



**BOARD OF DIRECTORS
REGULAR MEETING AGENDA**

March 18, 2020– 1:30 PM

5401 Old Redwood Highway, 1st Floor
Petaluma, CA 94954

1. Call to Order
2. Approval of the February 19, 2020 Board Minutes
3. Board Member Announcements
4. General Manager's Report
5. Public Comment on Non-Agenda Items
6. Consent
 - a. Approval of Monthly Financial Reports
 - b. Accept Monthly Ridership Report
7. 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
8. Reporting on Measure I
9. Minimum Reserve and Budget Reduction Targets
10. Review and Accept SMART's Fiscal Year 2018-19 Single Audit
11. Closed Session
 - a. Conference with Labor Negotiator Farhad Mansourian, General Manager pursuant to California Government Code Section 54957.6
Agency Designated Representative: General Manager
Employees: Represented and Unrepresented Employees

- b. Conference with legal counsel regarding existing litigation pursuant to California Government Code Section 54956.9(a); James Duncan v. Sonoma-Marín Area Rail Transit - Case No. SCV-266092

12. Report Out of Closed Session

13. Next Regular Meeting of the Board of Directors, April 1, 2020 – 1:30pm – 5401 Old Redwood Highway, 1st Floor, Petaluma, CA 94954

14. Adjournment

DISABLED ACCOMMODATION: If you have a disability that requires the agenda materials to be in an alternate format or that requires an interpreter or other person to assist you while attending this meeting, please contact SMART at least 72 hours prior to the meeting to ensure arrangements for accommodation. Please contact the Clerk of the Board at (707) 794-3072 or dial CRS 711 for more information.

DOCUMENTS: Documents distributed by SMART for its monthly Board meeting or committee meetings, and which are not otherwise privileged, may be inspected at SMART's office located at 5401 Old Redwood Highway, Suite 200, Petaluma, CA 94954 during regular business hours. Documents may also be viewed on SMART's website at: www.sonomamarintrain.org. Materials related to an item on this Agenda submitted to SMART after distribution of the agenda packet are available for public inspection at the SMART Office. For information about accessing SMART meetings by public transit, use the trip planner at www.511.org.



**BOARD OF DIRECTORS
REGULAR MEETING MINUTES**

February 19, 2020- 1:30 PM

5401 Old Redwood Highway, 1st Floor
Petaluma, CA 94954

1. Call to Order

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

2. Approval of the February 5, 2020 Board Minutes

MOTION: Director Garbarino moved approval of the February 5, 2020 Board Minutes as presented. Director Rabbitt second. The motion carried 10-0 (Directors Philips and Rogers were absent).

Chair Lucan stated that the agenda will be on the following order: Board Member Announcements, General Manager's Report and Public Comment on Non-Agenda Items.

3. Board Members Announcements

Director Hillmer requested that today's meeting be adjourned in Memory of Linda Phillips.

Director Garbarino state that she is very happy to report that her entire family was on the train from San Rafael to Petaluma on Friday, February 14th to celebrate her father's birthday.

4. General Manager's Report

General Manager Mansourian reported that since opening day in August 2017, SMART has carried 1,790,000 passengers, 174,000 bicycles, and over 6,600 wheelchairs.

He announced that the US Secretary of Transportation has a Grant Program opportunity with a \$1 billion budget for national infrastructure projects. The award can be between \$5 to \$25 million for the following eligible projects; highway, transit and rail including freight.

General Manager Mansourian introduced Programming and Grants Manager, Joanne Parker, who provided Ridership update. On board counts are as follows:

- Average Weekday: December 2018 – December 2019 (9% increase)
- Average Weekday: January 2020 – January 2019 (24% increase)
- Average Weekday (February 1-15): 2019 vs. 2020 (29% increase)
- Average Weekend/Holiday (February 1-15): 2019 - 2020 (86% increase)
- Bikes (February 1-15): 2019 -2020 (97% increase)
- Wheelchairs February 1-15): 2019 -2020 (97% increase)

Director Fudge asked for clarification on the average weekend/holiday for February 1-15. Ms. Parker responded that in 2019 there were 651 passengers and in 2020 there were 1,210 passengers which is an 86% increase.

5. Public Comment on Non-Agenda Items

Eris Weaver stated she was sorry she missed last Board meeting when Mr. Gamlen provided a bicycle/pathway update. Chair Lucan responded that the presentations are available on SMART's website.

Duane Bellinger provide a copy of the March 16, 2005 Joint Development Goals, Policies and Procedures to the newest Board Members. He read a few bullets from the document.

Wayne Seaden stated that most people he talked to don't know why Measure I needs to pass at this time. He suggested that information needs to be provided to the public.

General Manager Mansourian stated that the document Mr. Bellinger provided was prior to SMART Tax Measure approval in 2008.

Chief Financial Officer, Erin McGrath stated that SMART's Strategic Plan is updated every five years. During the 2019 update process at the public meetings it was discussed that the current sales tax measure would expire in nine years (2029) and was recommended that the best financial plan for the District involves an early renewal of the sales tax in 2020. The Board considered two options at that time: 1) cut service and expenses; and/or 2) restructure the existing debt. The Board determined that restructuring the existing debt payment of \$18 million to \$6 million per years, with the difference in savings in the amount of \$12million would be the best financial plan for the SMART. It was determined to place Measure on the ballot in March 2020, during the Presidential Elections which has a better voter turnout.

Director Hillmer stated that he did not count on an organized misinformation campaign. Ms. McGrath responded that it has been very challenging.

6. Consent
 - a. Approval of Monthly Financial Reports

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

MOTION: Director Naujokas moved approval of the Consent Agenda as presented. Director Arnold second. The motion carried 10-0 (Directors Phillips and Rogers absent).

7. Budget Planning for Fiscal Year 2020-21

Chief Financial Officer, Erin McGrath, provided an update on the Preliminary Budget Process, Fiscal Year 2020-21. Highlights include:

- Budget Processing Timing
- Two Budget Paths
 - Scenario 1: Approval of the Sales Tax Extension (Measure I Approved)
 - ✘ Review current level of service and staffing
 - ✘ Review fare structure and revenue
 - ✘ Discussion of pattern ridership
 - ✘ Outline capital projects strategies (completion of Windsor Extension, progress/needs for new pathway projects, Petaluma second station, Grant strategy and opportunities for future expansion to Healdsburg, Cloverdale and pathway extensions)
 - Scenario 2: No Sales Tax Extension (Measure I Defeated)
 - ✘ Doing nothing is not an option
 - ✘ Construction bond debt reduction of \$12m annually not available
 - ✘ Strategic Plan and Board Presentation outlines the need for reduction of expenses of \$9m to avoid using reserves
- Strategic Plan Projections
- Budget Composition
- Capital Budget
 - Fiscal Year 2020 current budget of \$51m
 - Almost entirely grant funded, one time in nature
- Administration and Operations
- Scenario 1: Extension Approved – Next Steps
 - Identify budget policy choices available using Expenditure Plan 2020
 - Provide for Ongoing Operations, Maintenance and Financing of Current operations
 - Prioritize Safety, Education and Community Outreach
 - Capital projects and rolling stock
 - Ability to reduce debt payment allows the budget process to focus on maintaining service and planning for Windsor, new pathways the next 2 years
- Scenario 2: Extension Defeated – Next Steps
 - Budget will need the process of addressing the future \$9 million shortfall
- Process and Options

- Identify SMART's "discretionary" budget
- Review changes that could be made to discretionary expenses and revenue
- Administration Expenses Fiscal Year 2019-20
 - \$29 Million (Debt Service, Salaries and Benefits, Services and Supplies)
- Operations Expenses Fiscal Year 2019-20
 - \$31 Million (Services and Supplies, Operations Equipment, Salaries and Benefits)
- Budgeted Revenue
 - Sales Tax (Restricted)
 - Fare Revenue (Discretionary)
 - Other Revenues \$7 million
- Reserves
 - Status Quo (Do Nothing)
 - Budget Process will include a discussion about establishing a policy for minimum reserve
 - Develop Board Policy about how much to tap into reserves in the coming years
- Next Steps
 - Conduct public workshops in April/May to identify policy choices for the next two fiscal years with a long-term sustainability goal
 - Specific policy discussion will depend on the outcome of the March election
 - Continue to work toward the future as we have always done

Comments

Director Rabbitt asked for clarification on the type of debt SMART has, does the organization have a list of assets with value that can potentially be sold. Ms. McGrath responded that SMART has debt is considered Serial Debt (one package), due to tax reform the debt can't be refinanced until 2022. Mr. Mansourian responded that SMART's biggest assets are the vehicles (DMU's) and three large properties (Petaluma and Santa Rosa which are in a sale agreement and Healdsburg). When we present the budget, we will discuss the Assets component. It is very important to have a stable organization and will continue to be. There is a lot of money at the Federal and State level and we have a good record obtaining grants.

Director Connolly stated that in looking at the both scenarios, if Measure I fail, does SMART have a timing of any significant adjustments and scale that will need to be made. Will SMART be making service cuts? Ms. McGrath responded that based on the Operations budget, you can't ignore service cuts because the layoff of one employee impacts various departments. We are in the process of evaluating every aspect of the budget and passenger service. Mr. Mansourian responded that capital projects will be impacted, there will be projects that your Board needs to approve and staff continues to work on two financial paths.

Director Hillmer asked if there are opportunities for revenue enhancement. Ms. McGrath responded that fare revenue is small and very tricky to address if you eliminate discounts.

Director Fudge stated that SMART has staff positions that are very much intertwined and can't be eliminated without impacting SMART passenger service. Eliminating a bus service is

different since it only impacts that one driver and specific route. Mr. Mansourian responded it's the entire organization including safety and security, payroll, lawyers, customer service and etc. Staff is reviewing and evaluating every single aspect to come up with the best resolution for the District.

Duane Bellinger stated that he was informed that SMART could build stations along its own right-of-way. There is interest in building a coffee shop at the Corona property.

Dani Sheehan stated that the race is not lost for Measure I, there is time to step out and support Measure I campaign.

Doug Kerr stated that the message has not been informed as the need for Measure I. He suggested that SMART release the message of the importance of Measure I approval.

Steve Birdlebough stated that SMART has rail cars that will last 30 years, tracks that will last 50 years and a bond measure that only has nine years. SMART has a staff that is behind the scenes that have made a huge investment.

Director Hillmer stated that he is very grateful for the all the public comments that were addressed today and the importance of the Measure I.

Director Naujokas stated that the agency cannot promote and use public fund to promote Measure I, however clarifying the misinformation that is being presented could be provided. Mr. Lyons responded that staff can address the misinformation with facts.

Director Rabbitt clarified his question regarding assets, stating that sometimes assets on the freight side are more of a liability and he asked if they are of any value in order to pay debt. There was very interesting article on The New York Times on Sunday, about "How did Americans Lose its Faith in Everything". In regards with Measure I, Director Rabbitt added, this Measure will give SMART the ability to refinance debt and place it in a better place.

Director Hillmer stated that he does not want to lose the message that has been presented by the public today? He suggested simplify the message to the public.

Director Zane suggested simplifying the message would be good. Public transportation is for everyone, which helps citizens get to their jobs.

Director Arnold asked if SMART had any survey figures available. Mr. Mansourian responded that Metropolitan Transportation Commission conducted an onboard survey with various questions. Northbound commute has increased and many corporations and major employers are starting to make decisions make on the backbone of transportation. At the last meeting Director Phillips mentioned that Bio Marin is expanding to San Rafael to be near a public transportation site for their Sonoma and Marin County employees. Director Arnold strongly believes that SMART has provided a service for single occupancy commute drivers.

Director Garbarino stated the increase in ridership numbers is phenomenal. Unfortunately, there are a lot of cranky people out there that are angry at life. This service is what the next generation needs.

Chair Lucan thanked staff for the presentations and stated that the numbers that were presented today are the same numbers that were presented last year when the Board made a unanimous decision to place the Measure on the March 2020 Ballot. The decision was determined that it would place the agency better financial position. We don't want to come back and make difficult decision.

Chair Lucan adjourned the Board to closed session at 2:40 pm on the following:

8. Closed Session - Conference with General Manager regarding security of public services and public facilities pursuant to California Government Code Section 54957
9. Report Out of Closed Session

Chair Lucan reported out of closed session at 3:20 PM on the following:

Closed Session - Conference with General Manager regarding security of public services and public facilities pursuant to California Government Code Section 54957

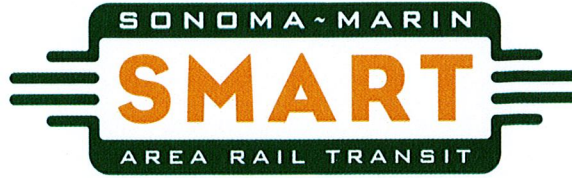
Report Out: Direction given to staff

10. Next Regular Meeting of the Board of Directors, March 4, 2020 – 1:30pm – 5401 Old Redwood Highway, 1st Floor, Petaluma, CA 94954
11. Adjournment – Meeting adjourned in Memory of Lynda Phillips at 3:22pm.

Respectfully submitted,

Leticia Rosas-Mendoza
Clerk of the Board

Approved on: _____



March 18, 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

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

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

SUBJECT: Monthly Finance Reports

Dear Board Members:

RECOMMENDATION: Information Item

SUMMARY:

We are presenting the monthly finance reports for activity through the month of February. The budget report shows transactions for the first eight months of the fiscal year. Fare and parking revenues are \$2,682,590. Sales tax, which lags at least two months behind other revenues, are \$22,005,787. For now, we have received sufficient sales tax to meet our budget target but we will be watching closely in the coming months to monitor the impact of the quarantines and closures on the local economy. Other revenues and expenditures are meeting budgeted amounts. Bond fund investments through February totaled \$20,745,946 while other cash and investments equaled \$43,590,534.

Very truly yours,

Erin McGrath
Chief Financial Officer

- Attachment(s): 1) Monthly Finance Report
2) Contract Summary Report

Sonoma-Marín Area Rail Transit District

Monthly Finance Reports

Through February 2020

	FY 2019-20 Approved Budget	Actual	Remaining Budget
Revenues			
Administration			
Sales/Use Taxes	27,973,136	15,548,015	12,425,121
Interest Earnings	295,000	617,968	-
Rent - Real Estate	265,755	249,320	16,435
Advertising Revenue	221,750	268,023	-
Miscellaneous Revenue	50,000	95,691	-
Administration Subtotal	28,805,641	16,779,018	12,441,555
Operations			
Fund Balance	9,505,068	9,505,068	-
Sales/Use Tax	11,292,866	6,457,772	4,835,094
Fare & Parking Revenue	4,187,000	2,682,590	1,504,410
State Grants	7,404,794	1,463,105	5,941,690
Other Charges	40,000	123,460	-
Operations Subtotal	32,429,728	20,231,995	18,222,882
Capital			
Fund Balance	28,406,487	28,406,487	-
Federal Funds	4,650,000	1,490,281	3,159,719
State Grants	14,010,000	7,850,601	6,159,399
Other Governments/Misc	4,528,192	3,407,899	1,120,293
Measure M	200,625	-	200,625
MTC	-	192,015	-
Miscellaneous Revenue	-	300,000	-
Capital Subtotal	51,795,304	41,647,284	10,640,035
Revenue Total	113,030,673	78,658,298	41,304,473
Expenditures			
Administration			
Salaries & Benefits	5,146,304	2,948,082	2,198,222
Services & Supplies	6,832,630	3,008,682	3,823,949
Debt Service/Other Charges	16,847,600	3,756,300	13,091,300
Machinery & Equipment	95,000	45,942	49,058
Administration Subtotal	28,921,534	9,759,005	19,162,529
Operations			
Salaries & Benefits	16,146,984	9,085,343	7,061,641
Services & Supplies	11,781,730	4,703,209	7,078,521
Buildings & Capital Improvements	4,501,014	1,509,270	2,991,744
Operations Subtotal	32,429,728	15,297,821	17,131,906
Capital			
Salaries & Benefits	1,732,501	808,940	923,562
Services & Supplies	1,320,500	187,845	1,132,655
Other Charges	180,063	177,686	2,377
Land	11,000	11,000	-
Machinery & Equipment	15,295,495	10,717,486	4,578,009
Infrastructure	33,255,744	10,613,271	22,642,473
Capital Subtotal	51,795,304	22,516,228	29,279,076
Expenditure Total	113,146,566	47,573,055	65,573,512

Investment Report

	<u>Amount</u>
Bond Reserve Fund	
Sonoma County Treasury Pool	17,072,500
Interest Fund	
Sonoma County Treasury Pool	3,673,446
Project Fund	-
SMART Operating Accounts	
Bank of Marin	17,097,938
Sonoma County Treasury Pool	26,482,596
Total	64,326,480

Capital Project Report

	<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
Additional Railcar Purchase			
Revenues	11,000,000	8,250,000	2,750,000
Expenditures	11,000,000	8,250,000	2,750,000
San Rafael to Larkspur Extension			
Revenues	55,435,059	52,316,266	3,118,794
Expenditures	55,435,059	52,662,016	2,773,043
Windsor Extension			
Revenues	65,000,000	1,159,036	63,840,964
Expenditures	65,000,000	1,395,051	63,604,949
Petaluma Payran to Southpoint Pathway			
Revenues	3,261,098	1,622,070	1,639,028
Expenditures	3,261,098	2,452,188	808,910



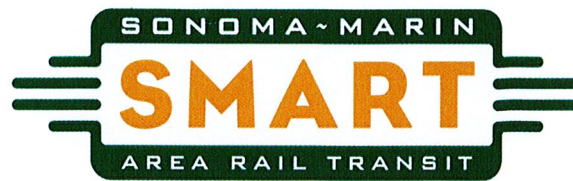
Contract Summary

Active Contracts as of February 29, 2020

Contractor	Scope	Fiscal Year 19/20 Projected	Fiscal Year 19/20 Actuals - To -Date
A.J. Janitorial Service	Janitorial Services for all Stations, Roblar, ROC, and Fulton	\$104,000	\$62,745
Air Technology West	Maintenance and On-Call Repair for Air Compressors	\$6,000	\$4,165
Alcohol & Drug Testing Services, LLC	DOT Drug and Alcohol Testing	\$39,000	\$6,604
Alliant Insurance Services	Insurance Brokerage & Risk Management Services	\$80,000	\$0
American Rail Consultants, Inc.	Railroad Bridge Engineering, Inspection, & Design	\$48,672	\$11,307
Aramark Uniform Services	Employee Uniform Provider and Cleaning Service	\$24,712	\$20,219
Asbury Environmental Services (AES)	Recycling & Disposal Service for Used Oil, Fuel Filters, Rags, and Related Equipment	\$10,000	\$2,195
Barnes & Company, LLC	Safety Outreach Services	\$25,000	\$19,838
Becoming Independent	Emergency Bus Bridge Services	\$25,538	\$7,788
Bettin Investigations	Background Investigations	\$8,863	\$5,074
Bidale Consulting Group, Inc.	Federal Equal Employment Opportunity Plan Creation and Completion	\$7,500	\$5,000
Big Cat Advertising	Digital Advertisement Services	\$18,000	\$12,200
Biggs Cardosa Associates, Inc.	Engineering Design and Construction Support for Payran to Southpoint Multi-Use Pathway	\$43,954	\$10,550
Burke, Williams & Sorensen, LLP	Litigation Support Services	\$163,513	\$2,306
CALOPPS - City of Foster City	HR Recruitment Services	\$3,500	\$3,500
Cinquini & Passarino, Inc.	Right-of-Way Land Surveying and Related Services	\$60,000	\$20,611
Corey, Canapary & Galanis	NTD Compliant Passenger Counting Services	\$33,603	\$25,202
Doug Williams	Fire and Life Safety Consultant	\$8,000	\$5,380
Dr. Lance O'Connor	Occupational Health Screening Services	\$3,600	\$340
Dr. Mark Clementi	Pre-Employment Psychological Evaluations	\$25,000	\$13,134
eLock Technologies, LLC	Station Bike Lockers and Maintenance Services	\$54,576	\$36,552
Empire Cleaners	Uniform Dry-Cleaning, Laundering, and Related Services	\$40,000	\$15,789
Emtec Consulting Services, LLC	Oracle Accounting System Support Services	\$50,000	\$7,823
ePath Learning, Inc.	Cloud-Based Training / Learning Management Software	\$6,180	\$6,180
ePath Learning, Inc.	Business Training Library	\$10,005	\$0
Everbridge, Inc.	Nixle Computer Software (Cloud-based)	\$11,800	\$11,800
George Hills Company, Inc.	Third Party Claims Administration Services	\$10,000	\$3,791
GHD, Inc.	SWPP Compliance, AutoCAD Management, Traffic and Hydraulic Analysis	\$56,719	\$22,545
Ghiloti Bros, Inc.	Enhanced Pedestrian Safety Improvements	\$577,604	\$439,871
Golden Gate Bridge, Highway and Transportation District	Customer Service Support Services	\$335,580	\$165,176
Golden Gate Bridge, Highway and Transportation District	Weekend Bus Service between San Rafael Transit Center and Larkspur Ferry	\$68,664	\$19,803
GP Crane & Hoist Services	Cal/OSHA Crane Inspection Services	\$15,000	\$450
Granite Construction Company	Non-Motorized Pathway, Payran to Southpoint	\$2,009,553	\$2,001,853
Hanford A.R.C.	Implementation and Monitoring Las Gallinas Creek Riparian Enhancement Plan	\$15,230	\$5,297
Hanson Bridgett LLP	Legal Services	\$170,000	\$113,363
Holland Company	Track Geometry and Measurement Services	\$24,000	\$24,000
Hulcher Services, Inc.	On-Call Derailment Services	\$72,000	\$0
Innovative Business Solutions	Payroll Processing Solutions	\$35,400	\$14,064
Industrial Railways Company	Balast Car Operations	\$70,884	\$70,884
Intellectra, Inc.	Internet/Cellular Tower Maintenance Services	\$40,000	\$19,400
Intelligent Technology Solutions, Inc.	Maximo MMS Implementation and Support Services	\$176,000	\$70,877
Leete Generators	Generator Maintenance	\$1,432	\$0
LM Disability Consulting	Disability Access Consulting	\$12,000	\$2,513
LTK Engineering Services	Vehicle and Systems Design and Construction Management Services	\$178,507	\$95,183
Managed Health Network	Employee Assistance Program (EAP) Services	\$2,338	\$1,922
Masabi LLC	SMART Mobile Ticketing Pilot Project	\$57,600	\$31,250
MaxAccel	Compliance Management Software Design/Implementation/Asset Management	\$14,000	\$7,793
Maze & Associates	Financial Audit Services	\$46,664	\$36,977
MGrodrner, LLC	Project Management Services	\$94,000	\$17,600
Modern Railway Systems, Inc.	Design and Construction of Systems Improvements for the Windsor Extension Project	\$4,400,000	\$0

Contractor	Scope	Fiscal Year 19/20 Projected	Fiscal Year 19/20 Actuals-To-Date
Netspeed Solutions, Inc.	Emergency Telephone Gateway Upgrade for Porto Suello Tunnel	\$5,272	\$5,272
Netspeed Solutions, Inc.	SMART Phone System Maintenance	\$16,050	\$8,732
Netwoven Inc.	SharePoint Maintenance, Support, Implementation, and Related Services	\$48,000	\$30,160
Nextdoor Inc.	Use of Nextdoor Platform for Community Notifications	\$7,600	\$0
North Bay SAP Services	Substance Abuse Professional Services	\$3,800	\$0
Northwestern Pacific Railroad Company, Inc.	Provision and Operation of Ballast Car	\$36,000	\$25,760
Occupational Health Centers of CA	Pre-Employment Evaluation Services	\$25,000	\$13,045
Pamco Machine Works, Inc.	Railroad Wheel Pressing Services	\$378,000	\$110,886
Parodi Investigative Solutions	Pre-Employment Background Investigation Services	\$20,000	\$9,650
PFM Financial Advisors, LLC	Financial Advisory Services	\$100,000	\$61,196
Pivotal Vision, LLC	Security Software Licensing	\$2,200	\$0
Platinum Advisors, LLC	State Legislative Advocacy Services	\$60,000	\$60,000
Portola Systems, Inc.	SMART Station Network Configuration Services	\$202,541	\$163,159
Precision Wireless	Tech Support and Maintenance for Land Mobile Radio	\$25,000	\$1,887
Premier Fall Protection, Inc.	Inspection and Certification Services for SMART's Fall Protection Equipment	\$8,000	\$2,784
Rail Enterprises	Ballast Car Transportation and Logistics Coordination	\$35,000	\$28,914
RailPros, Inc.	Professional Engineering Services for Larkspur Extension	\$20,000	\$179,706
Reyff Electric Company	Installation of Circuits to Wall-Mounted EV Chargers	\$4,320	\$4,320
Santa Rosa Fire Equipment Service, Inc.	SMART Fire Equipment Maintenance	\$7,029	\$0
ServPro of Lake Mendocino and Sonoma County	Biohazard Clean-Up and Hazmat Services	\$206,795	\$166,775
Sonoma County Fleet Operation Division	Non-Revenue Fleet Maintenance Services	\$75,000	\$20,260
Sonoma County Transit	Bus Service Route 56 (North Stations)	\$192,109	\$77,305
Sperry Rail Service	Rail Flaw Detection Services	\$13,500	\$0
SPTJ Consulting	Network Infrastructure, Security, Migration and Setup Services	\$365,580	\$113,603
Stacy and Witbeck, Inc.	Design/Build Construction of Civil, Track & Structures of Windsor Extension	\$8,300,000	\$1,155,352
Stacy and Witbeck, Inc.	Railroad Track Maintenance, Alignment, and Restoration	\$220,000	\$210,210
Stacy and Witbeck/Herzog, JV	Design/Build Construction of Civil, Track & Structures Improvements of Larkspur Extension	\$8,573,434	\$7,944,417
Stantec Consulting Services, Inc.	Environmental Permit Management and Construction Compliance Monitoring	\$92,277	\$6,116
Stericycle, Inc.	Medical Waste Pick-Up and Disposal Services	\$1,918	\$0
Sue Evans	Real Estate Support Services	\$17,849	\$13,412
Sumitomo Corporation	Manufacture & Delivery of Rail Vehicles	\$14,567,201	\$10,317,197
Summit Signal, Inc.	Emergency Call-Out Services for Track and Signals	\$10,000	\$0
Survival CPR & First Aid, LLC	First Aid and CPR Training, AED Compliance Program	\$5,000	\$2,090
Terris, Barnes & Walters	Ballot Measure Communication Consulting	\$15,053	\$15,053
The GBS Group	Internet Connectivity (Wi-Fi) for SMART Trains	\$500,690	\$365,799
Transportation Certification Services, Inc.	Onsite Inspection and Training Services	\$8,000	\$4,145
Trillium Solutions, Inc.	Transit Feed Mapping Software	\$1,000	\$1,000
United Mechanical Incorporated	HVAC Maintenance Services at SMART Facilities	\$20,700	\$12,363
United Mechanical Incorporated	Bridge Tender House HVAC Install Project	\$8,749	\$0
Utah Transit Authority	DMU Wheel Truing Services	\$28,413	\$28,413
Van Scoyoc Associates	Federal Lobbying Services	\$60,000	\$30,000
VenTek Transit Inc.	Clipper CCTV System On-Call Maintenance	\$655,282	\$369,480
WBE	Existing CCTV System On-Call Maintenance	\$50,000	\$6,456
West Coast Arborists, Inc.	Tree Trimming, Removal, and Related Services	\$50,000	\$0
WRA Environmental Consultants	Environmental Permitting, Management, & Support Services	\$137,216	\$110,739
	TOTAL:	\$44,803,769	\$25,156,570

Actuals-To-Date includes invoices that have been approved as of February 29, 2020, but may not have been processed in SMART's Financial System



March 18, 2020

Eric Lucan, Chair
Transportation Authority of Marin

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

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

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

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

SUBJECT: Monthly Ridership Report

Dear Board Members:

RECOMMENDATIONS: Information Item

SUMMARY:

We are presenting the monthly ridership report for activity for the month of February 2020. 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.

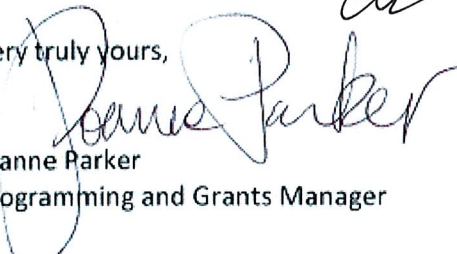
As discussed in prior presentations to Your Board, both methods of counting are necessary to track progress. Onboard Counts capture all riders, including the riders who are riding during the Free Fare Days or Free Fare Programs offered by Your Board, riders with passes who neglect to tag on or off, as 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, to capture as many similar characteristics, such as school in session, as possible, enabling the tracking of 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.

FISCAL IMPACT: None

REVIEWED BY: [X] Finance  [X] Counsel 

Very truly yours,


Joanne Parker
Programming and Grants Manager

Attachment(s): 1) February 2020 Monthly Ridership Report

FEBRUARY 2020 REPORT

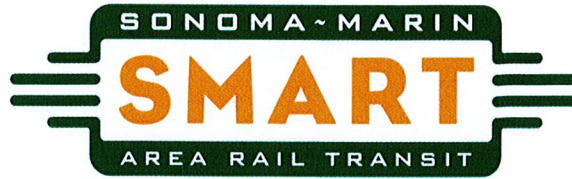
February 2020 ridership increased substantially over February 2019. The deployment of the new schedule in January 2020, the two new stations at Larkspur and Downtown Novato, and two incentive fare programs (Weekender and Sail & Rail), as well as favorable weather conditions relative to last year, could all be contributing to the increases.

For the first eight months of Fiscal Year 2020, SMART’s ridership is up 8% overall, though fare payments through the Clipper and SMART App systems are down 3%, due to a variety of Free Fare days, power shut downs, and other programs offered in Fiscal Year 2020. Weekend/Holiday ridership is up overall from the prior year, though the offering of the Weekender pass has contributed to a 10% decrease in fare collection on Weekends/Holidays.

MONTHLY TOTALS YEAR-OVER-YEAR	February 2019	February 2020	% Change
Total Ridership (Onboard Counts)	51,130	71,676	+40%
Total Paid Ridership (Clipper + App Only)	46,326	61,149	+32%
Average Weekday Ridership (Onboard Counts)	2,297	2,981	+30%
Average Weekday Paid Ridership (Clipper + App Only)	2,116	2,617	+24%
Average Weekend/Holiday Ridership (Onboard Counts)	832	1,339	+61%
Average Weekend/Holiday Paid Ridership (Clipper + App Only)	681	980	+44%
Total Bikes Onboard	3,598	7,656	+113%
Total Wheelchairs Onboard	122	275	+125%

FISCAL YEAR-TO-DATE	First 8 months FY19	First 8 months FY20	% Change*
Total Ridership (Onboard Counts)	478,764	515,214	+8%
Total Paid Ridership (Clipper + App Only)	431,346	418,893	-3%
Average Weekday Ridership (Onboard Counts)	2,430	2,641	+9%
Average Weekday Paid Ridership (Clipper + App Only)	2,244	2,218	-1%
Average Weekend/Holiday Ridership (Onboard Counts)	982	1,002	+2%
Average Weekend/Holiday Paid Ridership (Clipper + App Only)	757	684	-10%
Total Bikes Onboard	45,731	56,132	+23%
Total Wheelchairs Onboard	1,710	1,893	+11%

*NOTE: Free fare days and free fare programs offered in Fiscal Year 2020 result in lower Clipper + App numbers than Fiscal Year 2019.



March 18, 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

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

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

SUBJECT: Emergency Declaration

Dear Board Members:

RECOMMENDATIONS:

Acknowledge and ratify a declaration of local health emergency and proclamation of local and state emergency in the Sonoma-Marín Rail Transit District area due to COVID-19.

SUMMARY

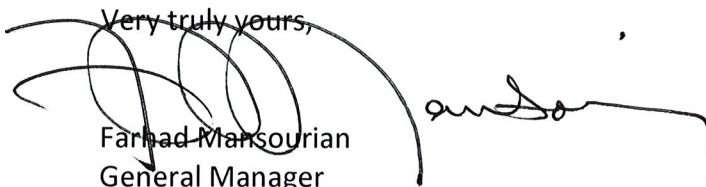
In an emergency, SMART's enabling legislation allows designated personnel to order work or purchase supplies if it is necessary to avert or alleviate damage to District property or to ensure that District's facilities are available to serve the transportation needs of the general public.

In preparation for this emergency SMART staff took action to ensure SMART facilities were ready to continue to operate, possibly shut down operations for an extended period of time, initiate expanded health and safety measures, and respond to changing circumstances as they might arise.

Acknowledging and ratifying the declaration of emergency will designate the General Manager or designee to act upon this emergency declaration for purposes of entering into emergency operations, services and contracts and to seek Federal Emergency Management Agency (FEMA) and California Emergency Management Agency funds to prepare for and manage transit service during the public health emergency.

FISCAL IMPACT: The fiscal impact of the emergency is currently unknown. Any emergency expenses will come from SMART's reserves. SMART will request reimbursement from the State of California and/or FEMA should funds become available for these expenditures.

Very truly yours,


Farhad Mansourian
General Manager



March 18, 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

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: Reporting on Measure I

Dear Board Members:

RECOMMENDATIONS:

- a) At this meeting, take public comments on the election outcome or what we can do to improve our chances at future success.
- b) Over the next several months, reach out to stakeholders such as business, environmental, civic and service organizations and seek their input for lessons learned.
- c) Utilize the Citizens Oversight Committee to reach out to stakeholders as well and seek their input and ideas.
- d) Direct the staff to develop public outreach and communication strategies to share the results of these findings and future implementation plans.

SUMMARY:

The unofficial election results of March 3, 2020 indicate that while a majority of voters in both counties did support the extension of the current ¼ of one cent for 30 years, we were not successful in achieving the required 2/3 approval.

It is clear that we have work to do so we can convince the voters on why they should support our next sales tax election. We must address the issues that we heard and will hear about on how to do a better job in letting our voters know about the need for an extension. We will always have opposition and we will always have economic or situations beyond our control (such as health, fire or flood emergencies) that can impact our service or revenues.

In the year leading up to the election, SMART's dedicated staff and management were focused on providing train service and managing an organization that never closes. We were just doing our job, delivering a train service that people wanted.

Our decision for placing this measure started with the staff's preparation of a unique document that not every public agency prepare, known as our Financial Strategic Plan. This plan that is completed every 5 years, takes a look at ours financing in the next 10 years. It was this work with the tremendous assistance from our Citizens Oversight Committee (comprised of 7 members of the public appointed by your Board to oversee this process) that we reported in a number of public meetings that unless we reduce our expenses, we will exhaust our reserve that we have built. It was during these many public deliberations that we, together, identified that the refinancing of our current debt would be the single most important financial step we can take.

When we made this decision in the Fall of 2019, it appeared to be an opportune time to pass our measure. Why?

The competitive Democratic primary was expected to boost turnout, the economy was very strong, the stock market was exceeding all expectations and predictions, unemployment was at its lowest in Marin and Sonoma, we were expecting to open up Larkspur and downtown Novato stations shortly, and Windsor extension construction would commence early next year.

All of these indicators pointed to a strong and prudent decision by your Board to go ahead with the placement of the Extension of the current sales tax measure.

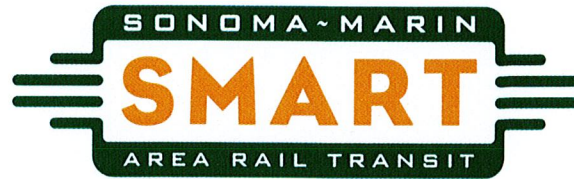
It turns out that other agencies were seeking the same opportunity. There were 237 statewide tax measures on the March 3, 2020 election. According to reports, only 58 were approved with some still too close to call.

Here are the facts that we are dealing with:

- We leveraged about \$300M of local sales and brought in another \$323M in outside grants and delivered a \$600M project, world class train system that is in its infancy and undoubtedly will grow.
- We will continue to be sales tax based in the future. Taxes support every other transit system in the United States and every other public infrastructure (roads, highways, bridges); none of us can continue without some form of tax subsidy.
- We will need to return to the voters to ensure the train service continues in the future.

Very truly yours,


Farhad Mansourian
General Manager



March 18, 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

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

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

SUBJECT: Minimum Reserve and Budget Reduction Targets

Dear Board Members:

RECOMMENDATIONS:

Direct staff to Prepare Fiscal Year 2020-21 Budget with a Minimum \$10 million reserve and \$3 million in Expenditure Reductions

SUMMARY:

At your February Board meeting we discussed two possible outcomes for the election and subsequent budget preparations. The failure of the sales tax extension Measure I requires us to move our focus away from expansion of the rail and pathway to discussions around preserving our minimum reserves in the coming years. Today we would like to receive direction from you on two topics that will guide our budget process: Minimum Reserves and Budget Reduction Targets.

1. Minimum Reserves:

Most governments and businesses create and maintain a prudent level of resources to weather financial uncertainty. This is both an industry best practice in government as well as an important tool for the District to manage future unanticipated expenses, revenue downturns and stability in operations.

During the early years of our initial financial planning, we maintained a very high reserve of 50% of future operating costs because there were so many unknowns in starting a new rail and pathway service with characteristics that are unique to SMART.

Now, with more than two years of operations under our belts, we can more predictably model our baseline revenues and expenses, identify the risks we face, and recommend a more formal reserve policy. Of course, any future modeling will have to take into account the current economic downturn due to the public health crises we are facing. This policy would create the guidance needed for future financial planning and set boundaries for future use of these reserves.

A sample of policies of some other local and transit agencies reveals various policy choices around this topic:

Agency	Published Policy
City of Santa Rosa	15-17% of Annual Expenditures
City of San Rafael	10% of Annual Expense
City of Novato	15% of Annual Expense
County of Sonoma	8.3% of Annual Revenues (One Month)
County of Marin	5% of Annual Expense
Golden Gate BH&TD	7.5% Annual Operations, 3.5% Emergency
SF MTA (Muni)	10% Annual Operating Expenses
Utah Transit	9.33% of Annual Expense
Trimet, Portland	2.5 Months Operating Expense (21%)
VTA (Santa Clara)	15% of Expense, Sales Tax stabilization fund \$35 M (10%)

You can see that there are a number of different approaches to this issue. In considering a minimum reserve, an Agency's size, function, and various revenue sources should influence the decision on how much to set aside. As an independent agency primarily reliant on one major revenue source with no ability to ask for assistance from a bigger entity or to spread our risk out over various divisions, we face somewhat greater risks in our revenues than a County, for example. We also have so many interdependent operations functions that our expenses are difficult to reduce quickly in the face of a downturn as we happening right now nationwide.

Our goal should be to fund a reserve that doesn't overly tie up excess resources but sufficiently addresses operational risk. It should also recognize the significant role that sales tax plays in funding our budget.

We recommend, therefore, that your Board consider a minimum reserve amount that equals the sum of two calculations: 15% of SMART's annual operating expense and 10% of SMART's anticipated sales tax revenue. Those amounts in Fiscal Year 2020-21 would be \$6 million for expenses and \$4 million for revenue. Total *minimum* operating reserves would then equal \$10 million and would be available for either operations or revenue shortfalls in the case of a sudden financial challenge. We are currently carrying more than that in our operations reserve, which allows us some time to deal with the fiscal challenges we are facing.

Further, we recommend that your Board adopt a policy that states the use of SMART's reserve should require a vote of 2/3 of the Board so that the use of the funds are preserved as a funding source of last resort in budget deliberations.

2. Budget Targets

The second recommendation and request for direction is on the difficult task of reducing expenditures and/or increasing revenue to ensure our future financial stability. During the Strategic Planning process, we identified a future imbalance of \$9 million annually tied to increasing debt service. Shown below is a snapshot of the chart we have shown you a number of times illustrating this problem:

	CURRENT YR	PROJECTIONS		
	2019-20	2020-21	2021-22	2022-23
Operations Revenue	\$51.0	\$56.5	\$54.1	\$55.5
Operations Expense	-\$41.3	-\$43.2	-\$44.5	-\$45.8
Debt Service	-\$16.7	-\$17.4	-\$18.1	-\$18.7
Capital Expenses Not Covered by Grants	-\$12.2	-\$0.3	\$0.0	\$0.0
Subtotal (Needs Reserves/ Annual Deficit)	-\$19.2	-\$4.4	-\$8.5	-\$9.0
Starting Unrestricted Reserves	\$26.5	\$7.3	\$2.9	\$0.0
Ending Unrestricted Reserves/Cumulative Deficit	\$7.3	\$2.9	-\$5.5	-\$9.0
Agency Reserve	\$17.0	\$17.0	\$11.5	\$2.5
			Diminishing Reserves	

In the red Cumulative Deficit row, there is a \$9 million shortfall in Fiscal Year 2022-23 that essentially eliminates any reserves, a situation that cannot occur. While we are currently reviewing all of our current year amounts and preparing next year’s estimates, for now we are utilizing these projections to illustrate the task ahead.

Correcting an imbalance of this magnitude (almost 25% of our operating budget) is a task that will take us two or three years to begin to address because of the difficulty in identifying and implementing the least harmful reductions to our passengers and the public. At each step in our efforts to identify changes, we will be returning to the principles adopted by the Board in the 2020 Expenditure Plan which continue to govern our choices. Those are:

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

Unfortunately, it will be nearly impossible to make changes to eliminate all future deficits without affecting priority #1, preserving ongoing operations. As we outlined during the last Board meeting, there are significant fixed costs with running a railroad operation, such as 24-hour dispatching and signal maintenance response, minimum levels of track and signal system maintenance, and required minimum rail vehicle maintenance schedules. The only way to reduce costs will be to variable costs such as the number of service runs. In our next meeting we will be presenting the most immediate areas we will look to for reductions, including administrative contracts, passenger WiFi, contracted customer service, and other savings ideas. Each savings idea must be examined to ensure there are not counterbalancing revenue impacts as service reductions often impact revenue. We will also examine whether there are any new revenue possibilities that could minimize the need to reduce service.

Because the target is such a large one and the time between now and the next budget is limited, we will be proposing to break that target up and bring proposed changes in three phases. First, we will be recommending the Board consider expenditure reductions of \$3 million as part of the Fiscal Year 2020-21 budget.

That process will take place in April, May and June. If we implement a \$3 million reduction, then using the numbers shown on the last chart, operations expense would be reduced from \$43.2 million to \$40.2 million. Immediately following the approval of the budget, we will then move to work on the next phase, which involves another \$3 million in expenditure reductions. We will not wait for the budget season but instead will work on presenting them early enough that changes can be implemented fully upon the start of the Fiscal Year 2021-22 budget.

If we take those first two steps, this will very quickly impact our bottom line and prevent the drawdown of our Agency Reserve in the next three years. Two years of reductions will slow the amount needed from reserves significantly, and also allows more breathing room to consider future steps. A third change of an additional \$3 million in year 3 or 4 will likely be needed depending on other revenues and expenses at that time.

All of these assumptions are subject to change due to the fluid nature of the economy currently and the length of time this current downturn lasts. It seems clear that the current shutdowns and quarantines will have at least a short-term impact on our sales tax receipts and on some of our other revenue sources. This would then mean larger cuts would be necessary. Fortunately, we have a large reserve now that provides the cushion, we need to weather this uncertainty in the short run.

In the longer run, there is no question that there will be significant impacts to our riders of reductions that equal \$9 million over time. There is no way to cushion the impact of such a change from our everyday operations functions. Operating and maintenance of the train and pathway is what we do, there is no other place to look for reductions.

In the coming weeks we have a number of Board meetings in which accomplish our decision making and invite public participation. Our current tentative schedule of public meetings and topics are as follows:

March 24: Citizens Oversight Committee meeting to discuss budget

April 1: Board action to adopt Reserve Policy and Provide Direction on Fiscal Targets

April 15: Public Board Action to review preliminary budget change categories and amounts

May 20: Preliminary Budget Presentation and Discussion

June 3: Board Discussion and Approval of Budget

These are just the initial dates and meetings related to this Fiscal Year budget. As we get more direction and feedback this may change. Following budget approval, we will propose a schedule for the next round of discussions related to Fiscal Year 2021-22. We appreciate your thoughts and suggestions on our process.

Very truly yours,



Erin McGrath

Chief Financial Officer



March 18, 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

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

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

SUBJECT: Federal Single Audit for Fiscal Year 2018-19

Dear Board Members:

RECOMMENDATION: Federal Single Audit for Fiscal Year 2018-19

SUMMARY:

Following the close of each fiscal year, SMART submits to an independent financial audit following best practices and guidelines issued by the Government Accounting Standards Board (GASB). You reviewed and approved our annual audit at our January 8, 2020 meeting, which found no deficiencies or material weaknesses.

In addition, we are 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.

Our auditors, Maze and Associates, completed the audit (attached) on March 11, 2020. We are pleased to report, as shown on page 1, there were no material weaknesses or significant deficiencies identified. The Single Audit for Fiscal Year 2018-19 focused primarily on \$18.2 million in federal funds utilized on the San Rafael to Larkspur segment. Other programs reviewed were \$3 million in Federal Railroad Administration grant funding related to Systems and Positive Train Control, also for the Larkspur Extension. As reported on page 1 of the audit, SMART had no audit findings related to these funds.

FISCAL IMPACT: None

REVIEWED BY: [] Finance _____ [x] Counsel _____

Very truly yours,

Erin McGrath
Chief Financial Officer

Attachments: 1) Fiscal Year 2019 Single Audit Report

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
SINGLE AUDIT REPORT
FOR THE YEAR ENDED June 30, 2019

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

**SINGLE AUDIT REPORT
For The Year Ended June 30, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Findings and Questioned Costs	1
Section I - Summary of Auditor's Results	1
Section II – Financial Statement Findings	2
Section III – Federal Award Findings and Questioned Costs	2
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards.....	4
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 <i>Government Auditing Standards</i>	5
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	7

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2019

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Table with 2 columns: CFDA#(s) and Name of Federal Program or Cluster. Row 1: 20.500/20.507, Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 6, 2019 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
US Department of Transportation Direct Programs			
Federal Railroad Administration			
Systems and Positive Train Control Implementation	20.321	N/A	<u>\$3,000,000</u>
Subtotal of Department of Transportation Pass-Through Programs			<u>3,000,000</u>
U.S Department of Transportation Direct Programs			
Federal Transit Cluster			
Federal Transit - Capital Investment Grants (Fixed Guideway Capital Investment Grants)			
SMART San Rafael to Larkspur Extension	20.500	N/A	12,285,135
Federal Transit - Formula Grants (Urbanized Area Formula Program)			
SMART San Rafael to Larkspur Extension	20.507	N/A	<u>5,995,104</u>
Subtotal Federal Transit Cluster			<u>18,280,239</u>
Total Department of Transportation			<u>21,280,239</u>
Total Expenditures of Federal Awards			<u><u>\$21,280,239</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2019**

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Sonoma-Marín Area Rail Transit District (District), California and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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-Marin 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 financial statements of the business-type activities of the District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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. 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 from 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 December 6, 2019, 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 result 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
December 6, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Sonoma-Marín Area Rail Transit District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 6, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Maze + Associates

Pleasant Hill, California
March 11, 2020