



**BOARD OF DIRECTORS
MEETING AGENDA
November 18, 2020 – 1:30 PM**

**IN ACCORDANCE WITH GOVERNOR’S EXECUTIVE ORDERS N-25-20 AND N-29-20
THE SMART BOARD OF DIRECTORS MEETING WILL BE HELD VIRTUALLY**

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

ZOOM TELECONFERENCE INSTRUCTIONS

PUBLIC COMMENT PRIOR TO MEETING:

If you wish to make a comment you are strongly encouraged to please submit your comment by 5:00 p.m. on Tuesday, November 17, 2020 at
<https://www.surveymonkey.com/r/SMARTBoardComments>

PUBLIC COMMENT DURING THE MEETING:

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

1. Call to Order
2. Approval of the November 4, 2020 Board Minutes
3. Board Member Announcements
4. General Manager’s Report
5. Public Comment on Non-Agenda Items
6. Consent Calendar
 - a. Accept Ridership Report – October 2020
 - b. Approve to Amend a Resolution Authorizing the Submittal of an Affordable Housing Sustainable Communities grant to the State of California Strategic Growth Council and Department of Housing and Community Development and authorizing entering into a Standard Agreement with project parties
 - c. Approval of 2021 Monthly Board of Director Meeting Calendar

Regular Calendar

7. Accept SMART's Fiscal Year 2019-20 Comprehensive Annual Financial Report and Single Audit and Memorandum on Internal Control
8. Next Regular Meeting of the Board of Directors, December 16, 2020 – 1:30 PM
9. Adjournment

DISABLED ACCOMODATIONS:

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



**BOARD OF DIRECTORS
REGULAR MEETING MINUTES
November 4, 2020 - 1:30 PM**

**IN ACCORDANCE WITH GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20
THE SMART BOARD OF DIRECTORS MEETING WILL BE HELD VIRTUALLY**

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1. Call to Order

Chair Lucan called the meeting to order at 1:34pm. Directors Arnold, Connolly, Fudge, Garbarino, Hillmer, Naujokas, Pahre, Phillips Rabbitt, Rogers and Zane were present.

2. Approval of the October 21, 2020 Board Minutes

MOTION: Director Rogers moved approval of the October 21, 2020 Board Minutes. Director Phillips second. The motion carried 11-0-1 (Director Rabbitt was having audio problems and could not be heard).

3. Board Members Announcement

Director Lucan Congratulated two of our board member Directors Fudge and Rogers who were both reelected last night. Congratulations to you both.

Director Connolly stated that he was on his phone and just wanted to mention that we are having our listening session focused on San Rafael on November 12, so looking forward to hearing from constituents, the sessions so far have been very worthwhile and productive.

Director Zane wanted to announce that it looks like our transportation measure, which is good for SMART as well, is passing. Sonoma County DD. I don't know why they call it DD, so, I mean, people think of weird things when they hear that but what matters is that they remembered it.

4. General Manager's Report

General Manager Mansourian congratulated Directors Rogers and Fudge for their reelection. He stated he had four quick announcements.

First of all, we are withdrawing agenda item 6c, on the consent calendar. Staff is working with the State for revised language from all agencies. We will bring that back at a future date.

He stated that the ridership since we started our service in 2017, we have carried over 1,919,00 people so far, over 195,000 bicycles and over 7,200 people using wheelchairs. We continue posting our weekly ridership on our website.

He stated regarding freight that we continue working with Senator Maguire's office, State of California, NCRA and NWPCo, and crossing the t's and dotting the i's making sure everything is in order. We are also waiting for the report from the Governor's Administration to be released to the legislature as required by Senate Bill 1029 and will update the board when the report is released.

His final announcement is that our traditional Toy Drive will be December 5, 2020. Where we collect toys for non-profits in Marin and Sonoma Counties, who will distribute to the needy families. Due to the fire and pandemic this year the needs will be great, so we appreciate any contribution and toys that you want to drop off at the Petaluma office.

5. Public Comment on Non-Agenda Items

Doug Kerr read two excerpts from the 2008 Measure Q Ballot. In the last few meetings, he has questioned the use of Measure Q funds to maintain the Brazos Branch that is used for freight and cannot understand how spending tax revenue on a freight only branch running east of Novato complies with a passenger train service and pathway from Cloverdale to Larkspur. What am I missing here?

Mike Lipton is a resident from San Rafael and lives near the intersection of North San Pedro and Los Ranchitos that has had three accidents in the last several months. He states it warrants SMART and other authorities having jurisdiction to figure out a better solution at the intersection that works for the train, pedestrians and traffic. He spoke of the degree of the intersection is not a standard 90 degree, the sun can block or hinder your view and other complications regarding the traffic lights. He thinks SMART needs to look at how we can improve the safety of this intersection. He also thinks the trains are moving too fast at this crossing and it might warrant adding stop signs at the intersection to force people to stop

Duane Bellinger, thinks the listening sessions are well managed. He would like to see the session involve other groups rather than just cities. Including the Santa Rosa Junior College Petaluma campus regarding the Corona Station and a separate topic specifically to people who are interested in pedestrian orientated communities. He is happy to see that the Corona

Station project has added a playground, basketball court, community garden, a dog run and also a coffee shop. He also thinks the train should slow down at the corona crossing and to move the proposed station to the other side of Corona.

General Manager Mansourian, responded that SMART can set up a conversation with Mr. Kerr and be happy to explain it further, but wanted to let him know that his corridor is our access to get to the maintenance facilities in Vallejo where we repair our trains. The second thing I want to remind all of us is if any lesson we learned in COVID-19 is the chain of supply of materials, it is imperative to keep the connection to the National Railroad open and available. Because we are one pandemic away or one earthquake away or one major disaster away. If we have to transport patients or bring supplies in. For those reasons, that is why maintaining that area as passable is an absolute must for us. I would be happy Mr. Kerr to discuss this with you if you want to give me your phone number or e-mail or call me and we can have more chat about this.

6. Consent
 - a. Approval of Monthly Financial Reports
 - b. Approve a Resolution Designating the General Manager and Chief Financial Officer as Authorized Agents to Submit Applications for Disaster Assistance with the California Governor's Office of Emergency Services.

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

MOTION: Director Garbarino moved approval of the Consent Agenda as presented. Director Naujokas second. The motion carried 11-0-1 (Director Connolly could not respond, going through security at the airport).

7. Approve a Resolution Authorizing the General Manager to Execute Contract Amendment No.1 to CV-PS-19-001 with GHD, Inc. for Engineering Design and Support Services – Petaluma, Penngrove and Santa Rosa Various Non-Motorized Pathway Segments for an amount of \$191,300 for a total contract amount not-to-exceed of \$1,140,401

Chief Engineer, Bill Gamlen, stated the item before you is a recommendation to approve resolution 2020-23 which would authorize the General Manager to execute Amendment number one with GHD Inc. GHD is providing design services for us on the Sonoma County bike path segments. And these are segments in Petaluma, Penngrove, Rohnert Park and southern Santa Rosa. At the time we negotiated the design contract we also negotiated a permitting and environmental support task. We were unable to include that with the contract at the time because the money had not been allocated by the California Transportation Commission. That action was taken on October 22, 2020 wo we are now bringing you an amendment that would include that work in the contract. It is amendment number one for an amount of \$191,300 which would bring the total contract amount to \$1,140,401.

MOTION: Director Phillips moved to Approve a Resolution Authorizing the General Manager to Execute Contract No. CV-PS-19-001 with GHD Inc., for Engineering Design and Support Services On-Call Civil and Rail Engineering Services for an amount of \$1,140,401 as presented. Director Fudge The motion carried 11-0-1 (Director Connolly could not respond, going through security at the airport).

8. Update on Bond Refinancing (Information Only)

Chief Financial Officer, Erin McGrath stated Today, we are just updating you on the bond refinancing. As we've discussed for almost two years now, we've been talking about refinancing. We had hoped to do a bigger refinancing, but as a result of the recession and the historically low rates, we were able to work on the smaller refinancing that we have been discussing since the Spring time. The refinancing relates to the bonds that were first issued in 2011 that basically built the first 43 miles of service. As we briefed you last time prior to the new sale, our outstanding debt was \$136.9 million. The issue we were trying to address was our annual debt service which was escalating from \$17.4 million this fiscal year to \$22 million in 2028, at the October 7th meeting, your board authorized issuance of new debt for the purpose of achieving the savings in the annual debt service and that action authorized a total of \$160 million annual, which was designed to provide the flexibility in the use of funds and the debt structure including using the reserve bond account. As part of that package that you approved the bond sale amount was \$123 million. In October we were successful at getting an excellent bond rating from Standard and Poor's of AA which is a great rating, we then proceeded to a successful bond sale on October 21st in the market and then the transaction closed on October 29th. Our construction debt of \$136.9 million was replaced by the new green bonds which total \$122.79 million. The maximum annual debt service was reduced from \$22 million to \$17 million, the true interest costs for the debt was reduced from 3.31% to 1.72% the cost of issuance is \$605,626. True interest cost is actually lower than what we had estimated at the October 7th meeting. At the time we had reported that we were hoping to achieve a 1.84% interest costs. We were able to beat that, we also were able to lower the cost of issuance a little bit; it was originally estimated at \$658,000 and the net present value savings, which is the savings over time net of all these costs, is \$12 million and we are pretty happy about that result.

Just pointing out that the market has been very, very busy with the rates being as low as what they are, investors have many choices. In the month of October, \$71 billion in municipal bonds alone were sold. We had tough competition, but the combination of our successful management of the District, the bond rating that we were able to achieve and the top-notch team that we had working with us led to a very successful sale. The bonds were primarily purchased by firms with managed retail investment accounts such as Wells Fargo. There were also purchases by institutional accounts such as bond funds or insurance companies and then there were very small amounts purchased by individual retail investors. We had 17 different accounts placing orders for our bonds. Initially we had a total of \$199 million worth of orders (approximately 1.6 times the size of the offering) so, we were very pleased that we were able to achieve that result. I just want to take another minute to point out the team

that we worked with because they were a big part of our success. Our financial advisors, PFM, Sarah Hollenbeck and Bob Rich, Sarah's on the line in case any questions come up. We also worked with our bond counsel Nixon Peabody represented us led by Rudy Salo and our bond underwriters, Barclays, headed by Michael Fleischman and Bank of America's securities led by Holly Vocal. Of course, a lot of SMART staff participated and helped achieve this result including Tom Lyons our General Counsel, my staff who did a lot of work on all the charts and paperwork and of course, the General Manager who assisted with our rating process and helped us with the document execution.

The next slide, this is also in the staff report, just showing you what our old debt service looks like and what our new debt service looks like, and you can see by each year, the savings that we're achieving starts in the current year of \$3.1 million in savings and in 2028 that year where the debt service was quite big, we were able to get that down and leveled the curve, if you will. It's a lot flatter than it had been and the average over time is \$3.47 million in savings. This fiscal year alone, we were able to save \$3.1 million which is \$2.1 million better than we had budgeted so we provided a lot of breathing room for the current year during Covid and next year, if Covid continues. It also provides more stability in the long term for your next CFO, who can focus on other expenses and not have to worry about those bond cost increases.

In this chart that we showed you last time, it's basically unchanged because we were able to achieve the savings that we wanted to achieve. Prior to the debt refinancing, the yellow bar shows the debt service plus operating and maintenance costs that we were anticipating, we were slightly higher than our total revenue projected and now we've brought them down. We anticipate with good management of our expenses going forward and reasonable growth in the sales tax, that our outlook will be very stable. The black line shows our operating reserve balances now stable, whereas, prior to that we were worried about eating into our reserves significantly. Knowing what we know today, we are in very good shape for the future following this refinancing. It was an outstanding result in a very difficult year. We estimate \$3.74 million average annual reductions provide some breathing room we need in order to survive the crisis that we are in right now and will provide us a good base for the future.

Directors Comments:

Director Arnold: Thank you I just want to say this is a great accomplishment and congratulations to all the staff that worked on it. It really is like a sort of a miracle. So, thank you very much.

Director Garbarino: Thank you. Thanks so much, I just wanted to echo what Judy just said it is a miracle in this time of great strides, with the pandemic and the economic outfall as well. It is just a miracle and I, we sincerely, all of us, the community and the Board have to thank the staff for their efforts.

Public Comments:

Sheila Baker: This is huge and can use compliments and a wonderful, wonderful report and Erin for President! Thank you

Doug Kerr: I will echo everything that's been said here, but as a citizen and taxpayer of Sonoma County, seeing something like this actually get accomplished is really good news, and all I can say is Erin you are going to be a very tough act to follow.

Duane Bellinger: I would just say, well done. Thank you.

Back to Board Comments:

Director Fudge: I just wanted to thank Erin. I know Erin that you stayed long enough to accomplish this and I want to thank you for doing that. It shows you know a great sense of responsibility on your part and care for the agency. I'll echo what everybody else has said and just thank you again. You've left a great legacy here. Thank you

Chair Lucan: I would just briefly add on to what they all said. Even with that our staff still over delivered and I just really appreciate everybody, the entire team, that worked on this including the outside consultants. This is really a great result in a difficult year we've had a lot of negative things that had to be shared between pandemic and elections and all that stuff so, this is really great news. And it sets us up for the next several years. On behalf of the entire board, we are just really pleased with all the work that went into this and SMART's future over the next several years. So, thank you Erin, you will be sorely missed in the organization. So, thank you for setting this up so well

9. Appointment of Chief Financial Officer and Approval of Employment Contract

General Manager Mansourian: When Erin announced that at the conclusion of her current contract in December, she wishes to move on and think of something new to do, we began a national search. I want to thank the Human Resources team for an excellent job. A number of Applications was received and eight finalists were established and interviewed by a panel of several internal and external people. Then four candidates were forwarded two at the top, and two after that. Erin and I interviewed all four. One candidate stood on top. The chair set up a sub Committee of the Board comprised of Directors Rabbitt, Fudge and Phare himself who met with the top finalist in person. Heather McKillop flew in from Denver for an interview and we all were very impressed. I was directed to prepare her employment contract.

The Contract is included in the packet. It is a five-year contract and includes her annual salary which is within the range that your board approved as part of our budget, she gets the usual cellphone, car allowance and benefits that our employees or management get. She will get some sick leave and vacation since she's starting fresh. As we have done for many employees that we hire from outside of California, there is also a relocation reimbursement of up to \$20,000 she is also a part of PEPR and pays her own share of retirement

Heather is currently the Chief Financial Officer and Assistant General Manager of Finance and Administration at Regional Transportation District or known as RTD. This is in Denver, CO. RTD is an agency that has over 3,000 employees. It operates buses, light rail and recently a commuter rail and approximately 100 million boarding's a year. Before joining RTD, Heather worked for Colorado Department of Transportation and she rose the ranks and became the Chief Financial Officer. It is our pleasure and recommendation as well as your board subcommittee that you appoint our Chief Financial Officer, Heather McKillop and approve her contract.

Board Member Comments regarding Interview:

Chair Lucan: Thank you very much as our General Manager mentioned, myself, along with Vice Chair Phare, Director Rabbitt and Director Fudge, did get a chance to meet Heather in person and we were very pleased to be able to present to the full Board for consideration for her employment contract. We were all very pleased and honored that we are able to steal her away from RTD and bring her to SMART and very excited about her as a candidate as our next CFO. I'm going to start with our subcommittee members, is there anything you want to add before we go into questions from the Board?

Vice Chair Pahre: I'd be happy to add something I think that impressed me most, not only was her fiduciary expertise but I think I said this to her in the interview, she just has a way about her that is so approachable and so SMART. It was just a wonderful package and we welcome you Heather.

Director Fudge: I was impressed with Heather's communication skills. She is very smart like Barbara said and she's a tough cookie. I mean, she's been in a lot of different situations and I don't think she is going to be shy with us and I think she'll be able to relate well with the public as well and fit into the agency and she has lots of energy, lots of energy. So, while we will miss Erin, I would be pleased to welcome Heather aboard.

Director Rabbitt: Just want to echo that and say you know Erin is going to be incredibly missed around the headquarters and for all the stellar work that she has performed, but we are very fortunate to have someone with experience and knowledge of Heather coming in behind her and thank both of them for that overlap, I think that will be important. I was impressed with my conversation with Heather and really look forward to her coming in. I know the decimal points are going to be in a few different places, but other than that, the work is very similar. So really looking forward to that and thank you.

Director Arnold: Hi, yes, this is really a question for the General Manager, but it is a question just of kindness, but I think I would just like to know the answer, when we were getting SMART was ready to start, wasn't Denver getting ready to start their train and didn't they run into a lot of trouble and delay?

General Manager Mansourian: Denver's commuter service, which is similar to ours was experiencing technical issues with their positive train control. They were trying to solve all of those issues while they are up and running. It is a huge system and serves a very, very large area.

Director Arnold: So, Heather is coming into the number one train, so welcome.

General Manager Mansourian: And as an expert in PTC so she will be doing double duties.

Public Comment:

Mike Lipton: This is Michael Lipton, sounds like you have a good candidate on your hands and I apologize, my first board meeting attending here and I was thinking that I had a comment on items seven. To perhaps your new CFO could look into as a resident here and the taxpayer, it seems that \$191,300 seems like a lot of money to pay for designing a couple of bike paths and perhaps the first order of business of your CFO would be to work with the rest of the team and look at that. See if there is a market more competitive proposals on that because the person speaking on that said that they negotiated something as an amendment versus an initial contract and so that always occurs to me that maybe we didn't get the best value at spending our money the wisest. I request what the action plan would be on that and also request what an action plan would be on my request on the intersection upgrades or analysis. How would that move forward all my neighbors want to know how that will be handled. Thank you.

Sheila Baker: Well welcome, welcome, welcome Heather, this coming from a rider and we've been looking forward to meeting you and I'm very excited and very happy that you are the new CFO. So, welcome, thank you.

Heather McKillop: I just want to thank everybody; everybody has been so gracious that I have talked to. I know I have big shoes to fill. I think somebody from the public said that and Erin has been great just the short amount of time we've been able to talk with each other has been very welcoming. I'll wait to see how the vote goes and then I'll be glad to comment afterward.

MOTION: Vice-Chair Phare moved approval of Appointment of Chief Financial Officer and Approval of Employment Contract as presented. Director Garbarino second. The motion carried 11-0-1. (Director Connolly could not respond, going through security at the airport).

Comments from Heather McKillop:

Thank you for your support and I am so excited about working for SMART. It's going to be a big change, but I am really looking forward to working with this organization. I have had the opportunity to view a few of your meetings, since they've been virtual and I know, even though the size of the Agency is different, I think the issues tend to be the same, and I look forward to working with all of you and hopefully at some point meeting everyone in person.

10. Update Overview of SMART District-Wide Post Incident Response, Procedures and Evaluation Process.

General Manager Mansourian: Mr. Chairman, and Directors, we thought and at the request of Director Connolly, in light of the recent incidents that unfortunately we have experienced and, of course, as these things happen our thoughts and prayers are with the families as well as our staff. But as a result of these recent incidents, we thought we would update your board on our district wide post incident response procedures and evaluation and what we do, just before an incident, during an incident and after an incident. We previously did this for you in October and November 2018, your board was reviewing the operational aspect of every one of the items that we covered for you was what you're going to see here today, except it's updated. I'm going to walk you through the introduction then we have a number of staff who manage different responsibilities during an incident.

To give you an overview, we talked about this back in 2018 and one of the items we discussed was how at-grade crossings are functioning and what are the measures that we take and took during the construction and then post an incident. Nearly all of the incidents that have taken place are at or near an at-grade crossing. This is very important, unfortunately we are the owner of about 80 at-grade crossings. The reason I say unfortunately, is to give you an idea, BART has zero at-grade crossings. An at-grade crossing is where the motorist, pedestrians and bicyclist and the train all meet. At-grade crossings are very much regulated by a federal agency, the Federal Railroad Administration, (FRA) as well as CPUC, SMART is required to meet all the design and operational requirements of both of these agencies. We have to be in full compliance of all of these requirements before we could begin operation and I'm very pleased to report that not only do we meet those requirements, but in most cases, we exceed them. The CPUC, FRA and SMART all have one thing in common. They all recognize that at-grade crossing are where the source of conflicts are and they all have guidelines and policies to eliminate at-grade crossings and where possible do not create new ones. Aaron Parkes, our train control system manager will walk you through the operation of at-grade crossings.

Aaron Parkes: I'm going to walk through an animated demonstration of how our typical grade crossings work. We have pairs of flashing lights facing both directions of traffic and entry gates that come down across the roadway. All of our systems are designed to warn motorist and pedestrian in the public of the approaching train and we need to give them sufficient warning time. Federal Regulations require that we provide a minimum of 20 seconds of warning time. Our design provides a minimum warning time of 25 seconds. Often times the warning time can be greater based on the geometry of the roadway and other factors. Once the train is detected approaching the crossing, the system activates the flashing lights and gates. There is a three second delay between the lights beginning to flash and the gates descending. The gates are required to be horizontal five seconds before the train reaches the crossing, so again, this is the typical crossing equipped with entry gates. After the train is detected to leave the crossing, the gates rise and the lights stop flashing. We also have bells at all crossings. Moving on to a four-quadrant gate crossing, here you can see we have entry

gates. The entry gates, they are designed to block entry to the crossing of the gates, or simply a warning device. They are not a physical barrier, they don't prevent vehicles from entering the crossing, it's just another supplemental warning device, but the entry gates are there to block the entry to the crossing and the normal direction of traffic. They descend first and then the exit gates descent. The exit gates are there to deter people from driving around the entry gates when they are down. If we have a car that enters the crossing before the exit gate drops, we have a vehicle detection system that will detect that vehicle and cause the exit gate to rise, in order to allow the vehicle to escape without driving through the gate and breaking it. You can see in the graphic that the exit gate rises and the vehicle leaves the crossing. Once the vehicle is detected to be clear, the exit gate will drop again, prior to the train reaching the crossing. Normal operation of the exit gates, they are the first gates to rise after the crossing recovers and the train is detected to be clear, and then once the exit gates are up, the entry gates rise. Overall, each crossing is unique. The design of each crossing is a collaborative effort between the State and Federal regulators, the local jurisdictions, and there is no one-size fits all approach that fits for each crossing, but that's why you see a mixture of warning devices across our system. We also have a video that shows a normal operation of a crossing.

General Manager Mansourian: Mr. Chairman, the next presenter will walk you through what happens when an incident takes place and that is our Acting Operations Manager Marc Bader.

Marc Bader: When an incident takes place on the operation side, train crew and operations center both have concurrent responsibilities. First off, the Operation Center notifies the communication center in the affected County who will in turn dispatch Police, Fire and EMS. The engineers first responsibilities is to notify the Operations Center that an incident has taken place. The engineer will also continue to provide information to passengers as situation updates become available. The Conductor's responsibilities initially are to check on the condition of the passengers and the engineer, and to get an accurate count of passengers, wheelchairs and bicycles to the engineer so that information can be relayed to first responders. At that point the Conductor will exit the train to assess the incident scene and provide first aid to the injured when possible. While all this is going on, the Operation Center notifies the designated SMART personnel for response to the scene. The Operations Center will also notify SMART Outreach staff of our service plan and delays so updates can be broadcast to our passenger. The Operations Center will also begin the process of arranging for a bus bridge where it is appropriate. Lastly, The Operations Center will dispatch a replacement crew to the scene to relieve the crew that was involved in the incident.

General Manager Mansourian: Once various staff arrive at the scene a joint command is set up. Our Chief of Police will walk you through what she and other people do at the joint command is established.

Chief, Jennifer McGill: First responders and SMART staff arrive on scene. As you can imagine, it is somewhat chaotic but very quickly we establish a joint command. What that means is, police, fire, EMS and SMART are all there on the scene and we get together and command

the scene. It's really a joint command, there are a lot of moving parts, certainly police do their part, Fire is doing theirs, medics are on the scene and SMART, we all work together to get this scene under control. If there is an injury, EMS transports the injured to the appropriate area hospital. Police begin to interview the witnesses and conduct the investigation on scene and SMART provides investigative evidence and it is collected by the police agency. If there is a fatality, that changes the scenario a little bit, the coroner's office is called and the coroner's office can take anywhere between 30 minutes to two hours to respond, depending on where we are in the county and which county it is. When the coroner's office takes over the scene freezes. Nobody touches anything. Nobody disturbs any evidence and it really is frozen until the coroner arrives and manages the scene and the deceased.

Marc Bader: Once the incident is concluded, law enforcement and/or the coroner's office have completed their investigation, the scene is returned back to SMART we can begin our inspections of our equipment. Our signal maintenance team inspects the equipment for regulatory compliance. Any signal equipment that was damaged as a result of the incident is replaced or repaired as necessary. Our track maintenance team inspects the track for any damages caused by the incident. While this is going on, our vehicle maintenance team is performing an inspection of all the internal and external components of our DMU for structural damage ensuring that all the equipment is properly functioning so the DMU can travel back to the ROC for further investigation.

Chief, Jennifer McGill: Once the scene is cleared, we have a site review team after every incident. The General Manager assembles a team from SMART to conduct a site visit at the location of the incident and this team includes engineering, operations, safety and security, train control systems. We all attend this meeting and we invite the local police, fire and public works agencies to have them respond with us so we can all put our heads together and be out on the scene where these incidents take place. The police report can take anywhere from one week to several months. It depends again, on the agency we are dealing with and what their caseload is. Now the coroner's report, that adds several weeks or several months, again it depends on the agency and their workload and the applicable toxicology reports can take even longer than that. The goal of these site visits is to review the incident. As we know it and determine if there are any additional safety instructive or enforcement enhancements that can be made to further alert the distracted pedestrian or motorist about the active railroad. So, what else can we do to improve safety? Even when all SMART systems and warning devices are fully functioning, even when all warning devices of locally owned roadways or sidewalks, or bicycle paths are fully functioning, we try to focus on the three E's which is education, engineering and enforcement. We re-emphasize with the community outreach, that this is an active railroad, re-emphasize please obey the rules of the road, we re-emphasize never try to beat the train. Additional and ongoing traffic enforcement by local police is always requested. We ask them to do extra enforcement especially at locations where we have had incidents and we evaluate the site for engineering enhancements.

Bill Gamlen: In 2018, after the pedestrian strike in Rohnert Park, the General Manager convened an internal SMART team of engineering, operations, safety, train control and security along the lines of what Chief McGill just talked about to look at all the at-grade crossings in the SMART system with a focus on what can we do to improve pedestrian safety if anything, where a path-of-travel existed. In 2019, your board awarded a contract that put improvements in place at 30 grade crossings. There were really three key elements that we implemented. The first was the watch for train stencils that went in the sidewalk. This is the yellow diamond that was painted on the ground on the sidewalk, to try and alert anybody that was walking along the pathway that maybe wasn't paying attention. Second, we added channelization fencing, so that if someone really wasn't paying attention, they would literally run into the fence before getting to the grade crossing and we mounted look signs on the fence to look both ways. Again, to try and get people's attention and awareness around the train. Just a couple shots of what these looks like, this is the south east quadrant of the San Pedro road crossing. You can see the channelization fencing, the look sign mounted on the fence itself and the grade crossing. And then the North West quadrant of the grade crossing. In the foreground, there is the yellow diamond, watch for train stencil on the sidewalk, the look sign mounted on the fence, channelization to route people around the fence before getting to the grade crossing.

General Manager Mansourian: So, at SMART, your board has mandated safety is paramount for us. You have made that your first financial investment. We are very proud of the safest technology that we have. You just saw that your board spent half a million dollars in additional enhancement for pedestrians and bicyclist, who are trying to beat the system and every time we have one of these incidents, we stop and look at everything all over again. Everything includes the speed of the train, the geometry of the road, our technology, the human psychology, anything we can come up with so we can prevent the next one. Then we bring the policy decisions if there is such a thing and the findings of financial if there is such a thing just like it was with the enchantments, we bring it back to your board for approval. Our staff has been working with San Rafael police, fire, public works in these recent incidents and they are going to continue to work with that and take any measures they can. What I can tell you is really what is very, very critical is no matter what we do, we really need the cooperation of the general public to comply with the rules of the roads. Somebody who tries to go under an activated crossing to beat the train, that's when a tragedy happens, people who drive on the wrong side of the road and try to beat the train, that's when a tragedy happens. We will not stop evaluating and will continue evaluating until we see if we can eliminate or minimize this. I want to remind us that as long as we have at-grade crossings, the unfortunate reality is this is where all the conflicts take place. One giant decision, which your board has already made is not to create new ones, to the degree possible and try to figure out what else we can do.

Board Comments/Questions:

Director Naujokas: I guess the big question for the staff is given this all the recent events of the San Pedro crossing, what can you give us an update on anything on your findings from those incidents or are they still pending or what can you give us an update on that?

Bill Gamlen: Excellent question, after each of these incidents, we did convene our evaluation team both with SMART and we included representatives from the City of San Rafael, the police department, public works and traffic engineering. In all of these cases, we found that the grade crossing warning devices were working as they should. As Aaron described initially, we did not find any significant roadway elements or anything that needed to be changed. There are, of course, often times small tweaks that can be made here and there, and I think public works is looking at some of those, but in summary nothing significant jumped out at this location.

Director Naujokas: That location if memory serves correctly, and correct me if I'm wrong, it only has the single gates at the entry correct?

Bill Gamlen: Yes, this location has entry gates. It also has a concrete median dividing the lanes in the roadway as well

Director Naujokas: Do you think that, I mean what would simply installing exit gates at this particular problematic intersection be a meaningful step to address the issue?

Bill Gamlen: As I think Aaron touched on with exit gates, each crossing is different and each crossing has to be assessed for its particular conditions. Exit gates can be beneficial and in many instances on the railroad they've been utilized to establish quiet zones. However, they can also trap motors, if you will, if they get inside those gates and not everybody responds well under pressure. I reviewing the incidents, we've had down there, really, they all pointed to operator error.

General Manager Mansourian: Maybe Chief McGill, do you mind addressing maybe the last incident so director Naujokas can see what happens, when even a gate is down. Director Naujokas if you look at this picture, imagine this is an exit, imagine this is a gate. Chief would you mind walking us through the last incident.

Chief, Jennifer McGill: Certainly. In the last incident, the driver approached the crossing and we'll use this example in the photo. The gate arms were activated, the lights were on so the gate arm was across that lane of traffic, the vehicle approached the crossing and went right through the gate arm that was down, broke the gate arm off and went into the side of the train. In your question, like the gate arm you know it's a safety device and you know, just as cities implement road speeds and stop signs and traffic signals, you're assuming the driver is going to follow the rules of the road. So, all of our safety devices were functioning. That's the common denominator in all these incidents, they're all drastically different in their circumstances, but in this recent example the gate arm was down and the driver unfortunately went right through it and went into the train.

Director Naujokas: I guess for this specific incident makes entirely reasonable scent that we, and additional gate wouldn't do anything. As we go forward I would as a board member be certainly willing to entertain suggestion of expenditures to install additional gate crossings if

you think that would make even additional mental barrier have an impact to prevent additional incidents in the future so that I think that's my point. That makes sense.

Vice Chair Pahre: Whenever we get comments about incidents that have happened at the crossings, the speed of the train always comes up will someone please just address the speed of the train that goes through the crossings?

General Manager Mansourian: The train travels at various speeds at various locations, I'm going to ask our train control, just to give us one number. One assumption is that if you slow down this train, then when an incident happens the train can come to a stop. Aaron has been teaching us at 15 miles an hour, the train takes one football field to come to a stop. This is a heavy piece of equipment and at no speed are we able to stop before we hit somebody and that's why we rely on all these State and Federal regulated warning devices, as you saw in the film and more important that the compliance by all the motorist. The trains simply cannot come to a stop. From the time they see somebody who has broken the laws of the road and is doing something. And please remember many of our incidents are we had people intentionally go under the arm gate. There is nothing we can do when those things take place.

Director Phillips: I had the opportunity to talk with the General Manager when he called so we had to chat a little bit. I have two questions. First this situation really is befuddling to me if the arms are down, the trains there its obviously or it should be obvious that it's not really a good idea to plow ahead. And so, it's befuddling as to how, what the thought pattern is if someone that has caused this situation. But, I'm curious whether or not we've had a discussion with the person that was involved in the accident and you know psychological profile. Was it intentional or was it, or her I'll say an accident? Do we know what the thought pattern was who caused this incident?

Chief, Jennifer McGill: Any specific to this case we don't have any mindset, if you will. Yet, as I mentioned earlier, the police report can take weeks to several months. So, we let the police department conduct their interviews, sometimes you know if the driver is injured, you can't get an interview right away. Nonetheless, San Rafael police in this case will be preparing their police report and when that's complete, we'll review it and then understand what the mindset was. Was it intentional, where they distracted, did they not understand the warning devices? But really the local agencies determine the cause of the incident and may determine whether or not it was an accident or a suicide attempt or whatever the case may be. In the most recent case that has not been determined yet, to my knowledge by San Rafael police.

Director Phillips: Just seems to me that it's important for us as a board to better understand the circumstances, rather than try to react to a situation without knowing the real root cause of that. So, I would suggest that we perhaps have a report that better provides us information as again the mindset in the broad sense. You don't want to address a problem or an issue and in fact, it turns out to be something entirely different. And therefore, whatever solution might come up with, might not be effective under the same circumstance. The second thing, I'm far from an engineer, a traffic engineer, but it comes to mind just sitting here thing about

it and I'm not sure it has merit, but I'll throw it out for what it's worth. I'm thinking about certain intersections, perhaps this one for whatever reason, if we can determine the reasoning its unique to this situation as opposed to the other 80 and or perhaps to two or three that have had similar situations and here's my question, which is we've all encountered sort of the ribs that are on the side of highways where if you happen to you're driving, you happen to veer off to the right or the left, depending on where the ribbing is and it's jarring. It's, you know suddenly you go, wow, like wake you up, so to speak, and therefore I'm wondering if in certain circumstances, perhaps this intersection, again I'm not suggesting that, I'm just questioning whether or not ribs across the roadway would bring to the person's attention that they are encountering a particularly sensitive situation. I know when I hit those ribs on the side of the road, it wakes me up, it doesn't literally wake me up, but it certainly causes me to veer to avoid that impact. So, it just came to mind as I was sitting here listening. So those two things are on my mind. But thank you again for calling me down in Monterey, it was good to hear from you.

Bill Gamlen: Director Phillips, very interesting idea, including the ribs or I guess rumble strips would be another term for those, something we'd want the public works department to weigh in on because really, that would be a roadway feature, but certainly something we can bring up with them.

Director Connolly: I also want to focus in on the at grade crossing at North San Pedro road and obviously the public has concerns that there have been three incidents in a fairly short amount of time Bill, you mentioned warning systems are in place. I'm wondering additional warning systems are being contemplated at that location or maybe needed there?

Bill Gamlen: When we initially designed all of our grade crossings, we get together with the CPUC, the local jurisdiction in this case would be San Rafael, the traffic engineer, Public Works often the police department and review these grade crossings, holistically. Everybody brings a little bit different view or lens to view the site through. At this location we probably have in the neighborhood of 15 flashing lights that go off during the grade crossing event. We have the cantilever poles that put the light out above the roadway. We discussed the entry dates that are in place and the concrete median. We've added pedestrian channelization at every single corner or quadrant of the grade crossing as well so it feels like there is an awful lot of visibility and stuff going on out there. I know Occasionally, you can actually get too much stuff. They will refer to it sometimes as light pollution or street sign pollution, where it distracts a motorist so, certainly we can review all of that again, with the CPUC and with Public Works. We had a meeting last week onsite with them and looked at all those elements, again, but there is an awful lot going on out there already.

Director Connolly: Does a four-quadrant grade crossing make sense at that site?

Bill Gamlen: We touched on this briefly earlier. Additional exit gates may or may not be a good solution. We do have medians here, so, with the median and exit gates, you may create a situation where a motorist feels trapped if they're on the wrong side of the road, you know,

everybody reacts differently. Again, it's something we can certainly look at since we've had some incidents at this location, but we usually look very carefully before we put quad gates in at any intersection and really take into consideration all the conditions that are going on there.

Director Connolly: I appreciate that and then in terms of engineering and road configuration in that vicinity, are there any changes being contemplated or any discussions, for example, with the City at this time, or being thought about

Bill Gamlen: When we were on site last week with Public Works, with the City Traffic Engineer, he did seem to identify some things that were going to consider possibly extending the medium out there, refreshing some striping in the roadway, things like that. I don't think they've decided on exactly what those changes might look like though.

Director Connolly: Great, and then the other two E's so to speak, beyond engineering or enforcement and education and maybe this is taking it back up a little bit broader but just reinforcing that those are key components of what we need to be doing both likely in terms of this specific crossing, but more broadly if anyone wants to comment on those components?

General Manager Mansourian: Director Connolly did you mean staff or board members?

Chief, Jennifer McGill: Certainly, we rely on all of our partner agencies to assist with enforcement. We don't have an enforcement arm that can go out and write tickets and be on motorcycles and really contact the public in that way, so, in this specific, at the crossing, we work really well with the City of San Rafael, but all the cities we ask for their help in providing extra enforcement at the grade crossings and nothing speaks to people more than getting pulled over and even if it's just a warning, you are reminded that, okay, I need to be extra cautious at these grade crossings, I need to follow the rules of the road. We asked your board to help if you have a jurisdiction that you are responsible for, in your role. We ask that you ask them to provide enforcement and help us and get the word out that we really need that extra enforcement because we have to hit this at all angles with engineering, the enforcement and certainly our education teams they all work together so we ask for your help in that.

Director Connolly: Agreed. And then final point, and this goes to the General Managers point you made earlier about our policy to move toward elimination of at grade crossings, I agree with that to enhance safety. I guess really, just reinforcing any efforts we can continue to pursue to get grants to take other steps to implement that policy is a step in the right direction. So, more comment than a question there. Thank you.

Director Zane: I only get on the freeway once a week to go to Petaluma but it seems that every time, I get on its just between Covid and elections and also the wildfires I see atrocious things that I've never experienced before. This last week somebody was two cars in front of

me spinning out in the fast lane and many of us just barely missed it. But I, you know, so the distraction rate is high. There's no doubt about it. So, I, just wanted to echo some of the things that drift economy said in terms of the need for education and enforcement. I think the enforcement issue is huge right now. I have noticed when the Highway Patrol is on 101 south between Santa Rosa and Petaluma, people are slowing down considerably. I did want to ask, and I know we put a four-quadrant gate crossing, I believe in Penngrove, and if we have been able to just see how effective that's been, the at grade crossings just been so problematic for so long, so I don't know if we have answers, other than the mitigation things that we've used. I know we did that on Golf Course Drive because we had so many accidents there, but in terms of the ones that we have provided additional mitigation such as Golf Course or the Penngrove crossing, have we seen changes? have we been able to capture that data or what have we been able to discover.

Bill Gamlen: The changes at the Penngrove crossing at Main street were led by the County of Sonoma. That was kind of a unique circumstance where they really wanted to get the barriers out of the street. It impacted some of their events that they had throughout the year, so the County spearheaded that. We were able to do it with the change order, I believe the cost of that was in the neighborhood of about \$600,000. It has been an effective, safe crossing. It was a safe crossing before we started, there were medians there and by putting the quad gates in, they were able to remove the medians from the street.

Director Zane: But because we have so many at grade crossings and it's been tough too because there is so many of them, are we finding that one or particular mitigation methods works better than the other such as the medium, the gates or signage. What are we finding from them?

Bill Gamlen: Good question. I don't know if we have really found a difference between them, you know, again this railroad is very unique. Just as each of our stations is different so many of our grade crossings are different. The roadway configurations are different. So, some have quad gates, some have medians, some just have entry gates. I don't think there is any consistent element that really stood out throughout those.

General Manager Mansourian: Director Zane, the hardest part for us has been the suicides, as you know, it's the overwhelming a number of our accidents are willful and they are suicide. We did a holistic approach. Not only we put in all this additional deterrence and science, but your board directed us and we created if you recall, a task force that I'm so proud of. We got law enforcement, healthcare providers, mental health providers and many, many agencies, over 60 agencies, came together and as a result of that task force we started the tremendous campaign of saying "we hear you and there is help available and Don't do it" right? and I don't want to talk much, and kind of jinx it, but we've been very successful having that level of approach. As a matter of fact, we had a number of saves that I was told that we should not talk about the individual intersections because of the copying. You know, some individuals would want to do copycat, so our research has been that level of approach and when we had the law enforcement in our task force they did a terrific amount of enforcement

and actually they spotted people who are about to do this and we are able, because they recognized the signs that the experts were teaching us and that's how they stopped them. So, it's an ongoing battle for us and the railroads in the whole country, I mean we never stop. It's just ongoing.

Director Zane: Yeah, and with everything we've had to undergo, I mean with COVID-19 and economic recession and housing and all, you know, may get worse before it gets better. So, if there's any way we can get our you know, all of our law enforcement up and down the line to really be all over this seems like it's a good time. Yeah. Thank you, and the task force has really been wonderful.

Public Comments:

Mike Lipton: Hello, this is Mike Lipton. Thanks for the time again. Glad to see more discussion on the San Pedro Intersection, which is why I'm attending this board meeting call. And I'm really not satisfied with some of the responses I'm hearing from the staff. I think that they need to be a little more proactive and leading the other agencies to a solution. Since it's your train going through the intersection and really, you know the design needs to exceed further. You know what's going on here? and I certainly understand that your points about the drivers and them going through at least the last two the first on of the bike I don't think we could do anything about. I mean, that was crazy. But you know, I think there's a lot of things that have specifics about this intersection that it seems like its engineering is not looking at a realistic solution to correct the human behavior aspect of this and I think that's the part that you're missing. I think we need to, like a school bus has to stop at every railroad crossing. I think we need to put stop signs there to make people stop and if they don't stop and they get a ticket and it will change behavior. And, I think at this intersection with the angle and the elevation and the traffic light being in a kind of weird spot from the, it's different than maybe some of your other crossings like, I get that all these crossings are dangerous, but this one, I think has, you know, the need for, how many more accidents do we need before we finally put the stop sign in. Classic question. So, why wouldn't a simple addition of a stop sign be something that we should do? Question for Mr. Gamlen and Mr. Mansourian.

Willard Richards: We heard the accidents of current grade crossings and therefore, if possible, we want to reduce the number of grade crossing and certainly not allow any new ones. That logic is pretty universally used in the railroad community, but I think it's wrong and it's clearly, clearly... I'd like to focus my remarks on pedestrians, because I think that's the most prominent request for a new crossing on the SMART system. If one or the other of pedestrians and grade crossing are in short supply, the important variable is the number of pedestrians crossing the tracks. Let's say there are a lot of grade crossings, but no pedestrians cross the tracks, then clearly there will be no pedestrian accidents. On the other hand, let's say that SMART has no grade crossings for pedestrians along the line, that I think we all agree, that some people, some pedestrians would still cross the tracks without the benefit of the safety features of the grade crossing and there will be accidents. So, when the either pedestrian or grade crossings are in short supply, clearly, it's the number of people crossing

the tracks and not the number of crossings that causes accidents.

Rick Coates: I serve on the policy advisory council to the Metropolitan Transportation Commission and I've tried to encourage them to include, as one of their safety metrics, the number of grade crossings. I particular, I'm concerned about the conflict between the autos and the trains. Ultimately, the solution here I think is either overpasses or underpasses at which of course are enormously expensive. So, I've also tried to encourage the Commission if they would lobby Sacramento and I hope that you folks will too force grant money that would be specifically targeted at providing the money for these grade crossings so that there is no longer the conflict. Ultimately that would save lot of prepared money for SMART. I think and save some lives as well. In terms of suicides, that an issue that has doesn't have an engineering solution. I don't think so and I say that as a father who has a daughter, who is bipolar who does have deep depression and I worry about suicidal thoughts with her occasionally, but I don't think anything's short of eliminating all crosses, that probably wouldn't even solve the problem, they just use wire cutters to go through a fence. So please, please, try to lobby the state legislature. Thank you.

Steve Birdelbough: I'm glad that the board is getting an overview of this entire process in the fact that we've got 80 crossings and remember that we had a cluster of incidents in Rohnert Park and these things do seem to come in clusters. So, we've had three of them now at this one intersection. I don't know why those clusters happen. I know that they create a great problem in terms of agony and bad publicity. I think the idea of rumble strips is a neat one for some places. I think the stop signs would run into a lot of public objections. People here hurry, they don't want to stop. So, I just urge you to keep the long view on this and I'm sure you won't run into a solution that is worse than the problem. Thank you.

Sheila Baker: Yeah, a particularly difficult spot is McDowell Blvd, where the train passes through at a slant and there's nothing there. There is, there are no crosswalks, no sidewalks no anything, no protection of any sort and the person either walking or biking through, needs to do so and land kind of out into this McDowell itself and in the street. I won't say middle but enough that it's very dangerous for that person. So, not knowing if that's the responsibility of the City of Petaluma, I know some work is going to be done. I think in 2021 on McDowell, if SAMRT could intervene and do something about that particular crossing, that would be wonderful. I have no idea. All I know is, it's just crazy, insane, stupid to end up in the road, just for trying to cross tracks and cross the road or walked I should say walk in the same direction of the road. You're not even trying to cross your just walking straight but you have to go out and it's just, it's crazy and especially on a bike and we have to get off your bike and you just end up in the street and it's just crazy. So, it is McDowell, and again, I don't know if it's part of the work that Petaluma will do next year or if they would do it or if SMART could help out in some way. Thanks.

Jacks Swaengen: My disposition is to favor public transit and try to encumber personal automobiles. For multiple reasons, including climate change in sprawl and congestion and so forth. So, that's my bias. I'll confess that going in, but I find it entertaining if not amusing,

that is proposed that we slow down the train and Farhad put that to rest by saying, go and take how many hundred feet to stop the train at even 15 miles an hour. But nobody has said slow down the cars. What's the matter with slowing down the vehicles to 15 miles per hour as they approach the crossing? Thank you.

Chair Lucan: I do want to just quickly state, there was an earlier comment that suggested SMART needing to take more of a leadership role in bringing the groups together and I just have to clarify, from the very beginning, SMART has been a leader in this long before the train ever started running when it came to designing these at-grade crossings with local jurisdictions in mind. We put in additional safety measures to make these crossings ready for quiet zones long before the train was even running, SMART was leading this and calling the different individuals and stakeholders together and then when there is an incident SMART also is in the leadership role in bring all of the different jurisdictions together. From public works, to safety, to access what happened. Just as we were presented from the General Manager when there is an incident. I have full confidence that our team at SMART including your board will continue to take a leadership role on this matter. So, I just wanted to clarify that for the records because safety has been our number one goal from the very beginning and this goes back two years before the train was even operational on our tracks so we've got a great track record there, and we're going to continue to lead in that regard. And, so this was a good update for the board and for the public and the feedback that we received. Just curios if there is any other comments from the Board?

Director Rabbitt: I was late and I apologize and still have my technical difficulties here, but I just want to say thank you to staff. Thank you to staff for being proactive from the very beginning. For organizing the way that you do when incidents occur. No one wants an incident to occur anywhere along the line. We knew from the beginning that was going to be not only a possibility, but a reality. And I really much, very much appreciate the way that staff handles that the way your collaborative nature with law enforcement, the investigative process, the camera's on the train really do tell the story initially, and I know what they are, there's a lot of further due diligence to make sure that we get to the bottom of it. At the end of the day, Unfortunately, today it's really been about people making poor decisions and I don't know what or how much engineering you can do to eliminate people making poor decisions. If you look at any type of transit, any roadway, think of accidents along 101 what is Caltrans do on any given incident reviewing probably not as much as we are doing at SMART and I know that it's a constant improvement that we are constantly looking for, to address an issue that if we can make the system as safe as possible for everyone. Railroads are inherently moving through areas that people don't pay attention to. So, I just want to say thank you staff for the good work that will stay on top of this. And, to the public I know that every time and incident occurs that you know, we want to make sure that we look at it objectively, thoroughly and to and really, money is not an object. It's really about safety, but we need to make sure that we are putting something forward that is truly going to address the issues at hand. So just again, thank you for that opportunity.

11. Next Regular Meeting of the Board of Directors, November 18, 2020
12. Adjournment – Meeting adjourned at 3:20pm

Respectfully submitted,

Patty Jackson
Legal Administrative Assistant

Approved on: _____



November 18, 2020

Eric Lucan, Chair
Transportation Authority of Marin

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

Judy Arnold
Marin County Board of Supervisors

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and
Councilmembers Association

Patty Garbarino
Golden Gate Bridge,
Highway/Transportation District

Dan Hillmer
Marin County Council of Mayors and
Councilmembers

Joe Naujokas
Sonoma County Mayors' and
Councilmembers Association

Gary Phillips
Transportation Authority of Marin

David Rabbitt
Sonoma County Board of Supervisors

Chris Rogers
Sonoma County Mayors' and
Councilmembers Association

Shirlee Zane
Sonoma County Board of Supervisors

Farhad Mansourian
General Manager

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

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

SUBJECT: Monthly Ridership Report – October 2020

Dear Board Members:

RECOMMENDATIONS: Information Item

SUMMARY:

We are presenting the monthly ridership report for activity for the month of October 2020. This report shows trends in ridership for SMART by tracking Totals, Average Weekday riders, and Average Weekend/Holiday riders via the two methods we employ to track riders on a daily basis: Onboard Counts and Clipper + Mobile App paid fares. The report details bicycles and wheelchairs counted as well.

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

This and future reports will compare the most recent month to the same month during the prior year, as is standard industry practice for tracking trends over time. The report also shows progress so far in the Fiscal Year compared to the same time in the last Fiscal Year, to enable tracking of riders relative to budget expectations.

SMART's rider data for September 2020 was posted on the SMART Ridership website (<http://sonomamarintrain.org/RidershipReports>) and SMART's October 2020 data will be posted once validated.

The October 2020 report covers the slow increase of riders returning to SMART as Bay Area Counties lift their Shelter-In-Place restrictions and begin to phase the opening of restaurants, retail shops, offices, and other places of work. SMART's October 2020 ridership is up 10% over September 2020, despite no increase in service levels. In response to the pandemic, SMART annulled service on weekends starting March 21, 2020, and reduced weekday services, first from 38 to 34 trips, then to 32 trips and, starting April 6, reduced weekday service to 16 trips.

FISCAL IMPACT: None

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

Very truly yours,

/s/

Joanne Parker
Programming and Grants Manager

Attachment(s): October 2020 Monthly Ridership Report

OCTOBER 2020 (COVID 19) SMART RIDERSHIP REPORT

SMART Ridership Report
Board of Directors,
November 18, 2020

COVID-19 related public health orders to Stay at Home have been partially lifted in various phases across different counties in the Bay Area as of September 2020. As a result of more restaurants, retail shops, offices, and other places of work reopening, SMART, along with other Bay Area Transit Agencies, has seen slight increases in ridership compared to the early months of the pandemic (April & May). October 2020 ridership is up 10% over September 2020 on SMART.

SMART modified services in March 2020 due to the pandemic, with weekend service annulled starting March 21/22 and weekday service reduced first by 4 trips (down to 34) on March 23rd, then by another 18 trips, (down to 16), on April 6.

SMART's October 2020 ridership was down 83% overall compared to October 2019, which was impacted by the Kincade Fire and PGE Public Safety Power Shutoffs. Fare payments through the Clipper and SMART App systems are down 81%. The total number of bicycles is down 74%. However, the percentage of riders bringing bicycles onboard grew from 13% in October 2019 to 19.4% in October 2020.

MONTHLY TOTALS YEAR-OVER-YEAR	Oct 2019*	Oct 2020	% Change
Total Ridership (Onboard Counts)	57,222	9,851	-83%
Total Paid Ridership (Clipper + App Only)	47,769	9,101	-81%
Average Weekday Ridership (Onboard Counts)	2,268	448	-80%
Average Weekday Paid Ridership (Clipper + App Only)	1,891	413	-78%
Average Weekend/Holiday Ridership (Onboard Counts)	631	0	-100%
Average Weekend/Holiday Paid Ridership (Clipper + App Only)	534	0	-100%
Total Bikes Onboard	7,414	1,907	-74%
Total Wheelchairs Onboard	238	52	-78%
*NOTE: October 2019 data includes the Kincade Fire/PSPS Event (10/25/19 - 10/31/20), including 3 days of annulled service and 2 days of free service.			

FISCAL YEAR-TO-DATE	Fiscal Year 2020	Fiscal Year 2021	% Change*
Total Ridership (Onboard Counts)	191,177	36,891	-81%
Total Paid Ridership (Clipper + App Only)	164,610	34,215	-79%
Average Weekday Ridership (Onboard Counts)	2,561	424	-83%
Average Weekday Paid Ridership (Clipper + App Only)	2,248	393	-83%
Average Weekend/Holiday Ridership (Onboard Counts)	975	0	-100%
Average Weekend/Holiday Paid Ridership (Clipper + App Only)	738	0	-100%
Total Bikes Onboard	22,697	7,723	-66%
Total Wheelchairs Onboard	618	139	-78%
*NOTES: COVID-19 Stay at Home Orders issued third week of March 2020. SMART annulled services starting March 21. SMART experienced similar ridership reductions to other transit systems in the Bay Area and Nationally. Free fare days and free fare programs offered in Fiscal Year 2020 also contributed to lower Clipper + App numbers			



Eric Lucan, Chair
Transportation Authority of Marin

Barbara Pahre, Vice Chair
Golden Gate Bridge,
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General Manager

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

November 18, 2020

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

SUBJECT: Amended resolution authorizing the submittal of an Affordable Housing Sustainable Communities grant to the State of California Strategic Growth Council and Department of Housing and Community Development and authorizing entering into a Standard Agreement with project parties

Dear Board Members:

RECOMMENDATIONS:

Approve Resolution No. 2020-25 to amend Resolution No. 2020-02, authorizing the General Manager to submit a grant application and any required documents on behalf of SMART for Affordable Housing Sustainable Communities (AHSC) Program funds to construct the SMART Pathway – Joe Rodota Trail to 3rd Street project and the SMART Rail Extension to Windsor project.

SUMMARY:

At your January 8, 2020 your Board approved an authorizing resolution for SMART to apply for the fifth cycle of Affordable Housing Sustainable Communities (AHSC) funds to implement a project advanced through a partnership between MidPen Housing, the City of Santa Rosa and SMART. The AHSC is administered by the California Strategic Growth Council (SGC) and the State Department of Housing and Community Development (HCD).

The partnership has been awarded \$25,780,623 in a combination of grants and loans for housing and transportation project improvements. Of that, SMART will directly receive \$5 million towards the completion of the Windsor extension and \$225,000 to close the SMART Pathway gap between Joe Rodota and 3rd Street in Santa Rosa. The remainder of the funds will construct the 75 multi-family affordable housing units and transportation improvements around the housing and surrounding communities in the City of Santa Rosa.

As part of the administrative review by HCD staff of the paperwork required prior to advancing a final Standard Agreement for all partnership parties to collectively sign, SMART has been requested to amend one clause in the local authorizing resolution previously adopted by your Board. That clause has been modified to include the HCD-required total amount of funding the entire Roseland Village Project will receive across all project partners (MidPen Housing, City of Santa Rosa, and SMART), across all fund types (grant and loan), and across all project components (housing and transportation) from AHSC program funds. That total amount is expressed as a “not to exceed” amount of \$25,780,623. That modification has been made to the second “resolved” clause in the amended resolution. This modification does not change the amount of funding SMART’s projects will directly receive towards their completion, \$5 million for the Windsor extension project and \$225,000 for the SMART Pathway.

As with the first authorizing resolution, the General Manager is being given delegated authority to execute all required documents of the AHSC Program as required by HCD and any Amendments thereto with the State and Department which may be necessary for the completion of the SMART-sponsored project elements. The General Manager will make any further non-substantive administrative modifications to this authorizing resolution should HCD require them.

FISCAL IMPACT: None.

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

Very truly yours,

 /s/
Joanne Parker
Programming and Grants Manager

Attachment (s): Resolution No. 2020-25

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA-MARIN AREA RAIL TRANSIT DISTRICT AUTHORIZING APPLICATION FOR THE AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM

WHEREAS, the State of California, the Strategic Growth Council (SGC) and the Department of Housing and Community Development (Department) has issued a Notice of Funding Availability dated November 1, 2019, (NOFA) under the Affordable Housing and Sustainable Communities (AHSC) Program; and

WHEREAS, the Sonoma-Marin Area Rail Transit District (SMART) is an eligible public agency project sponsor and may receive funding from State of California, the Department and the SGC for transportation projects; and

WHEREAS, the SGC is authorized to approve funding allocations for the AHSC Program, subject to the conditions of the NOFA, Program Guidelines, Application Package, and Standard Agreement, and the Department is authorized to administer the approved funding allocations of the AHSC Program; and

WHEREAS, SMART desires to apply for AHSC Program funds, as a Joint Applicant with the City of Santa Rosa and MidPen Housing, for the purposes of constructing the Roseland Village AHSC Project, which includes the Roseland Village housing and bicycle pedestrian improvements to be implemented by MidPen Housing, the Santa Rosa bicycle and pedestrian improvements and CityBus transit service improvements and wayfinding to be implemented by the City of Santa, and the “SMART Windsor Rail Extension and SMART Pathway – Joe Rodota Trail to 3rd Street in Santa Rosa”, collectively the “SMART Project”, to be implemented by SMART; and

WHEREAS, SMART wishes to implement the SMART Project portion of the Roseland Village AHSC Project; and

WHEREAS, SMART wishes to delegate authorization to submit and execute all required AHSC Program documents and any amendments thereto for the SMART Project portion of this Roseland Village AHSC Project to the SMART General Manager, or designee;

NOW, THEREFORE, BE IT RESOLVED THAT THE Board of Directors of the SMART District hereby

1. Authorizes the submittal to the Department the AHSC Program application as detailed in the NOFA dated November 1, 2019, for Round 5 in a total amount not to exceed \$25,780,623 for all Roseland Village Project components to be implemented independently by MidPen Housing, the City of Santa Rosa, and SMART, as defined by the AHSC Program Guidelines adopted on October 31, 2019 errata December 9, 2019; and

Resolution No. 2020-25
Sonoma-Marín Area Rail Transit District
November 18, 2020

2. Agrees, if the application is approved, SMART is hereby authorized and directed to enter into, execute, and deliver a State of California Standard Agreement (Standard Agreement) in a total amount not to exceed \$25,780,623 for all Roseland Village Project components, and any and all other documents required or deemed necessary or appropriate to secure the AHSC Program funds from the Department and all amendments thereto (collectively, the AHSC Documents); and
3. Agrees to comply with all terms, conditions and requirements as specified in the Standard Agreement, including identified allowable capital asset project expenditures and incorporation of the full application in the Agreement, and agrees to use the funds for eligible capital assets in the manner presented in the application as approved by the Department and in accordance with the NOFA and Program Guidelines and Application Package; and
4. Designates SMART's General Manager, or designee, to be authorized to execute all required documents of the AHSC Program as required by the Department and any Amendments thereto with the State and Department which may be necessary for the completion of the aforementioned project.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Sonoma-Marín Area Rail Transit District held on the 18th day of November 2020, by the following vote:

DIRECTORS:

AYES:

NOES:

ABSENT:

ABSTAIN:

Eric Lucan, Chair, Board of Directors
Sonoma-Marín Area Rail Transit District

ATTEST:

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



November 18, 2020

Eric Lucan, Chair
Transportation Authority of Marin

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

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Marin County Board of Supervisors

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Sonoma County Board of Supervisors

Farhad Mansourian
General Manager

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

SUBJECT: 2021 Regular Board of Directors Meeting Schedule

Dear Board Members:

RECOMMENDATION: Approve Schedule

SUMMARY:

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

2021 Regular Board of Directors Meeting Schedule	
<i>1st Wednesday</i>	<i>3rd Wednesday</i>
January 6, 2021	January 20, 2021
February 3, 2021	February 17, 2021
March 3, 2021	March 17, 2021
April 7, 2021	April 21, 2021
May 5, 2021	May 19, 2021
June 2, 2021	June 16, 2021
July 7, 2021	July 21, 2021
August 4, 2021	August 18, 2021
September 1, 2021	September 15, 2021
October 6, 2021	October 20, 2021
November 3, 2021	November 17, 2021
December 1, 2021	December 15, 2021

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

Very truly yours,

/s/

Leticia Rosas-Mendoza
Clerk of the Board



November 18, 2020

Eric Lucan, Chair
Transportation Authority of Marin

Barbara Pahre, Vice Chair
Golden Gate Bridge,
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Sonoma-Marin Area Rail Transit Board of Directors
5401 Old Redwood Highway, Suite 200
Petaluma, CA 94954

SUBJECT: Comprehensive Annual Financial Report FY 2019-20, Single Audit for FY 2019-20 and Memorandum on Internal Control

Dear Board Members:

RECOMMENDATION:

Review and accept SMART's Fiscal Year 2019-20 Comprehensive Annual Financial Report, Federal Single Audit and Memorandum on Internal Control

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 three documents in conjunction with our annual audit process: SMART's Fiscal Year 2019-20 Comprehensive Annual Financial Report (CAFR), Federal Single Audit and the Memorandum of Internal Control provided by Maze & Associates, our independent auditor. We are pleased to report that the audit did not identify any deficiencies in internal control that would be considered material weaknesses and reported no difficulties in completing the audits.

(1) SMART's Fiscal Year 2019 Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) is a best practice in government for presenting annual financial information. For the seventh year, our report contains our recently received achievement award from the Government Finance Officers Association for our 2019 report.

The contents of the CAFR are consistent from year to year. In addition to basic audited financial statements and notes, the report contains a Letter of Transmittal which provides an overview of the District, its activities and financial practices, a Management Discussion providing an overview of the statements and a Statistical Section providing general, historical and regional information. It also contains the Auditors Report (page 1) which states that the financial statements present fairly, in all material respects, the respective financial position of the District as of June 30, 2020. At the end of the CAFR (page 55), the auditor's Report on Internal Control states that the auditors did not identify any deficiencies in internal control considered to be material weaknesses.

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 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. That includes the following information:

- SMART's net position at the close of the Fiscal Year was \$497.7 million which is an increase of \$30.1 million from the previous year. This indicator is essentially the amount by which assets exceeded liabilities, and its growth is driven by continued investment in capital assets, primarily infrastructure.
- Capital assets, net of accumulated depreciation, were \$561.2 million. This is an increase of \$17.8 million over the prior year due to the completion of two new stations and associated track, new bike paths, new operations equipment, and final payments for the first set of rail cars.
- Unrestricted assets, which is primarily made up of SMART's cash fund balance, were \$99.5 million. This balance is primarily the result of sales tax reserves remaining from prior years, savings obtained as part of our hiring freeze and elimination of non-essential purchases, the receipt of \$8 million in federal CARES Act funding allowing a preservation of reserves, and reserves such as the equipment replacement fund, set-asides for projects such as the Petaluma second station, and other reserves needed for the closeout of several capital projects in the subsequent fiscal year.
- The Statement of Revenues and Expenses, which shows annual revenues and operating expenses, also calculates an annual operating surplus or loss. Our final recorded Sales Tax revenue (net of fees) was \$38,978,630. This is 5.5% lower than the prior year due to the COVID pandemic impacts. Sales tax is not considered an "operating" revenue under GASB rules, as operating revenue can only include fares and other revenue directly derived from SMART operations. Because of this exclusion, SMART's statement shows an operating "loss" of \$49.2 million when expense is subtracted from revenue. An operating "loss" in these types of statements is typical for transit agencies, given that public transportation is subsidized by tax dollars, in this case sales tax.

In several places, the Report references specific information about the operating and financial impacts of the COVID pandemic on SMART because of the significant impact of that external event. We outline the impact on fares and sales taxes, the reduction in service and the significant federal assistance that we received during the year. Also, although it is an event that did not occur within the fiscal year, we note in several places that the debt outlined in the financial statements has since been replaced by a newer debt structure.

(2) Single Audit

In addition to the regular audit, we are required to undergo a separate audit process related to significant expenditures of federal funds, called the Single Audit. This audit is to ensure compliance with Title 2 U.S. Code of Federal Regulations CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit requirements for Federal Awards (Uniform Guidance). When completed, this audit document is provided to our federal funding agencies.

As with our annual financial audit, we are pleased to report, as shown on page 1 of the Single Audit, there were no material weaknesses or significant deficiencies identified during this process. The Single Audit for Fiscal Year 2019-20 reviewed a number of different federal grants, including the \$342,807 received for the Payran to Southpoint pathway, \$1.7 million for the Larkspur extension, \$505,975 for the Windsor extension, and \$8 million in CARES Act operating funding. SMART also received \$29,121 in emergency FEMA funding for the 2019 storm event. As reported on page 4 of the audit, SMART had no audit findings related to these funds.

(3) Memorandum on Internal Control and Required Communications

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

FISCAL IMPACT: None.

Very truly yours,

/s/

Erin McGrath
Chief Financial Officer

Attachment(s): 1) Comprehensive Annual Financial Report Fiscal Year 2019-20
2) Single Audit Fiscal Year 2019-20
3) Memorandum on Internal Control

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT



For Fiscal Year Ended June 30, 2020

Petaluma, California

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**SONOMA-MARIN AREA RAIL
TRANSIT DISTRICT
PETALUMA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2020

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

November 10, 2020

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, 2019 through June 30, 2020.

The report consists of three sections:

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

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.

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.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements. This narrative is provided in the Management's Discussion and Analysis (MD&A), and is meant to complement this letter of transmittal. This letter contains GFOA recommended elements that provide the reader with information about the District, its surrounding environment, its operations and financial controls.

PROFILE OF THE ORGANIZATION

SMART is a transit agency created by the State of California to oversee the development, implementation and operation of passenger rail service in Sonoma and Marin Counties. Since its creation, the District has been working to build both a rail transit system as well as an accompanying multi-use pathway. SMART began passenger service in 2017 to 10 stations along 43 miles between Airport Boulevard in Sonoma County to San Rafael in Marin County. In December 2019, SMART expanded passenger service by adding two new stations and two more miles South in Marin. These new stations allow passengers to reach Larkspur and the regional ferry connection to San Francisco and provide direct access to Downtown Novato. SMART currently operates and maintains 16 miles of adjacent bike and pedestrian pathway connecting to the rail stations.

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

SMART is primarily funded by a one-quarter of one cent sales tax approved by voters in the SMART District in 2008, a District which encompasses the two Counties of Sonoma and Marin. Since opening day, SMART has carried 1.9 million passengers, with weekly ridership at the start of 2020 averaging 16,309. Approximately 11% of riders bring their bicycles onboard with them.

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. SMART surveys show that its growing ridership has been generated by commuters who formally drove to work in private automobiles.

SMART's finances have relied on the strength of its voter-approved sales tax revenues which provides more than 80% of SMART's annual income. Sales tax revenue is directly linked to local employment rates and median incomes which, prior to the COVID-19 pandemic, were strong. The District is home to a fairly wealthy taxpayer base, with a weighted per capita income base of \$88,353 compared to California's \$63,720 according to latest available reports from the U.S. Bureau of Economic Analysis (BEA). SMART also receives significant funding from the State of California for its transit services ultimately derived from State fuel and sales taxes. Prior to the shelter-in-place orders associated with the Pandemic, unemployment rates for Marin and Sonoma were less than 3% compared to 4.3% for the State of California.

The global COVID-19 pandemic has provided a challenge to every economy, government and transit service, and SMART has been no exception. On June 8, 2020, the National Bureau of Economic Research ("NBER") declared that a recession in the United States commenced in February 2020. Reportedly, this was the fastest that NBER has declared any recession since the group began formal announcements in 1979. Local unemployment rates in Marin and Sonoma rose to 6.8% and 7.5% respectively by August. This, plus the closure of numerous business as a result of the pandemic, affected the District and its finances immediately, leading to a 5.5% drop in sales tax revenues over the prior year and a 24.5% reduction in fare revenue. Further impacts are anticipated in the months ahead, although the District's impacts appear to be more mild than Statewide averages. Preliminary estimates from SMART economic consultant project an additional decline of 5% in sales tax revenues for the Fiscal Year 2020-21 Year. Further discussion of the operational and budgetary impacts is provided in the section below.

DISTRICT ACTIVITIES in Fiscal Year 2019-20

SMART Rail Service

SMART passenger service runs from the newly constructed Larkspur Station in Marin to the Airport Boulevard Station in Sonoma and is accompanied by multiple SMART pathway segments. Also added to the system in December was the Downtown Novato Station, funded by the City of Novato, bringing passengers directly to its downtown core. Following the addition of these two new stations, SMART expanded service to 38 trips a day in addition to the four weekend service trips already provided. In Fiscal Year 2020, SMART carried 716,847 passengers, 69,103 bicycles and 2,388 passengers in wheelchairs.

Operational Impacts of COVID-19 on the District.

SMART modified service in March 2020 due to the pandemic, with weekend service cancelled starting March 21 and weekday service reduced first by 4 trips (down to 34 trips from 38) on March 23rd, then by another 18 trips, (down to 16), on April 6. The first week of June saw a weekday average ridership of 336 compared to pre-pandemic average of 2,976 in February. Ridership has only increased marginally since then, increasing 23% to 412 average weekday riders during August. SMART's total Fiscal Year 2020 ridership, including four months of the COVID-19 pandemic, was down 21% overall. Fare payments through the Clipper and SMART App systems were down 24.5% in Fiscal Year 2020, due to the COVID-related ridership losses and a variety of Free Fare and programs offered earlier in the Fiscal Year. SMART proactively implemented additional cleaning, sanitation and safety procedures with minimal cost impacts in order to ensure the continued safety of its staff and the riding public.

Recognizing the impacts that these ridership and economic changes were having on SMART's financial stability, the District moved to review its Fiscal Year 2019-20 budget and froze all non-essential hiring, eliminated non-essential purchases, and completed closeout of multiyear construction contracts. These efforts allowed SMART to achieve \$10 million in one-time savings over amounts budgeted for the Fiscal Year. In addition, SMART received \$14.95 million in federal CARES Act funding that could be used to support operations during the pandemic, of which \$8 million was utilized in Fiscal Year 2020. This was utilized to support existing staff and operations and allowed the District to avoid layoffs. The District also proposed spending reductions of \$7.2 million for the Fiscal Year 2020-21 budget associated with the elimination of non-essential contracts and an assumed reduction in service levels to 26 daily trips on an ongoing basis after businesses are allowed to reopen and ridership returns. As of the date of this report, SMART has not resumed service levels to the 26 daily trips budgeted as it waits for both health orders and resulting ridership to indicate the need for higher service levels.

Capital Improvement Projects

In addition to the new 2.1-mile extension from San Rafael to Larkspur and the Downtown Novato station, a three-mile extension North to Windsor is under construction with funding from the State of California and the Federal Railroad Administration. Funding from Regional Measure 3 that was anticipated for the project is facing a new legal challenge that will delay the opening of the new Station from its planned late 2021 completion. In June of 2020, the Board of Directors authorized using \$8 million in proceeds from a pending sale of a Downtown Petaluma SMART property to fund the design and construction of a second station in North Petaluma at Corona Road and N. McDowell Boulevard. SMART is currently in the early phases of designing an additional 6.1 miles of Pathway in Petaluma, Rohnert Park and Santa Rosa in Sonoma County.

During Fiscal Year 2019-20 there was also continued progress on capital projects in support of operations, such as the installation and use of a wheel-truing machine to reduce rail car maintenance costs and impacts on service. Another ongoing initiative was additional funding for more pedestrian path of travel improvements at SMART crossings for enhanced safety at certain at-grade crossings.

OTHER FINANCIAL INFORMATION

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 judgements by management. We believe that the District's internal accounting controls achieve that goal.

Financial Policies and Practices

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

SMART's annual budget process, which takes place during the months of May and June, this year proactively addressed both the loss of the ballot measure that would have allowed SMART to achieve even greater debt service reductions and the COVID-19 impacts to SMART revenues and operations. That effort resulted in significant changes to SMART's expenditures (as previously discussed), while at the same time preserving minimum operating reserves for the foreseeable future. As part of the budget approval for the new Fiscal Year 2020-21, the SMART Board adopted a minimum reserve policy of 25% of operating expenses as a way to prepare for unknown future challenges in revenue and expense.

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, 2019. This was the seventh 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. Certainly, the challenges of the COVID pandemic will continue into the coming year, however, significant budget reductions and debt refinancing have been achieved to address these challenges. With continued leadership from the Board, ongoing vigilance on maintaining necessary reserves, and planning for future financial challenges, SMART's current and future operations will remain on solid footing.

ACKNOWLEDGEMENTS

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.



Erin McGrath
Chief Financial Officer



Farhad Mansourian
General Manager



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, 2019

Christopher P. Morill

Executive Director/CEO

Sonoma-Marin Area Rail Transit District Fiscal Year 2019-20 Principal Officials

Eric Lucan, Chair

Transportation Authority of Marin

Barbara Pahre, Vice Chair

*Golden Gate Bridge, Highway
and Transportation District*

Judy Arnold

Marin County Board of Supervisors

Damon Connolly

Marin County Board of Supervisors

Debora Fudge

*Sonoma County Mayors' and
Councilmembers*

Patty Garbarino

*Golden Gate Bridge, Highway
and Transportation District*

Dan Hillmer

*Marin County Council of Mayors and
Councilmembers*

Joe Naujokas

*Sonoma County Mayors' and
Councilmembers Association*

Gary Phillips

Transportation Authority of Marin

David Rabbitt

Sonoma County Board of Supervisors

Chris Rogers

*Sonoma County Mayors' and
Councilmembers Association*

Shirlee Zane

Sonoma County Board of Supervisors

Farhad Mansourian

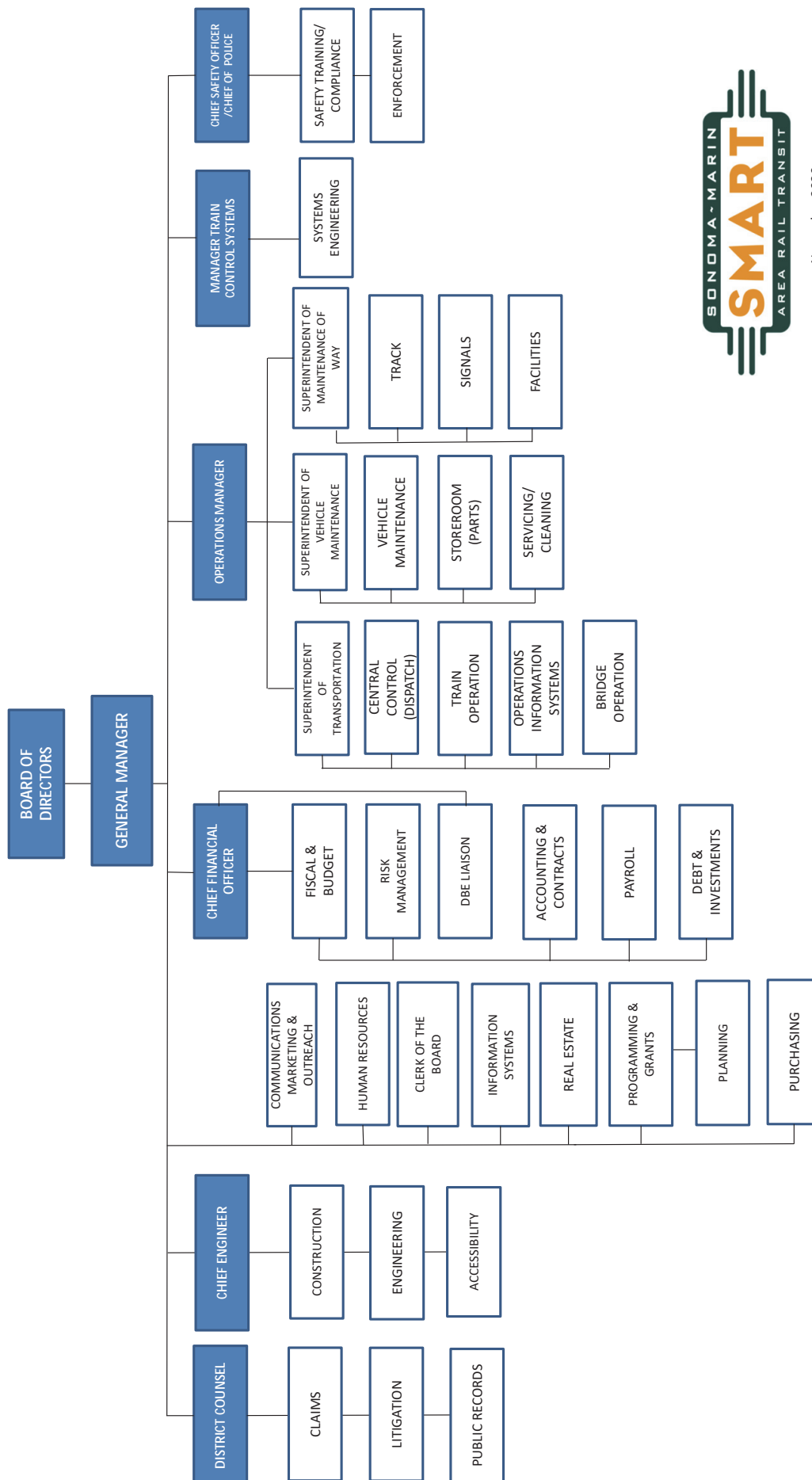
General Manager

Erin McGrath

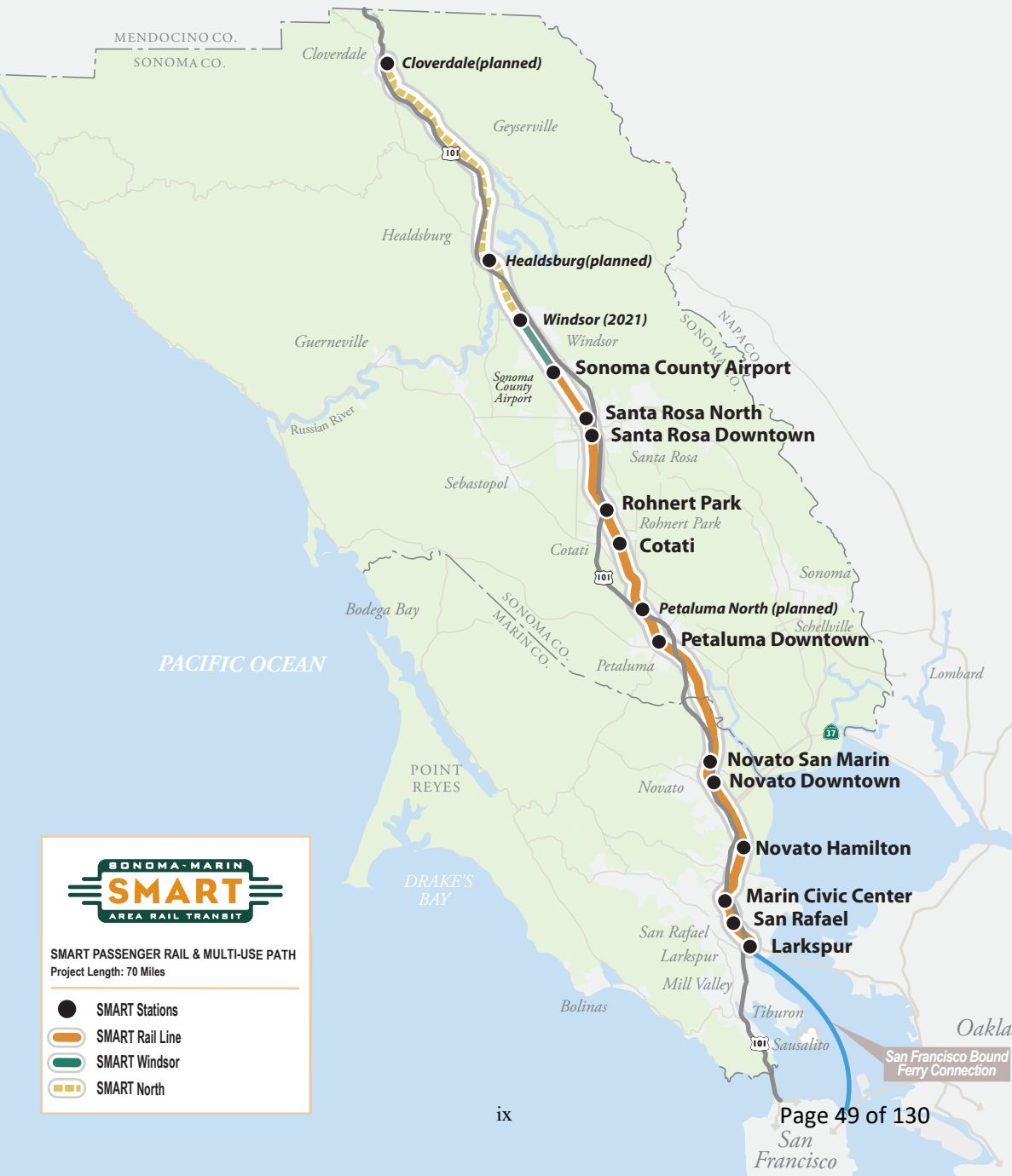
Chief Financial Officer

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

Organization Chart



November 2020



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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Sonoma-Marín Area Rail Transit District (District), California, as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, 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.

Maze + Associates

Pleasant Hill, California
November 10, 2020

Sonoma-Marín Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

As management of the Sonoma-Marín 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, 2020. 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 2020 Financial Highlights

- SMART's financial activity for the year ended June 30, 2020 reflects, on the revenue side, early COVID-19 impacts on SMART's revenues, including a \$1 million reduction in fare revenue and a \$2.3 million reduction in sales tax revenue.
- SMART received its first federal revenues for operations as a result of the federal CARES Act which provided \$8 million in operating support for Fiscal Year 2019-20, allowing SMART to avoid layoffs and continue operating reduced services.
- Operating expenses, net of depreciation, increased 3.4% over the prior year primarily due to increased labor costs associated with cost-of-living increases and benefits. This amount was lower than budgeted increases due to midyear savings strategies that froze vacant positions following the COVID-19 shelter in place orders.
- Capital assets increased by \$17.8 million (net of depreciation) due to continued construction activity during the year.
- Assets of SMART exceeded its liabilities at the close of the year ended June 30, 2020 by \$497.7 million (net position). Of this amount, \$99.5 million is unrestricted.
- SMART's net position increased \$30.1 million during the year ended June 30, 2020, 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, 2020

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 13-31 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 \$497,708,577 on June 30, 2020.

The largest portion of SMART's net position (80%) reflects its investment in capital assets (e.g., land, stations, track and crossings, pathway, bridges and tunnels). SMART uses these capital assets to provide passenger rail services to its customers and a multiuse pathway for the general public; consequently, these assets are not available for future spending.

Statement of Net Position

	2020	2019	2020-2019 Change
Current and Other Assets	\$ 99,689,100	\$ 97,455,509	\$ 2,233,591
Capital assets	561,171,311	543,330,649	17,840,662
Total Assets	660,860,411	640,786,158	20,074,253
Deferred outflows of resources	2,747,500	2,126,418	621,082
Current liabilities	25,904,500	23,905,407	1,999,093
Long-term liabilities	139,747,844	151,182,451	(11,434,607)
Total Liabilities	165,652,344	175,087,858	(9,435,514)
Deferred inflows of resources	246,990	260,112	(13,122)
Net position:			
Net investment in capital assets	398,251,858	403,239,649	(4,987,791)
Unrestricted	99,456,719	64,324,957	35,131,762
Total net position	\$ 497,708,577	\$ 467,564,606	\$ 30,143,971

Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

SMART's net position at the end of fiscal year 2020 increased by \$30,143,971 from the prior fiscal year. This increase is primarily the result of SMART continuing to invest its own revenues and outside grants into capital assets which in the past year included two new stations, safety improvements, the Larkspur extension project, a new Novato Downtown station, acceptance of new rail cars, and new extensions of the multiuse pathway. Current and other assets at June 30, 2020, increased by \$2,233,591. The increase was primarily due increased revenue from property transactions. Current liabilities increased from \$23,905,407 on June 30, 2019 to \$25,904,500 on June 30, 2020, which was primarily due to increased contracted payables at year-end related to SMART's capital asset construction activity.

Statement of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2020-2019</u> <u>Change</u>
Operating Revenues:			
Fare Revenues	\$3,090,458	\$4,094,539	(1,004,081)
Other operating revenues	874,657	942,336	(67,679)
Total Operating Revenues	3,965,115	5,036,875	(1,071,760)
Operating Expenses:			
Public transportation - rail/pathway			
Salaries and Employee benefits (non-capital)	19,295,606	18,453,125	842,481
Services and supplies	11,624,479	11,336,573	287,906
Depreciation	22,150,111	19,033,577	3,116,534
Loss on Impairment of assets	-	-	0
Other charges	100,000	203,883	(103,883)
Total Operating Expenses	53,170,196	49,027,158	4,143,038
Operating (Loss)	(49,205,081)	(43,990,283)	(5,214,798)
Non-Operating Revenues (Less Expenses)			
Sales/Use taxes	38,978,630	41,241,140	(2,262,510)
State operating assistance	7,516,612	5,000,756	2,515,856
Federal Operating Assistance	8,058,183	-	8,058,183
Investment earnings	338,227	1,974,246	(1,636,019)
Miscellaneous revenue	1,438,087	4,174,454	(2,736,367)
Capital expenses passed through to other agencies	(918,506)	(770,156)	(148,350)
Interest expense	(5,273,801)	(5,591,608)	317,807
Total Non-Operating Revenues (Net):	50,137,432	46,028,832	4,108,600
Capital Grants	29,211,620	37,345,323	(8,133,703)
Change in Net Position	30,143,971	39,383,872	(9,239,901)
Net Position, beginning of year as previously reported	467,564,606	428,180,734	39,383,872
Net Position, end of year	\$497,708,577	\$467,564,606	\$30,143,971

Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Fiscal Year 2020 Revenues

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

- Operating revenues of \$3,965,115 consisting of fare, advertising, parking and other revenues directly generated by operations and ownership of property within the District. As discussed in the Transmittal letter, these revenues have been impacted by the COVID-19 Pandemic health orders and were \$1 million lower than the prior year.
- Non-operating revenues (less expenses) of \$50,137,432 are comprised of sales tax revenue to SMART, state and federal operating assistance, and miscellaneous revenue. Sales tax, SMART's single largest ongoing source of revenue, decreased 5.5% or \$2.26 million (net of fees) over the previous year due to the impacts of the Pandemic. SMART received \$8 million in CARES federal operating assistance which was designed to offset revenue losses and support operations through the duration of the COVID-19 impacts.
- Capital grants of \$29,211,620 are \$8,133,703 lower than the year ended June 30, 2019. The decrease is related to reduced construction activity following completion of the Larkspur extension, the new Novato Downtown Station, and new multiuse pathways.
- Miscellaneous revenue decreased by \$2,736,367 due to the primarily one-time nature of that revenue which fluctuates from year to year.

Fiscal Year 2020 Expenses

- SMART had operating expenses of \$53,170,196, tied to salaries, benefits, other services and supplies. This also includes \$22,150,111 in depreciation expense.
- Salaries and benefits increased over the year ended June 30, 2019, by \$842,481, due to cost-of-living and benefit expense increases.
- Services and supplies increased over the year ended June 30, 2019 by \$287,906, a 2.5% increase tied to contracted increases in services and inflation. SMART also purchased additional cleaning supplies, personal protective equipment and other safety related materials to continue to operate during the pandemic.
- Other charges of \$100,000 represent a decrease over the prior year of \$103,883 in legal settlements.

Capital Assets

SMART's capital assets, as of June 30, 2020 are \$561,171,311 (net of accumulated depreciation) which is an increase of \$17,840,662 over June 30, 2019. Assets grew in conjunction with continued construction of the rail and pathway and payments for rail cars. SMART assets include land, construction in progress, infrastructure (tracks/rails, crossings, bridges, fencing, tunnels, road crossings and pathway improvements), buildings and improvements, and equipment.

Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Capital Assets			2020 - 2019
	2020	2019	Change
Land	\$ 43,532,414	\$ 43,532,414	\$ -
Intangible Assets (Non-Amortizable)	20,770	20,770	-
Infrastructure	498,244,969	428,720,262	69,524,707
Revenue Vehicles	59,603,699	42,833,647	16,770,052
Buildings and improvements	24,868,302	24,868,302	-
Construction in progress	13,519,021	65,324,720	(51,805,699)
Equipment	9,036,864	3,535,151	5,501,713
Intangible Assets	387,672	387,672	-
Accumulated depreciation	(88,042,400)	(65,892,288)	(22,150,112)
Total capital assets, net of depreciation	\$ 561,171,311	\$ 543,330,649	\$ 17,840,662

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

Debt

SMART had \$145,846,953 in bonds outstanding and unamortized bond premium at June 30, 2020 compared to \$157,163,502 on June 30, 2019. Additional information on SMART's long-term debt can be found in Note 4. In October 2020, subsequent to the end of Fiscal Year 2019-20, SMART paid off the remaining balance of this debt by placing the proceeds of a new 2020 Debt in an irrevocable trust to provide for all future debt service payment on the old bonds.

Economic and Other Factors

Economy

SMART operations rely directly on the strength of its designated Measure Q sales and use tax receipts which provides more than 75% of its operating revenue on an ongoing basis. The strength of this revenue source is dependent on the economic health of the two counties of the SMART District, particularly employment rates and job growth. As a result of a recent Supreme Court decision applying sales tax to more online transactions (*South Dakota v. Wayfair*, 2018), SMART received an additional \$1.4 million in revenues that otherwise would not have been collected particularly in light of the closures of local business. As discussed in the Introductory Section in more detail, the economy of the District during the past year was strong prior to the COVID-19 pandemic, and its fare and sales tax revenues were growing. However, those revenues have suffered since the shelter-in-place orders were implemented in March affecting employment, sales tax revenues and SMART's service to the District. As further outlined in the Transmittal Letter, SMART moved quickly to reduce expenses in the face of these economic pressures and has benefitted from federal relief funds which, combined with budget reductions, have stabilized the finances of the District. It is impossible to accurately project the length or timing of the economic recovery, however SMART continues to hold significant operating reserves projected to be available for the foreseeable future.

Sonoma-Marin Area Rail Transit District
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Other Factors

SMART continues to manage significant capital projects and thus holds multi-year contracts with several independent contractors. The Larkspur extension project, which opened for service in December of 2019, was in the final process of closeout at the end of Fiscal year 2019-20. Several new pathway extensions in the County of Sonoma are in design and will be constructed in 2021. A new 3-mile Windsor extension project is also underway but will be delayed due to legal challenges to Regional Measure 3 which provides 62% of its funding. These capital projects are primarily grant-funded in nature and do not rely on sales tax or SMART's other revenue sources. At June 30, 2020, SMART's total outstanding commitments under these and other construction-related contracts were approximately \$57 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, 2020

ASSETS

Current Assets

Cash and cash equivalents (Note 2)	\$38,635,854
Restricted cash, cash equivalents, and investments with trustee (Note 2)	23,044,126
Due from other governments	14,720,897
Other receivables	17,910,075
Deposits with others	2,053,528
Inventory	1,655,419
Prepaid expenses	1,669,201
Total current assets	99,689,100

Noncurrent Assets

Capital assets (Note 3):

Non-depreciable:

Land	43,532,414
Construction in progress	13,519,021
Intangible assets	20,770

Depreciable (net of accumulated depreciation):

Infrastructure	422,329,029
Buildings and improvements	20,982,737
Equipment and vehicles	6,271,719
Revenue vehicles	54,265,211
Intangible assets	250,410

Total capital assets, net	561,171,311
Total noncurrent assets	561,171,311
Total Assets	660,860,411

DEFERRED OUTFLOWS OF RESOURCES

Pension related (Note 5)	2,227,704
OPEB related (Note 6)	519,796
Total Deferred Outflows of Resources	2,747,500

LIABILITIES

Current Liabilities

Accounts payable and other current liabilities	11,796,676
Unearned revenue	11,977
Interest payable	2,280,283
Compensated absences - due within one year (Note 1H)	1,250,564
Long-term debt - due within one year (Note 4)	10,565,000
Total current liabilities	25,904,500

Noncurrent Liabilities

Compensated absences (Note 1H)	219,345
Net post-employment benefits liability (Note 6)	3,074,676
Net pension liability (Note 5)	1,130,823
Long-term debt (Note 4)	135,281,953
Other noncurrent liabilities	41,047
Total noncurrent liabilities	139,747,844
Total Liabilities	165,652,344

DEFERRED INFLOWS OF RESOURCES

Pension related (Note 5)	45,542
OPEB related (Note 6)	201,448
Total Deferred Inflows of Resources	246,990

NET POSITION (Note 1L)

Net investment in capital assets	398,251,858
Unrestricted	99,456,719
Total Net Position	\$497,708,577

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, 2020

OPERATING REVENUES

Fare revenues	\$3,090,458
Other operating revenues	874,657
	<hr/>
Total operating revenues	3,965,115
	<hr/>

OPERATING EXPENSES

Public transportation - rail/pathway:	
Salaries and employee benefits	20,157,177
Capitalized employee costs	(861,571)
Services and supplies	11,624,479
Depreciation (Note 3)	22,150,111
Other charges	100,000
	<hr/>
Total program operating expenses	53,170,196
	<hr/>
Operating loss	(49,205,081)

NON-OPERATING REVENUES (EXPENSES)

Sales/Use taxes	38,978,630
State operating assistance	7,516,612
Federal operating assistance	8,058,183
Investment earnings	338,227
Miscellaneous revenue	1,438,087
Capital expense passed through to other agencies	(918,506)
Interest expense	(5,273,801)
	<hr/>
Total non-operating revenues, net	50,137,432
	<hr/>
Income before capital grants	932,351

CAPITAL GRANTS

State of California	20,048,928
State of Good Repair	262,565
Metropolitan Transportation Commission	224,051
Sonoma County Transportation Authority- Measure M	22,632
Federal	2,609,220
Other governmental agencies	4,716,659
Donated Assets	1,327,565
	<hr/>
Total capital grants	29,211,620
	<hr/>
Change in net position	30,143,971

NET POSITION

Beginning of Year	467,564,606
	<hr/>
End of Year	\$497,708,577
	<hr/> <hr/>

See accompanying notes to basic financial statements

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$3,090,458
Payment to others	(7,262,888)
Payments to suppliers for goods and services	(11,061,116)
Payments to and on behalf of employees	<u>(18,396,668)</u>
Net cash provided (used) by operating activities	<u>(33,630,214)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	<u>433,642</u>
Net cash provided by investing activities	<u>433,642</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Sales tax received	39,249,135
State operating assistance	6,914,022
Federal operating assistance	<u>8,058,183</u>
Net cash provided by noncapital and financing activities	<u>54,221,340</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(38,201,393)
Labor costs related to capital projects	(861,571)
Capital grants received restricted for capital purposes	25,608,658
Donated Assets	1,327,565
Cash paid on projects on behalf of other governments	(918,506)
Cash receipts for third party infrastructure	998,437
Principal payments on long-term debt	(9,316,724)
Interest paid on capital debt	<u>(7,430,876)</u>
Net cash provided (used) by capital and related financing activities	<u>(28,794,410)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,769,642)
CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>69,449,622</u>
CASH AND INVESTMENTS AT END OF YEAR	<u><u>\$61,679,980</u></u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and Cash Equivalents	\$38,635,854
Restricted cash, cash equivalents, and investments with trustee	<u>23,044,126</u>
Total cash and cash equivalents	<u><u>\$61,679,980</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating loss	(\$49,205,081)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	22,150,111
Changes in operating assets and liabilities:	
Prepaid expenses	(281,430)
Accounts receivable	(8,137,545)
Accounts payable and other accrued liabilities	944,793
Compensated absences	193,832
Net post-employment benefits obligation	537,712
Net pension liability and related deferred outflow/inflow of resources	<u>167,394</u>
Net cash provided (used) by operating activities	<u><u>(\$33,630,214)</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Amortization of premiums	\$1,881,549
Inventory	1,307,386

See accompanying notes to basic financial statements

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
--

A. *General*

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

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

B. *Fund Accounting*

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

C. *Basis of Accounting*

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

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

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

D. Cash Equivalents

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

E. Investments

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

F. Restricted Cash and Investments with Trustee

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

G. Receivables

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

H. Compensated Absences

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

Employee liabilities as of June 30, 2020 are as follows:

Beginning Balance	\$1,276,077
Additions	1,030,519
Payments	<u>(836,687)</u>
Ending Balance	<u><u>\$1,469,909</u></u>
Current Portion	<u><u>\$1,250,564</u></u>

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

I. Risk Management

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

J. Use of Estimates

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

K. Deferred Inflow/Outflow of Resources

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

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

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, 2020

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

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*

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period -

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement had no material effect on the financial statements.

GASB 95 - Postponement of the Effective Dates of Certain Authoritative Guidance -

This Statement extended the implementation dates for 15 GASB Statements and Implementation Guides by 1 year or more. Of course, many of the Statements could be early-implemented, as applicable.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS

Cash, cash equivalents, and investments are carried at fair value and are categorized as follows at June 30, 2020:

	Available for Operations	Held by Trustee	Total
Cash equivalent:			
Sonoma County Treasury Pool	\$18,282,823	\$23,044,126	\$41,326,949
Deposits	20,353,031		20,353,031
Total Cash and Investments	<u>\$38,635,854</u>	<u>\$23,044,126</u>	<u>\$61,679,980</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. The carrying value of the Treasury Pool approximates fair value.

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	180 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, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)
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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, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)
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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, 2020. 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 2020 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.

NOTE 3 - CAPITAL ASSETS

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

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

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

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - CAPITAL ASSETS (Continued)

Capital assets comprised the following at June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$43,532,414				\$43,532,414
Intangible assets	20,770				20,770
Construction in progress	65,324,720	\$37,342,776	(\$6,153)	(\$89,142,322)	13,519,021
Total capital assets not being depreciated	108,877,904	37,342,776		(89,142,322)	57,072,205
Capital assets being depreciated:					
Infrastructure	428,720,262			69,524,707	498,244,969
Buildings and improvements	24,868,302				24,868,302
Equipment and vehicles	3,535,151	2,654,150		2,847,563	9,036,864
Revenue vehicles	42,833,647			16,770,052	59,603,699
Intangible assets	387,672				387,672
Total capital assets being depreciated	500,345,034	2,654,150		89,142,322	592,141,506
Less accumulated depreciation for:					
Infrastructure	(57,978,149)	(17,937,791)			(75,915,940)
Buildings and improvements	(3,234,615)	(650,950)			(3,885,565)
Equipment	(1,740,545)	(1,024,600)			(2,765,145)
Revenue vehicles	(2,855,577)	(2,482,911)			(5,338,488)
Intangible assets	(83,403)	(53,859)			(137,262)
Total accumulated depreciation	(65,892,289)	(22,150,111)			(88,042,400)
Total capital assets being depreciated, net	434,452,745	(19,495,961)		89,142,322	504,099,106
Capital assets, net	\$543,330,649	\$17,846,815			\$561,171,311

SMART recognized \$22.2 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.

Long-term debt activity for the year ended June 30, 2020 was as follows:

	Original Issue Amount	Balance June 30, 2019	Retirements	Balance June 30, 2020	Amount due within one year
Bonds Payable:					
Remarketed Series 2011A					
2.00-5.00%, due 3/1/2029	\$170,725,000	\$146,300,000	\$9,435,000	\$136,865,000	\$10,565,000
Unamortized bond premium	19,371,688	10,863,502	1,881,549	8,981,953	
Total long-term debt, net		\$157,163,502	\$11,316,549	\$145,846,953	\$10,565,000

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – LONG TERM DEBT (Continued)

The total projected Measure Q Sales Tax revenue, as projected in the 2019 Measure Q Strategic Plan, is expected to approximate \$757 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, 2020 was \$38,978,630 whereas debt service on the Measure Q bonds was \$14,747,600 for the fiscal year ended June 30, 2020.

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, 2020:

For The Year Ending June 30	Principal	Interest
2021	\$10,565,000	\$7,312,600
2022	11,745,000	6,840,850
2023	12,990,000	6,315,000
2024	14,290,000	5,727,750
2025	15,660,000	4,363,750
2026 - 2029	71,615,000	8,887,250
	<u>136,865,000</u>	<u>\$39,447,200</u>
Plus: Unamortized Bond Premium	<u>8,981,953</u>	
	<u>\$145,846,953</u>	

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

On October 7, 2020, the SMART Board of Directors approved the issuance of up to \$160 million of Tax Revenue Refunding Bonds (Green Bonds) to refinance the Measure Q Sales Tax Revenue Bonds Series 2011A.

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 – PENSION PLANS

A. *General Information about the Pension Plans*

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

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

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, 2020

NOTE 5 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous			
	Tier I	Tier II	Tier III	PEPRA
	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%	6.75%
Required employer contribution rates	9.680%	9.680%	8.081%	6.985%

*SMART pays employee share

	Safety
	PEPRA
	On or after January 1, 2013
Hire date	
Benefit formula	2.7% @ 57
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	57
Monthly benefits, as a % of eligible compensation	2.0%-2.7%
Required employee contribution rates	12.0%
Required employer contribution rates	13.034%

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

For the year ended June 30, 2020, the contributions recognized as part of pension expense for the Plans were as follows:

	Safety	Miscellaneous
Contributions - employer	\$27,589	\$976,474

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 – PENSION PLANS (Continued)

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plans	\$1,126,646
Safety Plans	4,177
	<u>\$1,130,823</u>

The District's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability of each of the Plan is measured as of June 30, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2018 and 2019 was as follows:

	Miscellaneous
Proportion - June 30, 2018	0.02309%
Proportion - June 30, 2019	0.02813%
Change - Increase (Decrease)	0.00504%
	Safety
Proportion - June 30, 2018	0.00001%
Proportion - June 30, 2019	0.00001%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2020, the District recognized a pension expense of \$1,171,457.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$976,474	
Differences between actual and expected experience	78,250	(\$6,063)
Changes in assumptions	53,724	(19,045)
Net differences between projected and actual earnings on plan investments		(19,697)
Net Change in proportion and differences between actual contributions and proportionate share of contributions	<u>1,073,765</u>	
Total	<u>\$2,182,213</u>	<u>(\$44,805)</u>

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 – PENSION PLANS (Continued)

At June 30, 2020, the District reported \$976,474 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan	
Year Ended June 30	Annual Amortization
2021	\$677,210
2022	316,368
2023	163,376
2024	3,980
Total	<u>\$1,160,934</u>

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the Safety Plan from the following sources:

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$27,589	
Differences between actual and expected experience	273	
Changes in assumptions	171	(\$33)
Net differences between projected and actual earnings on plan investments		(57)
Net Change in proportion and differences between actual contributions and proportionate share of contributions	<u>17,458</u>	<u>(647)</u>
Total	<u>\$45,491</u>	<u>(\$737)</u>

At June 30, 2020, the District reported \$27,589 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Safety Plan	
Year Ended June 30	Annual Amortization
2021	\$6,298
2022	5,988
2023	4,867
2024	12
Total	<u>\$17,165</u>

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 – PENSION PLANS (Continued)

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

	All Plans
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPers Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.5% thereafter

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

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

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

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 – PENSION PLANS (Continued)

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

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

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

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

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

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

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$2,411,823	\$16,064
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$1,126,646	\$4,177
1% Increase	8.15%	8.15%
Net Pension Liability (Asset)	\$65,824	(\$5,568)

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 – PENSION PLANS (Continued)

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

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

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

By SMART Board of Directors resolution, SMART will provide certain health care benefits for retired employees under third-party insurance plans. The District's Post Employment Benefit Plan is a single-employer defined benefit plan. Employees become eligible to retire and receive healthcare benefits upon reaching retirement age with at least 5 years of service or being converted to disability, retiring directly from the District, and continue participating in Public Employees' Medical and Hospital Care Act (PEMHCA) after retirement. The PEMHCA minimum benefit was \$136 per month in 2019 and is \$139 per month in 2020. As of June 30, 2020, there were two retiree receiving OPEB benefits.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2019:

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

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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, 2019 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2019 to determine the \$3,074,676 total OPEB liability as of June 30, 2019, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age actuarial cost method
Actuarial Assumptions:	
Discount Rate	3.62% at June 30 2018, and 3.13% at June 30 2019. Since the benefits are not funded, the discount rate is equal to the 20-year bond rate.
20 Year Bond Rate	SMART has chosen to use the "Fidelity General Obligation AA" as its 20-year bond rate. That Index was 3.62% at June 30 2018, and 3.13% at June 30 2019.
Premium Increases	Medical Premiums and PEMHCA minimum are assumed to increase as follows: 2021-2023 to 4%, 2024-2027 to 4.5%, 2028 and later to 5.0%.
Payroll Growth	Total payroll is assumed to increase 3.0% per year in the future.
Mortality Rate	Rates are taken from 2017 CalPERS valuation.
Retirement	Rates are taken from 2017 CalPERS valuation for miscellaneous public employees with 2% at age 55, 2% at 60, or 2% at 62 retirement formula, depending on which the employee has now.
Coverage Elections	80% of future eligible retired employees are assumed to participate in this program. Employees with no current medical coverage are assumed to elect Kaiser employee-only coverage upon retirement.
Turnover (withdrawal)	Likelihood of termination within the next year is taken from the 2017 CalPERS valuation, rates for Public Miscellaneous employees.
Inflation	Long-term inflation is assumed to be 2.75% per year.
Age-Specific Medical Claims	The estimated per person medical claims (true cost of coverage) during the 2019-20 fiscal year are as follows: Ages 50, 55, 60, 64 amount per age respectfully are \$11,363; \$14,014; \$16,334; \$17,525.

C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance at June 30, 2018	<u>\$1,995,296</u>
Changes Recognized for the Measurement Period:	
Service cost	444,687
Interest on the total OPEB liability	72,116
Differences between expected and actual experience	260,415
Changes of assumptions	308,419
Benefit payments	(6,257)
Net changes	<u>1,079,380</u>
Balance at June 30, 2019 (Measurement Date)	<u><u>\$3,074,676</u></u>

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 2.62% or 1-percentage-point higher 4.62% than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
2.13%	3.13%	4.13%
\$3,937,977	\$3,074,676	\$2,436,557

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%
\$2,439,930	\$3,074,676	\$3,917,586

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$537,712. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date		
Differences between actual and expected experience	\$237,965	
Net difference between projected and actual earnings on OPEB plan investments		
Changes of assumptions	281,831	\$201,448
Total	<u>\$519,796</u>	<u>\$201,448</u>

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

Year Ended June 30	Annual Amortization
2021	\$26,145
2022	26,145
2023	26,145
2024	26,145
2025	26,145
Thereafter	187,623
Total	<u>\$318,348</u>

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - COMMITMENTS

A. *Lease Commitments*

SMART's future noncancellable lease payments are:

Year Ending June 30	Minimum Lease Payment
2021	\$448,966
2022	456,363
2023	73,582
Total	<u>\$978,911</u>

B. *Purchase Commitments*

At June 30, 2020, SMART had outstanding purchase and contract commitments for the rail and pathway project of \$57 million. This includes a contract for the three mile Windsor extension that will be delayed following a legal challenge to the Regional Measure 3 funds in that project.

NOTE 8 – SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The District has received CARES Act money and has suffered a decrease in ridership. However, the ongoing related financial impact on District and the duration cannot be reasonably estimated at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Miscellaneous and Safety Cost Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2020
Last 10 Years*
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

	Safety Plan **	
	2019	2020
Measurement Period	6/30/2018	6/30/2019
Plan's proportion of the Net Pension Liability (Asset)	0.00001%	Total Plan NPL
Plan's proportion share of the Net Pension Liability (Asset)	\$709	\$4,177
Covered Payroll	\$195,041	\$211,670
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	0.36%	1.97%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.26%	75.26%

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

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

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
Cost Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2020
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

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

Notes to Schedule Contributions

Methods and assumptions used to determine contribution rates:

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

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

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

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

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

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

Last 10 fiscal years*

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

* 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.

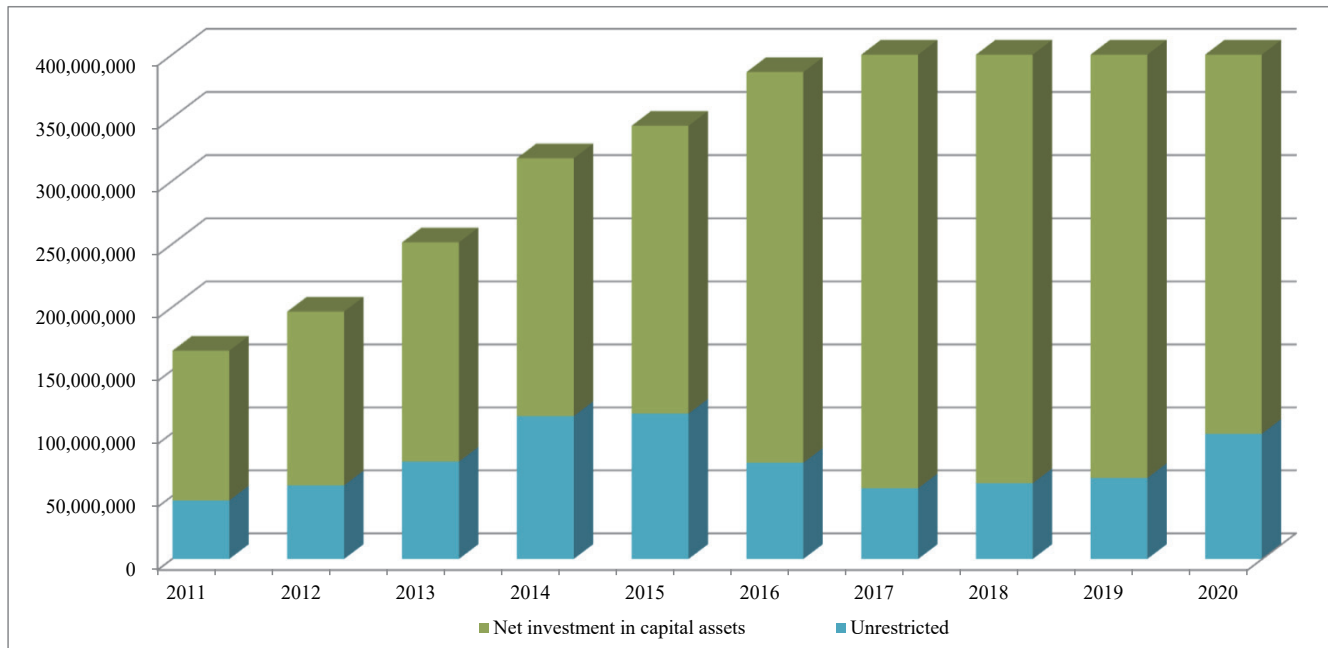
- Table 12- Operating Information
- Table 13- Employees – Full-Time Equivalent

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



	2011	2012	2013	2014	2015
Net investment in capital assets	\$118,948,132	\$137,997,431	\$173,996,072	\$204,389,312	\$228,244,612
Unrestricted	46,507,406	58,533,319	77,347,530	113,506,183	115,465,740
Total net position	\$165,455,538	\$196,530,750	\$251,343,602	\$317,895,495	\$343,710,352

	2016	2017	2018	2019	2020
Net investment in capital assets	\$309,724,259	\$353,088,871	\$367,957,650	\$403,239,649	\$398,251,858
Unrestricted	76,452,056	56,226,336	60,223,084	64,324,957	99,456,719
Total net position	\$386,176,315	\$409,315,207	\$428,180,734	\$467,564,606	\$497,708,577

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

	2011	2012	2013	2014	2015
Operating Revenues:					
Operating Revenue	\$635,670	\$650,877	\$597,880	\$840,586	\$640,249
Total Operating Revenues	635,670	650,877	597,880	840,586	640,249
Operating Expenses:					
Public transportation - rail/pathway:					
Net salaries and employee benefits	1,831,476	2,597,001	2,683,628	3,041,027	4,303,358
Services and supplies	10,097,972	4,179,668	4,772,700	4,466,562	5,275,106
Depreciation	472,061	4,527,575	4,527,575	4,473,500	4,575,530
Bad Debt	-	-	-	-	-
Loss on impairment of assets	-	-	-	433,295	-
Other charges	53,471	76,671	700,783	215,922	380,000
Total Operating Expenses	12,454,980	11,380,915	12,684,686	12,630,306	14,533,994
Operating loss	(11,819,310)	(10,730,038)	(12,086,806)	(11,789,720)	(13,893,745)
Nonoperating Revenues (Expenses):					
Sales/Use taxes	26,826,843	28,303,501	30,435,753	32,473,329	33,845,426
Federal, state, and other operating assistance	-	-	-	-	-
Investment earnings	192,500	437,618	1,495,066	1,182,159	1,384,557
Sale of contract option	758,825	-	-	-	-
Capital expense passed through to other agencies	-	-	-	-	(1,557,743)
Miscellaneous revenue	46,400	26,236	62,178	65,638	49,351
Interest expense	-	(1,117,492)	(5,328,770)	(4,420,558)	(2,761,502)
Total Nonoperating Revenues	27,824,568	27,649,863	26,664,227	29,300,568	30,960,089
Income before capital grants	16,005,258	16,919,825	14,577,421	17,510,848	17,066,344
Capital Grants					
State of California	9,787,099	8,148,143	24,130,596	4,295,318	3,381
Metropolitan Transportation Commission	6,046,018	-	4,541,421	35,500,504	7,119,973
Sonoma County Transportation Authority	-	4,594,099	5,758,121	5,136,487	35,358
Federal Grants	1,960,000	1,203,349	6,021,838	2,562,581	500,595
Other governmental agencies	3,621,344	209,796	666,592	1,543,983	1,534,698
Donated asset	-	-	-	-	-
Total Capital grants	21,414,461	14,155,387	41,118,568	49,038,873	9,194,005
Change in net position	\$37,419,719	\$31,075,212	\$55,695,989	\$66,549,721	\$26,260,349

Source: SMART annual financial statements.

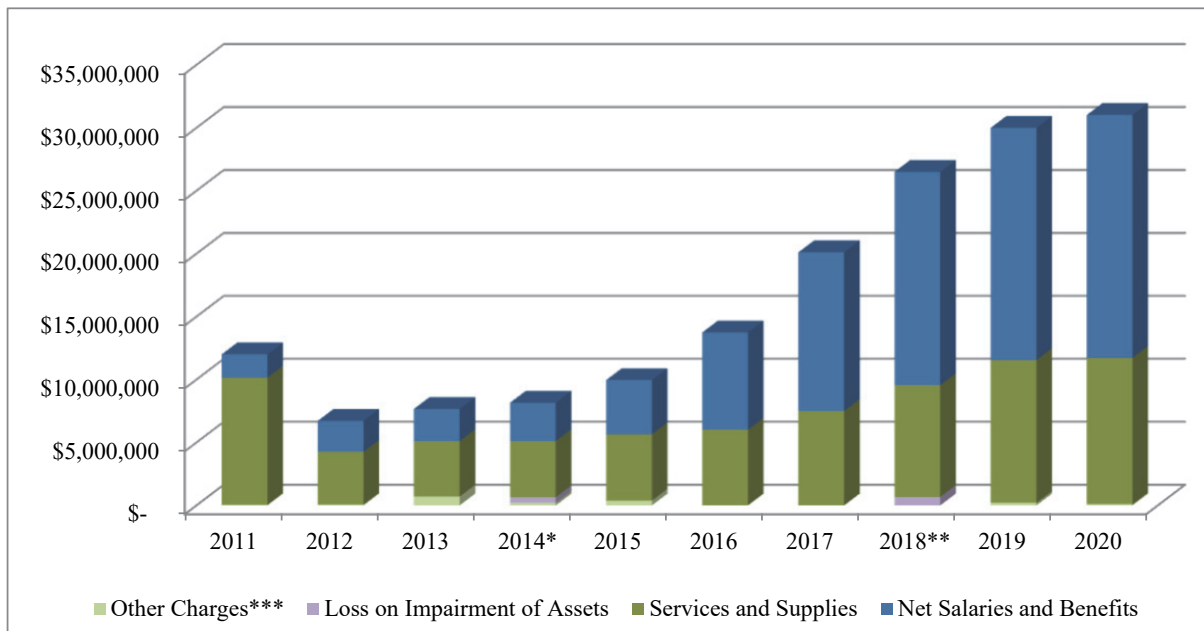
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Table 2
SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2016	2017	2018	2019	2020
Operating Revenues:					
Operating Revenue	\$529,191	\$588,402	\$4,025,111	\$5,036,875	\$3,965,115
Total Operating Revenues	529,191	588,402	4,025,111	5,036,875	3,965,115
Operating Expenses:					
Public transportation - rail/pathway:					
Net salaries and employee benefits	7,736,893	12,610,874	16,950,114	18,453,125	19,295,606
Services and supplies	5,998,630	7,498,986	8,877,465	11,336,573	11,624,479
Depreciation	4,610,295	4,716,779	17,800,126	19,033,577	22,150,111
Bad Debt	-	-	-	-	-
Loss on impairment of assets	-	-	671,378	-	-
Other charges	7,541	212	954	203,883	100,000
Total Operating Expenses	18,353,359	24,826,851	44,300,037	49,027,158	53,170,196
Operating loss	(17,824,168)	(24,238,449)	(40,274,926)	(43,990,283)	(49,205,081)
Nonoperating Revenues (Expenses):					
Sales/Use taxes	34,776,012	36,061,895	37,135,476	41,241,140	38,978,630
Federal, state, and other operating assistance	-	-	3,701,366	5,000,756	15,574,795
Investment earnings	585,178	366,748	724,313	1,974,246	338,227
Sale of contract option	-	-	-	-	-
Capital expense passed through to other agencies	(295,894)	(62,636)	(3,778,891)	(770,156)	(918,506)
Miscellaneous revenue	2,264,334	438,639	2,236,508	4,174,454	1,438,087
Interest expense	(805,558)	(1,164,558)	(5,819,778)	(5,591,608)	(5,273,801)
Total Nonoperating Revenues	36,524,072	35,640,088	34,198,994	46,028,832	50,137,432
Income before capital grants	18,699,904	11,401,639	(6,075,932)	2,038,549	932,351
Capital Grants					
State of California	284,094	458,549	837,950	2,883,980	20,311,493
Metropolitan Transportation Commission	2,683,108	5,007,846	9,939,309	4,388,830	224,051
Sonoma County Transportation Authority	47,780	33,440	356,219	55,249	22,632
Federal Grants	3,779,595	2,750,431	9,450,100	21,270,383	2,609,220
Other governmental agencies	749,376	3,036,898	4,357,881	8,746,881	4,716,659
Donated asset	16,222,106	1,116,726	-	-	1,327,565
Total Capital grants	23,766,059	12,403,890	24,941,459	37,345,323	29,211,620
Change in net position	\$42,465,963	\$23,805,529	\$18,865,527	\$39,383,872	\$30,143,971

Source: SMART annual financial statements.

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



Fiscal Year Ended June 30	Net Salaries and Benefits	Services and Supplies	Other Charges***	Loss on Impairment of Assets	Total
2011	\$ 1,847,662	\$ 10,097,972	\$ 53,471	\$ -	\$ 11,999,105
2012	2,462,175	4,179,668	76,671	-	6,718,514
2013	2,558,849	4,406,463	700,783	-	7,666,095
2014*	3,041,027	4,466,562	215,922	433,295	8,156,806
2015	4,303,358	5,275,106	380,000	-	9,958,464
2016	7,736,893	5,998,630	7,541	-	13,743,064
2017	12,610,874	7,498,986	212	-	20,110,072
2018**	16,950,114	8,877,475	954	671,378	26,499,921
2019	18,453,125	11,336,573	203,883	-	29,993,581
2020	\$ 19,295,606	\$ 11,624,479	\$ 100,000	\$ -	\$ 31,020,085

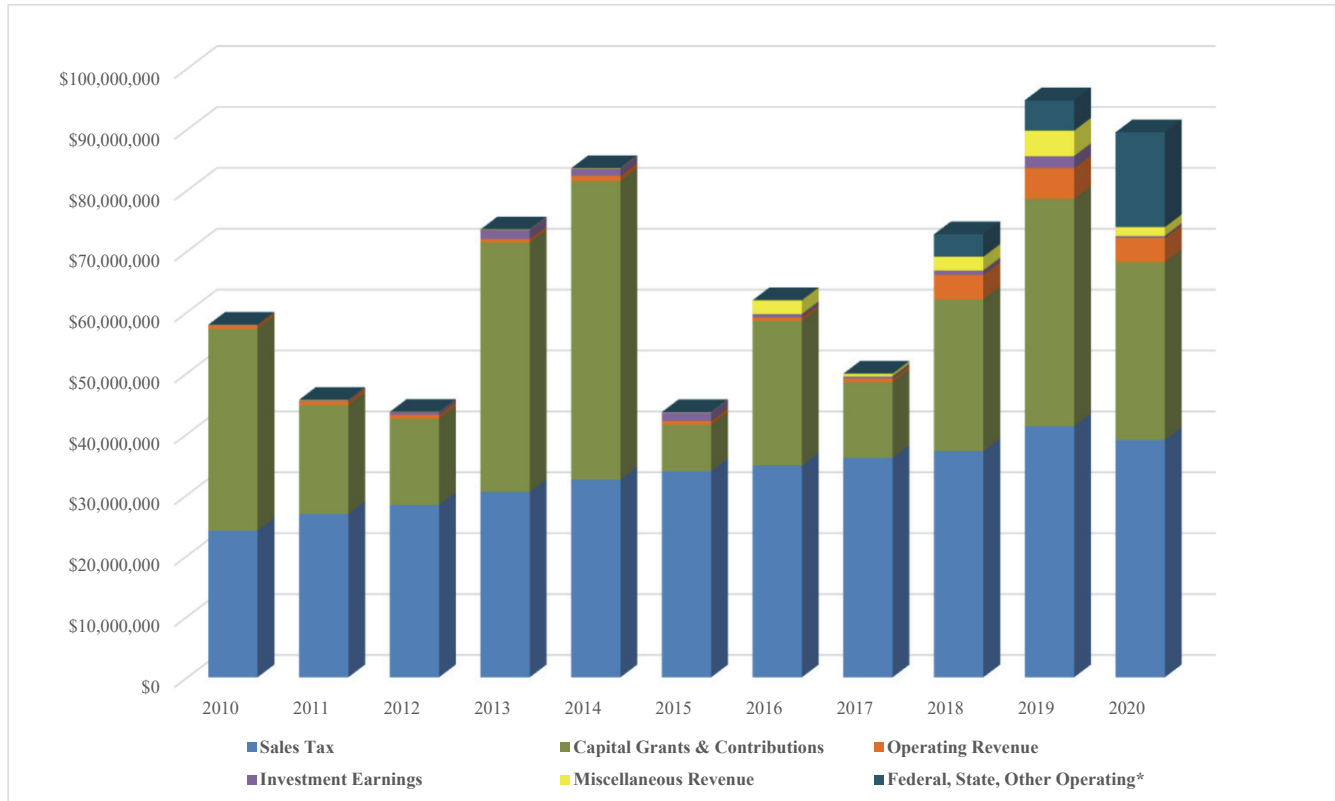
Source: Sonoma-Marin Area Rail Transit District Financial Statements

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

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

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

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



Fiscal Year	Sales Tax	Capital Grants & Contributions	Operating Revenue	Federal, State, Other Operating*	Investment Earnings	Miscellaneous Revenue	Total
2010	\$ 24,059,929	\$ 33,138,053	\$ 564,502	\$ -	\$ 93,215	\$ 38,445	\$ 57,894,144
2011	26,826,843	17,856,239	635,670	-	192,500	46,400	45,557,652
2012	28,303,501	14,155,387	650,877	-	437,618	26,236	43,573,619
2013	30,435,753	40,952,030	597,880	-	1,495,066	62,178	73,542,907
2014	32,473,329	49,038,873	840,586	-	1,182,159	65,638	83,600,585
2015	33,845,426	7,636,262	640,249	-	1,384,557	49,351	43,555,845
2016	34,776,012	23,766,059	529,191	-	585,178	2,264,334	61,920,774
2017	36,061,895	12,403,890	588,402	-	366,748	438,639	49,859,574
2018	37,135,476	24,941,459	4,025,111	3,701,366	724,313	2,236,508	72,764,233
2019	41,241,140	37,345,323	5,036,875	5,000,756	1,974,246	4,174,454	94,772,794
2020	\$ 38,978,630	\$ 29,211,620	\$ 3,965,115	\$ 15,574,795	\$ 338,227	\$ 1,438,087	\$ 89,506,474

Source: Sonoma-Marin Area Rail Transit District Financial Reports
*Transit Operation began Fiscal Year 2018

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

<u>Fiscal Year</u>	<u>SMART Sales Tax Rate</u>	<u>Total Sales Tax Revenue</u>	<u>Marin County Total Taxable Sales (In Thousands)</u>	<u>Sonoma County Total Taxable Sales (In Thousands)</u>	<u>SMART District Total Taxable Sales (In Thousands)</u>
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
2019	0.25%	41,241,140	5,454,389	9,966,334	15,420,723
2020	0.25%	\$ 38,978,630	\$ 5,148,864	\$ 9,113,111	\$ 14,261,975

Source: California Department of Tax and Fee Administration

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

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

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

*FY2012 First Year SMART began compiling statistical data

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

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

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

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

(d) SMART sales tax effective April 1, 2009

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

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

Fiscal Year 2020**		
Principal Revenue Payers: Sales Tax Generators	Percentage	Total Receipts
General Retail	27.8%	\$ 10,771,527
Auto and Other Transportation	19.6%	7,618,940
Food & Beverage Products	18.3%	7,110,842
Business to Business	16.5%	6,406,880
Construction Related	14.2%	5,527,982
Miscellaneous	3.5%	1,364,086
Totals	100%	\$ 38,800,257

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

*First available year of SMART sales tax payer analysis

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

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

Fiscal Year	Sales Tax	Sales Tax	Series 2011A	Series 2011A	Series 2011A	Annual Debt
Ending	Revenue Actual	Revenue	Bond Interest**	Bonds	Bonds	Service
		Projected*		Principal	Debt Service Total	Coverage Ratio
6/30/2020	\$ 38,978,630	\$ 38,978,630	\$ 7,312,600	\$ 9,435,000	\$ 16,747,600	2.33
6/30/2021	-	37,122,089	6,840,850	10,565,000	17,405,850	2.13
6/30/2022	-	38,347,637	6,315,000	11,745,000	18,060,000	2.12
6/30/2023	-	39,615,608	5,727,750	12,990,000	18,717,750	2.12
6/30/2024	-	40,902,295	5,078,250	14,290,000	19,368,250	2.11
6/30/2025	-	42,129,364	4,363,750	15,660,000	20,023,750	2.10
6/30/2026	-	43,393,245	3,580,750	17,100,000	20,680,750	2.10
6/30/2027	-	44,695,042	2,725,750	18,610,000	21,335,750	2.09
6/30/2028	-	46,035,893	1,795,250	20,195,000	21,990,250	2.09
6/30/2029***	\$ -	\$ 35,562,728	\$ 785,500	\$ 15,710,000	\$ 16,495,500	2.16
Maximum Annual Debt Service Coverage:						2.32x

*Sales tax forecast provided by Avenu Insights & Analytics through 2024, 3% thereafter

**Debt service shown is cash basis

***Sales tax expires 3/31/2029

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

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

Year	Total Outstanding Debt	Personal Income	Population	Ratio of Debt to Personal Income	Total Debt Per Capita
2014*	\$ 192,365,524	\$ 53,487,101,000	759,238	0.37%	\$ 253
2015	190,096,688	57,742,796,000	762,362	0.34%	249
2016	183,318,018	59,833,017,000	763,882	0.31%	240
2017	175,819,899	62,676,073,000	762,971	0.28%	229
2018	167,528,327	67,113,317,000	759,608	0.26%	216
2019**	\$ 157,163,502	\$ 67,784,450,170	763,554	0.23%	\$ 206

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	40,704,021	35%
2019	\$ 16,095,850	\$ 46,089,431	35%

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

**2019 Personal income amount estimated assuming 1% increase from prior year

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 Nine Fiscal Years

Marin County					
Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	
2011	255,363	\$ 22,741,276	\$ 89,009	7.4%	
2012	256,072	23,918,732	93,407	6.3%	
2013	258,453	25,093,401	97,124	5.0%	
2014	260,435	27,176,774	104,319	4.3%	
2015	261,016	29,227,230	114,455	3.6%	
2016	260,633	30,222,883	117,552	3.4%	
2017	259,725	32,867,529	124,552	2.9%	
2018*	259,666	33,196,204	134,275	2.3%	
2019**	258,826	\$ 34,652,086	\$ 133,882	2.3%	

Sonoma County					
Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	
2011	487,423	\$ 22,356,767	\$ 45,805	9.8%	
2012	490,071	23,548,182	47,879	8.6%	
2013	494,243	24,905,827	50,312	6.7%	
2014	498,803	25,224,331	50,533	5.6%	
2015	501,346	27,284,819	55,445	4.5%	
2016	503,249	28,457,348	57,264	4.1%	
2017	503,246	30,343,873	60,286	3.4%	
2018*	499,942	30,647,311	64,501	2.7%	
2019**	494,336	\$ 31,865,712	\$ 64,462	2.7%	

*2018 Most recent complete data available

**2019 Personal Income and Per Capita Personal Income estimated based on previous years amounts

Sources:

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

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

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

Marin County 2020		
Employer	Number of Employees	Percent of Total Employment**
County of Marin	2,099	1.76%
Kaiser Permanente San Rafael Medical Center***	2,014	1.69%
BioMarin Pharmaceutical	1,779	1.49%
San Quentin State Prison	1,614	1.35%
Marin General Hospital***	1,279	1.07%
Glassdoor	950	0.79%
Novato Unified School District	800	0.67%
Autodesk	765	0.64%
San Rafael City Schools	629	0.53%
Dominican University of California	413	0.35%

Sonoma County 2020		
Employer	Number of Employees	Percent of Total Employment**
County of Sonoma	3,793	1.70%
Santa Rosa Junior College	3,201	1.44%
Kaiser Permanente	3,015	1.35%
Graton Resort and Casino	1,850	0.83%
St. Joseph Health, Sonoma County	1,640	0.74%
Keysight Technologies	1,528	0.69%
Santa Rosa School District	1,573	0.71%
Safeway, Inc***	1,200	0.54%
Jackson Family Wines	1,153	0.52%
City of Santa Rosa	1,133	0.51%

*The "9 Years Ago" data unavailable, SMART records began 2013
Percent of Total Employment Reflects June 2020 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
Employment Development Department, State of California
Santa Rosa Junior College
Marin County Office of Education
Autodesk

**Calculated using California Employment Development Department

***Utilized 2019 data, 2020 not available

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

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

OPERATING STATISTICS

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

FARE INFORMATION

Daily Fares By Zone	1 Zone	2 Zones	3 Zones	4 Zones	5 Zones	Daily Max
Adult Fare	\$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	Adult	Discount
31-Day Pass	\$200	\$100
Eco Pass - Monthly	\$138-\$213	

*2018-19 is the first full year of service

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

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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Sonoma-Marín Area Rail Transit District (District), California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2020.

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 10, 2020 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 10, 2020

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

**SINGLE AUDIT REPORT
For The Year Ended June 30, 2020**

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major program(s):

CFDA#(s)	Name of Federal Program or Cluster
<u>20.500/20.507</u>	<u>Federal Transit Cluster</u>

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 10, 2020 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
US Department of Transportation			
Pass-Through Programs from:			
Congestion Mitigation Air Quality			
California Department of Transportation			
SMART Pathway - Payran Street to Southpoint Boulevard	20.205	ATPSB1L-6411(010)	\$342,807
Subtotal of Department of Transportation Pass-Through Programs			342,807
US Department of Transportation Direct Programs			
Federal Transit Cluster			
Federal Transit - Capital Investment Grants (Fixed Guideway Capital Investment Grants)			
SMART San Rafael to Larkspur Extension (CA-2018-030-00)	20.500		1,523,474
Federal Transit - Formula Grants (Urbanized Area Formula Program)			
SMART San Rafael to Larkspur Extension (CA-2018-030-00)	20.507		207,843
CARES Act Grant Operating Assistance (CA-2020-080-00)	20.507		8,058,183
Subtotal Federal Transit Cluster			9,789,500
US Department of Transportation Direct Program			
Federal Railroad Administration			
SMART Windsor Extension PTC Implementation (FR-CRS-0013-19-01-00)	20.325		505,975
Total Department of Transportation			10,638,282
US Department of Homeland Security Direct Program			
Federal Emergency Management Agency			
Pass Through California Governor's Office of Emergency Services			
February 2019 Storms Event (FEMA) (FEMA-4434 , FEMA-4431; Project 103408, 103410; OES ID: 097-9110)	97.036		29,121
Total Expenditures of Federal Awards			\$10,667,403

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended June 30, 2020

NOTE 1-REPORTING ENTITY

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

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST ELECTION

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

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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 financial statements of the business-type activities of the District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 10, 2020, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

A handwritten signature in black ink that reads "Maze + Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
November 10, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited Sonoma-Marín Area Rail Transit District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the business-type activities of the District as of and for the year ended June 30, 200, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 10, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Pleasant Hill, California
November 10, 2020

**SONOMA-MARIN AREA RAIL TRANSIT DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

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

For The Year Ended June 30, 2020

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MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the Sonoma-Marina Area Rail Transit District (District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control

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

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

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

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

Pleasant Hill, California
November 10, 2020

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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, 2020. 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 89 - Accounting for Interest Cost Incurred before the End of a Construction Period - This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement had no material effect on the financial statements.

GASB 95 - Postponement of the Effective Dates of Certain Authoritative Guidance - This Statement extended the implementation dates for 15 GASB Statements and Implementation Guides by 1 year or more. Of course, many of the Statements could be early-implemented, as applicable.

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

Unusual Transactions, Controversial or Emerging Areas

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

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The District has received CAREs Act money and has suffered a decrease in ridership. However, the related financial impact on District and the duration cannot be reasonably estimated at this time.

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, 2020, the District held approximately \$61.7 million of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2020. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2020.

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 10, 2020.

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 10, 2020