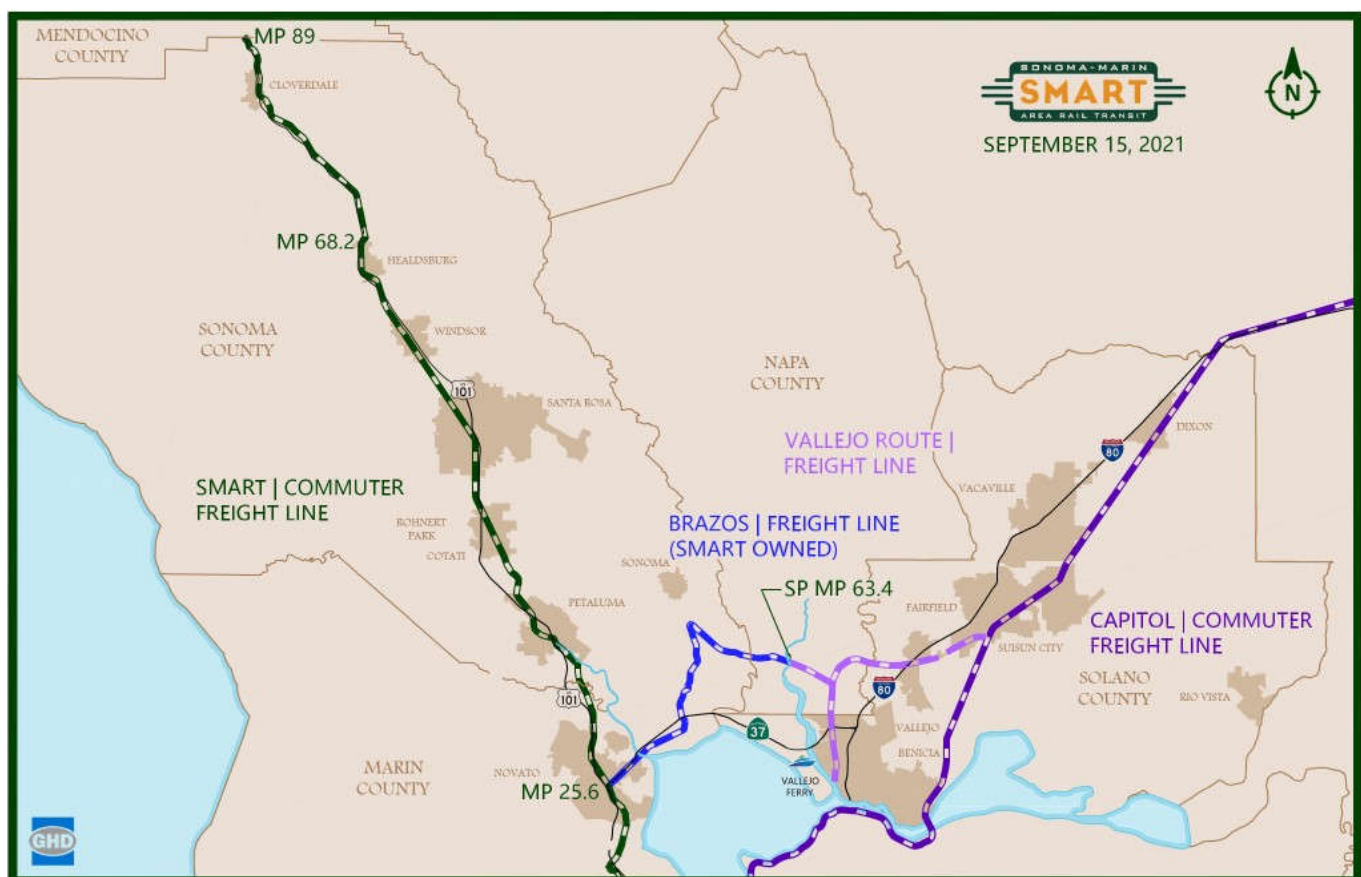
On February 2, 2021, SMART filed a "Verified Notice of Exemption" with the Surface Transportation Board (STB) to exempt from regulation under U.S.C. Section 10902 SMART's acquisition of railroad, right-of-way and a freight rail operating easement from North Coast Railroad Authority and SMART's operation of the line. On February 12, 2021, the Notice of Exemption was approved by the STB. On March 26, a quit claim deed was executed that transferred the line of railroad and right-of-way between the Sonoma – Mendocino County border milepost 89 and Healdsburg at milepost 70.7 and the freight rail operating easement between Healdsburg milepost 68.2 and Brazos Junction at milepost SP 63.4.

On February 22, 2021, the freight operator, NWPCo, petitioned the STB for Discontinuance of Service Exemption (requesting authority to cease being the freight operator). On June 11, 2021, the STB approved NWPCo's petition for discontinuance of service and authorized SMART to assume freight operations and common carrier duties over the rail line which became final on July 11, 2021. Currently, NWPCo. is expected to provide interim service until SMART replaces

their operation by either self-performing the operation or contracting with a third-party operator to fulfill the service.

SMART has inherited significant infrastructure because of these transactions. The infrastructure will need to be maintained to facilitate freight movement and ultimately passenger service. SMART received \$4 million from SB 1029 for the acquisition of freight rights and equipment from NWPCo by SMART and AB 74 which appropriated \$2 million for safety upgrades and maintenance of the freight portions. Another \$4 million was recently approved by the State of California as part of the State's FY 21-22 budget.

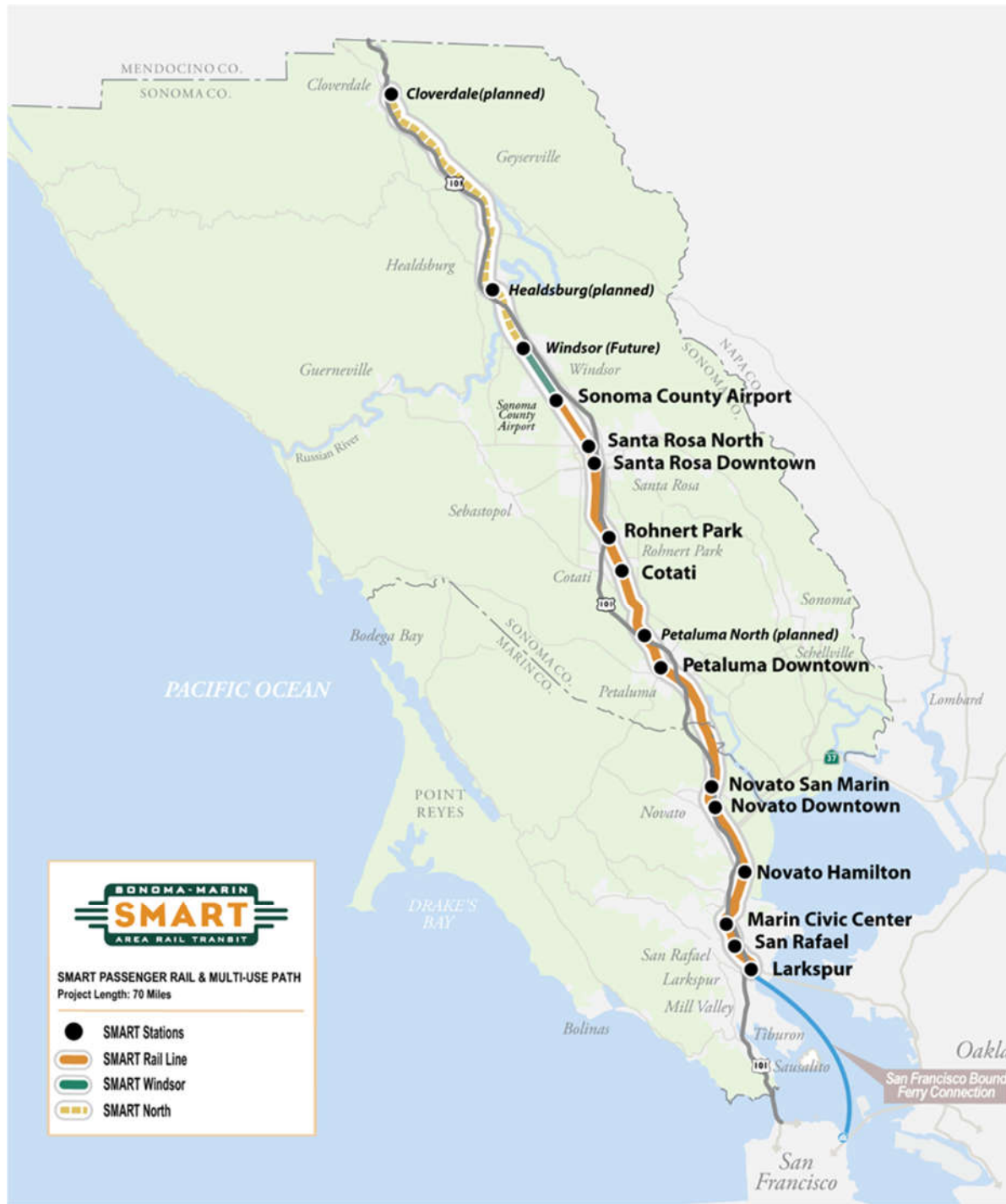
Figure 1.
SMART Freight Lines



Transit Services Provided

SMART currently has 45 miles of commuter rail and has completed 24 miles of pathway connecting users to its 12 stations.

Figure 2.
SMART Passenger Rail



In August of 2017, SMART opened commuter rail service between San Rafael in Marin County to Sonoma County Airport in Sonoma County. In December 2019, SMART opened a 2.1-mile extension from San Rafael to Larkspur and an infill station in downtown Novato. Starting in January 2020, SMART was running 38 trips per day during the week, Monday – Friday, and 10 trips per day on the weekends. In March 2020, the COVID-19 pandemic hit, and California was the first state to issue “Stay-at-Home” orders. SMART modified services in March 2020 due to the COVID-19 pandemic, with weekend service suspended starting March 21st and weekday service reduced first by 4 trips (down to 34) on March 23rd and then by another 18 trips (down to 16) on April 6th, 2020. Since April of 2020, SMART has seen ridership ebb and flow based on changes in “Stay-at-Home” orders from the two counties that SMART services.

Beginning in March of 2021, SMART started to see an increase in ridership as vaccines became more available and people began to venture out for work and leisure activities. On May 24, 2021, SMART added an additional 10 trips per weekday for a total of 26 trips each weekday and added 12 trips on Saturday.

Accessibility

SMART provides rail transit service that is accessible to passengers with disabilities. SMART's platforms and trains are fully compliant with the Americans with Disabilities Act (ADA) with level boarding and ramp access at every station. Clipper Card vending machines on SMART platforms are also ADA compliant. SMART trains have ADA accessible restrooms and seating. Onboard SMART personnel are available to assist with onboarding and exiting the train, and with any other needs that may arise. Since opening in 2017, SMART has carried 8,071 mobility devices.

Bikes on SMART

Bikes are welcome on-board SMART trains. Each two-car SMART train has spaces for up to 24 bikes. SMART stations also have bike storage including bike racks and secured bike lockers. Since opening in 2017, SMART has carried 223,619 bicycles.



Fare Structure

SMART's fares are based on a zone system, with the price of a fare based on the number of zones that are travelled. SMART utilizes the regional Clipper fare collection system, card and Clipper mobile app, as the primary method of collecting fares, supplemented by a SMART-only mobile app.

Figure 4.
Zones



Since service started in August of 2017, the price ranged from \$3.50 for one zone to \$11.50 for five zones with a maximum of \$23.00 per day. A discount of 50% is available for youth, seniors, those with disabilities, and low-income individuals. Clipper card/app users receive transfer credits between SMART and five connecting transit systems (described further below). Starting in November 2020, SMART started offering a 50% discount off single ride adult fares for lower income riders (200% of the federal poverty level) via the regional Clipper START program.

As part of SMART's "Welcome Back" Campaign, fares were reduced by approximately 40% to entice riders to come back to transit for both work and leisure activities. This fare structure will be in effect until May of 2022 unless extended. See chart below for new fares.

**Figure 5.
Fares**

One-Way						
	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Daily Max
	Promotional Fare	Promotional Fare	Promotional Fare	Promotional Fare	Promotional Fare	
Adult Fare	\$ 1.50	\$ 3.00	\$ 4.50	\$ 6.00	\$ 7.50	\$ 15.00
Seniors, youth, low-income, and passengers with disabilities (50%)	\$ 0.75	\$ 1.50	\$ 2.25	\$ 3.00	\$ 3.75	\$ 7.50

As part of the Welcome Back campaign, SMART is offering a Weekend Day Pass to our weekend travelers. This pass is \$10 for adults and \$5.00 for those that qualify for a discount. The Weekend Day Pass offers unlimited rides for the entire day. This pass went into effect on June 5, 2021, and is only available on SMART's mobile app.

On September 1, 2021, SMART started offering a discounted 31-day pass providing unlimited rides for \$135 for adults and \$67.50 for youth, seniors, and passengers with disabilities. The 31-day pass is only available through the electronic Clipper card and Clipper mobile app.

SMART has agreements with the following transit agencies regarding transfers to and from SMART service to other transit service providers when using Clipper. Customers transferring from the following bus service shall receive a \$1.50 discount. The entire journey (timed from the last tag-off to the tag-off on SMART) must occur within 240 minutes to receive the discount.

- Sonoma County Transit
- Santa Rosa City Bus
- Petaluma Transit
- Marin Transit
- Golden Gate Transit

Revenue Fleet

SMART uses 18 Diesel Multiple Units (DMU) manufactured between 2015 and 2018 by Nippon Sharyo, Ltd.



Existing Facilities

SMART owns 101 miles of railroad right of way from Corte Madera in Marin County to the Mendocino-Sonoma County line and the City of Novato east to just east of the Napa River in Napa County. SMART has rehabilitated and operates over forty-five (45) miles of the rail corridor that connects the Larkspur Ferry in Marin County to the Sonoma County Airport with a 3.1-mile northern extension under construction and 30% complete to the Town of Windsor. In addition, twenty-four (24) miles of pathway has been constructed that provides a first/last mile connections to the train stations.

**Figure 6.
Stations and Park-n-Rides**

Station	Wheelchair Accessible	Bike Racks	Bike Lockers	Park-n-Ride	Charge for Parking
Larkspur Station 600 Larkspur Landing Circle, Larkspur, CA	Y	Y	Y	Y	Y
San Rafael Station 680 3 rd Street, San Rafael, CA	Y	Y	Y	N	N
Marin Civic Center Station 3801 Civic Center Drive, San Rafael, CA	Y	Y	Y	N	N
Novato Hamilton Station 10 Main Gate Road, Novato, CA	Y	Y	Y	Y	Y
Novato Downtown Station 695 Grant Avenue, Novato, CA	Y	Y	Y	N	N
Novato San Marin Station 7700 Redwood Blvd, Novato CA	Y	Y	Y	Y	Y
Petaluma Downtown Station 220 Lakeville Street, Petaluma, CA	Y	Y	Y	Y	Y
Cotati Station (Not owned by SMART) 980 East Cotati Avenue, Cotati, CA	Y	Y	Y	Y	N
Rohnert Park Station 900 Enterprise Drive, Rohnert Park, CA	Y	Y	Y	Y	Y
Santa Rosa Downtown Station 7 4 th Street, Santa Rosa, CA	Y	Y	Y	N	N
Santa Rosa North Station 1500 Guerneville Road, Santa Rosa, CA	Y	Y	Y	N	N
Sonoma County Airport Station 1130 Airport Boulevard, Santa Rosa, CA	Y	Y	Y	Y	Y

In addition, SMART system includes sixty-eight public crossings of its Rights-of-Way, 30 bridges (including one moveable bridge), and two tunnels.

Figure 7.
Bridges

Mile Post	Bridge Designation	County
14.90	Central Marin Ferry Connector – Bike/Ped Bridge	Marin
15.71	Auburn Boulevard	Marin
16.29	Harbor Creek	Marin
16.86	San Rafael Creek	Marin
17.56	Linden Lane Overcrossing	Marin
20.91	Gallinas Creek	Marin
22.09	Miller Creek	Marin
24.36	Drainage Tributary Pacheco Creek	Marin
24.81	Arroyo De San Jose Mainline and Siding	Marin
26.04	Hannah Ranch Slough	Marin
26.93	Novato Creek	Marin
28.77	Drainage Channel – Rush Creek	Marin
29.31	Drainage Channel – Basalt Creek	Marin
31.74	San Antonio Creek Tributary	Marin
33.49	San Antonio Creek	Marin
34.21	Shultz Slough	Sonoma
35.54	Drainage Channel Petaluma Creek Tributary	Sonoma
37.19	Haystack Bridge	Sonoma
38.88	Petaluma River at Lakeville	Sonoma
39.74	Petaluma River - Cinnabar	Sonoma
42.42	Willow Brook Creek	Sonoma
44.37	Lichau Creek	Sonoma
46.97	Copeland Creek	Sonoma
47.54	Hinebaugh Creek	Sonoma
49.12	Laguna de Santa Rosa	Sonoma
52.25	Colgan Creek	Sonoma
53.57	Santa Rosa Creek	Sonoma
55.85	Paulin Creek	Sonoma
56.11	Piner Creek	Sonoma
58.82	Fulton Creek	Sonoma
59.50	Mark West Creek – Segment A - C	Sonoma



Haystack Movable Bridge in Petaluma

**Figure 8.
Tunnels**

Mile Post	Tunnel Designation	County
15.16 – 15.38	CalPark Hill Tunnel	Marin
18.16 – 18.41	Puerto Suello	Marin

Maintenance Facilities

SMART has one main maintenance facility located at 3748 Regional Parkway, Santa Rosa, CA. This facility is called the Rail Operations Center (ROC) and is 23,000 square feet. It houses a central control/dispatch function, vehicle maintenance, and onboard transportation division functions. SMART has two other facilities that are used for Maintenance of Way (MOW) activities and storage. They are the MOW facility at 1200 River Road, Fulton, CA and the Roblar Yard at 105 Roblar Drive, Novato, CA.

SMART also owns the Petaluma Depot, which is leased to the City of Petaluma for a community art space and the Healdsburg Warehouse, which is being utilized for storage of capital parts. The SMART administrative offices are located at 5401 Old Redwood Highway, Suite 200, Petaluma, CA. This facility is leased and not owned by SMART.

Goals, Objectives, and Standards

In FY 21, SMART looked at developing performance measures to help the agency move from just reporting data to measuring performance. After several meetings with the Board of Directors, the following measures were determined to be the ones that the agency should focus on in the near term.

Derived Metrics from the National Transit Database (NTD)

- Operating Expense per Vehicle Revenue Mile (Cost Efficiency)
- Operating Expense per Passenger Mile (Cost Effectiveness)
- Passenger Trips per Vehicle Revenue Mile (Service Efficiency)
- Average Fare per Passenger (Cost Effectiveness)

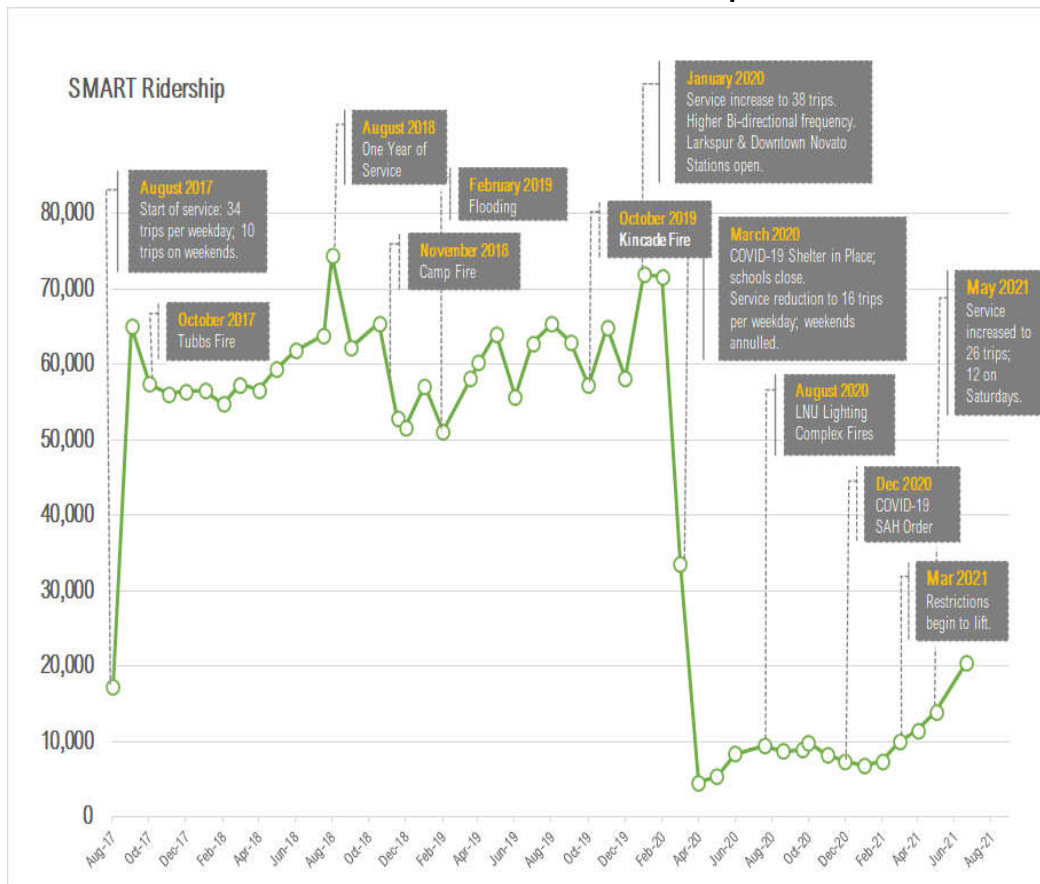
Additional in the near term, measures will be developed around pathway usage, on-time performance, climate benefits, and customer experience. Funds have been set aside in the FY 22 budget to further develop these measures to provide funding for data collection and present the results to the Board and public.

Service and Systems Evaluation

SMART currently operates 45 miles of passenger rail with 12 stations from Larkspur Ferry Terminal to the Sonoma County Airport. It is a fixed guideway that generally parallels Highway 101. Most of the length of the corridor it is single track with passing sidings. The core single track configuration constrains service levels as all northbound and southbound trains must pass at fixed passing side locations. The system is also shared with freight rail, with SMART as the dispatch and starting in July of 2021, with SMART as the federally recognized freight operator. The tracks at the SMART stations are equipped with gauntlet tracks to allow for freight rail service and each platform can accommodate three-car trains, a length that allows trains to stop in Downtown San Rafael without blocking cross automobile traffic.

Since the start of SMART service four years ago, there have been at least eight Federal disaster declarations impacting Sonoma County, several additional State and Local Emergency declarations, and wildfire disasters in other counties that had dramatic negative air quality impacts within Sonoma County communities and, starting in March of 2020, the COVID-19 pandemic. SMART has experienced service disruption in several of these events, including evacuation of SMART's rolling stock and temporary closure of the northernmost stations, along with service reductions detailed earlier related to the COVID-19 pandemic. The true impact of these events, however, has been to the people SMART serves. These events have caused significant loss of housing stock, massive evacuation efforts, and unprecedented disruption in the daily rhythm of people's lives. It remains to be seen what the ultimate impact will be to work and school commute patterns, including the impact of regional relocation of workers from elsewhere in the Bay Area to Sonoma County during the COVID-19 pandemic.

Figure 9.
SMART Ridership



As described in greater detail earlier, broader events have had impacts to service output and ridership over the past four years. The following is historical information, as reported to NTD, for revenue service hours, revenue service miles, and ridership.

Figure 10.
Comparative NTD Data

Description*	2018	2019	2020	Variance 2020 & 2019
Revenue Hours	43,959	32,890	28,993	12%
Revenue Miles	766,833	923,002	821,415	11%
Ridership	636,029	716,847	567,103	21%

*FY 18 service year was just over 10 months and SMART received an NTD reporting waiver for uncorrectable revenue hour data collection in 2018.

In December 2019, SMART added two stations into the system and connected to regional ferry services between the North Bay and San Francisco. In January of 2020, SMART added four more weekday trips, increasing to 38 one-way trips total, and provided service every 32 minutes in each direction across much of the day. Because of the system extension, addition of two stations, and increased service frequency (including trips that allowed for growing “reverse commute” trips), SMART’s ridership in January and February 2020 grew by 40% over the year prior.

In March of 2020, the COVID-19 public health Stay-at-Home orders significantly impacted ridership on every transit system, including SMART. SMART ridership began to rise with the slow improvement of public health conditions through the spring of 2021. Sonoma County was the last county in the Bay Area to leave the most restrictive COVID-19 public health tier in April 2021. July 2021 ridership was 15% higher than June 2021 and August 2021 was 2% higher than July. Throughout the pandemic the share of passengers bringing bicycles onboard, already a significant portion of riders at about 11%, nearly doubled to over 21%. That proportion has shrunk slightly as general ridership increased in summer 2021, with 17% of riders in August 2021 bringing bicycles onboard.

In the Fall of 2020, SMART held eight community Listening Sessions. In the Spring of 2021, SMART also released two surveys to get feedback on what was important to riders when we were able to start adding service again. The following themes regarding service levels came from the listening sessions as well as the survey data.

- Increase frequency during the week (add back service)
- Reinstate weekend service
- Add or modify service to support school schedules
- Later evening service

As soon as restrictions started to lift in Marin and Sonoma counties and within the confines of funding and manpower, SMART added 10 more weekday trips and 12 trips on Saturday. SMART would like to return to pre-pandemic levels of service, but that is dependent on the ability to hire Engineer/ Conductors and funding availability.

Figure 11.
Current Schedule

Effective **September 20, 2021**
Efectivo **el 20 de Septiembre de 2021**

SONOMA-MARIN

SMART

AREA RAIL TRANSIT

AM Times
Horas AM

PM Times
Horas PM

TEMPORARY WEEKDAY SCHEDULE
HORARIO TEMPORAL DE DÍAS LABORABLES

SOUTHBOUND - Sonoma County Airport to Larkspur
DIRECCIÓN SUR - Sonoma County Airport a Larkspur

TRAIN NUMBER	3	5	9	13	15	19	21	23	27	29	33	35	39
Sonoma County Airport	5:02	6:06	7:10	8:14	9:18	12:45	1:17	2:21	3:25	3:57	5:01	5:33	6:37
Santa Rosa North	5:09	6:13	7:17	8:21	9:25	12:52	1:24	2:28	3:32	4:04	5:08	5:40	6:44
Santa Rosa Downtown	5:13	6:17	7:21	8:25	9:29	12:56	1:28	2:32	3:36	4:08	5:12	5:44	6:48
Rohnert Park	5:21	6:25	7:29	8:33	9:37	1:04	1:36	2:40	3:44	4:16	5:20	5:52	6:56
Cotati	5:24	6:28	7:32	8:36	9:40	1:07	1:39	2:43	3:47	4:19	5:23	5:55	6:59
Petaluma Downtown	5:39	6:43	7:47	8:51	9:55	1:22	1:54	2:58	4:02	4:34	5:38	6:10	7:14
Novato San Marin	5:51	6:55	7:59	9:03	10:07	1:34	2:06	3:10	4:14	4:46	5:50	6:22	7:26
Novato Downtown	5:54	6:58	8:02	9:06	10:10	1:37	2:09	3:13	4:17	4:49	5:53	6:25	7:29
Novato Hamilton	6:02	7:06	8:10	9:14	10:18	1:45	2:17	3:21	4:25	4:57	6:01	6:33	7:37
Marin Civic Center	6:08	7:12	8:16	9:20	10:24	1:51	2:23	3:27	4:31	5:03	6:07	6:39	7:43
San Rafael	6:14	7:18	8:22	9:26	10:30	1:57	2:29	3:33	4:37	5:09	6:13	6:45	7:49
Larkspur	6:21	7:25	8:29	9:33	10:37	2:04	2:36	3:40	4:44	5:16	6:20	6:52	7:56
<div>Ferry Departs for San Francisco Ferry sale a San Francisco</div>	6:35/7:30	8:00	8:50	9:50	12:30		3:15	4:45	6:15 (last ferry)				

NORTHBOUND - Larkspur to Sonoma County Airport
DIRECCIÓN NORTE - Larkspur a Sonoma County Airport

TRAIN NUMBER	4	6	10	14	16	20	22	24	28	30	34	36	40
<div>Ferry arrives in Larkspur Ferry llega a Larkspur</div>			7:50	8:40/9:25	10:20	1:50			4:35		6:05		7:35
Larkspur	6:38	7:42	8:46	9:50	10:54	2:21	2:53	3:57	5:01	5:33	6:37	7:09	8:29
San Rafael	6:46	7:50	8:54	9:58	11:02	2:29	3:01	4:05	5:09	5:41	6:45	7:17	8:37
Marin Civic Center	6:51	7:55	8:59	10:03	11:07	2:34	3:06	4:10	5:14	5:46	6:50	7:22	8:42
Novato Hamilton	6:58	8:02	9:06	10:10	11:14	2:41	3:13	4:17	5:21	5:53	6:57	7:29	8:49
Novato Downtown	7:04	8:08	9:12	10:16	11:20	2:47	3:19	4:23	5:27	5:59	7:03	7:35	8:55
Novato San Marin	7:07	8:11	9:15	10:19	11:23	2:50	3:22	4:26	5:30	6:02	7:06	7:38	8:58
Petaluma Downtown	7:20	8:24	9:28	10:32	11:36	3:03	3:35	4:39	5:43	6:15	7:19	7:51	9:11
Cotati	7:33	8:37	9:41	10:45	11:49	3:16	3:48	4:52	5:56	6:28	7:32	8:04	9:24
Rohnert Park	7:37	8:41	9:45	10:49	11:53	3:20	3:52	4:56	6:00	6:32	7:36	8:08	9:28
Santa Rosa Downtown	7:45	8:49	9:53	10:57	12:01	3:28	4:00	5:04	6:08	6:40	7:44	8:16	9:36
Santa Rosa North	7:49	8:53	9:57	11:01	12:05	3:32	4:04	5:08	6:12	6:44	7:48	8:20	9:40
Sonoma County Airport	7:55	8:59	10:03	11:07	12:11	3:38	4:10	5:14	6:18	6:50	7:54	8:26	9:46

TEMPORARY WEEKEND/HOLIDAY SCHEDULE - SATURDAY ONLY (NO SUNDAY SERVICE)
HORARIO TEMPORAL DE LOS FINES DE SEMANA Y DÍAS FERIADOS - SOLO EL SÁBADO (NO HAY SERVICIO DE TREN LOS DOMINGOS)

SOUTHBOUND - Sonoma County Airport to Larkspur
DIRECCIÓN SUR - Sonoma County Airport a Larkspur

TRAIN NUMBER	1	3	5	7	9	11
Sonoma County Airport	7:35	9:35	11:35	1:35	3:35	5:35
Santa Rosa North	7:42	9:42	11:42	1:42	3:42	5:42
Santa Rosa Downtown	7:46	9:46	11:46	1:46	3:46	5:46
Rohnert Park	7:54	9:54	11:54	1:54	3:54	5:54
Cotati	7:57	9:57	11:57	1:57	3:57	5:57
Petaluma Downtown	8:12	10:12	12:12	2:12	4:12	6:12
Novato San Marin	8:24	10:24	12:24	2:24	4:24	6:24
Novato Downtown	8:27	10:27	12:27	2:27	4:27	6:27
Novato Hamilton	8:35	10:35	12:35	2:35	4:35	6:35
Marin Civic Center	8:41	10:41	12:41	2:41	4:41	6:41
San Rafael	8:47	10:47	12:47	2:47	4:47	6:47
Larkspur	8:54	10:54	12:54	2:54	4:54	6:54
<div>Ferry Departs for San Francisco Ferry sale a San Francisco</div>	9:30	11:20	1:40	4:45		

NORTHBOUND - Larkspur to Sonoma County Airport
DIRECCIÓN NORTE - Larkspur a Sonoma County Airport

TRAIN NUMBER	2	4	6	8	10	12
<div>Ferry arrives in Larkspur Ferry llega a Larkspur</div>			1:10		4:35	7:15
Larkspur	9:34	11:34	1:34	3:34	5:34	7:34
San Rafael	9:42	11:42	1:42	3:42	5:42	7:42
Marin Civic Center	9:47	11:47	1:47	3:47	5:47	7:47
Novato Hamilton	9:54	11:54	1:54	3:54	5:54	7:54
Novato Downtown	10:00	12:00	2:00	4:00	6:00	8:00
Novato San Marin	10:03	12:03	2:03	4:03	6:03	8:03
Petaluma Downtown	10:16	12:16	2:16	4:16	6:16	8:16
Cotati	10:29	12:29	2:29	4:29	6:29	8:29
Rohnert Park	10:33	12:33	2:33	4:33	6:33	8:33
Santa Rosa Downtown	10:41	12:41	2:41	4:41	6:41	8:41
Santa Rosa North	10:45	12:45	2:45	4:45	6:45	8:45
Sonoma County Airport	10:51	12:51	2:51	4:51	6:51	8:51

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Operations Plan and Budget

Operations

SMART's brief history of service provision over the past four years has been detailed earlier in this document. Service levels have included:

- the launch of service with a 34-weekday trip schedule,
- an increase in that schedule with the extension to Larkspur and the connection to regional ferry service to 38-weekday trips, and
- the variations in the schedule during the COVID-19 pandemic, culminating with the current 26-weekday trip service schedule.

Until the COVID-19 pandemic, SMART operated 365 days per year, including an identical Saturday-Sunday-Holiday schedule of 10 one-way trips. In March 2020, weekend services were suspended. In May of 2021, SMART brought back 12 trips on Saturdays only. This Saturday service has seen ridership rebound at a faster rate, compared to pre-pandemic weekend services, than the weekday ridership. Average Saturday ridership is about 65% of average weekend ridership during the two months after SMART reached the Larkspur ferry connection. We intend to return to pre-pandemic levels of service on the weekends and weekdays once funds have been identified and we can hire the Engineers/ Conductors and other staff needed to operate the service. With the demonstrated Saturday weekend ridership during the COVID-pandemic period, and in recognition of the public comments we received during the 2020 Community Listening Sessions requesting more service on weekends, we will continue to monitor weekend and off-peak trends to determine if any additional service levels can be deployed per demand.

Components of Operations

Operations has three (3) major divisions that work together to move people in a safe, reliable, and affordable way.

The Transportation Division is responsible for operating the trains, checking fares, assisting passengers, ensuring onboard passenger safety, and ensuring compliance with FRA regulations related to train operations and passenger service and operations of the moveable bridges. In addition, the Operations Control Center monitors the status of the entire system, dispatches passenger and freight trains, and is the emergency point of contact for outside first responder agencies.

The Maintenance of Way Division is responsible for track and right of way inspection and maintenance, train control and grade crossing warning device maintenance and regulatory

required inspections, and maintenance of all SMART owned facilities (stations, pathways, bicycle facilities, moveable bridge electronics and mechanics, buildings, and right of way fencing).

The Vehicle Maintenance Division is responsible for preventative maintenance work, inspections, cleaning, and maintenance of the Diesel Multiple Units (DMUs), interior inspections and cleaning, and major repairs.

During the pandemic, SMART implemented enhanced cleaning protocols. They include:

- Installing hand sanitizer stations throughout the railcars
- Posting local Health Official guidelines
- Increasing cleaning of the vehicles from once to twice daily
- Requiring the use of facial coverings for all staff and passengers
- Adding the use of electrostatic sanitizers to the vehicle cleaning procedures
- Upgrading the onboard air circulation system to include upgrading the onboard recirculation filters and implementing UV sanitizers for circulating air



Budget

Sales Tax

On November 4, 2008, more than two-thirds of the voters in Sonoma and Marin counties approved Measure Q implementing the 2008 Measure Q Sales Tax. The 2008 Measure Q Sales Tax is a sales and use tax of one quarter of one percent (1/4%) imposed for a period of 20 years beginning April 1, 2009 on the gross receipts from the sale of all tangible personal property sold

at retail businesses in the counties and a use tax at the same rate on the storage, use, or other consumption in the counties of such property purchased from any retailer for storage, use or other consumption in the counties, subject to certain exceptions.

State Revenues

SMART receives formula allocation from four (4) state revenue programs itemized below. SMART may receive other state grants but those are received on an application bases, are project specific, and are typically one-time allocations.

- **State Transit Assistance:** SMART also receives State Transit Assistance (STA) funds. A portion of the revenues derived from the sales tax on diesel fuel purchases and registration fees is appropriated by the State Legislature to the State Transit Assistance Program (“STA”) for public transportation purposes. These STA revenues are allocated to public transit agencies throughout the State based on population and operating revenues through a formula that has changed in recent years but was clarified and solidified in 2017 following the passage of AB 1113 (Bloom), signed into law by Governor Brown in July 2017. In addition, the State of Good Repair (SGR) Program provides funding annually to transit operators in California for eligible transit maintenance, rehabilitation, and capital projects
- **State Rail Assistance:** One of the new funding sources created by Senate Bill 1 (SB 1) is the State Rail Assistance (SRA) program. SRA directs a 0.5% portion of new diesel sales tax revenue for allocation: half to the five (including, Altamont Corridor Express Authority (ACE), North County Transit Development Board (Coaster), Peninsula Corridor Joint Powers Board (Caltrain), Sonoma-Marín Area Rail Transit District (SMART), Southern California Regional Rail Authority (Metrolink)) commuter rail providers and half to intercity rail corridors.
- **State Local Partnership Program (Formula Funding):** SB 1 created the Local Partnership Program which continuously appropriates funding annually from the Road Maintenance and Rehabilitation Account to local and regional transportation agencies that have sought and received voter approval of taxes or that have imposed fees, which taxes or fees are dedicated solely for transportation improvements. A portion of these funds are distributed by formula to agencies, including SMART, for capital projects. A second portion of the funds is made available to eligible agencies, including SMART, on a discretionary statewide competitive basis.
- **Low Carbon Transit Operations Program (LCTOP):** LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities. Funds come from the State’s Cap and Trade Auctions via the Greenhouse Gas Reduction Fund. Approved projects in LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance

and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions.

Federal Revenues

SMART is a direct recipient of Federal Transit Administration (FTA) Funds.

- 5307 Funds: FTA Urbanized Area Formula Funds which can be used for capital projects, operating assistance, job access and reverse commute projects, and transportation related planning. SMART became eligible for these funds starting in Fiscal Year 2019-20.
- 5337 Funds: FTA Fixed Guideway State of Good Repair Formula Funds will become appropriated largely to the Santa Rosa Urbanized Area for SMART's use during the time of this Short-Range Transit Plan (approximately 2025).

Miscellaneous SMART Revenues

- Interest and Lease Earnings: Includes leases and interest earnings which are expected to remain the same in FY 22 and advertising revenue which is expected to increase but not to return to pre-pandemic levels until FY 24
- Miscellaneous Revenues: Vary each year, but are less in FY 22 due to one-time funds in FY 21
- Parking Revenue: Are expected to go up in FY 22 but not return to pre-pandemic levels until FY 24
- Charges for Services: Include dispatching and flagging services

SMART Revenues

- Farebox Revenues: SMART passengers pay for their rides using the fare structure approved by the SMART Board in 2015 and 2016. SMART participates in the regional Clipper fare system that allows riders to transfer seamlessly among Bay Area operators using one fare media card. SMART also has its own mobile ticket device that provides for easy purchasing of multiple or discounted tickets without purchasing a Clipper card. The fares are based on a zones travelled. Prior to May 24, 2021, daily fares range from \$3.50 for a non-discounted adult travelling one zone, and \$11.50 if travelling 5 zones. SMART also provides several discounts available to SMART riders such as a youth, senior, low income, and passengers with disabilities. Effective May 24, 2021, fares were lowered from \$3.50 to \$1.50 for a non-discounted adult travelling one zone, and \$7.50 if travelling 5 zones.

The following chart depicts funding sources forecasted through FY 29 to cover the estimated operating expenditures.

Figure 12.
Forecasted Funding Sources for Operations
(In Millions)

Description	FY22	FY23	FY24	FY25	FY26	FY27	FY 28	FY29
FTA 5307 Urbanized Area Funds	\$2.9	\$3.0	\$3.1	\$3.2	\$3.2	\$3.3	\$3.4	\$3.4
Fare Revenue	\$0.8	\$2.4	\$3.0	\$3.1	\$3.2	\$3.2	\$3.2	\$3.2
Interest Earnings	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
Misc.	\$0.5	\$0.7	\$0.9	\$0.9	\$1.0	\$1.0	\$1.0	\$1.1
State Rail Assistance	\$3.1	\$5.1	\$3.6	\$3.7	\$3.8	\$3.9	\$4.0	\$4.2
STA - Revenue	\$1.8	\$1.8	\$1.9	\$1.9	\$2.0	\$2.0	\$2.1	\$2.2
STA - Population	\$0.5	\$0.5	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
Measure Q	\$12.3	\$13.1	\$15.1	\$15.7	\$16.4	\$17.0	\$17.7	\$18.2
Total	\$22.3	\$27.0	\$28.4	\$29.3	\$30.4	\$31.2	\$32.2	\$33.1

Uses

Funds have been budgeted for the current operations which is 26 trips during the weekday and 12 trips on Saturday. As was mentioned previously, SMART's main source of funding, Measure Q, expires in FY 29. We have estimated salaries based on our current position authorization and inflated 3% per year. Service and Supplies are estimated on current service levels and inflated 3% per year. We have included additional salaries, service and supplies costs beginning in FY 24 assuming passenger rail to Windsor opens.

Figure 13.
Estimated Expenditures for Operations
(In Millions)

Description	FY22	FY23	FY24	FY25	FY26	FY27	FY 28	FY29
Estimated Salaries & Benefits	\$16.3	\$17.7	\$18.1	\$18.7	\$19.3	\$19.8	\$20.5	\$21.1
Service & Supplies	\$6.0	\$9.3	\$9.6	\$9.9	\$10.3	\$10.6	\$10.9	\$11.2
Additional Operation Costs for Windsor	\$0.0	\$0.0	\$0.7	\$0.7	\$0.8	\$0.8	\$0.8	\$0.8
Total	\$22.3	\$27.0	\$28.4	\$29.3	\$30.4	\$31.2	\$32.2	\$33.1

A reserve equivalent to 25% of the administrative and operations budget has been established.

Capital Improvement Plan

SMART adopted its first Capital Plan in April of 2021. The plan includes all capital assets to include revenue vehicles, non-revenue vehicles, facility improvements, information technology and bridge repair/ replacements, pathway completion projects, and rail completion projects. The plan has constrained and unconstrained components, this is because we were not able to fund all the needs between FY 22 and FY29 with the funds available. The plan tries to fund as many of the near-term (FY 22-FY 26) capital needs as possible but that leaves unfunded needs in FY 27 – FY 29. In addition, the ¼ cent sales tax expires in 2029 which eliminates the main funding source for capital and operations.

Figure 14.
Estimated Capital Expenditures
DMUs, Track, Train Control & Communications, Facilities, and Maintenance of Way
(In Millions)

FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
\$2.3	\$4.6	\$3.9	\$1.6	\$3.0	\$1.6	\$1.2

Revenue Vehicles

SMART has 18 Diesel Multiple Units (DMU) all manufactured by Nippon Sharyo, Ltd. The nomenclature DMU is used to describe rail cars which individually power themselves using tier IV diesel engines and can be swapped for each other and operate virtually identical to each other. Fourteen of the cars (101-114) were manufactured in 2015 and four of the cars were manufactured in 2018. Each car is 85' in length with 79 seats, 2 wheelchair locations, and capacity for 14 bicycles. SMART has two types of cars: even numbered cars have a snack bar located at the center of the car while odd numbered cars have a bathroom in the center of the car.

SMART's maximum operation with its current fleet allows for 12 units in service, 2 spares, and 4 units undergoing maintenance. SMART is a startup service and doesn't have a history with these vehicles, however the following maintenance schedule is assumed based on an estimated 30-year useful life of each vehicle.

Figure 15.
Estimated Maintenance and Overhaul Schedule
DMUs

Type of Overhaul	When Due	Cost
Engine Midlife Overhaul	10,000 engine hours	\$40,000/ engine
Engine Replacement	20,000 engine hours	\$190,000/ engine
Brake Overhaul	Every 5 years	\$40,740/ DMU
Permanent Magnetic Alternator	Every 5 years	\$100,000

SMART is not assuming any replacement of vehicles between FY 22 and FY 29. We are not anticipating any fleet contraction either. SMART has identified that we currently have a large enough fleet to accommodate the expansion of passenger rail to Windsor and Healdsburg. However, if funding is available for additional passenger rail expansion to either Cloverdale or east of Novato on SH 37, additional revenue vehicles will be required. In addition, SMART is a requested participant in the State's Rail Consortium Zero Emissions Fleet Conversion working group and monitors any regulations or opportunities going forward regarding fleet replacements associated with zero emissions efforts.

Non-Revenue Vehicles

SMART has a fleet of 40 non-revenue vehicles. The useful life of the vehicle depends on the use of the vehicle and frequency of use. The useful life ranges between 5 and 15 years depending on the vehicle.

Figure 16.
Estimated Replacement Schedule
Non-Revenue Vehicles

# of Units	Replacement Year	Replacement Cost
3	FY22	\$ 169,886
8	FY23	\$ 488,000
5	FY24	\$ 258,000
6	FY25	\$ 255,000
7	FY26	\$ 419,000

Figure 17.
Estimated Capital Expenditures
Information Technology, Administration, and Safety and Security
(In Millions)

FY 22	FY 23	FY 24	FY 25	FY 26
\$0.9	\$0.3	\$0.4	\$0.7	\$0.5

Pathway

SMART has 24 miles of pathway constructed between Larkspur and the Sonoma County Airport. The pathway provides vital first/ last mile connections to our stations, helps to reduce trespassing and other safety issues on the railroad, and provides a critical, safe, non-motorized travel option across several barriers along the corridor, such as including across Highway 101 and over the Petaluma River.

Funding for additional design and construction has been included in our capital plan between FY 22 and FY 29. See below.

Figure 18.
Funded Pathway Design Projects

Start	End	Distance (Miles)
McInnis Parkway	Smith Ranch Road	.74
Smith Ranch Road	Main Gate Road	2.65
State Access Road	Bay Trail	1.40
Hannah Ranch Road	Vintage Way	.38
Vintage Way	North Side of Novato Circle	.64
Grant Avenue	Olive Avenue	.26
Olive Avenue	Rush Creek Place	.38
Lakeville Street	Payran Street	.30
Main Street	W. Railroad Avenue	1.48
3 rd Street	6 th Street	.05
Guerneville Road	West Steele Lane	.32
West Steele Lane	San Miguel Boulevard	1.30
San Miguel Boulevard	Airport Boulevard	3.11



Figure 19.
Funded Pathway Construction Projects

Start	End	Distance (Miles)
McInnis Parkway	Smith Ranch Road	.74
Lakeville Street	Payran Street	.30
South Point Boulevard	Corona Road	.70
Corona Road	Ely Road	1.16
Ely Road	Main Street	1.06
Golf Course Drive	Todd Road	1.78
Todd Road	West Robles Avenue	.50
West Robles Avenue	Bellevue	.53
Prince Greenway/ JRT	3 rd Street	.06
Airport Boulevard	Windsor River Road	3.00
Lakeville Street	Payran Street	.30

Figure 20.
Unfunded Pathway Construction Projects

Start	End	Distance (Miles)
Smith Ranch Road	Main Gate Road	2.65
State Access Road	Bay Trail	1.40
Hannah Ranch Road	Vintage Way	.38
Vintage Way	North Side of Novato Circle	.64
Grant Avenue	Olive Avenue	.26
Olive Avenue	Rush Creek Place	.38
Main Street	W. Railroad Avenue	1.48
3 rd Street	6 th Street	.05
Guerneville Road	West Steele Lane	.32
West Steele Lane	San Miguel Boulevard	1.30
San Miguel Boulevard	Airport Boulevard	3.11
Windsor River Road	Healdsburg Station	5.10
Healdsburg Station	Cloverdale Station	15.2

Bridges

SMART has 30 bridges as identified previously in this plan. Of those 30, 11 of them need to be replaced between FY 22 and FY 29. Due to funding constraints only 5 can be replaced during this time frame.

Figure 21.
Funded Bridge Projects

Milepost	Description
24.36	Drainage Tributary Pacheco Creek Timber Bridge Replacement
28.77	Rush Creek Timber Trestle Replacement
29.31	Basalt Creek Timber Trestle Replacement
31.74	San Antonio Tributary Timber Trestle Replacement
35.54	Drainage Channel Timber Trestle Replacement

Figure 22.
Unfunded Bridge Projects

Milepost	Description
34.21	Schultz Slough Concrete Ballasted Deck Bridge Replacement
44.37	Lichau Creek Timber Trestle Replacement
46.97	Copeland Creek Timber Bridge Replacement
49.12	Laguna de Santa Rosa Timber Trestle Replacement
15.71	Auburn Timber Bridge Replacement
59.50	Mark West Creek Segment A Timber Trestle Replacement

Passenger Rail

SMART has completed 45 miles of passenger rail since its inception. The first segment from Sonoma County Airport to San Rafael opened in August of 2017. Just over two years later, the segment from San Rafael to Larkspur opened. Extensions to three stations on the north end of the line remain: Windsor, Healdsburg, and Cloverdale, as well as one infill station in North Petaluma. The Windsor extension construction began in 2020 but was halted when a lawsuit was filed against the Metropolitan Transportation Commission that challenges the \$40 million funding source. The lawsuit is currently in front of the California Supreme Court. Prior to the case being taken by the State Supreme Court, the project had completed 30% of construction. SMART and the primary funder of the project to date, Caltrans, have been seeking other outside grant funding opportunities to secure funds to continue advancing the project. Assuming any of these pending grant requests or the ongoing lawsuit is resolved in a favorable way, construction will begin again on this extension. It is estimated that from the time funds are fully secured and the contractor re-mobilized until the completion of the project will be approximately 16 months. Funding is currently assumed in FY 23 and FY 24, but timing of receipt of any funds and resumption of the project remains uncertain.

In the 2020 Expenditure Plan, SMART identified the following three (3) corridors for passenger rail. In the 2020 Expenditure Plan, Windsor to Healdsburg was approximately \$125 million plus funding for rail vehicle expansion and rail yard expansion. In the Capital Plan, it has been determined that the yard expansion and additional fleet are not needed at this time. Funding sources have not yet been identified for these corridor completion projects.

Figure 23.
Unfunded Passenger Rail

Extension	Estimate in FY 2021 Dollars
Windsor to Healdsburg (5 miles)	\$118 million
Healdsburg to Cloverdale (16.8 miles)	\$170 million
Novato to Suisun City (41 miles)	\$1.3 billion

Unfunded Double Tracking

The 2020 Expenditure Plan also identified improvements that would allow for better levels of service, double tracking was one of those improvements. Double tracking consists of adding track to areas of the existing 45-mile railroad where there is currently only a single track. This involves expanding two tunnels to make room for a second track, replacing the single-track moveable bridge over the Petaluma River with a double-track bridge, and constructing through very poor soil conditions in the wetlands between Novato and Petaluma and possible property acquisition in residential or industrial areas. The total cost estimated in FY 21 dollars is \$820.8 million but could be broken down into more financially manageable segments if funds were available.

Other Requirements – Expansion projects included in MTC Resolution No. 3434 or in MTC’s Regional Transportation Plan

Windsor Extension Project

SMART embarked upon a 3-mile northern extension from the Airport Station to the Town of Windsor in 2018 – the Windsor Extension Project. The extension constructs a new passenger station in Windsor, a double-track section for passing, a second entrance to the Rail Operations Center, and all the other elements in the existing SMART system.

SMART was awarded a \$20 million grant from the State’s Transit and Intercity Rail Capital Program in 2017 and, combined with the 2017 voter approval of Regional Measure 3 which names SMART’s extension to Windsor/ Healdsburg as a project to receive \$40 million, SMART commenced the design/ build procurement process to advance the extension of the SMART rail system from Sonoma County Airport to Windsor. SMART prepared preliminary engineering documents for the procurement of a design-build contractor in 2017. In 2018, SMART hired a civil engineering design-build contractor to construct the track, drainage, bridges, parking lot, station and supporting utilities. SMART also hired a specialty systems contractor to construct and install the communications and train control elements of the project. Construction began in 2020 and was halted in early 2021 when a key funding component, the Metropolitan Transportation Commission (MTC) Regional Measure 3 funding was held up litigation. The project completed the removal of old track and bridges, procured long-lead items like rail, switches and concrete ties, and constructed drainage facilities and bridge foundations.

Budget

Project Administration	Design, CM, Planning, Project Management, other	\$ 3,328,373
Real Estate Acquisition	Miscellaneous Property Acquisitions	\$ -
Utilities	PG&E Service, Water Service, utility connections/relocations	\$ 215,000
Environmental Mitigation	Wetlands, riparian, creek impacts	\$ 600,000
Construction	Civil DB Contract	\$ 43,215,888
Systems	PTC, Signaling, Communications	\$ 15,077,333
Fare Collection	Ticket Vending Machines	\$ 85,000
Start-up Allowance	Project start-up costs	\$ 150,000
	<i>Subtotal</i>	<i>\$ 62,671,594</i>
	<i>Unallocated Contingency</i>	<i>\$ 2,325,000</i>
	TOTAL	\$ 64,996,594

Funding Plan

FUNDING SOURCE	AMOUNT
REGIONAL - Metropolitan Transportation Commission - RM3	\$40,000,000
Federal Railroad Administration - PTC Grant	\$5,000,000
State Funding	\$20,000,000
TOTAL	\$65,000,000

Environmental Review and Permitting

The Windsor Extension Project was environmentally evaluated in the EIR that was prepared for the 70-mile project. As part of preparing preliminary engineering documents for the Project, SMART secured the following environmental construction permits:

- CA Department of Fish and Wildlife Streambed Alteration Agreement
- CA North Coast Regional Water Quality Control Board Water Quality Certification
- U.S. Army Corps of Engineers Section 404 Permit

Project Schedule

This schedule assumes that the funding shortfall will be cured by the end of 2021. If not, the schedule will need to be adjusted.

ACTIVITY	2019				2020				2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Preliminary Design - Prepare Civil DB RFP	■																			
Permitting		■	■	■	■															
Civil Design-Build Contractor Procurement		■	■																	
Systems Design		■	■	■																
Civil Design			■	■	■	■														
Construction/Procurement						■	■	■	■											
Funding Delay ¹									■	■	■	■								
Construction Remobilization													■							
Civil Construction													■	■	■	■				
System & Train Control Installation															■	■				
Testing/Start-Up																	■	■		

NOTES:

1. Receiving the balance of Project funding is uncertain. This schedule speculates that the funding shortfall will be cured by the end of 2021.

Petaluma Infill Station

This project will add a second SMART commuter rail station in the Northeast area of the City of Petaluma at Corona Road. This would be the 13th station in SMART's rail network. The project will include auto and bicycle parking station platform and all associated civil and systems work.

Funding Plan

The cost of the project is estimated at \$12 million. SMART has submitted a joint application with the City of Petaluma and Danco Communities for a Strategic Growth Council's Affordable Housing and Sustainable Communities Grant in the amount of \$8 million. Two million will come from the City of Petaluma and the remaining \$2 million from SMART. If this grant is received, revenue service from this newly constructed station would be estimated in 2023.

APPENDIX A

INTER-OPERATOR COORDINATION

Short Range Transit Plan- Appendix A

Inter-Operator Coordination

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1. Introduction

In 2010, the Metropolitan Transportation Commission (MTC) adopted Resolution 3866, which established specific transit operator requirements to implement a coordinated regional network of transit services and to improve overall service productivity. Per MTC's Transit Connectivity Plan, a high priority is placed on transit coordination efforts that make tangible improvements to benefit the largest number of passengers. These improvements include:

- Sharing agency resources to improve system productivity,
- Enhancing the ability of passengers to reach major destinations along regional corridors, and
- Improving connections and providing through service.

MTC's Transit Sustainability Project (TSP) was initiated in early 2010 to help chart a future for efficient, convenient and reliable public transit throughout the region, including Sonoma County. One of the major goals of the TSP is to ensure that public transit is an accessible, user-friendly and coordinated network for passengers, regardless of mode, location or jurisdiction. In summarizing the current inter-operator transit coordination and exploring ideas for future coordination, this appendix is a key component in fulfilling this recommendation.

This summary of inter-operator transit coordination efforts in Sonoma County and along the Highway 101 corridor in the North Bay is produced by Sonoma County Transportation Authority, Sonoma County Transit, Santa Rosa CityBus, Petaluma Transit, and Sonoma-Marín Area Rail Transit (SMART), in cooperation with Golden Gate Transit. This appendix is included in the respective FY 2020 Short Range Transit Plans (S RTP) prepared by Sonoma County Transit, Santa Rosa CityBus, Petaluma Transit, and SMART. The transit operators expect to begin working on the near-term goals set forth in this appendix within the next two years. The timeframes for completion of efforts will vary depending on their complexity and feasibility.

2. Transit Operator Coordination

Sonoma County Transit, Santa Rosa CityBus, Petaluma Transit, SMART, and Golden Gate Transit participate in several ongoing coordination projects involving schedule coordination, transfer agreements, Clipper®, and regional transit marketing promotions. The four bus operators also coordinate on shared bus stop signage and the reciprocal fare transfer program. All five transit operators participate in several ongoing regional coordination projects sponsored by MTC, including implementation of the *Transit Connectivity Plan* and the *Transit Sustainability Project*.

The forum for discussing Sonoma County transportation issues is the Sonoma County Transportation Authority (SCTA). The SCTA's board of directors includes one representative from each of the nine incorporated cities/town in the County and three Supervisors from the County of Sonoma. The SCTA's Transit Technical Advisory Committee (Transit-TAC) is comprised of North Bay transit operators, including SMART, Golden Gate Transit and Marin Transit, and is considered a sub-committee of SCTA's Technical Advisory Committee (TAC). The Transit-TAC facilitates inter-operator transit coordination, prepares and reviews the annual Transportation Development Act/State Transit

Assistance Coordinated Funding Claim for Sonoma County (Coordinated Claim), and reviews various resolutions and regional directives. The Transit-TAC meets monthly, as needed, to discuss coordination and transportation-related issues that affect Sonoma County's public transit operators.

Under the SCTA, the Transit/Paratransit Coordinating Committee (TPCC) is the forum to promote cooperation and coordination among the various fixed-route transit and paratransit operators in Sonoma County. Pursuant to SB498 and Title VI, seniors, persons with disabilities, persons with low incomes and minorities, human services providers, and each of the county's bus transit and paratransit operators are among the members represented on the TPCC.

The TPCC is charged with approving the annual Coordinated Claim. As initiated by the TPCC, Sonoma County Transit, Petaluma Transit, Santa Rosa CityBus, and Golden Gate Transit have established inter-city and intra-county paratransit transfer points throughout Sonoma County for passengers with scheduled trip destinations outside of their respective city or county limits. The TPCC also reviews the efforts of various public transit agencies in the county that must be in full compliance with the paratransit provisions of the Americans with Disabilities Act (ADA). In addition, the committee conveys passenger complaints and compliments to fixed-route transit and paratransit service providers. The TPCC has also been used as a venue for transit operators to coordinate efforts on fixed route travel training opportunities.

The Transit Finance Working Group (TFWG) meets at MTC on a monthly basis to discuss current funding programs and issues concerning transit within the nine-county San Francisco Bay Area. Representatives from Sonoma County Transit, Santa Rosa CityBus, Petaluma Transit, SMART, Golden Gate Transit, and SCTA generally attend the TFWG meetings.

Operations Planning

Sonoma and Marin County transit operators regularly coordinate through the monthly SCTA Transit-TAC meetings and have worked collaboratively on two coordinated planning efforts in recent years. This appendix incorporates recommendations from these discussions and planning efforts, and functions as a short-range collaborative planning tool for Sonoma County operators.

The *Transit Integration and Efficiency Study* was developed by a consulting team led by Nelson/Nygaard in coordination with SCTA, MTC, Santa Rosa CityBus, Sonoma County Transit, and Petaluma Transit, in 2018 and 2019. The *Transit Integration and Efficiency Study* is a concerted effort to study how the three local bus operators in Sonoma County could coordinate or integrate aspects of providing transit service to increase efficiencies and reduce costs. The draft study includes phased recommendations based on level of complexity to implement. Recommendations in phase one and two could be accomplished with current budgets and current staffing levels, while phase three and four may require additional funding, decision maker buy in, and/or public engagement. A number of recommendations from the first phases of this study are incorporated throughout this appendix.

The *SMART Commuter Rail Integration Plan* was developed by MTC in contract with Nelson\Nygaard in 2016 to address opportunities for integration of SMART commuter rail, bus service, and other first and last mile modes ahead of the commencement of SMART service in 2017. The plan resulted in

recommendations for changes to connecting transit operations and access-related capital investment needs around SMART Phase 1 stations in Marin and Sonoma counties. The recommendations from this plan, a number of which have been locally funded and completed, are further discussed under **Intermodal and Multi-Operator Facilities** section below.

Coordination of Inter-Operator Paratransit Transfers

There have been many discussions between Sonoma County Transit and Santa Rosa CityBus on strategies to improve the efficiency of transferring clients between service areas. Improved communication practices were put in place in 2018 to reduce staff time and improve client experience. Sonoma County Transit and Santa Rosa CityBus have started talking with Marin Access about improving paratransit transfers for regional trips. In the long-term, working through what strategies would allow for one-seat rides on paratransit would likely both benefit the riders as well as reduce redundancy for the providers. The goals for improved inter-operator paratransit transfers are listed below.

- Improve paratransit transfers for regional trips, including reduced wait time and reduced staff time
- Determine feasibility of one-seat rides on paratransit through multi-operator agreements starting in 2020, for Sonoma County Transit, Santa Rosa CityBus, and Petaluma Transit
- Consider future agreements between Marin Access and connecting paratransit systems

Data Collection and Analysis

Consistent data collection and analysis methodologies are necessary for effective coordinated service planning. Transit agencies could increase efficiencies by increasing and formalizing how they share and analyze data. Standardized data collection and reporting will enhance the monitoring of trends and enable ridership to be analyzed more accurately. The Napa Valley Transportation Authority (NVTa) has developed a shared repository for data on ridership, procurements, and service change schedules as a start for high level data sharing among transit operators in the North Bay. Data collection and sharing efforts will begin by 2020. The goals for improved coordination of data collection and analysis are listed below.

- Continue discussions and involvement in the collection of data across agencies in the shared repositories that NVTa has started
- Share National Transit Database (NTD) reports across agencies when submitted, rather than waiting until they are published
- Share agency level Clipper® reports among operators to better understand and plan for transfers between agencies for passengers using Clipper®, potentially through the repository created by NVTa
- Consider a joint RFP for transit planning software to ensure consistency among systems before current contracts expire in 2021

- Share data for system analysis and planning, including ridership by route and stop, and consider using consistent Automatic Vehicle Locator (AVL) and Automatic Passenger Count (APC) software to facilitate analysis across agencies

A longer-term effort could be to adopt a shared service planning model. This could include joint planning, scheduling, new service start dates, performance monitoring, and reporting.

Amtrak Thruway Service Coordination

The San Joaquin Amtrak provides thruway bus service to connect passengers to the Martinez Amtrak Station from Sonoma, Marin, Mendocino, and Humboldt counties. The Martinez Amtrak Station is served by trains with destinations from the East Bay to the South Bay, Sacramento, and San Joaquin Valley. Currently, thruway bus service has stops at the Petaluma Fairgrounds, a Rohnert Park bus stop served by Sonoma County Transit and Golden Gate Transit, a Santa Rosa commercial parking lot, downtown Healdsburg, and the Cloverdale Depot. The San Joaquin Regional Rail Commission (SJRRRC) administers the San Joaquin Amtrak rail and connecting bus service, including the Amtrak Thruway Route 7 that travels through Sonoma County connecting between McKinleyville and Martinez. In spring 2019, SJRRRC staff met with local bus and rail operators to discuss the prospect of relocating Amtrak Thruway bus stops to better connect with transit service in Sonoma County. SJRRRC staff proposed relocating bus stops to downtown Santa Rosa near the Transit Mall and the Copeland Transit Mall in Petaluma. Additional stops in Sonoma County are being considered for possible repositioning in the longer term, with the Petaluma stop anticipated to be implemented with their spring 2020 schedule change. In addition, with the passage of California Senate Bill 743 in September 2019, Amtrak Thruway riders no longer *must* also ride an Amtrak train service in the same trip. With the passage of SB743, SJRRRC staff will begin exploring opportunities to open the Amtrak Thruway Route 7 to other riders, including the technical logistics of ticketing and scheduling.

Transit Coordination with Bike Share

The SCTA and Transportation Authority of Marin are in the process of developing a two-county bike share system planned around SMART stations in both Marin and Sonoma counties. The unified system should support transit users throughout the corridor. Coordination with transit operators on the bike share system planning will support the connections between bike share and transit. The goal for coordination between transit and bike share is below.

- Participate in bike share system planning processes and seek opportunities for coordinated marketing efforts from winter through summer of 2020

Customer Service Information

Transit information and trip planning tools that are easily accessible to the public have a positive impact on transit use and can encourage new riders. A number of information sources are currently available that provide information on multiple transit operators or links to transit operator websites, allowing customers to navigate routes and schedules more easily.

All transit operators in Sonoma County include route, schedule, fare and trip planning information on their individual websites. Each operator's website includes links to connecting transit systems.

Petaluma Transit, Santa Rosa CityBus, Sonoma County Transit, and Golden Gate Transit have all updated their websites to include information about SMART connections and links to SMART's website. SMART also includes links to connecting bus systems on its website. Additionally, information on SMART is included on 511, Google Transit, and the GoSonoma website. However, planning multi-operator trips using operator websites can be more cumbersome than using third party tools like Google Transit. In addition, each operator places their data into General Transit Feed Specification (GTFS) format to be used as described further below.

Phone, Website, Social Media, and Print Information

Transit maps are produced by each individual operator, using both web-based and print transit maps. Santa Rosa CityBus has included Sonoma County Transit, Golden Gate Transit, SMART, and Mendocino Transit routes and major bike routes in their system map. Petaluma includes a map in their Rider's Guide displaying all transit services in Petaluma. Sonoma County Transit's online and print maps include SMART stations for SMART for feeder bus routes. MTC is in the process of developing a regional transit map for the entire Bay Area and has developed a prototype. Part of MTC's process includes development of more detailed sub-regional route level maps.

Transportation call centers provide transit information by phone to users without access to a smartphone or computer, or who are more comfortable getting information by phone. The 511 system, operated by MTC, offers telephone information on transit schedules, trip planning, and real-time transit departures by dialing 511. The 211 call center operators have access to information about travel training, trip planning assistance, and human services agencies and the specific services that they provide, including their transportation services. The 211 call center also gives callers the option of connecting with Santa Rosa Paratransit, Sonoma County Paratransit or Petaluma Paratransit. Individual transit operators also run their own call centers for transit information and customer services for issues like Lost and Found.

The Sonoma Access website (sonomasenioraccess.org) provides information about fixed-route public transit, paratransit, volunteer driver programs, non-profit transportation providers, and transportation providers for veterans. The website includes links to schedules, route maps, and websites, telephone contact information, as well as travel training options. Embedded software allows users to find providers covering the area between trip origin and destination. The website also includes a form where agencies that want to provide rides may request partnership. In 2018, the Sonoma County Department of Human Services, Area Agency on Aging took over management of the website and launched an updated and redesigned website in 2019.

GoSonoma (gosonoma.org) is a website maintained by the Sonoma County Spare the Air Task Force and sponsored by Bay Area Air Quality Management District. This website provides resources on public transit, bicycling and walking, carpooling and vanpooling, electric vehicles, employer commute programs, and other transportation demand management program information for Sonoma County. The public transit page on the GoSonoma website provides resources for trip planning, fares and payment options, real-time information, emergency ride home, and links to all of the transit operator websites serving Sonoma County. GoSonoma also has a Facebook page that has been used to share public transit messaging.

The goals for increased coordination of phone, website, and print customer service information are listed below. Transit operators are working toward advancing these efforts starting in 2020.

- Establish a process to share basic customer service information across all agencies to reduce the need to refer customers to other operators and improve service
- Leverage shared social media platforms or develop new platforms to establish a coordinated transit presence and communicate customer service information, marketing, and alerts
- Use the GoSonoma.org website and Facebook page to increase awareness of regional transit options and provide updates to riders

Trip Planning and Real-time Information

Transit operators in Sonoma County have installed Automatic Vehicle Location (AVL) equipment on buses and trains providing real-time Global Positioning Systems (GPS) location information for dispatching and tracking vehicles. AVL systems allow operators to provide real-time arrival predictions to transit riders through websites, mobile applications, text message, and hub and bus stop signage. Real-time schedule and arrival information facilitate easier and more convenient travel by transit.

Third-party public transit planning tools collect General Transit Feed Specification (GTFS) data from various transit agencies. For example, Google Transit is a public transportation planning tool feature in Google Maps that combines the latest transit agency data with Google Maps online and on the mobile application. Each operator in Sonoma County provides their schedule in GTFS. Google Transit, and other transit planning tools, use GTFS to integrate transit stop, route, schedule, and fare information with maps and optimize trip planning. MTC has recently coordinated with SMART and Google to address the rail line not appearing in trip planning options unless it is selected as a preference. Each operator's individual website includes links to mobile applications for transit trip planning. Santa Rosa CityBus, Sonoma County Transit, Golden Gate Transit, and GoSonoma promote the use of Google Transit for trip planning. Generally, trips involving transfers between operators can be planned with several of the available transit trip planning tools.

Mobile applications and communication platforms are used by all transit agencies in Sonoma County to keep riders informed. The Transit app displays information for all of the transit operators in Sonoma County; however, some operators are currently working on official agreements with the company to enable it to display real-time information. Until real-time arrivals are displayed for all operators, it is not clear to the user whether the Transit app is displaying real-time or static schedule information. SMART promotes the Transit app as the preferred source for real-time arrivals and has integrated a "trip planning" button in its SMART eTicket app that directs users to the Transit app. GoSonoma directs visitors to the Transit app for upcoming transit departures. Additionally, Petaluma Transit and Santa Rosa CityBus both use the mobile application MyStop, and Sonoma County Transit uses NextBus.

511 traveler information service, managed by MTC, systematizes consolidated tweets using #511SFBay for all transit service updates and emergency alerts throughout the Bay Area. 511 also

provides emergency alerts through text message for those who sign up for the service. SMART also feeds emergency information to Nixle for text message alerts.

Social media engagement varies between agencies in Sonoma County. SMART, Petaluma Transit, Santa Rosa CityBus, and Golden Gate Transit each have a Facebook and Twitter presence. Sonoma County Transit has no formal social media presence, but transit information is occasionally posted on the Sonoma County Transportation and Public Works Facebook feed.

Consistent trip planning tools and notification sources among transit operators is important for anyone traveling between systems. The goals for improving trip planning and real-time information consistency are listed below. These efforts will require ongoing coordination and periodic review.

- Ensure links to trip planning and real-time information applications are consistent on transit agency websites, the Sonoma Access website, and the GoSonoma website
- Ensure that the highest-quality applications and trip planning tools include information for all operators
- Jointly market mobile applications and trip planning tools on operators' websites, including information about other connecting transit services that use these same tools
- Promote use of one standard mobile application to facilitate more streamlined customer trip planning

Transit Hubs and Stations

Real-time information signs at transit hubs, bus stops, and rail stations display estimated bus arrivals, which enhances passenger convenience and reduce wait time anxiety. At the Santa Rosa Transit Mall, Santa Rosa CityBus has installed real-time bus arrival signs that provide information for multiple operators. At the Copeland Transit Mall in Petaluma, Petaluma Transit, Sonoma County Transit, and Golden Gate Transit have all installed real-time bus arrival signs for their respective services. Sonoma County Transit has installed real-time bus information signs at an additional 16 locations including the Windsor Depot, Sonoma County Airport, Sebastopol Transit Hub and additional bus stops, Rohnert Park Transfer Center, Cotati Depot Transit Hub, Sonoma State University, Cloverdale City Hall, and Sonoma County Administration Center. Petaluma Transit has also deployed real-time bus arrival signs at its East Side Transfer Center and downtown at Keller and Western. An additional three solar powered real-time signs are planned to be installed through Petaluma Transit's AVL/CAD (automated vehicle location/computer aided dispatch) project. Sonoma County Transit is planning to install additional real-time signs for its buses at the Healdsburg Plaza and Sonoma Plaza. Santa Rosa CityBus plans to procure and install real-time bus signage at the Coddington and Montgomery transfer centers, and is evaluating real-time signage at the Santa Rosa Junior College.

Transit Service Representatives (TSRs) staff a customer service kiosk at the Santa Rosa Transit Mall provide route and schedule information for all operators serving the Transit Mall. This service helps riders who need assistance finding connections or information on how to get to their ultimate destinations.

The standardized hub wayfinding signage program was developed through MTC's 2006 Regional Transit Connectivity Plan with the goal to make it easier for passengers to transfer between connecting transit operators at regionally significant transit hubs by providing consistently designed signage with consistent information. Wayfinding signage that is consistent with MTC's program is present at the Santa Rosa Transit Mall, which serves as a transfer hub for Santa Rosa CityBus, Sonoma County Transit, Golden Gate Transit, and the Mendocino Transit Authority. The standardized format for static information is Transit Information Display (TID). TID is currently in place at the Santa Rosa Transit Mall. MTC is looking into expansion of TID to other transit hubs in Sonoma County, including the Copeland Transit Mall in Petaluma. Transit operators in Sonoma County will continue to work together to explore opportunities for combined signage at multi-agency stops to facilitate easy transfers and signage consistency.

MTC is currently planning a pilot program at the Santa Rosa Transit Mall and at the Downtown SMART Station, which will include an audit of existing conditions using surveying and then an on-site temporary implementation of a regional mapping solution. This survey and a single day test are being conducted at other sites in the region, anticipated to start in the fall 2019. The results of these surveys and tests will be used to develop permanent regional mapping displays.

Multi-modal wayfinding signage is a more recent consideration for transit that has come with a new passenger rail service. As the SMART multi-use pathway develops and station locations become more pedestrian oriented, there is an increased need for wayfinding signage. Pedestrian facilities, including lighting and ADA access, are addressed in the MTC SMART Commuter Rail Integration Plan and the SMART station area plans referenced in **Table 2**.

The goals for improved transit hub and station information coordination are listed below. Many of these efforts require in depth planning and coordination among transit operators and various public works departments. The goal is to complete these efforts within the ten year Short Range Transit Plan horizon.

- Develop a coordinated and consistent wayfinding program to assist passengers in intermodal connection points around stations
- Implement planned pedestrian facilities around transit stations and hubs, including those referenced in **Table 2**
- Carry out standard customer information such as MTC's standardized transit information signage strategy to all SMART stations, the Copeland Transit Mall in Petaluma, and other transit hubs in Sonoma County
- Establish a bus transit waiting environment toolkit to improve and simplify the design process and promote consistency
- Continue to explore opportunities for combined signage at multi-agency stops to facilitate easy transfers and signage consistency
- Consider shared bus stop identification numbers as a longer-term coordination effort

Coordinated Marketing and Incentive Programs

Transit operators in Sonoma County have worked together to extend the reach of their marketing efforts beyond individual agencies and incorporate information about connecting transit services in the region. Joint marketing can be carried out through programs like travel training, fare media and discount fare programs, and marketing campaigns. The Santa Rosa Trip Reduction Incentive program and the Emergency Ride Home programs in Sonoma and Marin provide incentives and insurance for riders on multiple systems and could benefit from coordinated marketing. These programs are outlined in more detail below.

Travel training opportunities are provided by all three bus transit operators in Sonoma County, as recommended in MTC Resolution 4060. Both Santa Rosa CityBus and Petaluma Transit have travel training programs that provide hands-on travel training to anyone, including existing paratransit riders who may wish to also utilize the fixed route systems. The classes and individual training sessions are free and participants receive complimentary monthly Santa Rosa CityBus or Petaluma Transit passes to encourage them to continue riding the bus. Petaluma Transit's travel training program also works with Petaluma Transit riders to help them learn to ride Sonoma County Transit and Golden Gate Transit through group fixed route bus trips to locations as far and varied as Healdsburg, Santa Rosa, and San Francisco. Sonoma County Transit's travel training services are also available to the general public but are especially tailored for senior citizens, persons with physical disabilities, and persons with hearing or visual impairments. Sonoma County Transit's travel training service includes teaching public transit skills as well as accompanying passengers on trips to help familiarize them with the system.

The Santa Rosa Free Ride Trip Reduction Incentive Program is a successful program to encourage alternative transportation modes such as public transit. Funded with air district grants, the program has been administered by Santa Rosa CityBus for over 18 years. Through this program Santa Rosa provides subsidized monthly passes for Santa Rosa CityBus and Sonoma County Transit monthly passes, and gift card drawings for participants who use alternative transportation to get to work and log their rides.

The Emergency Ride Home programs in Sonoma and Marin reimburse rides home in a taxi, TNC (Uber, Lyft or equivalent), car share, or car rental, in cases of emergencies for anyone employed or attending college in Sonoma or Marin County who uses an alternative mode of transportation to travel to work. The Sonoma program will reimburse commuters employed or going to college in Sonoma County and the Marin program will reimburse commuters employed in or going to college in Marin County. The Sonoma program was launched in July 2018 and is administered by the Sonoma County Transportation Authority using grants from the Bay Area Air Quality Management District and MTC. The Sonoma program was developed to align with the Marin program. Additional and coordinated marketing of the programs is needed to grow awareness and encourage transit ridership.

Commuter benefit programs are mandated for employers within the Bay Area Air Quality Management District (BAAQMD) with over fifty full-time employees through the Bay Area Commuter Benefits Program. With a high volume of small employers and low or minimal compliance, there are

opportunities to expand and improve commuter benefits programs in Sonoma County. The SCTA recently worked with the County of Sonoma to launch a pre-tax commuter benefit program offering transit products, including the SMART Eco-Pass, and vanpooling. The SCTA also developed an Employer Commute Program Toolkit tailored to travel options in Sonoma County. The Employer Commute Program Toolkit and other commuter benefit program resources are included on the GoSonoma website.

Transit agencies in Sonoma County have embarked on important steps to promote transit. A number of additional opportunities exist to coordinate marketing and incentive programs in Sonoma County. Shared marketing programs and promotion of employer sponsored transit benefits could begin within the next two years, while a comprehensive countywide transportation demand management program would require additional funding and planning. Goals for improving coordinated marketing and incentives are listed below.

- Develop shared marketing campaigns for common transit promotions, like the free ride programs for college students and veterans
- Explore opportunities to promote pre-tax and employer sponsored transit benefits on a countywide level
- Implement a countywide transportation demand management (TDM) program and/or shared outreach and coordination position, should funding become available. This could be done through a shared outreach and coordination position where one person or team manages employer outreach, travel training, and common marketing campaigns for all transit systems in Sonoma County. This could also be accomplished through establishing a transportation marketing association (TMA).

Fare Discounts and Coordination

Within their respective SRTP's, Sonoma County Transit, Santa Rosa CityBus, Petaluma Transit, SMART, and Golden Gate Transit review their fare structures and fare box recovery ratios to determine if any future fare changes are necessary. While fare changes are ultimately recommended by each operator and approved by their respective policy boards, there is an ability to implement fare changes on all five of the transit systems simultaneously should the timing meet the needs of all operators. A coordinated fare change could simplify the passenger experience and allow for a smoother shared-transfer policy.

There are numerous fare types and fare discount programs between the agencies in Sonoma County. All three local bus agencies have a base local adult fare of \$1.50. Sonoma County Transit, SMART, and Golden Gate Transit use zone-based fare systems so the cost goes up as one travels between zones. While fare programs and pass options vary between agencies, several programs were developed in coordination.

Table 1. Fares and Fare Discount Programs

Pass/Fare Type	Sonoma County	Santa Rosa	Petaluma	SMART	Golden Gate (Sonoma County origins/destinations)
Single Use Ticket					
Adult	\$1.50+	\$1.50	\$1.50	\$3.50+	\$4.50+
Youth	\$1.25+	\$1.25	\$1.00	\$1.75+	\$2.25+
Half-Price	\$0.75+	\$0.75	\$0.75	\$1.75+	\$2.25+
24-Hour Day Pass					
Adult		\$4.00			
Youth/Student		\$3.00			
Half-Price		\$2.00			
10-Ticket Ticket Book/Transit Pass					
Adult		\$14.50	\$15.00		
Youth/Student		\$12.00	\$10.00		
Half-Price		\$7.00	\$7.50		
20-Ride Fast Pass					
Adult	\$30.00				
Youth/Student	\$20.00				
Half-Price	\$15.00				
40-Ticket Ticket Book					
Adult		\$58.00			
Youth		\$48.00			
Half-Price		\$28.00			
31-Day Pass					
Adult	\$62.50	\$50.00	\$30.00**	\$200**	
Youth	\$47.00	\$25.00	\$20.00**	\$100**	
Half-Price	\$31.25	\$25.00	\$15.00**	\$100**	
Monthly Pass					
Adult	\$62.50		\$30.00	\$155+***	
Students (under 18 with ID)	\$47.00		\$20.00	\$138***	
Half-Price	\$31.25		\$15.00		
Veterans				\$138***	
Summer Youth Pass					
Youth	\$24.00		\$20.00		
Clipper Discount					
Adult					\$3.60**

Pass/Fare Type	Sonoma County	Santa Rosa	Petaluma	SMART	Golden Gate (Sonoma County origins/destinations)
Discount					\$2.25**
Free Ride Programs					
Veterans	X	X			
College Students	X (SRJC, SSU)	X (SRJC)	X (SRJC)		
Paratransit Eligible Ride Fixed-Route Free		X	X		
Local Routes*	X				

* Sonoma County Transit has partnered with several local jurisdictions to subsidize transit fares on local routes. Bus patrons in Sebastopol, Guerneville/Monte Rio, Windsor, Healdsburg, Sonoma and Cloverdale can now board local bus routes in these areas fare-free.

**Clipper® only

*** SMART Eco Pass through employer, college, veterans' organization.

Free and Discounted Ride Programs

College students ride free on Sonoma County Transit, Santa Rosa CityBus, and Petaluma Transit. Through partnerships with the Santa Rosa Junior College currently enrolled students who attend campuses in the cities of Petaluma or Santa Rosa can ride for free on Sonoma County Transit, Santa Rosa CityBus, and Petaluma Transit buses. In addition, Sonoma County Transit has an agreement with Sonoma State University that provides free rides on Sonoma County Transit by its students. SMART also has arrangements for discounted rides for SRJC students via the SMART Eco Pass program.

Veterans with a valid identification card ride free on Sonoma County Transit and Santa Rosa CityBus. This program began in 2015 with Sonoma County. Santa Rosa adopted an identical policy in 2018, making all rides for veterans within Santa Rosa free. Petaluma Transit staff are considering a proposal to mirror the County and Santa Rosa's policies for free rides for veterans. SMART offers discounted rides for veterans via the SMART Eco Pass program and continues to work to identify a veterans' organization to facilitate implementation.

Fixed-Route Rides for Paratransit-Eligible Patrons are available on Petaluma Transit and Santa Rosa CityBus. This policy encourages paratransit-eligible patrons to use fixed-route transit when possible, which reduces the demand on paratransit service.

Reciprocal Transfers

Sonoma and Marin county transit operators revised a collective memorandum of understanding (MOU) regarding reciprocal transfer agreements with SMART prior to the start of SMART service, per MTC Resolution 3866. Marin Transit and SMART were added to the revised collective MOU, and the former transit operators were removed from the MOU. Fare transfer agreements include a uniform adult transfer and an agreement that transit operators honor each other's period passes. The transit agencies adopted a policy to provide a \$1.50 fare credit for adult transfers and a \$0.75 fare credit for discounted riders utilizing Clipper® card from SMART, Sonoma County Transit, Petaluma Transit,

Santa Rosa Transit, Marin Transit, and Golden Gate Transit. The \$1.50 transfer credit corresponds with the current base fare for Adults on Sonoma County Transit, Petaluma Transit, and Santa Rosa Transit. Transfer discounts are only applicable when transferring to an operator where the rider is using a Clipper® card to board each operator and paying with a non-pass product.

Seamless Fare Payment

The Clipper® card, MTC's universal fare card, is a fare instrument designed to pay fares on all of the various transit providers in the San Francisco Bay Area. The Clipper® card became available on all bus systems in Sonoma County in January 2016 and became the primary fare medium for SMART at the onset of service in August 2017. Clipper® enables automated transfers between all transit operators in Sonoma County due to established transfer agreements. Passengers transferring between agencies in Sonoma County using Clipper® card receive an automatic \$1.50 transfer credit, which is equivalent to the adult base fare on Sonoma County Transit, Santa Rosa CityBus, and Petaluma Transit. Fare transfer credits apply to eCash on Clipper® and are not deducted from pass products purchased.

Transit operators have used consistent marketing and rider education materials to promote Clipper® card and SMART heavily promoted early adoption prior to starting service. Regular and occasional SMART riders have adopted Clipper® card; however, Clipper® card adoption among bus transit riders in Sonoma County is low. High percentages of cash paying bus riders and a sparse Clipper® retail network may contribute to the low penetration.

The Clipper® 2.0 program is expected to roll out a mobile fare payment application in 2021. The goal is to make Clipper® more user friendly with upgrades that include the ability to pay fares using the mobile app and not having to wait three days to add value to cards and automatic balance updates. These enhancements may help increase the use of Clipper® among bus transit riders in Sonoma County.

Transit operators have discussed coordination of mobile fare payment applications, and have included such technologies as a standing agenda item at the Transit Technical Advisory Committee; however, coordination has been challenging. The Clipper® 2.0 mobile app should remove the barriers to coordination of fare payment apps.

The SuperPass was developed for multi-operator monthly bus transit passes prior to Clipper® becoming available in Sonoma County. Patrons can still purchase SuperPasses through Sonoma County Transit for two or more operators, including on Sonoma County Transit, Santa Rosa CityBus, Petaluma Transit, and Golden Gate Transit. The pass does not provide a discount over purchasing the individual monthly passes; however, it provides the convenience of only purchasing and carrying one pass. This convenience is also available through purchasing multiple operator passes on a Clipper® card, which is the equivalent to an electronic version of the SuperPass. A Golden Gate Transit sticker, which allows customers to pay a flat fee to ride Golden Gate Transit for a one-month period within Sonoma County only, is available on the SuperPass but not on Clipper®.

Although there is substantial coordination among the operators on fare structures, the Transit Integration and Efficiency Study recognized the high transfer rates between bus transit agencies and

recommended further simplification of the fare structure for all agencies. The fare structure should encourage transfers between agencies and facilitate understanding of the systems. Further coordination of fare structures and pass product offerings are largely dependent on agreements under the next version of Clipper®. Goals for fare structure coordination are listed below.

- Ensure terminology for fares are consistent, e.g., use the same language to indicate that children under 5 years old ride free, beginning in 2020
- Simplify the pass product offerings and work toward consistency across agencies, e.g., consider eliminating calendar month passes when 31-day passes are offered
- Coordinate on schedules for planned fare changes

Means-Based Fare Program

MTC conducted a Regional Means-Based Fare Pricing Study and developed a pilot program that will offer discounted transit rides to eligible low-income riders. Four regional transit operators, including Golden Gate Transit, will be participating during the pilot period. Golden Gate Transit will offer a 50 percent discount for eligible customers through Clipper® starting in 2020. MTC will subsidize a portion of the discounted rides. The program may be extended to other transit operators after the initial pilot period.

Coordination of Schedules and Service Changes

MTC Resolution 4060 identified coordination of operator schedules and coordinated timing of schedule changes as priorities. A number of efforts have been made to coordinate schedule changes in Sonoma County. Operators communicate with all connecting transit services when service changes occur, and announce upcoming changes at the Transit-TAC meetings and through larger system planning updates. Such communication between transit operators is essential to ensure that key existing transfers between routes are preserved and to avoid the unnecessary duplication of service along specific corridors. Golden Gate Transit puts regular schedule changes into effect on the second Sunday of every three months. Sonoma County Transit generally follows Golden Gate Transit's schedule change dates, with some exceptions. Following discussions on coordination at North Bay Transportation Officials meetings, the NVTa has taken a first step in coordination by developing a shared document to track service change schedules for all operators throughout the North Bay region.

Opportunities for further alignment of service changes may exist; however, these changes are generally dictated by individual operator policies, for example labor agreements and negotiations, school schedules, and work flow. For example, Petaluma Transit typically effectuates schedule changes with the school schedule, which could pose challenges in aligning with other operators' change schedules.

SMART is currently developing a new schedule to accommodate the planned opening of the Larkspur and Downtown Novato Stations and increased frequencies in December 2019. The new schedule will also accommodate the future Petaluma North and Windsor Station so those stations can open

without having to redevelop the schedule. SMART has been coordinating with all connecting bus operators in effort to plan for schedule changes that retain existing bus to train connections and establish new coordinated connections.

Multi-operator schedule information is available at several locations. The downtown Santa Rosa Transit Mall has schedule information posted for all operators serving the Transit Mall. Golden Gate Transit schedules are included on Sonoma County Transit's schedule displays at shared bus stops located on Commerce Boulevard at Rohnert Park Expressway in Rohnert Park at the Copeland Transit Mall in Petaluma.

Goals for improving coordination of schedules and service changes are listed below.

- Continue efforts to coordinate schedule change timing and communication about schedule changes through the SCTA's monthly Transit-TAC meetings
- Consistently update service change schedules in shared North Bay transit operator tracking document

Intermodal and Multi-Operator Facilities

An important point of transit operator coordination is at facilities that are served by multiple operators and multiple modes. A majority of the facilities described below were developed and are maintained through cooperative agreements. The facilities north of the Sonoma County Airport are currently functioning as bus transfer hubs and will eventually be served by SMART. Some of the facilities also serve as park-and-ride lots.

Santa Rosa Transit Mall is one of the two the largest regional transit hub in the North Bay, utilized by an average of 10,000 passengers per day on Santa Rosa CityBus, Sonoma County Transit, Golden Gate Transit, Mendocino Transit, and Greyhound. Sonoma County Transit and Golden Gate Transit contribute funding to Santa Rosa CityBus for maintenance and operations of the Transit Mall. CityBus employs Transit Service Representatives at the Transit Mall to provide route and schedule information for all operators that serve the Transit Mall to help riders reach their final destinations. In fall 2017, when Santa Rosa CityBus moved their offices from City Hall to their transit operations facility, CityBus opened a staffed customer service kiosk at the Santa Rosa Transit Mall to sell transit tickets, passes, and Clipper® cards. The customer service kiosk is staffed from 8:30 a.m. to 4:30 p.m. Monday through Friday.

Coddington Transit Center in Santa Rosa connects Sonoma County Transit and CityBus and is a long block, about a seven minute walk, from the North Santa Rosa SMART station. The facility includes bus shelters, benches, trash cans, and transit information displays. The addition of real-time signage is planned for this location.

Copeland Transit Mall in Petaluma was constructed by Sonoma County Transit in 2007 and is shared with Petaluma Transit and Golden Gate Transit. It is one block from the Downtown Petaluma SMART Station and is the second busiest transfer point in Sonoma County. The facility includes bus shelters,

benches, trash cans, transit information displays, real-time signage, and a demonstration bus bicycle rack for users to practice loading bicycles on buses.

Eastside Transit Center in Petaluma was constructed by the City of Petaluma in 2010. The facility includes two shelters, four bus bays, a real-time arrival board, and benches.

Cotati Depot was completed in 2014 by Sonoma County Transit and is a transfer hub for Sonoma County Transit and SMART. This facility includes a popular park-and-ride lot for transit users.

Windsor Depot was completed in 2007 by Sonoma County Transit and currently serves as a transfer hub and park-and-ride lot for Sonoma County Transit (including feeder bus routes to SMART). The extension of SMART from the Sonoma County Airport station to the Windsor Depot is underway and is expected to be completed in 2021.

Healdsburg Depot Park-and-Ride was completed in 2016 by Sonoma County Transit to serve as a transfer hub (including feeder bus routes to SMART). SMART's plans for extension north include service to this transfer hub and park-and-ride lot.

Cloverdale Depot was completed in 1995 by Sonoma County Transit and serves as a transfer hub for Sonoma County Transit (including feeder bus routes to SMART), Amtrak Thruway Service, and park-and-ride lot. SMART's plans for extension north include service at this transfer hub.

Piner Road and Industrial Drive bus station is Golden Gate Transit's northern most station in Santa Rosa. Santa Rosa CityBus route 10 serves Piner Road with stops adjacent to Golden Gate Transit's station. Santa Rosa CityBus and Golden Gate Transit are arranging to post CityBus schedules at the Golden Gate Transit station in the near future.

Highway 12 Park-and-Ride is served by Golden Gate Transit, the Sonoma County Airporter, and Santa Rosa CityBus. The park-and-ride lot is under Highway 12 between Bennett Valley Road and Maple near the Sonoma County Fair Grounds in Santa Rosa.

San Rafael Bettini Transit Center in San Rafael connects SMART, Golden Gate Transit, Marin Transit, and Sonoma County Transit. The facility was recently redesigned to accommodate the continuation of the SMART rail tracks south toward the Larkspur station. The Golden Gate Bridge, Highway and Transportation District, as the lead agency, is in the process of preparing an Environmental Impact Report to evaluate replacing or relocating the transit center.

SMART Stations and Bus Route Connectivity

As discussed above, transit hubs have been constructed at or adjacent to several SMART stations that are currently operating and several that are planned. Bus operators in Sonoma County worked closely with SMART and local jurisdictions to coordinate bus connectivity and transfers at SMART stations to be ready by opening day. Numerous schedules were updated and new routes were introduced to align with SMART's schedule.

Sonoma County Transit now provides feeder bus service to SMART, including enhanced east-west connections from the Sonoma Valley and from Sebastopol, and a circulator shuttle between the Airport Boulevard SMART station and the Sonoma County Airport. Under contract with SMART, Sonoma County Transit also provides feeder bus services to SMART from Cloverdale, Healdsburg and

Windsor. Santa Rosa CityBus launched its “Reimagining CityBus” route redesign in 2017 with increased frequencies, directness, and connectivity of routes serving the Santa Rosa SMART stations. Petaluma Transit expanded operating hours and modified three routes to better connect the downtown, west Petaluma, and the southeast Petaluma/Lakeville Highway Business Park areas with the Downtown SMART Station and SMART schedule.

Transfers between buses and SMART in Sonoma County over the first two years of SMART service have illustrated that there are opportunities to improve integration with SMART to increase the percentage of passengers making connections between SMART and local transit services. The SCTA Transit-TAC is a venue for regular discussion of improvements to bus integration with SMART, and opportunities for collecting and sharing data that can guide prioritization of integration actions. Bus operators in Sonoma County will continue to work with SMART and the jurisdictions it serves to implement bus stop improvements and relocations, new route connections, and coordinated operations to enhance inter-operator transfers.

Station Area and SMART Integration Planning

SMART station area plans and specific plans have been carried out by local jurisdictions, in cooperation with MTC and SMART, to plan for land uses and infrastructure around transit hubs. Many of these plans address infrastructure to support transit operations and transit oriented development, or are being updated to do so. The status of these planning efforts are noted in **Table 2** below.

The *SMART Commuter Rail Integration Plan* recommended a number of capital projects that optimize connections between buses and SMART. Several of these projects are now complete, including updated bus stops and amenities around the Downtown Santa Rosa station, and a new bus turnout and amenities on Guerneville Road adjacent to the Santa Rosa North station.

The status of recommendations from the *SMART Commuter Rail Integration Plan* are outlined **Table 2**. Recommendations in the *SMART Commuter Rail Integration Plan* only addressed SMART Phase I stations.

Table 2. Station-Specific Recommendations and Plan Status

STATION	BUS STOPS + CONNECTIONS	BICYCLE ACCESS	PEDESTRIAN ACCESS	OTHER	PLAN
<i>Cloverdale-Planned</i>					<i>Complete 2010</i>
<i>Healdsburg-Planned</i>					<i>Complete 2013</i>
<i>Windsor-Planned</i>					<i>Complete 2012, Amended 2013</i>
Airport	<i>Complete: Relocate closer proximity to station platform</i>	Improve bicycle connectivity, access to bike parking area	Improve access to bus stops, install sidewalks on south side of Airport Blvd, install	Employee shuttle, bus circulator (complete), parking partnerships with	In progress

STATION	BUS STOPS + CONNECTIONS	BICYCLE ACCESS	PEDESTRIAN ACCESS	OTHER	PLAN
			marked crosswalks, RR x-ing improvement	business parks, marketing campaign	
Santa Rosa North	<i>Complete: closer proximity to station WB</i>	Improve amenities and connectivity, direct access to Coddington Transit Hub	Improved sidewalks on Guerneville, Highway 101 overcrossing, enhanced access to Coddington Transit Hub	Purchase lot near station to provide off street passenger pick-up and drop-off, vanshare, shuttles, and bicycle parking	<i>Complete 2012</i>
	Turnout on south side of Guerneville Rd., stops on Herbert Lane				
Santa Rosa Downtown	Relocate 3rd street bus stops for more direct connection	<i>Complete: Improve 3rd street access under Hwy 101</i>	<i>Complete: Improve 3rd street access under Hwy 101</i>	<i>Complete: Pilot free downtown parking shuttle to manage demand</i>	<i>Complete 2007, Update in progress Bike/Ped Plan updated 2019</i>
		Improve 3 rd Street access		Determine stop for employer shuttles and kiss-and-ride, marketing campaign	
Rohnert Park	Relocate closer to station	<i>Complete: Signalize crossing at RP Expressway across from tracks</i>	<i>Complete: Signalize crossing at RP Expressway across from tracks</i>	<i>Complete: Plans to facilitate commercial development</i>	<i>Complete 2016</i>
Cotati		<i>Complete: Signalize crossing at the east side of the tracks</i>	<i>Complete: Signalize crossing at the east side of the tracks</i>		n/a
<i>Petaluma North-Planned</i>					<i>Complete 2013</i>
Petaluma Downtown	Turn-out on D Street; pull-out constructed, sidewalk improvements are pending. Pursue funding for more frequent transit service		Improve access to Copeland Transit Mall - <i>planned access through new development</i>	<i>Complete: Support redevelopment efforts defined in plan</i>	<i>Complete 2013</i>
				Marketing campaign to reach out to businesses to host shuttles	

As shown in **Table 2**, there remain opportunities at a few station locations to enhance integration of local transit and SMART services through thoughtful planning. In those cases the local jurisdiction, the local transit agency, SMART, and MTC, should work to identify improvements and secure funding

for design and construction of these enhancements. The goal for improved bus route connectivity with SMART is below.

- Prioritization of funding for design and construction of physical access for bus, pedestrian, and bicycle integration around SMART stations

Joint Procurements and Cooperative Evaluation

As members of CALACT, transit operators have access to a purchasing cooperative for a variety of federal and state compliant transit vehicles and shelters. Transit operators in Sonoma County have also taken advantage of cooperative evaluation and procurements within the region to reduce costs and increase efficiency. For example, Santa Rosa CityBus and Petaluma Transit recently contracted with a paratransit eligibility assessment contractor through a joint procurement. Sonoma County Transit, Santa Rosa CityBus and Petaluma Transit have also purchased new passenger waiting benches through the same manufacturer. The operators consistently share information with one another about their experiences with manufacturers and about new technologies. For example, Sonoma County Transit, Santa Rosa CityBus and Petaluma Transit are currently working on the electric bus feasibility study and are learning from Sonoma County Transit's experience with their in-service electric bus.

A number of other successful joint procurements and efforts on joint procurement are discussed in the *Transit Integration and Efficiency Study*, which suggests further opportunities for joint procurement for capital assets, technology systems, and contracted services to take advantage of economies of scale and reduced staff time spent on procurement. Through North Bay Transportation Officials coordination, NVTa has developed a shared document to track service contracts for technology and services in the North Bay to identify opportunities for future joint procurement. Timelines for joint evaluation and procurement opportunities will be determined as service contract expirations are tracked.

Goals for leveraging opportunities for joint evaluation and procurements are listed below.

- Seek opportunities to coordinate the purchase of hardware, software, tires, bus or facilities parts, amenities at bus stops, and other goods to take advantage of bulk discounts and increase efficiency in the purchasing process
- Continue to update the contract summary table developed in the *Transit Integration and Efficiency Study* showing contract start and end dates
- Continue to discuss potential opportunities for joint fuel/power procurement as agencies transition to electric vehicles
- Consider establishing a procurement department task force to draft a protocol for coordinating purchasing

Zero Emissions Bus Planning

In 2018, the California Air Resources Board (CARB) adopted the Innovative Clean Transit (ICT) Regulation that all new public transportation bus purchases must be zero emissions from the year 2029 forward. CARB expects that all bus fleets will be zero emissions by 2040. The ICT regulation requires small operators, which includes Santa Rosa CityBus, Petaluma Transit, and Sonoma County Transit, to produce a transition plan and file it with CARB by mid-2023. Starting in 2026, small operators must ensure that 25 percent of all new bus purchases are zero emission. For larger agencies, like Golden Gate Transit, the ICT regulation requires 25 percent of new bus purchases to be zero emission starting in 2023, rising to 50 percent in 2026. The agencies, by regulation, also have the ability to work together to manage their fleets and transition such that there remains flexibility among the agencies while meeting the regulations in total. It is also possible that a large pool of agencies may be formed in the Bay Area which would allow even more flexibility for the smaller agencies.

Electric infrastructure for charging electric transit buses in Sonoma County is a major issue. Sonoma Clean Power, the local community choice energy provider, is assisting the four transit agencies in their territory (Mendocino Transit Authority, Sonoma County Transit, Petaluma Transit, and Santa Rosa CityBus) in meeting the ICT mandate through sponsorship of a study on electric bus charging infrastructure needs. Sonoma Clean Power hired a consulting group to conduct a planning and engineering study that will develop tangible paths to implement an all-electric, zero emission bus (ZEB) deployment for the four transit agencies. The study will assess current infrastructure at bus yards and transit malls, survey electric buses and charging equipment, assess solar and energy storage potential, review charging policies, and assist with grant programs and analysis of proposed rate changes. This represents an important opportunity for the transit agencies to carefully consider how they will work together on the electric charging network in the future.

Emergency Coordination

Sonoma County, Santa Rosa, and Petaluma have their own Emergency Operations Plans (EOP) to organize individual Emergency Operations Centers in the event of an emergency. Each jurisdiction's plan includes annual emergency simulation drills that are designed to meet all federal and state mandates and guidelines while ensuring processes are well established and each jurisdiction's staff is well prepared for any emergency. Santa Rosa CityBus, Petaluma Transit and Sonoma County Transit are each a part of the transportation component of each jurisdiction's respective EOP. SMART has developed a Safety and Security Plan that outlines roles and responsibilities in during emergency events, including coordination of emergency bus bridges. SMART also participates with the regional transit emergency operations group coordination efforts through MTC. The Golden Gate Bridge Highway and Transportation District's emergency plan includes Golden Gate Transit, and is coordinated with the counties in its service area.

In the event of a countywide public emergency, at the direction of the Sonoma County Office of Emergency Services, the transit agencies in the region (Sonoma County Transit, Santa Rosa CityBus, Petaluma Transit, SMART, and Golden Gate Transit) will coordinate emergency public transit services

that are determined necessary for public evacuation due to events such as floods, earthquakes, fires, etc. The San Francisco Bay Area Regional Transportation Emergency Management Plan provides additional guidance for coordinating emergency response capabilities among the various transportation agencies throughout the region.

During the October 2017 wild fires in Sonoma and Napa counties, transit played a significant role in evacuations and transportation for displaced individuals. Under the direction of the Sonoma County Emergency Operations Center (EOC) and the City of Santa Rosa EOC, Santa Rosa CityBus and Sonoma County Transit, including their respective paratransit contractors, deployed buses to evacuate hospitals, residences, and various facilities, transporting hundreds of affected individuals to safety. When additional buses were needed, Golden Gate Transit sent buses to assist with evacuations. Transit dispatchers, drivers, maintenance, and administrative personnel reported quickly and coordinated with other transit and school bus operators to deploy buses in a timely manner. Following the fires, SMART, Santa Rosa CityBus, Sonoma County Transit, Petaluma Transit, and Golden Gate Transit ran fare-free service and some ran special routes transporting people to and from evacuation centers. Transit operators have developed a shared emergency contact list and are developing a process for updating it on a regular basis.

During the Kincadee fire in fall 2019, transit operators were again involved in mass evacuations and transportation for displaced individuals. Transit operated limited routes and schedules during evacuation and power shut off periods. SMART, Sonoma County Transit, Petaluma Transit, and Santa Rosa CityBus all provided fare free service during and after mandatory evacuations and school closures.

Planning for public safety power shut offs are a new consideration for transit agencies in California during wildfire season. Due to the growing threat of wildfires, Pacific Gas and Electric Company (PG&E) has developed a program to reduce wildfire risks. Proactively shutting off electric power when extreme fire danger conditions are forecasted is one element of PG&E's program. Loss of power is of particular concern when it impacts railroad grade crossing gates and signals. SMART has backup generators for temporary loss of power. SMART's generator at their Regional Operations Center that can last over 24 hours. SMART also has generators that can be deployed at signal houses for each grade crossing and at some wayside signals. Santa Rosa is currently working to provide backup generators for the Transit Mall, which could be enabled during power shutoffs. As bus operators transition to zero emission fleets, the inability to charge battery-electric buses during power shut offs is also a concern. Bus operators should establish a protocol to consider shared charging infrastructure for battery-electric bus fleets when power shut offs impact only certain areas. There are currently no plans for keeping electronic wayfinding signs, real time signs, or traffic signals operating during power shut offs.

The Bay Area Urban Areas Security Initiative (BAUASI), with representation from the nine Bay Area counties, as well as San Benito, Monterey, and Santa Cruz counties, aims to increase regional capacity to prevent, respond to, and recover from catastrophic events. BAUASI's Bay Area Emergency Management workgroup has led a Regional Critical Transportation Capability Building project with goals of building local government capabilities, partnerships, and coordination for disaster planning.

In partnership with MTC and the Association of Bay Area Governments (ABAG), this workgroup has produced a toolkit for local governments to guide regional coordination and logistics in emergency planning.

Goals to continue improved coordination of emergency planning are listed below.

- Finalize the shared emergency contact list and process for keeping it updated in 2020
- Meet regularly with emergency management staff to discuss emergency preparedness planning and protocols
- Coordinate on planning for power shut offs during high fire risk times as part of the zero emissions bus planning efforts

Market Research

Per a recommendation in MTC Resolution 4060, MTC sponsored on-board surveys for all four transit operators in Sonoma County in 2018. Each surveyed riders in cooperation with MTC to support federal Title VI reporting requirements, refine regional analytical planning tools, and perform other transit passenger and equity analyses. The surveys included questions about trip origin and destination, demographic information, fares, customer satisfaction, real-time information, and interagency transfers. The surveys collected information about origin and destination patterns, customer opinions, trip purposes and characteristics, and ridership demographics to better inform service planning for all operators. These surveys have been used to inform various service planning decisions and projects outlined in individual Short Range Transit Plans. Consistency in survey questions will allow transit agencies to jointly review the survey results to identify points of overlap and coordinate improvements and service changes. Customer survey questions focused on customer satisfaction could help in prioritization of strategic investments.

Petaluma Transit also conducts on-board surveys every other year and does in depth focus groups with key market segments on the off years. Petaluma Transit includes the results of their most recent on-board surveys in their Short Range Transit Plans.

MTC is conducting a Customer Service Intercept Survey of Clipper® and non-Clipper® users at the Santa Rosa Transit Mall and the San Rafael Transit Center in September and October of 2019. The survey was last conducted in 2017.

Goals for improving coordination of market research are listed below.

- Ensuring consistency among surveys for all operators, beginning with sharing lists of questions for upcoming surveys
- Develop common questions for on-board surveys to provide better information on customer satisfaction
- Build survey questions that allow analysis of which items will impact overall customer satisfaction the most

3. Conclusion

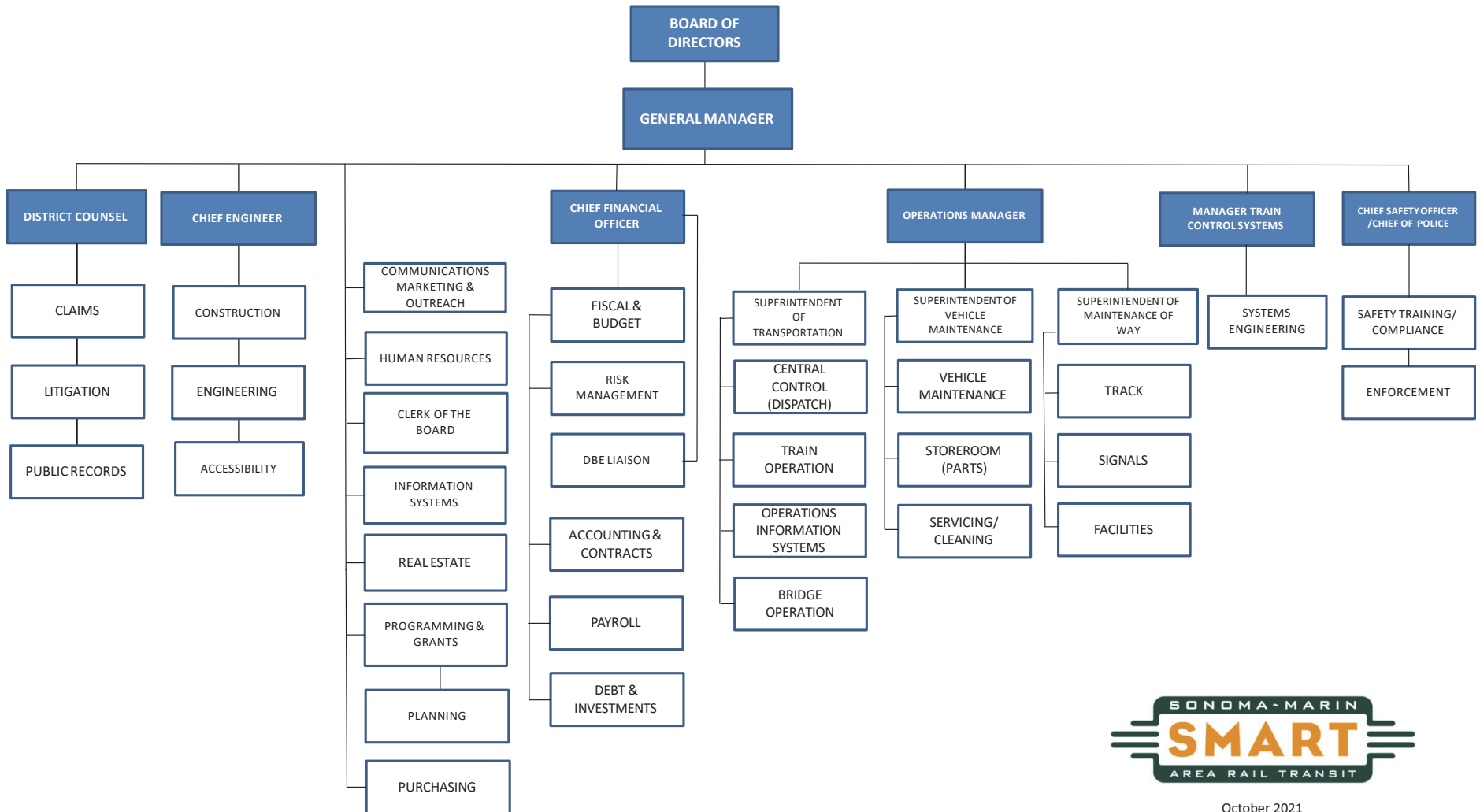
Sonoma County Transit, Santa Rosa CityBus, Petaluma Transit, SMART, and Golden Gate Transit, while operating as separate and distinct transit agencies, continue to work collaboratively and seek opportunities for coordination and learning from each other. The topics discussed in this appendix show potential for efficiencies when addressed with a collaborative approach. These five transit operators, along with other regional operators providing transit service in the North Bay, are in the process of implementing coordinated programs that align with recommendations in MTC's Transit Connectivity Plan and Transit Sustainability Project. As SMART service expands and matures, continued coordination between SMART and bus operators on various aspects of transit service and operations will be important.

While some of the transit coordination goals discussed in this appendix will require additional funding and staff time, transit operators anticipate that the initial phases of a number of the transit coordination projects will be complete within the next few years. This appendix of inter-operator coordination efforts will continue to serve as the foundation for ongoing and proposed transit coordination projects in Sonoma County.

APPENDIX B ORGANIZATIONAL CHART

SONOMA -MARIN AREA RAIL TRANSIT DISTRICT

Organization Chart



October 2021



David Rabbitt, Chair
Sonoma County Board of Supervisors

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

Judy Arnold
Marin County Board of Supervisors

Melanie Bagby
Sonoma County Mayors' and
Councilmembers Association

Kate Colin
Transportation Authority of Marin

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and
Councilmembers Association

Patty Garbarino
Golden Gate Bridge,
Highway/Transportation District

Susan Gorin
Sonoma County Board of Supervisors

Dan Hillmer
Marin County Council of Mayors and
Councilmembers

Eric Lucan
Transportation Authority of Marin

Chris Rogers
Sonoma County Mayors' and
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Farhad Mansourian
General Manager

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November 17, 2021

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

SUBJECT: Status Report on Freight and Related Activities

Dear Board Members:

RECOMMENDATION: Provide Feedback and Direction

SUMMARY:

At your May 20, 2020 Board meeting, you authorized a number of activities as part of the Policy determination to become a freight service provider. At your September 2, 2020 board meeting (attached), you received an update. At your July 21, 2021, you received additional update with specific information as shown in the attachment.

Today we will provide you with more update in form of a PowerPoint presentation and seek your comments and direction on two issues:

- 1) Should SMART perform Freight Services by internal SMART dedicated freight staff or contract out with a private freight service provider?
- 2) Currently Liquified Petroleum Gas (LPG) is stored year round at the Schellville Property. Our options are:
 - a. Keep the current practice.
 - b. Eliminate the current practice at the end of the current contract between NWPCo. and refineries.
 - c. Continue the practice of storing LPG tankers with the condition that by January 30, 2025 they are removed, and LPG tankers are no longer stored at the Schellville location.

We will return with specific action items for your consideration based on the direction we received.

Very truly yours,
/s/
Farhad Mansourian
General Manager

Attachment(s):

- 1) May 20, 2020 - Board Staff Report
- 2) September 2, 2020 - Board Staff Report
- 3) July 21, 2021 – Board Staff Report



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

Debora Fudge
Sonoma County Mayors' and
Councilmembers Association

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SUBJECT: Expansion of SMART Right-of-Way and Scope of Operations by adding Freight Service Responsibility and Executing Related Agreements

Dear Board Members:

RECOMMENDATIONS:

As provided in SB 1029 (McGuire), Consideration of SMART becoming a Common Carrier and Freight service provider (directly or through a contract) with the understanding of all of its privileges, opportunities and obligations from Sonoma-Mendocino County line south to Corte Madera and east to Napa River. Upon affirmative confirmation of the policy before your Board, in order for us to move forward, the following actions are required by your Board:

1. Approve the concept of SMART becoming a Common Carrier and Freight service provider (directly or through a contract) with the understanding of all of its privileges, opportunities and obligations from Sonoma-Mendocino County line south and east to Napa River.
2. Accept the additional right-of-way from Downtown Healdsburg to Sonoma-Mendocino County Line (20.8 miles).
3. Authorize the General Manager to execute the "Asset Transfer Agreement" between SMART and NWPCo in substantially the form attached hereto as (Attachment 2).
4. Authorize the General Manager to execute the Baseline Agreement between State of California and SMART in substantially the form attached hereto as (Attachment 3).
5. Direct the Chair of the Board and General Manager to work with Senator McGuire, other State Legislators, Governor and his/her administration to secure the funding needed for the ongoing maintenance and capital project of the freight area.
6. Authorize General Manager to file required documents with the Surface Transportation Board authorizing SMART to acquire railroad right-of-way and transferring common freight carrier rail operations authority to SMART for all freight services south of Mile Post 89.
7. Authorize General Manager to issue a Request for Proposal to seek a freight consultant who would perform Economic Feasibility Study of the entire SMART owned area and analysis for the options to provide freight services in the future.

8. Authorize General Manager to negotiate and execute an agreement with NWPCo. to provide interim service to the existing freight customers until the Board has made a permanent decision.
9. Request the Chair of the Board to assign a number of Board members and the General Manager to meet with officials from County of Sonoma, Town of Sonoma, First Responders and the affected Community regarding the future of the existing practice of storage of Liquidated Petroleum Gasoline (LPG) and report back to the Board in a future public meeting.

SUMMARY:

The State of California is dissolving the North Coast Railroad Authority (NCRA), which currently owns the right-of-way north of Healdsburg and has freight easements on most of SMART's property and is responsible for freight service along our right-of-way. The State is planning to distribute certain portions of the Railroad right-of-way and assets to SMART and to a new planned Great Redwood Trail Agency that will oversee the implementation of a trail system on northern portions of the NCRA right-of-way. SMART is slated to receive the southern portion of the NCRA right-of-way from Downtown Healdsburg (MP 68.2) to the Sonoma-Mendocino County line (MP 89.0) as well as \$2 million dollars to address the cost of deferred maintenance and needed repairs. SMART's additional \$8 million of estimated capital and maintenance needs are yet to be funded. Senate Bill Nos. 1029 and 356 direct the dissolution of NCRA and modifies the Public Utilities Code as necessary, including making the necessary provisions for SMART to operate freight.

HISTORY:

The history of the Northwestern Pacific Railroad line is extensive. We will not attempt to tell it all here, but simply provide a high-level summary. Freight and passenger rail service has existed in various forms through Marin and Sonoma counties since the late 1800s. There were ferry connections in Tiburon and Larkspur that moved freight cars as well as passengers to San Francisco. In fact, mile post zero of the railroad is the Ferry Building in San Francisco. Lines spanned to Sonoma, Pt. Reyes, Eureka and other destinations. In addition to transporting people, the railroad shipped lumber, eggs from Petaluma, wine and other goods. Passenger service was discontinued south of Willits in 1958. There was a succession of bankruptcies and rail companies closing as Highway 101 was improved, trucking became cheaper, natural resources became scarcer and maintaining the railroad became significantly more expensive.

Portions of the right-of-way began to enter public ownership in 1989 when the North Coast Railroad Authority (NCRA) was established by the California Legislature under the North Coast Railroad Authority Act.

In 1986, Congressman Bosco introduced and succeeded in passing HR2 which purchased Southern Pacific right-of-way for \$24M for a future railroad use by public. As additional portions of the right-of-way began to enter public ownership in 1989 when the North Coast Railroad Authority (NCRA) was established by the California Legislature under the North Coast Railroad Authority Act.

In 2006, NCRA selected Northwestern Pacific Company (NWPCo) as their freight operator. Around the same time, the Golden Gate Bridge, Highway and Transportation District in conjunction with Marin and Sonoma Counties began purchasing southern portions of the railroad from the Southern Pacific Railroad. For two decades before NCRA was created, railroads had fallen on hard times around the country and

certainly here in Northern California. In 2006, NCRA selected Northwestern Pacific Company (NWPCo) as their freight operator who continues to provide freight today.

Around the same time, the Golden Gate Bridge, Highway and Transportation District in conjunction with Marin and Sonoma Counties began purchasing southern portions of the railroad from the Southern Pacific Railroad. The Sonoma-Marin Area Rail Transit Commission (SMART Commission) was a transitional body made up of Marin and Sonoma County supervisors and City Representatives that provided governance during the early planning phase of SMART. SMART Commission was staffed by Suzanne Wilford (now Smith) and Farhad Mansourian, the two Executive Directors of Sonoma and Marin Congestion Management Agencies.

Assembly Bill No. 2224, approved on August 31, 2002, created the Sonoma-Marin Area Rail Transit District we have today that was designed to operate in harmony with existing freight service that operates upon the same rail line.

Senate Bill 1029 (McGuire)

Senator Mike McGuire introduced SB 1029 in February of 2018 and it was signed into law by Governor Jerry Brown on September 29, 2018.

The overriding vision of the bill was to create a single trail system that would stretch over 300 miles from San Francisco Bay to Humboldt Bay, adjacent to, or on, the railbed. This was no small feat. With SMART as a successful passenger rail owning many miles of the tracks, the North Coast Railroad Authority owning the rest and the NCRA freight contractor NWPCo with an exclusive and extensive freight lease, there were many facets to making this all happen.

The Senator and his staff worked closely with SMART on the bill right from the start and throughout the process as the bill went through the legislative process and on to the Governor's desk.

One of the biggest hurdles was what to do with NCRA and the debt they had incurred over the many years since their inception?

With no train north of Cloverdale possible given the 200+ miles of dilapidated rail infrastructure and a significant debt, Senator McGuire decided to eliminate NCRA. To build the Great Redwood Trail, NCRA would be replaced with a Trail agency north of the Sonoma/Mendocino County line, and everything south of that County line would go to SMART. Under current state law (per SB 1029), NCRA is no longer a freight rail agency and their new mission is to "Transition to Trails" – in other words, their job is to work with SMART and Trail organizations on the Great Redwood Trail, and establish a plan to transfer their right-of-way to an authority that builds trails, and then close down forever.

After months of conversation and negotiation with SMART Board members, staff and others, Senator McGuire's SB 1029 was amended to put this agreement in place. As signed, the bill had these priorities, according to Senator McGuire:

- Preserve and protect this 300-mile jewel of a public transportation right-of-way.
- Transition the NCRA's priorities from rail to trail.

- Complete a financial study of NCRA so the right of way can go to responsible agencies and NCRA can be shuttered.
- Start the process of re-opening this stunning North Coast transportation corridor as a world class Trail.
- Enable SMART to acquire and take over the freight contract from Northwestern Pacific Company in order to put it back into the public's hands and help improve the safety and reliability of the entire corridor.

Section 17 of SB 1029 specifically involved SMART and NCRA's freight contractor, NWPCo. This section (excerpt below) appropriates \$4 million for the public acquisition of the privately held freight contract on the SMART/NCRA rail line.

SB 1029 (2018) SEC. 17. The sum of four million dollars (\$4,000,000) is hereby appropriated to the State Transportation Agency from the Public Transportation Account for rail improvements on the corridor owned by the Sonoma-Marín Area Rail Transit District and the North Coast Railroad Authority. These moneys shall be allocated to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company to ensure efficient provision of goods movement requirements in the corridor in the context of growing passenger service. Following a signed Baseline Agreement between the State Transportation Agency and the Sonoma-Marín Area Rail Transit District that articulates deliverables, the anticipated expenditure schedule, and reporting requirements, the Secretary of Transportation may transfer these moneys to the Sonoma-Marín Area Rail Transit District pursuant to the provisions of the baseline agreement. These moneys shall not be transferred to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company unless the terms and conditions of the baseline agreement have been approved by both the Secretary of Transportation and the Director of Finance. If these moneys are not transferred to the Sonoma-Marín Area Rail Transit District within two years of the chaptering of this act, these moneys shall be returned to the Public Transportation Account.

The Process is summarized here:

To implement the requirements of SB 1029, the following agreements are to be reached before the designated \$4M funding is to expire at the end of June 2020:

- NWPCO and SMART must reach an agreement for the sale of the freight contract, equipment, easements, etc. for a State funded \$4 million (see attachment 1)(subject to approval by the NCRA and SMART Board of Directors)
- SMART and the California State Transportation Agency must execute a Baseline Agreement that will provide State funding and will stipulate timetable and deliverables. (see attachment 2). This is subject to the approval of SMART Board of Directors and Approval by State Secretary of Transportation and State Director of the Department of Finance.
- Approval by the Federal Surface Transportation Board who has jurisdiction over freight in the United States.

The State of California's interest in this transaction is based upon the 2018 State Rail Plan and connectivity between SMART passenger and freight with national and regional rail service (AMTRAK and Capital Corridor). In the State's view, as SMART builds out additional miles of service territory and carries more

people, it is important that SMART has complete control over their rail line. Having the freight contract in SMART's hands will make the potential for an East-West train from Novato to Suisun City substantially easier. In 2019, the State funded an east-west passenger rail feasibility study that has the support of Counties of Marin, Sonoma, Transportation Authorities of Napa and Solano as well a number of business advocacy groups. But while the acquisition of the freight rail contract comes with significant advantages, it also has some expensive responsibilities.

After extensive review of the line from the Napa River to Novato and from Healdsburg to the Sonoma/Mendocino County line, it is clear there are necessary infrastructure and safety fixes to bring the line up to a reasonable and safe requirement. The maintenance and upkeep of the rail line from Novato to Schellville has been in the hands of a private freight rail contractor for over 12 years now, and with an underfunded NCRA before that, and is in need of an upgrade all around.

These upgrades are not overly expensive by rail standards, but will take some one-time and ongoing dollars. Senator McGuire was already able to secure \$2 million for SMART in the FY 19/20 budget to help defray these costs, but recognizes that it will take an additional \$8 million over the next few years.

Senator McGuire is in a good position to secure additional dollars. The Senator represents nearly the entire 300 mile plus rail line, and is on the Transportation Committee, the Senate Budget Committee and the Budget Subcommittee on Transportation. Senator McGuire helped secure \$3 million in state funding to carry out the audit and assessment of NCRA and the trail master planning. He was also able to secure an additional \$8.8 million dollars to help run NCRA and pay off their debts and the Senator helped secure over \$30 million from California Transportation Commission (CTC) and other sources for trails along the corridor in the last couple of years. The Senator has requested an additional budget item for SMART already for FY 20/21.

Current Actions and Pending Legislations:

Senate Bill No. 356 (McGuire), that was passed by California Senate, in its current form and intent will provide for the following:

NCRA:

- Property transfer from NCRA to SMART and all rights title and interest in the rail corridor and assignment of all contracts, equipment, leases, agreements and licenses south of Mendocino/Sonoma County line to Healdsburg. This will preserve the right-of-way and property for future freight and passenger rail service.
- NCRA to relinquish all Freight and Excursion Easement rights over SMART's right-of-way (Healdsburg South).
- A Transfer of all rail related personal property and equipment owned by NCRA and/or leased by NWPCo (South of MP 89).
- Execute any Surface Transportation Board (STB) approvals needed, for a similar and concurrent transfer (to be executed by NWPCo) for all fee title, easement, use and licenses common carrier responsibilities for all assets south of Mile Post 89 line immediately, subject to/or upon STB approval

NWPCo:

- Relinquishment and the transfer of all NWPCo's rights and privileges (long term lease) to use or operate rail service/common carrier authority responsibilities to SMART (South of MP 89).
- A Bill of Sale for all rail related personal property and equipment owned by NWPCo.
- An Assignment and Assumption Agreement for all contracts, equipment leases/licenses.
- Quit Claim Deed for all rights, title and interest in any improvements and all rights, title and interest in any easements, leases, licenses and right of way south of MP 89 to SMART.
- Apply and execute any Surface Transportation Board (STB) approvals needed, for a similar and concurrent transfer (To be executed by NCRA) for all fee title, easement, use and licenses for all assets south of the Mile Post 89 line immediately but subject to/or upon STB approval.

SMART: SUMMARY OF OBLIGATIONS

- Assumes maintenance responsibility for an additional 45 miles of right-of-way, including Bridges/crossings etc. Currently SMART maintains only the portion of the right-of-way ("shared" track) where SMART operates passenger service.

SMART assumes freight duties over the rail line south of the Sonoma/Mendocino county line (Mile Post 89). As the new exclusive freight operator, SMART will assume all "common carrier" duties over the rail line south of Mile Post 89. As the common carrier, SMART will need to continue to provide freight transportation to all existing local customers and to all parties on the rail line upon reasonable request, including requests for the transportation of hazardous materials. In addition, as the common carrier for freight SMART must now also comply with the all the requirements and regulations of the Surface Transportation Board.

The **Surface Transportation Board (STB)** of the United States is a federal, bipartisan, independent adjudicatory board. The STB was established in 1996 and has broad economic regulatory oversight of railroads, including rates, service, the construction, acquisition and abandonment of rail lines, carrier mergers and interchange of traffic among carriers. The Board has wide discretion, through its exemption authority from federal, state and local laws, to tailor its regulatory activities to meet the nation's changing transportation needs.

As a freight "common carrier", the STB will require SMART to bear the obligations to serve any customer upon reasonable request (reasonable business/economic sense); without unreasonable discrimination; at just and reasonable rates; and with higher duty of care. These requirements mean that during the transfer of property and responsibilities SMART must continue to serve NWPCo's current customers to comply with the requirements of STB, we are proposing to retain the existing freight operator to continue serving the existing customers on an interim basis until the feasibility study is completed and approved by your Board.

Environment/Operational Benefits:

In acquiring the freight operation responsibilities SMART will gain complete control over its right-of-way, allowing for much closer coordination of use of the rail line, improving dispatching and scheduling options and allowing SMART to have the ability to provide increased freight services to local freight customers in a more efficient and environmentally friendly way. As we build future stations and extensions, this will benefit SMART's ability to grow service.

FUNDING:

SB 1029 and SB 356 thus far provides \$2 million to SMART, to address the identified deferred maintenance items such as repair of the Black Point Bridge, and in cooperation and collaboration with California Department of Transportation (CALTRANS) as a joint safety project, repairing the Schellville and Highway 37 at grade crossings, fortifying railroad embankments and mainly general maintenance of the railroad right-of-way. These unfunded needs for SMART have been identified as \$8 million for track, signal and infrastructure repairs and maintenance of the Brazos branch and the new property north of Downtown Healdsburg.

POLICY DECISION:

Your Board previously discussed the issues involving NCRA, NWPCo., SB 1029 and SB 356 and the related real estate transactions and at numerous times have taken position of support for SB 1029. Additionally, SMART supported Senator McGuire's efforts in getting the required funding to implement the goals of SB 1029 and SB 356 and communicated SMART's support to Governor Newsom and various State Legislators.

In the past 2 years, as outlined by SB 1029, we have been negotiating with NWPCo. for the acquisition of the rail line and freight easement and in the last 12 months with State of California's Task Force on SB 1029. Upon affirmative confirmation of the policy before your board, in order for us to move forward, the following actions are required by your board:

1. Approve the Concept of SMART becoming a Common Carrier and Freight service provider (directly or through a contract) with the understanding of all of its privileges, opportunities and obligations from Sonoma-Mendocino County line south and east to Napa River.
2. Accept the additional Right-of-way from Downtown Healdsburg to Sonoma-Mendocino County Line (20.8 miles).
3. Authorize the General Manager to execute the "Asset Transfer Agreement" between SMART and NWPCo in substantially the from attached hereto as (Attachment 2).
4. Authorize the General Manager to execute the Baseline Agreement between State of California and SMART in substantially the from attached hereto as (Attachment 3).
5. Direct the Chair of the Board and General Manager to work with Senator McGuire, other State Legislators, Governor and his/her administration to secure the funding needed for the ongoing maintenance and capital project of the freight area.
6. Authorize General Manager to file required documents with the Surface Transportation Board authorizing SMART to acquire railroad right-of-way and transferring common freight carrier rail operations authority to SMART for all freight services south of MP 89.
7. Authorize General Manager to issue a Request for Proposal to seek a freight consultant who would perform Economic Feasibility Study of the entire SMART owned area and analysis for the options to provide freight services in the future.
8. Authorize General Manager to negotiate and execute an agreement with NWPCo to provide interim service to the existing freight customers until the Board has made a permanent decision.

9. Request the Chair of the Board to assign a number of Board members and the General Manager to meet with officials from County of Sonoma, Town of Sonoma, First Responders and the affected Community regarding the future of the existing practice of storage of Liquidated Petroleum Gasoline (LPG) and report back to the Board in a future public meeting.

If your board approves these steps, we will move forward with completing the required agreement but will not execute any documents until NCRA Board and State of California have all approved the aforementioned documents.

Very truly yours,

/s/

Farhad Mansourian
General Manager

Cc: Senator McGuire

Jason Liles
State of California Task Force
Chad Edison
Doug Bosco
Mitch Stogner

Attachment(s):

- 1) Senator McGuire Letter, dated May 15, 2020
- 2) California State Transportation and SMART Baseline Agreement
- 3) Asset Transfer Agreement
- 4) Senate Bill 1029
- 5) Senate Bill 356
- 6) Exhibition Map



May 15, 2020

Mr. Eric Lucan, Chair
SMART Board of Directors
5401 Old Redwood Highway, Suite 200
Petaluma, CA 94954

Dear Chair Lucan:

I hope this letter finds you and your family safe and healthy.

I am writing today in support of your agenda item on the NWPCo freight contract acquisition. I know how much work your Board and staff have put into this over the last couple of years and I am impressed with the progress that has been made.

There is no doubt in my mind that having the freight contract as part of the SMART portfolio is not only good public policy but also good business. And it's something the District has needed – complete control over your own right of way. Consolidating all rail operations on this line into one public entity is in the best interest of our communities and having a public board with local officials making the decisions is good for everyone.

And, according to NWPCo financials, the freight operations are currently profitable and will give SMART an alternative revenue source for operations and maintenance, even in this down economy.

Looking at the bigger picture, the state is seeking ways to fund the SMART extension to Cloverdale and has already underwritten a study to look at the feasibility of running SMART west to east, from Novato to Suisun City. Extending your right of way ownership to the north and obtaining the freight contract can only make these projects easier to achieve in the long run.

Mr. Eric Lucan, Chair
May 15, 2020
Page 2

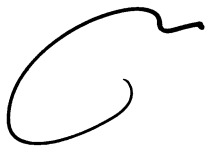
We have worked hard in the Senate over the years to bring state dollars to SMART and will continue to do so to ensure you are made whole on this added obligation. We have been quite successful over the last couple of years in acquiring funding for the whole SB 1029 process, and that includes \$2 million up front to SMART to make infrastructure improvements related to this project. As a member of both the Senate Transportation Committee and the Senate Budget Committee, I will continue to fight to ensure SMART has the funds it needs to take care of these new assets and to continue to expand and serve our remarkable communities such as the \$20 million in state funds that were recently secured to move SMART into Windsor.

Auditors from the Department of Finance and the experts at the State Transportation Agency have gone over this deal with a fine-tooth comb and I trust them when they say the deal is worth the investment.

This contract belongs in public hands. It is an innovative and logical solution and opens alternative revenue sources for the rail district. I am grateful for the proactive leadership your board has shown through this entire process.

Thank you for your hard work and please let me know if I can answer any questions.

Warmest Regards,

A handwritten signature in black ink, appearing to be 'MIKE MCGUIRE', with a stylized, looping initial 'M' and a small flourish at the end.

MIKE MCGUIRE
Senator

California State Transportation Agency

Sonoma-Marín Area Rail Transit District

Baseline Agreement

DRAFT

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**STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION**

Effective Date of this Agreement: April 30, 2020 or upon signature by all parties,
whichever is later

Termination Date of this Agreement: April 30, 2025

SMART: Sonoma Marin Area Rail Transit ("SMART")

Present Funding Sources: Statutes of 2018, Ch. 934 S.B. 1029 (McGuire, 2018),
section 17; Assembly Bill 74 Budget Act 2019-2020 – FY
2019-20 Item 0521-101-0001.

RECITALS

1. WHEREAS, Section Seventeen of Senate Bill 1029 (McGuire, 2018) appropriated \$4,000,000.00 (four million dollars) for the Sonoma Marin Area Rail Transit ("SMART") to acquire freight rights and equipment from the Northwestern Pacific Railroad Company ("NWP Co."), subject to specified conditions;
2. WHEREAS, SMART and NWP Co. have negotiated in good faith and come to tentative agreement to transfer NWP Co.'s freight rights and assets to SMART;
3. WHEREAS, the \$4,000,000.00 will revert to the Public Transportation Account if CalSTA has not transferred the funds to SMART by September 28, 2020;
2. WHEREAS, Item 0521-101-0001 of the Budget Act 2019-2020 Assembly Bill 74 (Ting, 2019) includes \$2,000,000.00 (two million dollars) for SMART for safety upgrades and maintenance upon acquisition of a freight contract as specified in Chapter 934 of the Statutes of 2018;
3. WHEREAS, the Surface Transportation Board ("STB") requires that existing freight customers continue to be served after a transfer of freight rights;
4. NOW THEREFORE, in consideration of the recitals and the rights, duties and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to the following:
5. This Agreement, entered into effective as of the date set forth above, or upon signature by all parties, whichever is later, is between SMART and the STATE OF CALIFORNIA, acting by and through the California State Transportation Agency ("CalSTA") as may be amended from time to time.

ARTICLE I - DEFINITIONS

The terms defined in this Article I shall for all purposes of this Agreement have the meanings specified herein.

1.1 “Act” refers to SB 1029 (McGuire, 2018), North Coast Railroad Authority Closure and Transition to Trails Act, Chaptered September 29, 2018, which, among other things, appropriated \$4 million for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company to ensure efficient provision of goods movement requirements in the context of passenger service.

1.2 “Agreement” shall mean this Baseline Agreement, inclusive of all appendices and Program Supplements.

1.3 “Award Agreement” shall mean a project-specific subcontract to this agreement executed following Project award and may include Project specific information, expected outcomes, and deliverables.

1.4 “California Department of Transportation” or “Caltrans” or “Department” means the State of California, acting by and through its Department of Transportation of the State of the State of California, and any entity succeeding to the powers, authorities and responsibilities of the Department invoked by or under this Agreement or the Program Supplements.

1.5 “California Transportation Commission” or “CTC” shall refer to the commission established in 1978 by Assembly Bill 402 (Chapter 1106, Statutes of 1977).

1.9 “Overall Funding Plan” has the meaning set forth in Article II, Section 2(A)(5)(c).

1.11 “Program Supplement” shall mean a project-specific amendment to this Agreement that is pursuant to the SB 1029 or 2019-2020 Budget Act funding or following any additional appropriations or allocations and shall include all Project specific information needed to encumber funding and shall include expected outcomes and deliverables.

1.12 “Program Supplement Last Expenditure Date” refers to the last date for SMART to incur valid Project costs or credits.

1.13 “Program Supplement Termination” shall occur when after SMART’s obligations have been fully performed as set forth in Article II, Section 2D and Article III, Section 3(C)(2) or when terminated by convenience as set forth in Article III, Section 3(C)(1).

1.14 “Project” shall mean the project identified in the scope of work of a program supplement executed by SMART and State.

1.15 “Project Closeout Report” shall have the meaning set forth in Article II, Section 3(B).

1.16 “Project Financial Plan” shall have the meaning set forth in Article II, Section 2(A)(5)(d).

1.17 “Progress Payment Invoice” shall have the meaning set forth in Article II, Section 3A.

1.18 “Project Schedule” has the meaning set forth in Article II, Section 2(A)(5)(b).

1.19 “Scope of Work” has the meaning set forth in Article II, Section 2(A)(5)(a).

1.20 “Secretary” shall mean the Secretary of the California State Transportation Agency (CalSTA). Unless the context otherwise requires, any reference to the Secretary includes CalSTA and its officers and employees.

1.21 “State” shall mean the State of California, including its agencies and departments, and their officers and directors.

ARTICLE II –PROJECT AND ADMINISTRATION

Section 1. Project and Project Management

1. The acquisition of freight rights and equipment and projects to support freight and passenger rail on the corridor, pursuant to the Act and the Budget Act, are implemented by CalSTA in accordance with the legislation. Under delegation from CalSTA, the Department may administer any program supplements in accordance with the best management practices identified in the administration of similar Department grant programs.

2. SMART will cause each specific track project Board Resolution to be attached as part of any Program Supplement as a condition precedent to the acceptance of Budget Act or other appropriations and allocations (upon availability and allocation), for each such project.

3. All inquiries during the term of this Agreement and any applicable Program Supplement will be directed to the project representatives identified below:

State’s Project Administrator:	SMART’s Project Administrator:
California State Transportation Agency	Agency Name
Chad Edison	Agency Contact Name
Chief Deputy Secretary for Rail and Transit	Title
Phone: [Enter Phone #]	(XXX) XXX-XXXX
Email: [firstname.lastname@ gov]	Contact email

Section 2. Program Supplement

A. General

1. This Agreement shall have no force and effect with respect to the Project unless and until a separate Project specific program supplement hereinafter referred to as “Program Supplement,” adopting all of the terms and conditions of this Agreement has been fully executed

by both State and SMART. The effective date of this Agreement shall be upon signature by all parties.

2. SMART agrees to complete the defined scope of work for the Project, described in the Program Supplement adopting all of the terms and conditions of this Agreement.

3. A financial commitment of actual funds will only occur in each detailed and separate Program Supplement. No funds are obligated by the prior execution of this Agreement alone.

4. SMART further agrees, as a condition to the release and payment of the funds encumbered for the scope of work described in each Program Supplement, to comply with all of the terms and conditions of this Agreement and all the agreed-upon special covenants and conditions attached to or made a part of the Program Supplement provided the nature of that specific scope of work is identified and defined in the special covenants and conditions.

5. The Program Supplement shall include a detailed scope of work, which shall include but not be limited to, a Project Description, Project deliverables, requirements for each Project deliverable, a Project Schedule, an Overall Funding Plan with anticipated expenditures, a Project Financial Plan and reporting requirements.

a. The Scope of Work shall include a detailed description of the Project and will itemize the major tasks and their estimated costs, as well as the Project deliverables and the requirements for each Project deliverable.

b. The Project Schedule shall include major tasks and/or milestones and their associated beginning and ending dates and duration.

c. The Overall Funding Plan shall itemize the various Project Components, the committed funding program(s) or source(s), and the matching funds to be provided by SMART and/or other funding sources, if any [these Components include Environmental and Permits; Plans, Specifications and Estimates (PS&E); Right-of-Way (ROW); and Construction (including transit vehicle acquisition)] and an anticipated expenditure schedule.

d. The Project Financial Plan shall identify estimated expenditures for the Project Component by funding source, provided that for the purposes of this Agreement the State is only monitoring compliance for expenditures of State funds.

6. Adoption and execution of the Program Supplement by SMART and State, incorporating the terms and conditions of this Agreement into the Program Supplement as though fully set forth therein, shall be sufficient to bind SMART to these terms and conditions when performing the Project and the Program Supplement shall incorporate the terms and conditions of this Agreement by reference. Unless otherwise expressly delegated to a third-party in a resolution by SMART's governing body, which delegation must be expressly assented to and concurred in by State, the work performed pursuant to the Program Supplement shall be managed by SMART.

7. The estimated cost and scope of the Project will be as described in the applicable Program Supplement. The State shall not participate in any funding for the Project beyond those amounts actually encumbered by the State as evidenced in the applicable Program Supplement.

8. Upon the stated expiration date of this Agreement, any Program Supplement executed under this Agreement for the Project with obligations that are not fully completed pursuant to the approved Project Schedule shall be deemed to extend the term of this Agreement only to conform to the specific Project termination or completion date, including completion of deliverables and reporting requirements contemplated by the applicable Program Supplement, in order to allow that uncompleted Project to be administered under the extended terms and conditions of this Agreement. No new program supplements may be authorized during an extended term.

B. *Project Overrun*

1. If SMART or the State determine, at any time during the performance of the Project, that the Project budget may be exceeded, SMART shall take the following steps:

a. Notify the designated State representative of the nature and projected extent of the overrun and, within a reasonable period thereafter, identify and quantify potential cost savings or other measures which SMART will institute to bring the Project Budget into balance; and

b. Identify the source of additional SMART or other third-party funds that can be made available to complete Project. SMART agrees that the allocation of additional funds is subject to appropriation and allocation; and SMART understands and agrees that CalSTA cannot guarantee additional funding.

C. *Cost Savings and Project Completion*

1. SMART is encouraged to evaluate design and construction alternatives that would mitigate the costs of delivering the commitments for the Project. SMART shall take all commercially reasonable steps that are necessary in accordance with best management practices in order to rehabilitate segments of the alignment for freight and passenger rail operations. In determining cost savings, the Parties shall take into account all avoided costs, including avoided design, material, equipment, labor, construction, testing, acceptance and overhead costs, and avoided costs due to time savings, and all the savings in financing costs associated with such avoided costs.

2. If there is an identification and implementation of any CalSTA-approved alternative resulting in reduction of the Project costs, the parties agree that SMART shall provide a prorated share of Project or Project component cost savings based on the overall project match to the State no later than 30 days after the submission of the final invoice. Subject to CalSTA's written approval, savings may be used towards another project component or towards increasing project

benefits that are consistent with the original project purpose while maintaining the overall project match, if any, referenced in the project award and program supplements.

3. Program supplements will indicate the Project or Component proration of funding match, if any.
4. SMART agrees to complete the Project and accepts sole responsibility for the payment of any cost increases.

D. Scope of Work

1. SMART shall be responsible for complete performance of the work described in the approved Program Supplement for the Project related to the commitment of encumbered funds. All work shall be accomplished in accordance with the applicable provisions of the Act, the Public Utilities Code, the Government Code, annual Budget Acts and other applicable statutes and regulations.
2. SMART acknowledges and agrees that SMART is the sole controlling entity and manager of the Project, and it is solely responsible for the Project's subsequent employment, operation, repair and maintenance for the benefit of the public and for passenger and freight goods movement. SMART shall be solely responsible for complying with the funding and use restrictions established by (a) the Act, the Budget Act or subsequent legislation, (b) the State Treasurer, (c) the Internal Revenue Service, (d) the applicable Program Supplement and (e) this Agreement.
3. SMART acknowledges and agrees that SMART is responsible for complying with all reporting requirements established by the Act and Budget Act according to the Program Supplements.

E. Program Supplement Amendments

Program Supplement amendments will be required whenever there are CalSTA actions, including but not limited to, Financial Allocations, Financial Allocation Amendments, Time Extensions and Technical Corrections. These changes shall be mutually binding upon the Parties only following the execution of a Program Supplement amendment.

Section 3. Allowable Costs and Payments

A. Allowable Costs and Progress Payment Invoice

1. Not more frequently than once a month, SMART will prepare and submit to State a signed Progress Payment Invoice for actual Project costs incurred and paid for by SMART consistent with the allocation and Scope of Work document in the Program Supplement and State shall pay those uncontested allowable costs. If no costs were incurred during any given quarter, SMART is exempt from submitting a signed Progress Payment Invoice.

2. State shall not be required to reimburse more funds, cumulatively, per quarter of any fiscal year greater than the sums identified and included in the Project Financial Plan. The State shall hold the right to determine reimbursement availability based on an approved expenditure plan and actual funding capacity. Each such invoice will report the total of Project expenditures (including those of SMART and third parties) and will specify the percent of State reimbursement requested

B. *Final Invoice*

The Program Supplement Last Expenditure Dates(s) refer to the last date that SMART can incur valid Project costs or credits. SMART has one hundred and eighty (180) days after that Last Expenditure Date to make already incurred final allowable payments to Project contractors or vendors, prepare the Project Closeout Report, and submit the final invoice to State for reimbursement of allowable Project costs before those remaining State funds are unencumbered and those funds are reverted as no longer available to pay any Project costs. SMART expressly waives and releases any and all rights to allowable reimbursements from State pursuant to this Agreement for costs incurred after that termination date and for costs invoiced to SMART for payment after that one hundred and eightieth (180th) day following the Project Last Expenditure Date.

ARTICLE III – GENERAL PROVISIONS

Section 1. Funding

1. SMART agrees to contribute at least the statutorily required or other required local contribution of matching funds (other than State or federal funds), if any is specified within the Program Supplement or any appendices thereto, toward the actual cost of the Project or the amount specified, if any, whichever is greater. Notwithstanding the foregoing, SMART shall contribute not less than its required match amount toward the Project cost in accordance with a schedule of payments as shown in the Project Financial Plan prepared by SMART and approved by State as part of a Program Supplement.

Section 2. Audits and Reports

A. *Cost Principles*

1. SMART agrees to comply with Title 2 Code of Federal Regulations 200 (2 CFR 200) Uniform Administrative Requirements, Cost Principles for State and Local Government, and Audit Requirements for Federal Awards.

2. SMART agrees, and will assure that, its contractors and subcontractors will be obligated to agree to follow 2 CFR 200 and it shall be used to determine the allowability of individual Project cost items. Every sub-recipient receiving Project funds as a contractor or sub-contractor under this Agreement shall comply with 2 CFR 200.

3. Any Project costs for which SMART has received payment or credit that are determined by subsequent audit to be unallowable under 2 CFR 200, are subject to repayment by SMART to State. Should SMART fail to reimburse moneys due State within thirty (30) days of demand, or within such other period as may be agreed in writing between the Parties hereto, State is authorized to intercept and withhold future payments due SMART from State or any third-party source whose funding passes through the State, including but not limited to, the State Treasurer, the State Controller and the CTC.

4. The State may terminate a grant for any reason at any time if it is determined by the State, based on an audit under this section, that there has been a violation of any State or federal law or policy by SMART during performance under this or any other grant agreement or contract entered into with the State. If the grant is terminated under this section, SMART may be required to fully or partially repay funds.

B. *Record Retention*

1. SMART agrees, and will assure that, its contractors and subcontractors shall establish and maintain an accounting system and records that properly accumulate and segregate incurred Project costs and matching funds by line item for the Project. The accounting system of SMART, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles (GAAP), enable the determination of incurred costs at interim points of completion, and provide support for reimbursement payment vouchers or invoices. All accounting records and other supporting papers of SMART, its contractors and subcontractors connected with Project performance under this Agreement and each Program Supplement shall be maintained for a minimum of three (3) years from the date of final payment to SMART under a Program Supplement and shall be held open to inspection, copying, and audit by representatives of State, the California State Auditor, and auditors representing the federal government. Copies thereof will be furnished by SMART, its contractors, and subcontractors upon receipt of any request made by State or its agents. In conducting an audit of the costs and match credits claimed under this Agreement, State will rely to the maximum extent possible on any prior audit of SMART pursuant to the provisions of federal and State law. In the absence of such an audit, any acceptable audit work performed by SMART's external and internal auditors may be relied upon and used by State when planning and conducting additional audits.

2. For the purpose of determining compliance with Title 21, California Code of Regulations, Section 2500 et seq., when applicable, and other matters connected with the performance of SMART's contracts with third parties pursuant to Government Code section 8546.7, SMART, SMART's contractors and subcontractors, and State, shall each maintain and make available for inspection all books, documents, papers, accounting records, and other evidence pertaining to the performance of such contracts, including, but not limited to, the costs of administering those various contracts. All of the above referenced parties shall make such Agreement and Program Supplement materials available at their respective offices at all reasonable times during the entire Project period and for three (3) years from the date of final payment to SMART under any Program Supplement. State, the California State Auditor, or any duly authorized representative

of State or the United States Department of Transportation, shall each have access to any books, records, and documents that are pertinent to the Project for audits, examinations, excerpts, and transactions, and SMART shall furnish copies thereof if requested.

3. SMART, its contractors and subcontractors will permit access to all records of employment, employment advertisements, employment application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission, or any other agency of the State of California designated by State, for the purpose of any investigation to ascertain compliance with this Agreement and the Act.

C. Reporting Requirements

1. Reporting requirements of SMART will include whether reported implementation activities are within the scope of the Project Program Supplement and in compliance with State laws, regulations, and administrative requirements.

2. Progress Reporting shall be no more frequently than monthly and no less frequently than semi-annually at the discretion of the State and shall generally include the following information:

- a. Activities and progress made towards implementation of the project during the reporting period and activities anticipated to take place in the next reporting period;
- b. Identification of whether the Project is proceeding on schedule and within budget;
- c. Identification of whether the Project Deliverables are proceeding on schedule.
- d. Identification of changes to the Project funding plan, milestone schedule, or deliverables completion date; and
- e. Any actual or anticipated problems which could lead to delays in schedule, increased costs or other difficulties for either the Project or other State funded projects impacted by the Projects scope of work and the efforts or activities being undertaken to minimize impacts to schedule, cost, or deliverables;

3. Within one year of the Project or reportable Project components becoming operable, the implementing agency must provide a final delivery report including at a minimum:

- a. Scope of completed Project as compared to Programmed Project;
- b. Performance outcomes derived from the project shall include but not be limited to before and after measurements and estimates for ridership, service levels, benefits to disadvantaged communities, low income communities, and/or low income households, and project co-benefits as well as an explanation of the methodology used to quantify the benefits.
- c. Before and after photos documenting the project

d. The final costs as compared to the approved project budget by component and fund type, and

e. The project duration as compared to the project schedule in the project application.

Section 3. Special Requirements

A. *California Transportation Commission Resolutions*

1. SMART shall adhere to applicable CTC policies on “Timely Use of Funds” and/or successor resolutions in place at the time a Program Supplement is executed.

2. SMART shall be bound to the terms and conditions of this Agreement and CTC Resolutions in place at the time the Program Supplement is signed (as applicable) and all restrictions, rights, duties and obligations established therein on behalf of State and CTC shall accrue to the benefit of the CalSTA and shall thereafter be subject to any necessary enforcement action by CalSTA or State. All terms and conditions stated in the aforesaid CTC Resolutions in place at the time the Program Supplement is signed (if applicable) shall also be considered to be binding provisions of this Agreement.

3. SMART shall conform to any and all permit and mitigation duties associated with Project as well as all environmental obligations established by law or regulation at the time a Program Supplement is signed, as applicable, at the expense of SMART and/or the responsible party and without any further financial contributions or obligations on the part of State unless a separate Program Supplement expressly provides funding for the specific purpose of hazardous materials remediation.

B. *SMART Resolution*

1. SMART has executed this Agreement pursuant to the authorizing SMART resolution, attached as Appendix B to this Agreement, which empowers SMART to enter into this Agreement and which may also empower SMART to enter into all subsequent Program Supplements adopting the provisions of this Agreement.

2. If SMART or State determines that a separate Resolution is needed for each Program Supplement, SMART will provide information as to who the authorized designee is to act on behalf of SMART to bind SMART with regard to the terms and conditions of any said Program Supplement or amendment and will provide a copy of that additional Resolution to State with the Program Supplement or any amendment to that document.

C. *Termination*

1. Termination Convenience by State

a. CalSTA reserves the right to terminate funding for any Program Supplement, upon written notice to SMART in the event that SMART fails to proceed with Project work in accordance with the Program Supplement, or otherwise violates the conditions of this Agreement and/or the Program Supplement or the funding allocation such that substantial performance is significantly endangered.

b. No such termination shall become effective if, within thirty (30) days after receipt of a notice of termination, SMART either cures the default involved or, if not reasonably susceptible of cure within said thirty (30)-day period, SMART proceeds thereafter to complete the cure in a manner and time line acceptable to CalSTA set in advance and in writing by CalSTA. Any such termination shall be accomplished by delivery to SMART of a notice of termination, which notice shall become effective not less than thirty (30) days after receipt, specifying the reason for the termination, the extent to which funding of work under this Agreement is terminated and the date upon which such termination becomes effective, if beyond thirty (30) days after receipt. During the period before the effective termination date, SMART and State shall meet to attempt to resolve any dispute.

c. Following a fund encumbrance made pursuant to a Program Supplement, if SMART fails to expend monies within the time allowed specified in the Program Supplement, those funds shall revert, and be deemed withdrawn and will no longer be available to reimburse Project work unless those funds are specifically made available beyond the end of that Fiscal Year through re-appropriation or other equivalent action of the Legislature and written notice of that action is provided to SMART by State.

d. In the event CalSTA terminates a Program Supplement for convenience and not for a default on the part of SMART as is contemplated in this section, SMART shall be reimbursed its authorized costs up to State's proportionate and maximum share of allowable Project costs incurred to the date of SMART's receipt of that notice of termination, including any unavoidable costs reasonably and necessarily incurred up to and following that termination date by SMART to effect such termination following receipt of that termination notice.

2. Termination After SMART's Obligations Fully Performed

Following project completion, and all obligations as defined in the Program Supplement are fully performed, including Project completion of all deliverables and reporting, the Program Supplement shall be terminated. If the Project obligations are not fully performed, as defined under this section, SMART may be required to fully or partially repay funds.

D. *Third Party Contracting*

1. SMART shall not award a construction contract over \$10,000 or other contracts over \$25,000 [excluding professional service contracts of the type which are required to be procured in accordance with Government Code Sections 4525 (d), (e) and (f)] on the basis of a non-competitive negotiation for work to be performed under this Agreement without the prior

written approval of State. Contracts awarded by SMART, if intended as local match credit, must meet the requirements set forth in this Agreement regarding local match funds.

2. Any subcontract entered into by SMART as a result of this Agreement shall contain the provisions of ARTICLE III – GENERAL PROVISIONS, Section 2. Audits and Reports and shall mandate that travel and per diem reimbursements and third-party contract reimbursements to subcontractors will be allowable as Project costs only after those costs are incurred and paid for by the subcontractors.

3. In addition to the above, the pre-award requirements of third party contractor/consultants with local transit agencies should be consistent with Local Program Procedures (LPP-00-05).

4. SMART agrees to pay and to require its contractors to pay employees in accordance with federal and state labor laws.

E. Change in Funds and Terms/Amendments

This Agreement and the resultant Program Supplements may be modified, altered, or revised only by a written amendment that is executed by all of the parties in accordance with Article IV, section 1.D.

F. Project Ownership

1. Unless expressly provided to the contrary in a Program Supplement, subject to the terms and provisions of this Agreement, SMART, or a designated subrecipient acceptable to State, as applicable, shall be the sole owner of all improvements and property included in the Project constructed, installed or acquired by SMART or subrecipient with funding provided to SMART under this Agreement. SMART, or subrecipient, as applicable, is obligated to continue operation and maintenance of the physical aspects of the Project dedicated to the public transportation purposes for which Project was initially approved unless SMART, or subrecipient, as applicable, ceases ownership of such Project property; ceases to utilize the Project property for the intended public transportation purposes; or sells or transfers title to or control over Project and State is refunded the Credits due State as provided in paragraph (2) herein below.

2. Project right-of-way, Project facilities constructed or reconstructed on the Project site and/or Project property (including vehicles and rolling stock) purchased by SMART (excluding temporary construction easements and excess property whose proportionate resale proceeds are distributed pursuant to this Agreement) shall remain permanently dedicated to the described public transit and freight uses in the same proportion and scope, and to the same extent as mandated in the Program Supplement, unless State agrees otherwise in writing. Vehicles acquired as part of Project, including, but not limited to, buses, vans, rail equipment, shall be dedicated to that rail transportation use for their full economic life cycle, which, for the purpose of this Agreement, will be determined in accordance with standard national transit practices and applicable rules and guidelines, including any extensions of that life cycle achievable by

reconstruction, rehabilitation or enhancements. The exceptions to this section are outlined below:

a. Except as otherwise set forth in this Section 3, State, or any other State-assignee public body acting on behalf of CalSTA, shall be entitled to a refund or credit (collectively the Credit), at State's sole option, equivalent to the proportionate Project funding participation received by SMART from State if SMART, or a sub-recipient, as applicable, (i) ceases to utilize Project for the original intended transportation purposes or (ii) sells or transfers title to or control over Project. If federal funds (meaning only those federal funds received directly by SMART and not federal funds derived through or from the State) have contributed to the Project, SMART shall notify both State and the original federal source of those funds of the disposition of the Project assets or the intended use of those sale or transfer receipts.

b. State shall also be entitled to an acquisition credit for any future purchase or condemnation of all or portions of Project by State or a designated representative or agent of State.

c. The Credit due State will be determined by the ratio of State's funding when measured against the SMART's funding participation (the Ratio). For purposes of this Section 4, the State's funding participation includes federal funds derived through or from State. That Ratio is to be applied to the then present fair market value of Project property acquired or constructed as provided in (d) and (e) below.

d. For Rail vehicles, rolling stock or other freight equipment this Credit [to be deducted from the then remaining equipment value] shall be equivalent to the percentage of the full extendable vehicle economic life cycle remaining, multiplied by the Ratio of funds provided for that equipment acquisition. For real property, this same funding Ratio shall be applied to the then present fair market value, as determined by State, of the Project property acquired or improved under this Agreement.

e. The Credit due State as a refund shall not be required if SMART dedicates the proceeds of such sale or transfer exclusively to a new or replacement State approved public transit or freight rail purpose, which replacement facility or vehicles will then also be subject to the identical use restrictions for that new public purpose and the Credit ratio due State should that replacement project or those replacement vehicles cease to be used for that intended described pre-approved public transit purpose.

i. In determining the present fair market value of property for purposes of calculating State's Credit under this Agreement, any real property portions of the Project site contributed by SMART shall not be included. In determining State's proportionate funding participation, State's contributions to third parties (other than SMART) shall be included if those contributions are incorporated into the Project.

ii. Once State has received the Credit as provided for above because SMART, or a sub-recipient, as applicable, has (a) ceased to utilize the Project for the described intended

transportation purpose(s) for which State funding was provided and State has not consented to that cessation of services or (b) sold or transferred title to or control over Project to another party (absent State approval for the continued transit operation of the Project by that successor party under an assignment of SMART's duties and obligations), neither SMART, subrecipient, nor any party to whom SMART or subrecipient, as applicable, has transferred said title or control shall have any further obligation under this Agreement to continue operation of Project and/or Project facilities for those described public transportation purposes, but may then use Project and/or any of its facilities for any lawful purpose.

iii. To the extent that SMART operates and maintains Intermodal Transfer Stations as any integral part of Project, SMART shall maintain each station and all its appurtenances, including, but not limited to, restroom facilities, in good condition and repair in accordance with high standards of cleanliness (Public Utilities Code section 99317.8). Upon request of State, SMART shall also authorize State-funded bus services to use those stations and appurtenances without any charge to State or the bus operator. This permitted use will include the placement of signs and informational material designed to alert the public to the availability of the State-funded bus service (for the purpose of this paragraph, "State-funded bus service" means any bus service funded pursuant to Public Utilities Code section 99316).

G. *Disputes*

Parties shall develop a mutually agreed upon issue resolution process, as described below, and issues between the Parties are to be resolved in a timely manner. The Parties agree to the following:

1. If the Parties are unable to reach agreement on any particular issue relating to either Parties' obligations pursuant to this Agreement, the Parties agree to promptly follow the issue resolution process as outlined below:

a. CalSTA's project manager and the SMART's equivalent may initiate the process of informal dispute resolution by providing the other Party with written notice of a dispute. The written notice shall provide a clear statement of the dispute, and shall refer to the specific provisions of this Agreement or Program Supplement that pertain to the dispute. CalSTA's project manager and the SMART's equivalent shall meet and attempt to resolve the dispute within five days from the written notice. If the dispute is resolved, the Parties shall create and sign a short description of the facts and the resolution that was agreed upon by the Parties.

b. If the dispute is not resolved by the fifth day from the written notice, CalSTA's chief deputy for rail and transit and the SMART's equivalent shall meet and review the dispute within five days. CalSTA's deputy and the SMART's equivalent manager shall attempt to resolve the dispute within ten days of their initial meeting. If the dispute is resolved, the Parties shall create and sign a short description of the facts and the resolution that was agreed upon by the Parties.

c. If the dispute is not resolved by the tenth day, CalSTA's Secretary or designee and the SMART's equivalent manager shall meet and review the dispute within five days. CalSTA's

Secretary or designee and the SMART's equivalent manager shall attempt to resolve the dispute within ten days of the initial meeting. If the dispute is resolved, the Parties shall create and sign a short description of the facts and the resolution that was agreed upon by the Parties.

H. *Hold Harmless and Indemnification*

1. Neither State nor any officer or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by SMART, its agents and contractors under or in connection with any work, authority, or jurisdiction delegated to SMART under this Agreement or any Program Supplement or as respects environmental clean-up obligations or duties of SMART relative to Project. It is also understood and agreed that, SMART shall fully defend, indemnify and the State and their officers and employees harmless from any liability imposed for injury and damages or environmental obligations or duties arising or created by reason of anything done or imposed by operation of law or assumed by, or omitted to be done by SMART under or in connection with any work, authority, or jurisdiction delegated to SMART under this Agreement and all Program Supplements.

2. SMART shall indemnify, defend and hold harmless State, the CTC and the State Treasurer relative to any misuse by SMART of State funds, Project property, Project generated income or other fiscal acts or omissions of SMART.

I. *Labor Code Compliance*

SMART shall include in all subcontracts awarded using Project funds, when applicable, a clause that requires each subcontractor to comply with California Labor Code requirements that all workers employed on public works aspects of any project (as defined in California Labor Code §§ 1720-1815) be paid not less than the general prevailing wage rates predetermined by the Department of Industrial Relations as effective the date of Contract award by the SMART.

J. *Non-Discrimination Clause*

1. In the performance of work under this Agreement, SMART, its contractor(s) and all subcontractors, shall not unlawfully discriminate, harass or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability, mental disability, medical condition, age, marital status, family and medical care leave, pregnancy leave, and disability leave. SMART, its contractor(s) and all subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. SMART, its contractor(s) and all subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12900 et seq.), and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Each of SMART's contractors and all subcontractors shall give written notice of their

obligations under this clause to labor organizations with which they have a collective bargaining or other agreements, as appropriate.

2. Each of the SMART's contractors, subcontractors, and/or subrecipients shall give written notice of their obligations under this clause to labor organizations with which they have collective bargaining or other labor agreements. The SMART shall include the non-discrimination and compliance provisions hereof in all contracts and subcontracts to perform work under this Agreement.

3. Should federal funds be constituted as part of Project funding or compensation received by SMART under a separate Contract during the performance of this Agreement, SMART shall comply with this Agreement and with all federal mandated contract provisions as set forth in that applicable federal funding agreement.

4. SMART shall include the non-discrimination and compliance provisions of this clause in all contracts and subcontracts to perform work under this Agreement.

5. The SMART shall comply with the nondiscrimination program requirements of Title VI of the Civil Rights Act of 1964. Accordingly, 49 CFR 21 (Nondiscrimination in Federally-Assisted Programs of The Department Of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964) and 23 CFR Part 200 (Title VI Program and Related Statutes—Implementation and Review Procedures) are made applicable to this Agreement by this reference. Wherever the term "Contractor" appears therein, it shall mean the SMART.

6. The SMART shall permit, and shall require that its contractors, subcontractors, and subrecipients will permit, access to all records of employment, employment advertisements, application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission or any other agency of the State of California designated by Department to investigate compliance with this Section J.

K. *State Fire Marshal Building Standards Code*

The State Fire Marshal adopts building standards for fire safety and panic prevention. Such regulations pertain to fire protection design and construction, means of egress and adequacy of exits, installation of fire alarms, and fire extinguishment systems for any State-owned or State-occupied buildings per section 13108 of the Health and Safety Code. When applicable, SMART shall request that the State Fire Marshal review Project PS&E to ensure Project consistency with State fire protection standards.

L. *Americans with Disabilities Act*

By signing this Master Agreement, SMART assures State that SMART shall comply with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA (42 U.S.C. 12101 et seq.).

M. *Access for Persons with Disabilities*

Disabled access review by the Department of General Services (Division of the State Architect) is required for all publicly funded construction of buildings, structures, sidewalks, curbs and related facilities. SMART will award no construction contract unless SMART's plans and specifications for such facilities conform to the provisions of sections 4450 and 4454 of the California Government Code, if applicable. Further requirements and guidance are provided in Title 24 of the California Code of Regulations.

N. *Disabled Veterans Program Requirements*

1. Should Military and Veterans Code sections 999 et seq. be applicable to SMART, SMART will meet, or make good faith efforts to meet, the 3% Disabled Veterans Business Enterprises goals (or SMART's applicable higher goals) in the award of every contract for Project work to be performed under these this Agreement.

2. SMART shall have the sole duty and authority under this Agreement and each Program Supplement to determine whether these referenced code sections are applicable to SMART and, if so, whether good faith efforts asserted by those contractors of SMART were sufficient as outlined in Military and Veterans Code sections 999 et seq.

O. *Environmental Process*

Completion of the Project environmental process ("clearance") by SMART (and/or State if it affects a State facility within the meaning of the applicable statutes) is required prior to requesting Project funds for right-of-way purchase or construction. No State agency may request funds nor shall any State agency, board or commission authorize expenditures of funds for any Project effort, except for feasibility or planning studies, which may have a significant effect on the environment unless such a request is accompanied with all appropriate documentation of compliance with or exemption from the California Environmental Quality Act (CEQA) (including, if as appropriate, an environmental impact report, negative declaration, or notice of exemption) under California Public Resources Code section 21080(b) (10), (11), and (12) provides an exemption for a passenger rail project that institutes or increases passenger or commuter services on rail or highway rights-of-way already in use.

P. *Force Majeure*

Each party will be excused from performance of its obligations where such non-performance is caused by any event beyond its reasonable control, such as any non-appealable order, rule or regulation of any federal or state governmental body, fire, flood, earthquake, storm, hurricane or other natural disaster, epidemic, pandemic, war, invasion, act of foreign enemies, hostilities (regardless of whether war is declared), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, nationalization, government sanction, blockage, embargo, labor dispute, strike, lockout or interruption, provided that the party excused

hereunder shall use all reasonable efforts to minimize its non-performance and to overcome, remedy or remove such event in the shortest practical time.

Should a *force majeure* event occur which renders it impossible for a period of forty-five (45) or more consecutive days for either party to perform its obligations hereunder, the Parties agree to negotiate in good faith to amend the existing Master Agreement or Supplemental Agreement to deal with such event and to seek additional sources of funding to continue the delivery of the project and/or operation of the Service.

ARTICLE IV – MISCELLANEOUS PROVISIONS

Section 1. Miscellaneous Provisions

A. *Successor Acts*

All statutes cited herein shall be deemed to include amendments to and successor statutes to the cited statutes as they presently exist.

B. *Successor and Assigns to the Parties*

Neither this Agreement nor any right, duty or obligation hereunder may be assigned, transferred, hypothecated or pledged by any party without the express written consent of the other party; provided, that unless otherwise expressly required herein, a party shall not be obligated to obtain the written consent of the other party with respect to any contract related to the Service for the provision of goods and/or services to the contracting party in the ordinary course of business.

C. *Notice*

Any notice which may be required under this Agreement shall be in writing, shall be effective when received, and shall be given by personal service, or by certified or registered mail, return receipt requested, to the addresses set forth below, or to such other addresses as may be specified in writing and given to the other party in accordance herewith.

If given to CalSTA:

California State Transportation Agency

915 Capitol Mall, Suite 350B

Sacramento, CA 95814

Attention: Chief Deputy Secretary for Rail and Transit

with a copy to:

California Department of Transportation

Division of Rail and Mass Transportation

P.O. Box _____

Sacramento, CA 95812-

Attention: Division Chief for Rail and Mass Transportation

If given to the SMART:

Agency Name

Address.

City, XXXXX-XXXX

Attention: Contact Name

D. *Amendment*

This Agreement may not be changed, modified, or amended except in writing, signed by the parties hereto, and approved in advance in writing by the Secretary, and any attempt at oral modification of this Agreement shall be void and of no effect.

E. *Representation and Warranties of the Parties*

1. SMART hereby represents and warrants to the Department that:

a. SMART is in good standing under applicable law, with all requisite power and authority to carry on the activities for which it has been organized and proposed to be conducted pursuant to this Agreement.

b. SMART has the requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by such entity, the performance by it of its obligations thereunder and the consummation of the transactions contemplated thereby have been duly authorized by the governing board of such entity and no other proceedings are necessary to authorize this Agreement or to consummate the transactions contemplated thereby. The Agreements have been duly and validly executed and delivered by such entity and constitute valid and binding obligations of such entity, enforceable against it in accordance with their terms, except to the extent that such enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws now or hereinafter in effect relating to the creditor's rights and the remedy of specific enforcement and injunctive and other forms of equitable relief, and may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought.

c. Neither the execution and delivery of this Agreement and the performance of its obligations thereunder nor the consummation of the transactions contemplated thereby will (i) conflict with or result in a breach of any provision of any agreement to which SMART is a party; (ii) violate any write, order, judgment, injunction, decrees, statute, rule or regulation of any court or governmental authority applicable to such entity or its property or assets.

2. CalSTA does hereby represent and warrant with respect to each of this Agreement to SMART that:

a. It validly exists with all requisite power and authority to carry on the activities proposed to be conducted pursuant to this Agreement.

b. It has the requisite power and authority to execute and deliver this Agreement and to carry out its obligations thereunder. The execution and delivery of this Agreement, the performance by it of its obligations thereunder and the consummation of the transactions contemplated thereby have been duly authorized and no other proceedings are necessary to authorize this Agreement or to consummate the transactions contemplated thereby. The agreements have been duly and validly executed and delivered by it and constitute valid and binding obligations, enforceable against it in accordance with their terms, except to the extent that such enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws now or hereinafter in effect relating to creditor's rights and other forms of equitable relief, and may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought.

c. Neither the execution and delivery of this Agreement and the performance of its obligations thereunder nor the consummation of the transactions contemplated thereby will (i) conflict with or result in a breach of any provision of any agreement to which SMART is a party; (ii) violate any writ, order, judgment, injunction, decree, statute, rule or regulation of any court or governmental authority applicable to such entity or its property or assets.

F. *Construction, Number, Gender and Captions*

The Agreements have been executed in the State of California and shall be construed according to the law of said State. Numbers and gender as used therein shall be construed to include that number and/or gender which is appropriate in the context of the text in which either is included. Captions are included therein for the purposes of ease of reading and identification. Neither gender, number nor captions used therein shall be construed to alter the plain meaning of the text in which any or all of them appear.

G. *Complete Agreement*

This Agreement, including Appendices, constitutes the full and complete agreement of the parties, superseding and incorporating all prior oral and written agreements relating to the subject matter of this Agreement. All attached Appendices A and B are hereby incorporated and made an integral part of this Agreement by this reference.

H. *Partial Invalidity*

If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this

Agreement and the remaining parts of this Agreement shall be enforced as if such invalid, illegal or unenforceable part were not contained herein.

I. *Conflicts*

To the extent that any provision of or requirement of this Agreement may conflict with a provision or requirement of any other agreement between the parties hereto, or between a party hereto and any other party, which is attached to this Agreement as an appendix, the following priority of agreements shall be employed to resolve such conflict. In the event of a conflict, the Master Agreement controls the Program Supplement and any further Amendments.

J. *Counterparts*

This Agreement may be executed in one or more counterparts and may include multiple signature pages, all of which shall be deemed to be one instrument. Copies of this Agreement may be used in lieu of the original.

K. *Governing Law*

The Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers.

[SIGNATURES TO FOLLOW]

**CALIFORNIA STATE
TRANSPORTATION AGENCY**

Sonoma-Marín Area Rail Transit

BY: _____
DAVID S. KIM
Secretary

BY: _____
Farhad Mansourian
General Manager

DATE: _____

DATE: _____

APPROVED AS TO FORM AND PROCEDURE

CALIFORNIA STATE TRANSPORTATION AGENCY

BY: _____
Attorney

DATE: _____

APPENDIX A
[DEPARTMENT DELEGATION]

DRAFT

**APPENDIX B
RECIPIENT'S RESOLUTION
(INSERT AGENCY BOARD RESOLUTION)**

DRAFT

ASSET TRANSFER AGREEMENT

This Asset Transfer Agreement (the "Agreement"), entered into and effective this ___ day of _____, 2019 (the "Effective Date"), is made and entered into by and between Sonoma-Marín Area Rail Transit District, a public transit district established under California law ("SMART"), and the Northwestern Pacific Railroad Company ("NWPCO"), a California Corporation established under California law). SMART and NWPCO are sometimes herein referred to individually as a "Party" and collectively as the "Parties" to this Agreement.

WHEREAS, Senate Bill No. 1029 enacted into law on August 24, 2018, appropriates the sum of four million dollars to the State Transportation Agency to be allocated to the Sonoma-Marín Area Rail Transit District under certain conditions for the acquisition of freight rights and equipment from NWPCO;

WHEREAS, SMART is authorized to acquire such freight rights and related equipment from NWPCO in order to carry out the purposes of Senate Bill No. 1029;

WHEREAS, in order to effectuate the intent of Senate Bill No. 1029, NWPCO and SMART hereby agree to enter in a baseline agreement for the transfer and conveyance of NWPCO's freight rights and equipment to SMART pursuant to the terms and conditions necessary to receive approval from the State Secretary of Transportation and Director of Finance;

WHEREAS, the transfer and conveyance of NWPCO's freight interest, rights and equipment is not considered to be a Project subject to environmental review;

WHEREAS, in order to effectuate the intent of Senate Bill No. 1029, NWPCO shall consummate an Agreement with the North Coast Rail Authority, ("NCRA") to discontinue NWPCO operations South of milepost 89.0 (Sonoma/Mendocino County line) and to assign, transfer and convey its freight rights and equipment related thereto to SMART;

WHEREAS, in order to effectuate the intent of Senate Bill No. 1029, the NCRA-SMART 2011 Operating and Coordination Agreement dated June 20th, 2011, and as thereafter amended dated December 13, 2017, shall continue to be in full force and effect for operations north of milepost 89.0 only.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements herein contained, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties intending to be legally bound hereby agree as follows:

I. DEFINITIONS

1.1 **Defined Terms.** As used herein, the following terms shall have the meanings specified in this Section 1. 1 (such definitions to be equally applicable to the singular and plural forms of the term defined) as follows:

“Acquired Assets” - Shall have the meaning set forth in Section 2.1(b) hereof.

“Action” – Shall mean any suit, claim, action, arbitration, audit or proceeding before any court, tribunal, arbitral body or other Governmental Entity.

“Administration and Proration Agreement” - Shall have the meaning set forth in Section 2.6 hereof.

“Agreement” – Shall have the meaning set forth in the preamble hereto.

“Ancillary Agreements” – Shall have the meaning set forth in Section 7.1 hereof.

“Assignment and Assumption Agreement” – Shall have the meaning set forth in Section 2.1(a)(iv) hereof.

“Assumed Liabilities” – Shall have the meaning set forth in Section 2.3 hereof.

“Bill of Sale” – Shall have the meaning set forth in Section 2.1(a)(iii) hereof.

“Closing” – Shall have the meaning set forth in Section 3.1 hereof.

“Closing Date” – Shall have the meaning set forth in Section 3.1 hereof.

“Contracts” – Shall have the meaning set forth in Section 2.1(a)(iv) hereof.

“Environmental Claim” - Shall mean any claim, action, demand, or notice by or on behalf of any Governmental Entity, person or entity alleging potential liability under, or a violation of, any Environmental Law.

“Environmental Laws” - Shall mean federal, state or local laws or any applicable regulation, rule, order or decree relating to pollution or protection of the environment, including but not limited to laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants or hazardous or toxic material or wastes, including petroleum, into ambient air, surface water, ground water or land or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or hazardous or toxic materials or wastes, including but not limited to petroleum.

“Environmental Permits” - Shall mean any and all permits, licenses, approvals, registrations, notifications, exemptions and any other authorization pursuant to or required under any Environmental Law.

“Environmental Remedial Action” - Shall mean any and all actions required to (i) clean up, remove, treat, contain or in any other way take remedial action or response action of or with respect to any Material of Environmental Concern in the environment; (ii) prevent the Release or threat of Release or minimize the further Release of Materials of Environmental Concern so they do not migrate or endanger public health or welfare or the indoor or outdoor environment; or (iii) perform pre-remedial studies and investigations and post-remedial monitoring and care. The term “Environmental Remedial Action” includes without limitation any action which constitutes a “removal”, “remedial action” or “response” as

defined by Section 101 of CERCLA, 42 U.S.C. § 9601(23), (24), and (25), as amended, and the same or similar words as used and defined under counterpart laws of applicable states or other jurisdictions.

“Environmental Report” - Shall mean any report, study, assessment, audit or other similar document prepared by or on behalf of NCRA or NWPCO, which addresses any issue of actual or potential noncompliance with, or actual or potential liability under, any Environmental Law.

“Excluded Assets” – Shall have the meaning set forth in Section 2.2 hereof.

“Excluded Liabilities” – Shall have the meaning set forth in Section 2.4 hereof.

“Governmental Entity” - Any agency, authority, entity, board, bureau, court, commission, department, instrumentality or administration of the United States government, any state government or any local or other governmental body in a state, territory or possession of the United States or the District of Columbia, with jurisdiction over the applicable subject matter.

“Liens” – Shall mean any lien, security interest, option, mortgage, pledge, restriction or encumbrance, except if created as a result of applicable federal and state securities law restrictions.

“Material Adverse Effect” - Shall mean a change or effect that (i) has or is reasonably likely to have an adverse effect on the business, assets, condition (financial or otherwise) or results of operation of an entity, or (ii) impairs or is reasonably likely to impair an entity’s ability to perform any of its obligations under this Agreement, which, in each case, results or is reasonably likely to result in an out of pocket expenditure of more than –\$50,000__ (the “Dollar Threshold”) over and above available insurance coverage, but shall not mean a change or effect (i) that relates to the economy and financial markets generally and not specifically to such entity, (ii) that relates to the industry in which such entity operates generally and not specifically to such entity, (iii) that results from natural disasters, calamities and other force majeure events, or (iv) that results from any outbreak or escalation of armed hostilities, any acts of war or terrorism.

“Materials of Environmental Concern” - Shall mean any material or substance that is defined or classified as a “hazardous substance”, “hazardous material”, “hazardous waste”, “pollutant”, “contaminant”, or any other substance regulated pursuant to or that could give rise to liability under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601(14)), as amended; the Federal Water Pollution Control Act (33 U.S.C. § 1321), as amended; the Resource Conservation and Recovery Act (42 U.S.C. §§ 6903, 6921), as amended; the Federal Water Pollution Control Act (33 U.S.C. § 1317(a)(1)), as amended; the Clean Air Act (42 U.S.C. § 7412), as amended; the Hazardous Materials Transportation Uniform Safety Act of 1990 (49 U.S.C. App. § 1802(4)), as amended; the Federal Insecticide and Rodenticide Act (7 U.S.C. § 136), as amended; analogous state and local laws; and any other Environmental Laws.

“NCRA” – Shall mean the North Coast Railroad Authority or any successor agency designated by law which may be responsible for NCRA’s debts, liabilities or obligations following the Closing.

“Notice” – Shall have the meaning set forth in Section 12.7 hereof.

“Party” or “Parties” – Shall have the meaning set forth in the preamble hereto.

“Quitclaim Deed” – Shall have the meaning set forth in Section 2.1(a)(i) hereof.

“Rail Line” – Shall have the meaning set forth in Section 2.1(a)(i) hereof.

“Release” – Shall mean any release, emission or discharge of any Material of Environmental Concern, in, into or onto the environment, including any release, as defined in CERCLA or any other Environmental Law, of any Material of Environmental Concern.

“SMART” – Shall mean the Sonoma-Marín Area Rail Transit District.

“STB” – Shall mean the Surface Transportation Board of the Department of Transportation or any successor federal agency with primary jurisdiction over the Rail Line conveyance transaction that is the subject of this Agreement.

“Taxes” – Shall mean all ad valorem and real property taxes, personal property taxes, sales and use and similar taxes, assessments and charges (if any) relating to the Acquired Assets.

1.2 Other Definitional Provisions. (a) Unless otherwise stated, terms, phrases and expressions used in this Agreement (whether or not capitalized) which pertain to railroad assets shall have the meaning commonly given such terms under common usage and practice of the railroad industry.

(b) All references to the real and personal property and other assets, rights, benefits, privileges and interests transferred by NWPCO under the terms of this Agreement shall mean any and all ownership or leasehold interests of NWPCO in and to such real and personal property and other assets, rights, benefits, privileges and interests, to the extent applicable, as such real and personal property and other assets, rights, benefits, privileges and interests are owned, leased, used or held for use by NWPCO.

(c) The Article and Section headings contained in this Agreement are for reference purposes only and shall not ~~effect~~ affect in any way the meaning or interpretation of this Agreement. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof. Unless the context of this Agreement otherwise requires: (i) words of any gender include the other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms “hereof,” “herein,” “hereby” and derivative or similar words refer to this entire Agreement; and (iv) the terms “Article” or “Section” refer to the specified Article or Section of this Agreement. Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless otherwise specified. Whenever the words “included,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

II. TRANSFER OF NWPCO ASSETS

2.1 Transfer of NWPCO’s Assets.

(a) Pursuant to the terms and subject to the conditions of this Agreement, NWPCO hereby agrees to transfer and convey to SMART at Closing all of its right, title and interest in and to the

following assets that are either owned by NWPCO or leased by it, (subject to provisions of Section 2.2 regarding Excluded Assets):

(i) any and all real property interests owned or leased by NWPCO (including any fee interest, leasehold interest, deed of trust or easement rights) in the railroad right of way and associated real property (including any spur or branch lines, depot property or other real property interests along or adjacent to the pertinent rail corridor) That constitute part of the line of railroad and rail corridor extending from approximately milepost 89.0 at the Sonoma/Mendocino County line south to approximately milepost 14 and east to the City of American Canyon approximately at milepost 49.80 (Brazos Junction the "Rail Line"), which real property is more particularly described in the Quitclaim Deed attached hereto as **Exhibit A (the "Quitclaim Deed")**.

(ii) any and all fixtures, appurtenances and articles of personal property that constitute part of the Rail Line (including without limitation rail, ties, spikes, tie plates, ballast, rail anchors, bridges, culverts, materials, supplies and other supporting structures) as well as signals and road crossing protection equipment, which personal property is more particularly described in the Quitclaim Deed;

(iii) any and all personal property which is reasonably related to the operation and maintenance of the Rail Line, including but not limited to any locomotives, railcars and other railroad equipment, maintenance machinery, roadway equipment parts and supplies and rail inventories as more particularly described in the Bill of Sale attached hereto as **Exhibit B (the "Bill of Sale")**;

(iv) any and all contractual rights, privileges and authorizations relating to the Rail Line, (the "Contracts") as more particularly described in the Assignment and Assumption Agreement attached hereto as **Exhibit C ("the Assignment and Assumption Agreement")** and **Schedule 1** thereto (which lists the Contracts to be assigned from NWPCO to SMART at Closing);

(v) any and all licenses, certificates of public convenience and necessity, common carrier rights, freight restart rights, or other rights or authorizations relating to rail operations on the Rail Line; and

(vi) any and all other rights, privileges and assets relating to the Rail Line which may be identified by the Parties hereto prior to or subsequent to Closing.

(b) The assets described above shall be referred to in this Agreement as the "Acquired Assets."

2.2 Excluded Assets. The following real property, personal property, fixtures, and other assets shall be excluded from the assets that will be transferred and conveyed from NWPCO to SMART pursuant to this Agreement (the "Excluded Assets"):

(a) the real property interests which constitute part of the right-of-way and rail corridor north of approximately milepost 89.0 at the Sonoma/Mendocino County Line;

(b) the portions of any and all contractual rights, privileges and authorizations that do not apply or relate to the Acquired Assets (including without limitation those contractual rights,

privileges and authorizations relating or applying to the northern portion of the right-of-way and rail corridor north of approximately milepost 89.0 at the Sonoma/Mendocino County Line;

(c) any and all contractual rights, privileges and authorizations that would otherwise be transferred to SMART but that SMART instructs NWPCO to terminate prior to the Closing (including, without limitation, any contractual agreements between NCRA and NWPCO), provided NWPCO can lawfully effectuate such termination pursuant to such contractual agreements

(d)-any and all contractual rights, privileges and authorizations that entitle NWPCO to the repayment of amounts owed to it by NCRA, (except for any interest in real property owned by NCRA south of milepost 89.0)

(e) any interest in real property heretofore specifically pledged by NCRA to NWPCO for the repayment of debt (including the Ukiah Railroad Depot Property and the Mason Street Property pledged in that certain Remediation Agreement referenced hereto entered into by and between NCRA and NWPCO) or such interest in real property owned by NCRA north of milepost 89.0 as might be lawfully claimed by NWPCO in the future to secure or effectuate such repayment

(f) Other assets not included in the Acquired Assets, including accounts receivable for goods or services already provided and cash related to the period prior to 12:01 a.m. Pacific Time on the day immediately following the Closing Date.

2.3 Assumed Obligations. At the Closing, SMART shall assume the following obligations of NWPCO relating to the Acquired Assets (subject to the provisions of Section 2.4 regarding Excluded Liabilities) (the "Assumed Liabilities"):

(a) All obligations attributable to the period commencing on and after 12:01 a.m. Pacific Time on the day immediately following the Closing Date (as defined in Section 3.1 of this Agreement) that arise under the Contracts assigned by NWPCO to SMART pursuant to Section 2.1, as more particularly set forth in the Assignment and Assumption Agreement; and

(b) All obligations and liabilities attributable only to the period commencing on and after 12:01 a.m. Pacific Time on the day immediately following the Closing Date relating solely to SMART's, operation or use of the Acquired Assets.

2.4 Limitation on Assumption of Liabilities. Except as expressly stated above with respect to the Assumed Liabilities, SMART shall not assume or be responsible for any and all of NWPCO, NCRA, the State of California and/or any other parties' obligations and liabilities, including but not limited to the following (the "Excluded Liabilities")

(a) All obligations and liabilities attributable to the period prior to 12:01 a.m. Pacific Time on the day immediately following the Closing Date that arose under the Contracts assigned to SMART pursuant to Section 2.1, as more particularly set forth in the Assignment and Assumption Agreement;

(b) All obligations and liabilities attributable to the period prior to 12:01 a.m. Pacific

Time on the day immediately following the Closing Date relating to NWPCO's ownership/leasehold, operation, use and/or possession of the Acquired Assets;

(c) All obligations and liabilities of NWPCO for the payment of Taxes, damages, lawsuits, causes of action, fines or fees (if any) applicable to the Acquired Assets or otherwise that occurred or arose prior to 12:01 Pacific Time on the day immediately following the Closing Date, except to the extent expressly allocated to SMART under this Agreement;

(d) All obligations and liabilities of NWPCO under that portion of any Contract that does not relate to the Acquired Assets; and

(e) All obligations and liabilities of NWPCO relating to the Excluded Assets.

2.5 Purchase Price; Consideration. As consideration for the sale to Buyer of the Purchased Assets, at the Closing Buyer shall pay to Seller the sum of Four Million Dollars (\$4,000,000), (the "Purchase Price"). The parties acknowledge and agree that no other payments or other transfers of value from SMART to NWPCO or any other party will be required at Closing in order to consummate the transfer and conveyance transaction specified herein--nor is any part of the consideration intended to pay or offset any indebtedness owed by NCRA to NWPCO.

2.6 Adjustments and Prorations. To the extent that any adjustment or proration of revenue received after Closing pertaining to the Contracts to be assigned to and assumed by SMART is determined by the Parties to be necessary, or other post-Closing adjustments and prorations relating to Taxes or otherwise are required, the Parties shall enter into an Administration and Proration Agreement in the form attached hereto as **Exhibit D**.

III. CLOSING:

3.1 Closing Date and Place. The closing of the transactions contemplated herein (the "Closing") shall take place at the offices of SMART prior to December 31, 2020 on such specific date mutually agreeable to the Parties, which shall be no later than the third (3rd) business day after satisfaction or waiver of the conditions set forth in Article VIII and IX ("Closing Date").

3.2 Deliveries by NWPCO. At or prior to the Closing, NWPCO shall deliver to SMART the following:

- (a) an executed Quitclaim Deed;
- (b) an executed Bill of Sale;
- (c) an executed Assignment and Assumption Agreement;
- (d) an executed Administration and Proration Agreement (if necessary);
- (e) an executed Agreement between NCRA and NWPCO (1) consenting to NWPCO's discontinuation of operations and partial termination of Lease with NCRA south of the Sonoma/Mendocino County line (MP 89), and (2) the assignment transfer and conveyance of its

railroad assets and associated rights to SMART, and (3) termination of the NCRA-SMART 2011 Operating and Coordination Agreement as amended, dated December 13, 2017 as such agreement is applicable to sections south of milepost 89.0

(f) such certificates, resolutions, instruments and documents as SMART may reasonably require to evidence NWPCO's transfer of the Acquired Assets to SMART in accordance with the legislative intent of [S.B. No. 1029].

(g) such certificates, resolutions, instruments and documents as SMART, STB or FRA may require to terminate NCRA and NWPCO freight operations and authorize SMART freight operation south of milepost 89.0.

3.3 Deliveries by SMART. At or prior to the Closing, SMART shall deliver to NWPCO the following:

- (a) an executed Assignment and Assumption Agreement; and
- (b) an executed Administration and Proration Agreement (if necessary); and
- (c) the Purchase Price, which shall be payable by wire transfer of immediately available funds to the account designated by NWPCO; and
- (d) SMART shall use its reasonable efforts to take all necessary actions or resolutions and execute any required instruments and documents to acquire the regulatory approval contemplated under this and Section 12.1(a)

IV. ADDITIONAL UNDERTAKINGS AND AGREEMENTS

4.1 Timing. The parties agree that in the event that any date on which performance is to occur falls on a Saturday, Sunday or state or national holiday, then the time for such performance shall be extended until the next business day thereafter occurring.

V. NWPCO'S REPRESENTATIONS AND WARRANTIES

NWPCO represents, warrants, and/or covenants, as applicable, as of the date hereof and as of Closing that:

5.1 Organization and Power and Authority. NWPCO is a California Corporation duly organized and validly existing under California law, and has all requisite power and authority and full legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by NWPCO have been duly authorized by all necessary action on the part of NWPCO. This Agreement has been duly executed and delivered by NWPCO, and assuming that this Agreement is a valid and binding obligation to SMART, this Agreement constitutes a valid and binding obligation of NWPCO, enforceable against NWPCO in accordance with its terms.

5.2 Noncontravention. Except as set forth on **Schedule 5.2**, and except for filings, permits,

authorizations, consents and approvals as may be required by, and other applicable requirements of, the Surface Transportation Board ("STB"), the execution, delivery and performance of this Agreement NWPCO will not (i) conflict with or result in a breach of any provision of NWPCO's contracts or NCRA's authorizing legislation (as amended by [S.B. No. 1029]); (ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity; (iii) result in a violation or breach of any of the terms, conditions or provisions of any note, bond, or mortgage to which NWPCO is a party or by which it or any of its properties or assets may be bound; (iv) violate any order, writ, injunction, judgment, decree, statute, rule or regulation applicable to NWPCO (v) result in the creation or imposition of any Lien on any of the Acquired Assets. To achieve the assurances hereunder as to NCRA, prior to closing, NWPCO shall confirm and provide SMART with the same verifications and noncontravention assurances from NCRA related to their ability to approve this agreement and the assignment, transfer and conveyance of the freight rights and interest to SMART.

5.3 Licenses and Permits. NWPCO has not received written notice from any Governmental Entity, and to NWPCO's knowledge no notice has been threatened in writing by any Governmental Entity, asserting that NWPCO does not have a license, permit, variance, certification, exemption, franchise, authorization or approval necessary to own, lease, use and/or operate, as applicable, the Acquired Assets as such assets are currently operated.

5.4 Litigation. Except as disclosed in **Schedule 5.4** attached hereto, there is no Action pending before any Governmental Entity or arbitrator, or to NWPCO's knowledge threatened in writing before any Court, Governmental Entity or arbitrator, in either case against or affecting or involving: (i) the Acquired Assets, or the business, operations, value or use thereof or related thereto; or (ii) NWPCO, as to which an adverse determination would materially impair the ability of NWPCO to perform its obligations under this Agreement. Neither NWPCO nor the Acquired Assets is subject to any outstanding order, writ, judgment, award, injunction or decree that, individually or in the aggregate, could reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by the Agreement.

5.5 Title to Assets.

(a) The real property leasehold interest held by NWPCO and personal property owned by NWPCO (including any locomotives, maintenance and construction equipment) to be conveyed by NWPCO to SMART pursuant to this Agreement will be free and clear of all Liens as of the Closing.

(b) NWPCO has good and valid title to the personal property that will be conveyed to SMART.

(c) For Assets owned by NCRA that NWPCO has a long-term lease, NWPCO will convey the long-term lease and transfer the exclusive right to use such Assets, under a long-term lease to SMART.

5.6 Status of Agreements.

(a) NWPCO represents and warrants that, to its knowledge, no party to any of the Contracts is in breach or default thereof and each of the assigned Contracts is in full force and effect.

(b) NWPCO represents and warrants that it has no knowledge of any ~~other~~ written

contracts and agreements, except for those contracts covered by the Assignment and Assumption Agreement or the Agreement for the Resurrection of Operations Upon the Northwestern Pacific Railroad line and Lease Agreement dated September 2006, that give third parties the right to use, access, enter or operate over the Rail Line.

5.7. Environmental Matters. Except as set forth in **Schedule 5.7** hereto, (i) NWPCO has not received written notice from any Governmental Entity alleging a violation by NWPCO of any applicable Environmental Laws, there are no pending Environmental Claims against NWPCO, and NWPCO has no knowledge of any Environmental Claim threatened in writing against the NWPCO, (ii) NWPCO is not subject to any judgment, decree, order, injunction or similar requirement relating to compliance with any Environmental Law or to Materials of Environmental Concern; and (iii) to the knowledge of NWPCO, it has provided to SMART true and complete copies of all Environmental Reports prepared on or after 2006, each of which is identified in **Schedule 5.7**.

5.8 Taxes. Except as set forth on **Schedule 5.8**, (i) NWPCO has timely filed all tax returns that it was required to file with respect to the Acquired Assets, (ii) all such tax returns were correct and complete in all material respects and were prepared in substantial compliance with all applicable laws and regulations, and (iii) all taxes due and owing by or with respect to NWPCO, to the extent applicable to the Acquired Assets, have been paid. There are no Liens on any of the Acquired Assets that arose in connection with any Tax or otherwise.

VI. SMART'S REPRESENTATIONS AND WARRANTIES

SMART represents, warrants and/or covenants, as applicable, as of the date hereof and as of Closing, that:

6.1 Organization and Power and Authority. SMART is a public agency duly organized and validly existing under California law and has all requisite power and authority and full legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by SMART have been duly authorized by all necessary action on the part of SMART. This Agreement has been duly executed and delivered by SMART, and assuming that this Agreement is the valid and binding obligation of SMART, this Agreement constitutes a valid and binding obligation of SMART, enforceable against SMART in accordance with its terms.

6.2 Noncontravention. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the STB, the execution, delivery and performance of this Agreement by SMART will not (i) conflict with or result in any breach of its authorizing statute (as amended by [S.B. No. 1029]), (ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity, or (iii) violate any order, writ, injunction, judgment, decree, statute, rule or regulation applicable to SMART.

6.3 Litigation. SMART is not subject to any outstanding order, writ, injunction or decree that, individually or in the aggregate, could reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by the Agreement. There is no Action pending, or to

SMART's knowledge threatened in writing, before any Governmental Entity or arbitrator against or affecting or involving SMART as to which an adverse determination would materially impair the ability of SMART to perform its obligations under this Agreement.

VII. COVENANTS AND AGREEMENTS

7.1 In making its determination to close the transactions contemplated by this Agreement the State and SMART have relied on the representations and warranties of NWPCO expressly and specifically set forth in this Agreement (including the Schedules attached hereto), the Quitclaim Deed, the Bill of Sale, the Assignment and Assumption Agreement, the Administration and Proration Agreement (if any), and any other agreements, documents and instruments delivered pursuant hereto or in connection with the transactions contemplated by this Agreement (collectively, the "Ancillary Agreements").

7.2 NWPCO's Management of the Acquired Assets Prior to Closing.

(a) Negative Covenants. NWPCO covenants and agrees with SMART that, from the Effective Date of this Agreement through the Closing Date, it will not, without the prior written approval of SMART, do or agree to do any of the following:

(i) Sell, assign, lease, mortgage, pledge, grant any right or interest in, or otherwise transfer or dispose of, all or any part of its real or personal property rights or operating rights with respect to its portion of the Acquired Assets;

(ii) Grant, amend, modify, extend or terminate any operating agreement, trackage rights, haulage rights, marketing agreements, joint facility agreements or other agreements affecting use, access to or rail operations over the Rail Line;

(iii) Amend or renew any Contracts or enter into any new agreement or incur any obligation or liability (contingent or absolute) relating to its portion of the Acquired;

(iv) Abandon or discontinue service on all or any part of the Rail Line;

(v) Enter into, amend or renew any agreements with shippers or receivers for movement of traffic over the Rail Line or for other use of the Rail Line (including without limitation for storage of rail products or related products); or

(vi) Replace or substitute rail or any other Acquired Assets other than with material of the same or better kind and quality.

(b) Affirmative Covenants. NWPCO covenants and agrees with SMART that from the date hereof through the Closing it will conduct its affairs relating to the Acquired Assets in the ordinary course and in consultation with SMART.

7.3 Other Action. Each of the Parties to this Agreement shall use its reasonable best efforts to cause the fulfillment at the earliest practicable date of all of the conditions to the obligations of the Parties to consummate the transactions contemplated under this Agreement.

7.4 Amended Schedules.

(a) At least five (5) business days prior to the Closing Date, NWPCO shall deliver to SMART any final amendments to the Schedules to this Agreement that reflect changes, if any, since the date of this Agreement, and which Schedules, as amended, shall supersede the prior schedules; provided, however, that if the amendments to such Schedules, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on SMART, then the parties shall be required to take reasonably steps to eliminate such Material Adverse Effect.

VIII. CONDITIONS PRECEDENT TO SMART'S OBLIGATION TO CLOSE

The obligations of SMART to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions at or prior to the Closing (any or all of which may be waived in whole or in part by SMART, if lawful):

8.1 Representations, Warranties and Covenants. The representations and warranties of NWPCO set forth in Article V shall be true and correct in all material respects at and as of the Closing. NWPCO shall have performed in all material respects all obligations required to be performed by it under this Agreement., except in any case where such failure to perform would not reasonably be likely to have a Material Adverse Effect on SMART;

8.2 No Prohibition to Consummation. No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order that is then in effect and has the effect of restraining, prohibiting or restricting, in a material respect, the consummation of the transactions contemplated by this Agreement;

8.3 Required Consents of Governmental Entities. All consents, authorizations, orders and approvals of (or filings or registrations with) any Governmental Entity required in connection with the execution, delivery or performance of this Agreement, the failure of which to obtain would prevent or materially delay the consummation of the transactions contemplated by this Agreement or have a Material Adverse Effect on SMART, shall have been obtained and be in full force and effect without the imposition of any condition having a Material Adverse Effect on SMART; and

8.4 Documents at Closing. NWPCO shall have delivered to SMART on or before the Closing all agreements, instruments and documents required to be delivered by NWPCO to SMART pursuant to Section 3.2. NWPCO and SMART shall have agreed upon any Exhibits and other documents which, by the terms of this Agreement, are to be agreed upon by NWPCO and SMART after the date hereof and prior to Closing.

8.5 Governmental Litigation. There shall be no governmental investigation pending or any order, injunction, or decree outstanding, against SMART relating to, or seeking to prohibit or otherwise challenge the consummation of, the transactions contemplated by this Agreement or to obtain substantial damages with respect thereto.

8.6 Future Funding and Assurances. Prior to Closing SMART shall receive satisfactory assurances that the State is committed to and will allocate additional funds to SMART for freight, operations, maintenance and liability of the rail line and the Acquired Assets.

IX. CONDITIONS PRECEDENT TO NWPCO's OBLIGATION TO CLOSE

The respective obligations of NWPCO to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions at or prior to the Closing (any and all of which may be waived in whole or in part by NWPCO, if lawful):

9.1 Representations, Warranties and Covenants. The representations and warranties of SMART set forth in Article VI of this Agreement shall be true and correct in all material respects at and as of the Closing, except in any case where such failure to be true and correct would not reasonably be likely to have a Material Adverse Effect on NWPCO. SMART shall have performed in all material respects all obligations required to be performed by it under this Agreement, except in any case where such failure to perform would not reasonably be likely to have a Material Adverse Effect on NWPCO;

9.2 No Prohibition to Consummation. No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order that is then in effect and has the effect of restraining, prohibiting or restricting, in a material respect, the consummation of the transactions contemplated by this Agreement;

9.3 Required Consents of Governmental Entities. All consents, authorizations, orders and approvals of (or filings or registrations with) any Governmental Entity required in connection with the execution, delivery or performance of this Agreement, the failure of which to obtain would prevent or materially delay the consummation of the transactions contemplated by this Agreement, or have a Material Adverse Effect on NWPCO, shall have been obtained and be in full force and effect without the imposition of any condition (other than the imposition by the STB of standard labor protective conditions) having a Material Adverse Effect on NWPCO;

9.4 Documents at Closing. SMART shall have delivered to NWPCO on or before the Closing all agreements, instruments and documents required to be delivered by SMART to NWPCO pursuant to Section 3.3. NWPCO and SMART shall have agreed upon any Exhibits and other documents which, by the terms of this Agreement, are to be agreed upon by NWPCO and SMART after the date hereof and prior to Closing.

9.5 Governmental Litigation. There shall be no governmental investigation pending or any order, injunction, or decree outstanding, against NWPCO relating to, or seeking to prohibit or otherwise challenge the consummation of, the transactions contemplated by this Agreement or to obtain substantial damages with respect thereto.

9.6 RRIF Loan. On or before closing, that certain debt obligation related to the liability for the Rail Line under the Federal Railroad Administration's Rehabilitation and Improvement Financing (RRIF) loan balance due shall be placed into an escrow account..

X. RISK OF LOSS: DEFAULT: TERMINATION

10.1 Risk of Loss. Subject to the limitations stated in this Section 10.1, as between NWPCO and SMART until Closing, the risk of loss or damage by fire or other casualty to the Acquired Assets, ordinary wear and tear excepted, shall be incurred by NWPCO; provided, however, that NWPCO may elect either (i) at its sole cost, to diligently restore, replace and repair such assets to their condition immediately prior to such loss or damage (for which time NWPCO may reasonably extend the Closing Date), or (ii) to provide SMART at Closing with an amount sufficient to pay for the restoration, replacement and repair of such assets to their condition immediately prior to such loss or damage through an assignment of insurance proceeds to which NWPCO would be entitled; provided, however, that, NWPCO shall not be obligated to restore, replace and repair (or pay for such restoration, replacement and repair of) such assets if: (1) SMART, on the one hand, and NWPCO, on the other hand, mutually determine that such restoration, replacement and repair is not necessary; or (2) the aggregate cost of such restoration, replacement and repair is less than \$30,000.

10.2. Termination. This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written consent of SMART and NWPCO;
- (b) By either party if the Agreement is not consummated by the Closing Date.
- (c) by SMART if the State Transportation Agency does not transfer the appropriated sum of four million dollars (\$4,000,000) as provided for by Senate Bill No. 1029 to SMART.
- (d) by SMART if satisfactory assurances for funding as stated in Section 8.6 of this Agreement have not occurred.

10.3 Effect of Termination. Upon any termination of this Agreement by either NWPCO or SMART as provided in Section 10.2, this Agreement shall become void and of no further force and effect and there shall be no liability or obligation under this Agreement on the part of NWPCO or SMART.

XI. SURVIVAL: INDEMNIFICATION

11.1 Indemnification. NWPCO agrees to indemnify and hold harmless SMART its managers, officers, directors, employees, agents from and against any and all losses, liabilities, claims, damages, costs and expenses, including reasonable attorneys' and accountants' fees, costs of suit and costs of appeal (collectively, the "Damages"), insofar as such Damages (or actions in respect thereof) are based upon or arise out of this transaction transferring the Acquired Assets; or relate to NWPCO's use or operations of the Acquired Assets under this Agreement that are attributable to the period prior to 12:01 a.m. Pacific Time on the day immediately following the Closing Date.

11.2 Indemnification. SMART agrees to indemnify and hold harmless NWPCO its managers,

officers, directors, employees, agents from and against any and all losses, liabilities, claims, damages, costs and expenses, including reasonable attorneys' and accountants' fees, costs of suit and costs of appeal (collectively, the "Damages"), insofar as such Damages (or actions in respect thereof) are based upon or arise out of or relate to SMART's use or operation of the Acquired Assets under this Agreement that are attributable to the period after 12:01 a.m. Pacific Time on the day immediately following the Closing Date.

11.3 Survival of Representations Warranties, Covenants and Indemnification. The representations, warranties, covenants and indemnification of the parties contained in this agreement or in any certificate delivered by them under this agreement will survive the Closing Date of this agreement for a period of two (2) years. No claim for indemnification hereunder may be made after the expiration of the foregoing two-year period.

XII. MISCELLANEOUS`

12.1 Consents and Filings.

(a) Governmental Filings. NWPCO will cause to be made all required filings and submissions under the ICC Termination Act of 1995 and any other laws or regulations applicable to the consummation of the transactions contemplated by this Agreement. NWPCO shall be responsible for all filing fees, Transfers, Use, Taxes and other expenses in connection with such transfer and filings. SMART shall use its reasonable efforts to take all actions and to do all things necessary to acquire the regulatory approval contemplated under this Section 12.1(a).

(b) With Respect to Freight Contracts. Except as otherwise expressly provided in **Schedule 12.1(b)**, and notwithstanding any provision herein to the contrary, the obtaining of authorization, consent or approval for the assignment of the Contracts shall not be a condition precedent to each Party's obligation to close the transactions that are the subject of this Agreement, nor shall SMART have any recourse against NWPCO in connection with the failure to obtain authorization, consent or approval for the assignment of any such Contract, except with respect to the Agreement for the Resurrection of Operations Upon the Northwestern Pacific Railroad Line and Lease Agreement dated September 2006 and any and subsequent amendments).

12.2 Reasonable Efforts. NWPCO and SMART agree to use reasonable efforts to take, or cause to be taken, all actions necessary to comply promptly with all legal requirements that may be imposed with respect to the Agreement and the transactions contemplated herein (which actions shall include, without limitation, furnishing all information required in connection with required approvals of or filings with any Governmental Entity) and shall promptly cooperate with and furnish information to each other in connection with any such requirements imposed upon any of them in connection with the Agreement and the transactions contemplated herein. NWPCO and SMART, both before and within a reasonable period after the Closing, will use reasonable efforts to take all reasonable actions necessary, proper or advisable under applicable laws and regulations to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement, including, without limitation, defending any lawsuits or other proceedings challenging this Agreement.

12.3 Expenses. All deed taxes, transfer taxes, sales taxes, use taxes, recording fees and similar charges, duties, levies and fees incurred in connection with the transactions contemplated hereunder (if any) including the sale, transfer, and delivery of the Acquired Assets shall be borne by NWPCO. Except as provided in the preceding sentence or as otherwise expressly provided in this Agreement, each Party hereto shall pay its own expenses incident to this Agreement and the transactions contemplated hereunder, including without limitation all legal and accounting fees, disbursements and mortgage registration taxes, whether or not the transactions contemplated by this Agreement are consummated.

12.4 Waiver. No delay or failure on the part of any Party hereto in exercising any right, power or privilege under this Agreement, or under any other agreements or instruments given in connection with or pursuant to this Agreement shall impair any such right, power or privilege or be construed as a waiver of default or any acquiescence therein. No waiver shall be valid against any Party hereto unless made in writing and signed by the Party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

12.5 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

12.6 Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of the respective successors and permitted assigns of the Parties; provided however, that this Agreement and any of the rights, interests or obligations hereunder may not be assigned, directly or indirectly, or by operation of law or otherwise, by any Party without the prior, written consent of the other Parties.

12.7 Notices. All notices and other communications (individually, a "Notice") hereunder shall be in writing and shall be deemed received on the date such Notice is personally delivered (providing proof of delivery), on the first business day following the date on which such Notice is sent by a nationally recognized overnight courier (providing proof of delivery) or on the fifth business day following the date such Notice is mailed by registered or certified mail (return receipt requested). A Notice to a Party shall, unless another address is specified by such Party to the other Parties, be sent to the address indicated below:

If to NWPCO:

Douglas H. Bosco, Esq.
645 Fourth St, Suite 105
Santa Rosa, California 95403

If to SMART:

Farhad Mansourian
General Manager
Sonoma-Marin Area Rail Transit District (SMART)
5401 Old Redwood Hwy., Suite 200
Petaluma, CA 94954

12.8 Announcements. No press release, or other public announcement or communication, related to this Agreement or the transactions contemplated hereby shall be issued or made without the joint approval of NWPCO and SMART, unless required by law (in the reasonable opinion of counsel), in which case NWPCO and SMART shall each have the right to review and provide input on such press release or other public announcement or communication prior to publication.

12.9 Entire Agreement. This Agreement, including the Exhibits and Schedules hereto and all other instruments and documents referred to herein or delivered pursuant hereto or in connection herewith, represents the entire understanding of the Parties hereto, supersedes all prior oral or written memoranda and agreements by or between two or more of the Parties to the extent they relate in any way to the subject matter hereof, and may not be supplemented or amended, except by a written instrument executed by and delivered to each of the Parties hereto designating specifically the terms and provisions so supplemented and amended.

12.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when said counterparts have been signed by each of the Parties and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart. A facsimile signature shall be deemed an original.

12.11 Limitation on Benefits. This Agreement (including the Exhibits and Schedules hereto and the Ancillary Agreements) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder, except, to the extent expressly set forth in this Agreement, a Party's successors or permitted assigns.

12.12 Severability. If fulfillment of any clause or provision of this Agreement or performance of any transaction related thereto, at the time such fulfillment or performance shall be due, shall exceed the limit of validity prescribed by law, then the obligation to be fulfilled or performed shall be reduced to the limit of such validity; and if any clause or provision contained in this Agreement operates or would operate prospectively to invalidate any portion of this Agreement, in whole or in part, then such clause or provision only shall be held ineffective, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect (unless the effect of so doing would deprive a Party substantially of the benefit of the bargain negotiated by such Party).

12.13 Governing Law. This Agreement and the Ancillary Agreements shall be construed in accordance with and governed by the laws of the State of California.

12.14 Dispute Resolution. If any dispute arises between the Parties relating to the interpretation, breach or performance of this Agreement or the grounds for the termination thereof, and the Parties cannot resolve the dispute within thirty (30) days of a written request by either Party to the other Party, the Parties agree to hold a meeting, attended by executive level personnel of each Party, to attempt in good faith to negotiate a resolution of the dispute prior to pursuing other available remedies. If, within sixty (60) days after such written request, the Parties have not succeeded in negotiating a

resolution of the dispute, such dispute shall be submitted to final and binding arbitration under the then current commercial rules and regulations of the Judicial Arbitration and Mediation Services ("JAMS") relating to voluntary arbitrations. The arbitration proceedings shall be held before a single arbitrator selected by mutual agreement of the Parties. The Parties shall provide all documents, records and supporting information, and take all such further actions reasonably necessary to resolve the dispute as promptly as practicable after the selection of the arbitrator. Each Party shall bear its own costs and legal fees associated with such arbitration. The decision of the arbitrator shall be final and binding on the Parties. Judgment on the award so rendered may be entered in any court having competent jurisdiction thereof and shall be enforceable under the Federal Arbitration Act.

12.15 Time is of the Essence. With respect to the performance by the Parties of their obligations hereunder, and with respect to the consummation of the transactions that are the subject of this Agreement, the Parties agree and acknowledge that time is of the essence.

12.16 Books and Records. The Parties hereto shall keep records and books of account relating to the Acquired Assets and all transactions contemplated by this Agreement and shall preserve such any such records and books of account for a period of at least 4 years or for the required period under the records retention act (which ever is longer) after Closing, or such longer period as may be required by applicable law. Each Party hereto and its duly authorized representatives, during normal business hours upon reasonable advance notice to the other Party, shall have the right at its sole expense to inspect such books and records of account for purposes of verifying compliance with the terms and conditions of this Agreement; provided, however, that nothing herein shall require any Party to make available documents or data that bear no direct relationship to compliance with the terms and conditions of this Agreement.

DRAFT 05/11/2020

IN WITNESS WHEREOF, each of the Parties hereto has executed this Agreement or has caused this Agreement to be duly executed on its behalf, as of the day and year first above written.

Sonoma-Marin Area Rail Transit District

Northwestern Pacific Railroad Company

By: _____

By: _____

Its: _____

Its: _____

DRAFT

Exhibits

Exhibit A – Quitclaim Deed

Exhibit B – Bill of Sale

Exhibit C – Assignment and Assumption Agreement

Exhibit D – Administration and Proration Agreement (if necessary)

DRAFT

Senate Bill No. 1029

CHAPTER 934

An act to amend Sections 93000, 93010, 93020, and 93021 of, to add and repeal Section 13978.9 of, to repeal Sections 93001, 93002, 93023, and 93024 of, and to repeal and add Sections 93003 and 93022 of, the Government Code, and to amend Section 105095 of the Public Utilities Code, relating to transportation, and making an appropriation therefor.

[Approved by Governor September 29, 2018. Filed with
Secretary of State September 29, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1029, McGuire. North Coast Railroad Authority.

(1) Existing law creates the North Coast Railroad Authority with various powers and duties relating to rail service in the north coast area of the state, including the authorization to acquire, own, operate, and lease real and personal property reasonably related to the operation and maintenance of railroads.

This bill would require the Transportation Agency, in consultation with the Natural Resources Agency, upon the appropriation of moneys by the Legislature for these purposes, to conduct an assessment of the North Coast Railroad Authority to provide information necessary to determine the most appropriate way to dissolve the authority and dispense with its assets and liabilities, and to report on the assessment to the Legislature before July 1, 2020. The bill would authorize those agencies to request the Department of General Services, the Department of Finance, or any department within their agencies, or contract with other entities, to perform the work the agencies deem necessary to carry out the assessment. The bill would require the Transportation Agency to prioritize the assessment of the southern portion of the rail corridor, and would authorize the Transportation Agency to separately report information related to the potential transfer of the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District.

This bill would repeal and revise various provisions relating to the authority. The bill would authorize the authority to acquire, own, operate, and lease real and personal property reasonably related to, instead, the furtherance of certain purposes, the planned transfer of all of its assets, and its dissolution. The bill would require the authority to cooperate with the assessment conducted by the Transportation Agency and Natural Resources Agency, and to provide access to all authority records, files, documents, accounts, reports, correspondence, and financial affairs to the agencies, and any entity conducting the assessment for the agencies.

Existing law creates, within the Counties of Sonoma and Marin, the Sonoma-Marín Area Rail Transit District with specified duties and powers. Existing law requires the district to work with specified authorities to achieve a safe, efficient, and compatible system of passenger and freight rail service, and authorizes the district, among other things, to provide a rail transit system for the transportation of passengers and their incidental baggage by rail.

This bill would authorize the district to also provide a rail transit system for the provision of freight service by rail.

Existing law creates the Public Transportation Account as a trust fund. Existing law requires revenues in the account to be used solely for mass transportation and transportation planning purposes, as specified.

This bill would appropriate \$4,000,000 to the Transportation Agency from the Public Transportation Account for rail improvements on the corridor owned by the district and the authority. The bill would allocate those moneys to the district for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company to ensure efficient provision of goods movement requirements in the corridor in the context of growing passenger service, and authorizes the transfer of those moneys to the district, as specified.

(2) Because this bill would impose new requirements on local entities, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares that the North Coast Railroad Authority's railroad tracks, rights-of-way, and other properties provide an opportunity to create a Great Redwood Trail for hiking, biking, and riding, that may be in the public and economic best interests of the north coast.

SEC. 2. Section 13978.9 is added to the Government Code, to read:

13978.9. (a) Upon the appropriation of moneys by the Legislature for these purposes, the Transportation Agency, in consultation with the Natural Resources Agency, shall conduct an assessment of the North Coast Railroad Authority to provide information necessary to determine the most appropriate way to dissolve the North Coast Railroad Authority and dispense with its assets and liabilities. The Transportation Agency shall report to the Legislature before July 1, 2020, on its findings and recommendations from

the assessment. The report shall include, but not be limited to, all of the following:

(1) An assessment of the North Coast Railroad Authority's debts, liabilities, contractual obligations, and litigation.

(2) An assessment of the North Coast Railroad Authority's assets, including property, rights-of-way, easements, and equipment.

(3) An assessment of the North Coast Railroad Authority's freight contractor lease, including the contractor's assets and liabilities to the extent that information is available.

(4) A preliminary assessment of the viability of constructing a trail on the entirety of, or a portion of, the property, rights-of-way, or easements owned by the North Coast Railroad Authority, and recommendations relating to the possible construction of a trail, including both of the following:

(A) Options for railbanking and the governance structure or ownership structure for a new or successor entity that is necessary to railbank property, rights-of-way, and easements along the rail corridor.

(B) A preliminary assessment of which portions of the terrain along the rail corridor may be suitable for a trail.

(5) An assessment of the options for transferring the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District and recommendations on the specific assets and liabilities that could be transferred, including rights or abilities to operate freight rail.

(b) The Transportation Agency and the Natural Resources Agency may request the Department of General Services, the Department of Finance, or any department within their agencies, or contract with other entities, to perform the work the agencies deem necessary to carry out the duties described in this section. Any work done by the Department of General Services, the Department of Finance, or any department within the agencies pursuant to such a request may be conducted using the power and authority of the requested department.

(c) The Transportation Agency shall prioritize the assessment of the southern portion of the rail corridor and may separately report information related to the potential transfer of the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District. It is the intent of the Legislature that information and recommendations regarding the potential transfer of the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District be provided as expeditiously as possible and not be delayed due to the potential complexity of assessing the northern portion of the rail corridor.

(d) (1) A report to be submitted pursuant to this section shall be submitted in compliance with Section 9795.

(2) Pursuant to Section 10231.5, this section is repealed on January 1, 2024.

SEC. 3. Section 93000 of the Government Code is amended to read:

93000. This title shall be known and may be cited as the North Coast Railroad Authority Closure and Transition to Trails Act.

SEC. 4. Section 93001 of the Government Code is repealed.

SEC. 5. Section 93002 of the Government Code is repealed.

SEC. 6. Section 93003 of the Government Code is repealed.

SEC. 7. Section 93003 is added to the Government Code, to read:

93003. The Legislature finds and declares that it is in the public interest to dissolve the authority, and to transfer its rights-of-way to other entities for the purpose of potentially developing a trail that could include railbanking and continuing freight where it was operational on January 1, 2018.

SEC. 8. Section 93010 of the Government Code is amended to read:

93010. (a) The authority is hereby created, having a service area comprised of the Counties of Humboldt, Mendocino, Sonoma, and Trinity.

(b) The County of Marin may elect to join the authority and, if that election is made, the authority is expanded to include that county.

SEC. 9. Section 93020 of the Government Code is amended to read:

93020. (a) The authority has all of the following powers:

(1) To acquire, own, operate, and lease real and personal property reasonably related to the furtherance of the purposes of this title, the planned transfer of all of its assets, and its dissolution. Any sale, easement, or lease entered into by the authority after August 1, 2018, shall be approved by the California Transportation Commission.

(2) To operate railroads along the rights-of-way where they were in operation on January 1, 2018.

(3) To accept grants or loans from state or federal agencies.

(4) To employ an executive officer, other staff, and consultants deemed appropriate for support of the activities of the authority, to further the purposes of this title.

(b) The authority shall do all of the following:

(1) In coordination with state agencies, immediately begin planning for the transfer of all of the authority's assets and liabilities and for the dissolution of the authority.

(2) Cooperate with its freight contractor to continue freight operations along the rights-of-way where they were in operation on January 1, 2018.

(3) Cooperate with, and provide information upon request to, the Transportation Agency, Natural Resources Agency, or other state or local agencies or contractors working at the direction of the Transportation Agency or Natural Resources Agency.

(4) Cooperate fully with the assessment conducted pursuant to Section 13978.9.

SEC. 10. Section 93021 of the Government Code is amended to read:

93021. The authority may acquire, own, lease, and operate railroad lines and equipment, including, but not limited to, real and personal property, tracks, rights-of-way, equipment, and facilities, to further the purposes of this title.

SEC. 11. Section 93022 of the Government Code is repealed.

SEC. 12. Section 93022 is added to the Government Code, to read:

93022. The authority shall cooperate with the assessment conducted by the Transportation Agency and Natural Resources Agency pursuant to Section 13978.9, and shall provide access to all authority records, files,

documents, accounts, reports, correspondence, and financial affairs to the agencies, and any entity conducting the assessment for the agencies, pursuant to Section 13978.9.

SEC. 13. Section 93023 of the Government Code is repealed.

SEC. 14. Section 93024 of the Government Code is repealed.

SEC. 15. Section 105095 of the Public Utilities Code is amended to read:

105095. The district may provide a rail transit system for the transportation of passengers and their incidental baggage by rail and provision of freight service by rail.

SEC. 16. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 17. The sum of four million dollars (\$4,000,000) is hereby appropriated to the State Transportation Agency from the Public Transportation Account for rail improvements on the corridor owned by the Sonoma-Marín Area Rail Transit District and the North Coast Railroad Authority. These moneys shall be allocated to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company to ensure efficient provision of goods movement requirements in the corridor in the context of growing passenger service. Following a signed baseline agreement between the State Transportation Agency and the Sonoma-Marín Area Rail Transit District that articulates deliverables, the anticipated expenditure schedule, and reporting requirements, the Secretary of Transportation may transfer these moneys to the Sonoma-Marín Area Rail Transit District pursuant to the provisions of the baseline agreement. These moneys shall not be transferred to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company unless the terms and conditions of the baseline agreement have been approved by both the Secretary of Transportation and the Director of Finance. If these moneys are not transferred to the Sonoma-Marín Area Rail Transit District within two years of the chaptering of this act, these moneys shall be returned to the Public Transportation Account.

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AMENDED IN ASSEMBLY AUGUST 19, 2019

AMENDED IN ASSEMBLY JUNE 18, 2019

AMENDED IN SENATE MAY 17, 2019

SENATE BILL

No. 356

Introduced by Senator McGuire

February 19, 2019

An act to ~~add Section 93029 to the Government Code, and to amend Sections 105003, 105012, 105003 and 105032 of, and to repeal Sections 105104, 105105, and Section 105180 of, the Public Utilities Code, relating to transportation.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 356, as amended, McGuire. ~~North Coast Railroad Authority: rail right-of-way: Sonoma-Marín Area Rail Transit District.~~

~~Existing law creates the North Coast Railroad Authority with various powers and duties relating to rail service in the north coast area of the state, including the authority to acquire, own, operate, and lease real and personal property reasonably related to the operation and maintenance of railroads, the planned transfer of all of the authority's assets, and the authority's dissolution.~~

Existing law creates, within the Counties of Sonoma and Marin, the Sonoma-Marín Area Rail Transit District, which is governed by a 12-member board of directors, with specified duties and powers. Existing law requires the district to work with specified authorities, including the North Coast Railroad Authority, to achieve a safe, efficient, and compatible system of passenger and freight rail service and authorizes the district to, among other things, provide a rail transit system for the provision of freight service by rail.

~~This bill would require the authority, within 90 days of removing all of its debts, liabilities, and contractual obligations, to convey and transfer its rights, interests, privileges, and title, lien free, relating to a specified rail right-of-way, its licenses and certificates of public convenience and necessity, any common carrier obligations held by the authority or an associated freight operator, and the railroad assets the authority owns to the district.~~

This bill would give the board of governors of the district the duty and power to, among other things, own, operate, manage, and maintain a freight rail system within the district and fix rates, rentals, charges, and classifications of freight service operated by the district. The bill would also give the board of governors of the district the duty and power to consider potential alternatives to help address the housing needs of current and future employees. The bill would repeal the requirement that the district obtain coverage for itself and its employees under certain federal laws.

By imposing new requirements on local entities, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 93029 is added to the Government Code,~~
2 ~~to read:~~
3 ~~93029. Within 90 days of removing all of its debts, liabilities,~~
4 ~~and contractual obligations, the authority shall convey and transfer~~
5 ~~all of its rights, interests, privileges, and title, lien free, relating to~~
6 ~~its rail right-of-way south of mile post 89.0, including any~~
7 ~~associated real property, rail easements, and branch or spur lines,~~
8 ~~its licenses and certificates of public convenience and necessity,~~
9 ~~any common carrier obligations held by the authority or an~~
10 ~~associated freight operator, and the railroad assets the authority~~

owns to the Sonoma-Marín Area Rail Transit District, created pursuant to Section 105010 of the Public Utilities Code.

SEC. 2.

SECTION 1. Section 105003 of the Public Utilities Code is amended to read:

105003. As used in this part, the following terms have the following meanings:

(a) “District” means the Sonoma-Marín Area Rail Transit District.

(b) “Rail transit” means the transportation of passengers and their incidental baggage by rail and provision of freight service by rail.

(c) “Rail transit works” or “rail transit facilities” means any or all real and personal property, equipment, rights, or interests owned or to be acquired by the district for rail transit service purposes, including ancillary bicycle and pedestrian pathways that provide connections between and access to station sites.

(d) “Board of directors,” “board,” or “directors” means the board of directors of the district.

(e) “Public agency” includes the state, and any county, city and county, city, district, or other political subdivision or public entity of, or organized under the laws of, this state, or any department, instrumentality, or agency thereof.

SEC. 3. Section 105012 of the Public Utilities Code is amended to read:

105012. (a) Upon the dissolution of the Sonoma-Marín Area Rail Transit Commission and the Northwestern Pacific Railroad Authority, the district shall succeed to any or all of the powers, duties, rights, obligations, liabilities, indebtedness, bonded and otherwise, immunities, and exemptions of the commission and its board of commissioners and the authority and its board of directors.

(b) Upon the dissolution of the Sonoma-Marín Area Rail Transit Commission and the Northwestern Pacific Railroad Authority, the district shall assume the rights and obligations of the commission and the authority under any contract to which the commission or the authority is a party and that is to be performed, in whole or in part, on or after the date of dissolution of the Sonoma-Marín Area Rail Transit Commission and the Northwestern Pacific Railroad Authority.

1 ~~(e) All real and personal property owned by the Sonoma-Marin~~
2 ~~Area Rail Transit Commission and the Northwestern Pacific~~
3 ~~Railroad Authority may be transferred to the district.~~

4 ~~(d) Upon the dissolution of the Sonoma-Marin Area Rail Transit~~
5 ~~Commission, the district shall assume, without any condition~~
6 ~~whatsoever, all responsibilities and obligations previously assumed~~
7 ~~by the commission with respect to its fund transfer agreement with~~
8 ~~the Department of Transportation for the funding of the~~
9 ~~Sonoma-Marin Area Rail Transit Project.~~

10 ~~(e) On and after the date of dissolution of the Sonoma-Marin~~
11 ~~Area Rail Transit Commission and the Northwestern Pacific~~
12 ~~Railroad Authority, any reference in any law or regulation to the~~
13 ~~commission or the authority shall be deemed to refer to the district.~~

14 ~~SEC. 4:~~

15 *SEC. 2.* Section 105032 of the Public Utilities Code is amended
16 to read:

17 105032. It shall be the duty of the board and it shall have the
18 power to:

19 (a) Own, operate, manage, and maintain a passenger and freight
20 rail system within the territory of the district.

21 (b) Determine the rail transit and freight facilities, including
22 ancillary bicycle and pedestrian pathways, to be acquired and
23 constructed by the district, the manner of operation, and the means
24 to finance them.

25 (c) Adopt an annual budget for the district that provides for the
26 compensation of its officers and employees.

27 (d) Fix rates, rentals, charges, and classifications of rail transit
28 and freight service operated by the district.

29 (e) Adopt an administrative code that prescribes the powers and
30 duties of district officers, the method of appointment of district
31 employees, and the methods, procedures, and systems for the
32 operation and management of the district.

33 (f) Adopt rules and regulations governing the use of rail transit
34 and freight facilities owned or operated by the district.

35 (g) Cause a postaudit of the financial transactions and records
36 of the district to be made at least annually by a certified public
37 accountant.

38 (h) Adopt rules and regulations providing for the administration
39 of employer-employee relations.

1 (i) Consider potential alternatives to help address the housing
2 needs of current and future employees.

3 (j) Do any and all things necessary to carry out the purposes of
4 this part.

5 ~~SEC. 5. Section 105104 of the Public Utilities Code is repealed.~~

6 ~~SEC. 6. Section 105105 of the Public Utilities Code is repealed.~~

7 ~~SEC. 7.~~

8 *SEC. 3.* Section 105180 of the Public Utilities Code is repealed.

9 ~~SEC. 8.~~

10 *SEC. 4.* If the Commission on State Mandates determines that
11 this act contains costs mandated by the state, reimbursement to
12 local agencies and school districts for those costs shall be made
13 pursuant to Part 7 (commencing with Section 17500) of Division
14 4 of Title 2 of the Government Code.

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MENDOCINO
COUNTY

CLOVERDALE



MAY 20, 2020



SMART | FREIGHT LINE
(NCRA OWNED)

SONOMA
COUNTY

HEALDSBURG

WINDSOR



NORTH



DOWNTOWN



ROHNERT
PARK



COTATI

SONOMA

PETALUMA



PETALUMA



SAN MARIN



NOVATO

DOWNTOWN



HAMILTON

NAPA
COUNTY

VALLEJO ROUTE |
FREIGHT LINE

BRAZOS | FREIGHT LINE
(SMART OWNED)

VACAVILLE

DIXON



CAPITOL | COMMUTER
FREIGHT LINE

SOLANO
COUNTY

RIO VISTA

SUISON CITY

FAIRFIELD



VALLEJO

BENICIA

VALLEJO
FERRY





September 2, 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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Sonoma-Marin Area Rail Transit Board of Directors
5401 Old Redwood Highway, Suite 200
Petaluma, CA 94954

SUBJECT: Status Report on Freight and Related Activities

Dear Board Members:

RECOMMENDATION: Information Item

SUMMARY:

At your May 20, 2020 board meeting, you authorized a number of activities as part of the Policy determination to become a freight service provider.

Since then in cooperation with Senator McGuire's office, State of California, North Coast Railroad Authority (NCRA) and Northwestern Pacific Company (NWPCo), the following activities have taken place and are ongoing:

1. Funding:
 - a) \$4 million for the purchase of NWPCo from the State of California has been funded and encumbered by the State of California.
 - b) \$2 million for SMART for freight maintenance has been funded and encumbered by the State of California.
2. Purchase Agreement: The Asset Transfer Purchase Agreement between SMART and NWPCo has been finalized and executed by the Freight operator.
3. Baseline Agreement: The Baseline Agreement between the State of California and SMART has been finalized and is pending execution by SMART.
4. SMART will execute both the asset Transfer Purchase and Baseline Agreement upon release of the report from the State Task Force to the State Legislators as required by SB 1029. This report is expected to be released by mid-September.

5. A Request for Proposal (RFP) has been released for a consultant to conduct a Freight Market Analysis of financial and business evaluations and opportunities. A report is expected to be completed by the end of 2020. We will have a formal and public presentation at your future board meeting upon the completion of the report.
6. We are reviewing our existing spur and crossing Policies that need to be amended to reflect our responsibility and ability to allow for or modify existing spur/crossing for freight operations. These Policies are subject to your Board approval and we anticipate presenting them for your considerations by the end of 2020.

We will continue to provide updates as we move forward.

Very truly yours,

/s/
Farhad Mansourian
General Manager



David Rabbitt, Chair
Sonoma County Board of Supervisors

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

Judy Arnold
Marin County Board of Supervisors

Melanie Bagby
Sonoma County Mayors' and
Councilmembers Association

Kate Colin
Transportation Authority of Marin

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and
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Patty Garbarino
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Susan Gorin
Sonoma County Board of Supervisors

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General Manager

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July 21, 2021

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

SUBJECT: Status Report on Freight and Related Activities

Dear Board Members:

RECOMMENDATION: Information Item

SUMMARY:

At your May 20, 2020 Board meeting, you authorized a number of activities as part of the Policy determination to become a freight service provider (attached staff report and minutes). At your September 2, 2020 board meeting, you received an update.

Since then, in cooperation with Senator McGuire's office, State of California, North Coast Railroad Authority (NCRA) and Northwestern Pacific Company (NWPCo), the following activities have taken place and are ongoing:

1. Funding:
 - a) \$4 million for the purchase of NWPCo from the State of California has been funded and received by SMART and it is held in a special account.
 - b) \$2 million for SMART for freight related activities has been funded by the State of California and has been received by SMART and it is held in a special account.
 - c) On July 13, 2021; Governor signed the budget bill that provides \$4M additional state funding for freight related activities.
 - d) Purchase Agreement: The Asset Transfer Purchase Agreement between SMART and NWPCo has been finalized and executed by both parties.
2. Baseline Agreement: The Baseline Agreement between the State of California and SMART has been finalized and executed by both parties

3. A Request for Proposal (RFP) was released for a consultant to conduct a Freight Rail Operations, Maintenance, Capital Costs, and Opportunities Analysis. A Consultant was selected, and an Executive Summary will be ready by your next Board meeting.
4. On or after March 4, 2021, SMART was authorized by the Surface Transportation Board (STB) to acquire the right-of-way and freight rail easement from North Coast Railroad Authority (NCRA).
5. On February 22, 2021, the freight operator, Northwestern Pacific Railroad Company (NWPCo), Petitioned the Surface Transportation Board (STB) for Discontinuance of Service Exemption (requesting authority to ceases being the freight operator).
6. On June 11, 2021, the STB approved NWPCo's petition for discontinuance of service and authorized SMART to assume freight operations and common carrier duties over the rail line which became final on July 11, 2021.
7. We are reviewing our existing spur and crossing Policies that need to be amended to reflect our responsibility and ability to allow for or modify existing spur/crossing for freight operations. These Policies are subject to your Board approval, and we anticipate presenting them for your considerations by the end of 2021.
8. We are studying and analyzing the best option to provide freight service to the current and future customers. We will present our analysis for Your Board for your approval before the end of 2021.
9. We are negotiating with the current freight operator to continue providing service for the existing customers while we continue completing our analysis.

We will continue to provide updates as we move forward.

Very truly yours,

/s/

Farhad Mansourian

General Manager

Attachment(s): 1) May 20, 2020 Board Report
2) Approved May 20, 2020 Board Minutes



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

SUBJECT: Expansion of SMART Right-of-Way and Scope of Operations by adding Freight Service Responsibility and Executing Related Agreements

Dear Board Members:

RECOMMENDATIONS:

As provided in SB 1029 (McGuire), Consideration of SMART becoming a Common Carrier and Freight service provider (directly or through a contract) with the understanding of all of its privileges, opportunities and obligations from Sonoma-Mendocino County line south to Corte Madera and east to Napa River. Upon affirmative confirmation of the policy before your Board, in order for us to move forward, the following actions are required by your Board:

1. Approve the concept of SMART becoming a Common Carrier and Freight service provider (directly or through a contract) with the understanding of all of its privileges, opportunities and obligations from Sonoma-Mendocino County line south and east to Napa River.
2. Accept the additional right-of-way from Downtown Healdsburg to Sonoma-Mendocino County Line (20.8 miles).
3. Authorize the General Manager to execute the "Asset Transfer Agreement" between SMART and NWPCo in substantially the form attached hereto as (Attachment 2).
4. Authorize the General Manager to execute the Baseline Agreement between State of California and SMART in substantially the form attached hereto as (Attachment 3).
5. Direct the Chair of the Board and General Manager to work with Senator McGuire, other State Legislators, Governor and his/her administration to secure the funding needed for the ongoing maintenance and capital project of the freight area.
6. Authorize General Manager to file required documents with the Surface Transportation Board authorizing SMART to acquire railroad right-of-way and transferring common freight carrier rail operations authority to SMART for all freight services south of Mile Post 89.
7. Authorize General Manager to issue a Request for Proposal to seek a freight consultant who would perform Economic Feasibility Study of the entire SMART owned area and analysis for the options to provide freight services in the future.

8. Authorize General Manager to negotiate and execute an agreement with NWPCo. to provide interim service to the existing freight customers until the Board has made a permanent decision.
9. Request the Chair of the Board to assign a number of Board members and the General Manager to meet with officials from County of Sonoma, Town of Sonoma, First Responders and the affected Community regarding the future of the existing practice of storage of Liquidated Petroleum Gasoline (LPG) and report back to the Board in a future public meeting.

SUMMARY:

The State of California is dissolving the North Coast Railroad Authority (NCRA), which currently owns the right-of-way north of Healdsburg and has freight easements on most of SMART's property and is responsible for freight service along our right-of-way. The State is planning to distribute certain portions of the Railroad right-of-way and assets to SMART and to a new planned Great Redwood Trail Agency that will oversee the implementation of a trail system on northern portions of the NCRA right-of-way. SMART is slated to receive the southern portion of the NCRA right-of-way from Downtown Healdsburg (MP 68.2) to the Sonoma-Mendocino County line (MP 89.0) as well as \$2 million dollars to address the cost of deferred maintenance and needed repairs. SMART's additional \$8 million of estimated capital and maintenance needs are yet to be funded. Senate Bill Nos. 1029 and 356 direct the dissolution of NCRA and modifies the Public Utilities Code as necessary, including making the necessary provisions for SMART to operate freight.

HISTORY:

The history of the Northwestern Pacific Railroad line is extensive. We will not attempt to tell it all here, but simply provide a high-level summary. Freight and passenger rail service has existed in various forms through Marin and Sonoma counties since the late 1800s. There were ferry connections in Tiburon and Larkspur that moved freight cars as well as passengers to San Francisco. In fact, mile post zero of the railroad is the Ferry Building in San Francisco. Lines spanned to Sonoma, Pt. Reyes, Eureka and other destinations. In addition to transporting people, the railroad shipped lumber, eggs from Petaluma, wine and other goods. Passenger service was discontinued south of Willits in 1958. There was a succession of bankruptcies and rail companies closing as Highway 101 was improved, trucking became cheaper, natural resources became scarcer and maintaining the railroad became significantly more expensive.

Portions of the right-of-way began to enter public ownership in 1989 when the North Coast Railroad Authority (NCRA) was established by the California Legislature under the North Coast Railroad Authority Act.

In 1986, Congressman Bosco introduced and succeeded in passing HR2 which purchased Southern Pacific right-of-way for \$24M for a future railroad use by public. As additional portions of the right-of-way began to enter public ownership in 1989 when the North Coast Railroad Authority (NCRA) was established by the California Legislature under the North Coast Railroad Authority Act.

In 2006, NCRA selected Northwestern Pacific Company (NWPCo) as their freight operator. Around the same time, the Golden Gate Bridge, Highway and Transportation District in conjunction with Marin and Sonoma Counties began purchasing southern portions of the railroad from the Southern Pacific Railroad. For two decades before NCRA was created, railroads had fallen on hard times around the country and

certainly here in Northern California. In 2006, NCRA selected Northwestern Pacific Company (NWPCo) as their freight operator who continues to provide freight today.

Around the same time, the Golden Gate Bridge, Highway and Transportation District in conjunction with Marin and Sonoma Counties began purchasing southern portions of the railroad from the Southern Pacific Railroad. The Sonoma-Marin Area Rail Transit Commission (SMART Commission) was a transitional body made up of Marin and Sonoma County supervisors and City Representatives that provided governance during the early planning phase of SMART. SMART Commission was staffed by Suzanne Wilford (now Smith) and Farhad Mansourian, the two Executive Directors of Sonoma and Marin Congestion Management Agencies.

Assembly Bill No. 2224, approved on August 31, 2002, created the Sonoma-Marin Area Rail Transit District we have today that was designed to operate in harmony with existing freight service that operates upon the same rail line.

Senate Bill 1029 (McGuire)

Senator Mike McGuire introduced SB 1029 in February of 2018 and it was signed into law by Governor Jerry Brown on September 29, 2018.

The overriding vision of the bill was to create a single trail system that would stretch over 300 miles from San Francisco Bay to Humboldt Bay, adjacent to, or on, the railbed. This was no small feat. With SMART as a successful passenger rail owning many miles of the tracks, the North Coast Railroad Authority owning the rest and the NCRA freight contractor NWPCo with an exclusive and extensive freight lease, there were many facets to making this all happen.

The Senator and his staff worked closely with SMART on the bill right from the start and throughout the process as the bill went through the legislative process and on to the Governor's desk.

One of the biggest hurdles was what to do with NCRA and the debt they had incurred over the many years since their inception?

With no train north of Cloverdale possible given the 200+ miles of dilapidated rail infrastructure and a significant debt, Senator McGuire decided to eliminate NCRA. To build the Great Redwood Trail, NCRA would be replaced with a Trail agency north of the Sonoma/Mendocino County line, and everything south of that County line would go to SMART. Under current state law (per SB 1029), NCRA is no longer a freight rail agency and their new mission is to "Transition to Trails" – in other words, their job is to work with SMART and Trail organizations on the Great Redwood Trail, and establish a plan to transfer their right-of-way to an authority that builds trails, and then close down forever.

After months of conversation and negotiation with SMART Board members, staff and others, Senator McGuire's SB 1029 was amended to put this agreement in place. As signed, the bill had these priorities, according to Senator McGuire:

- Preserve and protect this 300-mile jewel of a public transportation right-of-way.
- Transition the NCRA's priorities from rail to trail.

- Complete a financial study of NCRA so the right of way can go to responsible agencies and NCRA can be shuttered.
- Start the process of re-opening this stunning North Coast transportation corridor as a world class Trail.
- Enable SMART to acquire and take over the freight contract from Northwestern Pacific Company in order to put it back into the public's hands and help improve the safety and reliability of the entire corridor.

Section 17 of SB 1029 specifically involved SMART and NCRA's freight contractor, NWPCo. This section (excerpt below) appropriates \$4 million for the public acquisition of the privately held freight contract on the SMART/NCRA rail line.

SB 1029 (2018) SEC. 17. The sum of four million dollars (\$4,000,000) is hereby appropriated to the State Transportation Agency from the Public Transportation Account for rail improvements on the corridor owned by the Sonoma-Marín Area Rail Transit District and the North Coast Railroad Authority. These moneys shall be allocated to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company to ensure efficient provision of goods movement requirements in the corridor in the context of growing passenger service. Following a signed Baseline Agreement between the State Transportation Agency and the Sonoma-Marín Area Rail Transit District that articulates deliverables, the anticipated expenditure schedule, and reporting requirements, the Secretary of Transportation may transfer these moneys to the Sonoma-Marín Area Rail Transit District pursuant to the provisions of the baseline agreement. These moneys shall not be transferred to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company unless the terms and conditions of the baseline agreement have been approved by both the Secretary of Transportation and the Director of Finance. If these moneys are not transferred to the Sonoma-Marín Area Rail Transit District within two years of the chaptering of this act, these moneys shall be returned to the Public Transportation Account.

The Process is summarized here:

To implement the requirements of SB 1029, the following agreements are to be reached before the designated \$4M funding is to expire at the end of June 2020:

- NWPCO and SMART must reach an agreement for the sale of the freight contract, equipment, easements, etc. for a State funded \$4 million (see attachment 1)(subject to approval by the NCRA and SMART Board of Directors)
- SMART and the California State Transportation Agency must execute a Baseline Agreement that will provide State funding and will stipulate timetable and deliverables. (see attachment 2). This is subject to the approval of SMART Board of Directors and Approval by State Secretary of Transportation and State Director of the Department of Finance.
- Approval by the Federal Surface Transportation Board who has jurisdiction over freight in the United States.

The State of California's interest in this transaction is based upon the 2018 State Rail Plan and connectivity between SMART passenger and freight with national and regional rail service (AMTRAK and Capital Corridor). In the State's view, as SMART builds out additional miles of service territory and carries more

people, it is important that SMART has complete control over their rail line. Having the freight contract in SMART's hands will make the potential for an East-West train from Novato to Suisun City substantially easier. In 2019, the State funded an east-west passenger rail feasibility study that has the support of Counties of Marin, Sonoma, Transportation Authorities of Napa and Solano as well a number of business advocacy groups. But while the acquisition of the freight rail contract comes with significant advantages, it also has some expensive responsibilities.

After extensive review of the line from the Napa River to Novato and from Healdsburg to the Sonoma/Mendocino County line, it is clear there are necessary infrastructure and safety fixes to bring the line up to a reasonable and safe requirement. The maintenance and upkeep of the rail line from Novato to Schellville has been in the hands of a private freight rail contractor for over 12 years now, and with an underfunded NCRA before that, and is in need of an upgrade all around.

These upgrades are not overly expensive by rail standards, but will take some one-time and ongoing dollars. Senator McGuire was already able to secure \$2 million for SMART in the FY 19/20 budget to help defray these costs, but recognizes that it will take an additional \$8 million over the next few years.

Senator McGuire is in a good position to secure additional dollars. The Senator represents nearly the entire 300 mile plus rail line, and is on the Transportation Committee, the Senate Budget Committee and the Budget Subcommittee on Transportation. Senator McGuire helped secure \$3 million in state funding to carry out the audit and assessment of NCRA and the trail master planning. He was also able to secure an additional \$8.8 million dollars to help run NCRA and pay off their debts and the Senator helped secure over \$30 million from California Transportation Commission (CTC) and other sources for trails along the corridor in the last couple of years. The Senator has requested an additional budget item for SMART already for FY 20/21.

Current Actions and Pending Legislations:

Senate Bill No. 356 (McGuire), that was passed by California Senate, in its current form and intent will provide for the following:

NCRA:

- Property transfer from NCRA to SMART and all rights title and interest in the rail corridor and assignment of all contracts, equipment, leases, agreements and licenses south of Mendocino/Sonoma County line to Healdsburg. This will preserve the right-of-way and property for future freight and passenger rail service.
- NCRA to relinquish all Freight and Excursion Easement rights over SMART's right-of-way (Healdsburg South).
- A Transfer of all rail related personal property and equipment owned by NCRA and/or leased by NWPCo (South of MP 89).
- Execute any Surface Transportation Board (STB) approvals needed, for a similar and concurrent transfer (to be executed by NWPCo) for all fee title, easement, use and licenses common carrier responsibilities for all assets south of Mile Post 89 line immediately, subject to/or upon STB approval

NWPCo:

- Relinquishment and the transfer of all NWPCo's rights and privileges (long term lease) to use or operate rail service/common carrier authority responsibilities to SMART (South of MP 89).
- A Bill of Sale for all rail related personal property and equipment owned by NWPCo.
- An Assignment and Assumption Agreement for all contracts, equipment leases/licenses.
- Quit Claim Deed for all rights, title and interest in any improvements and all rights, title and interest in any easements, leases, licenses and right of way south of MP 89 to SMART.
- Apply and execute any Surface Transportation Board (STB) approvals needed, for a similar and concurrent transfer (To be executed by NCRA) for all fee title, easement, use and licenses for all assets south of the Mile Post 89 line immediately but subject to/or upon STB approval.

SMART: SUMMARY OF OBLIGATIONS

- Assumes maintenance responsibility for an additional 45 miles of right-of-way, including Bridges/crossings etc. Currently SMART maintains only the portion of the right-of-way ("shared" track) where SMART operates passenger service.

SMART assumes freight duties over the rail line south of the Sonoma/Mendocino county line (Mile Post 89). As the new exclusive freight operator, SMART will assume all "common carrier" duties over the rail line south of Mile Post 89. As the common carrier, SMART will need to continue to provide freight transportation to all existing local customers and to all parties on the rail line upon reasonable request, including requests for the transportation of hazardous materials. In addition, as the common carrier for freight SMART must now also comply with the all the requirements and regulations of the Surface Transportation Board.

The **Surface Transportation Board (STB)** of the United States is a federal, bipartisan, independent adjudicatory board. The STB was established in 1996 and has broad economic regulatory oversight of railroads, including rates, service, the construction, acquisition and abandonment of rail lines, carrier mergers and interchange of traffic among carriers. The Board has wide discretion, through its exemption authority from federal, state and local laws, to tailor its regulatory activities to meet the nation's changing transportation needs.

As a freight "common carrier", the STB will require SMART to bear the obligations to serve any customer upon reasonable request (reasonable business/economic sense); without unreasonable discrimination; at just and reasonable rates; and with higher duty of care. These requirements mean that during the transfer of property and responsibilities SMART must continue to serve NWPCo's current customers to comply with the requirements of STB, we are proposing to retain the existing freight operator to continue serving the existing customers on an interim basis until the feasibility study is completed and approved by your Board.

Environment/Operational Benefits:

In acquiring the freight operation responsibilities SMART will gain complete control over its right-of-way, allowing for much closer coordination of use of the rail line, improving dispatching and scheduling options and allowing SMART to have the ability to provide increased freight services to local freight customers in a more efficient and environmentally friendly way. As we build future stations and extensions, this will benefit SMART's ability to grow service.

FUNDING:

SB 1029 and SB 356 thus far provides \$2 million to SMART, to address the identified deferred maintenance items such as repair of the Black Point Bridge, and in cooperation and collaboration with California Department of Transportation (CALTRANS) as a joint safety project, repairing the Schellville and Highway 37 at grade crossings, fortifying railroad embankments and mainly general maintenance of the railroad right-of-way. These unfunded needs for SMART have been identified as \$8 million for track, signal and infrastructure repairs and maintenance of the Brazos branch and the new property north of Downtown Healdsburg.

POLICY DECISION:

Your Board previously discussed the issues involving NCRA, NWPCo., SB 1029 and SB 356 and the related real estate transactions and at numerous times have taken position of support for SB 1029. Additionally, SMART supported Senator McGuire's efforts in getting the required funding to implement the goals of SB 1029 and SB 356 and communicated SMART's support to Governor Newsom and various State Legislators.

In the past 2 years, as outlined by SB 1029, we have been negotiating with NWPCo. for the acquisition of the rail line and freight easement and in the last 12 months with State of California's Task Force on SB 1029. Upon affirmative confirmation of the policy before your board, in order for us to move forward, the following actions are required by your board:

1. Approve the Concept of SMART becoming a Common Carrier and Freight service provider (directly or through a contract) with the understanding of all of its privileges, opportunities and obligations from Sonoma-Mendocino County line south and east to Napa River.
2. Accept the additional Right-of-way from Downtown Healdsburg to Sonoma-Mendocino County Line (20.8 miles).
3. Authorize the General Manager to execute the "Asset Transfer Agreement" between SMART and NWPCo in substantially the from attached hereto as (Attachment 2).
4. Authorize the General Manager to execute the Baseline Agreement between State of California and SMART in substantially the from attached hereto as (Attachment 3).
5. Direct the Chair of the Board and General Manager to work with Senator McGuire, other State Legislators, Governor and his/her administration to secure the funding needed for the ongoing maintenance and capital project of the freight area.
6. Authorize General Manager to file required documents with the Surface Transportation Board authorizing SMART to acquire railroad right-of-way and transferring common freight carrier rail operations authority to SMART for all freight services south of MP 89.
7. Authorize General Manager to issue a Request for Proposal to seek a freight consultant who would perform Economic Feasibility Study of the entire SMART owned area and analysis for the options to provide freight services in the future.
8. Authorize General Manager to negotiate and execute an agreement with NWPCo to provide interim service to the existing freight customers until the Board has made a permanent decision.

9. Request the Chair of the Board to assign a number of Board members and the General Manager to meet with officials from County of Sonoma, Town of Sonoma, First Responders and the affected Community regarding the future of the existing practice of storage of Liquidated Petroleum Gasoline (LPG) and report back to the Board in a future public meeting.

If your board approves these steps, we will move forward with completing the required agreement but will not execute any documents until NCRA Board and State of California have all approved the aforementioned documents.

Very truly yours,

/s/

Farhad Mansourian
General Manager

Cc: Senator McGuire

Jason Liles
State of California Task Force
Chad Edison
Doug Bosco
Mitch Stogner

Attachment(s):

- 1) Senator McGuire Letter, dated May 15, 2020
- 2) California State Transportation and SMART Baseline Agreement
- 3) Asset Transfer Agreement
- 4) Senate Bill 1029
- 5) Senate Bill 356
- 6) Exhibition Map



May 15, 2020

Mr. Eric Lucan, Chair
SMART Board of Directors
5401 Old Redwood Highway, Suite 200
Petaluma, CA 94954

Dear Chair Lucan:

I hope this letter finds you and your family safe and healthy.

I am writing today in support of your agenda item on the NWPCo freight contract acquisition. I know how much work your Board and staff have put into this over the last couple of years and I am impressed with the progress that has been made.

There is no doubt in my mind that having the freight contract as part of the SMART portfolio is not only good public policy but also good business. And it's something the District has needed – complete control over your own right of way. Consolidating all rail operations on this line into one public entity is in the best interest of our communities and having a public board with local officials making the decisions is good for everyone.

And, according to NWPCo financials, the freight operations are currently profitable and will give SMART an alternative revenue source for operations and maintenance, even in this down economy.

Looking at the bigger picture, the state is seeking ways to fund the SMART extension to Cloverdale and has already underwritten a study to look at the feasibility of running SMART west to east, from Novato to Suisun City. Extending your right of way ownership to the north and obtaining the freight contract can only make these projects easier to achieve in the long run.

Mr. Eric Lucan, Chair
May 15, 2020
Page 2

We have worked hard in the Senate over the years to bring state dollars to SMART and will continue to do so to ensure you are made whole on this added obligation. We have been quite successful over the last couple of years in acquiring funding for the whole SB 1029 process, and that includes \$2 million up front to SMART to make infrastructure improvements related to this project. As a member of both the Senate Transportation Committee and the Senate Budget Committee, I will continue to fight to ensure SMART has the funds it needs to take care of these new assets and to continue to expand and serve our remarkable communities such as the \$20 million in state funds that were recently secured to move SMART into Windsor.

Auditors from the Department of Finance and the experts at the State Transportation Agency have gone over this deal with a fine-tooth comb and I trust them when they say the deal is worth the investment.

This contract belongs in public hands. It is an innovative and logical solution and opens alternative revenue sources for the rail district. I am grateful for the proactive leadership your board has shown through this entire process.

Thank you for your hard work and please let me know if I can answer any questions.

Warmest Regards,

A handwritten signature in black ink, appearing to be 'MIKE MCGUIRE', with a stylized, looping initial 'M' and a small flourish at the end.

MIKE MCGUIRE
Senator

California State Transportation Agency

Sonoma-Marín Area Rail Transit District

Baseline Agreement

DRAFT

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**STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION**

Effective Date of this Agreement: April 30, 2020 or upon signature by all parties,
whichever is later

Termination Date of this Agreement: April 30, 2025

SMART: Sonoma Marin Area Rail Transit ("SMART")

Present Funding Sources: Statutes of 2018, Ch. 934 S.B. 1029 (McGuire, 2018),
section 17; Assembly Bill 74 Budget Act 2019-2020 – FY
2019-20 Item 0521-101-0001.

RECITALS

1. WHEREAS, Section Seventeen of Senate Bill 1029 (McGuire, 2018) appropriated \$4,000,000.00 (four million dollars) for the Sonoma Marin Area Rail Transit ("SMART") to acquire freight rights and equipment from the Northwestern Pacific Railroad Company ("NWP Co."), subject to specified conditions;
2. WHEREAS, SMART and NWP Co. have negotiated in good faith and come to tentative agreement to transfer NWP Co.'s freight rights and assets to SMART;
3. WHEREAS, the \$4,000,000.00 will revert to the Public Transportation Account if CalSTA has not transferred the funds to SMART by September 28, 2020;
2. WHEREAS, Item 0521-101-0001 of the Budget Act 2019-2020 Assembly Bill 74 (Ting, 2019) includes \$2,000,000.00 (two million dollars) for SMART for safety upgrades and maintenance upon acquisition of a freight contract as specified in Chapter 934 of the Statutes of 2018;
3. WHEREAS, the Surface Transportation Board ("STB") requires that existing freight customers continue to be served after a transfer of freight rights;
4. NOW THEREFORE, in consideration of the recitals and the rights, duties and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to the following:
5. This Agreement, entered into effective as of the date set forth above, or upon signature by all parties, whichever is later, is between SMART and the STATE OF CALIFORNIA, acting by and through the California State Transportation Agency ("CalSTA") as may be amended from time to time.

ARTICLE I - DEFINITIONS

The terms defined in this Article I shall for all purposes of this Agreement have the meanings specified herein.

1.1 “Act” refers to SB 1029 (McGuire, 2018), North Coast Railroad Authority Closure and Transition to Trails Act, Chaptered September 29, 2018, which, among other things, appropriated \$4 million for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company to ensure efficient provision of goods movement requirements in the context of passenger service.

1.2 “Agreement” shall mean this Baseline Agreement, inclusive of all appendices and Program Supplements.

1.3 “Award Agreement” shall mean a project-specific subcontract to this agreement executed following Project award and may include Project specific information, expected outcomes, and deliverables.

1.4 “California Department of Transportation” or “Caltrans” or “Department” means the State of California, acting by and through its Department of Transportation of the State of the State of California, and any entity succeeding to the powers, authorities and responsibilities of the Department invoked by or under this Agreement or the Program Supplements.

1.5 “California Transportation Commission” or “CTC” shall refer to the commission established in 1978 by Assembly Bill 402 (Chapter 1106, Statutes of 1977).

1.9 “Overall Funding Plan” has the meaning set forth in Article II, Section 2(A)(5)(c).

1.11 “Program Supplement” shall mean a project-specific amendment to this Agreement that is pursuant to the SB 1029 or 2019-2020 Budget Act funding or following any additional appropriations or allocations and shall include all Project specific information needed to encumber funding and shall include expected outcomes and deliverables.

1.12 “Program Supplement Last Expenditure Date” refers to the last date for SMART to incur valid Project costs or credits.

1.13 “Program Supplement Termination” shall occur when after SMART’s obligations have been fully performed as set forth in Article II, Section 2D and Article III, Section 3(C)(2) or when terminated by convenience as set forth in Article III, Section 3(C)(1).

1.14 “Project” shall mean the project identified in the scope of work of a program supplement executed by SMART and State.

1.15 “Project Closeout Report” shall have the meaning set forth in Article II, Section 3(B).

1.16 “Project Financial Plan” shall have the meaning set forth in Article II, Section 2(A)(5)(d).

1.17 “Progress Payment Invoice” shall have the meaning set forth in Article II, Section 3A.

1.18 “Project Schedule” has the meaning set forth in Article II, Section 2(A)(5)(b).

1.19 “Scope of Work” has the meaning set forth in Article II, Section 2(A)(5)(a).

1.20 “Secretary” shall mean the Secretary of the California State Transportation Agency (CalSTA). Unless the context otherwise requires, any reference to the Secretary includes CalSTA and its officers and employees.

1.21 “State” shall mean the State of California, including its agencies and departments, and their officers and directors.

ARTICLE II –PROJECT AND ADMINISTRATION

Section 1. Project and Project Management

1. The acquisition of freight rights and equipment and projects to support freight and passenger rail on the corridor, pursuant to the Act and the Budget Act, are implemented by CalSTA in accordance with the legislation. Under delegation from CalSTA, the Department may administer any program supplements in accordance with the best management practices identified in the administration of similar Department grant programs.

2. SMART will cause each specific track project Board Resolution to be attached as part of any Program Supplement as a condition precedent to the acceptance of Budget Act or other appropriations and allocations (upon availability and allocation), for each such project.

3. All inquiries during the term of this Agreement and any applicable Program Supplement will be directed to the project representatives identified below:

State’s Project Administrator:	SMART’s Project Administrator:
California State Transportation Agency	Agency Name
Chad Edison	Agency Contact Name
Chief Deputy Secretary for Rail and Transit	Title
Phone: [Enter Phone #]	(XXX) XXX-XXXX
Email: [firstname.lastname@ gov]	Contact email

Section 2. Program Supplement

A. General

1. This Agreement shall have no force and effect with respect to the Project unless and until a separate Project specific program supplement hereinafter referred to as “Program Supplement,” adopting all of the terms and conditions of this Agreement has been fully executed

by both State and SMART. The effective date of this Agreement shall be upon signature by all parties.

2. SMART agrees to complete the defined scope of work for the Project, described in the Program Supplement adopting all of the terms and conditions of this Agreement.

3. A financial commitment of actual funds will only occur in each detailed and separate Program Supplement. No funds are obligated by the prior execution of this Agreement alone.

4. SMART further agrees, as a condition to the release and payment of the funds encumbered for the scope of work described in each Program Supplement, to comply with all of the terms and conditions of this Agreement and all the agreed-upon special covenants and conditions attached to or made a part of the Program Supplement provided the nature of that specific scope of work is identified and defined in the special covenants and conditions.

5. The Program Supplement shall include a detailed scope of work, which shall include but not be limited to, a Project Description, Project deliverables, requirements for each Project deliverable, a Project Schedule, an Overall Funding Plan with anticipated expenditures, a Project Financial Plan and reporting requirements.

a. The Scope of Work shall include a detailed description of the Project and will itemize the major tasks and their estimated costs, as well as the Project deliverables and the requirements for each Project deliverable.

b. The Project Schedule shall include major tasks and/or milestones and their associated beginning and ending dates and duration.

c. The Overall Funding Plan shall itemize the various Project Components, the committed funding program(s) or source(s), and the matching funds to be provided by SMART and/or other funding sources, if any [these Components include Environmental and Permits; Plans, Specifications and Estimates (PS&E); Right-of-Way (ROW); and Construction (including transit vehicle acquisition)] and an anticipated expenditure schedule.

d. The Project Financial Plan shall identify estimated expenditures for the Project Component by funding source, provided that for the purposes of this Agreement the State is only monitoring compliance for expenditures of State funds.

6. Adoption and execution of the Program Supplement by SMART and State, incorporating the terms and conditions of this Agreement into the Program Supplement as though fully set forth therein, shall be sufficient to bind SMART to these terms and conditions when performing the Project and the Program Supplement shall incorporate the terms and conditions of this Agreement by reference. Unless otherwise expressly delegated to a third-party in a resolution by SMART's governing body, which delegation must be expressly assented to and concurred in by State, the work performed pursuant to the Program Supplement shall be managed by SMART.

7. The estimated cost and scope of the Project will be as described in the applicable Program Supplement. The State shall not participate in any funding for the Project beyond those amounts actually encumbered by the State as evidenced in the applicable Program Supplement.

8. Upon the stated expiration date of this Agreement, any Program Supplement executed under this Agreement for the Project with obligations that are not fully completed pursuant to the approved Project Schedule shall be deemed to extend the term of this Agreement only to conform to the specific Project termination or completion date, including completion of deliverables and reporting requirements contemplated by the applicable Program Supplement, in order to allow that uncompleted Project to be administered under the extended terms and conditions of this Agreement. No new program supplements may be authorized during an extended term.

B. *Project Overrun*

1. If SMART or the State determine, at any time during the performance of the Project, that the Project budget may be exceeded, SMART shall take the following steps:

a. Notify the designated State representative of the nature and projected extent of the overrun and, within a reasonable period thereafter, identify and quantify potential cost savings or other measures which SMART will institute to bring the Project Budget into balance; and

b. Identify the source of additional SMART or other third-party funds that can be made available to complete Project. SMART agrees that the allocation of additional funds is subject to appropriation and allocation; and SMART understands and agrees that CalSTA cannot guarantee additional funding.

C. *Cost Savings and Project Completion*

1. SMART is encouraged to evaluate design and construction alternatives that would mitigate the costs of delivering the commitments for the Project. SMART shall take all commercially reasonable steps that are necessary in accordance with best management practices in order to rehabilitate segments of the alignment for freight and passenger rail operations. In determining cost savings, the Parties shall take into account all avoided costs, including avoided design, material, equipment, labor, construction, testing, acceptance and overhead costs, and avoided costs due to time savings, and all the savings in financing costs associated with such avoided costs.

2. If there is an identification and implementation of any CalSTA-approved alternative resulting in reduction of the Project costs, the parties agree that SMART shall provide a prorated share of Project or Project component cost savings based on the overall project match to the State no later than 30 days after the submission of the final invoice. Subject to CalSTA's written approval, savings may be used towards another project component or towards increasing project

benefits that are consistent with the original project purpose while maintaining the overall project match, if any, referenced in the project award and program supplements.

3. Program supplements will indicate the Project or Component proration of funding match, if any.
4. SMART agrees to complete the Project and accepts sole responsibility for the payment of any cost increases.

D. Scope of Work

1. SMART shall be responsible for complete performance of the work described in the approved Program Supplement for the Project related to the commitment of encumbered funds. All work shall be accomplished in accordance with the applicable provisions of the Act, the Public Utilities Code, the Government Code, annual Budget Acts and other applicable statutes and regulations.
2. SMART acknowledges and agrees that SMART is the sole controlling entity and manager of the Project, and it is solely responsible for the Project's subsequent employment, operation, repair and maintenance for the benefit of the public and for passenger and freight goods movement. SMART shall be solely responsible for complying with the funding and use restrictions established by (a) the Act, the Budget Act or subsequent legislation, (b) the State Treasurer, (c) the Internal Revenue Service, (d) the applicable Program Supplement and (e) this Agreement.
3. SMART acknowledges and agrees that SMART is responsible for complying with all reporting requirements established by the Act and Budget Act according to the Program Supplements.

E. Program Supplement Amendments

Program Supplement amendments will be required whenever there are CalSTA actions, including but not limited to, Financial Allocations, Financial Allocation Amendments, Time Extensions and Technical Corrections. These changes shall be mutually binding upon the Parties only following the execution of a Program Supplement amendment.

Section 3. Allowable Costs and Payments

A. Allowable Costs and Progress Payment Invoice

1. Not more frequently than once a month, SMART will prepare and submit to State a signed Progress Payment Invoice for actual Project costs incurred and paid for by SMART consistent with the allocation and Scope of Work document in the Program Supplement and State shall pay those uncontested allowable costs. If no costs were incurred during any given quarter, SMART is exempt from submitting a signed Progress Payment Invoice.

2. State shall not be required to reimburse more funds, cumulatively, per quarter of any fiscal year greater than the sums identified and included in the Project Financial Plan. The State shall hold the right to determine reimbursement availability based on an approved expenditure plan and actual funding capacity. Each such invoice will report the total of Project expenditures (including those of SMART and third parties) and will specify the percent of State reimbursement requested

B. *Final Invoice*

The Program Supplement Last Expenditure Dates(s) refer to the last date that SMART can incur valid Project costs or credits. SMART has one hundred and eighty (180) days after that Last Expenditure Date to make already incurred final allowable payments to Project contractors or vendors, prepare the Project Closeout Report, and submit the final invoice to State for reimbursement of allowable Project costs before those remaining State funds are unencumbered and those funds are reverted as no longer available to pay any Project costs. SMART expressly waives and releases any and all rights to allowable reimbursements from State pursuant to this Agreement for costs incurred after that termination date and for costs invoiced to SMART for payment after that one hundred and eightieth (180th) day following the Project Last Expenditure Date.

ARTICLE III – GENERAL PROVISIONS

Section 1. Funding

1. SMART agrees to contribute at least the statutorily required or other required local contribution of matching funds (other than State or federal funds), if any is specified within the Program Supplement or any appendices thereto, toward the actual cost of the Project or the amount specified, if any, whichever is greater. Notwithstanding the foregoing, SMART shall contribute not less than its required match amount toward the Project cost in accordance with a schedule of payments as shown in the Project Financial Plan prepared by SMART and approved by State as part of a Program Supplement.

Section 2. Audits and Reports

A. *Cost Principles*

1. SMART agrees to comply with Title 2 Code of Federal Regulations 200 (2 CFR 200) Uniform Administrative Requirements, Cost Principles for State and Local Government, and Audit Requirements for Federal Awards.

2. SMART agrees, and will assure that, its contractors and subcontractors will be obligated to agree to follow 2 CFR 200 and it shall be used to determine the allowability of individual Project cost items. Every sub-recipient receiving Project funds as a contractor or sub-contractor under this Agreement shall comply with 2 CFR 200.

3. Any Project costs for which SMART has received payment or credit that are determined by subsequent audit to be unallowable under 2 CFR 200, are subject to repayment by SMART to State. Should SMART fail to reimburse moneys due State within thirty (30) days of demand, or within such other period as may be agreed in writing between the Parties hereto, State is authorized to intercept and withhold future payments due SMART from State or any third-party source whose funding passes through the State, including but not limited to, the State Treasurer, the State Controller and the CTC.

4. The State may terminate a grant for any reason at any time if it is determined by the State, based on an audit under this section, that there has been a violation of any State or federal law or policy by SMART during performance under this or any other grant agreement or contract entered into with the State. If the grant is terminated under this section, SMART may be required to fully or partially repay funds.

B. *Record Retention*

1. SMART agrees, and will assure that, its contractors and subcontractors shall establish and maintain an accounting system and records that properly accumulate and segregate incurred Project costs and matching funds by line item for the Project. The accounting system of SMART, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles (GAAP), enable the determination of incurred costs at interim points of completion, and provide support for reimbursement payment vouchers or invoices. All accounting records and other supporting papers of SMART, its contractors and subcontractors connected with Project performance under this Agreement and each Program Supplement shall be maintained for a minimum of three (3) years from the date of final payment to SMART under a Program Supplement and shall be held open to inspection, copying, and audit by representatives of State, the California State Auditor, and auditors representing the federal government. Copies thereof will be furnished by SMART, its contractors, and subcontractors upon receipt of any request made by State or its agents. In conducting an audit of the costs and match credits claimed under this Agreement, State will rely to the maximum extent possible on any prior audit of SMART pursuant to the provisions of federal and State law. In the absence of such an audit, any acceptable audit work performed by SMART's external and internal auditors may be relied upon and used by State when planning and conducting additional audits.

2. For the purpose of determining compliance with Title 21, California Code of Regulations, Section 2500 et seq., when applicable, and other matters connected with the performance of SMART's contracts with third parties pursuant to Government Code section 8546.7, SMART, SMART's contractors and subcontractors, and State, shall each maintain and make available for inspection all books, documents, papers, accounting records, and other evidence pertaining to the performance of such contracts, including, but not limited to, the costs of administering those various contracts. All of the above referenced parties shall make such Agreement and Program Supplement materials available at their respective offices at all reasonable times during the entire Project period and for three (3) years from the date of final payment to SMART under any Program Supplement. State, the California State Auditor, or any duly authorized representative

of State or the United States Department of Transportation, shall each have access to any books, records, and documents that are pertinent to the Project for audits, examinations, excerpts, and transactions, and SMART shall furnish copies thereof if requested.

3. SMART, its contractors and subcontractors will permit access to all records of employment, employment advertisements, employment application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission, or any other agency of the State of California designated by State, for the purpose of any investigation to ascertain compliance with this Agreement and the Act.

C. Reporting Requirements

1. Reporting requirements of SMART will include whether reported implementation activities are within the scope of the Project Program Supplement and in compliance with State laws, regulations, and administrative requirements.

2. Progress Reporting shall be no more frequently than monthly and no less frequently than semi-annually at the discretion of the State and shall generally include the following information:

- a. Activities and progress made towards implementation of the project during the reporting period and activities anticipated to take place in the next reporting period;
- b. Identification of whether the Project is proceeding on schedule and within budget;
- c. Identification of whether the Project Deliverables are proceeding on schedule.
- d. Identification of changes to the Project funding plan, milestone schedule, or deliverables completion date; and
- e. Any actual or anticipated problems which could lead to delays in schedule, increased costs or other difficulties for either the Project or other State funded projects impacted by the Projects scope of work and the efforts or activities being undertaken to minimize impacts to schedule, cost, or deliverables;

3. Within one year of the Project or reportable Project components becoming operable, the implementing agency must provide a final delivery report including at a minimum:

- a. Scope of completed Project as compared to Programmed Project;
- b. Performance outcomes derived from the project shall include but not be limited to before and after measurements and estimates for ridership, service levels, benefits to disadvantaged communities, low income communities, and/or low income households, and project co-benefits as well as an explanation of the methodology used to quantify the benefits.
- c. Before and after photos documenting the project

d. The final costs as compared to the approved project budget by component and fund type, and

e. The project duration as compared to the project schedule in the project application.

Section 3. Special Requirements

A. *California Transportation Commission Resolutions*

1. SMART shall adhere to applicable CTC policies on “Timely Use of Funds” and/or successor resolutions in place at the time a Program Supplement is executed.

2. SMART shall be bound to the terms and conditions of this Agreement and CTC Resolutions in place at the time the Program Supplement is signed (as applicable) and all restrictions, rights, duties and obligations established therein on behalf of State and CTC shall accrue to the benefit of the CalSTA and shall thereafter be subject to any necessary enforcement action by CalSTA or State. All terms and conditions stated in the aforesaid CTC Resolutions in place at the time the Program Supplement is signed (if applicable) shall also be considered to be binding provisions of this Agreement.

3. SMART shall conform to any and all permit and mitigation duties associated with Project as well as all environmental obligations established by law or regulation at the time a Program Supplement is signed, as applicable, at the expense of SMART and/or the responsible party and without any further financial contributions or obligations on the part of State unless a separate Program Supplement expressly provides funding for the specific purpose of hazardous materials remediation.

B. *SMART Resolution*

1. SMART has executed this Agreement pursuant to the authorizing SMART resolution, attached as Appendix B to this Agreement, which empowers SMART to enter into this Agreement and which may also empower SMART to enter into all subsequent Program Supplements adopting the provisions of this Agreement.

2. If SMART or State determines that a separate Resolution is needed for each Program Supplement, SMART will provide information as to who the authorized designee is to act on behalf of SMART to bind SMART with regard to the terms and conditions of any said Program Supplement or amendment and will provide a copy of that additional Resolution to State with the Program Supplement or any amendment to that document.

C. *Termination*

1. Termination Convenience by State

a. CalSTA reserves the right to terminate funding for any Program Supplement, upon written notice to SMART in the event that SMART fails to proceed with Project work in accordance with the Program Supplement, or otherwise violates the conditions of this Agreement and/or the Program Supplement or the funding allocation such that substantial performance is significantly endangered.

b. No such termination shall become effective if, within thirty (30) days after receipt of a notice of termination, SMART either cures the default involved or, if not reasonably susceptible of cure within said thirty (30)-day period, SMART proceeds thereafter to complete the cure in a manner and time line acceptable to CalSTA set in advance and in writing by CalSTA. Any such termination shall be accomplished by delivery to SMART of a notice of termination, which notice shall become effective not less than thirty (30) days after receipt, specifying the reason for the termination, the extent to which funding of work under this Agreement is terminated and the date upon which such termination becomes effective, if beyond thirty (30) days after receipt. During the period before the effective termination date, SMART and State shall meet to attempt to resolve any dispute.

c. Following a fund encumbrance made pursuant to a Program Supplement, if SMART fails to expend monies within the time allowed specified in the Program Supplement, those funds shall revert, and be deemed withdrawn and will no longer be available to reimburse Project work unless those funds are specifically made available beyond the end of that Fiscal Year through re-appropriation or other equivalent action of the Legislature and written notice of that action is provided to SMART by State.

d. In the event CalSTA terminates a Program Supplement for convenience and not for a default on the part of SMART as is contemplated in this section, SMART shall be reimbursed its authorized costs up to State's proportionate and maximum share of allowable Project costs incurred to the date of SMART's receipt of that notice of termination, including any unavoidable costs reasonably and necessarily incurred up to and following that termination date by SMART to effect such termination following receipt of that termination notice.

2. Termination After SMART's Obligations Fully Performed

Following project completion, and all obligations as defined in the Program Supplement are fully performed, including Project completion of all deliverables and reporting, the Program Supplement shall be terminated. If the Project obligations are not fully performed, as defined under this section, SMART may be required to fully or partially repay funds.

D. *Third Party Contracting*

1. SMART shall not award a construction contract over \$10,000 or other contracts over \$25,000 [excluding professional service contracts of the type which are required to be procured in accordance with Government Code Sections 4525 (d), (e) and (f)] on the basis of a non-competitive negotiation for work to be performed under this Agreement without the prior

written approval of State. Contracts awarded by SMART, if intended as local match credit, must meet the requirements set forth in this Agreement regarding local match funds.

2. Any subcontract entered into by SMART as a result of this Agreement shall contain the provisions of ARTICLE III – GENERAL PROVISIONS, Section 2. Audits and Reports and shall mandate that travel and per diem reimbursements and third-party contract reimbursements to subcontractors will be allowable as Project costs only after those costs are incurred and paid for by the subcontractors.

3. In addition to the above, the pre-award requirements of third party contractor/consultants with local transit agencies should be consistent with Local Program Procedures (LPP-00-05).

4. SMART agrees to pay and to require its contractors to pay employees in accordance with federal and state labor laws.

E. Change in Funds and Terms/Amendments

This Agreement and the resultant Program Supplements may be modified, altered, or revised only by a written amendment that is executed by all of the parties in accordance with Article IV, section 1.D.

F. Project Ownership

1. Unless expressly provided to the contrary in a Program Supplement, subject to the terms and provisions of this Agreement, SMART, or a designated subrecipient acceptable to State, as applicable, shall be the sole owner of all improvements and property included in the Project constructed, installed or acquired by SMART or subrecipient with funding provided to SMART under this Agreement. SMART, or subrecipient, as applicable, is obligated to continue operation and maintenance of the physical aspects of the Project dedicated to the public transportation purposes for which Project was initially approved unless SMART, or subrecipient, as applicable, ceases ownership of such Project property; ceases to utilize the Project property for the intended public transportation purposes; or sells or transfers title to or control over Project and State is refunded the Credits due State as provided in paragraph (2) herein below.

2. Project right-of-way, Project facilities constructed or reconstructed on the Project site and/or Project property (including vehicles and rolling stock) purchased by SMART (excluding temporary construction easements and excess property whose proportionate resale proceeds are distributed pursuant to this Agreement) shall remain permanently dedicated to the described public transit and freight uses in the same proportion and scope, and to the same extent as mandated in the Program Supplement, unless State agrees otherwise in writing. Vehicles acquired as part of Project, including, but not limited to, buses, vans, rail equipment, shall be dedicated to that rail transportation use for their full economic life cycle, which, for the purpose of this Agreement, will be determined in accordance with standard national transit practices and applicable rules and guidelines, including any extensions of that life cycle achievable by

reconstruction, rehabilitation or enhancements. The exceptions to this section are outlined below:

a. Except as otherwise set forth in this Section 3, State, or any other State-assignee public body acting on behalf of CalSTA, shall be entitled to a refund or credit (collectively the Credit), at State's sole option, equivalent to the proportionate Project funding participation received by SMART from State if SMART, or a sub-recipient, as applicable, (i) ceases to utilize Project for the original intended transportation purposes or (ii) sells or transfers title to or control over Project. If federal funds (meaning only those federal funds received directly by SMART and not federal funds derived through or from the State) have contributed to the Project, SMART shall notify both State and the original federal source of those funds of the disposition of the Project assets or the intended use of those sale or transfer receipts.

b. State shall also be entitled to an acquisition credit for any future purchase or condemnation of all or portions of Project by State or a designated representative or agent of State.

c. The Credit due State will be determined by the ratio of State's funding when measured against the SMART's funding participation (the Ratio). For purposes of this Section 4, the State's funding participation includes federal funds derived through or from State. That Ratio is to be applied to the then present fair market value of Project property acquired or constructed as provided in (d) and (e) below.

d. For Rail vehicles, rolling stock or other freight equipment this Credit [to be deducted from the then remaining equipment value] shall be equivalent to the percentage of the full extendable vehicle economic life cycle remaining, multiplied by the Ratio of funds provided for that equipment acquisition. For real property, this same funding Ratio shall be applied to the then present fair market value, as determined by State, of the Project property acquired or improved under this Agreement.

e. The Credit due State as a refund shall not be required if SMART dedicates the proceeds of such sale or transfer exclusively to a new or replacement State approved public transit or freight rail purpose, which replacement facility or vehicles will then also be subject to the identical use restrictions for that new public purpose and the Credit ratio due State should that replacement project or those replacement vehicles cease to be used for that intended described pre-approved public transit purpose.

i. In determining the present fair market value of property for purposes of calculating State's Credit under this Agreement, any real property portions of the Project site contributed by SMART shall not be included. In determining State's proportionate funding participation, State's contributions to third parties (other than SMART) shall be included if those contributions are incorporated into the Project.

ii. Once State has received the Credit as provided for above because SMART, or a sub-recipient, as applicable, has (a) ceased to utilize the Project for the described intended

transportation purpose(s) for which State funding was provided and State has not consented to that cessation of services or (b) sold or transferred title to or control over Project to another party (absent State approval for the continued transit operation of the Project by that successor party under an assignment of SMART's duties and obligations), neither SMART, subrecipient, nor any party to whom SMART or subrecipient, as applicable, has transferred said title or control shall have any further obligation under this Agreement to continue operation of Project and/or Project facilities for those described public transportation purposes, but may then use Project and/or any of its facilities for any lawful purpose.

iii. To the extent that SMART operates and maintains Intermodal Transfer Stations as any integral part of Project, SMART shall maintain each station and all its appurtenances, including, but not limited to, restroom facilities, in good condition and repair in accordance with high standards of cleanliness (Public Utilities Code section 99317.8). Upon request of State, SMART shall also authorize State-funded bus services to use those stations and appurtenances without any charge to State or the bus operator. This permitted use will include the placement of signs and informational material designed to alert the public to the availability of the State-funded bus service (for the purpose of this paragraph, "State-funded bus service" means any bus service funded pursuant to Public Utilities Code section 99316).

G. *Disputes*

Parties shall develop a mutually agreed upon issue resolution process, as described below, and issues between the Parties are to be resolved in a timely manner. The Parties agree to the following:

1. If the Parties are unable to reach agreement on any particular issue relating to either Parties' obligations pursuant to this Agreement, the Parties agree to promptly follow the issue resolution process as outlined below:

a. CalSTA's project manager and the SMART's equivalent may initiate the process of informal dispute resolution by providing the other Party with written notice of a dispute. The written notice shall provide a clear statement of the dispute, and shall refer to the specific provisions of this Agreement or Program Supplement that pertain to the dispute. CalSTA's project manager and the SMART's equivalent shall meet and attempt to resolve the dispute within five days from the written notice. If the dispute is resolved, the Parties shall create and sign a short description of the facts and the resolution that was agreed upon by the Parties.

b. If the dispute is not resolved by the fifth day from the written notice, CalSTA's chief deputy for rail and transit and the SMART's equivalent shall meet and review the dispute within five days. CalSTA's deputy and the SMART's equivalent manager shall attempt to resolve the dispute within ten days of their initial meeting. If the dispute is resolved, the Parties shall create and sign a short description of the facts and the resolution that was agreed upon by the Parties.

c. If the dispute is not resolved by the tenth day, CalSTA's Secretary or designee and the SMART's equivalent manager shall meet and review the dispute within five days. CalSTA's

Secretary or designee and the SMART's equivalent manager shall attempt to resolve the dispute within ten days of the initial meeting. If the dispute is resolved, the Parties shall create and sign a short description of the facts and the resolution that was agreed upon by the Parties.

H. *Hold Harmless and Indemnification*

1. Neither State nor any officer or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by SMART, its agents and contractors under or in connection with any work, authority, or jurisdiction delegated to SMART under this Agreement or any Program Supplement or as respects environmental clean-up obligations or duties of SMART relative to Project. It is also understood and agreed that, SMART shall fully defend, indemnify and the State and their officers and employees harmless from any liability imposed for injury and damages or environmental obligations or duties arising or created by reason of anything done or imposed by operation of law or assumed by, or omitted to be done by SMART under or in connection with any work, authority, or jurisdiction delegated to SMART under this Agreement and all Program Supplements.

2. SMART shall indemnify, defend and hold harmless State, the CTC and the State Treasurer relative to any misuse by SMART of State funds, Project property, Project generated income or other fiscal acts or omissions of SMART.

I. *Labor Code Compliance*

SMART shall include in all subcontracts awarded using Project funds, when applicable, a clause that requires each subcontractor to comply with California Labor Code requirements that all workers employed on public works aspects of any project (as defined in California Labor Code §§ 1720-1815) be paid not less than the general prevailing wage rates predetermined by the Department of Industrial Relations as effective the date of Contract award by the SMART.

J. *Non-Discrimination Clause*

1. In the performance of work under this Agreement, SMART, its contractor(s) and all subcontractors, shall not unlawfully discriminate, harass or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability, mental disability, medical condition, age, marital status, family and medical care leave, pregnancy leave, and disability leave. SMART, its contractor(s) and all subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. SMART, its contractor(s) and all subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12900 et seq.), and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Each of SMART's contractors and all subcontractors shall give written notice of their

obligations under this clause to labor organizations with which they have a collective bargaining or other agreements, as appropriate.

2. Each of the SMART's contractors, subcontractors, and/or subrecipients shall give written notice of their obligations under this clause to labor organizations with which they have collective bargaining or other labor agreements. The SMART shall include the non-discrimination and compliance provisions hereof in all contracts and subcontracts to perform work under this Agreement.

3. Should federal funds be constituted as part of Project funding or compensation received by SMART under a separate Contract during the performance of this Agreement, SMART shall comply with this Agreement and with all federal mandated contract provisions as set forth in that applicable federal funding agreement.

4. SMART shall include the non-discrimination and compliance provisions of this clause in all contracts and subcontracts to perform work under this Agreement.

5. The SMART shall comply with the nondiscrimination program requirements of Title VI of the Civil Rights Act of 1964. Accordingly, 49 CFR 21 (Nondiscrimination in Federally-Assisted Programs of The Department Of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964) and 23 CFR Part 200 (Title VI Program and Related Statutes—Implementation and Review Procedures) are made applicable to this Agreement by this reference. Wherever the term "Contractor" appears therein, it shall mean the SMART.

6. The SMART shall permit, and shall require that its contractors, subcontractors, and subrecipients will permit, access to all records of employment, employment advertisements, application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission or any other agency of the State of California designated by Department to investigate compliance with this Section J.

K. *State Fire Marshal Building Standards Code*

The State Fire Marshal adopts building standards for fire safety and panic prevention. Such regulations pertain to fire protection design and construction, means of egress and adequacy of exits, installation of fire alarms, and fire extinguishment systems for any State-owned or State-occupied buildings per section 13108 of the Health and Safety Code. When applicable, SMART shall request that the State Fire Marshal review Project PS&E to ensure Project consistency with State fire protection standards.

L. *Americans with Disabilities Act*

By signing this Master Agreement, SMART assures State that SMART shall comply with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA (42 U.S.C. 12101 et seq.).

M. *Access for Persons with Disabilities*

Disabled access review by the Department of General Services (Division of the State Architect) is required for all publicly funded construction of buildings, structures, sidewalks, curbs and related facilities. SMART will award no construction contract unless SMART's plans and specifications for such facilities conform to the provisions of sections 4450 and 4454 of the California Government Code, if applicable. Further requirements and guidance are provided in Title 24 of the California Code of Regulations.

N. *Disabled Veterans Program Requirements*

1. Should Military and Veterans Code sections 999 et seq. be applicable to SMART, SMART will meet, or make good faith efforts to meet, the 3% Disabled Veterans Business Enterprises goals (or SMART's applicable higher goals) in the award of every contract for Project work to be performed under these this Agreement.

2. SMART shall have the sole duty and authority under this Agreement and each Program Supplement to determine whether these referenced code sections are applicable to SMART and, if so, whether good faith efforts asserted by those contractors of SMART were sufficient as outlined in Military and Veterans Code sections 999 et seq.

O. *Environmental Process*

Completion of the Project environmental process ("clearance") by SMART (and/or State if it affects a State facility within the meaning of the applicable statutes) is required prior to requesting Project funds for right-of-way purchase or construction. No State agency may request funds nor shall any State agency, board or commission authorize expenditures of funds for any Project effort, except for feasibility or planning studies, which may have a significant effect on the environment unless such a request is accompanied with all appropriate documentation of compliance with or exemption from the California Environmental Quality Act (CEQA) (including, if as appropriate, an environmental impact report, negative declaration, or notice of exemption) under California Public Resources Code section 21080(b) (10), (11), and (12) provides an exemption for a passenger rail project that institutes or increases passenger or commuter services on rail or highway rights-of-way already in use.

P. *Force Majeure*

Each party will be excused from performance of its obligations where such non-performance is caused by any event beyond its reasonable control, such as any non-appealable order, rule or regulation of any federal or state governmental body, fire, flood, earthquake, storm, hurricane or other natural disaster, epidemic, pandemic, war, invasion, act of foreign enemies, hostilities (regardless of whether war is declared), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, nationalization, government sanction, blockage, embargo, labor dispute, strike, lockout or interruption, provided that the party excused

hereunder shall use all reasonable efforts to minimize its non-performance and to overcome, remedy or remove such event in the shortest practical time.

Should a *force majeure* event occur which renders it impossible for a period of forty-five (45) or more consecutive days for either party to perform its obligations hereunder, the Parties agree to negotiate in good faith to amend the existing Master Agreement or Supplemental Agreement to deal with such event and to seek additional sources of funding to continue the delivery of the project and/or operation of the Service.

ARTICLE IV – MISCELLANEOUS PROVISIONS

Section 1. Miscellaneous Provisions

A. *Successor Acts*

All statutes cited herein shall be deemed to include amendments to and successor statutes to the cited statutes as they presently exist.

B. *Successor and Assigns to the Parties*

Neither this Agreement nor any right, duty or obligation hereunder may be assigned, transferred, hypothecated or pledged by any party without the express written consent of the other party; provided, that unless otherwise expressly required herein, a party shall not be obligated to obtain the written consent of the other party with respect to any contract related to the Service for the provision of goods and/or services to the contracting party in the ordinary course of business.

C. *Notice*

Any notice which may be required under this Agreement shall be in writing, shall be effective when received, and shall be given by personal service, or by certified or registered mail, return receipt requested, to the addresses set forth below, or to such other addresses as may be specified in writing and given to the other party in accordance herewith.

If given to CalSTA:

California State Transportation Agency

915 Capitol Mall, Suite 350B

Sacramento, CA 95814

Attention: Chief Deputy Secretary for Rail and Transit

with a copy to:

California Department of Transportation

Division of Rail and Mass Transportation

P.O. Box _____

Sacramento, CA 95812-

Attention: Division Chief for Rail and Mass Transportation

If given to the SMART:

Agency Name

Address.

City, XXXXX-XXXX

Attention: Contact Name

D. *Amendment*

This Agreement may not be changed, modified, or amended except in writing, signed by the parties hereto, and approved in advance in writing by the Secretary, and any attempt at oral modification of this Agreement shall be void and of no effect.

E. *Representation and Warranties of the Parties*

1. SMART hereby represents and warrants to the Department that:

a. SMART is in good standing under applicable law, with all requisite power and authority to carry on the activities for which it has been organized and proposed to be conducted pursuant to this Agreement.

b. SMART has the requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by such entity, the performance by it of its obligations thereunder and the consummation of the transactions contemplated thereby have been duly authorized by the governing board of such entity and no other proceedings are necessary to authorize this Agreement or to consummate the transactions contemplated thereby. The Agreements have been duly and validly executed and delivered by such entity and constitute valid and binding obligations of such entity, enforceable against it in accordance with their terms, except to the extent that such enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws now or hereinafter in effect relating to the creditor's rights and the remedy of specific enforcement and injunctive and other forms of equitable relief, and may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought.

c. Neither the execution and delivery of this Agreement and the performance of its obligations thereunder nor the consummation of the transactions contemplated thereby will (i) conflict with or result in a breach of any provision of any agreement to which SMART is a party; (ii) violate any writ, order, judgment, injunction, decrees, statute, rule or regulation of any court or governmental authority applicable to such entity or its property or assets.

2. CalSTA does hereby represent and warrant with respect to each of this Agreement to SMART that:

a. It validly exists with all requisite power and authority to carry on the activities proposed to be conducted pursuant to this Agreement.

b. It has the requisite power and authority to execute and deliver this Agreement and to carry out its obligations thereunder. The execution and delivery of this Agreement, the performance by it of its obligations thereunder and the consummation of the transactions contemplated thereby have been duly authorized and no other proceedings are necessary to authorize this Agreement or to consummate the transactions contemplated thereby. The agreements have been duly and validly executed and delivered by it and constitute valid and binding obligations, enforceable against it in accordance with their terms, except to the extent that such enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws now or hereinafter in effect relating to creditor's rights and other forms of equitable relief, and may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought.

c. Neither the execution and delivery of this Agreement and the performance of its obligations thereunder nor the consummation of the transactions contemplated thereby will (i) conflict with or result in a breach of any provision of any agreement to which SMART is a party; (ii) violate any writ, order, judgment, injunction, decree, statute, rule or regulation of any court or governmental authority applicable to such entity or its property or assets.

F. *Construction, Number, Gender and Captions*

The Agreements have been executed in the State of California and shall be construed according to the law of said State. Numbers and gender as used therein shall be construed to include that number and/or gender which is appropriate in the context of the text in which either is included. Captions are included therein for the purposes of ease of reading and identification. Neither gender, number nor captions used therein shall be construed to alter the plain meaning of the text in which any or all of them appear.

G. *Complete Agreement*

This Agreement, including Appendices, constitutes the full and complete agreement of the parties, superseding and incorporating all prior oral and written agreements relating to the subject matter of this Agreement. All attached Appendices A and B are hereby incorporated and made an integral part of this Agreement by this reference.

H. *Partial Invalidity*

If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this

Agreement and the remaining parts of this Agreement shall be enforced as if such invalid, illegal or unenforceable part were not contained herein.

I. *Conflicts*

To the extent that any provision of or requirement of this Agreement may conflict with a provision or requirement of any other agreement between the parties hereto, or between a party hereto and any other party, which is attached to this Agreement as an appendix, the following priority of agreements shall be employed to resolve such conflict. In the event of a conflict, the Master Agreement controls the Program Supplement and any further Amendments.

J. *Counterparts*

This Agreement may be executed in one or more counterparts and may include multiple signature pages, all of which shall be deemed to be one instrument. Copies of this Agreement may be used in lieu of the original.

K. *Governing Law*

The Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers.

[SIGNATURES TO FOLLOW]

**CALIFORNIA STATE
TRANSPORTATION AGENCY**

Sonoma-Marín Area Rail Transit

BY: _____
DAVID S. KIM
Secretary

BY: _____
Farhad Mansourian
General Manager

DATE: _____

DATE: _____

APPROVED AS TO FORM AND PROCEDURE

CALIFORNIA STATE TRANSPORTATION AGENCY

BY: _____
Attorney

DATE: _____

APPENDIX A
[DEPARTMENT DELEGATION]

DRAFT

**APPENDIX B
RECIPIENT'S RESOLUTION
(INSERT AGENCY BOARD RESOLUTION)**

DRAFT

ASSET TRANSFER AGREEMENT

This Asset Transfer Agreement (the "Agreement"), entered into and effective this ___ day of _____, 2019 (the "Effective Date"), is made and entered into by and between Sonoma-Marín Area Rail Transit District, a public transit district established under California law ("SMART"), and the Northwestern Pacific Railroad Company ("NWPCO"), a California Corporation established under California law). SMART and NWPCO are sometimes herein referred to individually as a "Party" and collectively as the "Parties" to this Agreement.

WHEREAS, Senate Bill No. 1029 enacted into law on August 24, 2018, appropriates the sum of four million dollars to the State Transportation Agency to be allocated to the Sonoma-Marín Area Rail Transit District under certain conditions for the acquisition of freight rights and equipment from NWPCO;

WHEREAS, SMART is authorized to acquire such freight rights and related equipment from NWPCO in order to carry out the purposes of Senate Bill No. 1029;

WHEREAS, in order to effectuate the intent of Senate Bill No. 1029, NWPCO and SMART hereby agree to enter in a baseline agreement for the transfer and conveyance of NWPCO's freight rights and equipment to SMART pursuant to the terms and conditions necessary to receive approval from the State Secretary of Transportation and Director of Finance;

WHEREAS, the transfer and conveyance of NWPCO's freight interest, rights and equipment is not considered to be a Project subject to environmental review;

WHEREAS, in order to effectuate the intent of Senate Bill No. 1029, NWPCO shall consummate an Agreement with the North Coast Rail Authority, ("NCRA") to discontinue NWPCO operations South of milepost 89.0 (Sonoma/Mendocino County line) and to assign, transfer and convey its freight rights and equipment related thereto to SMART;

WHEREAS, in order to effectuate the intent of Senate Bill No. 1029, the NCRA-SMART 2011 Operating and Coordination Agreement dated June 20th, 2011, and as thereafter amended dated December 13, 2017, shall continue to be in full force and effect for operations north of milepost 89.0 only.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements herein contained, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties intending to be legally bound hereby agree as follows:

I. DEFINITIONS

1.1 **Defined Terms.** As used herein, the following terms shall have the meanings specified in this Section 1. 1 (such definitions to be equally applicable to the singular and plural forms of the term defined) as follows:

“Acquired Assets” - Shall have the meaning set forth in Section 2.1(b) hereof.

“Action” – Shall mean any suit, claim, action, arbitration, audit or proceeding before any court, tribunal, arbitral body or other Governmental Entity.

“Administration and Proration Agreement” - Shall have the meaning set forth in Section 2.6 hereof.

“Agreement” – Shall have the meaning set forth in the preamble hereto.

“Ancillary Agreements” – Shall have the meaning set forth in Section 7.1 hereof.

“Assignment and Assumption Agreement” – Shall have the meaning set forth in Section 2.1(a)(iv) hereof.

“Assumed Liabilities” – Shall have the meaning set forth in Section 2.3 hereof.

“Bill of Sale” – Shall have the meaning set forth in Section 2.1(a)(iii) hereof.

“Closing” – Shall have the meaning set forth in Section 3.1 hereof.

“Closing Date” – Shall have the meaning set forth in Section 3.1 hereof.

“Contracts” – Shall have the meaning set forth in Section 2.1(a)(iv) hereof.

“Environmental Claim” - Shall mean any claim, action, demand, or notice by or on behalf of any Governmental Entity, person or entity alleging potential liability under, or a violation of, any Environmental Law.

“Environmental Laws” - Shall mean federal, state or local laws or any applicable regulation, rule, order or decree relating to pollution or protection of the environment, including but not limited to laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants or hazardous or toxic material or wastes, including petroleum, into ambient air, surface water, ground water or land or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or hazardous or toxic materials or wastes, including but not limited to petroleum.

“Environmental Permits” - Shall mean any and all permits, licenses, approvals, registrations, notifications, exemptions and any other authorization pursuant to or required under any Environmental Law.

“Environmental Remedial Action” - Shall mean any and all actions required to (i) clean up, remove, treat, contain or in any other way take remedial action or response action of or with respect to any Material of Environmental Concern in the environment; (ii) prevent the Release or threat of Release or minimize the further Release of Materials of Environmental Concern so they do not migrate or endanger public health or welfare or the indoor or outdoor environment; or (iii) perform pre-remedial studies and investigations and post-remedial monitoring and care. The term “Environmental Remedial Action” includes without limitation any action which constitutes a “removal”, “remedial action” or “response” as

defined by Section 101 of CERCLA, 42 U.S.C. § 9601(23), (24), and (25), as amended, and the same or similar words as used and defined under counterpart laws of applicable states or other jurisdictions.

“Environmental Report” - Shall mean any report, study, assessment, audit or other similar document prepared by or on behalf of NCRA or NWPCO, which addresses any issue of actual or potential noncompliance with, or actual or potential liability under, any Environmental Law.

“Excluded Assets” – Shall have the meaning set forth in Section 2.2 hereof.

“Excluded Liabilities” – Shall have the meaning set forth in Section 2.4 hereof.

“Governmental Entity” - Any agency, authority, entity, board, bureau, court, commission, department, instrumentality or administration of the United States government, any state government or any local or other governmental body in a state, territory or possession of the United States or the District of Columbia, with jurisdiction over the applicable subject matter.

“Liens” – Shall mean any lien, security interest, option, mortgage, pledge, restriction or encumbrance, except if created as a result of applicable federal and state securities law restrictions.

“Material Adverse Effect” - Shall mean a change or effect that (i) has or is reasonably likely to have an adverse effect on the business, assets, condition (financial or otherwise) or results of operation of an entity, or (ii) impairs or is reasonably likely to impair an entity’s ability to perform any of its obligations under this Agreement, which, in each case, results or is reasonably likely to result in an out of pocket expenditure of more than –\$50,000__ (the “Dollar Threshold”) over and above available insurance coverage, but shall not mean a change or effect (i) that relates to the economy and financial markets generally and not specifically to such entity, (ii) that relates to the industry in which such entity operates generally and not specifically to such entity, (iii) that results from natural disasters, calamities and other force majeure events, or (iv) that results from any outbreak or escalation of armed hostilities, any acts of war or terrorism.

“Materials of Environmental Concern” - Shall mean any material or substance that is defined or classified as a “hazardous substance”, “hazardous material”, “hazardous waste”, “pollutant”, “contaminant”, or any other substance regulated pursuant to or that could give rise to liability under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601(14)), as amended; the Federal Water Pollution Control Act (33 U.S.C. § 1321), as amended; the Resource Conservation and Recovery Act (42 U.S.C. §§ 6903, 6921), as amended; the Federal Water Pollution Control Act (33 U.S.C. § 1317(a)(1)), as amended; the Clean Air Act (42 U.S.C. § 7412), as amended; the Hazardous Materials Transportation Uniform Safety Act of 1990 (49 U.S.C. App. § 1802(4)), as amended; the Federal Insecticide and Rodenticide Act (7 U.S.C. § 136), as amended; analogous state and local laws; and any other Environmental Laws.

“NCRA” – Shall mean the North Coast Railroad Authority or any successor agency designated by law which may be responsible for NCRA’s debts, liabilities or obligations following the Closing.

“Notice” – Shall have the meaning set forth in Section 12.7 hereof.

“Party” or “Parties” – Shall have the meaning set forth in the preamble hereto.

“Quitclaim Deed” – Shall have the meaning set forth in Section 2.1(a)(i) hereof.

“Rail Line” – Shall have the meaning set forth in Section 2.1(a)(i) hereof.

“Release” – Shall mean any release, emission or discharge of any Material of Environmental Concern, in, into or onto the environment, including any release, as defined in CERCLA or any other Environmental Law, of any Material of Environmental Concern.

“SMART” – Shall mean the Sonoma-Marín Area Rail Transit District.

“STB” – Shall mean the Surface Transportation Board of the Department of Transportation or any successor federal agency with primary jurisdiction over the Rail Line conveyance transaction that is the subject of this Agreement.

“Taxes” – Shall mean all ad valorem and real property taxes, personal property taxes, sales and use and similar taxes, assessments and charges (if any) relating to the Acquired Assets.

1.2 Other Definitional Provisions. (a) Unless otherwise stated, terms, phrases and expressions used in this Agreement (whether or not capitalized) which pertain to railroad assets shall have the meaning commonly given such terms under common usage and practice of the railroad industry.

(b) All references to the real and personal property and other assets, rights, benefits, privileges and interests transferred by NWPCO under the terms of this Agreement shall mean any and all ownership or leasehold interests of NWPCO in and to such real and personal property and other assets, rights, benefits, privileges and interests, to the extent applicable, as such real and personal property and other assets, rights, benefits, privileges and interests are owned, leased, used or held for use by NWPCO.

(c) The Article and Section headings contained in this Agreement are for reference purposes only and shall not ~~effect~~ affect in any way the meaning or interpretation of this Agreement. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof. Unless the context of this Agreement otherwise requires: (i) words of any gender include the other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms “hereof,” “herein,” “hereby” and derivative or similar words refer to this entire Agreement; and (iv) the terms “Article” or “Section” refer to the specified Article or Section of this Agreement. Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless otherwise specified. Whenever the words “included,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

II. TRANSFER OF NWPCO ASSETS

2.1 Transfer of NWPCO’s Assets.

(a) Pursuant to the terms and subject to the conditions of this Agreement, NWPCO hereby agrees to transfer and convey to SMART at Closing all of its right, title and interest in and to the

following assets that are either owned by NWPCO or leased by it, (subject to provisions of Section 2.2 regarding Excluded Assets):

(i) any and all real property interests owned or leased by NWPCO (including any fee interest, leasehold interest, deed of trust or easement rights) in the railroad right of way and associated real property (including any spur or branch lines, depot property or other real property interests along or adjacent to the pertinent rail corridor) That constitute part of the line of railroad and rail corridor extending from approximately milepost 89.0 at the Sonoma/Mendocino County line south to approximately milepost 14 and east to the City of American Canyon approximately at milepost 49.80 (Brazos Junction the "Rail Line"), which real property is more particularly described in the Quitclaim Deed attached hereto as **Exhibit A (the "Quitclaim Deed")**.

(ii) any and all fixtures, appurtenances and articles of personal property that constitute part of the Rail Line (including without limitation rail, ties, spikes, tie plates, ballast, rail anchors, bridges, culverts, materials, supplies and other supporting structures) as well as signals and road crossing protection equipment, which personal property is more particularly described in the Quitclaim Deed;

(iii) any and all personal property which is reasonably related to the operation and maintenance of the Rail Line, including but not limited to any locomotives, railcars and other railroad equipment, maintenance machinery, roadway equipment parts and supplies and rail inventories as more particularly described in the Bill of Sale attached hereto as **Exhibit B (the "Bill of Sale")**;

(iv) any and all contractual rights, privileges and authorizations relating to the Rail Line, (the "Contracts") as more particularly described in the Assignment and Assumption Agreement attached hereto as **Exhibit C ("the Assignment and Assumption Agreement")** and **Schedule 1** thereto (which lists the Contracts to be assigned from NWPCO to SMART at Closing);

(v) any and all licenses, certificates of public convenience and necessity, common carrier rights, freight restart rights, or other rights or authorizations relating to rail operations on the Rail Line; and

(vi) any and all other rights, privileges and assets relating to the Rail Line which may be identified by the Parties hereto prior to or subsequent to Closing.

(b) The assets described above shall be referred to in this Agreement as the "Acquired Assets."

2.2 Excluded Assets. The following real property, personal property, fixtures, and other assets shall be excluded from the assets that will be transferred and conveyed from NWPCO to SMART pursuant to this Agreement (the "Excluded Assets"):

(a) the real property interests which constitute part of the right-of-way and rail corridor north of approximately milepost 89.0 at the Sonoma/Mendocino County Line;

(b) the portions of any and all contractual rights, privileges and authorizations that do not apply or relate to the Acquired Assets (including without limitation those contractual rights,

privileges and authorizations relating or applying to the northern portion of the right-of-way and rail corridor north of approximately milepost 89.0 at the Sonoma/Mendocino County Line;

(c) any and all contractual rights, privileges and authorizations that would otherwise be transferred to SMART but that SMART instructs NWPCO to terminate prior to the Closing (including, without limitation, any contractual agreements between NCRA and NWPCO), provided NWPCO can lawfully effectuate such termination pursuant to such contractual agreements

(d)-any and all contractual rights, privileges and authorizations that entitle NWPCO to the repayment of amounts owed to it by NCRA, (except for any interest in real property owned by NCRA south of milepost 89.0)

(e) any interest in real property heretofore specifically pledged by NCRA to NWPCO for the repayment of debt (including the Ukiah Railroad Depot Property and the Mason Street Property pledged in that certain Remediation Agreement referenced hereto entered into by and between NCRA and NWPCO) or such interest in real property owned by NCRA north of milepost 89.0 as might be lawfully claimed by NWPCO in the future to secure or effectuate such repayment

(f) Other assets not included in the Acquired Assets, including accounts receivable for goods or services already provided and cash related to the period prior to 12:01 a.m. Pacific Time on the day immediately following the Closing Date.

2.3 Assumed Obligations. At the Closing, SMART shall assume the following obligations of NWPCO relating to the Acquired Assets (subject to the provisions of Section 2.4 regarding Excluded Liabilities) (the "Assumed Liabilities"):

(a) All obligations attributable to the period commencing on and after 12:01 a.m. Pacific Time on the day immediately following the Closing Date (as defined in Section 3.1 of this Agreement) that arise under the Contracts assigned by NWPCO to SMART pursuant to Section 2.1, as more particularly set forth in the Assignment and Assumption Agreement; and

(b) All obligations and liabilities attributable only to the period commencing on and after 12:01 a.m. Pacific Time on the day immediately following the Closing Date relating solely to SMART's, operation or use of the Acquired Assets.

2.4 Limitation on Assumption of Liabilities. Except as expressly stated above with respect to the Assumed Liabilities, SMART shall not assume or be responsible for any and all of NWPCO, NCRA, the State of California and/or any other parties' obligations and liabilities, including but not limited to the following (the "Excluded Liabilities")

(a) All obligations and liabilities attributable to the period prior to 12:01 a.m. Pacific Time on the day immediately following the Closing Date that arose under the Contracts assigned to SMART pursuant to Section 2.1, as more particularly set forth in the Assignment and Assumption Agreement;

(b) All obligations and liabilities attributable to the period prior to 12:01 a.m. Pacific

Time on the day immediately following the Closing Date relating to NWPCO's ownership/leasehold, operation, use and/or possession of the Acquired Assets;

(c) All obligations and liabilities of NWPCO for the payment of Taxes, damages, lawsuits, causes of action, fines or fees (if any) applicable to the Acquired Assets or otherwise that occurred or arose prior to 12:01 Pacific Time on the day immediately following the Closing Date, except to the extent expressly allocated to SMART under this Agreement;

(d) All obligations and liabilities of NWPCO under that portion of any Contract that does not relate to the Acquired Assets; and

(e) All obligations and liabilities of NWPCO relating to the Excluded Assets.

2.5 Purchase Price; Consideration. As consideration for the sale to Buyer of the Purchased Assets, at the Closing Buyer shall pay to Seller the sum of Four Million Dollars (\$4,000,000), (the "Purchase Price"). The parties acknowledge and agree that no other payments or other transfers of value from SMART to NWPCO or any other party will be required at Closing in order to consummate the transfer and conveyance transaction specified herein--nor is any part of the consideration intended to pay or offset any indebtedness owed by NCRA to NWPCO.

2.6 Adjustments and Prorations. To the extent that any adjustment or proration of revenue received after Closing pertaining to the Contracts to be assigned to and assumed by SMART is determined by the Parties to be necessary, or other post-Closing adjustments and prorations relating to Taxes or otherwise are required, the Parties shall enter into an Administration and Proration Agreement in the form attached hereto as **Exhibit D**.

III. CLOSING:

3.1 Closing Date and Place. The closing of the transactions contemplated herein (the "Closing") shall take place at the offices of SMART prior to December 31, 2020 on such specific date mutually agreeable to the Parties, which shall be no later than the third (3rd) business day after satisfaction or waiver of the conditions set forth in Article VIII and IX ("Closing Date").

3.2 Deliveries by NWPCO. At or prior to the Closing, NWPCO shall deliver to SMART the following:

- (a) an executed Quitclaim Deed;
- (b) an executed Bill of Sale;
- (c) an executed Assignment and Assumption Agreement;
- (d) an executed Administration and Proration Agreement (if necessary);
- (e) an executed Agreement between NCRA and NWPCO (1) consenting to NWPCO's discontinuation of operations and partial termination of Lease with NCRA south of the Sonoma/Mendocino County line (MP 89), and (2) the assignment transfer and conveyance of its

railroad assets and associated rights to SMART, and (3) termination of the NCRA-SMART 2011 Operating and Coordination Agreement as amended, dated December 13, 2017 as such agreement is applicable to sections south of milepost 89.0

(f) such certificates, resolutions, instruments and documents as SMART may reasonably require to evidence NWPCO's transfer of the Acquired Assets to SMART in accordance with the legislative intent of [S.B. No. 1029].

(g) such certificates, resolutions, instruments and documents as SMART, STB or FRA may require to terminate NCRA and NWPCO freight operations and authorize SMART freight operation south of milepost 89.0.

3.3 Deliveries by SMART. At or prior to the Closing, SMART shall deliver to NWPCO the following:

- (a) an executed Assignment and Assumption Agreement; and
- (b) an executed Administration and Proration Agreement (if necessary); and
- (c) the Purchase Price, which shall be payable by wire transfer of immediately available funds to the account designated by NWPCO; and
- (d) SMART shall use its reasonable efforts to take all necessary actions or resolutions and execute any required instruments and documents to acquire the regulatory approval contemplated under this and Section 12.1(a)

IV. ADDITIONAL UNDERTAKINGS AND AGREEMENTS

4.1 Timing. The parties agree that in the event that any date on which performance is to occur falls on a Saturday, Sunday or state or national holiday, then the time for such performance shall be extended until the next business day thereafter occurring.

V. NWPCO'S REPRESENTATIONS AND WARRANTIES

NWPCO represents, warrants, and/or covenants, as applicable, as of the date hereof and as of Closing that:

5.1 Organization and Power and Authority. NWPCO is a California Corporation duly organized and validly existing under California law, and has all requisite power and authority and full legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by NWPCO have been duly authorized by all necessary action on the part of NWPCO. This Agreement has been duly executed and delivered by NWPCO, and assuming that this Agreement is a valid and binding obligation to SMART, this Agreement constitutes a valid and binding obligation of NWPCO, enforceable against NWPCO in accordance with its terms.

5.2 Noncontravention. Except as set forth on **Schedule 5.2**, and except for filings, permits,

authorizations, consents and approvals as may be required by, and other applicable requirements of, the Surface Transportation Board ("STB"), the execution, delivery and performance of this Agreement NWPCO will not (i) conflict with or result in a breach of any provision of NWPCO's contracts or NCRA's authorizing legislation (as amended by [S.B. No. 1029]); (ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity; (iii) result in a violation or breach of any of the terms, conditions or provisions of any note, bond, or mortgage to which NWPCO is a party or by which it or any of its properties or assets may be bound; (iv) violate any order, writ, injunction, judgment, decree, statute, rule or regulation applicable to NWPCO (v) result in the creation or imposition of any Lien on any of the Acquired Assets. To achieve the assurances hereunder as to NCRA, prior to closing, NWPCO shall confirm and provide SMART with the same verifications and noncontravention assurances from NCRA related to their ability to approve this agreement and the assignment, transfer and conveyance of the freight rights and interest to SMART.

5.3 Licenses and Permits. NWPCO has not received written notice from any Governmental Entity, and to NWPCO's knowledge no notice has been threatened in writing by any Governmental Entity, asserting that NWPCO does not have a license, permit, variance, certification, exemption, franchise, authorization or approval necessary to own, lease, use and/or operate, as applicable, the Acquired Assets as such assets are currently operated.

5.4 Litigation. Except as disclosed in **Schedule 5.4** attached hereto, there is no Action pending before any Governmental Entity or arbitrator, or to NWPCO's knowledge threatened in writing before any Court, Governmental Entity or arbitrator, in either case against or affecting or involving: (i) the Acquired Assets, or the business, operations, value or use thereof or related thereto; or (ii) NWPCO, as to which an adverse determination would materially impair the ability of NWPCO to perform its obligations under this Agreement. Neither NWPCO nor the Acquired Assets is subject to any outstanding order, writ, judgment, award, injunction or decree that, individually or in the aggregate, could reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by the Agreement.

5.5 Title to Assets.

(a) The real property leasehold interest held by NWPCO and personal property owned by NWPCO (including any locomotives, maintenance and construction equipment) to be conveyed by NWPCO to SMART pursuant to this Agreement will be free and clear of all Liens as of the Closing.

(b) NWPCO has good and valid title to the personal property that will be conveyed to SMART.

(c) For Assets owned by NCRA that NWPCO has a long-term lease, NWPCO will convey the long-term lease and transfer the exclusive right to use such Assets, under a long-term lease to SMART.

5.6 Status of Agreements.

(a) NWPCO represents and warrants that, to its knowledge, no party to any of the Contracts is in breach or default thereof and each of the assigned Contracts is in full force and effect.

(b) NWPCO represents and warrants that it has no knowledge of any ~~other~~ written

contracts and agreements, except for those contracts covered by the Assignment and Assumption Agreement or the Agreement for the Resurrection of Operations Upon the Northwestern Pacific Railroad line and Lease Agreement dated September 2006, that give third parties the right to use, access, enter or operate over the Rail Line.

5.7. Environmental Matters. Except as set forth in **Schedule 5.7** hereto, (i) NWPCO has not received written notice from any Governmental Entity alleging a violation by NWPCO of any applicable Environmental Laws, there are no pending Environmental Claims against NWPCO, and NWPCO has no knowledge of any Environmental Claim threatened in writing against the NWPCO, (ii) NWPCO is not subject to any judgment, decree, order, injunction or similar requirement relating to compliance with any Environmental Law or to Materials of Environmental Concern; and (iii) to the knowledge of NWPCO, it has provided to SMART true and complete copies of all Environmental Reports prepared on or after 2006, each of which is identified in **Schedule 5.7**.

5.8 Taxes. Except as set forth on **Schedule 5.8**, (i) NWPCO has timely filed all tax returns that it was required to file with respect to the Acquired Assets, (ii) all such tax returns were correct and complete in all material respects and were prepared in substantial compliance with all applicable laws and regulations, and (iii) all taxes due and owing by or with respect to NWPCO, to the extent applicable to the Acquired Assets, have been paid. There are no Liens on any of the Acquired Assets that arose in connection with any Tax or otherwise.

VI. SMART'S REPRESENTATIONS AND WARRANTIES

SMART represents, warrants and/or covenants, as applicable, as of the date hereof and as of Closing, that:

6.1 Organization and Power and Authority. SMART is a public agency duly organized and validly existing under California law and has all requisite power and authority and full legal capacity to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by SMART have been duly authorized by all necessary action on the part of SMART. This Agreement has been duly executed and delivered by SMART, and assuming that this Agreement is the valid and binding obligation of SMART, this Agreement constitutes a valid and binding obligation of SMART, enforceable against SMART in accordance with its terms.

6.2 Noncontravention. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the STB, the execution, delivery and performance of this Agreement by SMART will not (i) conflict with or result in any breach of its authorizing statute (as amended by [S.B. No. 1029]), (ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity, or (iii) violate any order, writ, injunction, judgment, decree, statute, rule or regulation applicable to SMART.

6.3 Litigation. SMART is not subject to any outstanding order, writ, injunction or decree that, individually or in the aggregate, could reasonably be expected to prevent or materially delay the consummation of the transactions contemplated by the Agreement. There is no Action pending, or to

SMART's knowledge threatened in writing, before any Governmental Entity or arbitrator against or affecting or involving SMART as to which an adverse determination would materially impair the ability of SMART to perform its obligations under this Agreement.

VII. COVENANTS AND AGREEMENTS

7.1 In making its determination to close the transactions contemplated by this Agreement the State and SMART have relied on the representations and warranties of NWPCO expressly and specifically set forth in this Agreement (including the Schedules attached hereto), the Quitclaim Deed, the Bill of Sale, the Assignment and Assumption Agreement, the Administration and Proration Agreement (if any), and any other agreements, documents and instruments delivered pursuant hereto or in connection with the transactions contemplated by this Agreement (collectively, the "Ancillary Agreements").

7.2 NWPCO's Management of the Acquired Assets Prior to Closing.

(a) Negative Covenants. NWPCO covenants and agrees with SMART that, from the Effective Date of this Agreement through the Closing Date, it will not, without the prior written approval of SMART, do or agree to do any of the following:

(i) Sell, assign, lease, mortgage, pledge, grant any right or interest in, or otherwise transfer or dispose of, all or any part of its real or personal property rights or operating rights with respect to its portion of the Acquired Assets;

(ii) Grant, amend, modify, extend or terminate any operating agreement, trackage rights, haulage rights, marketing agreements, joint facility agreements or other agreements affecting use, access to or rail operations over the Rail Line;

(iii) Amend or renew any Contracts or enter into any new agreement or incur any obligation or liability (contingent or absolute) relating to its portion of the Acquired;

(iv) Abandon or discontinue service on all or any part of the Rail Line;

(v) Enter into, amend or renew any agreements with shippers or receivers for movement of traffic over the Rail Line or for other use of the Rail Line (including without limitation for storage of rail products or related products); or

(vi) Replace or substitute rail or any other Acquired Assets other than with material of the same or better kind and quality.

(b) Affirmative Covenants. NWPCO covenants and agrees with SMART that from the date hereof through the Closing it will conduct its affairs relating to the Acquired Assets in the ordinary course and in consultation with SMART.

7.3 Other Action. Each of the Parties to this Agreement shall use its reasonable best efforts to cause the fulfillment at the earliest practicable date of all of the conditions to the obligations of the Parties to consummate the transactions contemplated under this Agreement.

7.4 Amended Schedules.

(a) At least five (5) business days prior to the Closing Date, NWPCO shall deliver to SMART any final amendments to the Schedules to this Agreement that reflect changes, if any, since the date of this Agreement, and which Schedules, as amended, shall supersede the prior schedules; provided, however, that if the amendments to such Schedules, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on SMART, then the parties shall be required to take reasonably steps to eliminate such Material Adverse Effect.

VIII. CONDITIONS PRECEDENT TO SMART'S OBLIGATION TO CLOSE

The obligations of SMART to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions at or prior to the Closing (any or all of which may be waived in whole or in part by SMART, if lawful):

8.1 Representations, Warranties and Covenants. The representations and warranties of NWPCO set forth in Article V shall be true and correct in all material respects at and as of the Closing. NWPCO shall have performed in all material respects all obligations required to be performed by it under this Agreement., except in any case where such failure to perform would not reasonably be likely to have a Material Adverse Effect on SMART;

8.2 No Prohibition to Consummation. No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order that is then in effect and has the effect of restraining, prohibiting or restricting, in a material respect, the consummation of the transactions contemplated by this Agreement;

8.3 Required Consents of Governmental Entities. All consents, authorizations, orders and approvals of (or filings or registrations with) any Governmental Entity required in connection with the execution, delivery or performance of this Agreement, the failure of which to obtain would prevent or materially delay the consummation of the transactions contemplated by this Agreement or have a Material Adverse Effect on SMART, shall have been obtained and be in full force and effect without the imposition of any condition having a Material Adverse Effect on SMART; and

8.4 Documents at Closing. NWPCO shall have delivered to SMART on or before the Closing all agreements, instruments and documents required to be delivered by NWPCO to SMART pursuant to Section 3.2. NWPCO and SMART shall have agreed upon any Exhibits and other documents which, by the terms of this Agreement, are to be agreed upon by NWPCO and SMART after the date hereof and prior to Closing.

8.5 Governmental Litigation. There shall be no governmental investigation pending or any order, injunction, or decree outstanding, against SMART relating to, or seeking to prohibit or otherwise challenge the consummation of, the transactions contemplated by this Agreement or to obtain substantial damages with respect thereto.

8.6 Future Funding and Assurances. Prior to Closing SMART shall receive satisfactory assurances that the State is committed to and will allocate additional funds to SMART for freight, operations, maintenance and liability of the rail line and the Acquired Assets.

IX. CONDITIONS PRECEDENT TO NWPCO's OBLIGATION TO CLOSE

The respective obligations of NWPCO to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions at or prior to the Closing (any and all of which may be waived in whole or in part by NWPCO, if lawful):

9.1 Representations, Warranties and Covenants. The representations and warranties of SMART set forth in Article VI of this Agreement shall be true and correct in all material respects at and as of the Closing, except in any case where such failure to be true and correct would not reasonably be likely to have a Material Adverse Effect on NWPCO. SMART shall have performed in all material respects all obligations required to be performed by it under this Agreement, except in any case where such failure to perform would not reasonably be likely to have a Material Adverse Effect on NWPCO;

9.2 No Prohibition to Consummation. No Governmental Entity shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order that is then in effect and has the effect of restraining, prohibiting or restricting, in a material respect, the consummation of the transactions contemplated by this Agreement;

9.3 Required Consents of Governmental Entities. All consents, authorizations, orders and approvals of (or filings or registrations with) any Governmental Entity required in connection with the execution, delivery or performance of this Agreement, the failure of which to obtain would prevent or materially delay the consummation of the transactions contemplated by this Agreement, or have a Material Adverse Effect on NWPCO, shall have been obtained and be in full force and effect without the imposition of any condition (other than the imposition by the STB of standard labor protective conditions) having a Material Adverse Effect on NWPCO;

9.4 Documents at Closing. SMART shall have delivered to NWPCO on or before the Closing all agreements, instruments and documents required to be delivered by SMART to NWPCO pursuant to Section 3.3. NWPCO and SMART shall have agreed upon any Exhibits and other documents which, by the terms of this Agreement, are to be agreed upon by NWPCO and SMART after the date hereof and prior to Closing.

9.5 Governmental Litigation. There shall be no governmental investigation pending or any order, injunction, or decree outstanding, against NWPCO relating to, or seeking to prohibit or otherwise challenge the consummation of, the transactions contemplated by this Agreement or to obtain substantial damages with respect thereto.

9.6 RRIF Loan. On or before closing, that certain debt obligation related to the liability for the Rail Line under the Federal Railroad Administration's Rehabilitation and Improvement Financing (RRIF) loan balance due shall be placed into an escrow account..

X. RISK OF LOSS: DEFAULT: TERMINATION

10.1 Risk of Loss. Subject to the limitations stated in this Section 10.1, as between NWPCO and SMART until Closing, the risk of loss or damage by fire or other casualty to the Acquired Assets, ordinary wear and tear excepted, shall be incurred by NWPCO; provided, however, that NWPCO may elect either (i) at its sole cost, to diligently restore, replace and repair such assets to their condition immediately prior to such loss or damage (for which time NWPCO may reasonably extend the Closing Date), or (ii) to provide SMART at Closing with an amount sufficient to pay for the restoration, replacement and repair of such assets to their condition immediately prior to such loss or damage through an assignment of insurance proceeds to which NWPCO would be entitled; provided, however, that, NWPCO shall not be obligated to restore, replace and repair (or pay for such restoration, replacement and repair of) such assets if: (1) SMART, on the one hand, and NWPCO, on the other hand, mutually determine that such restoration, replacement and repair is not necessary; or (2) the aggregate cost of such restoration, replacement and repair is less than \$30,000.

10.2. Termination. This Agreement may be terminated at any time prior to the Closing:

- (a) by mutual written consent of SMART and NWPCO;
- (b) By either party if the Agreement is not consummated by the Closing Date.
- (c) by SMART if the State Transportation Agency does not transfer the appropriated sum of four million dollars (\$4,000,000) as provided for by Senate Bill No. 1029 to SMART.
- (d) by SMART if satisfactory assurances for funding as stated in Section 8.6 of this Agreement have not occurred.

10.3 Effect of Termination. Upon any termination of this Agreement by either NWPCO or SMART as provided in Section 10.2, this Agreement shall become void and of no further force and effect and there shall be no liability or obligation under this Agreement on the part of NWPCO or SMART.

XI. SURVIVAL: INDEMNIFICATION

11.1 Indemnification. NWPCO agrees to indemnify and hold harmless SMART its managers, officers, directors, employees, agents from and against any and all losses, liabilities, claims, damages, costs and expenses, including reasonable attorneys' and accountants' fees, costs of suit and costs of appeal (collectively, the "Damages"), insofar as such Damages (or actions in respect thereof) are based upon or arise out of this transaction transferring the Acquired Assets; or relate to NWPCO's use or operations of the Acquired Assets under this Agreement that are attributable to the period prior to 12:01 a.m. Pacific Time on the day immediately following the Closing Date.

11.2 Indemnification. SMART agrees to indemnify and hold harmless NWPCO its managers,

officers, directors, employees, agents from and against any and all losses, liabilities, claims, damages, costs and expenses, including reasonable attorneys' and accountants' fees, costs of suit and costs of appeal (collectively, the "Damages"), insofar as such Damages (or actions in respect thereof) are based upon or arise out of or relate to SMART's use or operation of the Acquired Assets under this Agreement that are attributable to the period after 12:01 a.m. Pacific Time on the day immediately following the Closing Date.

11.3 Survival of Representations Warranties, Covenants and Indemnification. The representations, warranties, covenants and indemnification of the parties contained in this agreement or in any certificate delivered by them under this agreement will survive the Closing Date of this agreement for a period of two (2) years. No claim for indemnification hereunder may be made after the expiration of the foregoing two-year period.

XII. MISCELLANEOUS`

12.1 Consents and Filings.

(a) Governmental Filings. NWPCO will cause to be made all required filings and submissions under the ICC Termination Act of 1995 and any other laws or regulations applicable to the consummation of the transactions contemplated by this Agreement. NWPCO shall be responsible for all filing fees, Transfers, Use, Taxes and other expenses in connection with such transfer and filings. SMART shall use its reasonable efforts to take all actions and to do all things necessary to acquire the regulatory approval contemplated under this Section 12.1(a).

(b) With Respect to Freight Contracts. Except as otherwise expressly provided in **Schedule 12.1(b)**, and notwithstanding any provision herein to the contrary, the obtaining of authorization, consent or approval for the assignment of the Contracts shall not be a condition precedent to each Party's obligation to close the transactions that are the subject of this Agreement, nor shall SMART have any recourse against NWPCO in connection with the failure to obtain authorization, consent or approval for the assignment of any such Contract, except with respect to the Agreement for the Resurrection of Operations Upon the Northwestern Pacific Railroad Line and Lease Agreement dated September 2006 and any and subsequent amendments).

12.2 Reasonable Efforts. NWPCO and SMART agree to use reasonable efforts to take, or cause to be taken, all actions necessary to comply promptly with all legal requirements that may be imposed with respect to the Agreement and the transactions contemplated herein (which actions shall include, without limitation, furnishing all information required in connection with required approvals of or filings with any Governmental Entity) and shall promptly cooperate with and furnish information to each other in connection with any such requirements imposed upon any of them in connection with the Agreement and the transactions contemplated herein. NWPCO and SMART, both before and within a reasonable period after the Closing, will use reasonable efforts to take all reasonable actions necessary, proper or advisable under applicable laws and regulations to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement, including, without limitation, defending any lawsuits or other proceedings challenging this Agreement.

12.3 Expenses. All deed taxes, transfer taxes, sales taxes, use taxes, recording fees and similar charges, duties, levies and fees incurred in connection with the transactions contemplated hereunder (if any) including the sale, transfer, and delivery of the Acquired Assets shall be borne by NWPCO. Except as provided in the preceding sentence or as otherwise expressly provided in this Agreement, each Party hereto shall pay its own expenses incident to this Agreement and the transactions contemplated hereunder, including without limitation all legal and accounting fees, disbursements and mortgage registration taxes, whether or not the transactions contemplated by this Agreement are consummated.

12.4 Waiver. No delay or failure on the part of any Party hereto in exercising any right, power or privilege under this Agreement, or under any other agreements or instruments given in connection with or pursuant to this Agreement shall impair any such right, power or privilege or be construed as a waiver of default or any acquiescence therein. No waiver shall be valid against any Party hereto unless made in writing and signed by the Party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

12.5 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

12.6 Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of the respective successors and permitted assigns of the Parties; provided however, that this Agreement and any of the rights, interests or obligations hereunder may not be assigned, directly or indirectly, or by operation of law or otherwise, by any Party without the prior, written consent of the other Parties.

12.7 Notices. All notices and other communications (individually, a "Notice") hereunder shall be in writing and shall be deemed received on the date such Notice is personally delivered (providing proof of delivery), on the first business day following the date on which such Notice is sent by a nationally recognized overnight courier (providing proof of delivery) or on the fifth business day following the date such Notice is mailed by registered or certified mail (return receipt requested). A Notice to a Party shall, unless another address is specified by such Party to the other Parties, be sent to the address indicated below:

If to NWPCO:

Douglas H. Bosco, Esq.
645 Fourth St, Suite 105
Santa Rosa, California 95403

If to SMART:

Farhad Mansourian
General Manager
Sonoma-Marin Area Rail Transit District (SMART)
5401 Old Redwood Hwy., Suite 200
Petaluma, CA 94954

12.8 Announcements. No press release, or other public announcement or communication, related to this Agreement or the transactions contemplated hereby shall be issued or made without the joint approval of NWPCO and SMART, unless required by law (in the reasonable opinion of counsel), in which case NWPCO and SMART shall each have the right to review and provide input on such press release or other public announcement or communication prior to publication.

12.9 Entire Agreement. This Agreement, including the Exhibits and Schedules hereto and all other instruments and documents referred to herein or delivered pursuant hereto or in connection herewith, represents the entire understanding of the Parties hereto, supersedes all prior oral or written memoranda and agreements by or between two or more of the Parties to the extent they relate in any way to the subject matter hereof, and may not be supplemented or amended, except by a written instrument executed by and delivered to each of the Parties hereto designating specifically the terms and provisions so supplemented and amended.

12.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when said counterparts have been signed by each of the Parties and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart. A facsimile signature shall be deemed an original.

12.11 Limitation on Benefits. This Agreement (including the Exhibits and Schedules hereto and the Ancillary Agreements) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder, except, to the extent expressly set forth in this Agreement, a Party's successors or permitted assigns.

12.12 Severability. If fulfillment of any clause or provision of this Agreement or performance of any transaction related thereto, at the time such fulfillment or performance shall be due, shall exceed the limit of validity prescribed by law, then the obligation to be fulfilled or performed shall be reduced to the limit of such validity; and if any clause or provision contained in this Agreement operates or would operate prospectively to invalidate any portion of this Agreement, in whole or in part, then such clause or provision only shall be held ineffective, as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect (unless the effect of so doing would deprive a Party substantially of the benefit of the bargain negotiated by such Party).

12.13 Governing Law. This Agreement and the Ancillary Agreements shall be construed in accordance with and governed by the laws of the State of California.

12.14 Dispute Resolution. If any dispute arises between the Parties relating to the interpretation, breach or performance of this Agreement or the grounds for the termination thereof, and the Parties cannot resolve the dispute within thirty (30) days of a written request by either Party to the other Party, the Parties agree to hold a meeting, attended by executive level personnel of each Party, to attempt in good faith to negotiate a resolution of the dispute prior to pursuing other available remedies. If, within sixty (60) days after such written request, the Parties have not succeeded in negotiating a

resolution of the dispute, such dispute shall be submitted to final and binding arbitration under the then current commercial rules and regulations of the Judicial Arbitration and Mediation Services ("JAMS") relating to voluntary arbitrations. The arbitration proceedings shall be held before a single arbitrator selected by mutual agreement of the Parties. The Parties shall provide all documents, records and supporting information, and take all such further actions reasonably necessary to resolve the dispute as promptly as practicable after the selection of the arbitrator. Each Party shall bear its own costs and legal fees associated with such arbitration. The decision of the arbitrator shall be final and binding on the Parties. Judgment on the award so rendered may be entered in any court having competent jurisdiction thereof and shall be enforceable under the Federal Arbitration Act.

12.15 Time is of the Essence. With respect to the performance by the Parties of their obligations hereunder, and with respect to the consummation of the transactions that are the subject of this Agreement, the Parties agree and acknowledge that time is of the essence.

12.16 Books and Records. The Parties hereto shall keep records and books of account relating to the Acquired Assets and all transactions contemplated by this Agreement and shall preserve such any such records and books of account for a period of at least 4 years or for the required period under the records retention act (which ever is longer) after Closing, or such longer period as may be required by applicable law. Each Party hereto and its duly authorized representatives, during normal business hours upon reasonable advance notice to the other Party, shall have the right at its sole expense to inspect such books and records of account for purposes of verifying compliance with the terms and conditions of this Agreement; provided, however, that nothing herein shall require any Party to make available documents or data that bear no direct relationship to compliance with the terms and conditions of this Agreement.

DRAFT 05/11/2020

IN WITNESS WHEREOF, each of the Parties hereto has executed this Agreement or has caused this Agreement to be duly executed on its behalf, as of the day and year first above written.

Sonoma-Marin Area Rail Transit District

Northwestern Pacific Railroad Company

By: _____

By: _____

Its: _____

Its: _____

DRAFT

Exhibits

Exhibit A – Quitclaim Deed

Exhibit B – Bill of Sale

Exhibit C – Assignment and Assumption Agreement

Exhibit D – Administration and Proration Agreement (if necessary)

DRAFT

Senate Bill No. 1029

CHAPTER 934

An act to amend Sections 93000, 93010, 93020, and 93021 of, to add and repeal Section 13978.9 of, to repeal Sections 93001, 93002, 93023, and 93024 of, and to repeal and add Sections 93003 and 93022 of, the Government Code, and to amend Section 105095 of the Public Utilities Code, relating to transportation, and making an appropriation therefor.

[Approved by Governor September 29, 2018. Filed with
Secretary of State September 29, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1029, McGuire. North Coast Railroad Authority.

(1) Existing law creates the North Coast Railroad Authority with various powers and duties relating to rail service in the north coast area of the state, including the authorization to acquire, own, operate, and lease real and personal property reasonably related to the operation and maintenance of railroads.

This bill would require the Transportation Agency, in consultation with the Natural Resources Agency, upon the appropriation of moneys by the Legislature for these purposes, to conduct an assessment of the North Coast Railroad Authority to provide information necessary to determine the most appropriate way to dissolve the authority and dispense with its assets and liabilities, and to report on the assessment to the Legislature before July 1, 2020. The bill would authorize those agencies to request the Department of General Services, the Department of Finance, or any department within their agencies, or contract with other entities, to perform the work the agencies deem necessary to carry out the assessment. The bill would require the Transportation Agency to prioritize the assessment of the southern portion of the rail corridor, and would authorize the Transportation Agency to separately report information related to the potential transfer of the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District.

This bill would repeal and revise various provisions relating to the authority. The bill would authorize the authority to acquire, own, operate, and lease real and personal property reasonably related to, instead, the furtherance of certain purposes, the planned transfer of all of its assets, and its dissolution. The bill would require the authority to cooperate with the assessment conducted by the Transportation Agency and Natural Resources Agency, and to provide access to all authority records, files, documents, accounts, reports, correspondence, and financial affairs to the agencies, and any entity conducting the assessment for the agencies.

Existing law creates, within the Counties of Sonoma and Marin, the Sonoma-Marín Area Rail Transit District with specified duties and powers. Existing law requires the district to work with specified authorities to achieve a safe, efficient, and compatible system of passenger and freight rail service, and authorizes the district, among other things, to provide a rail transit system for the transportation of passengers and their incidental baggage by rail.

This bill would authorize the district to also provide a rail transit system for the provision of freight service by rail.

Existing law creates the Public Transportation Account as a trust fund. Existing law requires revenues in the account to be used solely for mass transportation and transportation planning purposes, as specified.

This bill would appropriate \$4,000,000 to the Transportation Agency from the Public Transportation Account for rail improvements on the corridor owned by the district and the authority. The bill would allocate those moneys to the district for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company to ensure efficient provision of goods movement requirements in the corridor in the context of growing passenger service, and authorizes the transfer of those moneys to the district, as specified.

(2) Because this bill would impose new requirements on local entities, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares that the North Coast Railroad Authority's railroad tracks, rights-of-way, and other properties provide an opportunity to create a Great Redwood Trail for hiking, biking, and riding, that may be in the public and economic best interests of the north coast.

SEC. 2. Section 13978.9 is added to the Government Code, to read:

13978.9. (a) Upon the appropriation of moneys by the Legislature for these purposes, the Transportation Agency, in consultation with the Natural Resources Agency, shall conduct an assessment of the North Coast Railroad Authority to provide information necessary to determine the most appropriate way to dissolve the North Coast Railroad Authority and dispense with its assets and liabilities. The Transportation Agency shall report to the Legislature before July 1, 2020, on its findings and recommendations from

the assessment. The report shall include, but not be limited to, all of the following:

(1) An assessment of the North Coast Railroad Authority's debts, liabilities, contractual obligations, and litigation.

(2) An assessment of the North Coast Railroad Authority's assets, including property, rights-of-way, easements, and equipment.

(3) An assessment of the North Coast Railroad Authority's freight contractor lease, including the contractor's assets and liabilities to the extent that information is available.

(4) A preliminary assessment of the viability of constructing a trail on the entirety of, or a portion of, the property, rights-of-way, or easements owned by the North Coast Railroad Authority, and recommendations relating to the possible construction of a trail, including both of the following:

(A) Options for railbanking and the governance structure or ownership structure for a new or successor entity that is necessary to railbank property, rights-of-way, and easements along the rail corridor.

(B) A preliminary assessment of which portions of the terrain along the rail corridor may be suitable for a trail.

(5) An assessment of the options for transferring the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District and recommendations on the specific assets and liabilities that could be transferred, including rights or abilities to operate freight rail.

(b) The Transportation Agency and the Natural Resources Agency may request the Department of General Services, the Department of Finance, or any department within their agencies, or contract with other entities, to perform the work the agencies deem necessary to carry out the duties described in this section. Any work done by the Department of General Services, the Department of Finance, or any department within the agencies pursuant to such a request may be conducted using the power and authority of the requested department.

(c) The Transportation Agency shall prioritize the assessment of the southern portion of the rail corridor and may separately report information related to the potential transfer of the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District. It is the intent of the Legislature that information and recommendations regarding the potential transfer of the southern portion of the rail corridor to the Sonoma-Marín Area Rail Transit District be provided as expeditiously as possible and not be delayed due to the potential complexity of assessing the northern portion of the rail corridor.

(d) (1) A report to be submitted pursuant to this section shall be submitted in compliance with Section 9795.

(2) Pursuant to Section 10231.5, this section is repealed on January 1, 2024.

SEC. 3. Section 93000 of the Government Code is amended to read:

93000. This title shall be known and may be cited as the North Coast Railroad Authority Closure and Transition to Trails Act.

SEC. 4. Section 93001 of the Government Code is repealed.

SEC. 5. Section 93002 of the Government Code is repealed.

SEC. 6. Section 93003 of the Government Code is repealed.

SEC. 7. Section 93003 is added to the Government Code, to read:

93003. The Legislature finds and declares that it is in the public interest to dissolve the authority, and to transfer its rights-of-way to other entities for the purpose of potentially developing a trail that could include railbanking and continuing freight where it was operational on January 1, 2018.

SEC. 8. Section 93010 of the Government Code is amended to read:

93010. (a) The authority is hereby created, having a service area comprised of the Counties of Humboldt, Mendocino, Sonoma, and Trinity.

(b) The County of Marin may elect to join the authority and, if that election is made, the authority is expanded to include that county.

SEC. 9. Section 93020 of the Government Code is amended to read:

93020. (a) The authority has all of the following powers:

(1) To acquire, own, operate, and lease real and personal property reasonably related to the furtherance of the purposes of this title, the planned transfer of all of its assets, and its dissolution. Any sale, easement, or lease entered into by the authority after August 1, 2018, shall be approved by the California Transportation Commission.

(2) To operate railroads along the rights-of-way where they were in operation on January 1, 2018.

(3) To accept grants or loans from state or federal agencies.

(4) To employ an executive officer, other staff, and consultants deemed appropriate for support of the activities of the authority, to further the purposes of this title.

(b) The authority shall do all of the following:

(1) In coordination with state agencies, immediately begin planning for the transfer of all of the authority's assets and liabilities and for the dissolution of the authority.

(2) Cooperate with its freight contractor to continue freight operations along the rights-of-way where they were in operation on January 1, 2018.

(3) Cooperate with, and provide information upon request to, the Transportation Agency, Natural Resources Agency, or other state or local agencies or contractors working at the direction of the Transportation Agency or Natural Resources Agency.

(4) Cooperate fully with the assessment conducted pursuant to Section 13978.9.

SEC. 10. Section 93021 of the Government Code is amended to read:

93021. The authority may acquire, own, lease, and operate railroad lines and equipment, including, but not limited to, real and personal property, tracks, rights-of-way, equipment, and facilities, to further the purposes of this title.

SEC. 11. Section 93022 of the Government Code is repealed.

SEC. 12. Section 93022 is added to the Government Code, to read:

93022. The authority shall cooperate with the assessment conducted by the Transportation Agency and Natural Resources Agency pursuant to Section 13978.9, and shall provide access to all authority records, files,

documents, accounts, reports, correspondence, and financial affairs to the agencies, and any entity conducting the assessment for the agencies, pursuant to Section 13978.9.

SEC. 13. Section 93023 of the Government Code is repealed.

SEC. 14. Section 93024 of the Government Code is repealed.

SEC. 15. Section 105095 of the Public Utilities Code is amended to read:

105095. The district may provide a rail transit system for the transportation of passengers and their incidental baggage by rail and provision of freight service by rail.

SEC. 16. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 17. The sum of four million dollars (\$4,000,000) is hereby appropriated to the State Transportation Agency from the Public Transportation Account for rail improvements on the corridor owned by the Sonoma-Marín Area Rail Transit District and the North Coast Railroad Authority. These moneys shall be allocated to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company to ensure efficient provision of goods movement requirements in the corridor in the context of growing passenger service. Following a signed baseline agreement between the State Transportation Agency and the Sonoma-Marín Area Rail Transit District that articulates deliverables, the anticipated expenditure schedule, and reporting requirements, the Secretary of Transportation may transfer these moneys to the Sonoma-Marín Area Rail Transit District pursuant to the provisions of the baseline agreement. These moneys shall not be transferred to the Sonoma-Marín Area Rail Transit District for the acquisition of freight rights and equipment from the Northwestern Pacific Railroad Company unless the terms and conditions of the baseline agreement have been approved by both the Secretary of Transportation and the Director of Finance. If these moneys are not transferred to the Sonoma-Marín Area Rail Transit District within two years of the chaptering of this act, these moneys shall be returned to the Public Transportation Account.

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AMENDED IN ASSEMBLY AUGUST 19, 2019

AMENDED IN ASSEMBLY JUNE 18, 2019

AMENDED IN SENATE MAY 17, 2019

SENATE BILL

No. 356

Introduced by Senator McGuire

February 19, 2019

An act to ~~add Section 93029 to the Government Code, and to amend Sections 105003, 105012, 105003 and 105032 of, and to repeal Sections 105104, 105105, and Section 105180 of, the Public Utilities Code, relating to transportation.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 356, as amended, McGuire. ~~North Coast Railroad Authority: rail right-of-way: Sonoma-Marín Area Rail Transit District.~~

~~Existing law creates the North Coast Railroad Authority with various powers and duties relating to rail service in the north coast area of the state, including the authority to acquire, own, operate, and lease real and personal property reasonably related to the operation and maintenance of railroads, the planned transfer of all of the authority's assets, and the authority's dissolution.~~

Existing law creates, within the Counties of Sonoma and Marin, the Sonoma-Marín Area Rail Transit District, which is governed by a 12-member board of directors, with specified duties and powers. Existing law requires the district to work with specified authorities, including the North Coast Railroad Authority, to achieve a safe, efficient, and compatible system of passenger and freight rail service and authorizes the district to, among other things, provide a rail transit system for the provision of freight service by rail.

~~This bill would require the authority, within 90 days of removing all of its debts, liabilities, and contractual obligations, to convey and transfer its rights, interests, privileges, and title, lien free, relating to a specified rail right-of-way, its licenses and certificates of public convenience and necessity, any common carrier obligations held by the authority or an associated freight operator, and the railroad assets the authority owns to the district.~~

This bill would give the board of governors of the district the duty and power to, among other things, own, operate, manage, and maintain a freight rail system within the district and fix rates, rentals, charges, and classifications of freight service operated by the district. The bill would also give the board of governors of the district the duty and power to consider potential alternatives to help address the housing needs of current and future employees. The bill would repeal the requirement that the district obtain coverage for itself and its employees under certain federal laws.

By imposing new requirements on local entities, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 93029 is added to the Government Code,~~
2 ~~to read:~~
3 ~~93029. Within 90 days of removing all of its debts, liabilities,~~
4 ~~and contractual obligations, the authority shall convey and transfer~~
5 ~~all of its rights, interests, privileges, and title, lien free, relating to~~
6 ~~its rail right-of-way south of mile post 89.0, including any~~
7 ~~associated real property, rail easements, and branch or spur lines,~~
8 ~~its licenses and certificates of public convenience and necessity,~~
9 ~~any common carrier obligations held by the authority or an~~
10 ~~associated freight operator, and the railroad assets the authority~~

owns to the Sonoma-Marín Area Rail Transit District, created pursuant to Section 105010 of the Public Utilities Code.

SEC. 2.

SECTION 1. Section 105003 of the Public Utilities Code is amended to read:

105003. As used in this part, the following terms have the following meanings:

(a) “District” means the Sonoma-Marín Area Rail Transit District.

(b) “Rail transit” means the transportation of passengers and their incidental baggage by rail and provision of freight service by rail.

(c) “Rail transit works” or “rail transit facilities” means any or all real and personal property, equipment, rights, or interests owned or to be acquired by the district for rail transit service purposes, including ancillary bicycle and pedestrian pathways that provide connections between and access to station sites.

(d) “Board of directors,” “board,” or “directors” means the board of directors of the district.

(e) “Public agency” includes the state, and any county, city and county, city, district, or other political subdivision or public entity of, or organized under the laws of, this state, or any department, instrumentality, or agency thereof.

~~SEC. 3. Section 105012 of the Public Utilities Code is amended to read:~~

~~105012. (a) Upon the dissolution of the Sonoma-Marín Area Rail Transit Commission and the Northwestern Pacific Railroad Authority, the district shall succeed to any or all of the powers, duties, rights, obligations, liabilities, indebtedness, bonded and otherwise, immunities, and exemptions of the commission and its board of commissioners and the authority and its board of directors.~~

~~(b) Upon the dissolution of the Sonoma-Marín Area Rail Transit Commission and the Northwestern Pacific Railroad Authority, the district shall assume the rights and obligations of the commission and the authority under any contract to which the commission or the authority is a party and that is to be performed, in whole or in part, on or after the date of dissolution of the Sonoma-Marín Area Rail Transit Commission and the Northwestern Pacific Railroad Authority.~~

1 ~~(e) All real and personal property owned by the Sonoma-Marin~~
2 ~~Area Rail Transit Commission and the Northwestern Pacific~~
3 ~~Railroad Authority may be transferred to the district.~~

4 ~~(d) Upon the dissolution of the Sonoma-Marin Area Rail Transit~~
5 ~~Commission, the district shall assume, without any condition~~
6 ~~whatsoever, all responsibilities and obligations previously assumed~~
7 ~~by the commission with respect to its fund transfer agreement with~~
8 ~~the Department of Transportation for the funding of the~~
9 ~~Sonoma-Marin Area Rail Transit Project.~~

10 ~~(e) On and after the date of dissolution of the Sonoma-Marin~~
11 ~~Area Rail Transit Commission and the Northwestern Pacific~~
12 ~~Railroad Authority, any reference in any law or regulation to the~~
13 ~~commission or the authority shall be deemed to refer to the district.~~

14 ~~SEC. 4.~~

15 *SEC. 2.* Section 105032 of the Public Utilities Code is amended
16 to read:

17 105032. It shall be the duty of the board and it shall have the
18 power to:

19 (a) Own, operate, manage, and maintain a passenger and freight
20 rail system within the territory of the district.

21 (b) Determine the rail transit and freight facilities, including
22 ancillary bicycle and pedestrian pathways, to be acquired and
23 constructed by the district, the manner of operation, and the means
24 to finance them.

25 (c) Adopt an annual budget for the district that provides for the
26 compensation of its officers and employees.

27 (d) Fix rates, rentals, charges, and classifications of rail transit
28 and freight service operated by the district.

29 (e) Adopt an administrative code that prescribes the powers and
30 duties of district officers, the method of appointment of district
31 employees, and the methods, procedures, and systems for the
32 operation and management of the district.

33 (f) Adopt rules and regulations governing the use of rail transit
34 and freight facilities owned or operated by the district.

35 (g) Cause a postaudit of the financial transactions and records
36 of the district to be made at least annually by a certified public
37 accountant.

38 (h) Adopt rules and regulations providing for the administration
39 of employer-employee relations.

1 (i) Consider potential alternatives to help address the housing
2 needs of current and future employees.

3 (j) Do any and all things necessary to carry out the purposes of
4 this part.

5 ~~SEC. 5. Section 105104 of the Public Utilities Code is repealed.~~

6 ~~SEC. 6. Section 105105 of the Public Utilities Code is repealed.~~

7 ~~SEC. 7.~~

8 *SEC. 3.* Section 105180 of the Public Utilities Code is repealed.

9 ~~SEC. 8.~~

10 *SEC. 4.* If the Commission on State Mandates determines that
11 this act contains costs mandated by the state, reimbursement to
12 local agencies and school districts for those costs shall be made
13 pursuant to Part 7 (commencing with Section 17500) of Division
14 4 of Title 2 of the Government Code.

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MENDOCINO
COUNTY

CLOVERDALE



MAY 20, 2020



SMART | FREIGHT LINE
(NCRA OWNED)

SONOMA
COUNTY

HEALDSBURG

WINDSOR



NORTH



DOWNTOWN



ROHNERT
PARK



COTATI

SONOMA

PETALUMA



PETALUMA



SAN MARIN

NOVATO



DOWNTOWN



HAMILTON

NAPA
COUNTY

VALLEJO ROUTE |
FREIGHT LINE

BRAZOS | FREIGHT LINE
(SMART OWNED)

VACAVILLE

DIXON

CAPITOL | COMMUTER
FREIGHT LINE

SOLANO
COUNTY

RIO VISTA

SUISON CITY

FAIRFIELD

VALLEJO

BENICIA

VALLEJO
FERRY





**BOARD OF DIRECTORS
REGULAR MEETING MINUTES
May 20, 2020- 1:30 PM**

**IN ACCORDANCE WITH GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20
THE SMART BOARD OF DIRECTORS MEETING WILL BE HELD VIRTUALLY**

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

1. Call to Order

Chair Lucan called the meeting to order at 1:30pm. Directors Arnold, Connolly, Fudge, Garbarino, Hillmer, Naujokas, Phillips, Rabbitt, Rogers and Zane were present. Director Pahre joined later.

Chair Lucan welcomed everyone who joined the Board meeting through the variety of methods.

2. Approval of the May 6, 2020 Board Minutes

Richard Brand asked for clarification of the sub-committee that is stated in page 4 of 12 of the minutes. Ms. Rosas Mendoza, Clerk of the Board, responded that the sub-committee includes Directors Connolly, Rabbitt, Rogers, Vice-Chair Pahre and Chair Lucan to review Measure I comments/suggestions.

MOTION: Director Phillips moved approval of the May 6, 2020 Board Minutes. The motion carried 11-0. (Director Pahre joined later)

3. Board Members Announcements

None

Vice Chair Pahre joined the meeting at 1:35pm

4. General Manager's Report

General Manager Mansourian reported that since the start of passenger service in August 2017, SMART has carried 1,871,000 passengers, 184,000 bicycles, and over 7,000 wheelchairs.

He provided an update on the City of Petaluma and City of Santa Rosa property. The City of Petaluma is performing the due diligence process and resolving the pending CEQA litigation, once that is complete, staff will bring back this item to a future Board meeting for approval. The City of Santa Rosa and the Developer are working together and progressing development project.

General Manager Mansourian stated that he has been participating with the Marin Recovers Task Force (marinrecovers.com) to create a plan for a safe reopening of Marin County. He has been in contact with Marin Transit, Transportation Authority of Marin, Golden Gate Bridge and Transportation, and Whistlestop; and will be reaching out to Lyft, Taxi's and Airporters and others. The Task Force has been preparing a Plan that includes safety measures for reopening. Once the Plan is complete, he will be sharing the information.

He said that at the National and State level, representatives have had discussions of how transportation agencies will need to comply with 6 feet social distancing when shelter in place is lifted. Once there is a regulation plan available, Mr. Mansourian will bring it back to the Board for further discussion and direction.

Lastly, he stated that on Monday, May 25th Memorial Day Holiday, SMART will not operate train service.

5. Public Comment on Non-Agenda Items

Duane Bellinger voiced his concerns regarding the second Petaluma station. He said that SMART could have supported a park-n-ride system or could have emphasized a pedestrian orientated community. He said the Board is neglecting their fiduciary duty to receive maximum price for property. The support from Petaluma has gone down; for Measure Q was 77% and for Measure I it was 55%, which is 1/3 loss of the base in East Petaluma. He asked the Board to analyze the reason why the support decreased.

Aleta Dupre stated that the last meeting was very informative. She appreciates the detail of the staff reports. She would like to see SMART in the Clipper START program since SMART already uses Clipper. Also, SMART is one of the safest trains in the world and looks forward to riding the train again.

Sheila Baker stated that SMART Board of Director has Director Rabbitt who represents the City of Petaluma. She thanked him for representing Petaluma well and she would like to see a Petaluma Council member on the SMART Board.

Tyler asked if there is a possibility for SMART train to go on Highway 37. Mr. Mansourian responded that discussion on Agenda Item #7 will answer the question.

6. Consent
 - a. Approval of Monthly Financial Reports
 - b. Accept Monthly Ridership Report – April 2020
 - c. Accept Clipper START Program Report

Chair Lucan asked for Board and public comments on the proposed Consent Agenda.

MOTION: Director Phillips moved approval of the Consent Agenda as presented. Director Rogers second. The motion carried 12-0.

7. Expansion of SMART Right-of-Way and Scope of Operations by Adding Freight Service Responsibility and Executing Related Agreement

General Manager Mansourian stated that it's a pleasure to bring this item for your Board's consideration. He displayed the vicinity map for illustration purposes. Mr. Bosco, owner of NWPCo and Mr. Liles (representing Senator McGuire) have joined our meeting to speak and answer any questions regarding the project.

Mr. Mansourian said the Freight and passenger rail service has existed in various forms through Marin and Sonoma counties since the late 1800's. In fact, mile post zero (MP 0) of the railroad is the Ferry Building in San Francisco. In addition to transporting people, it shipped lumber, eggs, wine and other goods.

In 1986, Congressman Bosco introduced and succeeded in passing House Resolution 2 which purchased Southern Pacific the right-of-way for \$24 million, with the vision of continue freight and passenger service. In 1989, the State of California created North Coast Railroad Authority (NCRA) to run freight. In 2006, NCRA selected Northwestern Pacific Company (NWPCo.) as their freight operator. Around the same time, the Golden Gate Bridge, Highway and Transportation District in conjunction with Marin and Sonoma Counties began purchasing southern portions of the railroad, with the vision to preserve the right-of-way. A transitional body called Sonoma-Marin Area Rail Transit Commission (SMART Commission) was made up of Marin and Sonoma County Supervisors, City representatives during the early phase. SMART Commission was staffed by Suzanne Wilford (now Smith) and Farhad Mansourian, the two Executive Directors of Sonoma and Marin Congestion Management Agencies.

In 2002, Assembly member Nation was able to approve Assembly Bill 2224 that created the Sonoma-Marin Area Rail Transit District (SMART) which will provide passenger and freight rail service. He gave a brief overview of the vicinity map.

In 2018, Senator McGuire introduced Senate Bill 1029 (SB 1029) and it was signed into law by Governor Brown on September 2018. The vision of the Bill was to create a single rail system over 300 miles from San Francisco Bay to Humboldt Bay. Senator McGuire and his staff worked closely with SMART staff on the Bill from the beginning. One big hurdle was what to do with NCRA and NWPCo. After months of negotiations, the Bill had the following priorities: 1) to preserve and protect 300 miles of a public transportation right-of-way ('the jewels'); 2) transition NCRA from rail to trails; 3) complete a financial study of NCRA; 4) the process of re-opening the North Coast transportation; and 5) SMART to acquire and take over freight contract from Northwestern Pacific Company to put back in public hands.

It's very important to note that Section 17 of SB 1029 states that the amount of \$4 million from the State of California will be used for the acquisition of freight rights, equipment and easements, from Northwestern Pacific Railroad Company. Senator McGuire was able to secure an additional \$2 million out of \$10 million needed for maintenance. The \$2 million expires at the end of June 2020 and must be incumbent in order not to lose the funds.

The State of California interest in this transaction is based upon the 2018 State Rail Plan and the connectivity between SMART's passenger service. SMART received a letter from Mr. Omishakin, Director of the California Department of Transportation. He read the following statements from the letter... The 2018 California State Rail Plan establishes the framework for investing in rail over the next 20 years and beyond. The Rail Plan identifies the SMART corridor as an important element of the State's interregional passenger rail system, providing reliable mobility along the congested highway 101 corridor. The State has invested over \$30 million through State Rail Assistance and the Transit and Intercity Rail Capital Program to fund significant improvements and expand the SMART system. He concludes saying that Caltrans is committed to partnering with SMART to pursue the expansion of the system as strategy for achieving the State's sustainability, mobility and equity goals. Therefore, they urged SMART to take the important step to accept the State's support for purchasing the freight rights. Also, the State funded an east-west passenger rail feasibility study and SMART is waiting to hear from the State on the next phase project.

Mr. Mansourian stated that Senator McGuire introduced Senate Bill 356 and was passed by the California Senate. This Bill lists the intent from NCRA, NWPCo and SMART. If your Board approves the concept of accepting freight service, SMART will assume maintenance responsibility for an additional 45 miles of right-of-way including bridges and crossings. As a freight operator, SMART will assume all "common carries" duties over the rail line. In addition, as a common carrier for freight, SMART must comply with the requirements and regulations of the Surface Transportation Board. One of the requirements is that SMART must continue to serve NWPCo current customers. A feasibility study to be approved by your Board will give us information on Business potential as well as options on how to provide freight service.

Lastly, if your Board approved the scope of service, there are nine action items that will take many months to work on. Again, Mr. Bosco and Mr. Liles are available to answer any

questions/comments.

Comments

Director Zane asked how much profit will be received to operate the freight? There are a lot of members of the community that are very excited. If SMART can get trucks off the highway and more product into freight is a good thing. She thanked Senator McGuire, Mr. Liles and Mr. Bosco. Mr. Mansourian defer the profit question to Mr. Bosco. Mr. Bosco responded that they receive \$2 million in revenue per year.

Director Fudge asked who owes the rail line east of Napa River. Mr. Mansourian responded Union Pacific Railroad.

Director Phillips voiced his concerns about not having enough financial analysis prior to this approval. He is not sure if this acquisition will yield enough revenue for SMART, which is needed. Also, he is not sure if SMART is equipped to fully take the responsibility of freight. He would like more financial information to review. He asked if there is additional financial information that can be reviewed now or prior to end of June. Mr. Mansourian responded that SMART does not have financial information, the State of California is purchasing the acquisition through SMART. The State of California Task Force have reviewed NCRA and NWPCo financial documents and are satisfied with the results. Once, SMART receives any additional financial correspondence he will provide it to the Board.

Director Rogers he asked if AB 2224 or SB 1029 gives SMART has the authority to own and operate freight service. District Counsel Tom Lyons responded that it is stated in SB 1029, which adds the option to operate freight and the decision-making today is for the Board to decide if SMART should become a freight operator. Director Rogers asked if Measure Q funds will be used to operate freight from Larkspur to Cloverdale. Mr. Lyons responded that the State is purchasing the acquisition and SMART is acting a pass through. Director Rogers asked to clarify for the public that Measure Q has a mandate that funds are used for passenger rail service. Mr. Mansourian responded that Measure Q and other sources of funds have been used to maintain the rail line between Ignacio Wye and Brazos Branch (Napa River) which is SMART property. Director Rogers asked is SMART had a staffing cost if the Board was to approve; also, can another entity run freight? Mr. Mansourian responded that the estimated \$10 million maintenance cost that we asked for includes staffing, maintenance, and capital needs. It will be the Board's decision if other entities can run freight.

Director Naujokas stated that the State strongly believes in the contributions that SMART can solve regional transportation problems and is willing to give the gift of the right-of-way and freight service. He asked what is the process of backing out if at any time during the freight service SMART is not receiving revenue or profit. Mr. Mansourian responded that Surface Transportation Board (STB) requires SMART to continue to service any reasonable customer and currently, NWPCo serves four customers that will require service by rail or other alternative transportation. Mr. Bosco confirmed Mr. Mansourian's response. They have endured two CEQA lawsuits and they have been dismissed. SMART can be much more

profitable than NCRA has been. Director Naujokas said that some of SMART's Engineers-Conductors have been freight operators and now have the ability to recruit and cross train into passenger service. He asked for clarification regarding Positive Train Control (PTC). Mr. Mansourian responded that any locomotive traveling on SMART's right-of-way must be equipped with PTC, NWPCo has met the requirements to operate.

Director Zane left the meeting at 2:26pm

Chair Lucan asked to clarify the reasonable request determination and confirm the cost to provide the service is a key factor. Mr. Mansourian responded with an example: Lagunitas Company approached SMART and spur was added for them to receive their shipment via freight, the cost of the spur was paid by NWPCo.

Director Rogers asked how many existing spurs. Mr. Mansourian responded that they are three spurs.

Public Comment

Walter Allen stated that Acumen fully supports of the expansion of SMART's right-of-way and scope of operations by adding Freight Service responsibility. This is an incredible opportunity for the region. He thanked the General Manager Mansourian and staff for putting the proposal together.

David Schonbrunn stated that Train Riders Association of California are advocates for passenger rail. As environmentalist they would like to see the maximum use of freight rail and few trucks. He submitted his written comments addressing their concerns of how SMART has placed numerous obstacles to a successful freight service (on file with Clerk). He concluded "rubberstamp your staff on your own payroll".

Doug Kerr addressed his concerns regarding freight. SMART has not completed the original mission to provide passenger service from Larkspur to Cloverdale. Taking freight service when the original project is not complete sends a message to the public of SMART going to Cloverdale.

Mike Pechner stated that a feasibility study should have been conducted and provided prior to the meeting for the Board to make a decision. He voiced concerns that SMART has not replaced any of the switches that were removed during construction from Larkspur to Airport Boulevard. Given the finances of SMART it is a bad time to acquire freight.

Allan Hemphill stated that there is "an elephant in the room" and no recognition of the existing agreements which calls and obligate service to Willits. Service is not provided due to not being able to repair the railroad due to lack of funds, NCRA has received a request from Mendocino Railways along with Mendocino Lumber and is pending response.

Bernard Meyers stated that he submitted his written comments and urged the Board to have

staff respond to the memo (on file with Clerk). He voiced his concern regarding SMART paying \$4 million to NWPCo. Also, how much profit did NWPCo received from LPG during the period of 2012-2019.

Aleta Dupre stated this is important and is the beginning of a process. Freight and passenger railroad have co-existed in some way for a century. This is a very worthy item and the beginning and supports approval of this item.

Steve Birdleough stated that freight service needs to be maintained as far north to Willits. He is disturbed by the perception of the Assembly Transportation Committee staff that once the acquisition is completed that freight service would be abandoned. Freight service needs to maintain long term contracts with users. He supports moving forward with this project.

Mike Arnold applauded Director Phillips comments and said he is not against freight service. He is concerned that the Board does not perform due diligence on a very complicated transaction. For example, the General Manager mentioned a \$10 million study and where is the study? He asked the Board to consider the meaning of being an owner of a business if the sales tax does not pass. He urged the Board to review the entire acquisition prior to approving.

Richard Brand voiced his concerns regarding the lack of reports provided. He suggested that the item be tabled and review all the data prior to approval.

Tyler asked what makes SMART a qualifying agency when it can barely provide passenger service? He said that by SMART pulling spurs freight lost business.

Duane Bellinger stated that there were a lot of questions raised. He has been a supporter of rail and pedestrian oriented communities. He asked who would take over the operation if SMART goes bankrupt. He also asked if SMART can receive an extension until additional information is received and reviewed.

Mr. Mansourian said that Mr. Liles and Mr. Bosco are available to respond to the questions and comments.

Mr. Liles apologized for Senator McGuire not being able to join the meeting, he is currently at the Capitol, staff less dealing with the budget. He confirmed that the deadline for \$2 million allocated to this acquisition cannot be extended. Freight service has been provided on SMART's right-of way for many years. This item has nothing to do with Freight service beyond Cloverdale.

Mr. Bosco stated that his business partner John Williams passed away last year and Mr. Williams's wife Linda is his current business partner. They have never placed the railroad for sale and they have been operating and been profitable. SB 1029 was not their idea; however, it makes perfect sense what SMART is considering. As for the public saying that SMART is

putting them out of business, there have been many times that General Manager Mansourian and himself have not agreed on many issues, but overall, they have operated the freight service over 10 years with SMART's cooperation and they also perform dispatching and signal work services.

Chair Lucan asked the Board if they would prefer to take one action at a time or the entire recommendation at once.

Director Arnold responded that the Board shall approve the entire item as a whole.

Director Fudge asked if there is an opportunity to extend freight service to Ukiah in the future. Is the Great Redwood Trail mostly along the Eel River corridor; will the trail start in Cloverdale or could start in Ukiah? Mr. Liles responded that priority for the State and NCRA has been to preserve the transportation corridor. Under STB regulations this will always be a railroad corridor and top priority.

Director Naujokas asked why do we only have until end of June. Mr. Liles responded that Senator McGuire has been very successful in securing funding for this process and the Great Redwood Trail. They received \$3 million to conduct studies, received \$10.8 million last year to pay NCRA debt, and \$2 million to SMART for the transfer of freight operation. SB 1029 was supported and passed unanimously. It has been a high priority at the State level to clean up the problems that have existed on the rail corridor for generations. He added, the \$2 million was appropriated for Fiscal Year 2019-20, two years from when it was signed by the Governor in 2018.

Director Phillips stated that it's very incomprehensible that the Board is facing to make a decision during difficult times with many unknowns. If Senator McGuire has put a lot of time and it's a significant project why can't it be extended. Now the Board has to make a decision and quite frankly "if the right decision is not made, we are going to look like fools". He does not understand why recommendation #7 will be conducted afterwards. He is not prepared to vote in favor today.

Director Connolly asked how was the \$4 million cost determined. In fact, the \$4 million is a State allocation based on State appropriations and approved by numerous state agencies including the State Department of Finance (DOF). As a former member of the Attorney of General Office who worked extensively with DOF, they do not apart any funds without conducting a full due diligence process. He asked what due diligence performed? Mr. Liles responded that the Department of Finance assisted with the acquisition funds and set up a process.

Director Arnold stated that this "watershed" moment. She thanked Senator McGuire for stepping in at the right time. The environmentalist at the Marin – Sonoma border will have a trail that they have always wanted. Businesses are going to have the opportunity to provide goods by freight service. She thanked Mr. Bosco for all his work.

Director Rabbitt stated that SMART is receiving funds from the State to provide freight service. He thanked Senator McGuire for working through a very complicated and complex transaction. Freight service is very important in Sonoma County and he heard from two current customers yesterday pertaining to this item. General Manager Mansourian was very supportive on how to serve the existing customers when problems arise. There is a future for freight in Sonoma and Marin County, simplifying ownership will make it easier to move forward. He looks forward to the economic and financial analysis and business plan.

Director Phillips appreciates Director Rabbitt's comments. He is concerned making a decision without the reports. He asked if analysis have been conducted, why are the reports not available prior to making a decision.

Director Connolly stated that he appreciates all the discussion, as tempting as it is to focus exclusively on a snapshot in time with the assumptions of the challenges that exist today, will always be with us. This is a generational opportunity to continue building a regional transportation system and this is the opportunity to purchase the right-of-way. He read statement from a letter by Mr. Omishakin, Director of Department of Transportation, dated May 18, 2020. The statement said that the Rail Plan identifies the SMART corridor as an important element of the State interregional passenger rail system, providing reliable mobility along the congested highway 101 corridor as well as key transit connections to rural communities in the north State. The letter continues; the SMART owned east-west corridor provides an opportunity to further expand interregional connections and improve reliability and resiliency along the highway 37 corridor and is a priority in the State rail vision. These are the bases for which the State is providing \$4 million for this acquisition. The scope of freight operating service will need to be determined; however, we have heard of many opportunities for SMART. He is ready to move forward to support the acquisition and General Manager Mansourian listed the recommendations on the staff report.

Director Garbarino stated that this is an opportunity not only for SMART but for the environment. She has trust Senator McGuire and SMART staff in all the preliminary analysis they provided to the Board. SMART is not spending any money on this transaction and it's a generational opportunity.

Director Fudge concurred with Director Arnold that this is a "watershed" moment. This bring painful memories when SMART was negotiating an Operating Agreement with NCRA, and NWPCo. We will now be able to operate freight service seamlessly. There will be an increase in safety with one entity operating plus most of the Engineer-Conductor came from freight operations. She has no doubt that freight service will be profitable and she will be meeting with potential customers. She stated that SMART's staff and the Board have never said they will seek abandonment of the freight line service. She added that the approval today is not just on a 2-hour discussion a lot of work has been performed. The State conducted due diligence to provide the funds for this acquisition. This is a watershed moment; a great opportunity and she is happy to vote today.

Director Zane rejoined the meeting at 3:43PM

Director Naujokas thanked everyone for their comments and said he had four key issues: 1) values – this initiative gives SMART the opportunity to reduce greenhouse gas in the community; 2) business – there is clear revenue implications and efficiency of operations, we have resources; 3) faith – the Department of Finance, Department of Transportation, SMART's staff, Mr. Liles and Senator McGuire and the professionalism of elected officials; and 4) risk – yes of course there is always risk and the Board will continue to monitor the operations of SMART.

Director Rogers stated he has three questions: 1) is this a good thing from an operational stand point for SMART – the most compelling aspect is the inability of SMART to prevent a different freight operator to take over; 2) is it good from an economic standpoint – there are various questions and documents that have not been shared, however the Department of Finance has performed due diligence and believes this is a good deal; and 3) timing – he would prefer to review all the document prior to making a decision but given that SMART is receiving funds from the State, this is an opportunity for SMART to provide freight service for the community.

Director Zane said she is glad that Director Fudge spoke about the history of freight. We have come so far in acknowledging freight service is important. In California, freight is not as busy as other states like North Carolina and South Carolina where freight is very active. We have the opportunity to bring revenue and this is a good business investment. There are businesses in the County that will invest in freight. Post pandemic everything is going to change. She thanked everyone who worked on this project especially Senator McGuire, Mr. Liles, Mr. Bosco, Director Fudge, and General Manager Mansourian for all their hard work.

Director Hillmer he expressed his appreciation with all the comments made today. SMART being a unique agency can provide a great value.

Chair Lucan thanked SMART's staff, Mr. Liles, Senator McGuire and Mr. Bosco. There was a lot of conversations about due diligence, purchase, and acquisition, the details are extremely important but moving forward in vision and long- term thinking is also important. In addition to the assets, equipment and right-of-way that SMART is receiving along with \$2 million for infrastructure improvements and additional \$8 million and SMART is not providing any funds for this transaction. He asked himself, what is the best available structure or governance to ensure that freight service continues and that the public has oversight and transparency to freight operations; and the answer is SMART. He is very excited to be supporting this transaction today.

MOTION: Director Arnold moved to approve the Expansion of SMART Right-of-Way and Scope of Operations by Adding Freight Service Responsibility and Executing Related Agreement as presented. Vice Chair Pahre second. The motion carried 11-0-1 (Director Phillips abstain)

8. SMART Budget Survey and Service Reduction Options

General Manager Mansourian stated that at your last meeting it was requested that SMART provide a survey regarding our future service and budget implications. Within days of your meeting, our Outreach Department quickly prepared and distributed a survey providing the public with an opportunity to hear about SMART's proposed reductions. He introduced Communications and Marketing Manager, Julia Gonzalez. Ms. Gonzalez provided a PowerPoint Presentation which is available on SMART's website. Highlights include:

- Community Survey on Proposed Service Reductions
 - Survey open for 7 days (May 11-17)
 - Distributed through SMART's communications methods and thru 65 public and private agencies
 - 3281 respondents – 74% of respondents ride SMART and 26% of respondents have never traveled on SMART
 - When comparing the responses of SMART riders to those of non-riders, they are remarkably similar
 - Full survey results will be available online
- Where Responses came from
- On Eliminating WiFi
 - 90% said it would not factor in decision to ride train
 - 62% would use their own data plan
 - 30% would create a personal hotspot
 - 6 % said data limits would prevent them from accessing internet
- On Pay a fee for WiFi
 - 60% are not willing to pay
 - 28% are willing to pay a \$1-\$2 fee per use
- On Eliminating Weekend Service
 - 29% reported they primarily ride on weekdays, elimination of weekend service would not impact them
 - 18% reported they ride SMART only on weekends
 - 28% said they will ride less if weekend service is cut
- On Reducing Weekday Service
 - 36% ride primarily on weekends
 - 42% found the weekday schedule to be acceptable
- Rider frequency before shelter in place orders
 - 36% rode on weekdays
 - 26% 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 basis for leisure purposes)
- Top 3 factors SMART riders are considering when deciding to ride the train
 - 81% knowing the trains are cleaned twice daily
 - 70% mandatory wearing of face coverings on trains/stations

- 68% environmental benefits of riding transit
- Possible Impacts
 - 17% of survey respondents anticipate only riding on weekends after shelter in place orders ease
 - 12% of respondents do not anticipate returning to riding SMART as shelter in place orders ease
 - 22% are continuing to telecommute
 - 15% are uncertain about their employment status
- Summary
 - 90% of respondents are amenable to the elimination of free onboard WiFi
 - Elimination of Weekend service will result in a loss of leisure and recreational riders
 - The arrival of spring and summer many expressed a desire to ride SMART for weekend leisure trips to San Francisco
 - The proposed weekend service reductions is acceptable if there is the following: 1) earlier AM service; 2) later PM service; and 3) and if the schedule is coordinated with the Ferry

Lastly, General Manager Mansourian gave an overview presentation of the reduction's strategies. We are requesting directions from you on the third strategy. Highlight include:

- Reduction Strategies
 - 1) One Time Savings: \$3.5 million
 - 2) Ongoing Expense Reductions: \$2.6 Million
 - 3) Reduction in Expenses Resulting from Service
 - Elimination of weekend service: Net savings of \$1.6 million
 - Reduction to 22 trips daily: \$3.2 million
 - Reduction in pay and benefits: \$1.1 million
- 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
 - 2) Implication of Staff Layoffs
 - 3) Year-Round Budget

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?

- Alternative Service Reductions options
 - Rather than reducing to 22 trips a day, for now we can plan on restoring an extra train at beginning and end of the work day to accommodate public input
- Achieve goals

- Respond to the survey results we received about earlier and later train options
- Could be accomplished without staff layoffs. We would be able to make reductions using attritions and the deletions of vacant positions.
- Strategies
 - SMART would run a “6-1-6” schedule, for a total of 26 runs on the weekday – this will allow SMART to save \$1.1 million annually
 - Board could delay a decision on weekend service until further notice
 - SMART will continue not running weekend service until the shelter in place is lifted and weekend ferry service is restored
 - SMART could maintain the new level of service utilizing the CARES act funding and our unallocated fund balance for several years without using operations reserves
- Budget Preparation – If directed, this reduction option would be included in the budget
 - Preliminary Budget will assume these changes in the June 3 presentation
 - Budget will be adopted on June 17, last meeting before end of the Fiscal Year
 - Continue to monitor and examine the revenues
 - In July, sales tax can be examined for the following months: April, May and June
 - Continue to engage with MTC on the disbursement of the CARES Act funds
 - Continue to update your Board with any findings and assumptions
- Illustration of the 6-1-6 Weekday Schedule

Lastly, public comments have been terrific, we have taken them to heart and added the train service they asked for. We will bring the budget at the next meeting for your considerations

Comments

Chair Lucan stated that he is very happy with the amount of responses that SMART received in a short period of time.

Director Naujokas asked what are the safety mitigation measures that SMART is taking to stop the spread of the virus. Mr. Mansourian responded that the vehicle maintenance staff cleans and sanitizes the trains twice a day. Sanitizer dispenser was added to each train and Engineer-Conductors wear face mask and also provide masks to passengers who don't have one. The only item that is for consideration at the National and State level is if public transportation going to require 6 feet social distance. If so, how will this be implemented with best practices.

Director Phillips said there are two components that are affecting SMART, the current health and economic crisis and the defeat of Measure I. Making the changes that are suggested will offset the systemic issue and with the CARES Act Funds will help with the corona virus issue. What is the probability of not receiving the additional CARES Act fund through MTC? Mr. Mansourian responded that \$10.3 million was approved by MTC and FTA, the remaining \$6.6 is being reviewed by the MTC committee for distribution. Director Rabbitt confirmed that the Blue-Ribbon Committee have not met to discuss the distribution of the remainder of funds.

Director Connolly stated that he is not in the Blue-Ribbon committee, however looks forward to interact with the commission and transit agencies. His preliminary observation, while looking at policy considerations we can't lose site of the fact of the purpose of the CARES Act Funds, which is to provide immediate relief to transit agencies who are strapped due to COVID pandemic. He will be looking for consistency and not lose site of the immediate need of the funds.

Vice Chair Pahre asked if the COVID-19 directives are posted on SMART's website. Mr. Mansourian responded yes. Ms. Gonzalez stated that it's also sent via different social media methods. MTC has provided a videographer too SMART to film staff cleaning the trains.

Dani Sheehan congratulated staff with the new partnership. She urged the Board not to eliminate weekend service and suggested reaching out to the leaders and tourism partners.

Steve Birdleough asked if SMART running three (3) car trains.

Mike Pechner suggested that SMART have efficient connection to the Ferry for Giants baseball games during the weekdays and weekends.

Mr. Mansourian responded that SMART is currently running 2 car passenger service. If SMART was to run 5-1-5 schedule there would not be enough staff to run 3 car train. In the proposed schedule of 6-1-6, SMART will be running a 2-car passenger service and once ridership increases or social distance is required adding an additional car will be a must. The weekend service is for your Board to make a recommendation today.

Chair Lucan asked the Board if they are not in support of staff's recommendations?

Director Fudge stated that SMART will need to provide weekend service within 30-days of shelter in place is lifted. There is going to be an increase in regional travel and we need to be ready to start weekend service when possible. She does not want the Board to forget the request of a later train departing north. She thanked everyone who responded to the survey and provided thoughtful comments and suggestions.

Director Arnold thanked staff for the brilliant survey in a short period of time, she was able to forward to her constituents and contact list.

Director Rogers thanked the General Manager Mansourian and staff for providing the proposed 6-1-6 schedule.

Director Connolly stated that he agrees with the recommendations to not eliminate weekend service. SMART could lose ridership if weekend service is eliminated and new ridership can be attracted by having weekend service.

Director Naujokas stated that is very important to reinforce the message to mitigation safety risk measure to make riders comfortable and an alternative transportation.

Vice Chair Pahre stated that constituents and members of the public have felt that they have not been heard. The survey asked the right questions and provided SMART the ability to provide an alternative proposed 6-1-6 schedule. We are not the only transit agency in the Bay Area who is struggling during this time. The Golden Gate Bridge has also lost approximately 70% - 90% of ridership, crossings and ferry. Not everyone gets what they want and SMART will revisit and is in constant coordination with other agencies

Lastly, Chair Lucan stated that staff received the recommendations to proceed to next phase of the budget. He appreciated Director Naujokas comments regarding safety mitigation measures SMART is conducting to keep passengers safe. He thanked the public to engage and provide feedback in the survey.

9. Next Regular Meeting of the Board of Directors, June 3, 2020 – 1:30PM
10. Adjournment – Meeting adjourned at 5:02PM.

Respectfully submitted,

/s/

Leticia Rosas-Mendoza
Clerk of the Board

Approved on: June 3, 2020