



# 2019 Strategic Plan

# Sonoma-Marín Area Rail Transit District

## Strategic Plan 2019

### Contents

BACKGROUND AND HISTORY.....	5
GUIDELINES FOR PLAN.....	6
OPERATIONS.....	8
CAPITAL PROJECTS.....	10
FINANCIAL PROJECTIONS.....	13
FUTURE FINANCIAL PLANNING.....	16
FUTURE PHASES.....	19
CONCLUSION.....	23
Appendix A: Pathway Progress Maps.....	24
Appendix B: Sales Tax History and Forecasting.....	28
Appendix C: Summary Chart Revenues, Expense and Reserves : 30 Year Extension Scenario.....	32

## EXECUTIVE SUMMARY

Since the approval of the Measure Q sales tax in 2008, SMART has moved to build and operate an entirely new transit alternative to sitting in traffic on Highway 101. Voters showed their desire to have this system in the most important way possible: by agreeing to help pay for it. Approval of the ¼ cent sales tax provided a stable funding source for SMART until 2029.

The main task of this Strategic Plan is to assist the District and its policy-making Board in the decisions needed to preserve the progress that has been made to date and secure the transportation alternative well into the future.

### **Progress to Date:**

- SMART's ¼ cent sales tax has produced \$289 million in revenues and SMART leveraged the to bring in over \$323 million for building and operating the system-- effectively doubling the sales tax income.
- The SMART project has resulted in \$600 million of direct investment in the transportation infrastructure of the two Counties resulting in a reliable rail transit system that runs from San Rafael in Marin to Airport Boulevard in Sonoma
- In response to the great recession's reduction in the capital funding available for the project, SMART successfully obtained additional funding in order to restore project elements including six more rail cars, more stations opening in 2017, extensions to Larkspur and Windsor, and additional pathway connections.
- SMART also successfully worked to obtain funding to opened with more service than originally planned in Measure Q, and has carried over 1.4 million passengers to date.
- This year, only two years after opening, SMART will open two new stations: Larkspur and Downtown Novato and add service runs during commute hours.
- The launch of services to Larkspur and Downtown Novato will coincide with the launch of increased service levels to reduce the time between trains in the peak commute periods.

While extension of the current sales tax was always envisioned as necessary for continued operations, the year in which SMART asked voters for that extension was not planned. SMART's current and planned service is designed to serve future riders and pathway users for decades to come. Those benefits will continue past the 2029 current expiration of the tax.

In the past two years, the District has found that the costs of operating are higher than earlier projections. Those cost pressures include the high cost of labor for qualified staff driven by the cost of housing and living in the Bay Area. These are added to the escalating debt payments tied to the delivery of the current rail and pathway network.

This Strategic Plan focuses on a path forward in which SMART asks voters in March 2020 to extend the current sales tax past its 2029 expiration date. This would provide the best path to future financial stability for SMART. A March 2020 extension gives the District time needed to restructure its debt and allows more annual funding for operations. The estimated benefits are outlined below:

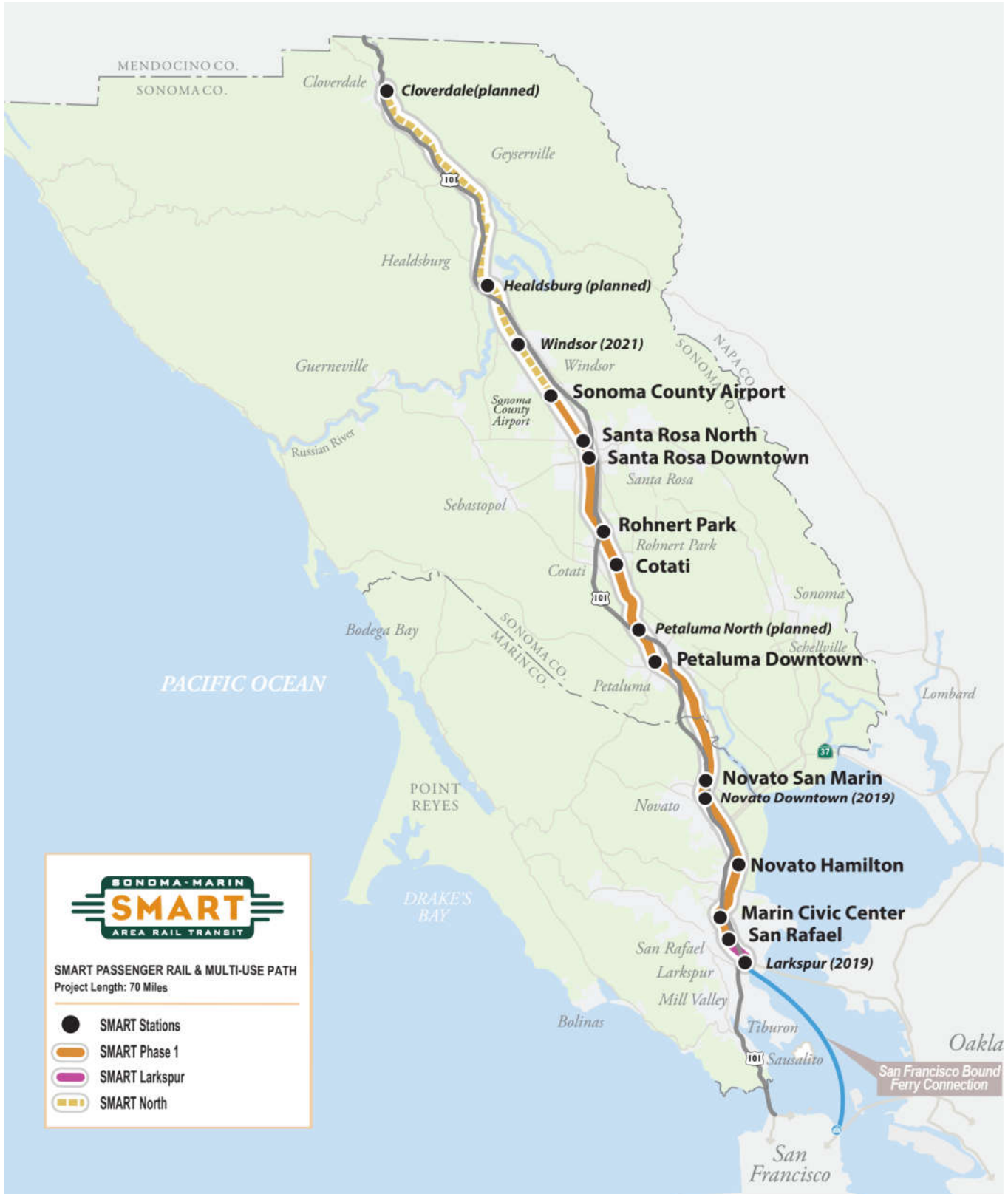
**Benefits of Early Extension:**

- It would reduce annual debt service from \$18 million to \$6.2 million.
- The reduction would produce an additional \$12 million annually and that savings would provide stable funding for continuing current service levels and ongoing maintenance.
- By reducing annual debt service, SMART could also operate future rail extensions to Healdsburg and Cloverdale and future pathway expansion should outside construction funding become available.

Without an early extension of the sales tax, SMART would be required to implement cost cutting measures in order to bring costs other than debt service down to match anticipated revenue levels.

This 2019 Plan has been reviewed by SMART’s Citizens Oversight Committee and was approved by the Board of Directors on September 18, 2019. It includes sections outlining SMART’s current operations and capital projects, discusses the related revenues and expenditures, and presents more detailed information on the financial planning options available to the Board in the coming years.

# SMART RAIL SYSTEM MAP 2019



## BACKGROUND AND HISTORY

SMART's ¼ cent sales tax was enacted in 2008 by 70% of voters in Sonoma and Marin Counties. This stable revenue stream has allowed SMART to both build and operate the current commuter rail service and pathway connections between San Rafael in Marin to Airport Boulevard in Sonoma. This progress to date has occurred despite the fact that the Great Recession brought uncertainty to the project in its early days and enormous challenges to delivering this new service.

SMART's positive movement forward, despite these challenges, meant the opening, in 2017, of a new transit alternative spanning 43 miles that reaches over 80% of the population SMART was targeting for ridership. In addition to the building of the system and creating an entire transit agency, the existence of Measure Q has also spurred the creation of jobs, such as



the growth of BioMarin in San Rafael whose buildout location choice was due to the walking distance of their new space from SMART. Commercial, retail and all-important housing is being built in Rohnert Park principally due to the SMART station there. The existence of SMART as a fully staffed operating transit district has allowed also for active partnerships with others who have funded \$53.4 toward additional multiuse pathway either on or made possible by our rail right-of-way.

Since the passage of Measure Q in 2008, SMART has completed a Strategic Plan every five years. In 2009, SMART prepared and approved its first Strategic Plan, which focused on initiation of the SMART capital project and the funding available for that project. The Great Recession was just beginning to make its impacts felt, affecting the sales tax starting in 2008 through 2010, reducing it by \$6.6 million during that time. This initial reduction meant an overall reduction in the sales tax revenue stream for bonding purposes in 2011. Ultimately the difference in the 20-year stream between the initial sales tax proposal and later plans meant a loss of over \$100 million for the District. This fact led SMART leaders to reevaluate the capacity to deliver the full 70-mile system, in the face of a falling revenue stream accompanied by cost increases tied to new regulatory requirements, the realities of construction in an active freight corridor, and significant environmental mitigation expectations, to name a few. That plan set the stage for the District to determine what was buildable and proceed with steps to finally secure the grants, financing and contracts needed to build the first operating segment.

The 2014 Strategic Plan summarized the subsequent decision-making by the Board to build the SMART project in phases, and provided updates on the decisions made as part of the capital buildout. The initial operating segment was under construction at that time, from downtown San Rafael to Railroad Square in Santa Rosa. SMART's ability to move quickly during a slow economic time led to favorable bid results, construction savings, greater confidence in the success of the project and ultimately further project expansions. State and regional funding agencies were willing to grant more funds to the District as a "shovel-ready" project with momentum. SMART extended the project to an additional station at Guerneville Road in Santa Rosa, a station at Atherton/San Marin in Novato, and then ultimately to Airport Boulevard in Sonoma County. That 2014 plan included more informed estimates for the cost of opening and operating rail passenger service utilizing state of the art trains, tracks, signals and related infrastructure.

The 2019 Strategic Plan is the first plan since SMART has completed construction of the first 44-mile Initial Operating Segment. As of this plan, SMART and its partner agencies have constructed 18.4 miles of pathway available for use, with another 14.5 miles under construction or fully funded for construction in the coming two years. It also is the first plan since SMART began operating passenger rail service in August of 2017. In these two years SMART has carried over 1.4 million passengers, 133,000 bicyclists, and 5,100 passengers using wheelchairs. Voters and taxpayers have invested nearly \$600 million into SMART and this Strategic Plan is designed to outline the financial steps the District can follow to ensure that the rail service and pathway system is maintained and operating at its highest capacity for the future of the North Bay.

## GUIDELINES FOR PLAN

In July 2019, the Board of Directors discussed future expenditure plan priorities that serve as principles for the use of Sales Tax funds in the future. Thus, this 2019 Strategic Plan also adopts the same principles for priorities as outlined below:

### Measure Q Funds Expenditure Principles:

1. Provide for ongoing Operation and Maintenance of the Current System: Includes funding for annual maintenance and repair, future upgrades to current systems, replacement cycles, and investment in newer technology
2. Prioritize Safety and Security Maintenance and Improvements: For enhancements in safety and security of passengers, employees, the public and our infrastructure
3. Provide for Capital Investment: Completion of all projects currently underway, and additionally:
  - Completion of the Windsor Extension project
  - Completion of the Healdsburg project
  - Completion of the Cloverdale project
  - Completion of pathway projects connecting our stations
  - Completion of the second station in Petaluma
  - Purchase of additional train sets
  - Double tracking where feasible
4. Future Amendments: The Board of Directors may review and propose amendments to these principles to provide for the use of additional Federal, State, Regional or local funds, to account for unexpected revenues and to accommodate any unforeseen circumstances.

This Strategic Plan also incorporates other principles that have guided SMART since 2008. This document continues past practice by recognizing the following additional guiding principles:

### Transparent Reporting:

This Strategic Plan is just one of many reports available to the public for review outlining the finances of the District. SMART commits as part of this plan to continue to provide those reports which include:

- Fiscal Year Budget Documents: Detailing Expenditures and Revenues
- Monthly Finance reports: Progress against budget, and capital project progress

- Annual Report: High level report on project and operations
- Comprehensive Annual Financial Report: Yearly financial statements reviewed by an independent auditor utilizing generally accepted accounting principles as well as Government Accounting Standards Board (GASB) guidelines. SMART has received six Awards of Excellence for its Comprehensive Annual Financial Reports.

### **Citizens Oversight Committee**

The current Citizens Oversight Committee has been in place since 2009. The Citizens Oversight Committee should continue into the future. In order to follow SMART’s Title VI Non-Discrimination Policy guidance, the Citizen’s Oversight Committee should operate with written Bylaws prior to the 2021 update of SMART’s Non-Discrimination Policy. Future Committees should be appointed by the Board with terms that coincide with the Strategic Plan process, and with some requirements of knowledge in financial planning, transit service, and strive to reflect the demographic makeup of the SMART District.

### **Multi-Jurisdictional Coordination:**

SMART will continue to work closely with the municipalities located along the project corridor, as well as with Marin and Sonoma county transportation and transit agencies, to ensure that services and capital project elements are closely coordinated with existing and future transportation planning efforts and achieves the goal of serving riders and improving the quality of life and the environment. As a primarily Clipper-dominated fare system, SMART assisted in ushering this system which assists riders throughout the Bay Area in making seamless connections between transit modes. SMART opened with the most progressive transfer policy in the region for riders transferring from buses and ferry to the train providing a discount of \$1.50 per transfer. SMART collaborated with local transit partners (Golden Gate Transit, Marin Transit, Sonoma County Transit, Santa Rosa CityBus, Petaluma Transit, Napa VINE, Mendocino Transit) to develop an integrated fare policy to simplify the transit riding experience and incentivize riders to use local transit as the first and last mile transportation option when choosing to ride SMART. Work will continue as the SMART schedule evolves to coordinate “first and last mile” connections between transit modes as well as welcoming bike share systems and cooperative efforts to build important pathway connections to SMART stations. SMART will cooperate with local jurisdictions’ efforts to make their transportation networks better for their residents who need help getting to the train.

SMART will also continue to work as the designated successor to the North Coast Railroad Authority (NCRA) to facilitate freight rail traffic, which shares the right-of-way with SMART passenger service. SMART has provided accommodation to freight along the shared corridor including gauntlet tracks at each station, upgraded freight rail sidings, passenger rail vehicles that meet applicable Federal Railroad Administration standards, and installation of “positive train control” equipment on all locomotives and along the entire right-of-way.

Similarly, constant coordination with law enforcement, fire and safety agencies, and regional and state emergency preparedness services are a priority for SMART now and into the future.

### **On-Going Planning for Future Phases**

This Strategic Plan discusses currently planned rail and pathway extensions as well as funding sources and strategies for future extensions. Although this plan does not identify sufficient sales tax funds for




significant capital projects going forward, the plan identifies revenue that can be used for operating any new extensions. The plan also includes funds for staff to continue to work on partnerships, strategies and applications for funding that can be used to construct future phases.

## OPERATIONS

### Current:

SMART began operating a full passenger service schedule on August 25, 2017. SMART’s passenger rail service currently operates 10 stations, with 16 stations planned for the ultimate buildout of the system, 2 more than originally included in the 2008 SMART Strategic Plan and Measure Q planning and approval phase. Since opening day, SMART has carried 1.4 million passengers, with weekly ridership averaging 13,922. SMART’s most heavily travelled stations to date are San Rafael and Petaluma Downtown.

SMART’s Operations Department directly manages all train, track, signal, train control systems and facilities including the pathway, that provide the transit service utilized by the traveling public. SMART was able to launch rail passenger service with more trips than originally expected during the planning and approval of Measure Q in 2008. SMART currently provides a total of 34 weekday trips, 17 southbound and 17 northbound, and 10 weekend trips, 5 southbound and 5 northbound, 365 days per year. The trips provide equal frequency of service in the north and southbound directions reflecting the reality that job centers are located along the entire corridor, not just in the south. The end-to-end trip time of 67 minutes between Sonoma County Airport and San Rafael is competitive with highway commute times of as much as 100 minutes during commute times and provides predictability that cannot be achieved on Highway 101. The first train leaves at 4:19 am and the last train stop is at 9:42 pm. Even when trains aren’t carrying passengers, SMART operations continue 24-hours a day, with continuous dispatching for right-of-way and vehicle maintenance, vehicle testing, inspection and coordination with freight rail activities and local traffic authorities.



**WEEKDAY SCHEDULE**

**SOUTHBOUND - Sonoma County Airport to Downtown San Rafael**

Sonoma County Airport	4:19	4:49	5:19	5:49	6:19	6:49	7:19	7:49	8:19	8:49	9:19	9:49	10:19	10:49	11:19	11:49	12:19	12:49	1:19	1:49	2:19	2:49	3:19	3:49	4:19	4:49	5:19	5:49	6:19	6:49
Santa Rosa North	4:26	4:56	5:26	5:56	6:26	6:56	7:26	7:56	8:26	8:56	9:26	9:56	10:26	10:56	11:26	11:56	12:26	12:56	1:26	1:56	2:26	2:56	3:26	3:56	4:26	4:56	5:26	5:56	6:26	6:56
Santa Rosa Downtown	4:31	5:01	5:31	6:01	6:31	7:01	7:31	8:01	8:31	9:01	9:31	10:01	10:31	11:01	11:31	12:01	12:31	1:01	1:31	2:01	2:31	3:01	3:31	4:01	4:31	5:01	5:31	6:01	6:31	7:01
Robnett Park	4:38	5:08	5:38	6:08	6:38	7:08	7:38	8:08	8:38	9:08	9:38	10:08	10:38	11:08	11:38	12:08	12:38	1:08	1:38	2:08	2:38	3:08	3:38	4:08	4:38	5:08	5:38	6:08	6:38	7:08
Cotati	4:42	5:12	5:42	6:12	6:42	7:12	7:42	8:12	8:42	9:12	9:42	10:12	10:42	11:12	11:42	12:12	12:42	1:12	1:42	2:12	2:42	3:12	3:42	4:12	4:42	5:12	5:42	6:12	6:42	7:12
Petaluma Downtown	4:55	5:25	5:55	6:25	6:55	7:25	7:55	8:25	8:55	9:25	9:55	10:25	10:55	11:25	11:55	12:25	12:55	1:25	1:55	2:25	2:55	3:25	3:55	4:25	4:55	5:25	5:55	6:25	6:55	7:25
Novato San Marin	5:06	5:36	6:06	6:36	7:06	7:36	8:06	8:36	9:06	9:36	10:06	10:36	11:06	11:36	12:06	12:36	1:06	1:36	2:06	2:36	3:06	3:36	4:06	4:36	5:06	5:36	6:06	6:36	7:06	7:36
Novato Hamilton	5:14	5:44	6:14	6:44	7:14	7:44	8:14	8:44	9:14	9:44	10:14	10:44	11:14	11:44	12:14	12:44	1:14	1:44	2:14	2:44	3:14	3:44	4:14	4:44	5:14	5:44	6:14	6:44	7:14	7:44
Marin Civic Center	5:20	5:50	6:20	6:50	7:20	7:50	8:20	8:50	9:20	9:50	10:20	10:50	11:20	11:50	12:20	12:50	1:20	1:50	2:20	2:50	3:20	3:50	4:20	4:50	5:20	5:50	6:20	6:50	7:20	7:50
San Rafael	5:26	5:56	6:26	6:56	7:26	7:56	8:26	8:56	9:26	9:56	10:26	10:56	11:26	11:56	12:26	12:56	1:26	1:56	2:26	2:56	3:26	3:56	4:26	4:56	5:26	5:56	6:26	6:56	7:26	7:56

**NORTHBOUND - Downtown San Rafael to Sonoma County Airport**

San Rafael	5:59	6:29	6:59	7:29	7:59	8:29	8:59	9:29	9:59	10:29	10:59	11:29	11:59	12:29	12:59	1:29	1:59	2:29	2:59	3:29	3:59	4:29	4:59	5:29	5:59	6:29	6:59	7:29	7:59	8:29
Marin Civic Center	6:05	6:35	7:05	7:35	8:05	8:35	9:05	9:35	10:05	10:35	11:05	11:35	12:05	12:35	1:05	1:35	2:05	2:35	3:05	3:35	4:05	4:35	5:05	5:35	6:05	6:35	7:05	7:35	8:05	8:41
Novato Hamilton	6:11	6:41	7:11	7:41	8:11	8:41	9:11	9:41	10:11	10:41	11:11	11:41	12:11	12:41	1:11	1:41	2:11	2:41	3:11	3:41	4:11	4:41	5:11	5:41	6:11	6:41	7:11	7:41	8:11	8:47
Novato San Marin	6:19	6:49	7:19	7:49	8:19	8:49	9:19	9:49	10:19	10:49	11:19	11:49	12:19	12:49	1:19	1:49	2:19	2:49	3:19	3:49	4:19	4:49	5:19	5:49	6:19	6:49	7:19	7:49	8:19	8:55
Petaluma Downtown	6:30	7:00	7:30	8:00	8:30	9:00	9:30	10:00	10:30	11:00	11:30	12:00	12:30	1:00	1:30	2:00	2:30	3:00	3:30	4:00	4:30	5:00	5:30	6:00	6:30	7:00	7:30	8:00	8:30	9:06
Cotati	6:43	7:13	7:43	8:13	8:43	9:13	9:43	10:13	10:43	11:13	11:43	12:13	12:43	1:13	1:43	2:13	2:43	3:13	3:43	4:13	4:43	5:13	5:43	6:13	6:43	7:13	7:43	8:13	8:43	9:19
Robnett Park	6:47	7:17	7:47	8:17	8:47	9:17	9:47	10:17	10:47	11:17	11:47	12:17	12:47	1:17	1:47	2:17	2:47	3:17	3:47	4:17	4:47	5:17	5:47	6:17	6:47	7:17	7:47	8:17	8:47	9:23
Santa Rosa Downtown	6:54	7:24	7:54	8:24	8:54	9:24	9:54	10:24	10:54	11:24	11:54	12:24	12:54	1:24	1:54	2:24	2:54	3:24	3:54	4:24	4:54	5:24	5:54	6:24	6:54	7:24	7:54	8:24	8:54	9:30
Santa Rosa North	6:59	7:29	7:59	8:29	8:59	9:29	9:59	10:29	10:59	11:29	11:59	12:29	12:59	1:29	1:59	2:29	2:59	3:29	3:59	4:29	4:59	5:29	5:59	6:29	6:59	7:29	7:59	8:29	8:59	9:35
Sonoma County Airport	7:06	7:36	8:06	8:36	9:06	9:36	10:06	10:36	11:06	11:36	12:06	12:36	13:06	1:36	2:06	2:36	3:06	3:36	4:06	4:36	5:06	5:36	6:06	6:36	7:06	7:36	8:06	8:36	9:06	9:42

**WEEKEND AND HOLIDAY SCHEDULE**

**SOUTHBOUND - Sonoma County Airport to Downtown San Rafael**

Sonoma County Airport	10:13	12:13	1:13	3:16	7:23
Santa Rosa North	10:20	12:20	1:20	3:23	7:30
Santa Rosa Downtown	10:25	12:25	1:25	3:28	7:35
Robnett Park	10:32	12:32	1:32	3:35	7:42
Cotati	10:36	12:36	1:36	3:39	7:46
Petaluma Downtown	10:40	12:40	1:40	3:52	7:59
Novato San Marin	11:00	1:00	2:00	4:03	8:10
Novato Hamilton	11:08	1:08	2:08	4:11	8:18
Marin Civic Center	11:14	1:14	2:14	4:17	8:24
San Rafael	11:20	1:20	2:20	4:23	8:30

**NORTHBOUND - Downtown San Rafael to Sonoma County Airport**

San Rafael	11:51	1:52	2:55	4:55	8:50
Marin Civic Center	11:58	1:58	3:01	5:01	8:56
Novato Hamilton	12:04	2:04	3:07	5:07	9:02
Novato San Marin	12:12	2:12	3:15	5:15	9:10
Petaluma Downtown	12:23	2:23	3:26	5:26	9:21
Cotati	12:30	2:30	3:33	5:33	9:28
Robnett Park	12:40	2:40	3:43	5:43	9:38
Santa Rosa Downtown	12:47	2:47	3:50	5:50	9:45
Santa Rosa North	12:52	2:52	3:55	5:55	9:50
Sonoma County Airport	12:59	2:59	4:02	6:02	9:57

☐ All Times ☐ PM Times  
Visit [www.SonomaMarinTrain.org](http://www.SonomaMarinTrain.org) for more information.

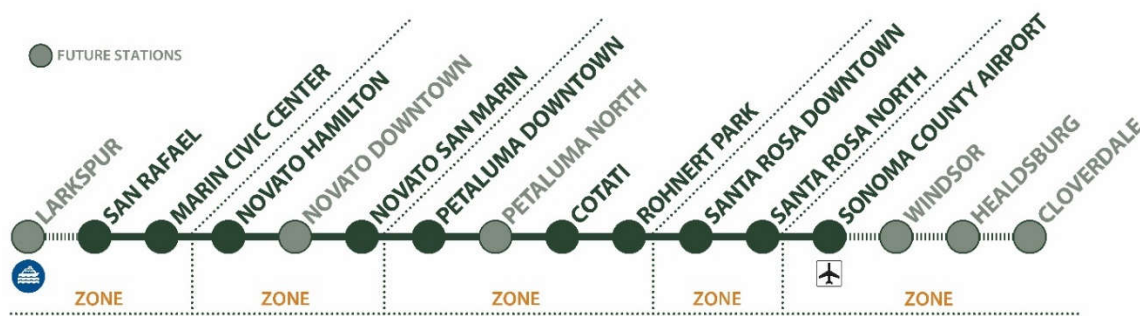
SMART currently operates a fleet of fourteen Diesel Multiple Unit (DMU) rail vehicles in two and three-car train set configurations with a seated capacity of 158 – 237 per train set. SMART received four more DMU vehicles at the end of 2018 and those vehicles will enter revenue service in late 2019 with the addition of Larkspur and Downtown Novato into the system.

Access to SMART stations is assisted by the SMART pathway, which SMART has the responsibility of monitoring and maintaining. The pathway currently offers direct connections to 8 of the 10 existing SMART stations.

Attached in Appendix A is a detailed map showing Pathway progress to date.

SMART's Administration Department consists of the staff, services and supplies needed to run all parts of the SMART system including support for capital and operations. Its divisions include legal, human resources, finance, real estate, planning, grants, outreach and procurement. This staff works hand in hand with operations on all efforts to supply the train and path with all the back-end resources it needs while simultaneously working to find funding to extend the service farther.

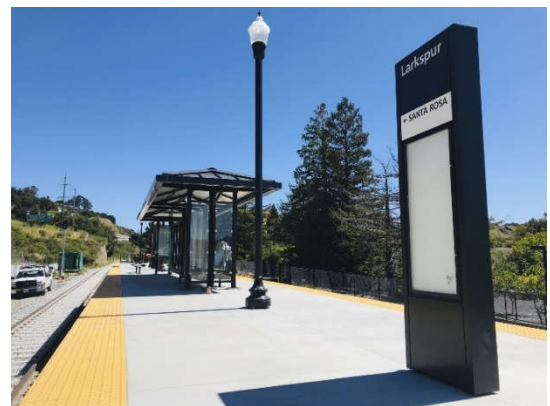
The Capital Department includes staff and consultants who assist SMART with the design and implementation of all current and future construction projects that have made the train and pathway possible and will extend it farther. This staff also manages ongoing monitoring activities associated with the structural safety of SMART's infrastructure such as monitoring SMART's mainline and Brazos branch (freight-only, eastern) bridges. The Capital Department also designs and manages projects that improve the current system through installation of major equipment, upgrading of all necessary systems or projects to keep SMART's infrastructure up to modern standards.



### New Service in 2019:

SMART will make three changes this year that will increase service and provide more access to transit to more people in Marin and Sonoma. In late 2019, SMART will open two new stations: Larkspur and Downtown Novato.

The Larkspur extension will extend passenger service 2.1 miles from Downtown San Rafael to Larkspur. The new rail line includes two bridges, one station with amenities, six at-grade crossings, temporary reconfiguration of the San Rafael Bettini Transit Center and train control systems that include federally mandated Positive Train Control. This project is also accommodating a reconfiguration of a major local street to ultimately allow for fewer grade crossings on the project, improved safety, and allow the City of San Rafael, in conjunction with SMART, to complete a new parallel Class 1 pathway.



The Downtown Novato station, funded by the City of Novato, is planned to open in late 2019. In addition to its central location within walking distance of 4,000 residents, this new station will also be served by the full train schedule.

Finally, the launch of services to Larkspur and Downtown Novato is anticipated to coincide with the launch of increased service levels to reduce the time between trains in the peak commute periods. The increased service will provide more trip options during the day, creating flexibility for riders, likely decreasing on-board crowding during high demand periods, and creating more consistent headways, or wait periods, between trains. During the weekend, service will start earlier.

## CAPITAL PROJECTS

In addition to the nearly complete Larkspur and Downtown Novato Station additions mentioned above, SMART currently is working on the following funded capital projects:

**Windsor Rail Extension and Pathway:** The SMART Windsor Rail Extension and SMART Pathway will provide a northern rail extension between Sonoma County’s Airport Boulevard and the Town of Windsor, including just over 3-miles of Class 4 mainline track, four bridges, one station with amenities and gauntlet tracks to accommodate freight train passage, five at-grade crossings, and train control systems that include federally mandated Positive Train Control. The project provides a second entrance into the SMART Rail Operations Center (ROC) ensuring redundancy and flexibility. The double track portion will also function as a freight siding enabling more efficient movement of freight around SMART’s busiest operating hours. The Town of Windsor is partnering with SMART to implement improvements to the at-grade street crossing adjacent to the SMART Windsor Station, which is a three-way crossing of the SMART tracks with Windsor River Road and River Road. The train control systems portion of the project was awarded in September 2018 for \$15.7 million. The track, stations and other infrastructure are currently the subject of an active competitive process with procurement completion expected in the fall of 2019. The project is currently on target to be completed and open for revenue service in late 2021. Pathway completion between Sonoma County Airport and Windsor is planned to be part of the project.

**Petaluma Second Station:** SMART is currently working on a public private partnership to provide a second station in Petaluma. This agreement would involve a property exchange with SMART’s downtown property for land in the north end of Petaluma and funding sufficient to build another station and parking. No additional sales tax or grant funds would be needed if this agreement is finalized and executed.

**Petaluma SMART Pathway:** Three segments of SMART Pathway are in construction or fully funded for construction in Petaluma. These segments include safe, non-motorized crossings of several major barriers in Petaluma, including the Petaluma River and Highway 101. Combined, these three segments create a 4.5-mile continuous paved Class 1 pathway system through Petaluma connecting to Penngrove and complete all of the SMART Pathway in Petaluma that was part of the original Measure Q program.

The first segment under construction in Petaluma connects from Payran Street to Southpoint Boulevard. This project is constructing a 1.2-mile Class 1 paved bicycle and pedestrian pathway within the



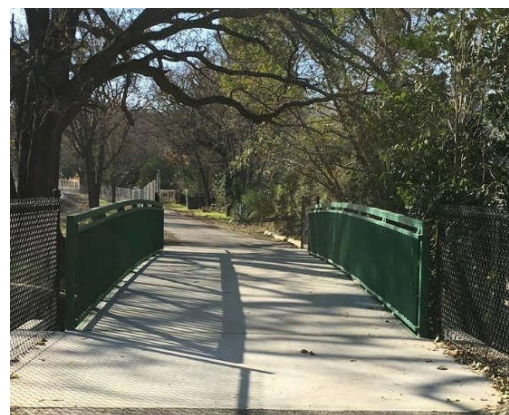
active SMART railroad right-of-way, including a 200-foot pedestrian and bicycles-only bridge over the Petaluma River and path under Highway 101, connecting east and west Petaluma. Currently there are limited options between east and west Petaluma for bicyclists and pedestrians. The lack of Class 1 paved facilities, motivates trespassing behavior on the railroad right-of-way to cross the river and the highway or forcing pedestrians and cyclists onto steep high speed/high volume arterials crossing the highway. The project will connect east Petaluma to the SMART rail station in Downtown Petaluma and support local access to schools and services on either side of the highway and river. The project, with a direct cost of \$2.4 million, is currently under construction and is estimated to be completed in October 2019.

The second segment under construction connects from Payran Street to Lakeville Street northwest of the Downtown Petaluma SMART Station. This project will construct a .4 mile Class 1 pathway and, in partnership with the City of Petaluma, provide improved pedestrian connections in the area. This project is anticipated to begin and complete construction in the spring and summer of 2020 utilizing \$900,000 in other pathway construction grant savings.

The third segment in Petaluma is fully funded for construction connecting from Southpoint Boulevard to Penngrove's Main Street. This project will add 2.5-miles of Class 1 SMART Pathway through East Petaluma and into the heart of Penngrove and is combined for contracting with the SMART Pathway connection between Rohnert Park and Santa Rosa, described below. This project will begin design in the fall of 2019, start construction in the spring of 2021 and is anticipated to be open for use prior to the spring of 2023.

**Sonoma County Pathway Connectors (Santa Rosa, Rohnert Park and Cotati):** The SMART Pathway has been completed between Santa Rosa's Guerneville Road and Bellevue Avenue in Southwest Santa Rosa (4.2-miles) and between Rohnert Park's Golf Course Drive and Sonoma Mountain Village south of Cotati (3.3-miles) with a mix of outside grants, local resources, private funds and SMART funds. Funding has been secured to complete construction of the "gap closure" between these two areas, south from Bellevue Avenue to Golf Course Drive in Rohnert Park.

The project will construct 2.8-miles of Class 1 paved bicycle and pedestrian pathway within the active SMART railroad right-of-way from Southwest Santa Rosa to Rohnert Park. Currently there are no direct bicycle/pedestrian transportation options between these urban areas of Southwest Santa Rosa and Rohnert Park, other than Highway 101 where bicyclists and pedestrians are forbidden. Additionally, there are few sidewalks internal to most of the neighborhoods of Southwest Santa Rosa, an area including the one State-recognized Disadvantaged Community in the SMART District.



The project will close a gap between existing segments of the SMART Pathway and will create 10.3-miles of continuous Class 1 Pathway connecting major destinations through some of the SMART District's most urban neighborhoods and crossing through urban areas and obstacles to pedestrians and bicyclists. Combined, this entire stretch of the pathway will connect people to several perpendicular connecting Class 1 pathways (Joe Rodota Trail, Colgan Creek Trail, Hinebaugh Creek Trail) and further

connect people to communities, services and educational and employment opportunities. The cost estimate of the project, which has been combined with the Southpoint Boulevard to Penngrove Main Street segment, described above, is \$13.8 million. The funding, programmed from the Regional Active Transportation Program and local traffic impact fees, will be available starting in 2021 with construction complete by Spring 2023.

**For a map of all the SMART pathways and their status, please see Appendix A.**

**Safety Enhancements:** While the SMART system meets or exceeds all State and Federal safety requirements, each time there is an incident or concern, SMART evaluates whether there is anything within SMART’s ability and means that could improve the safety of the system. As a result of several incidents of distracted pedestrians and bicyclists colliding with the train, the SMART Board has authorized the use of capital reserves for safety enhancements at 30 crossings with a direct cost of \$498,455.



These improvements, which would exceed the standards set forth by the State or Federal Railroad Administration, target distracted pedestrians and bicyclists by creating channelization at crossings which would force them to pay attention to their route as they enter the SMART right-of-way at the grade crossings. These safety enhancement measures vary by location but generally consist of short portions of chain link or pipe barriers, while maintaining clearances required by the Americans with Disabilities Act. Most of these safety improvements are located outside the SMART right-of-way requiring coordination and approval by a number of Cities and Counties. The following City and County municipalities were involved in the proposed improvements: the Cities of Cotati, Novato, Rohnert Park, San Rafael, Santa Rosa, and Petaluma and the County of Sonoma.

**Capital Maintenance Capacity Projects:** In addition to service expansion, SMART is continuing to build in ways that increase service reliability and efficiency. These projects are underway using Measure Q and State operating grants. The largest of these projects include acquisition and installation of rail maintenance equipment that will enable lower operating costs or improvements in service to passengers. The recently completed Wheel Truing Machine project, which cost \$1.2 million, enables on-site modifications to worn rail wheels without having to remove axles and transport them out of state for repairs. The result is quicker turnaround time on the wheels, lower cost and emissions associated with the work, and more reliable vehicle availability. Similarly, the Wheel Press acquisition and installation project, budgeted in Fiscal Year 2019-20 for \$800,000 will allow for removal and installation of wheels onto axles on-site and quicker, more reliable completion times without the costs and time to ship them offsite.

## FINANCIAL PROJECTIONS

The primary purpose of the 2019 Strategic Plan is to demonstrate SMART's future financial picture. The 2019 Strategic Plan relies on future financial analysis using a cashflow approach that aligns projected revenues with projected costs over the next 40 years. In preparing the Strategic Plan and in consultation with both the Citizen's Oversight Committee and the Board of Directors, it was agreed that renewal of the sales tax in March of 2020 is critical to the future success of the rail system. The buildout of a \$600 million rail and pathway system that, if properly maintained, has a useful life of 40 years or more, should have financing that matches the use of the system by future riders. The current expiration of the tax in 2029 should to be extended in order for SMART to manage its current expenses into the future. Thus, this Strategic Plan assumes that the tax is extended to 2059 by the voters in March 2020. The sections below provide descriptions of SMART's revenue sources anticipated in the next 30 years, as well as future operating expenses during that timeframe. Assumptions of growth are included in each description. The financial plan does not include the capital construction expenses or revenues associated with rail and pathway extension projects that are not already fully funded as discussed further in the Capital Project section.

### Revenues

This Strategic Plan shows revenues associated with Operations as well as current construction projects underway supported by the following revenue sources:

**Measure Q Sales Tax:** The existing 20-year quarter-cent local sales tax is the single largest source of revenue for SMART for the foreseeable future. It comprises 75% of SMART's Fiscal Year 2020 annual revenue. With collection that started in April 2009, the sales tax was originally projected to generate \$890 million over 20 years through its sunset in April 2029. Sales tax receipts that SMART received in the first years of the tax were lower than initially projected between 2009 and 2013 due to the 2008 "great" recession, reducing it by \$6.6 million and over \$100 million during the period in which SMART hoped to issue debt. However, although the revenue impacts were unprecedented and recovery took some time, sales tax receipts showed strong recovery in the years that followed, as is the case with every recession in the two counties for the last 30 years. Audited sales tax receipts flowing directly to SMART through Fiscal Year 2018 totaled \$289 million. Since the recession, sales tax growth has averaged 5.6% percent annually.

SMART has, since beginning of operations, carried an operating reserve of \$17 million which is designed to allow the agency time to weather any such recession. SMART planning for the future will include a prudent reserve to continue to deal with economic uncertainty.

Most analysts predict recessions are "overdue" due to the history of the business cycle. However, the exact timing and severity of such recessions cannot be predicted. With the exception of the Great Recession, every recession for the last 30 years in the District led to revenue declines of less than 5% over 2 or fewer years with revenue recoveries occurring quickly in the ensuing years. For the last 20 years, even including the unprecedented recession, Sales Tax growth has averaged 3%.

Knowing the history of the two counties and combining that history with an understanding of the underlying income data associated with the SMART District and the desire for housing growth particularly in Sonoma are all factors that argue for steady, continued growth of the sales tax. Thus, while actual sales tax receipts may fluctuate (up or down) from year to year, this Strategic Plan bases its analysis on a 3% average growth rate projection, with the understanding

that it will be higher or lower in any given year. This mirrors analysis done recently for Marin County Economic Forum.

**Appendix B includes a historical sales tax chart for the SMART District.**

**Farebox Revenues:** SMART passengers have, for the last two years, paid for their rides using the fare structure approved by the SMART Board in 2015 and 2016. The fares are based on the distance travelled by a rider along the 70-mile distance that the train will travel when fully built. This structure is similar to other commuter rail services such as Caltrain and ACE. Daily fares range from \$3.50 for a non-discounted adult travelling one zone, and \$11.50 if travelling 5 zones. However, SMART provides a number of discounts available to SMART riders. In Fiscal Year 2018-19, 56 percent of rides on SMART have had some form of discount applied. The average fare per passenger during that same Fiscal Year was \$5.74 which is inclusive of the discounts provided to seniors, youth, disabled riders, 31-day pass holders, and Eco Pass users. The average SMART passenger travels 2-3 zones or an estimated 24 miles per trip. In the first two years of service, SMART has received a total of \$7.4 million in fare revenue through June of 2019, exceeding original budgeted estimates. For purposes of this financial projection, we are assuming that fares increase by 3% annually in all years except the year of Windsor opening. This is a modest growth assumption that would not require aggressive fare increases but rather assumes some measure of natural growth based on trips taken becoming longer and on the expansion of the regional economy.

**Miscellaneous Revenues:** SMART has a number of local funding sources, the largest ongoing of which is lease income. That amount is nearly matched by advertising revenue derived from advertising on the train and the platforms which has totaled \$420,000 in the last two years. Ongoing revenue is assumed to grow at 3% per year. SMART also has one-time revenue related to property transactions, legal settlements, or insurance reimbursements. On an ongoing basis, most of these onetime revenues are not included in SMART forecasts. One exception is a \$4 million real estate payment assumed in conjunction with an executed contract for the sale of SMART's property in Santa Rosa adjacent to the Railroad Square Station.

**State Revenues:** SMART benefits from a number of State revenue sources for rail and transit which have been enhanced by the passage of Senate Bill 1 (SB1) in 2017. Chief among those are \$3.5 Million in funds under the State Rail Assistance program. Those funds are split between the 5 major commuter rail lines. SMART also benefits from allocations from the Low Carbon Transit Operation Program and the Local Partnership Program which provide capital and operating funding of more than \$900,000 in Fiscal Year 2019-20. Finally, SMART receives significant funding through the State Transit Assistance program, including population-related funding, revenue-related funding, and State Of Good Repair funding. The Fiscal Year 2019-20 funding combined for these programs is \$6 million. State revenue is assumed to grow 2% annually in the future.

**Federal Revenues:** As a transit operating entity and direct recipient of Federal Transit Administration (FTA) Funds, SMART will participate in future operating fund allocations from FTA federal grant programs. SMART will become eligible for funds through the FTA 5307 program starting in Fiscal Year 2020-21; and FTA Section 5337 funds after 7 years of operation, or in Fiscal year 2024-25. At that time the projections assume an estimated \$1.5 million annually through those programs combined. Growth is projected to be 2% each year.

## EXPENDITURES

With a two-year history of operating costs, this Strategic Plan includes assumptions about future operating costs that are, for the first time, based on actual data. SMART's annual budget process involves multiple public meetings with the end result being a publicly available budget showing costs by category and department. This Strategic Plan generally utilizes the expenditures budgeted in Fiscal Year 2019-20 and escalates those costs 3% annually (with the exception of debt service) for the ensuing 30 years.

There are 8 main categories of expenditures for operating in costs for the District. They are:

1. Labor Costs: SMART operations rely first and foremost on its most important asset: its people. Labor costs make up 50% percent of annual operating costs (excluding debt service). SMART has worked to contain labor costs by implementing pension reform a year before the State of California approved sweeping changes to its pension programs. Nearly all of SMART employees are in a reduced pension benefit in which employees share in the cost of pensions and the age for retirement is increased.

Between 2014 and 2019, in order to open service with the highest possible number of runs while managing new pathways, coordinating with freight needs, and significant public safety responsibilities, the Board approved an increase in the number of staff needed to operate the system. In addition, like all other businesses and transit agencies in the Bay Area, SMART has increased the wages paid to staff in order to first attract and then retain qualified staff.

Competition for the specialized area of rail transit has meant the need for specially trained staff in the areas of rail vehicles, systems, signals, train operation, funding, purchasing and even legal, to name a few. Salaries and benefits costs for FY 2019-20 approved by the Board were \$21 million total.

2. Debt service: In order to provide enough funding to build the train and pathway, SMART issued debt in 2011 that relied on tax revenue until the expiration of Measure Q in 2029. SMART currently pays \$17 million a year in debt service related to the construction of the initial 44-mile service corridor. This debt service is scheduled to grow to \$21.9 million in 2028. This is a significant debt burden that could be reduced to \$6 million if the tax were extended past its initial expiration date as discussed earlier. Extension of the expiration date would allow the District to begin a debt restructuring process in anticipation of the ability to "call" its bonds in 2022.
3. Safety and Security: SMART's services and equipment costs related to safety and security are a significant and unavoidable cost of running a modern rail system. In order to operate and maintain the safest system possible, SMART was built with the safest technology (positive train control) which relies on sophisticated technology and constant investment. Maintaining this system is expensive. In addition, we have installed cameras, fiber optic and other technology that also requires expert and expensive maintenance. Costs for safety and security span all expenditure types within the District's budget.
4. State of Good Repair: In order to keep the system in good repair for years to come, the 2019 Plan includes \$3 million a year in investment to keep the system in good repair and to replace equipment and non-revenue vehicles. This includes funding for the Diesel Multiple Unit train



system maintenance and upgrades, pathway maintenance, signal and Positive Train Control system replacements, and all required Federal Railroad Administration track maintenance.

5. Risk Management: A large portion of SMART's budget is dedicated to a well-structured insurance portfolio. Because the industry history of significant losses in the case of a serious rail accident, SMART mirrors best practice in the industry in purchasing over \$ 200 million in rail liability coverage. This, plus coverage for property, general liability and other areas of risk, lead to expenses of \$2 million in Fiscal Year 2020. This insurance portfolio would allow SMART to continue to operate following a significant event (fire, flood, accident) that would otherwise financially drain or cripple the Districts ability to operate.
6. Passenger Amenities: SMART provides service for all passengers, which costs over \$1 million a year includes free Wi-Fi, bathrooms, and electronic bike lockers.
7. Fuel and utilities: SMART's DMU rail cars currently use \$1.4 million in fuel annually. As trains travel longer distances and carry more passengers, that amount will increase. In addition, SMART's highly sophisticated signal system requires continuous power at all its crossings, stations, rail facilities and other systems. That power will cost a projected \$700,000 in Fiscal Year 2020.
8. Pathway and other Right-of-Way Maintenance: SMART is budgeted to spend \$2.4 million in Fiscal Year 2019-20 on non-labor costs associated with maintaining the Right of Way, including the Pathway. In addition, SMART added two new staff in the Fiscal Year 2019-20 budget to address the increasing costs of managing both vegetation growth and the cleanliness and safety of the pathway. The pathway also requires significant attention from SMART's safety and security to address homelessness and other safety issues.

## FUTURE FINANCIAL PLANNING

Since the approval of the sales tax in 2008, SMART has moved to build, as quickly as possible, an entirely new transit alternative to sitting in traffic on Highway 101. The main task of this Strategic Plan is to assist the District and its policy-making Board in the decisions needed to preserve the progress that has been made to date and secure the SMART transportation alternative well into the future. Prior to this Strategic Plan, SMART has developed a \$17 million operating reserve as a prudent way to prepare for future financial challenges. In addition, it was always projected that the sales tax would be needed on an ongoing basis in order for SMART, like all transit services, to continue to operate.

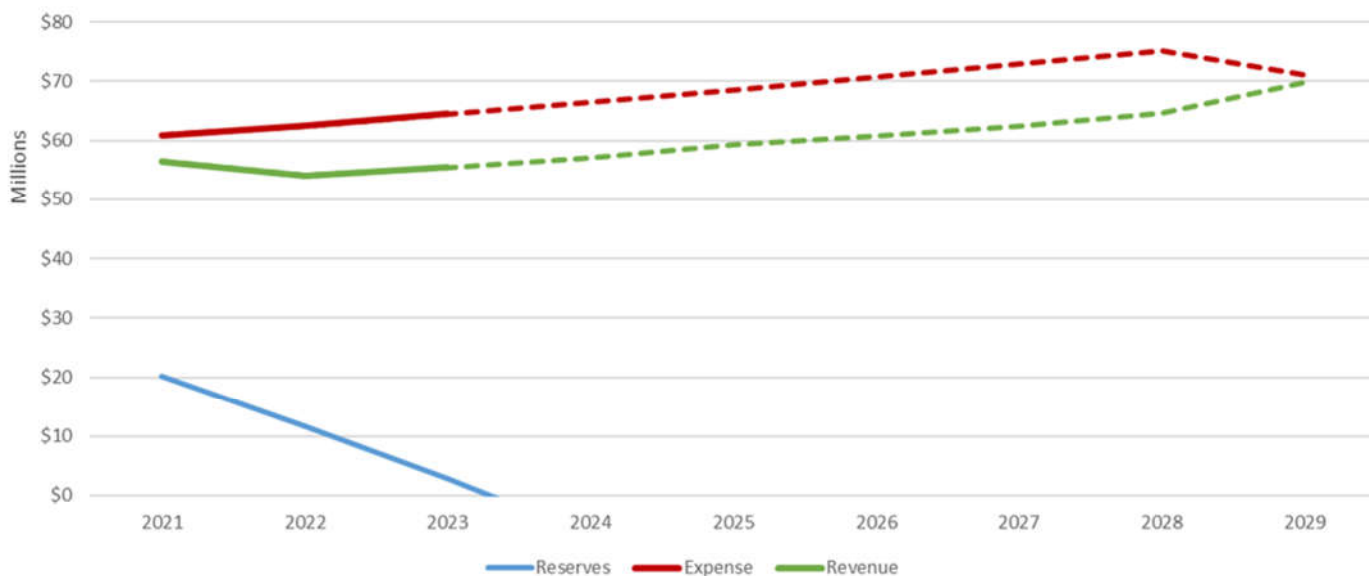
In studying the current revenues and expenditures, SMART must then project the financial path forward based on those current needs. Based on input from the Board, the Strategic Plan for SMART will assume the following two important steps to ensure the continued financial health of the transit services provided by SMART.

### 1. **Extension of the Sales Tax beyond its current 2029 expiration.**

While it was always envisioned that the sales tax would need to be extended, it was never discussed what the timing of that extension would be. SMART's current budgeted revenues and expenses relied on \$7 million in reserves in Fiscal Year 2019-20 to balance. With an assumption of normal increases in labor and operating costs, the current escalating debt service schedule, and the desire to add more service in the future, the future outlook for the District requires the District to seek to extend the current expiration of the Measure Q sales tax in March of 2020 rather than waiting for a later date.

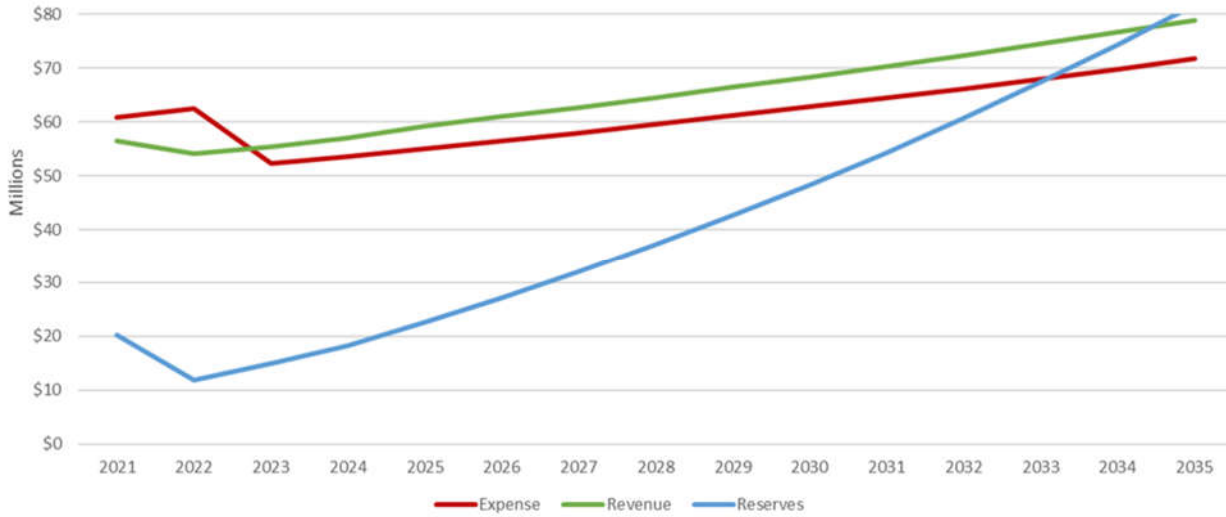
As illustrated in Figure 1 below, future revenue and expense under an unlikely “do nothing” scenario shows that reserves would be quickly depleted if the District were not able to restructure its current debt payments. Sales tax and other revenues would continue, but SMART would no longer have reserves to fill the gap between revenues and expense. This scenario shown below is not a one that SMART will allow to occur as it assumes that neither a renewal of the sales tax nor action to cut other expenses has taken place.

**FIGURE 1: “DO NOTHING” SCENARIO: No Sales Tax Renewal, No Expenditure Cuts**



The future planning scenario that involves the best financial outcome for the District is one that extends the sales tax beyond its current expiration. Given more time to spread the debt, the District would be able to lower debt service from \$18 million to \$6 million annually, allowing more revenue to flow to operations. This would allow SMART to rebuild its reserves and stabilize its outlook for the future. The chart below illustrates the difference a 30-year extension would make for the agency.

**FIGURE 2: MARCH 2020 SALES TAX EXTENSION SCENARIO**



As shown in FIGURE 2 above, starting in 2024, reserves are beginning to be built in an amount that would exceed the need for operating reserves related to service between Larkspur and Windsor. Appendix C provides further detail. Reserves shown above as an increasing blue line could be used for other needs. One use would be to fund the future operations of Healdsburg and Cloverdale, should SMART be successful in its efforts to gain outside funding for those extensions. In that case, funds would be available for a prudent operating reserve but not for significant capital expenses. See FIGURE 3 below for the illustration of what the inclusion of those operating costs would look like in the future if they were assumed to be included by 2029. Appendix C is a chart showing the dollar amounts that drive this figure by year.

**FIGURE 3: MARCH 2020 SALES TAX EXTENSION & INCLUSION OF FULL OPERATING COSTS SCENARIO**

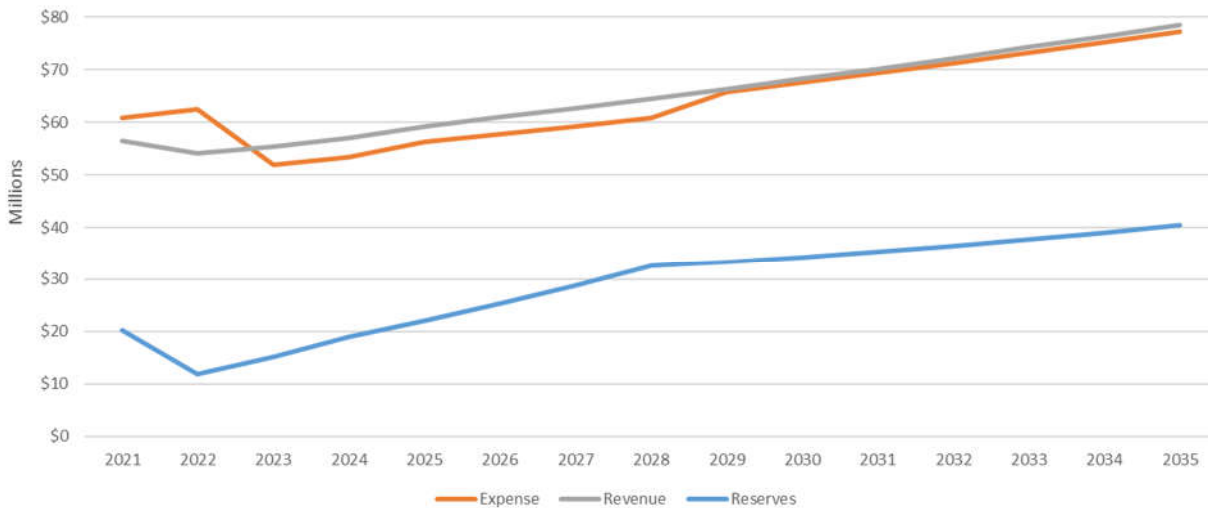


FIGURE 3 shows revenues and expenses closely aligned after the inclusion of operating costs for Healdsburg and Cloverdale, or balanced budgets with ongoing healthy reserves. Reserves are maintained at a prudent level to keep the District in good financial health in the face of economic downturns.

## 2. Prepare Budget Reduction or Revenue Increase options in the event voters do not extend the tax.

If the extension of the existing tax does not pass in March of 2020, SMART will work to avoid the “Do Nothing” scenario shown in Figure 1. SMART staff will prepare cost reduction scenarios to be discussed with the Board with a goal of bringing expenses into balance with existing revenue before SMART depletes its reserves. Depending on the future planning choices of the Board, unfortunately, that could mean a scenario with up to \$9 million in cuts unless additional revenues could be identified. To put that in perspective, SMART’s annual budget, not including capital projects, equipment or debt service, purchases, is \$38.8 million.

## FUTURE PHASES

**Operations Costs Included:** The operating costs of adding a second SMART rail station in Petaluma and the Downtown Novato Station are included in the financial forecast. These stations do not require the train to travel any farther than the current system already operating. The costs of Larkspur, which added 2.1 miles to the currently operating system, have already been assumed and included in the forecast as part of the approved Fiscal Year 2019-20 budget. The cost of Windsor, which is anticipated to add \$600,000 to the annual operations, is also assumed in the forecast.

A debt restructuring utilizing the revenue and expense scenarios assumed in this plan would reduce debt service annually by \$12 million. This restructuring would free up the funds that would both cover current operating costs as well as provide sufficient revenue for the additional operating costs associated with new stations.

These annual operating costs are projected to be as follows:

Healdsburg: \$1.5 million

Cloverdale: \$3.2 million

These cost estimates would include additional staff, services and fuel needed for the additional train sets and miles travelled on the train, staff to run the additional miles, and additional maintenance expenses associated with those extra miles. Significant changes in the operating costs in the future would require future Boards to study those changes and adjust future budgets and plans accordingly.

The ability to operate not only the currently built system but the extensions SMART will seek funding to build is a rarity in the world of capital grants. The first question asked as part of any application for capital grants is this: Will you be able to afford to operate what you build? This dedication of operating funds out of the reauthorized sales tax displays SMART’s commitment to continued expansion of the system with a goal of reaching Healdsburg and Cloverdale as soon as funding can be identified.

**Capital Project Cost Planning:** As discussed earlier, utilizing the current year budget and projecting costs and revenues forward, current financial projections do not provide any additional revenue dedicated to future capital projects. However, the forecast does show sufficient revenue to cover the additional operating costs related to the extensions to Windsor, Healdsburg and Cloverdale. SMART will continue to work on the following unfunded capital priorities:

**Pathway:** In order to close the existing gaps between the Larkspur and Windsor Stations in the built or funded pathway segments, the cost estimate for delivering those segments is \$34.5 million.

**Rail:** The current capital cost estimates for rail extensions and capacity expansion (vehicles/rail yard) is \$364 million. This is comprised of the following elements:

- Windsor to Healdsburg (Track, Station, Bridges and Systems) - \$125 million
- SMART Rail Vehicle Expansion - \$44 million
- SMART Rail Yard Capacity Expansion - \$25 million
- Healdsburg to Cloverdale (Track, Station, Bridges and Systems) - \$170 million

**Capital Revenues:**

SMART has succeeded in securing outside private, local, regional, State and Federal resources and grant funds to maximize the impact of Measure Q resources for Marin and Sonoma Counties. In 2008, Measure Q outlined a successful approach taken by most if not all transportation districts in California: *“SMART requires this measure in order to provide matching revenues to existing state and federal transportation grants, to bond for the construction of the project, and to provide funding for the on-going operation and maintenance of the project.”*

Since the passage of Measure Q in 2008, SMART has secured \$300 million in outside funding for rail projects. That funding has come from all levels of government including federal, state, regionally and locally controlled funds. Since 2012, SMART has secured \$23 million in outside grant funds directly for SMART Pathway construction primarily from regional, state, and federal funds but also from private sources and local partnerships with Sonoma County Transportation Authority and the Sonoma Open Space funds. This is in addition to SMART Pathway segments constructed with outside grants and funding by partner agencies.

Significant grant and other outside revenues will be available in the coming years that could advance SMART’s future capital expansion efforts. Notably, within California, the voter-affirmed Senate Bill 1 has infused significant resources into improving transportation networks throughout the State. These funds were affirmed by the voters and are being made available to transportation needs. The following is a list of statewide resources for which SMART is able to compete to construct SMART’s capital expansion program. The list is not exhaustive but illustrates the opportunities available with over \$1.2 billion in new revenues every year moving forward:



- Transit and Intercity Rail Capital Program - \$300 million annually
- Solutions for Congested Corridors - \$250 million annually
- State Transportation Improvement Program – Interregional Share - \$27.5 million annually
- State Transportation Improvement Program – Regional Share - \$82.5 million annually
- Trade Corridor Enhancement Program - \$300 million annually
- Local Partnership Program - \$200 million annually
- Active Transportation Program - \$100 million annually

Federal resources are also available, with reauthorization of the Federal transportation legislation, currently 2015’s Fixing America’s Surface Transportation (FAST) Act is on the horizon for 2020. Federal funding priorities include rural projects, particularly those that improve broadband connections. SMART’s extensions north will satisfy both of those priority concerns. SMART has a history of successfully accessing funds programmed at the discretion of Federal decision-makers, with nearly \$41 million in federally-controlled funds authorized for SMART rail projects.

Additional Regional resources may become available over the course of any sales tax reauthorization period. For example, with the approval of Measure Q in 2008 and the provision of operating funds for rail and pathway, it became possible for SMART to access nearly \$111 million for rail and pathway construction since 2011 via Metropolitan Transportation Commission-controlled bridge tolls and other fund sources.

On the local level, Sonoma County Transportation Authority’s Measure M sales tax is being considered for reauthorization. That measure provided 5% to Rail, resulting in \$16 million to the project to date, with an additional \$3.5 to \$4 million anticipated before the end of the existing measure in 2024. These funds were restricted for Project Development, Design, Station Construction and Rail/Street Crossing construction in Sonoma only. An additional \$1 million was provided from Measure M to the SMART Pathway for use on federal environmental clearance and design. The Measure M Pathway funds have been used to advance nearly 15-miles SMART Pathway segments to construction across Sonoma County.

Private sector investments are also available to local jurisdictions to advance transit projects. Private developers have partnered with SMART to construct segments of the SMART Pathway and rail projects can benefit from a number of relatively new Tax Increment Financing Tools available in the State of California. There are a number of tools available to cities and counties that SMART cannot access directly but could be explored in partnership with Healdsburg, Cloverdale or other jurisdictions to serve as a way to provide additional revenue. These tools include:

- Enhanced Infrastructure Financing District
- Community Revitalization and Investment Authority
- Neighborhood Infill Finance and Transit Improvement Districts (SB 961 – 2018)
- Transient Occupancy Tax

Some of these tools also have mechanisms for funding Affordable Housing, some including minimum percentage requirements to provide affordable housing.

### **Prospective Schedule:**

SMART’s has demonstrated a successful track record of securing outside funding resources, much of which would otherwise have not come to the North Bay without SMART’s voter approved tax to attract it to

Sonoma and Marin Counties. Based on those successful efforts, SMART would seek to secure, on average, approximately \$250-\$270 million over the next 10-years in outside funds to construct future rail extensions and \$35 million over the same period in outside funds to construct additional pathway projects.

Our history of generating solutions beyond our financial realities is strong in the past 10 years. When the Great Recession impacted the entire country and SMART was forced to rethink its strategies, the original plan was reduced significantly. Construction plans in 2009 and 2010 only planned a rail line from Downtown Santa Rosa to the Marin Civic Center, or 34 miles. In 2010, in working with our funding partners in the region and locally, we were able to include the Downtown San Rafael Station as well as other deferred elements such as fiber optics. In 2012, reorganizing how we delivered the project and making creative decisions in construction we successfully extended the project to North Santa Rosa at Guerneville Road, and to add back the San Marin/Atherton Station. By 2014, we were able to add the Airport Boulevard station and add two more train cars to our fleet. By 2016, we had secured funding for the Larkspur Extension and had added four new train cars to our fleet of 14. Cooperation with the City of Novato is leading to a new downtown station there. And now, as part of our ongoing efforts to continue to build, we are looking at awarding the final contract for civic construction to Windsor, to be completed in late 2021. Again, it is this history that shows our record of delivery is strong and our commitment even stronger.

#### **Other State Priorities:**

Through past legislative and funding efforts, the State of California has indicated support for several SMART-related projects. Most notable is the use of the SMART rail tracks for freight rail transportation. SMART's authorizing legislation details the requirements to allow freight rail service on the SMART tracks. More recent legislation (2018 Senate Bill 1029) indicates the State's desire to eliminate the North Coast Railroad Authority and discusses future transitioning of freight rail functions along the corridor directly to SMART. Currently SMART dispatches freight on its tracks, with a private freight rail company serving the line.

The State has also recently funded an engineering feasibility analysis of upgrading the railroad tracks owned by SMART between Novato and Napa/Solano Counties to host passenger rail services connecting SMART to the national rail network, including Amtrak and Capitol Corridor. Currently the line, 2/3 of which is owned by SMART, is used for freight rail services and as a means to transport SMART project construction equipment from elsewhere in the country to the SMART mainline. The rail connection eastward along Highway 37 is also currently used to transport SMART's rail vehicles to rail maintenance facilities outside of the SMART District for major repair and overhaul work as needed.

SMART will continue to work with the State of California on State-funded priorities to maximize the public investment in the SMART rail corridor.

## CONCLUSION

SMART has made great strides in building a new transit system that provides an alternative to Highway 101 for Sonoma and Marin Counties. The progress SMART has made since the Great Recession has meant more service than was originally envisioned in Measure Q, and a number of stations added to the system that were not part of the original vision. While the entire 70-mile system has not been built, SMART has built a system that can be sustained and can grow into the future if its primary funding source is secured. SMART's ¼ cent sales tax has produced \$289 million in revenues for SMART that has been leveraged to bring in over \$300 million for building and operating the system. This has resulted in \$600 million of direct investment in the transportation infrastructure serving 80% of the ridership the system was originally designed to reach.

This plan was developed in conjunction with the Citizens Oversight Committee, who provided valuable input. It focuses on a path forward in which SMART asks voters in March 2020 to continue the progress and success of the SMART transit alternative and extend the current sales tax past its 2029 expiration date. This would allow the District the time needed to restructure its debt and put more annual funding to operations. This would not only make the current operations sustainable; it would also provide the revenue needed to operate future extensions to Healdsburg and Cloverdale should outside funding become available for construction. This would also provide the revenue for ongoing pathway operations and maintenance funding possible for the existing and soon to be constructed segments. In the coming years, SMART will continue its successful efforts to seek out regional federal and state funds to extend the system beyond the current system.



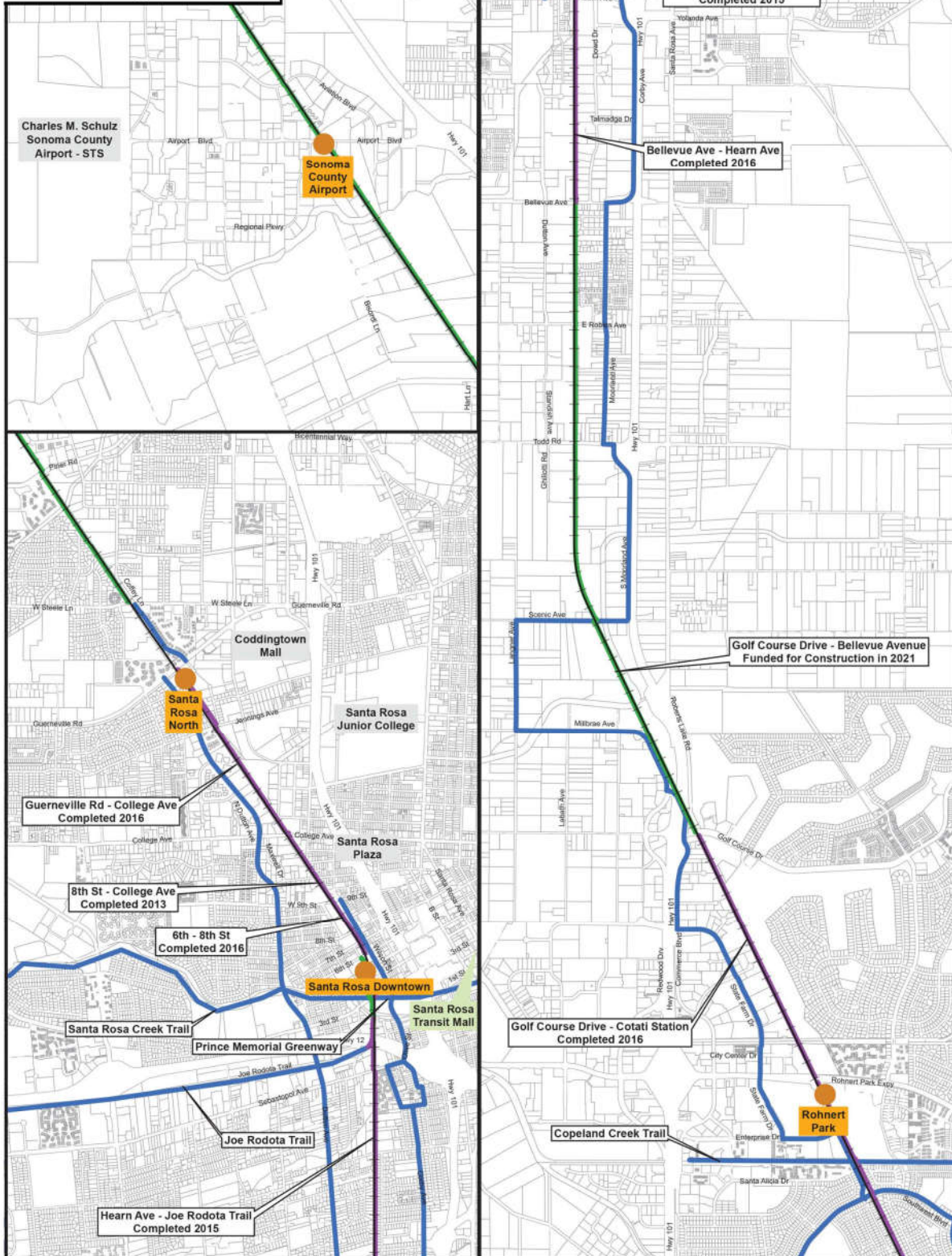
## Appendix A: Pathway Progress Maps (Three Pages)

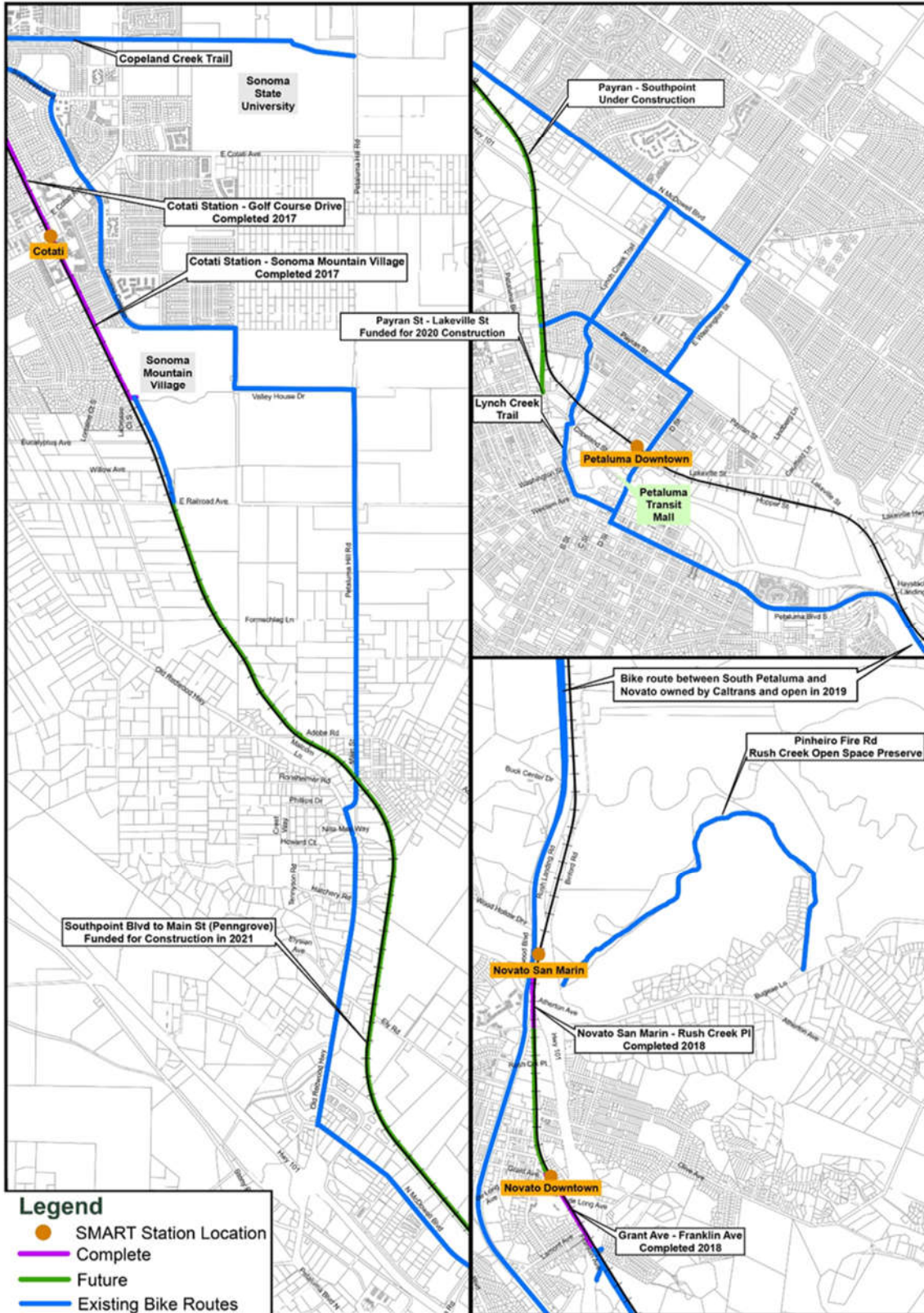


# PATHWAY MAP: Santa Rosa to Rohnert Park

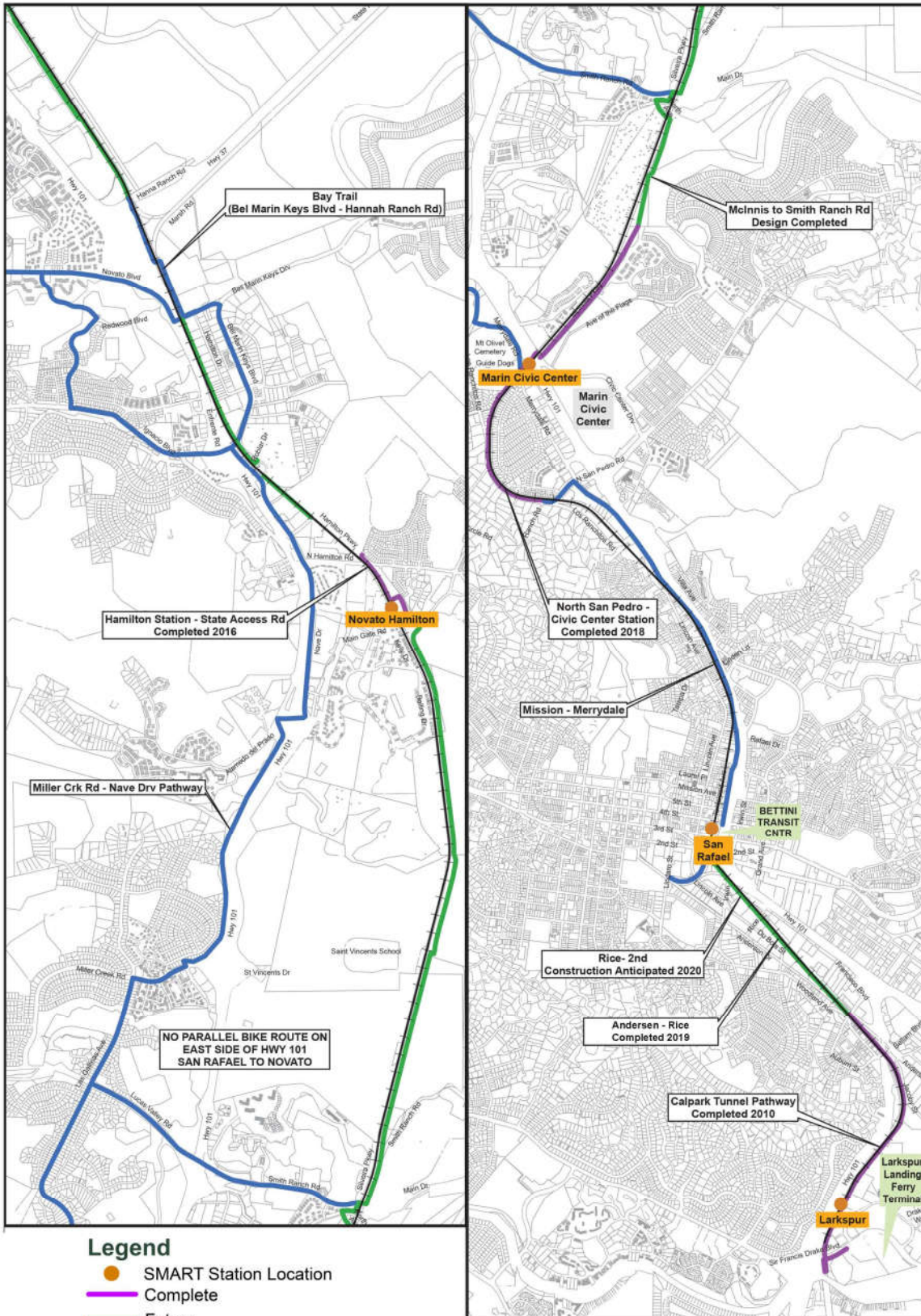
## Legend

- SMART Station Location
- Complete
- Future
- Existing Bike Routes





July 2019



July 2019

## Appendix B: Sales Tax History and Forecasting

As part of the Strategic Plan, SMART developed a 3% planning forecast for sales tax that relies on an understanding of the population demographics of the District, new state legislation ensuring the capture of internet sales and the recent history of growth in the two-County District. This growth rate is also informed by more in-depth analysis by the Transportation Authority of Marin in 2017, as well as 2019 economic forecasts by the State of California.

**RECENT HISTORY:** Sales tax growth in the SMART District over the past 20 years averaged 2.89% (see below). This is a time period that is useful for the following reason:

- This 20-year period includes the time period during which SMART was considered and created
- This time period is long enough to capture two business cycle downturns or recessions
- One of the recessions captured in this 20-year time period was the “Great Recession”, an unprecedented financial event in modern financial history

	Year	SMART Sales Tax	% Change From Prior		
	1998	21,904,613			
	1999	24,221,688	11%		
	2000	27,198,923	12%		
	2001	26,923,793	-1%	Typical Recession	
	2002	26,378,273	-2%		
Based on Taxable Transactions	2003	26,718,763	1%		
	2004	28,106,505	5%		
	2005	29,483,858	5%		
	2006	30,449,648	3%		
	2007	30,685,940	1%		
	2008	28,820,019	-6%	"Great" Recession	
	2009	24,809,661	-14%		
	2010	24,059,929	-3%		
		2011	26,826,843	12%	
		2012	28,303,501	6%	
SMART Audited Amounts	2013	30,435,753	8%		
	2014	32,473,329	7%		
	2015	33,845,426	4%		
	2016	34,776,012	3%		
	2017	36,061,894	4%		
	2018	37,135,476	3%		

There are many different ways to analyze path growth and apply that to the future. Forecasts of future growth for purposes of the Strategic Plan are designed to show a possible trend line and plan against that trendline. It is not designed to be an exact model for each year into the future. SMART has used a simple 3% growth trend as the basis for planning purposes in this plan. Using 3% sales tax growth assumes that recessions will, in fact, occur and that perhaps one out of two recessions could be large and is based on the 20-year history of the tax, our knowledge of the demographics of the District, and our understanding of the composition of the District’s sales tax.

**IMPORTANCE OF PRUDENT RESERVES:**

Because recessions and unexpected events could occur, one concern in any plan is how SMART would manage such challenges. One of SMART’s practices now and in the future is to maintain prudent reserves for annual uncertainty. SMART’s plan, in the future, is to strive to maintain reserves equal to 25% of its recurring annual operating costs. This provides a financial cushion against not only recession but also unanticipated costs that invariably do occur. SMART’s current reserve for this purpose is \$17 million, and the long-range plan shows reinvestment in reserves for the life of the sales tax. Its important to recognize that the Strategic Plan is a planning document that is updated at least every five years. SMART’s budget process, however, occurs at least every year. In a year in which a recession was to occur or expenses were to exceed SMART’s plans, the Board would discuss these changes and recommendations would likely be made to adjust the budget accordingly.

**SCENARIOS IN WHICH SALES TAX MIGHT BE LOWER OR HIGHER THAN STRATEGIC PLAN:**

**1. WHAT IF RECESSIONS IN THE FUTURE ARE MORE SEVERE? Growth of 2.5%:**

One scenario that has been studied by SMART is what the effect would be if sales tax over time were significantly lower than the 3% growth shown in the Plan. This would mean an average of, for example, only 2.5% over time, a lower growth than was experienced on average over the last 20 years. If no adjustments were made, small annual losses would be compounded to larger revenue losses.

However, several important factors are relevant:

- Annual losses and imbalances would not be ignored by the Board and managers of SMART.
- If the losses continued, required solutions would be small if addressed quickly
- The availability of reserves would allow the Board cushion and time to examine the situation and plan its next steps.

As shown below starting in 2020-21, the difference in the first year would be minimal, \$191,516 (0.4% of the SMART operating budget). In five years, the revenue difference between 3% and 2.5% growth would be \$1.1 million (2% of annual budget).

Sales Tax Projection Percent	Fiscal Year					
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
3%	\$ 38,303,193	39,452,289	40,635,858	41,854,934	43,110,582	44,403,899
2.50%	38,303,193	39,260,773	40,242,293	41,248,350	42,279,559	43,336,548
Difference yearly	-	(191,516)	(393,565)	(606,584)	(831,023)	\$ (1,067,351)

While an ongoing negative revenue trend would grow the use of reserves to balance the budget, the Board would have sufficient time to act on any changes. The sooner savings are realized, the greater the savings over time.

More important points to consider:

- Even waiting two years to address the imbalance would mean adjustments of less than 1% of SMART’s annual budget.
- If the District made no changes for 5 years, then a combination of expenditure cuts or an increase of other revenue sources would need to be made of \$3 million.
- Revenue losses, compounded over time, would be large but that would be offset by expenditure reductions the Board would make as part of its budgeting process. For example, an expense reduction of \$3 million would yield \$143 million in savings over 30 years.

## **2. WHAT IF THE FUTURE BRINGS HIGHER GROWTH? Growth of 3.5%:**

It is also possible that SMART could experience higher sales tax growth than is shown in the Strategic Plan. This alternative scenario of 3.5% growth would provide additional sales tax revenue over time, starting small and growing over time in the manner shown in the recessionary chart above, with the difference being positive rather than negative. This would generate an additional \$3 million in revenue in five years, and \$10 million over 10 years. The Board could choose to put that difference towards operations, add to its reserves or utilize those funds for capital improvements.

## **PLANNING FOR RECESSION**

No one can predict with certainty when a recession will occur. The August 2019 California Department of Finance Bulletin reports that California’s real GDP grew at an annualized 2.7% in the first quarter of 2019. The Governor’s May budget summary indicates that economic growth will continue but that the rate of growth will likely slow. The report also indicates that there are risk factors that could cause a slowdown or a recession which would affect revenue growth. Those risks include rising inflation, trade disputes and a loss of consumer confidence.

The Strategic Plan is a high-level view of potential future revenues and expenses for SMART. It is not a budget. SMART has an annual budget process that is separate from the Strategic Plan. If a recession were to occur in the coming years, as discussed in the recession scenario above, SMART would react by examining its revenues and expenses either as part of the annual budget process or sooner if necessary. In this way SMART would be no different than any operating transit district, City or County. As indicated in the discussion above, SMART’s reserves would provide a necessary cushion to allow time for the Board and staff to make changes to the budget. Expense reductions would mitigate sales tax revenue losses. Those reductions could come in the form reductions in staff, suspension of cost of living increases, reductions in services provided, or any other number of actions.

As discussed in the Strategic Plan, an extension of the sales tax past its 2029 expiration date provides the best ability for the District to manage its future costs and build reserves. By reducing debt service, the District would have more ability to make expenditure decisions as debt service would require \$12 million less of the sales tax revenue at the start.

**ANOTHER SCENARIO:**

30-Year Sales Tax Extension Scenario  
Summary of Revenue, Expense and Ending Balances  
 (as prepared by G. Phillips, September 12, 2019)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Measure Q - Sales tax	\$ 38.30	\$ 39.33	\$ 40.40	\$ 41.49	\$ 42.61	\$ 43.76	\$ 44.94	\$ 46.15	\$ 47.40	\$ 48.68	\$ 49.99	\$ 51.34	\$ 52.73	\$ 54.15
Fare Revenue	\$ 4.10	\$ 4.30	\$ 4.50	\$ 4.62	\$ 4.75	\$ 4.87	\$ 5.01	\$ 5.14	\$ 5.28	\$ 5.42	\$ 5.57	\$ 5.72	\$ 5.87	\$ 6.03
Other Federal & State Revenues	\$ 8.60	\$ 12.80	\$ 8.90	\$ 9.14	\$ 9.39	\$ 9.64	\$ 9.90	\$ 10.17	\$ 10.44	\$ 10.72	\$ 11.01	\$ 11.31	\$ 11.62	\$ 11.93
Total Revenue	\$ 51.00	\$ 56.43	\$ 53.80	\$ 55.25	\$ 56.74	\$ 58.27	\$ 59.85	\$ 61.46	\$ 63.12	\$ 64.83	\$ 66.58	\$ 68.37	\$ 70.22	\$ 72.12
Debt Service	\$ 16.70	\$ 17.40	\$ 18.10	\$ 18.80	\$ 19.50	\$ 20.20	\$ 20.90	\$ 21.60	\$ 22.30	\$ 23.00	\$ 23.70	\$ 24.40	\$ 25.10	\$ 25.80
Operating Costs	\$ 41.30	\$ 43.20	\$ 44.50	\$ 45.75	\$ 47.03	\$ 48.34	\$ 49.70	\$ 51.09	\$ 52.52	\$ 53.99	\$ 55.50	\$ 57.06	\$ 58.65	\$ 60.30
Contingency - Operating Costs	\$ -	\$ -	\$ -	\$ 4.57	\$ 4.70	\$ 4.83	\$ 4.97	\$ 5.11	\$ 5.25	\$ 5.40	\$ 5.55	\$ 5.71	\$ 5.87	\$ 6.03
Total Operating Expenses	\$ 58.00	\$ 60.60	\$ 62.60	\$ 56.52	\$ 57.93	\$ 59.38	\$ 60.87	\$ 62.40	\$ 63.97	\$ 65.59	\$ 67.25	\$ 68.96	\$ 70.72	\$ 72.52
Capital Expenses	\$ 12.20	\$ 0.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ (19.20)	\$ (4.47)	\$ (8.80)	\$ (1.27)	\$ (1.19)	\$ (1.11)	\$ (1.02)	\$ (0.94)	\$ (0.85)	\$ (0.76)	\$ (0.68)	\$ (0.59)	\$ (0.50)	\$ (0.41)
Reserves Ending	\$ 24.60	\$ 20.13	\$ 11.33	\$ 10.06	\$ 8.87	\$ 7.76	\$ 6.74	\$ 5.81	\$ 4.96	\$ 4.19	\$ 3.52	\$ 2.93	\$ 2.43	\$ 2.02

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Measure Q - Sales tax	\$ 55.61	\$ 57.12	\$ 58.66	\$ 60.24	\$ 61.87	\$ 63.54	\$ 65.25	\$ 67.02	\$ 68.83	\$ 70.68	\$ 72.59	\$ 74.55	\$ 76.57	\$ 78.63
Fare Revenue	\$ 6.20	\$ 6.36	\$ 6.53	\$ 6.71	\$ 6.89	\$ 7.08	\$ 7.27	\$ 7.47	\$ 7.67	\$ 7.87	\$ 8.09	\$ 8.30	\$ 8.53	\$ 8.76
Other Federal & State Revenues	\$ 12.25	\$ 12.58	\$ 12.92	\$ 13.27	\$ 13.63	\$ 14.00	\$ 14.38	\$ 14.76	\$ 15.16	\$ 15.57	\$ 15.99	\$ 16.43	\$ 16.87	\$ 17.32
Total Revenue	\$ 74.06	\$ 76.06	\$ 78.12	\$ 80.22	\$ 82.39	\$ 84.62	\$ 86.90	\$ 89.25	\$ 91.66	\$ 94.13	\$ 96.67	\$ 99.28	\$ 101.96	\$ 104.72
Debt Service	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20
Operating Costs	\$ 61.98	\$ 63.72	\$ 65.50	\$ 67.34	\$ 69.22	\$ 71.16	\$ 73.15	\$ 75.20	\$ 77.31	\$ 79.47	\$ 81.70	\$ 83.98	\$ 86.34	\$ 88.75
Contingency - Operating Costs	\$ 6.20	\$ 6.37	\$ 6.55	\$ 6.73	\$ 6.92	\$ 7.12	\$ 7.32	\$ 7.52	\$ 7.73	\$ 7.95	\$ 8.17	\$ 8.40	\$ 8.63	\$ 8.88
Total Operating Expenses	\$ 74.38	\$ 76.29	\$ 78.25	\$ 80.27	\$ 82.35	\$ 84.48	\$ 86.67	\$ 88.92	\$ 91.24	\$ 93.62	\$ 96.07	\$ 98.58	\$ 101.17	\$ 103.83
Capital Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ (0.32)	\$ (0.23)	\$ (0.14)	\$ (0.05)	\$ 0.05	\$ 0.14	\$ 0.23	\$ 0.32	\$ 0.42	\$ 0.51	\$ 0.60	\$ 0.70	\$ 0.79	\$ 0.89
Reserves Ending	\$ 1.70	\$ 1.47	\$ 1.33	\$ 1.29	\$ 1.33	\$ 1.47	\$ 1.70	\$ 2.02	\$ 2.44	\$ 2.95	\$ 3.56	\$ 4.26	\$ 5.05	\$ 5.93

	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059
Measure Q - Sales tax	\$ 80.76	\$ 82.94	\$ 85.17	\$ 87.47	\$ 89.84	\$ 92.26	\$ 94.75	\$ 97.31	\$ 99.94	\$ 102.64	\$ 105.41	\$ 108.25
Fare Revenue	\$ 9.00	\$ 9.25	\$ 9.50	\$ 9.75	\$ 10.02	\$ 10.29	\$ 10.57	\$ 10.85	\$ 11.14	\$ 11.44	\$ 11.75	\$ 12.07
Other Federal & State Revenues	\$ 17.81	\$ 18.29	\$ 18.78	\$ 19.29	\$ 19.81	\$ 20.35	\$ 20.90	\$ 21.46	\$ 22.04	\$ 22.63	\$ 23.25	\$ 23.87
Total Revenue	\$ 107.57	\$ 110.47	\$ 113.46	\$ 116.52	\$ 119.67	\$ 122.90	\$ 126.21	\$ 129.62	\$ 133.12	\$ 136.72	\$ 140.41	\$ 144.20
Debt Service	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20
Operating Costs	\$ 91.24	\$ 93.79	\$ 96.42	\$ 99.12	\$ 101.90	\$ 104.75	\$ 107.68	\$ 110.70	\$ 113.80	\$ 116.98	\$ 120.26	\$ 123.62
Contingency - Operating Costs	\$ 9.12	\$ 9.38	\$ 9.64	\$ 9.91	\$ 10.19	\$ 10.47	\$ 10.77	\$ 11.07	\$ 11.38	\$ 11.70	\$ 12.03	\$ 12.36
Total Operating Expenses	\$ 106.56	\$ 109.37	\$ 112.26	\$ 115.23	\$ 118.28	\$ 121.42	\$ 124.65	\$ 127.97	\$ 131.38	\$ 134.88	\$ 138.48	\$ 142.19
Capital Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 1.01	\$ 1.10	\$ 1.19	\$ 1.29	\$ 1.38	\$ 1.47	\$ 1.57	\$ 1.66	\$ 1.75	\$ 1.84	\$ 1.92	\$ 2.01
Reserves Ending	\$ 6.94	\$ 8.04	\$ 9.24	\$ 10.52	\$ 11.90	\$ 13.38	\$ 14.94	\$ 16.60	\$ 18.35	\$ 20.18	\$ 22.11	\$ 24.12

- Notes:
1. Measure Q increased annually by 2.7% (based on Compound Annual Growth Rate formula for the period 1998 - 2018, taking into consideration recessions of the period).
  2. Operating Costs increased annually by 2.8% (Consumer Price Index, per Sonoma County Economic Development Board, 2017).
  3. Contingency Operating Costs at 10% of Operating Costs, for unknown additional operating expenses, starting in 2023.
  4. All amounts shown in millions (rounded).



## Appendix C: Summary Chart Revenues, Expense and Reserves : 30 Year Extension Scenario

		\$ in Millions																																									
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033													2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047		
Measure Q	Fare Revenue	\$38.3	\$39.5	\$40.6	\$41.9	\$43.1	\$44.4	\$45.7	\$47.1	\$48.5	\$50.0	\$51.5	\$53.0	\$54.6	\$56.2													\$57.9	\$59.7	\$61.5	\$63.3	\$65.2	\$67.2	\$69.2	\$71.3	\$73.4	\$75.6	\$77.9	\$80.2	\$82.6	\$85.1		
	Other Revenue	4.1	4.3	4.5	4.6	4.7	4.9	5.0	5.2	5.3	5.5	5.7	5.8	6.0	6.2													6.4	6.6	6.8	7.0	7.2	7.4	7.6	7.8	8.1	8.3	8.6	8.8	9.1	9.4		
	<b>Total Revenue</b>	<b>8.6</b>	<b>12.8</b>	<b>8.9</b>	<b>8.9</b>	<b>9.1</b>	<b>10.0</b>	<b>10.2</b>	<b>10.4</b>	<b>10.7</b>	<b>10.9</b>	<b>11.1</b>	<b>11.4</b>	<b>11.6</b>	<b>11.8</b>													<b>12.1</b>	<b>12.3</b>	<b>12.6</b>	<b>12.9</b>	<b>13.2</b>	<b>13.4</b>	<b>13.7</b>	<b>14.0</b>	<b>14.3</b>	<b>14.6</b>	<b>14.9</b>	<b>15.3</b>	<b>15.6</b>	<b>15.9</b>		
	Debt Service	<b>51.0</b>	<b>56.5</b>	<b>54.1</b>	<b>55.4</b>	<b>57.0</b>	<b>59.3</b>	<b>61.0</b>	<b>62.7</b>	<b>64.5</b>	<b>66.4</b>	<b>68.3</b>	<b>70.2</b>	<b>72.2</b>	<b>74.3</b>													<b>76.4</b>	<b>78.6</b>	<b>80.8</b>	<b>83.2</b>	<b>85.5</b>	<b>88.0</b>	<b>90.5</b>	<b>93.1</b>	<b>95.8</b>	<b>98.5</b>	<b>101.4</b>	<b>104.3</b>	<b>107.3</b>	<b>110.4</b>		
	O&M	16.7	17.4	18.1	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2													6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2		
	<b>Total Operating Expenses</b>	<b>41.3</b>	<b>43.2</b>	<b>44.5</b>	<b>45.8</b>	<b>47.2</b>	<b>48.6</b>	<b>51.5</b>	<b>53.1</b>	<b>54.7</b>	<b>59.5</b>	<b>61.3</b>	<b>63.1</b>	<b>65.0</b>	<b>67.0</b>													<b>69.0</b>	<b>71.1</b>	<b>73.2</b>	<b>75.4</b>	<b>77.6</b>	<b>80.0</b>	<b>82.4</b>	<b>84.8</b>	<b>87.4</b>	<b>90.0</b>	<b>92.7</b>	<b>95.5</b>	<b>98.4</b>	<b>101.3</b>		
	<b>Capital Expenses</b>	<b>58.0</b>	<b>60.6</b>	<b>62.5</b>	<b>62.0</b>	<b>52.0</b>	<b>53.3</b>	<b>54.7</b>	<b>57.7</b>	<b>60.8</b>	<b>65.7</b>	<b>67.5</b>	<b>69.3</b>	<b>71.2</b>	<b>73.1</b>													<b>0.0</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
	<b>Net Income</b>	<b>12.2</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>													<b>(19.2)</b>	<b>(4.4)</b>	<b>(8.5)</b>	<b>3.4</b>	<b>3.6</b>	<b>4.5</b>	<b>3.3</b>	<b>3.5</b>	<b>3.7</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>	<b>1.1</b>		
	<b>Reserves Ending Balance</b>	<b>24.6</b>	<b>20.2</b>	<b>11.8</b>	<b>15.2</b>	<b>18.9</b>	<b>23.5</b>	<b>26.9</b>	<b>30.5</b>	<b>34.3</b>	<b>35.2</b>	<b>36.1</b>	<b>37.2</b>	<b>38.4</b>	<b>39.7</b>																												
<b>\$ in Millions</b>																																											
		2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059 (Partial Year)																														
Measure Q	Fare Revenue	\$87.6	\$90.3	\$93.0	\$95.8	\$98.6	\$101.6	\$104.6	\$107.8	\$111.0	\$114.3	\$117.8	\$91.0																														
	Other Revenue	9.6	9.9	10.2	10.5	10.9	11.2	11.5	11.9	12.2	12.6	13.0	10.0																														
	<b>Total Revenue</b>	<b>16.3</b>	<b>16.6</b>	<b>17.0</b>	<b>17.4</b>	<b>23.9</b>	<b>18.2</b>	<b>18.6</b>	<b>19.1</b>	<b>19.6</b>	<b>20.1</b>	<b>20.6</b>	<b>15.9</b>																														
	Debt Service	<b>113.6</b>	<b>116.8</b>	<b>120.2</b>	<b>123.7</b>	<b>133.4</b>	<b>130.9</b>	<b>134.8</b>	<b>138.7</b>	<b>142.8</b>	<b>147.0</b>	<b>151.3</b>	<b>116.9</b>																														
	O&M	6.2	6.2	6.2	6.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0																														
	<b>Total Operating Expenses</b>	<b>104.3</b>	<b>107.5</b>	<b>110.7</b>	<b>114.0</b>	<b>117.4</b>	<b>121.0</b>	<b>124.6</b>	<b>128.3</b>	<b>132.2</b>	<b>136.2</b>	<b>140.2</b>	<b>108.3</b>																														
	<b>Capital Expenses</b>	<b>110.5</b>	<b>113.6</b>	<b>116.9</b>	<b>120.2</b>	<b>123.6</b>	<b>121.0</b>	<b>124.6</b>	<b>128.3</b>	<b>132.2</b>	<b>136.2</b>	<b>140.2</b>	<b>108.3</b>																														
	<b>Net Income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>																														
	<b>Reserves Ending Balance</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>	<b>3.5</b>	<b>9.8</b>	<b>10.0</b>	<b>10.2</b>	<b>10.4</b>	<b>10.6</b>	<b>10.8</b>	<b>11.1</b>	<b>8.5</b>																														
	<b>Reserves Ending Balance</b>	<b>74.7</b>	<b>78.2</b>	<b>81.8</b>	<b>85.6</b>	<b>95.7</b>	<b>106.0</b>	<b>116.4</b>	<b>127.2</b>	<b>138.1</b>	<b>149.3</b>	<b>160.7</b>	<b>169.5</b>																														

5777 West Century Boulevard | Suite 895  
Los Angeles | California | 90045



Credit: "Smart Something" by Dylan, CC BY 2.0

## PROPOSAL

# Sonoma-Marín Area Rail Transit (SMART)

Sales Tax Revenue Forecast Consulting Services

Prepared for:

Sonoma-Marín Area Rail Transit (SMART)  
Attn: Erin McGrath, Chief Financial Officer  
5401 Old Redwood Highway, Suite 200  
Petaluma, CA 94954

DELIVERED ON:  
September 5, 2019

- I Project Approach
- II Professional Fees & Terms
- III The Research Team
- IV References

Contact + 1 424 646 4656  
Email [sherif@beaconecon.com](mailto:sherif@beaconecon.com)  
Website [www.beaconecon.com](http://www.beaconecon.com)

## Beacon Economics, LLC

5777 West Century Boulevard | Suite 895  
Los Angeles | California | 90045

Copyright 2019 by Beacon Economics, LLC  
All Rights Reserved



DEAR MS. MCGRATH,

Beacon Economics, LLC is excited to again be working with Sonoma-Marín Area Rail Transit (SMART) to conduct revenue forecasting and economic analysis services regarding SMART's Measure Q Sales Tax program. This project will update the sales tax projections from a previous 2014 analysis and extend to the year 2059. As you are aware, Beacon Economics has a proven history of delivering accurate forecasts for sales tax, property tax, fees and assessments, and other local- and state-level revenue sources.

The following proposal outlines our proposed scope of work and methodology, highlights our qualifications, introduces our research team, and provides references that can speak to the quality of our work. We believe our extensive experience and knowledgeable team uniquely qualify us to provide the services outlined in the following pages.

If I can answer any further questions, please do not hesitate to contact me directly at (424) 646-4656.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Hanna", written over a light blue horizontal line.

SHERIF HANNA

Managing Partner, Beacon Economics

# I. PROJECT APPROACH

## OVERVIEW

The following is a proposal by Beacon Economics, LLC (“Beacon”) to provide the Sonoma-Marine Area Rail Transit (“SMART”) with sales tax forecasting and economic analysis services as outlined in more detail below.

## CAPABILITIES & DIFFERENTIATORS

**Firm Overview:** Founded in 2007, Beacon Economics, an LLC and certified Small Business Enterprise (SBE) with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively-based economic analysis. Beacon equips its clients with both the data and analysis required to understand the significance of on-the-ground realities and make informed business decisions.

**Economic and Revenue Forecasting Expertise:** Home to some of California’s foremost economic forecasters, Beacon Economics is a leader in delivering accurate, rigorously constructed economic outlooks for geographic regions, public revenue, and occupations and industries. Employing proprietary econometric models, Beacon forecasts are in high demand and have been used by the California State Controller’s Office, cities and counties across the western United States, banks and hedge funds, real estate firms, and major health care organizations.

In analyzing public revenues, Beacon Economics has a proven history of delivering accurate forecasts for sales tax, property tax, fees and assessments, and other local- and state-level revenue sources.

On record as being among the first and most accurate forecasters of the 2007 mortgage market meltdown and the global recession that followed, Beacon Economics, with its combination of creativity, top-tier analytic skills, and PhD-level training, gives its clients the information they need to effectively plan for what’s next.

### Sample Projects & Clients:

- San Diego Association of Governments (SANDAG): Annual Economic Forecast
- Paulson & Company, Inc: National & State-level Forecasts
- Related California: Demographic & Employment Forecasts for Real Estate Development
- California Forward: Public Revenue Assessment and Forecast for California’s State and Local Government
- KNN Public Finance: Regional Sales Tax Forecast for Sonoma and Marin Counties
- County of Tulare, CA: Economic Outlook & Forecast
- HdL Companies: Sales Tax Trends & Economic Drivers Report

## SCOPE OF WORK

Beacon will provide SMART with a forecast of sales tax revenues that would be generated for the SMART infrastructure project out to the end of fiscal year 2059. The forecast will also contain a written narrative that frames our long-run outlook and assumptions.

The forecast will be based on Beacon's own proprietary, econometric forecast models and will use the most updated, region-specific data available, and done on a fiscal year basis. The detail and speed with which we can deliver the forecast requires that revenue data be provided by the SMART. The forecasted variables will include SMART sales taxes.

One question regarding the forecast is how it will account for future recession. In general recessions have a temporary influence on the economy, inasmuch as the economy under performs for a brief period of time, before moving back to long run trend. Long-term forecasts tend to mimic long run growth rates, which include these temporary disruptions. As such, any long run forecast has already built in future business cycles. The one notable exception to this is a calamity such as what transpired in 2008 that has a permanent influence on the long run trend. This type scenario is covered in our low growth forecast.

## DELIVERABLES & PROJECT TIMELINE

The report will include a comprehensive forecast along with a written summary. A Preliminary Forecast will be delivered to the client within 30 days of the execution of this agreement and receipt of all revenue data. After client reviews and comments are received by Beacon Economics, a final report will be provided.

### Conference Call

As requested by the client, a Beacon Economics Economist will be available to discuss the preliminary analysis with specific focus on the assumptions driving the analysis.

# II. PROFESSIONAL FEES & TERMS

## PROFESSIONAL FEES

Beacon will provide the final deliverable as it is described above at the following fees detailed below.

Product	Cost	Notes
Sales Tax Revenue Forecast	\$10,000	
<b>Optional Extras</b>		
Presentation ( <i>optional</i> )	\$3,500 (* In addition to the base fee for the Presentation, the Client will reimburse Beacon for travel-related expenses.)	A Beacon economist can be available to present the analysis at a time and location jointly determined by Beacon and the Client in association with the delivery of the report.

The total fee will be due within 30 days of invoicing after delivery of product.

Services requested by the Client to be provided by Beacon that are beyond the scope of this Agreement will be billed separately to Client. Beacon will work with the Client on such requests to define the additional services and will prepare a budget accordingly for Client to approve before such additional services commence.

## VALIDITY

The quotation and project timeline contained in the Agreement, is valid for **30** days commencing on the date of submission of this document to the Client. Should the Client not accept and sign the Agreement prior to the expiry period, all project prices and timelines are subject to review and change.

Any amendments to the scope of work by the Client after signature will require a formal Amendment to the Work Agreement and cannot be guaranteed by Beacon Economics, LLC.

## ACCEPTANCE

If the above proposal by Beacon Economics, LLC is acceptable to the Sonoma-Marin Area Rail Transit, please sign this Agreement and return to Sherif Hanna by fax to 424-646-4660 or by email to [sherif@beaconecon.com](mailto:sherif@beaconecon.com).

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

Signature

Printed Name & Title

Date

### **Beacon Economics, LLC:**

Signature  
Sherif Hanna, Managing Partner

Date





# III. THE RESEARCH TEAM

Below is a chart identifying the team members who will be working on this project should Beacon be awarded the contract. Only most recent experience is included and only where directly relevant to the scope of this project. Resumes for all personnel are available upon request.

	Beacon Team Member	Role	Experience
	Chris Thornberg	Senior Advisor	<p><b>Education:</b> Ph.D., Business Economics, UCLA; B.S., Business Administration, State University of New York, Buffalo</p> <hr/> <p><b>Experience:</b> Former State Treasurer John Chiang, Council of Economic Advisors, Member; UCLA Anderson Forecast, Senior Economist</p>
	Robert Kleinhenz	Senior Advisor	<p><b>Education:</b> Ph.D. &amp; M.A., Economics, USC; B.A., Economics, University of Michigan</p> <hr/> <p><b>Experience:</b> LAEDC, Chief Economist; California Association of Realtors, Deputy Chief Economist</p>
	Adam Fowler	Advisor, Primary Research Manager	<p><b>Education:</b> ABD, Political Psychology, UCLA; M.A. Political Science, University of Arkansas; B.A., Political Science, Arkansas Tech University</p> <hr/> <p><b>Experience:</b> Economic Impact analyses for the L.A. Pride, Los Angeles 2024 Olympic Committee, Delta Air Lines, he Ontario International Airport, the University of California, Los Angeles (UCLA), California State University, Long Beach (CSU Long Beach), the Okeechobee Music and Arts Festival, and the Electric Forest Music Festival</p>
	Justin Niakamal	Senior Research Associate, Beacon Economics	<p><b>Education:</b> M.S., Economics, California State Polytechnic University; B.A., Economics, California State University Long Beach</p> <hr/> <p><b>Experience:</b> regional growth forecasts for San Luis Obispo County and the San Diego Association of Governments, policy analysis of the 2017 Measure S ballot housing initiative</p>
	Ryan Martinez	Forecasting Research Associate, Beacon Economics	<p><b>Education:</b> B.A., Economics, B.S., Statistics, CSU, East Bay; A.A., Liberal Arts, San Jose City College</p> <hr/> <p><b>Experience:</b> co-authoring regional outlooks for California's major metro economies, drafting a regional intelligence report for the City of Ontario, and supporting the creation of a regional economic forecast model for the San Diego Association of Governments.</p>

## IV. REFERENCES

The references listed below may be contacted to gain greater insight into the nature and caliber of our research and work in conducting forecasting analysis.



### **San Diego Association of Governments**

Contact: Jim Miller, Senior Economist  
619-699-7325  
Jim.Miller@sandag.org  
401 B Street, Suite 800  
San Diego, CA 92101



### **County of Tulare**

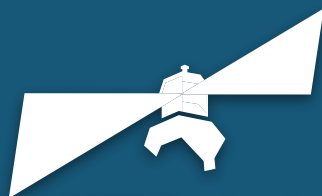
Contact: Paul Saldana, President & CEO  
559-688-3388  
paul@sequoiavalley.com  
506 N Kaweah, Ste A  
Exeter, CA 93221



### **HdL Companies**

Contact: Andrew Nickerson, President  
909-861-4335  
anickerson@hdlcompanies.com  
1340 Valley Vista Dr, Suite 200  
Diamond Bar, CA 91765





**BEACON ECONOMICS**

5777 West Century Boulevard | Suite 895  
Los Angeles | California | 90045



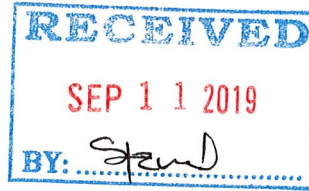
Russell A. Colombo  
President & Chief Executive Officer

P.O. Box 2039  
Novato, California 94948-2039

Direct: 415/763-4521

Fax: 415/884-9153

Email: russcolombo@bankofmarin.com



August 30, 2019

SMART Board of Directors  
5401 Old Redwood Highway, Suite 200  
Petaluma, CA 94939

Dear Board Members,

I am writing as the Chair of the Citizen's Oversight Committee regarding the 2019 Strategic Plan. Our Committee has met four times this year to discuss the Strategic Plan, starting in March and ending last week. The members of the Committee voted unanimously on August 29<sup>th</sup> to forward the Strategic Plan to the Board of Directors for consideration. We agreed that the best financial plan for the District involves an early renewal of the sales tax in 2020 to allow for restructuring of SMART's debt related to the delivery of the rail and pathway system to date.

As a committee, we understand this effort to be, essentially, no different than an effort to refinance a home you plan to live in for a long time. Lowering your annual payments improves your cashflow and gives you money for the things you need.

The success of SMART thus far cannot be ignored, even if the District has faced financial challenges. SMART has been very successful getting capital funds from elsewhere and could continue that success going forward. Even if the plan does not show enough funds to build more pathway and rail extensions, having the funds to operate the extensions to Healdsburg and Cloverdale and future pathway should they be funded, is very important.

As Chair, and on behalf of the Committee, we urge your favorable consideration of the Strategic Plan.

Sincerely,

Russell A. Colombo  
President & CEO

DCN-14517