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

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, May 5, 2020 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 periods on the agenda. Please check and test your computer settings so that your audio speaker and microphones are functioning. Speakers are asked to limit their comments to two (2) minutes. The amount of time allocated for comments during the meeting may vary at the Chairperson’s discretion depending on the number of speakers and length of the agenda.

1. Call to Order
2. Approval of the April 15, 2020 Board Minutes
3. Board Member Announcements
4. General Manager’s Report
5. Public Comment on Non-Agenda Items
6. Consent
   a. Accept COVID -19 Actions Taken – Status Report
7. Fiscal Year 2019-20 Budget Update, Fiscal Year 2020-21 Budget Reductions, and Approval of Early Action Items

8. Next Regular Meeting of the Board of Directors, May 20, 2020 – 1:30 PM

9. 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.
1. Call to Order
Chair Lucan called the meeting to order at 1:30pm. Directors Arnold, Connolly, Fudge, Garbarino, Hillmer, Naujokas, Pahre, Phillips, Rabbitt, Rogers and Zane were present.

Chair Lucan welcomed everyone who joined the Board meeting through the variety of methods. He thanked the entire SMART staff for the excellent service and modified train schedule that is provided to the community during the COVID-19 Shelter-In-Place orders.

2. Approval of the February 19, 2020 Board Minutes

**MOTION:** Director Phillips moved approval of the February 19, 2020 Board Minutes as presented. Director Rabbitt second. The motion carried 12-0.

3. Board Members Announcements

Director Rabbitt thanked the Bay Area Transit Operators especially in the North Bay for reaching an agreement for the CARES Act Federal Transit Administration Funding distribution. He also thanked General Manager Mansourian for his expertise.

4. General Manager’s Report

General Manager Mansourian reported that since the start of passenger service in August 2017, SMART has carried 1,865,995 passengers, 183,000 bicycles, and over 70000 wheelchairs. Also, there is an agenda item that provides ridership information.
He announced that the Federal Transportation Administration is allocating $25 billion dollars to support public transportation in respond to the COVID-19 Pandemic. In the last three weeks, Transit General Managers and Metropolitan Transportation Commission Executive Team have been working together to provide programming recommendations to the Metropolitan Transportation Commission (MTC) for approval. The initial grant funding distribution is approximately 61% and the remainder late Summer. The funding distribution consists of three (3) principles: 1) 1/3 Share of Operating Cost as budgeted; 2) 1/3 State Assistance Revenue and 3) 1/3 Share of Farebox Revenue as budgeted and subject for approval by the MTC Commission and Federal Transit Agency. SMART’s allocation is $10,375,471. He thanked everyone for their partnership and collaboration.

General Manager Mansourian stated that he is working on an internal and external directive to implement the latest order from Sonoma County Health Officer that goes into effect on Friday, April 17th.

Director Fudge asked if the funding would be for Black Point Bridge. Mr. Mansourian responded that the funds are restricted and part of the COVID-19 Pandemic.

5. Public Comment on Non-Agenda Items

Chair Lucan thanked everyone who provided their public written comments prior to the meeting, comments have been provided to Board Members (on file with Clerk).

David Schonbrunn stated that it was very difficult to find the Board of Directors Zoom Teleconference link on SMART’s website.

Al Scotch asked why they can’t see the attendees of the meeting.

6. Consent
   a. Approval of Monthly Financial Reports
   b. Accept Monthly Ridership Reports
   c. Approve a Resolution for the Designation of SMART Authorized Agents and Other Required Documents for State Low Carbon and Transit Operating Program Funds
   d. Approve a Resolution Authorizing the Filing of an Application for Federal Transit Administration Formula Program Funding for Preventive Maintenance
   e. Review and Accept SMART’s Fiscal Year 2018-19 Single Audit
   f. Accept General Counsel Litigation 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 Arnold second. The motion carried 12-0.
7. Approve a Resolution to Acknowledge and Ratify a Declaration of Local Health Emergency and Proclamation of Local and State Emergency in the Sonoma-Marin Rail Transit District area due to COVID-19

General Manager Mansourian stated that the item before the Board is to adopt a Resolution to acknowledge declaration of a health emergency and proclamation of local and state emergency due to COVID-19 and approve actions to address the impacts of COVID-19 on District operations on the following recommendations:

1. Ratify the necessary immediate actions taken by the General Manager in response to the impacts of COVID-19 on District’s operations;
2. Approve the suspension of Board procedural rules and policies to allow timely execution of emergency actions during the COVID-19 pandemic, consistent with federal, state, regional and local public health mandates;
3. Authorize the General Manager to take all necessary and appropriate actions in response to the COVID-19 pandemic;
4. Authorize the General Manager, or his designee, to prepare and submit applications on the District’s behalf to federal, state, and local government entities for funding and/or reimbursement related to the fiscal impacts of the COVID-19 pandemic on the District’s operations; and,
5. Request the General Manager to provide reports to the Board of Directors, at each regularly scheduled Board meeting, regarding the impacts on District operations and the actions taken by the District in response to the COVID-19 pandemic.

General Manager Mansourian acknowledged Mr. Bellinger submitted written comments (on file with Clerk).

Comments
Director Connolly asked for clarification on recommendation #3. What kind of real time consultation/check-in is occurring and what types of protocols are being taken between Board meetings to make decision making. Mr. Mansourian responded that he is in contact with the Board Chair and Vice-Chair prior to making decisions. He thanked them both for being available by phone and in-person at any hours.

Director Rogers suggested receiving a report on actions that were taken during COVID-19, that would inform the public. Mr. Mansourian responded that recommendation #5 would cover that suggestion.

Ian Joseph suggested Zoom Teleconference to be made a permanent feature for the public and Board members.

MOTION: Director Fudge moved to Approve a Resolution to Acknowledge and Ratify a Declaration of Local Health Emergency and Proclamation of Local and State Emergency in the Sonoma-Marin Rail Transit District area due to COVID-19 as presented. Director Arnold second. The motion carried 12-0.
8. Reporting on Measure I

Chair Lucan stated that this is the first debriefing to the Board post March 2020 Election; there will be a host of many meetings in the next several months. He highlighted the following observations: 1) we lost this election and there is not sugar coating, no excuses, no blaming game, we know that the SMART train is resilient and has overcome defeat in the past; 2) this is an opportunity to listen; 3) any finger pointing shall be directed toward the Board and not SMART’s staff. There were a lot of comments questioning staff integrity and making claims of fiscal mismanagement during the campaign, this will not be tolerated. SMART agency and current leadership have leveraged $290 million in local sales tax and turned that in additional $320 million in regional, state and federal dollars. If doubling the local sales tax dollars is considered fiscal mismanagement what would success look like, he added.

General Manager Mansourian stated that it is very important to look at the big picture. Despite numerous challenges, SMART has turned a public owned railroad asset that had been dormant for several decades into a productive use. We operate passenger service, dispatch freight rail, and constructed and maintained numerous tracks, crossings, tunnels, bridges, and pathways along SMART’s 70-mile segment. Along with procuring trains, testing and train Engineers-Conductors. We did not just create an infrastructure, we created an entire transit agency, developed rules, regulations, financial parameters, purchasing rules, and hiring process.

The economic downfall shortly after the passage of Measure Q, 2017 fires, 2019 fires, PG&E shut offs and COVID-19 has been the history of SMART from the time the voters approved the 2008 Sales Tax Measure, it was only 2 years since the start of passenger service. SMART is 365 days, 24 hours, 7 days agency, we continue to operate, maintain, design and construct while perusing for funds opportunities.

SMART is an incredible public asset a resilient agency that has learned how to pick up and become successful. The results of the March 2020 elections convey that SMART needs to reassess, plan, listen and move forward.

Staff recommends the following: 1) over the next several months, staff and board members should reach out to stakeholders such as business, environmental, civic and service organizations and seek their input for lessons learned; 2) utilize our Citizens Oversight Committee and asked them to reach out to stakeholders as well and seek their input and ideas; and 3) develop public outreach and communication strategies to share the results of these findings and future implementation plans.

General Manager Mansourian acknowledged Mr. Williamson, Mr. Brand, Mr. Bellinger and the Sonoma County Transportation and Land-Use Coalition whom submitted written comments (on file with Clerk).
Comments
Director Rabbitt thanked General Manager Mansourian for the report, Chair Lucan and SMART’s staff for providing a valuable service. SMART lost the elections, however he acknowledged achieving the 2/3 required approval is very hard. He worked on Sonoma County Measure G – Fire Protection Tax, in a County that had two massive wildfires that lost 7000 structures and it failed. Therefore, anytime there is a well-funded organized opposition will defeat a Measure that requires a 2/3 vote each time. The majority of voters in Sonoma and Marin County were supportive of the Measure, and even if the majority of voters have not taken the train, they recognize the investment made and the importance for both counties. Specific Transit measures are difficult to pass, Contra Costa County, this last election did not reach the 50% margin on 2/3 Measure. We need to reach out to the entire community and providing the public with accurate information on the investments and value that have been made for the future generations and for the economic well-being of both counties. The Business sectors of both counties have consistently supported SMART because they understand the investment is important of both counties moving forward. SMART will always be dependent on a Sales Tax Measure and needs to continue to inform the public, Director Rabbitt concluded.

Director Rogers thanked General Manager Mansourian for the report. He is grateful that more than 50% of the public supported the SMART train, however this is the first time that staff has checked with public perception. We need to educate, inform and pleased the public; outreach and stakeholders’ workshops will be conducted. He suggested the following: 1) agency data portal; 2) meeting procedures; and 3) community engagement procedures. It is important to listen and be responsive to the criticism even if they are incorrect.

Director Naujokas acknowledged Chair Lucan’s introductory comments. Most of the passenger service has been build, it will be healthy to review SMART’s mission. Conducting community forums rather than waiting to hear from the community. We, the Board, need to be more proactive to demonstrate the public asset SMART is on the next campaign.

Director Arnold stated that her perspective being a long-term Board member, is that the Board needs to change on how business is conducted. It’s a blessing that the federal and state government have decided to allocate transportation funds due to the COVID-19. This type of funds will help SMART, since it will not be able to refinance the existing debt. She suggested establishing committees composed of Board members for various topics, a few examples, Suisun – Highway 37, freight service, and bicycle and pedestrian pathways.

Director Connolly stated that SMART is a worth service and we should be proud of the agency’s accomplishments. The Board and staff need to get to a place where we can assure the public of its investment. He would like a top to bottom review of the agency including Operations, Financing and Management. The review should be through and expeditious and staff have provided a starting point for the review with the recommendation of conducting workshop style board meetings, however it has been suggested by his colleagues that it is not enough. He likes the idea of conducting outreach to various service areas of the system,
speaking with various stakeholders’ groups. Having sub-committees can help the process, and as the Board goes through the process and factoring COVID-19 issue. With sub-committee(s), the Board can engage and hear the public to develop recommendations and the Board can evaluate those recommendations.

Director Phillips stated that he appreciates all the constructive comments. He said there could be a different approach rather than relying on Sales Tax Funds, consider or evaluate if 2/3 approval is necessary or change it to majority vote. If sales tax funds and 2/3 required approval is necessary, SMART will need to change how business is being conducted, that might include: 1) management; 2) board composition: 3) meeting involvement; and 4) operating practices with related transparency. He suggested considering fairly drastic action, if in fact we are going to be realistic that a 2/3 required approval is necessary for the Measure to pass, SMART cannot survive, if the sales tax measure does not pass and we need to face the reality of the community criticism and respond to the concerns for the Measure to pass.

Director Hillmer he expressed his agreement with the comments that have been made. As SMART moves forward and gathers facts through a process that has been described in various ways, we should use all the information that has been available for years to answer to the public.

Director Zane expressed her appreciation to the SMART Campaign Committee and donors, especially the Graton Rancheria Casino for the $1 million donation. She said that she has been in contact with Mr. Sarris and that they would be happy to make a donation again. The campaign and donations gave SMART the opportunity to provide more public education. She suggested the following: 1) an independent audit review of the agency; 2) the creation of sub-committees; 3) re-evaluate the Citizens Oversight Committee to be more diverse. The evaluation of all the comments made during the campaign is important and also making the train affordable for everyone will help build ridership after the COVID-19 pandemic.

Director Fudge mentioned that it has been frustrating not been able to meet as the result of COVID-19. She agrees with most of the comments She supports staff and is not sure what constitutes an audit review from “top to bottom” comment, the responsibility of election results lays with the Board. We all need to become equally active as Board members once we start to reach out to the public. Additional discussions need to occur in a future date on how to move forward with an audit review. She suggested having more of the Board meetings in workshop style to have a dialogue, and likes the idea of having virtual attendance. In order for subcommittees to be effective they need to have a less formal structure. Revisiting the roles and structure of the Citizens Oversight Committee to have a more active role now since SMART is operating. We have an amazing train agency and we just need to make it more transparent for the public, she added.

Director Rabbitt stated that he agrees with the Board comments that it should always stop with the Board, since its responsible for overseeing the agency. We have been following Measure Q that made promises that consequent economic downturn and realistic cost of
construction that could not deliver the entire project. We have come to the conclusion that it was an honest assessment at that time. The Board needs to be methodical, systematic and consistent moving forward. It is always good to look back at the big picture especially after an election. Campaign opposition researchers look for words that will tweak people passion and to provide them something to grab, and have 1/3 of the people to believe it and not the majority. There is no perfect agency and there are always ways to improve. We need to be a highly efficient organization and to absolutely expect excellence at all levels including the Board. SMART conducts yearly audits, the Citizens Oversight Committee role is dictated by Measure Q we need to continue to follow, however we can look for more diversity.

Director Garbarino stated that she agrees with most of what has been said. She appreciates the quality of the staff reports and presentation from General Manager Mansourian and staff. The recommendations listed in the staff report and mentioned are the stepping stone for SMART to move forward and educating the public. The budgetary information, I have received from staff, is of quality that can be shared with the public if not already. Another important message is that SMART is an infrastructure for the next generation that don’t want vehicles. SMART being compared to BART or other agencies during start-up and SMART ridership has grown 14% to 16%, while BART grew 4% in its first few years. Providing the message via the right pathway and suggested hiring Mr. Brian Sobel who is very familiar with both counties to lead the campaign.

Chair Lucan stated that this is the first of many opportunities to voice their comments.

Public Comment
Dani Sheehan Meyer stated that it was an honor to serve on the campaign and it was very difficult. She suggested doing a better job of telling the entire story.

David Schonbrunn said that he attended a Board meeting in the fall and stated that SMART needed to earn his voter support. His intent with working with Mike Arnold was to send a message that SMART has serious financial problem, that are not nearly complaints by opponents. The Board did not listen to the comments or exercised independent judgment but basically “rubber stamp” General Manager Mansourian, and this is a huge problem for the agency and did not hear any indication of change. The Marin and Sonoma County Grand Jury have identified the problem of having a weak Board in their reports. Also, rather than publicly supporting SMART, he ran a very successful campaign to defeat Contra Costa Transportation Sales Tax Measure. He suggested not changing the 2/3 required voter approved, and is very disappointed of the Citizens Oversight Committee for not providing adequate review of the financial comments that he and Mike Arnold provided.

Al Scotch said its his first time attending the Board meeting. He suggested having more Zoom meetings. Also, public comments have been addressed over the past year in various social media sites.
Willard Richards stated that he submitted his written recommendations and comments (on file with Clerk). Due to Measure I not passing and the COVID-19 pandemic, it could give SMART the opportunity to abandon some of the promises that could not be kept. As long as Highway 101 between Healdsburg and Cloverdale is not congested, SMART can hire the Sonoma County Transit to provide transportation in that segment far less expensive.

Doug Kerr stated that he provided his comments to the Board a week ago. Measure Q in 2008 passed with 70% of the voters to establish a new tax to fund a concept and establish an agency. Its very possible to get an 2/3 approval, the percentages show there is a lack of trust from the public that the Board needs to address. Lastly, every employee of SMART directly or indirectly works for the General Manager, the General Manager reports to the Board, and the Board reports to the Public. So, when there is a problem with public perception on SMART, it is the Board responsibility to review and resolve.

Steve Birdlebough said that the problem faced during the campaign committee was that Measure Q passed because of the vision. The vision with promises to go to Healdsburg and Cloverdale and to take care of the congestion problems. SMART staff was hired and started construction, but they did not create an over promised vision. There has been a lot of accomplishments, however Measure Q’s vision was over promised. We have to win next election.

Aleta Dupree stated that he rode the train approximately 3 years ago to attend a Board meeting but since he does not live in the county, he is not a SMART rider. He was disappointed to read that Measure I did not pass and he would like SMART to continue. In addition, having double track gives the ability for SMART to provide more passenger service. His goal is to continue to have SMART available for passengers especially when he returns back to the County.

Robert D said that after reading the staff report, it is overly reliant in educating the public as if that is the major problem with the assumption that if the public knew how many railroad ties SMART placed on the track, the outcome of the election could have been different. He is encouraged, in particular with what Directors Phillips and Connolly have suggested, a robust review. In regards to Chair Lucan introductory statement to this item regarding what kind of comments are acceptable, he can indeed require the public to address the Board and observe quorum standards, set time limits and stick to the agenda, however, he can’t control what an individual can say based on the First Amendment – Freedom of Speech.

Eris Weaver stated that she would like SMART to listen to public input. Her perception is that out of all the agencies she works with, SMART is the least open and responsive to public comments. Many times, responses from you Board and staff violates the Brown Act. Various people have addressed the Board and staff stating why the Measure would not pass and what needed to happen to get public support.
Rick Coates, he suggested conducting outreach to the younger generation, for them to provide input and get them involved.

Sheila Baker stated she appreciates all the comments being made. The COVID-19 pandemic could be the time to set realistic goals. Since she is transit dependent, it is very important for transit to strengthen and that SMART links to other transit systems.

Duane Bellinger stated that he submitted his written comments (on file with Clerk). His vision of SMART is that it would be an interconnected line of pedestrian oriented communities. These communities would provide a long term of ridership necessary for the SMART train. He suggested reviewing how many people who are retired ride the train. Until the health care system gets a vaccine for the COVID-19 you will not see people over 65 riding the train and will not get back to normal. He thanked staff and the Board for all the good things that have been accomplished.

General Manager Mansourian stated that he took notes from the public and Board members. He said that he will work with Chair Lucan and Vice-Chair Pahre to provide a work program to address the various suggestion to bring back to future Board meetings. Chair Lucan stated a draft plan of future items will be organized and talked at future meetings.

Director Arnold suggested having additional Board member to review the suggested items.

Chair Lucan stated that if Board members have additional suggestions they can be provided to staff.

Director Phillips stated that he had conversations with David Schonbrunn and Mike Arnold and he generally agree with both of them. He suggested that SMART does not discount the proposition of an equal vote and consider all options and possibilities to meet the objective

Director Naujokas stated that a small subcommittee should be formed to review all suggested items and next steps.

Lastly, Chair Lucan thanked everyone for their providing feedback as we continue this process.

9. Fiscal Year 2020-21 Budget Discussion and Establishing Minimum Reserve Policy

Chief Financial Officer, Erin McGrath stated that the Budget and Reserve Policy PowerPoint presentation is available on SMART’s website. She provided an update on the presentation. Highlights include:
- Overview
- Budget Outlook Following Elections
- Refinancing as Cost Savings Strategy
- Minimum Reserves
• New Budget Challenge: COVID-19
• New Budget Challenge: Initial Projections
  o Total losses of $11 million in Fiscal Year 2019-20
• CARES Act Relief
• Budget Composition
  o Administration – 13%
  o Administration Debt Service – 17%
  o Capital Projects- 38%
  o Operations – 32%
• Capital Budget FY 2019-20: $51 million
• Administration Expenses FY 2019-20: $29 million
• Operations Expenses FY-2019-20: $32 million
• New Budget Challenge
  o First Challenge
  o Second Challenge
• Three Major Strategies
  o One-time Savings
  o Reduction in Ongoing Expenses, Salary and Non-Salary
  o Reduction in Ongoing Expenses due to Reduction in Services
• Next Steps

Chair Lucan thanked Ms. McGrath for the report and asked if any Board members had questions.

Comments
Director Rogers stated that there has been discussion about $3 million reduction for next year. The projections from COVID-19 impacts is approximately $11-14 million, and suggested a $6 million reduction. Given the information will staff make recommendations to dip into the Reserves? Ms. McGrath responded that SMART is still working on the budget and will not know the amount of reserves until then. Staff is considering a $6 million target reduction for FY 2020-21. There are a few unknown factors at this time to determine the amount of the reserves. Director Rogers stated that the City of Santa Rosa has a Reserve Policy of 15-17%, however prior to the Tubbs fire it was up to 19%. He suggested having a chart that address the reductions of the Tubbs Fire, Kincade Fire and COVID-19, to have an overview of the reserves that match the various challenges before us.

Director Phillips stated that he sent a complementary note to General Manager Mansourian about the projection being presented today. This is a very tough assignment due to the significant dollar amount. The idea of having the minimum reserve policy that starts at $10 million is great start. A cost savings could be reducing service to Larkspur depending on ridership analysis/reports.

Director Connolly thanked staff for a solid presentation. He suggested providing more information and background for the target reduction of $6 million. On the revenue side, there
is a lot of uncertainly about how many people will be taking the train near and long term. Will there be any modeling or running simulation on various scenarios that would affect the revenue projection? He suggested having a robust reserve policy.

Director Naujokas asked if staff will be providing cost saving items and amounts for the Board to review and make recommendations. Ms. McGrath responded yes, during the budget process. He suggested examining the cost benefits of safety improvements.

Director Hillmer stated that if service reductions are made with respect to the Larkspur Extension, staff should contact the City of San Rafael to obtain their decision making that contributed to the content of transportation. That way the Board is not “making decisions in a vacuum” looking in a vacuum to make a decision.

Director Rabbitt thanked staff for the report. He said that the County of Sonoma is using their reserves fund due to COVID-19. In addition of setting the amount of the reserves, he would like to have a discussion on how and when SMART starts to use their reserve funds. The CARES Act funds that will be distributed only cover until the end of this fiscal year. He looks forward to making tough decision in order for SMART to stay vital.

Director Zane thanked staff for the report. She is concerned that SMART will not get the commuter riders return, SMART needs to maintain the routes that make sense to commuters when reduction of service is being considered. Also, there is a huge chance that riders who are at age 65 and over will not use public transportation.

Director Garbarino said when staff provides marketing materials for public education and to large employers there is potential of ridership increasing, once COVID-19 is lifted.

Director Fudge thanked staff for a great report. She is concerned with the deferral of machinery and equipment expenditure reduction. She understands that SMART will be considering which items need to be reduced in order to continue to have trains on the tracks. Together as a Board, along with General Manager Mansourian and Chief Financial Officer McGrath when evaluating cuts, like eliminating routes, stops, amenities, we need to consider how we are not going to decrease ridership but maintain and increase ridership.

Director Phillips said that the City of San Rafael staff has been working with SMART staff to minimize impacts of what? and huge progress have been made. The City of San Rafael reached an agreement with Bio Marin in an amount of $500k.

Chair Lucan asked if the reserve policy amount will be converted to a percentage, which would be future proof with inflation and growth of SMART budget. Ms. McGrath responded that it would be the intent, but it would be the Board’s decision. This calculation is 25% of the Fiscal Year 2020 ongoing operations expenditures and $10 million should be a minimum.
Dani Sheehan Meyer stated that frequency can be reduced, however she would not suggest cutting service that has been already provided.

Al Scotch said that ridership for March 2020 is 9% of normal.

David Oster said that it is not possible to refinance the debt service for the two reasons: 1) it could only be refinanced until 2028; 2) only if SMART is aware that it would not get a sales tax extension.

Ian Joseph stated that we don’t know the economic impacts of COVID-19. He suggested that SMART plan with options for the base, medium and worse case scenarios.

Director Fudge stated that she specifically likes what Mr. Joseph said and it would help SMART make decision.

Lastly, Ms. McGrath asked the Board for confirmations on SMART strategy is to reach out to the Unions to begin a conversation of upcoming scheduled salary increases. All Board members agreed.

Director Naujokas mentioned that he is willing to not get compensated for meetings if it’s necessary.

Director Fudge said that Board members compensation was brought up during the most recent campaign. She stated that she receives $99 per meeting which includes mileage and attendance. Many cities are considering cost of living increases, like the period of the 2008 Depression.

Director Rogers stated many employees will be struggling through COVID-19 and other emergency disasters that have occurred. We need to be very careful of how salary discussions are being addressed.

Director Phillips concurs with Director Rogers and staff needs to be very careful.

10. Approve a Resolution Authorizing the General Manager to execute Change Orders 030 and 054 to Contract No. CV-DB-16-001 with Stacy Whitbeck/Herzog, JV for an amount of $339,442 for the Larkspur Extension Project

Chief Engineer, Bill Gamlen, stated that the item for Board approval today is Resolution No. 2020-08, which approves the General Manager to execute Change Order 030 and 054 to the Closeout Larkspur Extension Project in an amount of $339,442.

Change Order 030 Pedestrian Safety Enhancements at the San Rafael Transit Center will add pedestrian crossing gates at three of the four crosswalks along 2\textsuperscript{nd} and 3\textsuperscript{rd} streets and adjacent to the San Rafael Transit Center. Due to high volume of pedestrian traffic in the area,
these crossings have been monitored over the past four months of train service following the opening the Larkspur Extension. The SMART team have met with the California Public Utility Commission and the City of San Rafael to evaluate alternative methods or exceptions that could be made to install pedestrian gates at these locations. The Change Order is in the amount of $219,100.

Change Order 054 - Final Larkspur Extension Closeout, will close the Larkspur Extension Contract and settle all additional miscellaneous final work items that are necessary to complete the Project. The majority of this work is unanticipated and essentially the result of modifying the transit center. The Change Order is in the amount of $120,342.

Total amount is $339,442, for these two change orders.

Comments
Director Phillips stated that working with Chief Engineer Gamlen and his staff has been outstanding and thanked staff.

Director Naujokas stated that Change Order 030 makes an excellent safety addition, however, it was not in the original design at what point do staff say what are the safety impacts. Ms. McGrath responded that project funds of the overall project are being used for these change orders and contingency Measure Q funds. Mr. Gamlen has done an excellent job managing the project. At the end there will be $1.3 million of unused contingency funds. Mr. Mansourian stated that the Board directed staff to place public safety as SMART’s first priority. Staff meets state and federal regulations, once its in place SMART mitigates human behavior to improve pedestrians’ crossings.

MOTION: Director Phillips moved to Approve a Resolution Authorizing the General Manager to execute Change Orders 030 and 054 to Contract No. CV-DB-16-001 with Stacy Whitbeck/Herzog, JV for an amount of $339,442 for the Larkspur Extension Project as presented. Director Rogers second. The motion carried 12-0.

11. Next Regular Meeting of the Board of Directors, May 6, 2020 – 1:30PM

12. Adjournment – Meeting adjourned at 4:28PM.

Respectfully submitted,

Leticia Rosas-Mendoza
Clerk of the Board

Approved on: ______________________
May 6, 2020

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

SUBJECT: COVID-19 Actions Taken – Status Report

Dear Board Members:

RECOMMENDATIONS: Information Item

SUMMARY:
In the last 2 weeks, the Marin Public Health Officer issued a Health Order that required all members of the public to wear Face Coverings when using public transportation.

I issued a directive to staff to implement Health Officers order. We also issued a Press Release that informed out passengers that they are required to wear a facial covering while on board SMART trains and at station platforms, per local public health orders for Marin and Sonoma counties, and guidance from the Centers for Disease Control.

Very truly yours,

/s/
Farhad Mansourian
General Manager
May 6, 2020

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

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

Dear Board Members:

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

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

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

BUDGET INFORMATION:
CARES Act Assistance Update:
During your April 15 meeting, we discussed the combined potential impact of the COVID-19 shut-downs and the loss of Measure I. We presented to you our estimate of Fiscal Year 2019-20 (current year) impact could potentially be $11 million. We also anticipate that that impact would continue into Fiscal Year 2020-21 and potentially grow to an additional $14 million impact to our sales tax-driven revenues.
On April 18th, SMART was allocated federal CARES Act funds of $10.3 million by the Metropolitan Transportation Commission (MTC). This is from the original action allocating 61% of the funding provided by Congress. We are in the process of receiving those funds from the federal government to our account.

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

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

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

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

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

Mild Impact: In the “Mild” recovery scenario, we assume that taxes improve from the low of 20% to gain 15% of that back in the Fiscal Year resulting in a 4% drop from our budgeted amount in Fiscal Year 2019-20.
On the chart below we show what this means in dollar amounts for the different scenarios.

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<tbody>
<tr>
<td>Measure Q - Sales Tax</td>
<td>$39,266,002</td>
<td>$31,412,802</td>
<td>$29,842,162</td>
<td>$32,983,442</td>
<td>$36,124,722</td>
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<tr>
<td>Federal/State Rail Funding</td>
<td></td>
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<tr>
<td>Federal</td>
<td>7,786,239</td>
<td>6,228,991</td>
<td>5,917,542</td>
<td>6,213,419</td>
<td>7,145,432</td>
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<tr>
<td>State</td>
<td>4,137,000</td>
<td>2,482,200</td>
<td>3,195,833</td>
<td>3,195,833</td>
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<tr>
<td>Fare Revenue</td>
<td>1,216,646</td>
<td>1,309,505</td>
<td>999,594</td>
<td>999,594</td>
<td>999,594</td>
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<tr>
<td>Other Operating Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(lease, fees, advertising)</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Fed/State Bailout Funds</td>
<td>0</td>
<td>10,000,000</td>
<td>6,600,000</td>
<td>6,600,000</td>
<td>6,600,000</td>
</tr>
<tr>
<td>TOTAL REVENUE</td>
<td>$52,405,887</td>
<td>$51,433,498</td>
<td>$46,495,130</td>
<td>$49,932,287</td>
<td>$54,005,580</td>
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At the bottom of this chart, we are showing that the total revenue difference between the “mild” scenario and the “deep” scenario is $7.5 million, a dramatic difference. In any scenario, revenues are supported by the CARES act funding we anticipate receiving through MTC. As mentioned earlier in this report, in the budget we intend to include the full $6.6 million in our budget that we believe is due under the current allocation method.

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

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

Before outlining potential reductions, we examined every line item in our budget to looks for ways to lower costs and/or increase revenue. Although the challenge this year is a large one, it is a practice we undertake each and every year. During the capital project delivery phase, we undertook such efforts as consolidating construction delivery contractors, installing a used bridge, creating our own mitigation property, which were just a few of the decisions that allowed us to do more with less. In our operation decisions to date, we have already eliminated expensive professional service and other contracts by replacing them with more cost-effective in-house staffing, in areas such as legal, finance, and train control systems management. We also reduced our office lease footprint by 50%, capitalized on partnerships to reduce our IT costs, and instituted our own pension reform before the State of California undertook theirs.
This year, we must again face a daunting challenge of serving the public with fewer resources and greater uncertainties. In our discussions last month, we provided a broad overview of our goals and targets. Today we will be providing you with more detail on the budget reduction strategies for the budget as well as decisions we will need to make sooner than July 1. We continue to follow the guiding principles as outlined in the 2020 Expenditure Plan. Those are:

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

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

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

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

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

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

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

2. **Reduction in Ongoing Expense Non-salary**: Total of $2.6 million. These are ongoing expenditures that are important but could be considered for reductions without a direct impact on the SMART train schedule. This would include reductions to or elimination of the following:
In some of these changes, the contracts for services will require a 30-day notice in order to implement the changes. In order to take action quickly, we therefore would like to request your early approval of two actions:

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

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

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

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

c. In addition to savings identification, we are facing certain expense increases that may be unavoidable. One such cost is for our rail liability coverage. In addition to the traditional liability, property, and other typical insurance policies, SMART must procure specialized railroad liability insurance to cover events that occur as part of rail service. Until 2016, the federal government had set the limit on claims related to railroads at $200 million. In 2016 that limit was raised to $295 million and since that time we carried coverage up to that limit.
That coverage requires multiple negotiations with up to 15 different large insurers in order to provide the multiple layers of coverage that make up a limit that high. Up through Fiscal Year 2019-20, the annual cost of that coverage was $1.3 million. However, the rail liability market has been very volatile during this crises. Some insurers are leaving the market and others are setting benchmarks for revenue that are significantly higher per $1 million in coverage than we are currently paying. Insurers are pricing increases of up to 50% in certain insurance layers. The result would be a $635,000 increase in our annual premiums for rail liability. This an increase that we cannot absorb even in a normal year. While our goal is to provide as much coverage as possible for SMART, we can only purchase coverage that we can sustain and that reasonably protects SMART from incidents that may occur. Thus we are requesting your authorization today to return in our rail liability coverage to the $200 million level in order to keep our cost increases to approximately 5% of the current amount, or $133,000. We are actively negotiating this change and require direction from you on this before going forward. This decision must be made in the next week in order to complete negotiations and execute the policies in advance of their expiration on June 15.

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

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

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

1. **Elimination of Weekend Service:** Potential cost reduction of $2.2 million. Our weekend service which had been growing in popularity, is likely important to many riders. However, as it serves more recreational and tourist needs, it doesn’t serve the core commute ridership we intend to focus on preserving. The savings identified are largely the result of a reduction of 14 FTE in operations and administration. We have identified a potential revenue loss of $600,000 annually for a net savings of $1.6 million.

2. **Reconfiguration of Train Service to 22 Trips Daily:** Potential reduction of $4.7 million to run 5 trains in the morning commute, one in midday and 5 during the afternoon commute. This change would reduce from 38 trips daily to 22 total daily. Savings would result a reduction
of 31 FTE in operations and administration. While it is difficult to determine the revenue loss from this change, we are projecting a loss of $1.5 million in fare revenue for a net savings of $3.2 million.

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

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

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

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

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

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

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

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

Very truly yours,

/s/
Erin McGrath
Chief Financial Officer