Board of Directors Meeting: December 18, 2024 – Public Comments

Date	Name	2. Approval of November 20, 2024 Board Meeting Minutes
		None
Date	**Name**	**5. Public Comment on Non-Agenda Items**
		None
Date	**Name**	**6. Consent** **a. Accept 2025 Board of Directors Meeting Schedule** **b. Accept Monthly Financial Status Report – November 2024** **c. Approve Monthly Financial Status Report – October 2024** **d. Accept the Fiscal Year 2024 Annual Investment Report** **e. Authorize the General Manager to Execute Contract Amendment No. 5 with Nossaman, LLP for an amount of $ 200,000 to provide specialized legal support on an as-needed basis**
		None
Date	**Name**	**7. Review an Accept SMART's Fiscal Year 2023-24 Annual Financial Report and Single Audit- *Presented by Chief Financial Officer, Heather McKillop***
		None
		8. Fiscal Year 2024 Budget to Actual Comparison – *Presented by Chief Financial Officer, Heather McKillop*
		None
Date	**Name**	**9. Adopt a Resolution to Amend the Fiscal Year 2025 Adopted Budget to increase expenditure authority and modify the position authorization for Freight (Budget Amendment #9) – Presented by Chief Financial Officer, Heather McKillop**
		None
Date	**Name**	**10. Authorize the General Manager to execute Contract No. OP-SV-24-013 with GrayMar Environmental Services, LLC to provide as-needed removal, remediation, and disposal of hazardous materials, including biohazardous materials, on an emergency or non-emergency basis in an amount not-to-exceed $227,595 – Presented by Chief Operating Officer, Marc Bader**
		None
Date	**Name**	**11. Adoption of the Fiscal Year 2025 - 2030 Strategic Plan – *Presented by Planning Manager, Emily Betts***
December 16, 2024	Michael Arnold	**Attached**

To: Eric Lucan, SMART Chair and SMART Boardmembers; Eddy Cumins; Heather McKillop

From: Mike Arnold

Subject: Comment on Agenda Item #11 – Draft Strategic Plan

Date: Dec. 16, 2024

Below are the comments I submitted on the Draft Strategic Plan.

One additional comment since the comments were submitted.

Appendix C "Financial Scenarios for SMART Operations Beyond April 2029" included Scenario 2, a financial description of what happens to rail service should SMART fail to pass the next tax extension measure.

It's very interesting. I compliment the staff for preparing it. It specifies how long after failing to pass the next tax extension measure, trains could continue to be funded (with lower frequences) with SMART funds that it expects to have in the bank at the time the current tax expires.

Here are the comments I submitted previously.

Comments on Draft Strategic Plan
By Mike Arnold, Ph.D. Novato

1. The Elephant in the Room: Obtaining Voter Approval to Continue Funding of the Agency

- The draft acknowledges SMART's trouncing in March 2020, but it doesn't address the obvious questions: how will it win back those voters that turned against SMART? In November 2008, it received almost a 70 percent vote for Measure Q. Yet, by March 2020 the vote for Measure I was under 55 percent. Why?
- Instead of analyzing why SMART lost Measure I as badly as it did, the draft states on page 34 the following:

  > "For purposes of this financial plan, SMART has assumed that the sales and use tax will be reauthorized by the voters."

- Is this a reasonable assumption? SMART has lost 2 out of 3 tax measures at the polls. The table (next page) compares the votes by county for Measure Q and Measure I. The vote counts indicate just how badly the agency fared in March 2020 and what a gigantic assumption the draft is making that it will pass the next measure.
- As indicated, there were 88,000 fewer yes votes, some of whom may not have voted or switched their votes to "no." The majority of these occurred in Sonoma Co., where support for the tax dropped from 74% of the vote to 52%, or 22 percentage points.
- In addition, there is evidence from its actions that the Board and staff believe that passing a tax extension measure by two-thirds vote is not going to be easy. What is that evidence? If the Board thought it would be easy, they would have placed the ballot measure on a general presidential election ballot in November, when turn-out is higher

and favors passage. They didn't.

Table 1

Vote Comparison between Measure Q and Measure I

Geography	Item	Measure Q	Measure I	Δ
Marin	Yes Votes	83,805	61,906	-21,899
	No Votes	49,665	49,316	-349
	% Yes	**62.8**	**55.7**	**-7.1**
Sonoma	Yes Votes	162,242	95,684	-66,558
	No Votes	58,016	87,122	29,106
	% Yes	**73.7**	**52.3**	**-21.3**
District	Yes Votes	246,047	157,590	-88,457
	No Votes	107,681	136,438	28,757
	% Yes	**69.6**	**53.6**	**-16.0**

- Has SMART conducted a recent poll to find out how it currently is doing with regards to a tax extension measure? Why not? It clearly has the funds to do so. What doesn't the agency want to know and incorporate those findings in its Strategic Plan?
- Conclusion: the agency needs to incorporate in the Plan why voters turned against the agency. The Strategic Plan ought to be transparent and direct with what the agency's plan is to win back the 88,000 votes it lost. And it needs to incorporate into a Strategic Plan what it intends to do should it lose at the polls a third time.

2. Performance Metrics Reported and Ignored in the Draft

- Based on the campaign material that was utilized in 2020, voters indicated they care about how much they are paying as taxpayers to subsidize SMART passengers. Information for past fiscal years is published by the Department of Transportation in that National Transit Database (NTD) through FY 2023. FY 2024 is expected to be reported soon.
- Table 2 (next page) reports this information for the data available. FY 2024 is estimated by me from SMART's reports.
- The Draft (Appendix B) does not report any of the above assumptions and calculations necessary for the voters to understand what assumptions are being made about the growth in ridership and operating expenses by fiscal year between 2023 and 2030.[1] However, by request, I obtained the projected ridership in an email sent by staff. From that information, one can compare actual and forecast ridership. This comparison is shown in Table 3 (next page).

[1] The key assumptions necessary to complete the table for the draft are ridership by fiscal year and operating expenses consistent with the NTD definitions. Given that its forecast contains fare revenues, staff undoubtedly has the ridership assumptions used in preparing the table.

Table 2

SMART's Performance Metrics Published in the NTD

Fiscal Year	Ridership (Th)	Operating Expenses ($M)	Fare Revenues ($M)	Farebox Recovery Ratio (%)	Taxpayer Subsidy per Boarding ($)
2018	636	24	3.3	13.9	32.4
2019	717	27	4.1	14.9	32.6
2020	567	29	3.1	10.8	45.0
2021	123	25	0.7	2.8	196.4
2022	354	28	1.3	4.6	74.9
2023	640	31	1.8	5.9	45.0
2024(est)	850	36	2.2	6.1	39.9

- The Draft (Appendix B) does not report any of the above assumptions and calculations necessary for the voters to understand what assumptions are being made about the growth in ridership and operating expenses by fiscal year between 2023 and 2030.[2] However, by request, I obtained the projected ridership in an email sent by staff. From that information, one can compare actual and forecast ridership. This comparison is shown in Table 3.

Table 3

Ridership Trends and Forecast

FY	Riders (th)	Basis	Δ (th)	% Δ
2018	636	Actual	NA	NA
2019	717		81	13
2020	567		-150	-21
2021	123		-444	-78
2022	354		231	188
2023	640		286	81
2024	850		210	33
2025	950	Est	100	12
2026	1,215	Strategic Plan Forecast	265	28
2027	1,276		61	5
2028	1,340		64	5
2029	1,474		134	10
2030	1,547		74	5

[2] The key assumptions necessary to complete the table for the draft are ridership by fiscal year and operating expenses consistent with the NTD definitions. Given that its forecast contains fare revenues, staff undoubtedly has the ridership assumptions used in preparing the table.

- With the exception of FY 2026 and FY 2029, the ridership forecast is not particularly aggressive. Those of two years, however, are very aggressive and their timing, which is not explained anywhere, is supposedly associated with the opening of service to Windsor and later the opening of service to Healdsburg.
- As a skeptic of such ridership forecasts, I can provide many reasons why they are unlikely to occur. But the critical factors are the small populations in both Windsor and Healdsburg and, in the case of Windsor, the closeness currently to the northern terminus at Airport Blvd.
    - Just consider the "mode" decisions of current residents of Windsor and the travel choices they currently make. Would a 3-mile drive to the Airport Blvd. SMART station be a significant impediment on their choice whether to ride the train currently? The point: surely opening service to Windsor will generate some additional ridership, but many will already be SMART riders. So, projecting an increase of 28% to be a "hope." It is not based on any detailed ridership analysis, because the agency has not conducted a detailed ridership study for years.
    - What about Healdsburg? First, Healdsburg's population is less than half of Windsor's. Commuter demand would be limited, because according to the American Community Survey there are relatively few residents working in Santa Rosa or south of Santa Rosa. Again, if the agency conducted a detailed ridership study, the projected ridership from the extensions would be far less.[3]
- The Board ought to consider its past history when reviewing the Strategic Plan. Its credibility is limited because actual performance and experience has been far different than anything ever claimed and promoted by the agency, in prior ballot arguments and op-eds by SMART supporters, brochures distributed by the agency at taxpayer expense, or prior plans.
- The Board ought to consider that whenever the next tax extension measure is placed on the ballot, the actual ridership data for prior years and months will be available for voters to see. The Board might want to consider a more conservative ridership forecast, less tax measure opponents exploit the agency's ridership "hopes" to another example of merely trying to mislead the voters regarding the ridership potential of a within suburban passenger rail system.
- Ridership forecasts that exceed reality also come with consequences to other variables contained in the forecast. For instance, what does the above forecast imply for the farebox recovery ratio. While this metric is not stated in the Draft it is trivial to calculate. Table 4 below reports this calculation. Prior years are reported above in Table 2 along from the National Transit Database.

[3] As a reminder, SMART proponents of the Larkspur extension made similar claims. However, the NEPA study that included a ridership forecast calculated the extension would generate only 231 additional weekday boardings.

Table 4

Incorporated Assumptions in Strategic Plan Forecast

FY	Operations & Maintenance Exp ($M)	Fare Revenues ($M)	Ridership (Th)	Avg. Fare ($)	Farebox Recovery (%)
2024	Not Provided*	2.2	850	2.58	6.1 est
2025	48	2.2	950	2.33	4.6
2026	50	2.3	1,215	1.91	4.6
2027	53	2.4	1,276	1.88	4.6
2028	57	2.5	1,340	1.88	4.4
2029	59	2.6	1,474	1.76	4.4
2030	62	2.7	1,547	1.72	4.3

* Note: At the time these comments were drafted, staff was unable to clearly state how closely the definition of "Operations and Maintenance" costs in the Strategic Plan aligned with "Operating Expenses" reported to the NTD.

- The simple calculations reported in Table 4 provide further evidence that the calculations in the Strategic Plan are either not likely or not likely to win back voters that turned against the agency in 2020. The reason is simple: the Strategic Plan incorporates the forecast of declining average fares in nominal and inflation adjusted terms and a declining farebox recovery ratio. The current (FY 2024) recovery ratio already lower than it was when Measure I was defeated. And it could be argued that planning on reducing it further comes at a political cost. The Plan is incorporating a forecast where taxpayers are forecast to pay even a larger proportion of the cost of providing rail service than when the agency lost Measure I.

  Is this a reasonable assumption? Cost to the taxpayers of subsidizing SMART riders was one of the main arguments used by the NotSoSMART campaign to defeat Measure I. The Board ought to consider whether adoption of such a financial forecast increases the risk that SMART's next tax extension measure will be rejected a third time by Marin and Sonoma voters.

3. The Other Elephant in the Room: Equity of Increasing the Subsidy of More Affluent Passengers with Sales Taxes Paid by the Less Affluent.

   - P.9 of the Draft states:

     MTC conducted an onboard survey on SMART between September 2023 and February 2024; the last onboard survey had been done in 2018. Overall, the survey found that SMART Riders represent a range of ages, income levels, employment status, genders, trip purposes, and race/ethnicities. Less than half of the riders identified as white-only, with 21% of Hispanic, Latino, or Spanish origin. Riders were split nearly evenly by gender and distributed broadly across the age ranges. Just over half of the riders were employed full time, and 50% of trips were for the work commute. A third of riders indicate that they were transit-dependent, or did not have access to a vehicle for their trip. The median household income for riders was $110,000, with a third of respondents indicating a household income of less than $60,000.

- Meanwhile:
  - The word “equity” or “equitable” appears in the draft only three times. And the use of these words is only in reference to state and federal funds seeking “equitable goals.”
  - The Draft fails to address the underlying inequitable financial structure of its key funding source: the sales tax.
  - Since the agency touts its “transparency” why doesn’t it address this issue?   Here’s a quote from a website https://www.accuratetax.com/blog/regressive-sales-tax-infographic/

    Sales tax is regressive, in fact. Why? Because people who earn less pay a larger percentage of their salary in the form of sales tax, as compared to those who earn more. In fact, based on percentage of salary, people in the lowest bracket pay more than DOUBLE what the top 1% pay. Because everyone in a given area pays the same percentage of tax, it works out to be a larger portion of the overall income for people who earn less.
  - As this will be an issue when the next tax extension measure will be voted on and the agency wants to promote its “transparency.” If it doesn’t address this issue, opponents to the tax extension measure will address it.   And they are likely to point out to voters the lack of the agency’s willingness to be transparent about what is known.

4. On Ridership and Free Fares.

- Yes, free fares are generating additional ridership.   But at what cost? And at what cost to claims by the agency that free fares are providing an equitable transit service?
- For instance,
  - how many wealthy elderly residents are now riding SMART for free?
  - How many affluent Marin students attending private schools in Sonoma Co. are taking the train for free?
- When I’ve asked staff how many riders are riding for free, I’ve been told the agency is “unable” to count those riding for free using the APC system.[4]
- In light of what voters care about, I believe voters have the right to know how many are traveling for free. What is their income level of those riding for free? How many would have taken the train if they had to pay for the trip?
- Since the agency has plenty of funds to conduct a survey of those riding for free, it is apparent that if it wanted answers to these questions, it could conduct a survey of those riding for free. In addition, it could assess:

[4] I believe them because there is no digital link between the APC rider-counting system and the payment system. Also, there is no specific count of how frequently those paying monthly are taking the train and, as a result, the count of “Fare payments” reported monthly to the Board do not include the ridership associated with those paying monthly.

- Would those qualifying for free fares have taken the train in any case, which means for these boarders, the train has not increased ridership, but it has increased the subsidy for those who would have taken the train in any case?
- Are those obtaining free fares taking the train in off-peak hours or off-peak directions? If so, the subsidies are having no impact on reducing traffic congestion on Hwy 101 during the peak hours.

5. Cherry Picking the Promises Made to Voters in Order to Pass Measure Q (2008)

- The ballot measure stated the following:

  MEASURE Q:

  To relieve traffic, fight global warming and increase transportation options, shall Sonoma-Marin Area Rail Transit District be authorized to provide two-way passenger train service **every 30 minutes** during weekday rush hours, weekend service, a bicycle/pedestrian pathway linking the stations, and connections to ferry/bus service, by levying a 1/4-cent sales tax for 20 years, with an annual spending cap, independent audits/oversight, and all funds supporting these environmentally responsible transportation alternatives in Marin and Sonoma Counties?

  Measure I

  To continue relieving traffic congestion, reducing greenhouse gas emissions (having carried 1.5-million passengers by providing quality transportation alternatives to Highway 101), connecting stations with pathways, expanding rail service to Healdsburg/Cloverdale as grants become available, shall an extension of the existing Sonoma-Marin Area Rail Transit District 1/4-cent voter approved sales tax, at the same rate, generating approximately $40,000,000 annually for an additional 30 years, subject to audits and citizens' oversight, that the State cannot take away, be adopted?

- While the draft discusses progress on extensions north to northern Sonoma Co. towns and its current work on the pathway, it is odd that the word "congestion" appears only twice in the draft and these references are only related to goals of federal funding programs.
- Has the agency forgotten its promise to the voters, repeated in ballot language in March 2020? Why doesn't the draft say anything about this benefit promoted to voters and desired by voters?
- Nor does the draft note its promise to provide 30-minute headways and whether it intends to address this challenge.

6. On Freight

- For anyone interested in what is discussed on-line regarding shipping by truck or rail, here are two websites for reference.
  - https://www.freightera.com/blog/train-vs-truck-transportation-efficiency-cost-advantages-disadvantages-infographic/
  - https://www.floridarail.com/news/train-vs-truck-which-is-better-for-freight-shipping-infographic/
- One relevant conclusion: "Trucking is the more cost-effective action for smaller loads

and shorter distances."

- One anecdote provided to me by a "freight economist" is as follows: The containers arriving at the Port of Oakland, destined for Los Angeles are put on trucks. The distance from Oakland to LA is too short. And besides, if the container is delivered to a rail depot, a truck has to pick it up to deliver it to its final destination.
- Descriptions of freight service fail to note that there exist many websites advising businesses regarding the choice between shipping by train vs. shipping by truck. One of the factors favoring shipping by trucks is cost. Another is convenience.
- It is time for the Board and public to realize that there are economic reasons that SMART currently has only 3 customers shipping items using SMART freight trains. NWP Co. (I think) had four after being in service for many years.

7. Community Outreach: Reaching Out to the Converted

- The Draft describes its efforts at "community outreach." It has been stated at Board meetings that this has been highly successful.
- The entire process is challenged by those residents who choose to attend such sessions. Are the participants largely supporters of SMART? Did they vote for Measure I?
- To the extent that those who voted against Measure I are not participating in these sessions, one could argue that SMART is preaching to the converted. It is not hearing from those who voted against Measure I, why they voted against Measure I, and what would make them change their votes.

8. One technical note:

The table in Appendix B provides details on revenues and expenditures. It reports additional operating costs associated with providing service to Healdsburg. It provides no similar line item for providing service to Windsor. Given how late in FY 2025, the service to Windsor is forecast to begin, one would think there would be a comparable bump in the Operations and Maintenance Expenditures. Table 5 compares these forecasts. The large increase in operating costs in FY 2028 is associated with the forecast start-up of Healdsburg extension. No such increase arises in FY 2026 following the start-up of Windsor.

Table 5
Rate of Increase in Operations and Maintenance Expenses

FY	Operations & Maintenance Exp ($M)	%Δ
2024	NA	NA
2025	48	NA
2026	50	5.0
2027	53	4.6
2028	57	9.2
2029	59	3.2
2030	62	4.2