



**BOARD OF DIRECTORS  
REGULAR MEETING AGENDA  
December 5, 2018 – 1:30 PM**

5401 Old Redwood Highway, 1<sup>st</sup> Floor  
Petaluma, CA 94954

1. Call to Order
2. Approval of the November 7, 2018 Board Minutes
3. Public Comment
4. Board Member Announcements
5. General Manager's Report
6. Consent
  - a. Approval of Monthly Financial Reports
  - b. Approval of 2019 Monthly Board of Directors Meeting Calendar
  - c. Authorize the General Manager to Execute a Consultant Service Agreement with Platinum Advisors in an amount of \$120,000 with two additional one-year terms for Federal Legislative Advocacy Services
  - d. Approval of Emtec Global Services, LLC. Contract Amendment No. 5
  - e. Approve a Resolution to Implement Cost-of-Living Increase for Unrepresented Employees
7. Accept SMART's Fiscal Year 2017-18 Comprehensive Annual Financial Report and Memorandum of Internal Controls
8. Closed Session
  - a. Conference with General Manager Farhad Mansourian, pursuant to California Government Code Section 54956.8 regarding real estate negotiations.  
Property: Sonoma-Marin Area Rail Transit District – Railroad Square Property  
Property Address: 2W 3<sup>rd</sup> Street and 34W 6<sup>th</sup> Street, Santa Rosa  
APN(s): 010-171-019 and 010-166-003  
Negotiating Parties: Farhad Mansourian – Cornerstone Properties

- b. Conference with General Manager Farhad Mansourian, pursuant to California Government Code Section 54956.8 regarding real estate negotiations.  
Property: Sonoma-Marín Area Rail Transit District  
Property Address: Right-of-Way (MP14.9–142.5 & MP B25.8 – B49.8)  
Negotiating Parties: Farhad Mansourian – Douglas Bosco, NWPCo Counsel
  - c. Conference with Legal Counsel regarding initiation of an action or to decide whether to initiate an action pursuant to California Government Code Section 54956.9 (d) (4). Number of Cases: 2
- 9. Report out of Closed Session
  - 10. Next Regular Meeting Board of Directors, December 19, 2018 – 1:30 PM – 5401 Old Redwood Highway, 1<sup>st</sup> Floor, Petaluma, CA 94954
  - 11. Adjournment

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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](http://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](http://www.511.org)



**BOARD OF DIRECTORS**  
**Workshop and Regular Meeting Minutes**  
**November 7, 2018 - 1:30 PM**  
5401 Old Redwood Highway, 1<sup>st</sup> Floor  
Petaluma, CA 94954

1. Call to Order

Chair Fudge called the meeting to order at 1:30pm. Directors Arnold, Eddie, Hillmer, Lucan, Mackenzie, Pahre, Phillips, Rabbitt, and Russell were present. Directors Connolly and Zane arrived later.

2. Continue: Conduct Workshop – SMART Passenger Service Year in Review Presentations: Capital Projects, Operations, Community Outreach and Marketing, Grant Funding, Ridership, Safety and Security, Revenue, and Staffing Status

General Manager Farhad Mansourian stated he is pleased that Proposition 6 (Future Gas and Vehicle Taxes and 2017 Tax Repeal Initiative). The presentation will be available on SMART's Website.

Staff will present the following: 1) Ridership Update; 2) Grade Crossing Update; 3) Challenging Events; 4) Scheduling; and 5) Community Outreach and Marketing.

Directors Connolly and Zane arrived 1:34pm

**RIDERSHIP UPDATE**

Onboard surveys were conducted to determine the following:

- 83% of riders walked to their first transit stop
- 76% of riders walked to their destination from their last transit stop

The most popular boarding stations were:

- San Rafael – 29%
- Petaluma Downtown – 15%
- Sonoma County Airport – 11%

The most popular alighting stations were:

- San Rafael – 26%
- Petaluma Downtown – 15%
- Santa Rosa Downtown – 13%

#### Station Specific Information

The following survey questions were asked for each Station: 1) How did you get to Station? and 2) How are you getting to your final destination from arrival Station?

- Sonoma County Airport Station
- Santa Rosa North Station
- Santa Rosa Downtown Station
- Rohnert Park Station
- Cotati Station
- Petaluma Downtown Station
- Novato San Marin Station
- Novato Hamilton Station
- Marin Civic Center Station
- San Rafael Station

#### Comments

Director Mackenzie stated that the Rohnert Park Station always has available parking, while Cotati Station is always full since its free.

Director Phillips asked if more parking is available in San Rafael will ridership increase?

#### **PEDESTRIAN SAFETY ENHANCEMENT UPDATE**

General Manager Mansourian introduced Chief of Police, Jennifer Welch, she provided an update of the following:

- Staff has been studying the following safety measures that may force pedestrians to pay attention
  - Channel Crossing options/ fencing
  - Ground stencils
- Enhancement Summary
  - 30 of 62 crossings have a pedestrian path of travel
  - 20 of 62 crossings have NO pedestrian route
- For roughly \$300,000
  - Enhance 30 of 62 crossing that have pedestrian path of travel with added concrete, fencing and stencils
    - ❖ 13 crossings within SMART's property
    - ❖ 17 outside SMART's property requiring outside jurisdictions
- Status Report
  - On November 1, 2018, SMART's Chief Engineer wrote to the affected jurisdiction and briefed them about our Pedestrian Enhancement efforts
    - ❖ City of San Rafael, City of Santa Rosa, County of Sonoma and City of Novato have acknowledged our proposal



### **CHALLENGING EVENTS**

Chief of Police, Jennifer Welch, provided a brief summary of many events that have occurred:

- 1) A child was left behind on the train as it departed Petaluma WHILE THE PARENTS GOT OFF! Once the train got to Cotati, the SMART Field Supervisor picked up the child from the train in Cotati and returned the child to their parents back in Petaluma;
- 2) Southbound train departing Petaluma: an individual left his cell phone on the platform and then pulled the EMERGENCY BRAKE so he could get his cell phone; and
- 3) A woman left her wallet on a train, she boarded a different train in Santa Rosa. As the train began to depart, another train approached the station. In an effort to look for her wallet on the approaching train, she pulled the emergency brake, but her wallet had already been taken to lost and found.

***The use of the EMERGENCY BRAKE brings the train to an immediate stop, and in this case a passenger has claimed they sustained a minor injury.*** Chief Welch stated that the Emergency Brake Valve will have a new sign stating “Emergency Use Only, misuse or abuse of this equipment will result in a fine”.

She illustrated some images of a vehicle on the tracks and recent warehouse fire near the railroad rack

### **FARE COLLECTION CHALLENGES**

General Manager Mansourian introduced Chief Financial Officer, Erin McGrath who provided an overview of the most recent Clipper machine challenges:

- SMART has Clipper Machines on 12 platforms
- Clipper Machine processes approximately \$220,000 in credit card transactions monthly.
- In October, SMART received a notice that the credit card processor will be cancelling our contract on December 31, 2018.
- Our ability to switch vendors is limited by the specific equipment in the machine. Limitations include our need to be:
  - ADA compliant
  - EMV ready (“chip card”)
  - Title 6 compliant with Spanish language
- Our local contractor, Ventek Transit, is working with SMART to find a solution.
- Working on a limited timeframe to convert processors but have only identified one firm, Transaction Services Inc, who can configure the equipment in the timeframe available.
- Conversion requires removal of equipment and time for recoding by the old and new processors, as well as configuration to new banking system, testing and monitoring.
- Will report to the Board if we cannot convert in time for December deadline.

### **NEW FLEET CHALLENGES**

General Manager Mansourian introduced Superintendent of Vehicle Maintenance, Husani “H” Longstreet, who provided an overview of the recent status:

- SMART’s four (4) new cars began fabrication in mid-2017 at Nippon Sharyo’s

- manufacturing plant in Toyokawa, Japan.
- The cars will increase SMART's fleet size roughly 30% from 14 to 18 cars.
- In mid- 2017, Nippon Sharyo completed the fabrication of the option cars and shipped them to Savannah, Georgia.
- Damaged cars were delivered to SMART on October 12.
  - While in transit they were part of an incident which damaged the in between car components of all four (4) cars.
  - Nippon Sharyo sent out a team of Engineers to assess the damage and has ordered new components to replace all damaged parts. They estimate two (2) cars will become available in Spring and other two more damaged cars becoming available in Summer of 2019.

### Comments

Director Rabbitt asked if SMART has accepted delivery of the cars? Mr. Mansourian responded that the cars have not been accepted by SMART until they are completely repaired.

### **SCHEDULING**

General Manager Mansourian and Superintendent of Transportation, Jon Kerruish provided an overview of the following:

- September 2017 to September 2018
  - 754,694 passengers
  - Weekend: 18%
  - Weekdays: 82%
    - Southbound: AM peak: 5-8; Mid-Day: 10-1; PM peak: 3-6
    - Northbound: No real AM peak, Mid-Day: 10-1; PM peak: 3-6

Mr. Mansourian illustrated train 1, 2, 3 and 4 time schedule. He said that SMART operates on a single track and if train 1 is delayed that causes others trains to be delayed. He also illustrated Southbound and Northbound gaps that staff are working to resolve.

### Next Steps

- Staff will conduct Travel Time and Reliability Analysis that will include: 1) Larkspur Extension; 2) Downtown Novato Station; 3) Petaluma 2<sup>nd</sup> Station; and 4) Windsor Extension to verify that a new reschedule can be reliable.
- Coordination with SMART's transit partners.
- SMART needs to have the required Operations personnel onboard to run the appropriate number of trains.

### Comments:

Director Eddie suggested that SMART should consider purchasing the 3<sup>rd</sup> train car since ridership will continue to increase. Mr. Mansourian responded that if the gaps are filled correctly it could help with crowded trains. Superintendent of Transportation, Jon Kerruish illustrated two examples of filling the gaps.

Chair Fudge asked if SMART has considered talking to Toronto about their “C” cars. Mr. Mansourian responded that staff has been in contact.

Director Arnold asked if SMART is considering changing Fares amounts. Mr. Mansourian responded not at this time, it will be better to wait until Larkspur Extension is complete.

Director Mackenzie stated that the ferry has had an increase in popularity.

### **COMMUNICATIONS AND MARKETING**

General Manager Mansourian introduced Communications and Marketing Manager, Jeanne Belding, who gave an overview:

- Events and Presentations
  - Safety Outreach: Rail Safety to various schools, Safety Pop-Ups, Platform Safety Briefing
  - Quarterly Safety Campaigns
  - Advertising
- Marketing Overview
  - Building SMART’s Brand
  - Raising Awareness
  - Building Affinity
- Community Service
  - Community Partnership
- SMART’s Marketing
  - Advertising Sales
  - Advertising Partners
- Digital Marketing and Communications
  - SMART’s new website
  - SMART’s e-newsletter
  - SMART’s new Nixle
  - Social Media: Facebook, Twitter, Instagram and Snapchat
- Customer Service
  - Contract with Golden Gate Bridge Highway and Transportation District (GGB)
  - SMART Administrative Office
  - Customer Service Inquires (via Golden Gate Transit): 10,818 calls and 3,639 emails
  - Customer Service Inquires (via SMART): 1,739 emails and calls
  - Lost and Found

### **Comments**

Director Hillmer stated that this year he gave out SMART bike lights for Halloween.

Lastly, Mr. Mansourian stated that SMART would like to celebrate the next milestone: 1) Ideas for the 1 Million Rider and 2) Ideas for 100,000 Biker

### **Suggestions**

Director Lucan suggested picking that 1 train for the day, with giveaways each time it opens

Director Zane suggested filling the train with balloons and giving the passengers of that train a monthly pass.

Director Hillmer suggested that the gift should benefit the most needed riders.

Director Arnold suggested having a drawing on the train for 1 year of free passenger service and a new bicycle for the bike rider.

Director Rabbitt suggested celebrating the day when the 1 million passenger steps onboard.

Chair Fudge thanked the entire SMART staff for all their hard and excellent work.

### Comments

Chair Fudge stated that SMART received emails from Kenneth Lew and David Lindecke regarding the Workshop.

Bettina O'Brien suggested that maybe restaurants near the stations give gift cards to the passengers of the 1 million riders.

James Duncan suggested that the stencil be bilingual or the icon to be a train image.

Johanna James stated she appreciated that presentations regarding Scheduling. She also suggested celebrating for the entire day for the 1 million rider.

Willard Richards complemented staff for their work. He voiced his concerns regarding Jennings Avenue Crossing.

Jack Swearingen stated that perhaps the addition of passing sliding can help with adding more trains to the schedule.

Steve Birdleough stated that perhaps trains can run on hourly schedule and during commute hours trains can run every ½ hour.

Felix Huerta stated that salary wages need to be considered for the Engineer-Conductors.

3. Approval of the October 3, 2018 Board Minutes and October 17, 2018 Workshop Minutes

**MOTION:** Director Mackenzie moved approval of the October 3, 2018 Board Minutes and October 17, 2018 Workshop Minutes as presented. Director Lucan second. The motion carried 12-0-0.

4. Public Comment

Steve Birdleough distributed the Press Democrat article, dated November 3, 2018, regarding

Jennings Avenue. He also voiced his concerns regarding Jennings Avenue Crossing.

Doug Kerr voiced his concerns about Jennings Avenue Crossing. He thanked Director Zane for walking the detour.

Richard Bryan stated that Freight service could help with removing trucks off the highway.

James Duncan voiced his concerns regarding the Jennings Avenue Crossing. He also said that he walked the detour with General Manager Mansourian and Director Zane. He urged the Board to move forward with construction of the Jennings Avenue Crossing.

Johanna James voiced her concerns about the Jennings Avenue Crossing and urged the Board to move forward with the construction. She distributed to the Board members the Public Utilities Commission application decision.

Jack Swearingen voiced his concerns regarding the Jennings Avenue Crossing.

5. Board Members Announcements

Director Zane thanked General Manager Farhad Mansourian and Chief Engineer Bill Gamlen for walking the Jennings Avenue detour with herself and various neighbors of the Jennings Avenue Crossing. She has requested in writing to agenda the Jennings Avenue Crossing for a discussion of possible options.

6. General Manager's Report

General Manager Mansourian suggested that November 21, 2018 and January 2, 2019 Board of Directors meeting be cancelled due holidays.

7. Consent

- a. Approval of Monthly Financial Reports
- b. Authorize the General Manager to Execute a Contract with Van Scoyoc Associates, Inc. in an amount of \$60,000 for Federal Legislative Advocacy Services
- c. Approve a Resolution to Amend the Budgeted Code Compliance Officer Salary Range and addition of (1) Full Time Equivalent (FTE) Senior Real Estate Officer
- d. Railroad Liability and Property Insurance Update

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

**MOTION:** Director Arnold moved approval of the Consent Agenda as presented. Director Eddie second. The motion carried 12-0-0.

8. Authorize the General Manager to Execute Contract No. OP-SV-18-011 with Pamco Machine Works, Inc. in an amount of \$378,000 to Perform Wheel Pressing Services for SMART's Diesel Multiple Units (DMUs).

Procurement Coordinator, Ken Hendricks stated that item for your approval today is to authorize the General Manager to award a service contract with Pamco Machine Works, Inc. in the amount of \$378,000 to perform wheel pressing services for SMART's Diesel Multiple Units (DMUs) wheelsets. The contract is for one-year with two additional one-year options to renew thereafter.

A formal Request for Proposal was issued and SMART received two proposals from the following:

- 1) ORX Railway Company – Task 1 Cost (\$4,499) and Task 2 Cost (\$6,697)
- 2) Pamco Machine Works, Inc. – Task 1 Cost (\$3,886) and Task 2 Cost (\$5,514)

Out of the proposals received, Pamco Machine Works, Inc was most advantageous to SMART.

Staff recommends authorize the General Manager to Execute a Contract with Pamco Machine Works, Inc. in amount of \$378,000 to Perform Wheel Pressing Services for SMART's Diesel Multiple Units (DMUs).

#### Comments

Director Phillips asked for clarification of the task cost in relation to the total contract amount. Mr. Hendricks responded that Task 1 is for Wheel-set Assembly Pressing which will service 12 new wheel sets and Task 2 is for Removal and Replacement of Existing Wheel Sets which will service 60 existing wheel sets.

**MOTION:** Director Pahre moved to Authorize the General Manager to Execute Contract No. OP-SV-18-011 with Pamco Machine Works, Inc. in an amount of \$378,000 to Perform Wheel Pressing Services for SMART's Diesel Multiple Units (DMUs) as presented. Director Russell second. The motion carried 12-0-0.

Chair Fudge adjourned the Board to closed session at 3:26PM on the following:

9. Closed Session
  - a. Conference with General Manager Farhad Mansourian, pursuant to California Government Code Section 54956.8 regarding real estate negotiations.  
Property: Sonoma-Marin Area Rail Transit District – Railroad Square Property  
Property Address: 2W 3<sup>rd</sup> Street and 34W 6<sup>th</sup> Street, Santa Rosa  
APN(s): 010-171-019 and 010-166-003  
Negotiating Parties: Farhad Mansourian – Cornerstone Properties
  - b. Conference with Labor Negotiator Farhad Mansourian, General Manager pursuant to California Government Code Section 54957.6  
Agency Designated Representative: General Manager  
Represented Employees: All Unrepresented

- c. Conference with General Manager Farhad Mansourian, pursuant to California Government Code Section 54956.8 regarding real estate negotiations.  
Property: Sonoma-Marín Area Rail Transit District  
Property Address: Right-of-Way (MP14.9–142.5 & MP B25.8 – B49.8)  
Negotiating Parties: Farhad Mansourian – Douglas Bosco, NWPCo Counsel
- d. Conference with Legal Counsel regarding litigation pursuant to California Government Code Section 54956.9; SMART v. Lorraine Silveira CV 1402433.  
Number of Cases: 1

10. Report out of Closed Session

Chair Fudge reported out of closed session at 4:47PM on the following:

- a. Conference with General Manager Farhad Mansourian, pursuant to California Government Code Section 54956.8 regarding real estate negotiations.  
Property: Sonoma-Marín Area Rail Transit District – Railroad Square Property  
Property Address: 2W 3<sup>rd</sup> Street and 34W 6<sup>th</sup> Street, Santa Rosa  
APN(s): 010-171-019 and 010-166-003  
Negotiating Parties: Farhad Mansourian – Cornerstone Properties

*Report Out: Direction given to staff*

- b. Conference with Labor Negotiator Farhad Mansourian, General Manager pursuant to California Government Code Section 54957.6  
Agency Designated Representative: General Manager  
Represented Employees: All Unrepresented

*Report Out: Direction given to staff*

- c. Conference with General Manager Farhad Mansourian, pursuant to California Government Code Section 54956.8 regarding real estate negotiations.  
Property: Sonoma-Marín Area Rail Transit District  
Property Address: Right-of-Way (MP14.9–142.5 & MP B25.8 – B49.8)  
Negotiating Parties: Farhad Mansourian – Douglas Bosco, NWPCo Counsel

*Report Out: Direction given to staff*

- d. Conference with Legal Counsel regarding litigation pursuant to California Government Code Section 54956.9; SMART v. Lorraine Silveira CV 1402433.  
Number of Cases: 1

*Report Out: The Board of Directors approved a Settlement Agreement*

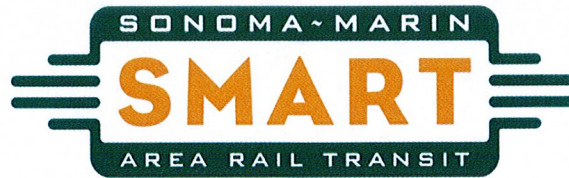
11. Next Regular Meeting Board of Directors, November 21, 2018 – 1:30 PM – 5401 Old Redwood Highway, 1<sup>st</sup> Floor, Petaluma, CA 94954
12. Adjournment – Meeting adjourned at 4:50PM.

Respectfully submitted,

Leticia Rosas-Mendoza  
Clerk of the Board

Approved on: \_\_\_\_\_





**Debora Fudge, Chair**  
Sonoma County Mayors and  
Councilmembers Association

**Judy Arnold, Vice Chair**  
Marin County Board of Supervisors

**Damon Connolly**  
Marin County Board of Supervisors

**Jim Eddie**  
Golden Gate Bridge,  
Highway/Transportation District

**Dan Hillmer**  
Marin Council of Mayors and  
Councilmembers

**Eric Lucan**  
Transportation Authority of Marin

**Jake Mackenzie**  
Sonoma Mayors and Councilmembers  
Association

**Barbara Pahre**  
Golden Gate Bridge,  
Highway/Transportation District

**Gary Phillips**  
Transportation Authority of Marin

**David Rabbitt**  
Sonoma County Board of Supervisors

**Carol Russell**  
Sonoma 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

December 5, 2018

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

**SUBJECT:** Monthly Finance Reports

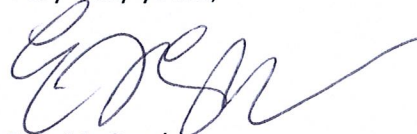
Dear Board Members:

**RECOMMENDATION:** Information Item

**SUMMARY:**

We are presenting the monthly financial report for activity through the month of October which would have been presented at the second November meeting. All revenues and expenses are within budgeted amounts. Gross sales tax received through the month of October is \$7,445,222 which may include some receipts from the prior fiscal year as the State of California has been behind in processing tax revenues for the last several months. Our report shows bond investments totaling \$24,938,325 and other cash and investments of \$37,167,232.

Very truly yours,



Erin McGrath  
Chief Financial Officer

Attachment(s): 1) Monthly Financial Report  
2) Contract Summary

**Sonoma-Marín Area Rail Transit District**  
**Monthly Finance Reports**  
*Through October 2018*

**Budget Report**

	<b>FY 2018-19 Budget</b>	<b>YTD</b>	<b>Remaining Budget</b>
<b>Revenues</b>			
<b>Administration</b>			
Sales/Use Taxes	\$ 26,703,833	\$ 5,211,655	\$ 21,492,178
Interest Earnings	295,000	-	295,000
Rent - Real Estate	302,000	141,459	160,541
Miscellaneous Revenue	1,075,000	123,230	951,770
Subtotal	28,375,833	5,476,345	22,899,488
<b>Operations</b>			
Fund Balance	4,560,824	4,560,824	-
Sales/Use Taxes	11,418,499	2,233,567	9,184,933
Fare & Parking Revenue	3,690,000	1,551,586	2,138,414
State Grants	6,709,939	-	6,709,939
Other Charges	645,000	325,844	319,156
Subtotal	27,024,263	8,671,821	18,352,442
<b>Capital</b>			
Fund Balance	20,011,091	20,011,091	-
Federal Funds	24,535,682	4,692,118	19,843,564
State Grants	10,261,000	-	10,261,000
Other Governments/ Misc.	11,057,019	-	11,057,019
Measure M	228,000	-	228,000
MTC - RM2	3,211,740	-	3,211,740
Subtotal	\$ 69,304,532	\$ 24,703,209	\$ 44,601,323
<b>Revenue Total</b>	<b>\$ 124,704,628</b>	<b>\$ 38,851,375</b>	<b>\$ 85,853,253</b>
<b>Expenditures</b>			
<b>Administration</b>			
Salaries & Benefits	\$ 5,415,504	\$ 1,488,418	\$ 3,927,086
Services & Supplies	6,734,750	944,236	5,790,514
Machinery & Equipment	138,200	97,732	40,468
Debt Service/ Other Charges	16,095,850	3,865,425	12,230,425
Subtotal	28,384,304	6,395,810	21,988,494
<b>Operations</b>			
Salaries & Benefits	14,211,105	3,698,188	10,512,917
Services & Supplies	9,956,093	1,901,230	8,054,863
Buildings & Capital Improvements	3,175,746	671,599	2,504,146
Subtotal	27,342,944	6,271,018	21,071,926
<b>Capital</b>			
Salaries & Benefits	1,413,881	351,373	1,062,508
Services & Supplies	998,866	173,579	825,287
Other Charges	1,400,000	190,625	1,209,375
Machinery & Equipment	19,134,836	12,282	19,122,554
Infrastructure	46,707,649	6,935,278	39,772,371
Subtotal	\$ 69,655,232	\$ 7,663,138	\$ 61,992,094
<b>Expenditure Total</b>	<b>\$ 125,382,480</b>	<b>\$ 20,329,966</b>	<b>\$ 105,052,514</b>

**Sonoma-Marin Area Rail Transit District**  
**Monthly Finance Reports**  
*Through October 2018*

## Investment Report

	<u>Amount</u>
<b>Bond Reserve Fund</b>	
Sonoma County Treasury Pool	\$ 17,399,700
<b>Interest Fund</b>	
Sonoma County Treasury Pool	1,306,190
<b>Project Fund</b>	
Sonoma County Treasury Pool	615,596
<b>Principal Fund</b>	
Sonoma County Treasury Pool	5,616,840
<b>SMART Operating Accounts</b>	
Bank of Marin	6,634,762
Sonoma County Treasury Pool	<u>30,532,470</u>
<b>Total</b>	<b>\$ 62,105,557</b>

## Capital Project Report

	<u>Budget</u>	<u>Actual</u>	<u>Remaining</u>
<b>Additional Railcar Purchase</b>			
Revenues	\$ 11,000,000	\$ 550,000	\$ 10,450,000
Expenditures	\$ 11,000,000	\$ 550,000	\$ 10,450,000
<b>San Rafael to Larkspur Extension</b>			
Revenues	\$ 55,435,059	\$ 25,805,643	\$ 29,629,416
Expenditures	\$ 55,435,059	\$ 30,540,196	\$ 24,894,863



## Contract Summary

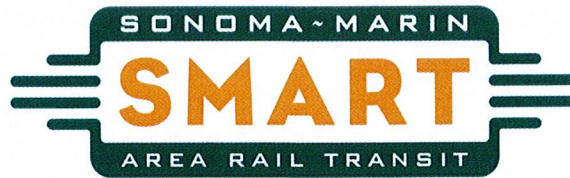
Active Contracts as of October 31, 2018

Contractor	Scope	Fiscal Year 18/19 Projected	Fiscal Year 18/19 Actuals- To-Date
A.J. Janitorial Service	Janitorial Services for Operations Facilities	\$17,935	\$5,520
A.J. Janitorial Service	SMART Station Janitorial and Related Services	\$78,600	\$24,400
Ahlborn Fence & Steel, Inc.	Novato and San Rafael Fencing Projects	\$49,800	\$0
Air Technology West	Maintenance and On-Call Repair for Air Compressors	\$5,000	\$0
Alcohol & Drug Testing Services, LLC	DOT Drug and Alcohol Testing	\$25,000	\$5,044
Alliant Insurance Services	Insurance Brokerage & Risk Management Services	\$83,256	\$8,256
Alstom Transportation	DMU Collision-Damaged Repair Work and Overhauls	\$300,000	\$97,457
American Rail Engineer Corporation	Railroad Bridge Engineering, Inspection, & Design	\$80,000	\$0
Aramark Uniform Services	Employee Uniform Provider and Cleaning Service	\$32,000	\$9,381
Asbury Environmental Services (AES)	Recycling & Disposal Service for Used Oil, Fuel Filters, Rags, and Related Equipment	\$8,156	\$0
Beck Communications	IT Infrastructure Relocation	\$13,609	\$13,609
Becoming Independent	Emergency Bus Bridge Services	\$50,000	\$0
Bettin Investigations	Background Investigations	\$10,000	\$1,029
Big Cat Advertising	Digital Advertisement Services	\$18,000	\$6,000
Burke, Williams & Sorensen, LLP	Litigation Support Services	\$150,000	\$11,597
California Northern Railroad Company	DMU Temporary Haulage Agreement	\$20,000	\$0
Certified Employment Group	Temporary Staffing Services	\$31,200	\$11,916
Corey, Canapary & Galanis	NTD Compliant Passenger Counting Services	\$33,603	\$0
DeAngelo Brothers, LLC (DBI Services)	Vegetation Abatement, Debris Removal, and Related Services	\$80,000	\$27,779
Delta Wheel Truing Solutions	Purchase and Installation of Wheel Truing Machine at ROC	\$898,433	\$432,750
Dr. Mark Clementi	Pre-Employment Psychological Evaluations	\$25,000	\$8,197
eLock Technologies, LLC	Station Bike Lockers and Maintenance Services	\$11,280	\$5,640
Empire Cleaners	Uniform Dry-Cleaning, Laundering, and Related Services	\$27,000	\$7,610
Emtec Consulting Services, LLC	Oracle Accounting System Support Services	\$41,950	\$29,265
ePath Learning, Inc.	Cloud-Based Training / Learning Management Software	\$6,180	\$6,180
Everbridge, Inc.	Nixle Computer Software (Cloud-based)	\$16,000	\$11,800
George Hills Company, Inc.	Third Party Claims Administration Services	\$50,000	\$1,503
GHD, Inc.	SWPP Compliance, AutoCAD Management, Traffic and Hydraulic Analysis	\$60,000	\$9,458
Ghilotti Bros, Inc.	Procure and Install Trench Drain at Airport Station	\$22,069	\$0
Golden Gate Bridge, Highway and Transportation District	Customer Service Support Services	\$220,331	\$82,588
Golden Gate Bridge, Highway and Transportation District	Weekend Bus Service between San Rafael Transit Center and Larkspur Ferry	\$53,000	\$6,486
GP Crane & Hoist Services	Cal/OSHA Crane Inspection Services	\$8,341	\$0
Granicus, Inc.	Media Streaming & Internet Broadcasting Services	\$13,799	\$2,732
Hanford A.R.C.	Implementation and Monitoring Las Gallinas Creek Riparian Enhancement Plan	\$66,170	\$3,643
Heavy Equipment Transportation, Inc.	Transportation Services for Heavy Machinery and Equipment	\$3,530	\$2,030
Holland Company	Track Geometry and Measurement Services	\$24,000	\$0
Hulcher Services, Inc.	Derailment & Hazmat Services	\$40,000	\$0
Industrial Railways Company	Provision of Ballast Car, Operator to Load Ballast Car	\$89,621	\$0
Innovative Business Solutions	Payroll Processing Services	\$26,872	\$7,353
Intellectrace, Inc.	Internet/Cellular Tower Maintenance Services	\$39,414	\$8,250
Intelligent Technology Solutions, Inc.	Maximo MMS Implementation and Support Services	\$133,911	\$106,403
James Flageollet	Legal Services	\$84,503	\$25,935
Leete Generators	Generator Inspection and Maintenance	\$1,614	\$0
Lescure Company, Inc.	Train Wash Re-Design	\$20,000	\$0
LTK Engineering Services	Vehicle and Systems Design and Construction Management Services	\$317,075	\$33,133
Managed Health Network	Employee Assistance Program (EAP) Services	\$4,800	\$695
Masabi LLC	SMART Mobile Ticketing Pilot Project	\$58,730	\$14,700
MaxAccel	Compliance Management Software Design/Implementation/Asset Management	\$12,867	\$4,000
Maze & Associates	Financial Audit Services	\$49,850	\$0
MGrodner, LLC	Project Management Services	\$100,000	\$14,637

Contractor	Scope	Fiscal Year 18/19 Projected	Fiscal Year 18/19 Actuals- To-Date
Netwoven Inc.	SharePoint Maintenance, Support, Implementation, and Related Services	\$99,000	\$30,423
Netwoven Inc.	Design Information Architecture for Document and Project Management Technology	\$4,927	\$3,596
North Bay SAP Services	Substance Abuse Professional Services	\$3,800	\$0
Northwestern Pacific Railroad Company, Inc.	Ballast Car Moving Services	\$36,000	\$28,000
Nossaman LLP	Legal Services - Railroad Regulatory Issues & Transit Capital Projects	\$67,736	\$1,793
Occupational Health Centers of CA	Pre-Employment Evaluation Services	\$7,687	\$3,329
Ojo Technology, Inc.	Installation of Security Access Control Systems at ROC and SMART Headquarters	\$70,715	\$0
Parodi Investigative Solutions	Pre-Employment Background Investigation Services	\$20,000	\$7,250
Paychex	Payroll Processing Services	\$6,576	\$6,576
Pivotal Vision, LLC	Security Software Licensing	\$2,200	\$0
Platinum Advisors, LLC	State Legislative Advocacy Services	\$60,000	\$20,000
Portola Systems, Inc.	SMART Station Network Configuration Services	\$186,630	\$124,031
Precision Wireless	Tech Support and Maintenance for Land Mobile Radio	\$30,000	\$3,715
RailPros, Inc.	Professional Engineering Services for Larkspur Extension	\$1,431,375	\$60,086
Reyff Electric Company	FY19 On-Call Electrical Work	\$25,000	\$0
Santa Rosa Fire Equipment Service, Inc.	SMART Fire Equipment Maintenance	\$10,000	\$0
ServPro of Lake Mendocino and Sonoma County	Biohazard Clean-Up and Hazmat Services	\$22,004	\$0
Sonoma County Fleet Operation Division	Non-Revenue Fleet Maintenance Services	\$71,047	\$11,928
Sonoma County Probation Department	Right-of-Way Vegetation Control, Brush and Debris Removal, and Homeless Camp Clean-up	\$50,000	\$9,196
Sperry Rail Service	Rail Flaw Detection Services	\$13,125	\$0
SPTJ Consulting	Network Infrastructure, Security, Migration and Setup Services	\$396,630	\$41,918
Stacy and Witbeck	Railroad Track Maintenance, Alignment, and Restoration	\$221,888	\$196,108
Stacy and Witbeck/Herzog, JV	Design/ Build Construction of Civil, Track & Structures Improvements of IOS-1	\$250,000	\$0
Stacy and Witbeck/Herzog, JV	Design/Build Construction of Civil, Track & Structures Improvements of Larkspur Extension	\$35,799,878	\$6,817,540
Stantec Consulting Services, Inc.	Environmental Permit Management and Construction Compliance Monitoring	\$294,082	\$2,124
Sue Evans	Real Estate Support Services	\$50,000	\$15,225
Sumitomo Corporation	Manufacture & Delivery of Rail Vehicles	\$17,714,836	\$0
Summit Signal, Inc.	Emergency Call-Out Services for Track and Signals	\$10,000	\$0
Swiftly, Inc.	AVL Mobile Application and Website Interface	\$8,925	\$8,400
The GBS Group	Internet Connectivity (Wi-Fi) for SMART Trains	\$226,780	\$133,366
United Mechanical Incorporated	HVAC Maintenance Services at SMART Facilities	\$19,320	\$4,729
Utah Transit Authority	DMU Wheel Truing Services	\$134,964	\$0
Van Scoyoc Associates	Federal Legislative Advocacy Services	\$33,125	\$13,500
VenTek Transit Inc.	Clipper Vending Machine Operations and Maintenance Services	\$233,956	\$55,704
Vievu	Cloud-Based Storage of Security Data	\$1,080	\$0
WBE	Relocation of AV Equipment	\$2,753	\$0
West Coast Arborists, Inc.	Tree Trimming, Removal, and Related Services	\$50,000	\$0
Whiting Services, Inc.	Inspection and Maintenance of Jacks for DMU	\$9,275	\$9,275
William Campagna	Disability Access Consultant Services	\$12,000	\$1,000
WRA Environmental Consultants	Environmental Permitting, Management, & Support Services	\$279,000	\$82,957
	<b>Total</b>	<b>\$61,578,813</b>	<b>\$8,738,746</b>

\*Actuals-To-Date includes invoices that have been approved as of October 31, 2018, but may not have been processed in SMART's Financial System.





**Debora Fudge, Chair**  
Sonoma County Mayors and  
Councilmembers Association

**Judy Arnold, Vice Chair**  
Marin County Board of Supervisors

**Damon Connolly**  
Marin County Board of Supervisors

**Jim Eddie**  
Golden Gate Bridge,  
Highway/Transportation District

**Dan Hillmer**  
Marin Council of Mayors and  
Councilmembers

**Eric Lucan**  
Transportation Authority of Marin

**Jake Mackenzie**  
Sonoma Mayors and Councilmembers  
Association

**Barbara Pahre**  
Golden Gate Bridge,  
Highway/Transportation District

**Gary Phillips**  
Transportation Authority of Marin

**David Rabbitt**  
Sonoma County Board of Supervisors

**Carol Russell**  
Sonoma 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

December 5, 2018

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

**SUBJECT:** 2019 Regular Board of Directors Meeting Schedule

Dear Board Members:

**RECOMMENDATION:** Approve Schedule

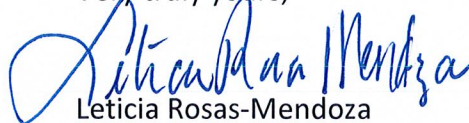
**SUMMARY:**

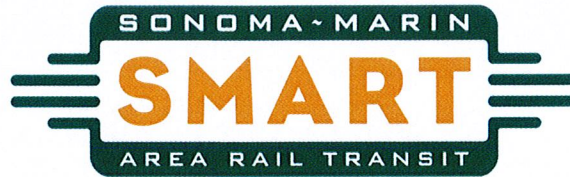
SMART Board of Directors meet on the 1<sup>st</sup> and 3<sup>rd</sup> Wednesday of each month. All meeting are scheduled to be held at 1:30 pm at the SMART District Office Board Room.

<b>2019 Regular Board of Directors Meeting Schedule</b>	
<i>1<sup>st</sup> Wednesday</i>	<i>3<sup>rd</sup> Wednesday</i>
<del>January 2, 2019 - Cancelled</del>	January 16, 2019
February 6, 2019	February 20, 2019
March 6, 2019	March 20, 2019
April 3, 2019	April 17, 2019
May 1, 2019	May 15, 2019
June 5, 2019	June 19, 2019
July 3, 2019	July 17, 2019
August 7, 2019	August 21, 2019
September 4, 2019	September 18, 2019
October 2, 2019	October 16, 2019
November 6, 2019	November 20, 2019
December 4, 2019	December 18, 2019

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

Very truly yours,

  
Leticia Rosas-Mendoza  
Clerk of the Board



**Debora Fudge, Chair**  
Sonoma County Mayors' and  
Councilmembers Association

**Judy Arnold, Vice Chair**  
Marin County Board of Supervisors

**Damon Connolly**  
Marin County Board of Supervisors

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Golden Gate Bridge,  
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General Manager

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

December 5, 2018

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

**SUBJECT:** Approval Contract for Legislative Advocacy Services

Dear Board Members:

**RECOMMENDATION:**

Approve the award of a contract for legislative services to Platinum Advisors for a \$120,000 one-year base term for 2019 with the option, at the sole discretion of SMART, for up to two additional one-year terms, at a cost of \$120,000 for 2020 and \$120,000 for 2021.

**SUMMARY:**

We have utilized the state legislative advocacy services of Platinum Advisors, from 2015 through 2018. Prior to the 2015 contract award to Platinum Advisors, SMART did not use the services of a state legislative advocate.

Over their four years of service to SMART, Platinum Advisors, have effectively supported SMART in state legislative affairs. Included in their efforts have been

- Monitoring of and reporting on state transportation and other legislative activity of interest to SMART.
- Meeting and logistics coordination support with SMART staff in Sacramento.
- Advocacy support for grant applications and legislative issues of concern to SMART.

Between 2015 and 2018, during the tenure of SMART and Platinum Advisors contract, SMART succeeded in having several statewide competitive grants awarded and several formula grant fund programs negotiated to SMART's benefit. Included in these funding successes have been

- \$11 million for four SMART rail vehicles,
- \$21 million for rail extension to Windsor and engineering analysis for Novato-Solano County,
- \$1.5 million for pathway construction in Petaluma,



- Timely access to our State Transit Assistance Funds for rail operations, and
- Approximately \$4 million per year in State Rail Assistance-SB1 funds for SMART operations.

In addition to funding, Platinum Advisors represented SMART through several legislative actions of interest and benefit to SMART, including representation at Assembly and Senate Committee hearings. Platinum Advisors services are needed for SMART legislative advocacy going forward on a number of issues, including support during the transition to a new state administration, to develop relationships with new cabinet members, and to support SMART as additional grant funding is sought. Platinum Advisors have been a critical component in SMART's state grant and legislative success and, as such, I strongly recommend the SMART Board approve a contract award for legislative advocacy services to Platinum Advisors for a one-year base term (2019) with the option, at the sole discretion of SMART, for up to two additional one-year terms (2020-2021), with no increase to cost from the 2015-2018 contract rates.

**FISCAL IMPACT:** Funding for the contract is included in the Fiscal Year 2018-19 budget.

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

Very truly yours,

  
Joanne Parker  
Programming and Grants Manager

Attachment (s): Platinum Advisors, LLC Contract



## AGREEMENT FOR CONSULTANT SERVICES

This agreement (“Agreement”) is dated as of this \_\_\_\_ day of December, 2018 (“Effective Date”) by and between the Sonoma-Marín Area Rail Transit District, a California public agency (hereinafter “SMART”), and Platinum Advisors, (hereinafter “Consultant”). SMART and Consultant are sometimes referred to herein individually as a “party” and collectively as the “parties”.

### RECITALS

WHEREAS, Consultant represents that it is a duly qualified provider of state and federal legislative advocacy and related services; and

WHEREAS, in the judgment of the Board of Directors of SMART, it is necessary and desirable to employ the services of Consultant to perform legislative advocacy services; and

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

### AGREEMENT

#### **ARTICLE 1. RECITALS.**

The above Recitals are true and correct and are hereby incorporated into and form a part of this Agreement.

#### **ARTICLE 2. LIST OF EXHIBITS.**

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

Exhibit A: Scope of Work

Exhibit B: Schedule of Rates

#### **ARTICLE 3. SCOPE OF SERVICES.**

**Section 3.01** Consultant’s Specified Services. Consultant shall perform the services set forth in the Scope of Work attached hereto as **Exhibit A** (cumulatively referred to as the “Scope of Work”).

**Section 3.02** Reporting to SMART. Consultant shall report to and cooperate with SMART’s General Manager in the performance of all work hereunder.

**Section 3.03**      Performance Standard. Consultant shall perform all work hereunder in a manner consistent with the level of competency and standard of care normally observed by a person practicing in Consultant's profession. If SMART determines that any of Consultant's work is not in accordance with such level of competency and standard of care, SMART, in its sole discretion, shall have the right to do any or all of the following: (a) require Consultant to meet with SMART to review the quality of the work and resolve matters of concern; (b) require Consultant to repeat the work at no additional charge until it is satisfactory; (c) terminate this Agreement pursuant to the provisions of **Article 6**; or (d) pursue any and all other remedies at law or in equity.

**Section 3.04**      Assigned Personnel.

(a) Consultant shall assign only competent personnel to perform work hereunder. In the event that at any time SMART, in its sole discretion, desires the removal of any person or persons assigned by Consultant to perform work hereunder, Consultant shall remove such person or persons immediately upon receiving written notice from SMART.

(b) Any and all persons identified in this Agreement or any exhibit hereto as the project manager, project team, or other professional performing work hereunder on behalf of the Consultant are deemed by SMART to be key personnel whose services were a material inducement to SMART to enter into this Agreement, and without whose services SMART would not have entered into this Agreement. Consultant shall not remove, replace, substitute, or otherwise change any key personnel without the prior written consent of SMART.

(c) In the event that any of Consultant's personnel assigned to perform services under this Agreement become unavailable due to resignation, sickness or other factors outside of Consultant's control, Consultant shall be responsible for timely provision of adequately qualified replacements.

**Section 3.05**      Amount of Work. SMART does not guarantee a minimum or maximum amount of work under this Agreement.

**ARTICLE 4. PAYMENT.**

**Section 4.01** The Consultant agrees to perform all of the services included in Scope of Services in accordance with the compensation rates set forth in **Exhibit B**, inclusive of all expenses such as travel, meals, and telephone, and any and all labor, materials, taxes, profit, overhead, insurance, and sub-consultant costs incurred by Consultant. Total payments to Consultant shall not exceed Sixty Thousand Dollars (\$170,000) without the prior written approval of SMART. SMART shall make payment to the Consultant under this Agreement in equal, monthly installments upon receipt and approval of a monthly invoice billing statement, submitted in a form acceptable to SMART.

Consultant must submit all invoices on a timely basis, but no later than thirty (30) days from the date the services/charges were incurred. SMART shall pay Consultant within 30 days after submission of the invoices.

**Section 4.02** Should SMART decide to exercise any of the one-year options, SMART will give written notice to the Consultant no later than 30 days in advance of the expiration of the current term.

**Section 4.03** Consultant shall submit monthly invoices detailing the services performed during the billing period and the contract number. SMART will pay approved invoices within 30 days of their receipt. Each invoice must be sent to the attention of:

Sonoma-Marín Area Rail Transit District  
Attention: Billing  
5401 Old Redwood Highway, Suite 200  
Petaluma, CA 94954  
billing@sonomamarintrain.org

## **ARTICLE 5. TERM OF AGREEMENT.**

**Section 5.01** The term of this Agreement shall commence on the Effective Date and shall remain in full force and effect until December 31, 2019 with two one-year options to renew thereafter, unless terminated earlier in accordance with the provisions of **Article 6** below.

## **ARTICLE 6. TERMINATION.**

**Section 6.01** Termination Without Cause. Notwithstanding any other provision of this Agreement, at any time and without cause, SMART shall have the right, in its sole discretion, to terminate this Agreement by giving 30 days written notice to Consultant.

**Section 6.02** Termination for Cause. Notwithstanding any other provision of this Agreement, should Consultant fail to perform any of its obligations hereunder, within the time and in the manner herein provided, or otherwise violate any of the terms of this Agreement, SMART may immediately terminate this Agreement by giving Consultant written notice of such termination, stating the reason for termination.

**Section 6.03** Delivery of Work Product and Final Payment Upon Termination. In the event of termination, Consultant, within 14 days following the date of termination, shall deliver to SMART all materials and work product subject to **Section 11.09** and shall submit to SMART an invoice showing the services performed, hours worked, and copies of receipts for reimbursable expenses up to the date of termination.

**Section 6.04**      Payment Upon Termination. Upon termination of this Agreement by SMART, Consultant shall be entitled to receive as full payment for all services satisfactorily rendered and expenses incurred hereunder, an amount which bears the same ratio to the total payment specified in the Agreement as the services satisfactorily rendered hereunder by Consultant bear to the total services otherwise required to be performed for such total payment; provided, however, that if services are to be paid on an hourly or daily basis, then Consultant shall be entitled to receive as full payment an amount equal to the number of hours or days actually worked prior to termination times the applicable hourly or daily rate; provided further that if SMART terminates the Agreement for cause pursuant to **Section 6.02**, SMART shall deduct from such amount the amount of damage, if any, sustained by SMART by virtue of the breach of the Agreement by Consultant.

**Section 6.05**      Authority to Terminate. The Board of Directors has the authority to terminate this Agreement on behalf of SMART. In addition, the General Manager, in consultation with SMART Counsel, shall have the authority to terminate this Agreement on behalf of SMART.

## **ARTICLE 7. INDEMNIFICATION.**

Consultant agrees to accept all responsibility for loss or damage to any person or entity, including SMART, and to indemnify, hold harmless, and release SMART, its officers, agents, and employees, from and against any actions, claims, damages, liabilities, disabilities, or expenses, that may be asserted by any person or entity, including Consultant, to the extent caused by the Consultant's negligence, recklessness or willful misconduct in its performance or obligations under this Agreement. Consultant agrees to provide a complete defense for any claim or action brought against SMART based upon a claim relating to Consultant's performance or obligations under this Agreement. Consultant's obligations under this **Section 7** apply whether or not there is concurrent negligence on SMART's part, but to the extent required by law, excluding liability due to SMART's conduct. SMART shall have the right to select its legal counsel at Consultant's expense, subject to Consultant's approval, which shall not be unreasonably withheld. This indemnification obligation is not limited in any way by any limitation on the amount or type of damages or compensation payable to or for Consultant or its agents under workers' compensation acts, disability benefits acts, or other employee benefit acts.

## **ARTICLE 8. INSURANCE.**

With respect to performance of work under this Agreement, Consultant shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain, insurance as described below.

### **Section 8.01**      Workers' Compensation Insurance.

Workers' compensation insurance with statutory limits as required by the Labor Code of the State of California.

**Section 8.02**      General Liability Insurance. Commercial general liability insurance covering bodily injury and property damage using an occurrence policy form, in an amount no less than One Million Dollars (\$1,000,000) limit for each occurrence and Two Million Dollars (\$2,000,000) each for the general aggregate and the products/completed operations aggregate. Said commercial general liability insurance policy shall either be endorsed with the following specific language or contain equivalent language in the policy:

SMART, its officers and employees, is named as additional insured for all liability arising out of the on-going and completed operations by or on behalf of the named insured in the performance of federal legislative advocacy services between SMART and Platinum Advisors.

The inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the coverage afforded shall apply as though separate policies had been issued to each insured, but the inclusion of more than one insured shall not operate to increase the limits of the company's liability.

The insurance provided herein is primary and non-contributory coverage to SMART with respect to any insurance or self-insurance programs maintained by SMART.

**Section 8.03**      Automobile Insurance. Automobile liability insurance covering bodily injury and property damage in an amount no less than One Million Dollars (\$1,000,000) combined single limit for each occurrence. Said insurance shall include coverage for owned, hired, and non-owned vehicles.

**Section 8.04**      Professional Liability Insurance. Professional liability insurance for all activities of Consultant arising out of or in connection with this Agreement in an amount no less than Two Million Dollars (\$2,000,000) combined single limit for each occurrence.

**Section 8.05**      Documentation. The following documentation shall be submitted to SMART:

- (a) Properly executed Certificates of Insurance clearly evidencing all coverages and limits required above. Said Certificates shall be submitted prior to the execution of this Agreement. Consultant agrees to maintain current Certificates of Insurance evidencing the above-required coverages and limits on file with SMART for the duration of this Agreement.

- (b) Copies of properly executed endorsements required above for each policy. Said endorsement copies shall be submitted prior to the execution of this Agreement. Consultant agrees to maintain current endorsements evidencing the above-specified requirements on file with SMART for the duration of this Agreement.
- (c) Upon SMART's written request, Consultant shall provide certified copies of the insurance policies to SMART. Said policy copies shall be submitted within thirty (30) days of SMART's request. After the Agreement has been signed, signed Certificates of Insurance shall be submitted for any renewal or replacement of a policy that already exists, at least ten (10) days before expiration or other termination of the existing policy.

**Section 8.06**      Policy Obligations. Consultant's indemnity and other obligations shall not be limited by the foregoing insurance requirements.

**Section 8.07**      Material Breach. If Consultant, for any reason, fails to maintain insurance coverage, which is required pursuant to this Agreement, the same shall be deemed a material breach of this Agreement. SMART, in its sole option, may terminate this Agreement and obtain damages from Consultant resulting from said breach. Alternatively, SMART may purchase such required insurance coverage, and without further notice to Consultant, SMART may deduct from sums due to Consultant any premium costs advanced by SMART for such insurance. These remedies shall be in addition to any other remedies available to SMART.

## **ARTICLE 9. PROSECUTION OF WORK.**

When work is requested of Consultant by SMART, all due diligence shall be exercised and the work accomplished without undue delay, within the performance time specified by SMART. Performance of the services hereunder shall be completed within the time required herein, provided, however, that if the performance is delayed by earthquake, flood, high water, or other Act of God or by strike, lockout, or similar labor disturbances, the time for Consultant's performance of this Agreement shall be extended by a number of days equal to the number of days Consultant has been delayed.

## **ARTICLE 10. EXTRA OR CHANGED WORK.**

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

extra work performed without such express and prior written authorization of SMART.

## **ARTICLE 11. REPRESENTATIONS OF CONSULTANT.**

**Section 11.01**     Standard of Care. SMART has relied upon the professional ability and training of Consultant as a material inducement to enter into this Agreement. Consultant hereby agrees that all its work will be performed and that its operations shall be conducted in accordance with generally accepted and applicable professional practices and standards as well as the requirements of applicable federal, state and local laws, it being understood that acceptance of Consultant's work by SMART shall not operate as a waiver or release.

**Section 11.02**     Status of Consultant. The parties intend that Consultant, in performing the services specified herein, shall act as an independent contractor and shall control the work and the manner in which it is performed. Consultant is not to be considered an agent or employee of SMART and is not entitled to participate in any pension plan, worker's compensation plan, insurance, bonus, or similar benefits SMART provides its employees. In the event SMART exercises its right to terminate this Agreement pursuant to **Article 6**, above, Consultant expressly agrees that it shall have no recourse or right of appeal under rules, regulations, ordinances, or laws applicable to employees.

**Section 11.03**     Taxes. Consultant agrees to file federal and state tax returns and pay all applicable taxes on amounts paid pursuant to this Agreement and shall be solely liable and responsible to pay such taxes and other obligations, including but not limited to state and federal income and FICA taxes. Consultant agrees to indemnify and hold SMART harmless from any liability which it may incur to the United States or to the State of California as a consequence of Consultant's failure to pay, when due, all such taxes and obligations. In case SMART is audited for compliance regarding any withholding or other applicable taxes, Consultant agrees to furnish SMART with proof of payment of taxes on these earnings.

**Section 11.04**     Records Maintenance. Consultant shall keep and maintain full and complete documentation and accounting records concerning all services performed that are compensable under this Agreement and shall make such documents and records available to SMART for inspection at any reasonable time. Consultant shall maintain such records for a period of four (4) years following completion of work hereunder.

**Section 11.05**     Conflict of Interest. Consultant covenants that it presently has no interest and that it will not acquire any interest, direct or indirect, that represents a financial conflict of interest under state law or that would otherwise conflict in any manner or degree with the performance of its services hereunder. Consultant further covenants that in the performance of this Agreement no person having any such interests shall be employed. In addition, if requested to do so by SMART, Consultant shall complete and file and shall require any other person doing work under this Agreement to complete and file a “Statement of Economic Interest” with SMART disclosing Consultant’s or such other person’s financial interests.

**Section 11.06**     Nondiscrimination. The Consultant, sub-recipient, or subcontractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The Consultant shall carry out applicable requirements of 49 CFR part 26, relating to Disadvantaged Business Enterprises, in the award and administration of DOT-assisted contracts as applicable. Failure by the Consultant to carry out these requirements is a material breach of this Agreement, which may result in the termination of this Agreement or such other remedy as the recipient deems appropriate.

Consultant shall comply with all applicable federal, state, and local laws, rules, and regulations in regard to nondiscrimination in employment because of race, color, ancestry, national origin, religion, sex, marital status, age, medical condition, pregnancy, disability, sexual orientation or other prohibited basis, including without limitation, SMART’s Non-Discrimination Policy. All nondiscrimination rules or regulations required by law to be included in this Agreement are incorporated herein by this reference.

**Section 11.07**     Assignment Of Rights. Consultant assigns to SMART all rights throughout the world in perpetuity in the nature of copyright, trademark, patent, right to ideas, in and to all versions of the reports, designs, drawings, plans, specifications, schedules and other materials, if any, now or later prepared by Consultant in connection with this Agreement. Consultant agrees to take such actions as are necessary to protect the rights assigned to SMART in this Agreement, and to refrain from taking any action which would impair those rights. Consultant’s responsibilities under this provision include, but are not limited to, placing proper notice of copyright on all versions of the materials prepared in connection with this Agreement as SMART may direct, and refraining from disclosing any versions of the plans and specifications to any third party without first obtaining written permission of SMART. Consultant shall not use or permit another to use the materials prepared in connection with this Agreement in connection with this or any other project without first obtaining written permission of SMART.



**Section 11.08 Ownership And Disclosure Of Work Product.** All reports, original drawings, graphics, plans, studies, and other data or documents (“documents”), in whatever form or format, assembled or prepared by Consultant or Consultant’s subcontractors, consultants, and other agents in connection with this Agreement shall be the property of SMART. SMART shall be entitled to immediate possession of such documents upon completion of the work pursuant to this Agreement. Upon expiration or termination of this Agreement, Consultant shall promptly deliver to SMART all such documents, which have not already been provided to SMART in such form or format, as SMART deems appropriate. Such documents shall be and will remain the property of SMART without restriction or limitation. Consultant may retain copies of the above- described documents but agrees not to disclose or discuss any information gathered, discovered, or generated in any way through this Agreement without the express written permission of SMART.

## **ARTICLE 12. DEMAND FOR ASSURANCE**

Each party to this Agreement undertakes the obligation that the other’s expectation of receiving due performance will not be impaired. When reasonable grounds for insecurity arise with respect to the performance of either party, the other may in writing demand adequate assurance of due performance and until such assurance is received may, if commercially reasonable, suspend any performance for which the agreed return has not been received. “Commercially reasonable” includes not only the conduct of a party with respect to performance under this Agreement, but also conduct with respect to other agreements with parties to this Agreement or others. After receipt of a justified demand, failure to provide within a reasonable time, but not exceeding thirty (30) days, such assurance of due performance as is adequate under the circumstances of the particular case is a repudiation of this Agreement. Acceptance of any improper delivery, service, or payment does not prejudice the aggrieved party’s right to demand adequate assurance of future performance. Nothing in this **Article 12** limits SMART’s right to terminate this Agreement pursuant to **Article 6**.

## **ARTICLE 13. ASSIGNMENT AND DELEGATION.**

Neither party hereto shall assign, delegate, sublet, or transfer any interest in or duty under this Agreement without the prior written consent of the other, and no such transfer shall be of any force or effect whatsoever unless and until the other party shall have so consented.

## **ARTICLE 14. METHOD AND PLACE OF GIVING NOTICE, SUBMITTING INVOICES AND MAKING PAYMENTS.**

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

If to SMART:	Sonoma-Marín Area Rail Transit District Attn: Billing 5401 Old Redwood Highway, Suite 200 Petaluma, CA 94954 <a href="mailto:billing@sonomamarintrain.org">billing@sonomamarintrain.org</a>
--------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

If to Consultant: Platinum Advisors, LLC  
Attn: Charles Fina  
[cwf@platinumadvisors.com](mailto:cwf@platinumadvisors.com)  
1215 K Street, Suite 1150  
Sacramento, CA 95814

When a notice, invoice or payment is given by a generally recognized overnight courier service, the notice, invoice or payment shall be deemed received on the next business day. When a copy of a notice, invoice or payment is sent by facsimile or email, the notice, invoice or payment shall be deemed received upon transmission as long as (1) the original copy of the notice, invoice or payment is promptly deposited in the U.S. mail and postmarked on the date of the facsimile or email (for a payment, on or before the due date), (2) the sender has a written confirmation of the facsimile transmission or email, and (3) the facsimile or email is transmitted before 5 p.m. (recipient's time). In all other instances, notices, invoices and payments shall be effective upon receipt by the recipient. Changes may be made in the names and addresses of the person to whom notices are to be given by giving notice pursuant to this paragraph.

## **ARTICLE 15. MISCELLANEOUS PROVISIONS.**

**Section 15.01** No Waiver of Breach. The waiver by SMART of any breach of any term or promise contained in this Agreement shall not be deemed to be a waiver of such term or provision or any subsequent breach of the same or any other term or promise contained in this Agreement.

**Section 15.02** Construction. To the fullest extent allowed by law, the provisions of this Agreement shall be construed and given effect in a manner that avoids any violation of statute, ordinance, regulation, or law. The parties covenant and agree that in the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby. Consultant and SMART acknowledge that they have each contributed to the making of this Agreement and that, in the event of a dispute over the interpretation of this Agreement, the language of the Agreement will not be construed against one party in favor of the other. Consultant and SMART acknowledge that they have each had an adequate opportunity to consult with counsel in the negotiation and preparation of this Agreement.

**Section 15.03** Consent. Wherever in this Agreement the consent or approval of one party is required to an act of the other party, such consent or approval shall not be unreasonably withheld or delayed.

**Section 15.04** No Third Party Beneficiaries. Nothing contained in this Agreement shall be construed to create and the parties do not intend to create any rights in third parties.

**Section 15.05**     Applicable Law and Forum. This Agreement shall be construed and interpreted according to the substantive law of California, regardless of the law of conflicts to the contrary in any jurisdiction. Any action to enforce the terms of this Agreement or for the breach thereof shall be brought and tried in Santa Rosa or the forum nearest to the city of Santa Rosa, in the County of Sonoma.

**Section 15.06**     Captions. The captions in this Agreement are solely for convenience of reference. They are not a part of this Agreement and shall have no effect on its construction or interpretation.

**Section 15.07**     Merger. This writing is intended both as the final expression of the Agreement between the parties hereto with respect to the included terms and as a complete and exclusive statement of the terms of the Agreement, pursuant to Code of Civil Procedure Section 1856. No modification of this Agreement shall be effective unless and until such modification is evidenced by a writing signed by both parties.

**Section 15.08**     Acceptance of Electronic Signatures and Counterparts. The parties agree that this Contract, Agreements ancillary to this Contract, and related documents to be entered into this Contract will be considered executed when the signature of a party is delivered by scanned image as an attachment to electronic mail. Such scanned signature must be treated in all respects as having the same effect as an original signature. Each party further agrees that this Contract may be executed in two or more counterparts, all of which constitute one and the same instrument.

**Section 15.09**     Time of Essence. Time is and shall be of the essence of this Agreement and every provision hereof.

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

**CONSULTANT: PLATINUM ADVISORS, LLC**

By: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SONOMA-MARIN AREA RAIL TRANSIT (SMART)**

By: \_\_\_\_\_  
Farhad Mansourian, General Manager

Date: \_\_\_\_\_

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

By: \_\_\_\_\_  
Ken Hendricks, Procurement Coordinator

Date: \_\_\_\_\_

**APPROVED AS TO FORM FOR SMART:**

By: \_\_\_\_\_  
Tom Lyons, District Counsel

Date: \_\_\_\_\_

## **EXHIBIT A SCOPE OF WORK**

### **SCOPE OF SERVICES**

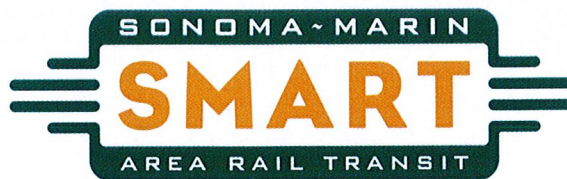
Consultant shall perform services as listed below, at the direction of SMART.

- Define and prioritize SMART's legislative and state administrative needs, including the identification and pursuit of funding opportunities, and develop an advocacy strategy that responds successfully to those needs.
- Help design and implement SMART's legislative program by providing up-to-date information on issues, legislation, budget problems and information relevant to SMART issues from a vast array of state legislative and administrative sources.
- Provide regularly written Capitol Updates on the status of legislation important to SMART. Consultant will also provide timely alerts when imminent legislative or administrative action affects SMART.
- Testify at legislative and budget hearings on issues in which SMART takes an interest and position.
- Keep legislators and key staff informed through correspondence, personal contact, staff contact and other means in advocating for the interests of SMART.
- Shepherd SMART's sponsored legislation through the legislative process.
- Attend SMART Board of Directors meetings, Legislative Committee meetings and Citizen Advisory Committee meetings, at the direction of SMART staff.
- Maintain regular communication with SMART's legislative coordinator and designated "key contacts" regarding SMART sponsored bills and positions.
- Write letters on all positions taken for every committee hearing, both Floor hearings, and to the Governor.
- Read and distribute all introduced legislation and amendments affecting SMART to designated SMART staff.
- Electronically track all bills affecting SMART during the legislative year.
- Schedule meetings between SMART personnel and legislators when issues demand their expertise.
- Participate in strategy meetings on policy and budget issues with leadership staff in both Houses and both parties to further SMART's legislative goals.
- Support SMART as requested in any federal legislative efforts.

**EXHIBIT B**  
**SCHEDULE OF RATES**

ITEM	CONTRACT YEAR	FEES	MONTHS	FEE
1	January 1, 2019 to December 31, 2019	\$10,000 Per Month	X 12	\$120,000
<b>1<sup>st</sup> Option</b>				
3	January 1, 2020 to December 31, 2020	\$10,000 Per Month	X 12	\$120,000
<b>2<sup>nd</sup> Option</b>				
5	January 1, 2021 to December 31, 2021	\$10,000 Per Month	X 12	\$120,000
TOTAL INCLUDING OPTIONS				\$360,000

Consultant shall perform services listed above for a flat rate of \$10,000 per month. This monthly fee is inclusive of all expenses such as travel, meals, and telephone, and any and all labor, materials, taxes, profit, overhead, insurance, and sub-consultant costs that may be incurred by Consultant.



**Debora Fudge, Chair**  
Sonoma County Mayors' and  
Councilmembers Association

**Judy Arnold, Vice Chair**  
Marin County Board of Supervisors

**Damon Connolly**  
Marin County Board of Supervisors

**Jim Eddie**  
Golden Gate Bridge,  
Highway/Transportation District

**Dan Hillmer**  
Marin County Council of Mayors and  
Councilmembers

**Eric Lucan**  
Transportation Authority of Marin

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Sonoma County Board of Supervisors

**Carol Russell**  
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

December 5, 2018

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

**SUBJECT:** Approval of Emtec Global Services, LLC Contract Amendment No. 5

Dear Board Members:

**RECOMMENDATION:**

Authorize the General Manager to execute Contract Amendment No. 5 with Emtec Global Services, LLC in the amount of \$24,000.

**SUMMARY:**

SMART has contracted with Emtec Global Services, LLC since 2016 to provide Oracle accounting system support Services. This gives SMART access to On-Call support for its Enterprise Resource Planning (ERP) Software, which includes functionality for the General Ledger, Accounts Payable, Accounts Receivable, Cash Management, Fixed Assets, Purchasing, Project Costing, and Project Controls. Emtec has helped our finance staff to configure Oracle accounting software in order to run specialized reports, troubleshoot system problems and prepare for financial audits.

We recommend that approval of Contract Amendment No. 5 with Emtec Global Services, LLC for this specialized accounting software support on an as-needed basis through the end of Fiscal Year 2018-19.

**FISCAL IMPACT:** Funding for the Contract is included in the budget for FY 2018-2019.

**REVIEWED BY:** [ ] Finance \_\_\_\_\_ [ x ] Counsel 

Very truly yours,

Erin McGrath  
Chief Financial Officer

Attachment(s): Emtec Global Services, LLC Contract Amendment No. 5

**FIFTH AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES  
BETWEEN THE SONOMA-MARIN AREA RAIL TRANSIT DISTRICT  
AND EMTEC GLOBAL SERVICES, LLC**

This Fifth Amendment dated as of December 5, 2018 (the “Fifth Amendment”) to the Agreement for Consultant Services (“Original Agreement”) by and between the Sonoma-Marin Area Rail Transit District (“SMART”) and Emtec Global Services, LLC (“EGS”) and the Scope of Work (“SOW”) by and between SMART and Emtec Consulting Service, LLC (“CONSULTANT”), both dated as of January 1, 2016 (together the “Agreement,” as amended by the First through Fourth Amendments, and now this Fifth Amendment).

**RECITALS**

WHEREAS, SMART and CONSULTANT entered into the Scope of Work to provide ClearCARE® support services for SMART’s Oracle Fusion Enterprise Resource Planning Software (ERP); and

WHEREAS, SMART and CONSULTANT previously entered into Amendments dated from July 1, 2016 to July 1, 2018 to increase the not-to-exceed amount and extend the term of the Agreement; and

WHEREAS, SMART would like to increase the not-to-exceed amount by \$24,000 for a total not-to-exceed amount of \$189,000.

NOW, THEREFORE, in consideration of the recitals set forth above and the covenants contained herein, it is mutually agreed by and between the parties that:

**AGREEMENT**

1. **“ARTICLE 5. PAYMENT”** Article 5 of the Agreement is amended as follows:

**“Section 5.02** Consultant shall be paid on a time and materials basis in accordance with **Exhibit A**; provided, however, that total payments to Consultant shall not exceed \$189,000, without the prior written approval of SMART.”

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



**IN WITNESS WHEREOF**, the parties hereto have executed this Fifth Amendment as set forth below.

**SONOMA-MARIN AREA RAIL TRANSIT  
DISTRICT**

Dated: \_\_\_\_\_

By \_\_\_\_\_  
Farhad Mansourian, General Manager

**EMTEC CONSULTING SERVICES, LLC**

Dated: \_\_\_\_\_

By \_\_\_\_\_  
Its \_\_\_\_\_

**APPROVED AS TO FORM:**

Dated: \_\_\_\_\_

By \_\_\_\_\_  
District Counsel



December 5, 2018

**Debora Fudge, Chair**  
Sonoma County Mayors' and  
Councilmembers Association

**Judy Arnold, Vice Chair**  
Marin County Board of Supervisors

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

**SUBJECT:** Approval of Resolution Implementing Cost-of-Living Increase for Unrepresented Employees

Dear Board Members:

**RECOMMENDATION:**

Approve Resolution Number 2018-26 which would Revise Table 5 in the Fiscal Year 2018-19 budget to reflect unrepresented employee salary schedule increases.

**SUMMARY:**

SMART currently has 49 job classes that are not represented as part of any collective bargaining unit. There are 62.5 authorized Full Time Equivalent Employees associated with those job classes. These employees have not received a cost of living adjustment (COLA) in the past year.

As part of our efforts to retain and attract qualified, dedicated employees, we have reviewed various Cost-of-Living indexes and comparable pay rates in other agencies in the North Bay with similar job classes. At this time, we are recommending a 3% increase for our non-represented employees in order to stay competitive. This increase would be effective retroactive to November 19, 2018, the most recent pay period.

In order to implement this COLA, we request your Board approve Resolution Number 2018-26 to revise Table 5 of the FY 2018-19 budget to reflect this 3% increase in the approved salary schedule.

**FISCAL IMPACT:** The Fiscal Year 2018-19 cost of the proposed salary increase is \$156,453, which is included in SMART's FY 2018-19 budgeted salary and benefits.

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

Very truly yours,

  
Lisa Hansley  
Human Resources Manager

Attachment(s): Resolution No. 2018-26

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA-MARIN AREA RAIL TRANSIT DISTRICT  
AMENDING RESOLUTION NO. 2018-12 TO REVISE THE ANNUAL BUDGET FOR FISCAL YEAR 2018-19 TO  
PROVIDE FOR REVISED POSITION AUTHORITY**

---

**WHEREAS**, as part of its approval of the Annual Budget for Fiscal Year 2018-19, the Board duly considered the annual expenditures necessary for the Sonoma-Marín Area Rail Transit District; and

**WHEREAS**, on June 06, 2018, the Board adopted Resolution No. 2018-12 approving the annual budget for Fiscal Year 2018-19; and

**WHEREAS**, Resolution No. 2018-12 considered the creation of employee positions and fixed the compensation and salary for those positions; and

**WHEREAS**, the Board desires to Amend the Annual Budget to provide the revised position authority for increased salary and benefit expenditures.

**NOW, THEREFORE, BE IT RESOLVED THAT THE** Fiscal Year 2018-19 Budget for the Sonoma-Marín Area Rail Transit District attached as Exhibit A to Resolution 2018-12 is hereby amended to revise Table 5, Fiscal Year 2018-19 Proposed Position Authorizations, to reflect position revisions as attached.

**BE IT FURTHER RESOLVED** except as specifically amended or supplemented by this Resolution, Resolution No. 2018-12, together with all supplements, amendments and exhibits thereto is, and shall continue to be, in full force and effect as originally adopted, and nothing contained herein shall, or shall be construed to, modify, invalidate or otherwise affect any provision of Resolution No. 2018-12.

**PASSED AND ADOPTED** at a regular meeting of the Board of Directors of the Sonoma-Marín Area Rail Transit District held on the 5<sup>th</sup> Day of December, by the following vote:

**DIRECTORS:**

AYES:

NOES:

ABSENT:

ABSTAIN:

---

Debora Fudge, Chair, Board of Directors  
Sonoma-Marín Area Rail Transit District

ATTEST:

---

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

TABLE 5:

## Fiscal Year 2018-19 : Proposed Position Authorization

Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE
		Low	High	Low	High	
ADMINISTRATIVE POSITIONS						
Accountant	1	72,413	88,026	34.81	42.32	Adjusted for COLA
Accounting and Payroll Assistant	1	52,532	63,856	25.26	30.70	Adjusted for COLA
Administrative Analyst/ Contracts	1	79,933	97,157	38.43	46.71	Adjusted for COLA
Administrative Assistant	2	47,604	57,866	22.89	27.82	Adjusted for COLA
Assistant General Counsel	1	137,606	167,253	66.16	80.41	Adjusted for COLA
Assistant Planner*	1	68,942	83,803	33.15	40.29	Adjusted for COLA
Chief Financial Officer	1	219,982	267,426	105.76	128.57	Adjusted for COLA
Chief of Police	1	163,572	198,827	78.64	95.59	Adjusted for COLA
Clerk of the Board	1	72,413	88,026	34.81	42.32	Adjusted for COLA
Code Compliance Officer	2.5	64,015	77,792	30.78	37.40	Adjusted for COLA
Communications and Marketing Manager	1	134,264	163,197	64.55	78.46	Adjusted for COLA
Community Outreach Coordinator	1	70,656	85,883	33.97	41.29	Adjusted for COLA
Community Outreach Specialist	1	110,184	133,931	52.97	64.39	Adjusted for COLA
Deputy General Manager	1	241,663	293,738	116.18	141.22	Adjusted for COLA
Fiscal Manager	1	124,688	151,528	59.95	72.85	Adjusted for COLA
General Counsel	1	219,982	267,426	105.76	128.57	Adjusted for COLA
General Manager	1	-	311,548	-	149.78	Adjusted for COLA
Human Resources Manager	1	121,624	147,846	58.47	71.08	Adjusted for COLA
Human Resources Principal Analyst	1	110,184	133,931	52.97	64.39	Adjusted for COLA
Human Resources Technician	1	65,600	79,747	31.54	38.34	Adjusted for COLA
Information Systems Specialist	1	121,624	147,846	58.47	71.08	Adjusted for COLA
Information Systems Technician	1	72,413	88,026	34.81	42.32	Adjusted for COLA
Legal Administrative Assistant	1	65,600	79,747	31.54	38.34	Adjusted for COLA
Payroll Technician	1	52,532	63,856	25.26	30.70	Adjusted for COLA
Procurement Coordinator	1	102,321	124,363	49.19	59.79	Adjusted for COLA
Programming and Grants Manager	1	141,056	171,475	67.82	82.44	Adjusted for COLA
Real Estate Manager	1	151,875	184,621	73.02	88.76	Adjusted for COLA
Safety & Compliance Officer	1	124,688	151,528	59.95	72.85	Adjusted for COLA
Senior Administrative Analyst	1	90,431	109,928	43.48	52.85	Adjusted for COLA
Senior Planner	1	95,015	115,482	45.68	55.52	Adjusted for COLA
Senior Real Estate Officer	1	102,321	124,363	49.19	59.79	Adjusted for COLA
Supervising Accountant	1	88,224	107,245	42.42	51.56	Adjusted for COLA

Subtotal Administrative Full Time Equivalents (FTE)

34.5

Table 5 : Continued on Next Page (Page 1 of 2)



TABLE 5:

## Fiscal Year 2018-19 : Proposed Position Authorization

Position	FTE	Salary Range Annual		Salary Range: Hourly		CHANGE
		Low	High	Low	High	
CAPITAL POSITIONS						
Assistant Engineer *	5	86,082	104,624	41.39	50.30	Adjusted for COLA
Associate Engineer*	1	102,321	124,363	49.19	59.79	Adjusted for COLA
Chief Engineer	1	180,540	219,461	86.80	105.51	Adjusted for COLA
Construction Engineer *	1	112,947	137,280	54.30	66.00	Adjusted for COLA
Deputy Project Manager *	1	180,540	219,461	86.80	105.51	Adjusted for COLA
Junior Engineer *	1	76,077	92,477	36.58	44.46	Adjusted for COLA
Manager Train Control Systems	1	180,540	219,461	86.80	105.51	Adjusted for COLA
Project Extra hires *		Up to amount	50,000	-	-	Adjusted for COLA

Subtotal Capital Full Time Equivalents (FTE)

11

<b>OPERATIONS POSITIONS</b>						
Administrative Assistant	1	47,604	57,866	22.89	27.82	Adjusted for COLA
Administrative Services Manager	1	86,082	104,624	41.39	50.30	Adjusted for COLA
Assistant Superintendent of Transportation	1	104,892	127,462	50.43	61.28	Adjusted for COLA
Bridge Tender*	2.5	-	58,531	-	28.14	
Controller /Supervisor	10	89,565	108,867	43.06	52.34	
Conductor**	11	66,123	77,792	31.79	37.40	
Engineer-Conductor**	29	79,498	93,517	38.22	44.96	
Extra Hires Operations		Up to amount	350,000	-	-	
Facilities Maintenance Supervisor	1	95,015	115,482	45.68	55.52	Adjusted for COLA
Facilities Maintenance Technician	3	-	73,070	-	35.13	
Laborers	10	-	53,206	-	28.14	
Operations Manager	1	180,540	219,461	86.80	105.51	Adjusted for COLA
Parts Clerk	2	59,430	72,238	28.57	34.73	Adjusted for COLA
Railroad Information Systems Specialist	1	107,506	130,666	51.69	62.82	Adjusted for COLA
Signal Supervisor	2	102,321	124,363	49.19	59.79	Adjusted for COLA
Signal Technician	9	-	100,734	-	48.43	
Superintendent of Vehicle Maintenance	1	124,688	151,528	59.95	72.85	Adjusted for COLA
Superintendent of Transportation	1	124,688	151,528	59.95	72.85	Adjusted for COLA
Superintendent Signals and Way	1	124,688	151,528	59.95	72.85	Adjusted for COLA
Track Maintainer	5	-	76,794	-	36.92	
Track Maintenance Supervisor	2	91,790	111,592	44.13	53.65	
Vehicle Maintenance Supervisor	4	97,372	118,373	46.81	56.91	Adjusted for COLA
Vehicle Maintenance Technician	12	-	93,558	-	44.98	

Subtotal Operations Full Time Equivalents (FTE)\*\*

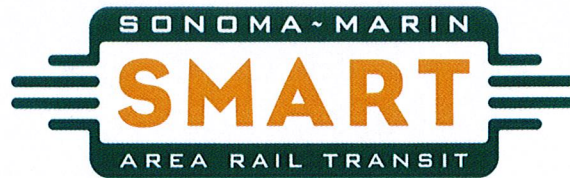
99.5 \*\*See footnote

TOTAL ALL SMART DEPARTMENTS

145

\* Denotes Limited-Term Position Dependent on Project need

\*\* Engineer/Conductor may be filled by Conductors, Total FTE for both positions combined is 29



**Debora Fudge, Chair**  
Sonoma County Mayors' and  
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December 5, 2018

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

**SUBJECT:** Comprehensive Annual Financial Report FY 2017-18; Auditor's Report  
for Fiscal Year 2017-18

Dear Board Members:

**RECOMMENDATION:**

Review and accept SMART's Fiscal Year 2017-18 Comprehensive Annual Financial  
Report and Memorandum of Internal Controls

**SUMMARY:**

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

Today for your review are two documents in conjunction with our annual audit  
process: SMART's Fiscal Year 2017-18 Comprehensive Annual Financial Report,  
and a Memorandum on Internal Controls provided by Maze & Associates, our  
independent auditor.

**(1) Memorandum of Internal Control**

Part of the year-end audit review process is a report to your Board prepared by  
our auditors outlining their review of SMART's internal controls in accordance  
with generally accepted auditing standards. The memo also discusses new  
accounting guidelines that are applicable to SMART's finances.

We are pleased to report that on Page 1 of the letter states that Maze and  
Associates did not identify any deficiencies in internal control that would be  
considered material weaknesses.

The letter also points out, on page 4, that the auditor noted no transactions  
entered for which there is a lack of authoritative guidance or consensus. Finally,  
on that same page the auditors noted that the financial statement disclosures are  
neutral, consistent, and clear and that there were no significant difficulties in  
performing and completing the audit.

**(2) SMART's Fiscal Year 2018 Comprehensive Annual Financial Report**

The Comprehensive Annual Financial Report (CAFR) is a best practice in government for presenting annual financial information. In addition to an introduction and management discussion, the report contains the required audited financial tables and notes and a statistical section. For the fifth year, the CAFR report contains our recently received achievement award from the Government Finance Officers Association for our 2017 report.

The report presents SMART's financial activities as one enterprise, utilizing Government Accounting Standards Board (GASB) presentation rules. Thus, there are no separate fund statements or budget-to-actual reports as you would see with statements for a city or a county. This affects how the revenues and expenses are organized as discussed below.

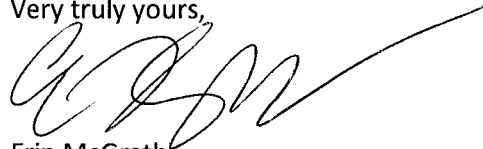
Key measurements of the District's financial status are outlined in the Management Discussion and Analysis which is based on data in the audited statements. That includes the following information:

- SMART's net position at the close of the Fiscal Year was \$428 million which is an increase of \$18 million from the previous year. Net position is a measure of the District's assets taking into account any liabilities including the outstanding debt issued to create the assets.
- Capital assets, net of accumulated depreciation, were \$518 million. This is an increase of \$6.5 million over the prior year and is due to continued construction-related costs for the pathway, additional railcars, and the Larkspur project.
- Unrestricted assets, which is primarily made up of SMART's cash fund balance, were \$60 million. This aligns with our expectations during budget process.
- The Statement of Revenues, Expenses and Changes in Net Position, on page 7 (data on page 11), summarizes changes in revenues and expenses over the past year. This shows Operating Revenues of \$4,025,111 for the year. GASB rules only allow fare, lease, and other miscellaneous revenues to be included in this category. No sales tax or operating grants are allowed in this grouping.
- Total Operating Expenses on page 7 are shown as \$44,300,037. While the above revenue category only included a small portion of our available revenue, in this category GASB requires that all expenses be shown, including depreciation. This is why the sum of revenues and expense is categorized as in operating "loss" of \$40.2 million
- In the Nonoperating Revenue category that follows on Page 7, GASB rules allow us to add the sales tax and other revenues of \$34,198,994 that SMART utilizes for all its expenses, which would leave a deficit of \$6,075,932, however the next step in the statement is to add Capital Grants and Contributions in the amount of \$24,941,459 which then shows a positive change in Net Position of \$18,865,527 as stated earlier.
- Sales Tax revenue recorded for the Fiscal Year was \$37,135,476. This is 3% higher than the prior year, although actual receipts may be higher. The State of California has reported a backlog of processing returns that affected year-end revenue distributed to entities including SMART.

The Comprehensive Annual Financial Report, as in previous years, also includes an Independent Auditor's Report, which outlines the auditors and SMART's responsibilities in the audit process. That report, on Pages 1 and 2 of the CAFR, expresses the opinion that the financial statements "present fairly, in all material respects, the respective financial position of the District as of June 30, 2018."

**FISCAL IMPACT:** None.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Erin McGrath', with a long, sweeping horizontal line extending to the right.

Erin McGrath  
Chief Financial Officer

Attachment(s): 1) Memorandum of Internal Control  
2) Fiscal Year 2018 Comprehensive Annual Financial Report



**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT  
MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

**For The Year Ended June 30, 2018**

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## MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the Sonoma-Marín Area Rail Transit District (SMART or the District) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control

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

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

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

*Maze + Associates*

Pleasant Hill, California  
November 28, 2018

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## REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the Sonoma-Marín Area Rail Transit District (District) for the year ended June 30, 2018. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance.

Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance.

### **Significant Audit Findings**

#### ***Accounting Policies***

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

GASB 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions - The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This pronouncement required the District to make a prior period adjustment. As a result, the beginning net position of the SMART Fund was restated and reduced by \$666,637. See Note 1N for additional information.

GASB 85 – Omnibus 2017 - The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement had no effect on the financial statements.

This pronouncement became effective, but did not have a material effect on the financial statements.

### ***Unusual Transactions, Controversial or Emerging Areas***

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

### ***Accounting Estimates***

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

*Estimated Fair Value of Investments:* As of June 30, 2018, the District held approximately \$66,879,968 of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2018. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2018.

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

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

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

### ***Disclosures***

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

### ***Difficulties Encountered in Performing the Audit***

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



### ***Corrected and Uncorrected Misstatements***

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

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

### ***Disagreements with Management***

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

### ***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated November 28, 2018.

### ***Management Consultations with Other Independent Accountants***

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

### ***Other Audit Findings or Issues***

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

### **Other Information Accompanying the Financial Statements**

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

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

\*\*\*\*\*

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

*Maze + Associates*

Pleasant Hill, California  
November 28, 2018

# SONOMA-MARIN AREA RAIL TRANSIT DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2018  
Petaluma, California

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# Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018

Sonoma-Marin Area Rail Transit District

Petaluma, California

Report Prepared by the Finance Department

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**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2018**

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**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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# INTRODUCTORY SECTION

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**Debora Fudge, Chair**  
Sonoma County Mayors' and  
Councilmembers Association

**Judy Arnold, Vice Chair**  
Marin County Board of Supervisors

**Damon Connolly**  
Marin County Board of Supervisors

**Jim Eddie**  
Golden Gate Bridge,  
Highway/Transportation District

**Dan Hillmer**  
Marin County Council of Mayors and  
Councilmembers

**Eric Lucan**  
Transportation Authority of Marin

**Jake Mackenzie**  
Sonoma County Mayors' and  
Councilmembers Association

**Barbara Pahre**  
Golden Gate Bridge,  
Highway/Transportation District

**Gary Phillips**  
Transportation Authority of Marin

**David Rabbitt**  
Sonoma County Board of Supervisors

**Carol Russell**  
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](http://www.sonomamarintrain.org)

November 28, 2018

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Sonoma-Marin Area Rail Transit District (SMART or the District) for the Fiscal Year July 1, 2017 through June 30, 2018.

This report was prepared in accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and is in conformance with Generally Accepted Accounting Principles (GAAP). Responsibility of the accuracy, completeness, and fairness of the data and clarity of the presentation, including all disclosures, rests with the management of SMART. To the best of our knowledge, this report is complete and accurate in all material respects, and is reported in a manner that fairly presents SMART's financial position.

We contracted with Maze and Associates to perform the audit of our financial statements. The purpose of the independent audit is to offer reasonable assurance that the financial statements are free of material misstatement. The independent auditor's report can be found at the beginning of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is given in the form of the Management's Discussion and Analysis (MD&A), and is meant to complement this letter of transmittal. The MD&A can be found following the independent auditor's report.

## PROFILE OF THE ORGANIZATION

SMART is a transit agency created by the State of California to oversee the development, implementation and operation of a passenger rail system in Sonoma and Marin Counties. Since its creation, the District has been working to build both a rail transit system and an accompanying multi-use pathway. SMART has been carrying passengers for over one year on the first 43 miles of a transit system that will ultimately connect the 70 miles between Cloverdale in Sonoma County to Larkspur in Marin County.

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

SMART is primarily funded by a one-quarter percent sales tax approved by voters in the SMART District in 2008. From the start of regular passenger service in August of 2017 through its first year, SMART has carried over 722,000 passengers.

The Phase 1 project that began operating in 2017 runs from the Downtown San Rafael Station to the Airport Boulevard Station accompanied by multiple SMART pathway segments in San Rafael, Novato, Cotati, Rohnert Park and Santa Rosa. SMART is also constructing a 2.1-mile extension from San Rafael to Larkspur to be completed by the end of 2019. A three-mile extension North to Windsor has now been funded and is in the early stages of design-build. Subsequent phases of the project will include additional SMART rail stations in Cloverdale, Healdsburg, and Petaluma; and further extensions of the pathway. All future phases will be completed as funding becomes available. Passengers north and south of the Phase 1 project connect to the SMART transit system by local transit connections as well as SMART-contracted connector buses.

## **LOCAL AND REGIONAL ECONOMY**

Marin and Sonoma Counties are home to a mix of tourism, recreation, agriculture, and industry. The major population centers of Marin and Sonoma are located along the Highway 101 corridor and the parallel SMART rail line. More than 75% of commuters in the North Bay travel either within or between the two counties to get to work. However, a study by the Metropolitan Transportation Commission found that motorists in 2017 spent the equivalent of 2,690 vehicle hours of congested delay during the morning commute on Highway 101 from Novato to San Rafael. SMART's new riders have already begun to discover the reliable alternative the train can provide in a way that reduces their commute time and increases their productivity.

SMART's finances rely directly on the strength of sales tax revenues and its strong link to employment rates and median incomes. The District is home to a fairly wealthy taxpayer base, with a weighted per capita income base of \$82,390 compared to California's \$59,769 and \$45,390 for the United States according to 2017 reports from the U.S. Bureau of Economic Analysis (BEA). The District's residents have shown stable employment rates through June 30, 2018. The seasonally unadjusted unemployment rates in Marin and Sonoma Counties in September of 2018 were 2.9% and 3.4%, respectively. Sales tax revenues continued to grow at a steady rate, but the rate of that growth decreased in the past year. For the year that ended June 30, 2018, SMART sales tax receipts, net of state fees, increased by 3% and equaled \$37,135,476.

Last year Sonoma County suffered devastating wildfires, causing an estimated \$10 billion in property damage in the North bay, including damaging seven hotels, and burning over 4% of Santa Rosa's housing stock. While SMART's ridership dropped during that time and was slow to return in the days following the disaster, in subsequent months SMART's train ridership, fare revenues and sales tax receipts have steadily grown back.

## **DISTRICT ACTIVITIES in Fiscal Year 2017-18**

### ***SMART Rail Service***

The primary activity for the District in Fiscal Year 2017-18 was the start of regular passenger service. Weekday passenger service includes 34 trips a day, starting at 4:19 am and ending at 9:42 pm. Four weekend service trips start at 10:13 am and conclude at 9:57 pm. In its first year, SMART carried 722,961 passengers, 65,468 bicycles and 3,095 passengers in wheelchairs. Passenger support has been positive and growing, and since opening day the on-time performance of SMART trains is 97%.

### ***Capital Improvement Projects***

Fiscal Year 2017-18 also reflected significant construction activity related to the important 2.1-mile rail extension from San Rafael to Larkspur. This project, which is funded primarily by Regional Measure 2 (Bridge Tolls), the Federal Transit Administration, as well as the Federal Railroad Administration, is also supported by SMART's own Measure Q. The extension is expected to complete final testing and revenue service by the close of 2019.

Fiscal Year 2017-18 saw continued progress on developing SMART multi-use pathway segments, including an additional 4.6 more miles consisting of pathway from the Marin Civic Center Station to North San Pedro Road, Franklin Avenue to Grant Avenue in Novato, and a section from the Cotati Station to Sonoma Mountain Village in Rohnert Park. Design work on a crucial section in Petaluma from Payran to Southpoint Boulevard was also completed.

Another ongoing project, funded by the State of California, is the expansion of SMART's rail car fleet. Shortly after the close of Fiscal Year 2017-18, SMART received four additional Diesel Multiple Unit rail cars from its current contractor, Sumitomo Corporation of America. The new cars are now subject to testing and configuration before they can be put into service for the current 43-mile segment as well as the Larkspur extension when it opens.

Finally, although no financial activity occurred in FY 2017-18, in the last quarter of the Fiscal Year, SMART successfully competed for State and Regional funds to extend the commuter line North to Windsor, an additional 3 miles north of its current terminus.

## **OTHER FINANCIAL INFORMATION**

### ***Risk Management***

We continue to focus on our comprehensive safety and risk management program. Commuter rail systems must meet specific safety and insurance requirements and can face large exposures in an accident. In Fiscal Year 2017-18, SMART increased substantially its rail liability limits to match federal statutes. We continue to budget for self-insured retentions as needed to fully address the financial needs of our risk strategies. SMART has also hired a full-time Safety and Compliance Officer to ensure the District puts best practices in place for the safety of the public and employees.

### ***Cash Management***

SMART's funds are invested pursuant to policy approved by the Board each year. SMART maintains its fund balances in the County of Sonoma's Pooled Investment Fund with transfers as needed to manage accounts payable transactions. In doing so, SMART places its highest priority on the preservation of capital, liquidity and yield, in that order of priority. Our policy addresses the soundness of financial institutions holding our assets and the types of investments permitted by the California Government Code. SMART does not maintain its own retirement fund and is a pooled participant of California Public Employees' Retirement System (CalPERS) which follow policies established by its governing board.

### ***Internal Controls***

The District's financial reporting system and business processes have been designed with an emphasis on the importance of strong but reasonable internal financial controls, including the proper recording of revenues and expenditures and maintenance of budgetary control for the allocation of available resources. Existing internal controls are monitored and changes are implemented as needed as the District grows in size and complexity. These controls are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against waste, fraud, and non-authorized use and the District's financial records can be relied upon to produce financial statements free of any material misstatements and in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal controls should not exceed benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. We believe that the District's internal accounting controls achieve that goal.

### ***Certificate of Achievement***

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to SMART for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the fourth consecutive year that SMART has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

### **CONCLUSION**

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

### **ACKNOWLEDGEMENTS**

The preparation of this report was made possible by the combined efforts of the SMART finance staff and we would like to thank them for their hard work and dedication. We would also like to thank Maze and Associates for their contributions. In addition, we would like to express our appreciation for the continued support and commitment of the Board of Directors for their interest and support in planning and conducting the District's financial operations.



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

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

### **Fiscal Year 17-18 Principal Officials**

Debora Fudge, Chair  
*Sonoma County Mayors and Councilmembers  
Association*

Judy Arnold, Vice Chair  
*Marin County Board of Supervisors*

Damon Connolly  
*Marin County Board of Supervisors*

Barbara Pahre  
*Golden Gate Bridge, Highway and  
Transportation District*

Jim Eddie  
*Golden Gate Bridge, Highway and  
Transportation District*

Shirlee Zane  
*Sonoma County Board of Supervisors*

Eric Lucan  
*Transportation Authority of Marin*

Jake Mackenzie  
*Sonoma County Mayors and Councilmembers  
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Dan Hillmer  
*Marin County Council of Mayors and  
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Gary Phillips  
*Transportation Authority of Marin*

David Rabbitt  
*Sonoma County Board of Supervisors*

Carol Russell  
*Sonoma County Mayors and Councilmembers  
Association*

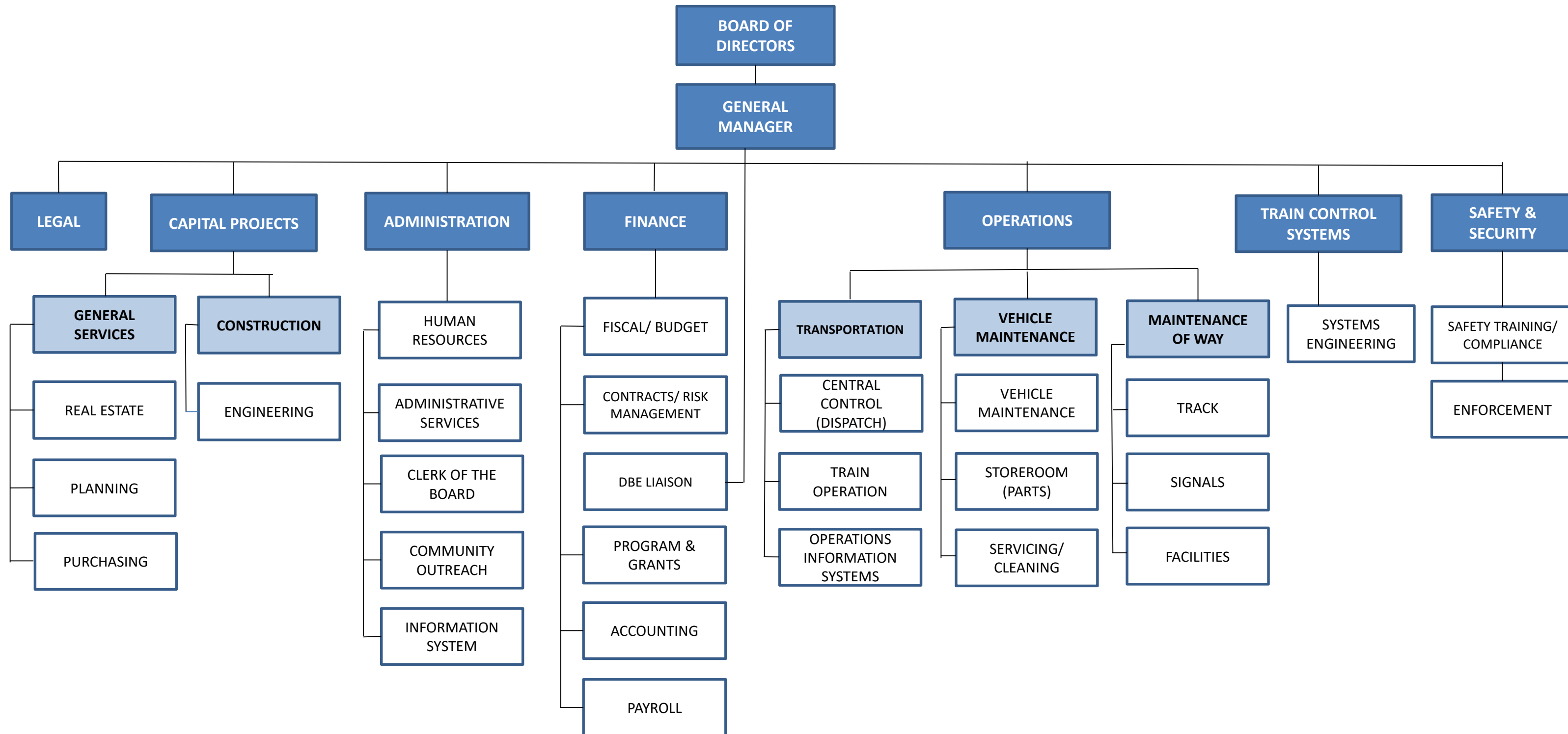
Farhad Mansourian  
*General Manager*

Erin McGrath  
*Chief Financial Officer*



# SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

## Organization Chart



SONOMA-MARIN  
**SMART**  
AREA RAIL TRANSIT

SMART PASSENGER RAIL & MULTIUSE PATH  
Project Length: 70 Miles

●

 SMART Stations
 SMART Rail Phase I
 SMART Rail Phase II
 SMART Owned Railroad Right-of-Way
 Urban Areas



# FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the Sonoma-Marin Area Rail Transit District (District), California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principles***

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a required the restatement of net position as discussed in Note 1N.

This change in accounting principle does not constitute a modification to our opinion.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Mazz + Associates*

Pleasant Hill, California  
November 28, 2018

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**Sonoma-Marin Area Rail Transit District**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

As management of the Sonoma-Marin Area Rail Transit District (SMART or the District), we offer readers of SMART's financial statements this narrative overview and analysis of the financial activities of SMART for the year ended June 30, 2018. We encourage readers to combine the information presented here with SMART's basic financial statements and the accompanying notes to the basic financial statements.

**Fiscal Year 2018 Financial Highlights**

- SMART's financial activity for the year ended June 30, 2018 reflects the shift to Operations activities with the addition of fare, parking and other revenues generated as a result of carrying passengers and a full year of expenses such as fuel, parts and labor for commuter rail operations
- Fare revenue for the first year was \$3.3 million out of the \$4.03 million in Charges for Services. This exceeded SMART's budgeted amounts and provided a strong base for future financial planning.
- Capital assets increased by \$6.5 million due to continued construction activity during the year, however, depreciation also grew to \$17.8 million due to the placement of the Phase 1 capital project into service
- Assets of SMART exceeded its liabilities at the close of the year ended June 30, 2018 by \$428.2 million (net position). Of this amount, \$60.2 million is unrestricted.
- SMART's net position increased \$18.2 million during the year ended June 30, 2018, due to continued investment into capital assets related to both rail and pathway construction.

**Overview of the Financial Statements**

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

**Basic Financial Statements**

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

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

The statement of revenues, expenses, and changes in net position presents information showing how SMART's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected rental revenue and earned but unused vacation leave).

**Sonoma-Marin Area Rail Transit District**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 13-30 of this report.

**Analysis of the Financial Statements**

The financial statements provide both short-term and long-term information about the District's overall financial condition. This analysis addresses the financial statements of the District as a whole. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SMART's net position was \$428,180,734 on June 30, 2018.

The largest portion of SMART's net position (85%) reflects its investment in capital assets (e.g., land, tracks and crossings, pathway, bridges and tunnels). SMART uses these capital assets to provide passenger rail services to its customers and a multiuse pathway for the general public; consequently, these assets are not available for future spending.

**Statement of Net Position**

		<b>2018</b>	<b>2017</b>	<b>2018 - 2017</b>
				<b>Change</b>
Current and other assets	\$	92,388,275	95,930,281	\$ (3,542,005)
Long-term assets		-	243,736	(243,736)
Capital assets		518,274,187	511,739,621	6,534,565
Total assets		<u>610,662,462</u>	<u>607,913,638</u>	<u>2,748,824</u>
Deferred outflows of resources		<u>2,164,639</u>	<u>2,215,332</u>	<u>(50,693)</u>
Current liabilities		22,591,996	28,948,683	(6,356,688)
Long-term liabilities		161,793,710	171,000,309	(9,206,599)
Total liabilities		<u>184,385,706</u>	<u>199,948,993</u>	<u>(15,563,287)</u>
Deferred inflows of resources		<u>260,661</u>	<u>198,125</u>	<u>62,536</u>
Net position:				
Net investment in capital assets		367,957,650	358,113,633	9,844,017
Unrestricted		60,223,084	51,868,220	8,354,864
Total net position	\$	<u><u>428,180,734</u></u>	<u><u>409,981,853</u></u>	<u><u>\$ 18,198,880</u></u>

**Sonoma-Marin Area Rail Transit District**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2018**

SMART's net position at the end of fiscal year 2018 increased by \$18,198,886 from the prior fiscal year. This increase is primarily the result of SMART continuing to invest its revenues and grants into capital assets, primarily crossings, train systems, stations, railcars, and multi-use pathway. Current and other assets at June 30, 2018, decreased by \$3,542,005. The decrease was primarily due to drawdown of cash to pay capital project expenditures. Current liabilities at June 30, 2018, decreased from \$28,948,683 on June 30, 2017 to \$22,591,996 on June 30, 2018, which was primarily due to decreased payables at year-end related to SMART's capital asset activity.

**Statement of Revenues, Expenses and Changes in Net Position**

	<b>2018</b>	<b>2017</b>	<b>2018 - 2017 Change</b>
Operating Revenues:			
Charges for services	\$ 4,025,111	588,402	\$ 3,436,709
Total operating revenues	4,025,111	588,402	3,436,709
Operating Expenses:			
Public transportation - rail/pathway development:			
Salaries and employee benefits	17,827,943	13,507,443	4,320,500
Capitalized employee costs	(877,829)	(896,569)	18,741
Services and supplies	8,877,465	7,499,086	1,378,379
Depreciation	17,800,126	4,716,779	13,083,347
Loss on impairment of assets	671,378	-	671,378
Other charges	954	113	841
Total operating expenses	44,300,037	24,826,852	19,473,185
Operating loss	(40,274,926)	(24,238,451)	(16,036,475)
Nonoperating Revenues (Less Expenses):			
Sales/Use taxes	37,135,476	36,061,895	1,073,581
State Operating Assistance	3,701,366		
Investment earnings	724,313	366,750	357,563
Other revenues	2,236,508	438,640	1,797,868
Capital expenses passed through to other agencies	(3,778,891)	(62,636)	(3,716,255)
Interest and related fees	(5,819,778)	(1,164,558)	(4,655,220)
Total Nonoperating Revenues (Net):	34,198,994	35,640,092	(1,441,098)
Capital grants and contributions	24,941,459	12,403,891	12,537,567
Change in net position	18,865,527	23,805,533	(4,940,006)
Net position, beginning of year as previously reported *	409,315,207	386,176,316	23,138,891
Restatement due to implementation of GASB 68		-	-
Net position - beginning of the year	409,315,207	386,176,316	23,138,891
Net position - end of the year	\$ 428,180,734	409,981,849	\$ 18,198,886

\* Restatement of FY17 Net Position

**Sonoma-Marin Area Rail Transit District**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

**Fiscal Year 2018 Revenues**

- SMART revenues consist of operating revenues of \$4,025,111 and non-operating revenues less expenses of \$34,198,994 -- which is comprised of sales tax receipts and state operating assistance. Sales tax, SMART's single largest ongoing source of revenue, continues to grow at 3% over the previous year, although that number may be understated due to the backlog in processing at the State. This growth, however, is consistent with SMART's long-term projections in its strategic planning processes.
- Capital grants and contributions of \$24,941,459 are \$12,537,567 higher than the year ended June 30, 2017. The Larkspur extension is almost entirely grant-funded as is the four additional train cars being manufactured.

**Fiscal Year 2018 Expenses**

- SMART had operating expenses of \$44,300,047, tied to salaries, benefits, other services and supplies. This also includes \$17,800,126 in depreciation expense.
- Salaries and benefits increased significantly over the year ended June 30, 2017, by \$4,320,500, due to increase in operating staffing costs.
- Services and supplies increased over the year ended June 30, 2017 by \$1,378,379, due to increased services related to passenger service.
- Capital expenses passed through to other agencies increased over the year ended June 30, 2017 by \$3,716,255 primarily related to work in San Rafael.
- Interest and related fees increased over the year ended June 30, 2017 by \$4,655,220 primarily due to bond interest expense.

**Capital Assets and Debt**

**Capital Assets**

SMART's capital assets, as of June 30, 2018 are \$518,274,188 (net of accumulated depreciation) which is an increase of \$6,534,567 over June 30, 2017. Assets grew in conjunction with continued construction of the rail and pathway. SMART assets include land, construction in progress, infrastructure (tracks/rails, crossings, bridges, fencing, tunnels, road crossings and pathway improvements), buildings and improvements, and equipment.

<b>Capital Assets</b>			
	<b>2018</b>	<b>2017</b>	<b>2018- 2017 Change</b>
Land	\$ 43,518,988	\$ 41,423,299	\$ 2,095,689
Intangible Assets (Non-Amortizable)	20,770	18,770	2,000
Infrastructure	428,606,660	75,538,495	353,068,165
Revenue Vehicles	42,833,647	-	42,833,647
Buildings & improvements	24,868,302	4,430,137	20,438,165
Construction in progress	22,306,954	417,553,009	(395,246,055)
Equipment	2,589,905	2,316,714	273,191
Intangible Assets	387,672	-	387,672
Accumulated depreciation	(46,858,710)	(29,540,804)	(17,317,907)
Total capital assets, net of depreciation	\$ <u>518,274,188</u>	\$ <u>511,739,621</u>	\$ <u>6,534,567</u>

**Sonoma-Marin Area Rail Transit District**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2018

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

**Debt**

SMART had \$167,528,327 in bonds outstanding and unamortized bond premium at June 30, 2018 compared to \$175,819,899 on June 30, 2017. Additional information on SMART's long-term debt can be found in Note 4.

**Economic and Other Factors**

**Economy**

SMART transit operations rely directly on the strength of its designated Measure Q sales and use tax receipts. The strength of this revenue source is dependent on the economic health of the two counties of the SMART District, particularly employment rates and job growth. As discussed in the Introductory Section in more detail, the economy of the District grew during the fiscal year and exhibited healthy trends in employment and other key factors. The District anticipates continued economic growth in the long term, depending on the ability of the two Counties to provide housing to replace the stock lost in the 2017 fires in Santa Rosa as well as housing to accommodate anticipated growth in population.

**Other Factors**

SMART continues to hold multi-year contracts with several independent contractors for the Larkspur extension project, for final Phase 1 construction expenses, for four new passenger train cars, and the new Windsor extension project. Most of these projects are grant-funded in nature and do not rely on sales tax or SMART's other revenue sources. At June 30, 2018, SMART's total outstanding commitments under these and other construction-related contracts were approximately \$52.9 million.

**Request for Additional Information**

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

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**ASSETS**

**Current Assets**

Cash and cash equivalents (Note 2)	\$43,851,722
Restricted cash, cash equivalents, and investments with trustee (Note 2)	23,028,246
Due from other governments	12,603,515
Other receivables	7,681,157
Deposits with others	1,136,813
Inventory	2,785,568
Prepaid expenses	1,301,254
<b>Total current assets</b>	<b>92,388,275</b>

**Noncurrent Assets**

**Capital assets (Note 3):**

**Non-depreciable:**

Land	43,518,988
Construction in progress	22,306,954
Intangible assets	20,770

**Depreciable (net of accumulated depreciation):**

Infrastructure	387,064,560
Buildings and improvements	22,284,636
Equipment and vehicles	1,314,291
Revenue vehicles	41,405,858
Intangible assets	358,130

<b>Total capital assets, net</b>	<b>518,274,187</b>
<b>Total noncurrent assets</b>	<b>518,274,187</b>
<b>Total Assets</b>	<b>610,662,462</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related (Note 5)	2,164,092
OPEB related (Note 6)	547
<b>Total Deferred Outflows of Resources</b>	<b>2,164,639</b>

**LIABILITIES**

**Current Liabilities**

Accounts payable and other current liabilities	10,179,664
Unearned revenue	447,162
Interest payable	2,576,950
Compensated absences - due within one year (Note 1H)	1,023,220
Long-term debt - due within one year (Note 4)	8,365,000
<b>Total current liabilities</b>	<b>22,591,996</b>

**Noncurrent Liabilities**

Compensated absences (Note 1H)	161,430
Net post-employment benefits liability (Note 6)	1,532,175
Net pension liability (Note 5)	936,778
Long-term debt (Note 4)	159,163,327
<b>Total noncurrent liabilities</b>	<b>161,793,710</b>
<b>Total Liabilities</b>	<b>184,385,706</b>

**DEFERRED INFLOWS OF RESOURCES**

Pension related (Note 5)	40,182
OPEB related (Note 6)	220,479
<b>Total Deferred Inflows of Resources</b>	<b>260,661</b>

**NET POSITION (Note 1L)**

Net investment in capital assets	367,957,650
Unrestricted	60,223,084
<b>Total Net Position</b>	<b>\$428,180,734</b>

See accompanying notes to basic financial statements

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**OPERATING REVENUES**

Charges for services	\$4,025,111
Total operating revenues	<u>4,025,111</u>

**OPERATING EXPENSES**

Public transportation - rail/pathway development:	
Salaries and employee benefits	17,827,943
Capitalized employee costs	(877,829)
Services and supplies	8,877,465
Depreciation (Note 3)	17,800,126
Other charges	<u>672,332</u>
Total program operating expenses	<u>44,300,037</u>
Operating loss	(40,274,926)

**NON-OPERATING REVENUES (EXPENSES)**

Sales/Use taxes	37,135,476
State operating assistance	3,701,366
Investment earnings	724,313
Miscellaneous revenue	2,236,508
Capital expense passed through to other agencies	(3,778,891)
Interest expense	<u>(5,819,778)</u>
Total non-operating revenues, net	<u>34,198,994</u>
Income before capital grants and contributions	(6,075,932)

**CAPITAL GRANTS AND CONTRIBUTIONS**

State of California	837,950
Metropolitan Transportation Commission	9,939,309
Sonoma County Transportation Authority- Measure M	356,219
Federal	9,450,100
Other governmental agencies	<u>4,357,881</u>
Total capital grants and contributions	<u>24,941,459</u>
Change in net position	18,865,527

**NET POSITION**

Beginning of Year, as restated (Note 1N)	<u>409,315,207</u>
End of Year	<u><u>\$428,180,734</u></u>

See accompanying notes to basic financial statements

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tenants	\$358,887
Receipts from others	3,666,224
Payments to suppliers for goods and services	(18,778,599)
Payments to employees for services	(16,561,279)
Payments to employee retirement system	1,248,930
Net cash provided (used) by operating activities	<u>(30,065,837)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income received	<u>724,313</u>
Net cash provided by investing activities	<u>724,313</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Sales tax received	35,854,277
State operating assistance	3,701,366
Net cash provided by noncapital and financing activities	<u>39,555,643</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(19,143,687)
Labor costs related to capital projects	(877,829)
Capital grants and contributions received restricted for capital purposes	18,399,225
Cash paid on projects on behalf of other governments	(3,778,891)
Cash receipts for third party infrastructure	2,257,144
Principal payments on long-term debt	(6,195,000)
Interest paid on capital debt	(8,009,100)
Net cash provided (used) by capital and related financing activities	<u>(17,348,138)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,134,019)
CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>74,013,987</u>
CASH AND INVESTMENTS AT END OF YEAR	<u><u>\$66,879,968</u></u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>	
Cash and Cash Equivalents	\$43,851,722
Restricted cash, cash equivalents, and investments with trustee	<u>23,028,246</u>
Total cash and cash equivalents	<u><u>\$66,879,968</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating loss	(\$40,274,926)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	17,800,126
Changes in operating assets and liabilities:	
Prepaid expenses	(504,666)
Accounts payable and other accrued liabilities	(8,724,136)
Compensated absences	388,835
Net post-employment benefits obligation	1,161,001
Net pension liability and related deferred outflow/inflow of resources	87,929
Net cash provided (used) by operating activities	<u><u>(\$30,065,837)</u></u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Amortization of premiums	\$2,096,572
Inventory	(2,785,568)

See accompanying notes to basic financial statements



**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2018**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
------------------------------------------------------------

**A.     *General***

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

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

**B.     *Fund Accounting***

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

**C.     *Basis of Accounting***

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

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

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2018**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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***D. Cash Equivalents***

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

***E. Investments***

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

***F. Restricted Cash and Investments with Trustee***

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

***G. Receivables***

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

***H. Compensated Absences***

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

Employee liabilities as of June 30, 2018 are as follows:

Beginning Balance	\$795,815
Additions	1,412,055
Payments	<u>1,023,220</u>
Ending Balance	<u><u>\$1,184,650</u></u>
Current Portion	<u><u>\$1,023,220</u></u>

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2018**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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***I. Risk Management***

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

***J. Use of Estimates***

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

***K. Deferred Inflow/Outflow of Resources***

Deferred outflows and inflows resources related to pensions are certain changes in total pension and OPEB liabilities and fiduciary net position that are to be recognized in future pension expense. Excluding deferred pension contributions, the remaining pension-related deferred outflows and inflows of resources are amortized over five years for the difference between projected and actual earnings and the expected average remaining service lifetime (approximately four years) for all other items.

***L. Net Position***

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

- *Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt related to financing the acquisition of capital assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of the capital assets or related debt are included in this component of net position.
- *Unrestricted* – This component of net position consists of resources that do not meet the definitions of “restricted” or “net investment in capital assets.”

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

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2018**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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***M. Fair Value Measurements***

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

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

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

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

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

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

Management adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the District to make a prior period adjustment. As a result, the District's beginning net position was restated and reduced by \$666,637.

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2018**

**NOTE 2 - CASH AND INVESTMENTS**

Cash, cash equivalents, and investments are carried at fair value and are categorized as follows at June 30, 2018:

	Available for Operations	Held by Trustee	Total
Cash equivalent:			
Sonoma County Treasury Pool	\$29,972,122	\$23,028,246	\$53,000,368
Deposits	13,879,600		13,879,600
Total Cash and Investments	<u>\$43,851,722</u>	<u>\$23,028,246</u>	<u>\$66,879,968</u>

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

SMART's pooled cash and investments in the Treasury Pool are invested pursuant to investment policy guidelines established by the Sonoma County Treasurer and approved by the Sonoma County Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which Sonoma County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Sonoma County investment policy is available upon request from the Sonoma County Auditor-Controller-Treasurer-Tax-Collector's Office at 585 Fiscal Drive, Room 100, Santa Rosa, California, 95403.

**B. *Investments Authorized by Debt Agreements***

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Certificates of Deposit	360 days	A-1/ P-1	None	None
Bankers Acceptances	360 days	A-1/ P-1	None	None
Commercial Paper	270 days	A-1	None	None
Money Market Mutual Funds	N/A	AAAm	None	None
Repurchase Agreements	N/A	N/A	None	None
Reverse Repurchase Agreements	N/A	N/A	None	None
Municipal Obligations	N/A	N/A	None	None
General Obligations of States	N/A	A 2/A	None	None
Local Agency Investment Fund (LAIF)	N/A	N/A	None	None
Shares in a common law trust	N/A	N/A	None	None
County Pooled Investment	N/A	N/A	None	None

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2018**

<b>NOTE 2 - CASH AND INVESTMENTS (Continued)</b>
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**C.     *Interest Rate Risk***

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

**D.     *Credit Risk***

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

**E.     *Custodial Credit Risk***

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

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

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

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2018**

<b>NOTE 2 - CASH AND INVESTMENTS (Continued)</b>
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**F.      *Concentration of Credit Risk***

SMART's Investment Policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. SMART was invested in the Treasury Pool and the Bank of Marin at June 30, 2018. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total Treasury Pool, refer to the 2018 Sonoma County Comprehensive Annual Financial Report.

**G.      *Fair Value Hierarchy***

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

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

<b>NOTE 3 - CAPITAL ASSETS</b>
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Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their acquisition value at the date of donation. Capital assets include land, construction in progress, infrastructure (tracks & rails, switches, fencing, tunnels, bridges, and road crossings), buildings and improvements, and equipment. It is SMART's policy to capitalize qualifying machinery and equipment with an initial cost of more than \$5,000, land and buildings with an initial cost of more than \$25,000, infrastructure and intangible assets with an initial cost of more than \$100,000, and an estimated useful life in excess of one year.

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

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

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2018**

**NOTE 3 - CAPITAL ASSETS (Continued)**

Capital assets comprised the following at June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Transfers	Adjustment	Balance June 30, 2018
Capital assets not being depreciated:						
Land	\$41,423,299			\$2,095,689		\$43,518,988
Intangible assets	18,770			\$2,000		20,770
Construction in progress	417,553,009	\$27,577,367	(\$123,245)	(422,700,177)		22,306,954
Total capital assets not being depreciated	458,995,078	27,577,367	(123,245)	(420,602,488)		65,846,712
Capital assets being depreciated:						
Infrastructure	75,538,495		(739,500)	353,807,665		428,606,660
Buildings and improvements	4,430,137			20,438,165		24,868,302
Equipment and vehicles	2,316,715		(8,409)	\$281,600		2,589,906
Revenue vehicles				45,687,386	(\$2,853,739)	42,833,647
Intangible assets				\$387,672		387,672
Total capital assets being depreciated	82,285,347		(747,909)	420,602,488	(2,853,739)	499,286,187
Less accumulated depreciation for:						
Infrastructure	(26,699,660)	(15,316,249)	473,809			(41,542,100)
Buildings and improvements	(1,956,351)	(627,315)				(2,583,666)
Equipment	(884,793)	(399,231)	8,409			(1,275,615)
Revenue vehicles		(1,427,789)				(1,427,789)
Intangible assets		(29,542)				(29,542)
Total accumulated depreciation	(29,540,804)	(17,800,126)	482,218			(46,858,712)
Total capital assets being depreciated, net	52,744,543	(17,800,126)	(265,691)	420,602,488	(2,853,739)	452,427,475
Capital assets, net	\$511,739,621	\$9,777,241	(\$388,936)		(\$2,853,739)	\$518,274,187

SMART recognized \$17.8 million in depreciation expense for assets previously placed in service.

**NOTE 4 – LONG TERM DEBT**

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



**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2018**

**NOTE 4 – LONG TERM DEBT (Continued)**

Long-term debt activity for the year ended June 30, 2018 was as follows:

	Original Issue Amount	Balance June 30, 2017	Retirements	Balance June 30, 2018	Amount due within one year
<b>Bonds Payable:</b>					
Remarketed Series 2011A					
2.00-5.00%, due 3/1/2029	\$170,725,000	\$160,860,000	\$6,195,000	\$154,665,000	\$8,365,000
Unamortized bond premium	19,371,688	14,959,899	2,096,572	12,863,327	
Total long-term debt, net		\$175,819,899	\$8,291,572	\$167,528,327	\$8,365,000

The total projected Measure Q Sales Tax revenue, as reported in the 2014 Measure Q Strategic Plan, is expected to approximate \$756.6 million over the 20 year life of the tax, which is sufficient to repay the estimated debt service, including interest. The Measure Q Sales Tax revenue recognized during the fiscal year ended June 30, 2018 was \$37,135,476 whereas debt service on the Measure Q bonds was \$14,204,100 for the fiscal year ended June 30, 2018.

The following table presents the District's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2018:

For The Year Ending June 30	Principal	Interest
2019	\$8,365,000	\$7,730,850
2020	9,435,000	7,312,600
2021	10,565,000	6,840,850
2022	11,745,000	6,315,000
2023	12,990,000	5,727,750
2024 - 2028	85,855,000	17,543,750
2029	15,710,000	785,500
	<u>154,665,000</u>	<u>\$52,256,300</u>
Plus: Unamortized Bond Premium	<u>12,863,327</u>	
	<u>\$167,528,327</u>	

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

<b>NOTE 5 – PENSION PLANS</b>
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**A.      *General Information about the Pension Plans***

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

In December 2016, SMART approved a contract with CalPERS for the creation of a new Safety 2.7% at 57 Plan. As of June 30, 2018 CalPERS has not provided an actuarial valuation determining this plan's net pension liability.

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

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

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 5 – PENSION PLANS (Continued)**

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<b>Miscellaneous</b>			
	<b>Tier I</b>	<b>Tier II</b>	<b>Tier III</b>	<b>PEPRA</b>
	Prior to September 1, 2011	On or after September 1, 2011	On or after June 2, 2012	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	55	60	62
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.426%-2.418%	1.092%-2.418%	1.000%-2.500%
Required employee contribution rates	7%*	7%	7%	6.25%
Required employer contribution rates	8.418%	8.418%	7.200%	6.533%

\*SMART pays employee share

	<b>Safety</b>
	<b>PEPRA</b>
	On or after January 1, 2013
Hire Date	
Benefit Formula	2.7@57
Benefit Vesting Schedule	5 years service
Benefits payments	monthly for life
Retirement Age	57
Monthly benefits, as a % of eligible compensation	2.000%-2.7000
Require employee contribution rates	11.500%
Required employer contribution rates	11.990%

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

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plans were as follows:

	<b>Miscellaneous</b>
Contributions - employer	\$747,878

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability</b>
Miscellaneous Plans	\$936,778

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 5 – PENSION PLANS (Continued)**

The District's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability of each of the Plan is measured as of June 30, 2017, and the total pension liability for each of the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was actuarially determined at the valuation date.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.02136%
Proportion - June 30, 2017	0.02376%
Change - Increase (Decrease)	0.00240%

For the year ended June 30, 2018, the District recognized a pension expense of \$835,807. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$747,878	
Differences between actual and expected experience	1,689	(\$24,201)
Changes in assumptions	209,590	(15,981)
Net differences between projected and actual earnings on plan investments	47,401	
Change in proportion and differences between actual contributions and proportionate share of contributions	1,157,534	
Total	\$2,164,092	(\$40,182)

At June 30, 2018, the District reported \$747,878 as deferred outflows of resources related to contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/(inflows) of Resources
2019	\$619,104
2020	475,920
2021	309,150
2022	(28,142)

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 5 – PENSION PLANS (Continued)**

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

	All Plans
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 5 – PENSION PLANS (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Policy Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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

	Discount Rate		
	1% Decrease	Current	1% Increase
	6.15%	7.15%	8.15%
Proportionate Share of Net Pension Liability	\$1,627,647	\$936,778	\$364,588

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

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

<b>NOTE 6 – OTHER POST- EMPLOYMENT HEALTH CARE BENEFITS (OPEB)</b>
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**A.      *General Information about the District's Other Post Employment Benefit (OPEB) Plan***

By SMART Board of Directors resolution, SMART will provide certain health care benefits for retired employees under third-party insurance plans. The District's Post Employment Benefit Plan is a single-employer defined benefit plan. Employees become eligible to retire and receive healthcare benefits upon reaching retirement age with at least 5 years of service or being converted to disability, retiring directly from the District, and continue participating in Public Employees' Medical and Hospital Care Act (PEMHCA) after retirement. The PEMHCA minimum benefit was \$128 per month in 2017, and is \$133 per month in 2018. As of June 30, 2018, there was one retiree receiving OPEB benefits.

***Employees Covered by Benefit Terms*** – Membership in the plan consisted of the following at the measurement date of June 30, 2017:

Active employees	106
Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	0
Total	<u>107</u>

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

**B. Total OPEB Liability**

**Actuarial Methods and Assumptions** – The District's total OPEB liability was measured as of June 30, 2017 and the total OPEB liability was determined by an actuarial valuation dated July 1, 2017 that was rolled forward using standard update procedures to determine the \$1,532,175 total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 01, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age actuarial cost method
Actuarial Assumptions:	
Discount Rate	2.92% at June 30 2016, and 3.56% at June 30 2017. Since the benefits are not funded, the discount rate is equal to the 20-year bond rate.
20 Year Bond Rate	SMART has chosen to use the "Fidelity General Obligation AA" as its 20-year bond rate. That Index was 2.92% at June 30 2016, and 3.56% at June 30
Premium Increases	Medical Premiums and PEMHCA minimum are assumed to increase as follows: 2020-2023 to 4%, 2024-2027 to 4.5%, 2028 and later to 5.0%.
Payroll Growth	Total payroll is assumed to increase 3.0% per year in the future.
Mortality Rate	Rates are taken from 2014 CalPERS OPEB Assumption Model.
Retirement	Rates are taken from 2014 CalPERS OPEB Assumption Model for miscellaneous public employees with 2% at age 55, 2% at 60, or 2% at 62 retirement formula, depending on which the employee has now.
Coverage Elections	80% of future eligible retired employees are assumed to participate in this program. Employees with no current medical coverage are assumed to elect Kaiser employee-only coverage upon retirement.
Turnover (withdrawal)	Likelihood of termination within the next year is taken from the 2014 CalPERS OPEB Assumptions Model, rates for Public Miscellaneous employees.
Inflation	Long-term inflation is assumed to be 2.75% per year.
Age-Specific Medical Claims	The estimated per person medical claims (true cost of coverage) during the 2017-18 fiscal year are as follows: Ages 40, 45, 50, 55, 60, 64 amount per age respectfully are \$7,581; \$9,168; \$11,326; \$13,968; \$16,281; \$17,468.

**C. Changes in Total OPEB Liability**

The changes in the total OPEB liability follows:

	<b>Total OPEB Liability</b>
Balance at June 30, 2016	<u>\$1,261,549</u>
Changes Recognized for the Measurement Period:	
Service cost	478,730
Interest on the total OPEB liability	36,782
Differences between expected and actual experience	0
Changes of assumptions	(241,085)
Benefit payments	<u>(3,801)</u>
Net changes	<u>270,626</u>
Balance at June 30, 2017 (Measurement Date)	<u><u>\$1,532,175</u></u>



**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.56% or 1-percentage-point higher 4.56% than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
2.56%	3.56%	4.56%
\$1,929,727	\$1,532,175	\$1,232,576

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

Total OPEB Liability/(Asset)		
1% Decrease	Healthcare Cost	1% Increase
	Trend Rates	
3% to 4%	4% to 5%	5% to 6%
\$1,228,849	\$1,532,175	\$1,932,235

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$494,906. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$547	
Differences between actual and expected experience		
Net difference between projected and actual earnings on OPEB plan investments		\$220,479
Changes of assumptions		\$220,479
Total	\$547	\$220,479

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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

The \$547 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$20,606)
2020	(20,606)
2021	(20,606)
2022	(20,606)
2023	(20,606)
Thereafter	(117,449)

**NOTE 7 - COMMITMENTS**

**A. Lease Commitments**

SMART's future noncancellable lease payments are:

Year Ending June 30	Minimum Lease Payment
2019	\$472,402
2020	438,508
2021	448,966
2022	456,363
2023	73,582
Total	<u>\$1,889,821</u>

**B. Purchase Commitments**

At June 30, 2018, SMART had outstanding purchase and contract commitments for the rail and pathway project of \$52,943,936.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**Cost Sharing Multiple-Employer Defined Pension Plan**

As of fiscal year ending June 30, 2018

Last 10 Years\*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Measurement Period	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.01018%	0.02136%	0.02136%	0.02376%
Plan's proportion share of the Net Pension Liability (Asset)	\$633,530	\$585,152	\$742,146	\$936,778
Covered Payroll	3,073,231	3,572,374	6,017,592	9,930,773
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	20.61%	16.38%	12.33%	9.43%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%

**Notes to Schedule:**

**Changes in benefit terms.** There were no changes to benefit terms that applied to all members of the Public Agency Pool.

**Changes in assumptions.** In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

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

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT**  
**Cost Sharing Multiple-Employer Defined Pension Plan**  
As of fiscal year ending June 30, 2018  
Last 10 Years\*  
**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year	2015	2016	2017	2018
Actuarially determined contribution	\$347,672	\$409,897	\$699,783	\$747,878
Contributions in relation to the actuarially determined contributions	(347,672)	(477,840)	(699,783)	(747,878)
Contribution deficiency (excess)	-	(\$67,943)	-	-
Covered payroll	\$3,572,374	\$6,017,592	\$9,930,773	\$11,175,297
Contributions as a percentage of covered payroll	9.73%	7.94%	7.05%	6.69%

**Notes to Schedule:**

The actuarial methods and assumptions used to determine the fiscal year 2017-18 contribution rates are as follows:

Valuation Date	6/30/2015
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level percent of payroll, closed
Asset Valuation Method	15 year smooth market
Inflation	2.75% compounded annually
Payroll Growth	3% compounded annually
Projected Salary Increase	Varies by Entry Age and Service
Discount Rate	7.5% compounded annually (net of expenses)
Retirement Age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 20011.
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB published by the Society of Actuaries.

\* Fiscal year 2015 was the first year of implementation

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

Last 10 fiscal years\*

<b>Measurement Date</b>	<b>6/30/17</b>
<b>Total OPEB Liability</b>	
Service Cost	\$478,730
Interest	36,782
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	(241,085)
Benefit payments	(3,801)
<b>Net change in total OPEB liability</b>	270,626
<b>Total OPEB liability - beginning</b>	1,261,549
<b>Total OPEB liability - ending</b>	<b>\$1,532,175</b>
 Covered-employee payroll	 <b>\$9,930,773</b>
 Total OPEB liability as a percentage of covered-employee payroll	 -15.43%

\* Fiscal year 2018 was the first year of implementation.

# STATISTICAL SECTION

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## STATISTICAL SECTION

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

### ***Financial Trends***

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

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

### ***Revenue Capacity***

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

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

### ***Debt Capacity***

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

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

### ***Demographic and Economic Information***

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

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

### ***Operating Information***

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

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

### ***Sources***

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

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



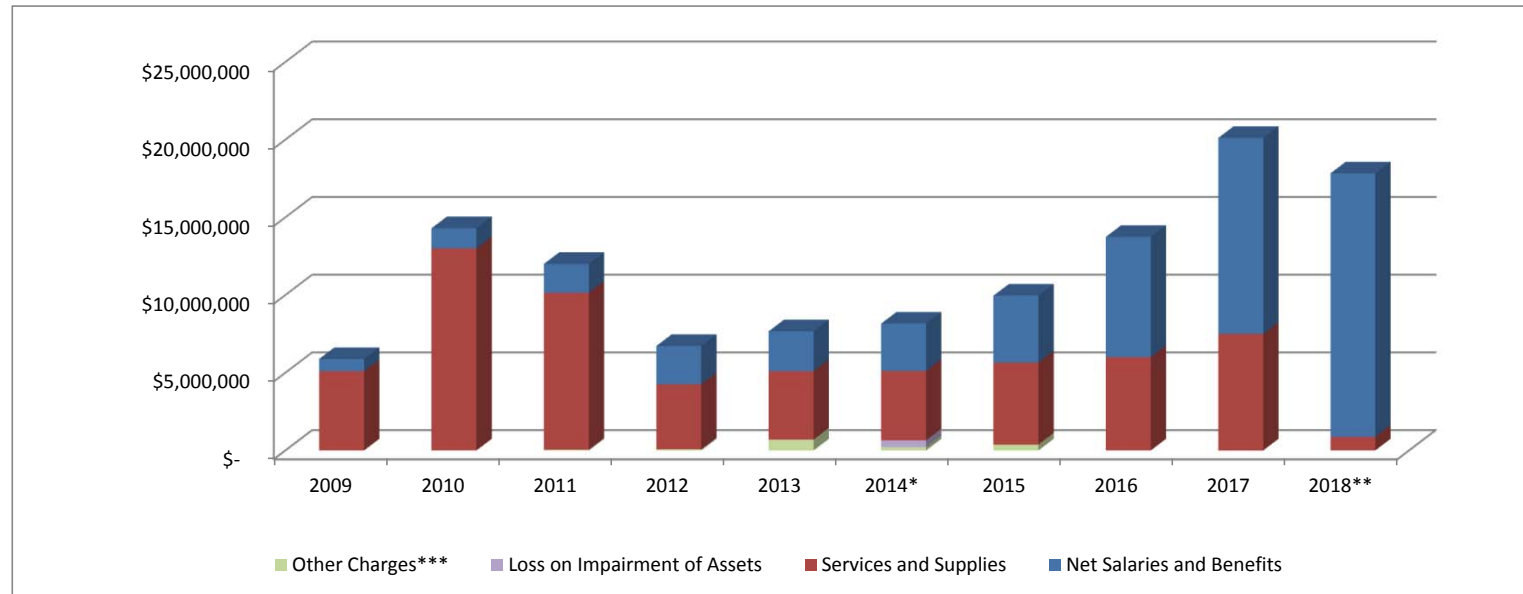
	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net investment in capital assets	\$81,333,573	\$101,247,802	\$118,948,132	\$137,997,431	\$173,996,072	\$204,389,312	\$228,244,612	\$309,724,259	\$353,088,871	\$367,957,650
Unrestricted	3,564,545	26,788,017	46,507,406	58,533,319	77,347,530	113,506,183	115,465,740	76,452,056	56,226,336	60,223,084
<b>Total net position</b>	<b>\$84,898,118</b>	<b>\$128,035,819</b>	<b>\$165,455,538</b>	<b>\$196,530,750</b>	<b>\$251,343,602</b>	<b>\$317,895,495</b>	<b>\$343,710,352</b>	<b>\$386,176,315</b>	<b>\$409,315,207</b>	<b>\$428,180,734</b>

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

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Operating Revenues:</b>										
Charges for Services	\$570,507	\$564,502	\$635,670	\$650,877	\$597,880	\$840,586	\$640,249	\$529,191	\$588,402	\$4,025,111
Total Operating Revenues	570,507	564,502	635,670	650,877	597,880	840,586	640,249	529,191	588,402	4,025,111
<b>Operating Expenses:</b>										
Public transportation - rail/pathway development:										
Net salaries and employee benefits	790,751	1,330,192	1,831,476	2,597,001	2,683,628	3,041,027	4,303,358	7,736,893	12,610,874	16,950,114
Services and supplies	5,102,761	13,000,858	10,097,972	4,179,668	4,772,700	4,466,562	5,275,106	5,998,630	7,498,986	8,877,465
Depreciation	410,750	420,488	472,061	4,527,575	4,527,575	4,473,500	4,575,530	4,610,295	4,716,779	17,800,126
Bad Debt	31,821	1,725								
Loss on impairment of assets						433,295				671,378
Other charges	2,725	3,180	53,471	76,671	700,783	215,922	380,000	7,541	212	954
Total Operating Expenses	6,338,808	14,756,443	12,454,980	11,380,915	12,684,686	12,630,306	14,533,994	18,353,359	24,826,851	44,300,037
Operating loss	(5,768,301)	(14,191,941)	(11,819,310)	(10,730,038)	(12,086,806)	(11,789,720)	(13,893,745)	(17,824,168)	(24,238,449)	(40,274,926)
<b>Nonoperating Revenues (Expenses):</b>										
Sales/Use taxes	4,976,687	24,059,929	26,826,843	28,303,501	30,435,753	32,473,329	33,845,426	34,776,012	36,061,895	37,135,476
State operating assistance										3,701,366
Investment earnings	65	93,215	192,500	437,618	1,495,066	1,182,159	1,384,557	585,178	366,748	724,313
Sale of contract option			758,825							
Capital expense passed through to other agencies							(1,557,743)	(295,894)	(62,636)	(3,778,891)
Miscellaneous revenue	36,070	38,445	46,400	26,236	62,178	65,638	49,351	2,264,334	438,639	2,236,508
Interest expense				(1,117,492)	(5,328,770)	(4,420,558)	(2,761,502)	(805,558)	(1,164,558)	(5,819,778)
Total Nonoperating Revenues	5,012,822	24,191,589	27,824,568	27,649,863	26,664,227	29,300,568	30,960,089	36,524,072	35,640,088	34,198,994
Income before capital contributions	(755,479)	9,999,648	16,005,258	16,919,825	14,577,421	17,510,848	17,066,344	18,699,904	11,401,639	(6,075,932)
<b>Capital grants and contributions:</b>										
State of California	4,452,430	12,810,517	9,787,099	8,148,143	24,130,596	4,295,318	3,381	284,094	458,549	837,950
Metropolitan Transportation Commission	3,382,776	1,871,307	6,046,018		4,541,421	35,500,504	7,119,973	2,683,108	5,007,846	9,939,309
Sonoma County Transportation Authority				4,594,099	5,758,121	5,136,487	35,358	47,780	33,440	356,219
Federal Grants			1,960,000	1,203,349	6,021,838	2,562,581	500,595	3,779,595	2,750,431	9,450,100
Other governmental agencies	18,017,307	18,456,229	3,621,344	209,796	666,592	1,543,983	1,534,698	749,376	3,036,898	4,357,881
Donated asset								16,222,106	1,116,726	0
Total Capital Contributions	25,852,513	33,138,053	21,414,461	14,155,387	41,118,568	49,038,873	9,194,005	23,766,059	12,403,890	24,941,459
Change in net position	\$25,097,034	\$43,137,701	\$37,419,719	\$31,075,212	\$55,695,989	\$66,549,721	\$26,260,349	\$42,465,963	\$23,805,529	\$18,865,527

**Source:** SMART's basic financial statements.

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



Fiscal Year Ended June 30	Net Salaries and Benefits	Services and Supplies	Other Charges***	Loss on Impairment of Assets	Debt Service (Cash Basis) Expense	Total
2009	\$ 776,514	\$ 5,102,761	\$ 2,725	\$ -	\$ -	\$ 5,882,000
2010	1,290,967	13,000,858	3,180	-	0	14,295,005
2011	1,847,662	10,097,972	53,471	-	0	11,999,105
2012	2,462,175	4,179,668	76,671	-	\$192,575,357	6,718,514
2013	2,558,849	4,406,463	700,783	-	-	7,666,095
2014*	3,041,027	4,466,562	215,922	433,295	8,456,950	8,156,806
2015	4,303,358	5,275,106	380,000	-	8,456,950	9,958,464
2016	7,736,893	5,998,630	7,541	-	12,996,950	13,743,064
2017	12,610,874	7,498,986	212	-	13,600,350	20,110,072
2018**	\$ 16,950,114	\$ 877,465	\$ 954	-	\$ 14,204,100	\$ 17,828,533

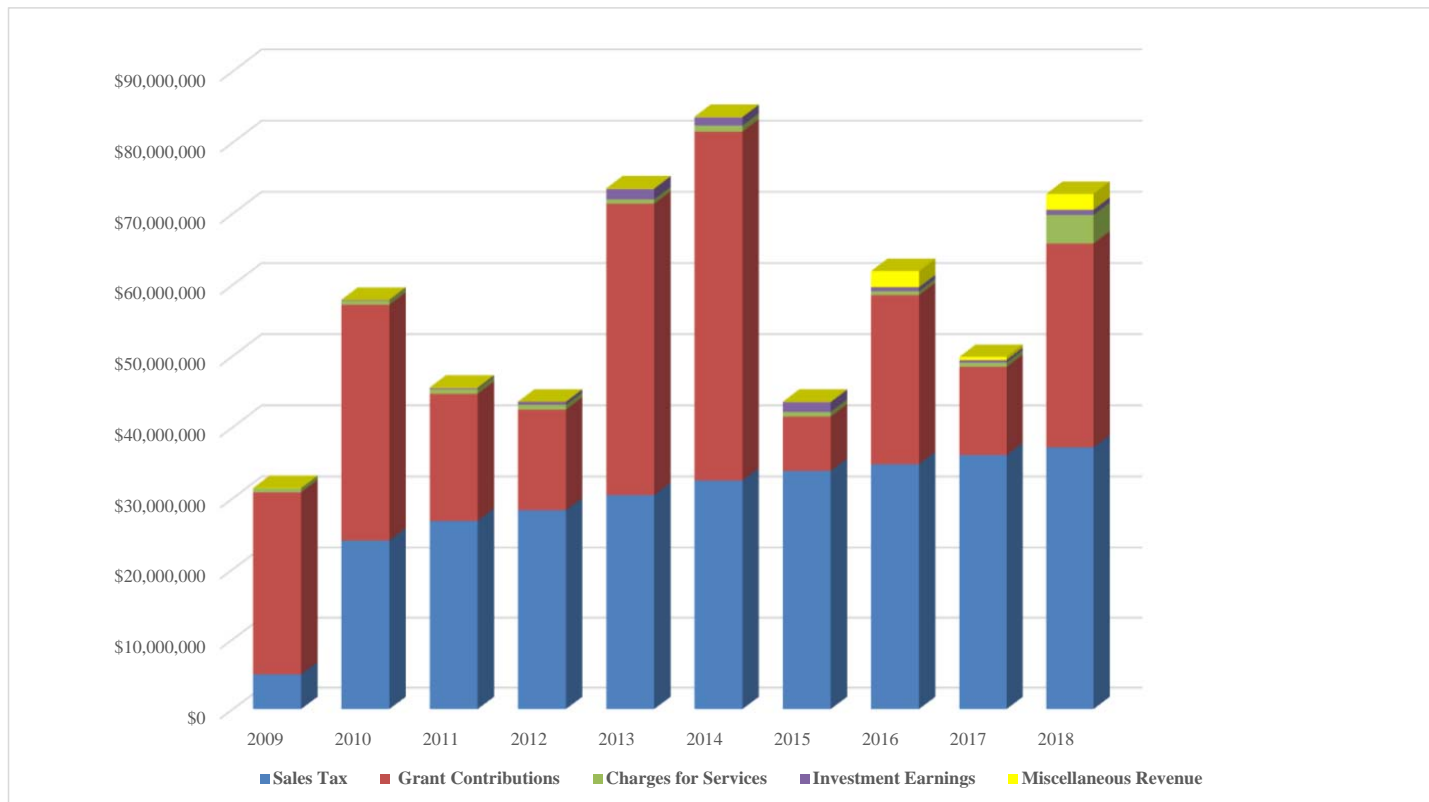
Source: Sonoma-Marina Area Rail Transit District Audit Reports

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

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

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

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



Source: Sonoma-Marín Area Rail Transit District Audit Reports

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

Fiscal Year	SMART Sales Tax Rate	Total Sales Tax Revenue	Marin County Total Taxable Sales (In Thousands)	Sonoma County Total Taxable Sales (In Thousands)	SMART District Total Taxable Sales (In Thousands)
2009	0.25%	\$ 4,976,687	\$ 3,812,948	\$ 6,682,219	\$ 10,495,167
2010	0.25%	24,059,929	3,751,474	6,321,094	10,072,568
2011	0.25%	26,826,843	3,928,074	6,701,426	10,629,500
2012	0.25%	28,303,501	4,185,542	7,152,875	11,338,417
2013	0.25%	30,435,753	4,500,247	7,711,052	12,211,299
2014	0.25%	32,473,329	4,769,878	8,264,339	13,034,217
2015	0.25%	33,845,426	4,957,364	8,626,295	13,583,659
2016*	0.25%	34,776,012	5,091,014	8,843,184	13,934,198
2017**	0.25%	36,061,895	5,004,443	9,154,084	14,158,526
2018**	0.25%	37,135,476	5,343,038	9,444,873	14,787,910

\*Latest available breakdown

\*\*Estimates for Fiscal Years 2017 - 2018 are based on sales tax revenue received

Source: California State Board of Equalization

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

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

<b>Sonoma County</b>					
<b>Fiscal Year</b>	<b>State(a)</b>	<b>City</b>	<b>County( c)</b>	<b>SMART(d)</b>	<b>Total</b>
2012	7.25%	0 to 0.50%	0.50%	0.25%	8.25% to 8.5%
2013	7.50%	0 to 0.50%	0.50%	0.25%	8.25% to 8.5%
2014	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2015	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2016	7.50%	0 to 0.75%	0.50%	0.25%	8.25% to 9%
2017	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%
2018	7.25%	0 to 1.00%	0.625%	0.25%	8.125% to 9.125%

\*Data prior to FY2012 is unavailable

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

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

(c) Sonoma County Open Space Authority (0.25%, 04-01-91 to 03-31-11), Sonoma County Transportation Authority (0.25%, 04-01-05), Sonoma County Agricultural Preservation & Open Space District Transactions and Use Tax (0.25%, 04-01-11), Sonoma County Library Maintenance, Restoration, Enhancement Act (0.125%, 4-1-17)

(d) SMART sales tax effective April 1, 2009

Source: California State Board of Equalization



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

	Fiscal Year 2018**		Fiscal Year 2011*	
Principal Revenue Payers: Sales Tax Generators	Percentage	Total Receipts	Percentage	Total Receipts
General Retail	28.3%	\$10,943,946	30.5%	\$7,978,547
Auto and Other Transportation	21.7%	8,393,092	21.4%	5,597,576
Food & Beverage Products	19.4%	7,504,091	19.0%	4,972,020
Business to Business	15.5%	6,003,192	15.9%	4,156,846
Construction Related	12.5%	4,837,145	10.7%	2,796,876
Miscellaneous	2.6%	1,012,369	2.5%	654,932
Totals	100%	\$38,693,835	100%	\$26,156,797

\*First full year of SMART sales tax collection

\*\*Based on Analysis by MuniServices, Categorizations and Totals May Differ from BOE/Audited Data

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

Fiscal Year Ending	Sales Tax Revenue		Series 2011A Bond Interest**	Series 2011A Bonds		Series 2011A Bonds	Annual Debt Service Coverage Ratio
	Revenue Actual	Projected		Principal		Debt Service Total	
6/30/2018	\$ 37,135,476	\$ 37,135,476	\$ 8,009,100	\$ 6,195,000	\$	14,204,100	2.61
6/30/2019		38,249,540	7,730,850	8,365,000		16,095,850	2.38
6/30/2020		39,397,026	7,312,600	9,435,000		16,747,600	2.35
6/30/2021		40,578,937	6,840,850	10,565,000		17,405,850	2.33
6/30/2022		41,796,305	6,315,000	11,745,000		18,060,000	2.31
6/30/2023		43,050,195	5,727,750	12,990,000		18,717,750	2.30
6/30/2024		44,341,700	5,078,250	14,290,000		19,368,250	2.29
6/30/2025		45,671,951	4,363,750	15,660,000		20,023,750	2.28
6/30/2026		47,042,110	3,580,750	17,100,000		20,680,750	2.27
6/30/2027		48,453,373	2,725,750	18,610,000		21,335,750	2.27
6/30/2028		49,906,974	1,795,250	20,195,000		21,990,250	2.27
6/30/2029		\$ 51,404,184	\$ 785,500	\$ 15,710,000	\$	16,495,500	3.12
<b>Maximum Annual Debt Service Coverage:</b>							<b>2.32x</b>

\*Sales tax revenue growth projected 3% in future years

\*\*Debt service shown is cash basis

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

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

Year	Total Outstanding Debt	Personal Income	Population	Ratio of Debt to Personal Income	Total Debt Per Capita
2014*	\$ 192,365,524	\$ 52,401,105,000	759,684	0.37%	\$ 253
2015	190,096,688	56,512,049,000	762,528	0.34%	249
2016	183,318,018	58,680,231,000	763,721	0.31%	240
2017	175,819,899	63,211,402,000	767,218	0.28%	229
2018**	\$ 167,528,327	\$ 63,843,516,020	774,890	0.26%	\$ 216

**TOTAL DEBT SERVICE TO NON-CAPITAL EXPENSES**

Year	Total Debt Service	Non-Capital Expenditures Including Debt Service	Ratio Debt Service to Non-Capital Expenditures
2014*	\$8,456,950	\$16,613,756	51%
2015	8,456,950	\$18,415,414	46%
2016	12,996,950	\$26,740,014	49%
2017	13,600,350	\$33,710,422	40%
2018**	14,204,100	\$32,032,633	44%

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

\*\*2018 Income and Population Data based on assumption of 1% increase over 2017

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Series 2011A Bond; Table 3

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

<b>Marin County</b>				
<b>Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2008	257,968	22,862,328	92,039	4.7%
2009	259,772	20,188,247	80,476	7.7%
2010	252,731	20,748,885	82,021	8.0%
2011	254,359	22,741,276	89,009	7.4%
2012	254,882	23,918,732	93,407	6.3%
2013	258,365	25,093,401	97,124	5.0%
2014	260,516	27,176,774	104,319	4.3%
2015	261,054	29,227,230	114,455	3.6%
2016	260,651	30,222,883	117,552	3.4%
2017*	263,886	32,867,529	124,552	2.9%

<b>Sonoma County</b>				
<b>Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2008	485,478	21,868,731	46,225	5.7%
2009	490,231	20,653,880	43,076	9.6%
2010	484,084	21,080,297	43,482	10.5%
2011	486,778	22,356,767	45,805	9.8%
2012	489,283	23,548,182	47,879	8.6%
2013	495,025	24,905,827	50,312	6.7%
2014	499,168	25,224,331	50,533	5.6%
2015	501,474	27,284,819	55,445	4.5%
2016	503,070	28,457,348	57,264	4.1%
2017*	503,332	30,343,873	60,286	3.4%

Sources: California Department of Finance, Bureau of Economic Analysis U.S. Department of Commerce, and California Employment Development Department

\*Latest Available

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

<b>Marin County 2018</b>		
Employer	Number of Employees	Percent of Total Employment**
Kaiser Permanente San Rafael Medical Center	2,092	1.50%
County of Marin	1,934	1.39%
BioMarin Pharmaceutical***	1,934	1.39%
Marin General Hospital	1,602	1.15%
San Quentin State Prison	1,425	1.02%
Glassdoor	750	0.54%
Novato Unified School District	740	0.53%
Autodesk***	719	0.52%
Dominican University of California	319	0.23%
Novato Community Hospital	315	0.23%

<b>Sonoma County 2018</b>		
Employer	Number of Employees	Percent of Total Employment**
County of Sonoma	4,834	1.87%
Santa Rosa Junior College	3,625	1.40%
Kaiser Permanente	3,508	1.36%
St. Joseph Health, Sonoma County	2,500	0.97%
Graton Resort and Casino	2,000	0.77%
Santa Rosa School District	1,691	0.65%
Keysight Technologies	1,275	0.49%
City of Santa Rosa	1,267	0.49%
Safeway, Inc	1,200	0.46%
Jackson Family Wines	1,152	0.45%

\*The "9 Years Ago" data unavailable, SMART records began 2013  
 Data Reflects August 2018 Employed

Sources:

North Bay Business Journal  
 County of Marin  
 San Quentin State Prison  
 Novato Unified School District  
 BioMarin Pharmaceutical  
 County of Sonoma  
 Graton Resort & Casino  
 City of Santa Rosa  
 Santa Rosa School District

\*\*Calculated using California Employment Development Department

\*\*\*Utilized 2017 data, 2018 not available

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

<b>Start of Operations</b>	August 2016
<b>Form of Governance</b>	Board of Directors with General Manager
<b>Service Area</b>	Sonoma and Marin Counties, California
<b>Miles of Commuter Rail in Operation</b>	43
<b>Rail Stations in Service</b>	10
<b>Park and Ride Lots</b>	4
<b>Rail Revenue Service Miles</b>	771,692
<b>Revenue Vehicle Hours</b>	46,285
<b>Number of Rail Vehicles in Service</b>	14

**FARE INFORMATION**

<b>Daily Fares</b>	1 Zone	2 Zones	3 Zones	4 Zones	5 Zones	Daily Maximum
Adult Fare	\$3.50	\$5.50	\$7.50	\$9.50	\$11.50	\$23.00
Seniors, Youth, and Disabled	\$1.75	\$2.75	\$3.75	\$4.75	\$5.75	\$11.50

**Passes**

31-Day Pass	Adult	Discount
	\$200	\$100

Eco Pass (By Group)	Monthly
Up to 50	\$213
51-250	\$193
251-500	\$174
Over 500	\$155
Colleges / Veterans	\$138

**RIDERSHIP AND FARE REVENUE**

<u>Fiscal Year</u>	<u>Ridership</u>	<u>Fare Revenue</u>
2017-18*	636,029	\$ 3,315,274

\*FY 2017-18 is First Year of Operating Data

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

<b>Division</b>	<b>Fiscal Year Ended June 30</b>					
	<b>2013*</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
General Manager	1.0	1.0	1.0	1.0	1.0	1.0
Legal	0.0	0.8	1.0	1.3	2.8	3.0
Capital Projects	11.8	13.8	13.9	13.2	8.1	6.0
Administration	5.6	8.0	8.4	9.0	13.3	15.0
Finance	5.8	5.8	5.8	6.1	6.2	7.0
Operations	1.0	1.3	4.7	36.9	79.4	86.0
Safety & Security	0.0	0.0	0.8	1.0	2.0	3.0
<b>Total</b>	<b>25.2</b>	<b>30.7</b>	<b>35.6</b>	<b>68.6</b>	<b>112.8</b>	<b>121.0</b>

\* FY 2013 was the first year SMART prepared Statistical Charts, no data available for prior years

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**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 basic financial statements of the Sonoma-Marin Area Rail Transit District (District), California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2018.

***Internal Control over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

We have also issued a separate Memorandum on Internal Control dated November 28, 2018 which is an integral part of our audit and should be read in conjunction with this report.

### ***Purpose of this Report***

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

*Maze + Associates*

Pleasant Hill, California  
November 28, 2018