



**DATE:** January 23, 2020

**TO:** Transportation Authority of Marin Board of Commissioners

**FROM:** Anne Richman, Executive Director *Anne Richman*  
David Chan, Programming and Legislation Manager

**SUBJECT:** Adopt a Position of Support for the SMART Sales Tax Renewal (Action), Agenda Item No. 11

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## **RECOMMENDATION**

The TAM Board considers adopting a position of support for Measure I in March 2020 to extend Sonoma-Marín Area Rail Transit's (SMART's) sales tax collection for another 30 years, from 2029 to 2059.

## **BACKGROUND**

In November 2008, voters of Marin and Sonoma Counties passed Measure Q by 69.6% to approve a quarter-cents sales tax for the construction, operation, and maintenance of the SMART project. Sales tax collection for Measure Q began on April 1, 2009 and would continue in effect for 20 years until March 31, 2029. While SMART receives operating assistance from State and federal sources and has been successful competing for competitive transportation funds, Measure Q is the single largest source of revenue for SMART.

## **DISCUSSION**

### **Measure I March 2020**

In March 2020, voters of Marin and Sonoma Counties will be asked to consider Measure I that would extend the collection of sales tax initiated by Measure Q for another 30 years (without increasing the rate). If approved by a two-thirds majority, the new expiration date of the sales tax will be extended from March 31, 2029 to March 31, 2059.

If approved, SMART will be able to maintain and possibly expand operations from the current level and would expand safety and security programs. The extension would also allow SMART to restructure debt tied to initial buildout of the system by spreading payments out over additional years. As noted above, SMART has been successful in competing for transportation funds from regional, State, and federal grants. An important element of its success is the availability of local funds used to leverage competitive grants. A sales tax extension will allow SMART to continue being competitive for critical transportation grants beyond 2029.

Without a sales tax extension, SMART anticipates the need to halt future expansion and initiate substantial cuts in service for a system that has provided more than 1.7 million rides since opening.

It should also be mentioned that SMART provides one of the main transit options for commuters traveling through the Marin Sonoma Narrows (MSN). Multi-modal options and travel demand management programs are important strategies in addressing congestion for this corridor.

Attachment A is SMART's fact sheet on the sales tax renewal, highlighting the key issues. Attachment B is SMART's adopted Expenditure Plan to provide guidance on expenditures from the sales tax renewal. SMART staff will be available at the Board meeting to address questions.

### **TAM's Position**

The TAM Board has been asked to consider passing a motion of support for Measure I. It should be noted that the TAM Board in July 2008 passed a motion of support for Measure Q.

### **FISCAL IMPACTS**

There are no immediate fiscal impacts expected to the agency.

### **NEXT STEPS**

Upon TAM Board's approval, staff will communicate TAM's position to our partners.

### **ATTACHMENT**

Attachment A – SMART Sales Tax Renewal Fact Sheet

Attachment B – SMART's 2020 Expenditure Plan

Other Reference Material - SMART 2019 Strategic Plan can be downloaded at:

<https://www.sonomamarintrain.org/sites/default/files/Financial%20Documents/2019%20Strategic%20Plan%20Final-Nov%202019.pdf>

## SMART Sales Tax Renewal Fact Sheet

The SMART sales tax was envisioned to build and operate the rail and pathway --providing an alternative to clogged local roads and the freeway. Dedicated sales tax funds support every commuter rail system in California, SMART is no different. SMART has placed a ballot measure before the voters to keep the current tax at the same level but extend it beyond its current expiration date of 2029.

### SMART BENEFITS EVERYONE:

Public transportation is paid for by the public because it benefits the entire community. Thousands of teachers, police officers, deli workers, students and others have begun to rely on SMART to get to their jobs, schools, offices and other destinations. In addition, local tax funds have been reinvested locally, with 182 local businesses seeing \$92 million in revenue from SMART.

### SALES TAX EXTENSION SECURES FUTURE PROGRESS:

Extending the sales tax beyond its current expiration date of 2029 achieves the following goals for SMART:

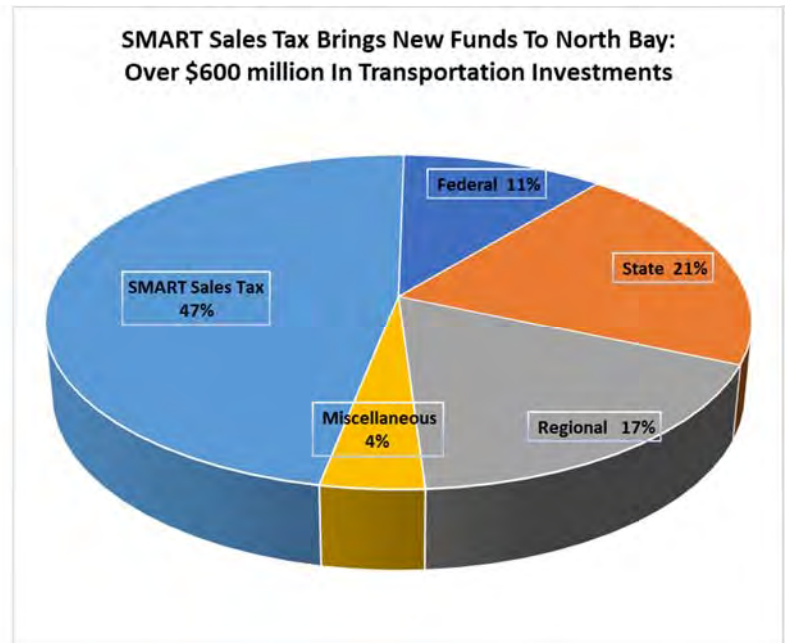
- **Lower construction debt payments** from \$18 million to \$6 million annually which supports expanded operations and builds healthy reserves
- Prepare for **operating new stations** as they are built, including the new Larkspur, Downtown Novato and Windsor Stations
- Ensure continued funding for future station operations at Healdsburg and Cloverdale when grant funds become available
- Continue to bring **new State transportation operating funds** for the rail and pathway
- Ensure that SMART can compete for new construction funds at the Regional, State and National level

### SMART HAS DOUBLED LOCAL TAX FUNDS:

SMART collected \$289 million in sales tax funds and has **more than doubled those funds** through outside grants to create a total of \$600 million in infrastructure for Marin and Sonoma. That means \$323 million in new funds to the community that would have gone to other projects. SMART also receives \$6 million in state rail and operating assistance that would otherwise go to other regions. Future grant funds will require SMART to maintain the service it has established so far.

### WITHOUT THE DATE EXTENSION:

SMART will be required to put more tax money towards debt payments over the next 10 years and spend less on operating and growing the rail and pathway system that has served over 1.7 million riders in its first two years.



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*SONOMA-MARIN AREA RAIL  
TRANSIT DISTRICT*

*2020 EXPENDITURE PLAN*

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*October 2019*

## I. Executive Summary

The Sonoma-Marin Area Rail Transit District (SMART) proposes an extension (without increasing the ¼ of one cent retail sales tax rate) in order to pay for the operation, maintenance and expansion of a passenger train system and ancillary bicycle/pedestrian pathway.

SMART requires the extension to provide not only revenues for the on-going operation and maintenance of the existing train and pathway system and to provide matching funds to obtain state and federal transportation grants for the capital construction of the remaining capital projects identified below.

Over the past 10 years SMART's ¼ of one cent (Measure Q) tax revenue has allowed the District to leverage its funds along with regional, state and federal funds to both build and operate a new commuter rail transit system that extends from Larkspur in Marin to Airport Blvd in Sonoma and is a convenient/efficient alternative to sitting in traffic on Hwy 101. In addition to the currently built system, the Windsor extension project is fully funded and is scheduled to open at the end of 2021. For every dollar in sales tax the District has received, SMART has brought an additional dollar of investment to the region.

This measure proposes an extension (without increasing the rate) to the existing ¼ of one cent retail sales tax measure that will provide for and increase the existing level of service, operation and future expansion of both the passenger and freight rail train system and ancillary bicycle/ pedestrian pathways in Sonoma and Marin Counties. The passage of this measure will allow SMART to continue to leverage and compete for Federal, State, Regional, Local and Private Funds for passenger/freight services and pathway connecting SMART stations for years to come. The extension of time will also allow SMART to refinance its existing debt, lower its annual payments and put more sales tax revenue toward annual operations.

Extending the existing sales tax measure will continue to further community-wide goals of relieving traffic, fighting global warming, reducing greenhouse gas emissions, increasing economic opportunities and increasing transportation options. Extension of the existing sales tax measure will help achieve these goals in Marin and Sonoma Counties through

convenient rail connections to ferry, bus and regional transit services across the Northbay and connections to the national railroad system via Highway 37 and 121, by providing passenger train service, a bicycle/pedestrian pathway linking the stations, all funds supporting these environmentally responsible transportation alternatives in Marin and Sonoma Counties.

### **Local Control of Revenues and Citizen Accountability is Paramount.**

The measure provides for accountability, protects the public's investment and includes safe guards to ensure that our transportation priorities will be protected. Local officials who are closest to where the revenues are collected and understand their community's needs will make decisions with input from the public and a citizen's oversight committee. Consistent with State law, all sales tax revenues collected by passage of this measure will remain under the control of appointed local officials serving as the Sonoma Marin Area Rail Transit District Board of Directors. This measure would raise \$40 million a year.

The proceeds of the tax would be focused on four main expenditure principles designed to ensure the District can continue the progress, success and operation of the rail transportation and pathway system: (1) Provide for ongoing operation, maintenance and financing of the current system, including reducing annual debt service (2) Enhance safety and security programs (3) Leverage other sources of revenue for capital projects and operational enhancements (4) Continually evaluate and determine the priorities of the District as they arise by the Board of Directors

## II. SMART District Role and Purpose

The SMART District was established by the California Legislature through the enactment of AB 2224. The SMART District includes both Sonoma and Marin Counties and was created in that legislation for the purpose of providing a unified and comprehensive structure for the ownership and governance of a passenger and freight rail system within Sonoma and Marin Counties and provide passenger and freight train service along the existing publicly-owned railroad right-of-way.

SMART is managed by a General Manager, who is appointed by and reports to the SMART Board of Directors. SMART owns the railroad corridor currently extending from Healdsburg in Sonoma County to

Corte Madera in Marin County and from Novato eastward towards Napa and American Canyon. This right-of-way is a significant public asset that is now used to provide passenger and freight train service and pathways linking the train stations. At this time, proposed State Legislation would adjust SMART's ownership of the railroad right-of-way to the County line between Sonoma and Mendocino.

### III. Expenditure Plan Background

Since the approval of the retail sales tax measure in 2008, SMART has built an entirely new transit alternative to sitting in traffic on Highway 101. Marin and Sonoma voters showed their desire to have this system in the most important way possible—by agreeing (nearly 70% of the vote) to help pay for it. Similar to the tax revenues used to support roads and bridges, every commuter rail system relies on taxpayer support to provide its service to the public.

With continued tax support, SMART will continue to leverage its current local  $\frac{1}{4}$  of one cent funds to capture additional funding that would otherwise not be available to the region. SMART has successfully received additional grant funding for rail cars, expansion of the rail system, stations, upgrades to railroad safety systems and additional pathway extensions. As envisioned in the previous measure Q expenditure plan, SMART leveraged the retail sales tax in the amount of \$289 million and received over \$323 million in competitive grant funds for building and operating the system-- more than doubling the sales tax income. This has resulted in over \$600 million of direct investment in the transportation infrastructure of the two Counties which SMART now seeks to maintain and preserve.

In working to provide the best transportation alternative to commuters in the North Bay, SMART opened with service that is safe, reliable and has carried over 1.5 million passengers, 5,600 passengers in wheelchairs and 146,000 bicycles to date. While extension of the current  $\frac{1}{4}$  of one cent sales tax was always planned and necessary for continued operations and preservation of the capital investment, the updated 2020 expenditure plan now focuses on four categories listed below to ensure the District can continue the progress and success of the SMART transit system.

The anticipated extension would not change the  $\frac{1}{4}$  of one cent rate but would extend the sales tax past its current expiration date allowing the District the time

needed to restructure its debt and provide consistent annual funding for operations. Preliminary estimates show that annual debt service could be reduced from \$18 million to \$6 million annually thereby providing annual revenue savings of \$12 million. This debt restructuring will secure the current rail and pathway operations for the future; it would also provide the revenue needed to operate future rail extensions to Healdsburg and Cloverdale and future pathway expansion when outside grant or other funding becomes available to complete construction. In the coming years, SMART will continue its very successful efforts to seek out federal, state, regional, local and private funds to extend beyond the current system.

The SMART Board publicly adopts an annual budget documenting all revenues and expenditures. SMART has recently updated its Strategic Plan, under the direction of the SMART Board of Directors. The Strategic Plan provides annual revenue and future cost assumptions for project implementation, operations and maintenance. SMART also prepares a Short-Range Transit Plan documenting service and funding assumptions over a 10-year period.

### IV. Expenditure Plan Principles

#### (1) Provide for Ongoing Operation, Maintenance and Financing of the current system:

This includes funding for operational services, annual maintenance and repair, future upgrades to current systems, replacement cycles, and investment in newer technology and restructuring of the construction debt service.

##### i. Operations and Services:

SMART provides safe, reliable weekday and weekend/holiday train service between Marin and Sonoma County. Current service consists of:

- On weekdays SMART currently provides for 34 daily trips between Marin and Sonoma County.
- Upon opening the Larkspur station project extension SMART will expand service to 36 daily trips.
- On weekend and holidays SMART provides for 10 trips and upon completion of the Larkspur station project SMART will adjust these trips to connect with San Francisco-bound ferry

- ii. Maintenance expenditures for infrastructure which currently includes:
  - 48 miles of commuter rail with stations
  - 4 park and ride lots
  - 25 miles of pathways
  - 68 public crossing
  - 27 bridges
  - 2 tunnels
  - Rail Operation Center and maintenance facilities
  - Telecommunications, Fiber optics, WiFi
- iii. Refinance existing debt service:  
To fund the construction of the rail and pathway project, SMART utilized revenue bonds that advanced \$180 million toward construction. SMART can now utilize additional years of sales tax revenue to refinance the payments on that debt to free up \$12 million in revenue annually by reducing debt payments from \$18 million to \$6 million.
- iv. Replacement cycle for SMART’s clean and efficient Rail Cars:  
SMART currently uses 18 modern railcars in its delivery of transit services that are powered by clean, efficient on-board engines. Future funding to keep those cars in good repair is needed.

passengers, pedestrians, bicyclists, and motorists

- Completed 179 presentations at 97 schools, reaching 38,281 students in Marin and Sonoma counties
- Created a new dedicated safety website, BeTrackSMART.org, to educate the public on rail safety

SMART will continue its community outreach efforts that have included monthly public Board meetings, public hearings, special ad hoc meetings and hundreds of presentations to community, business and special issue groups. SMART’s social media and digital program will continue, including channels on Facebook, Twitter and Instagram reaching over 15,000 people.

ii. Implementation of safety enhancements for crossings.

While the SMART system meets or exceeds all State and Federal safety requirements, SMART continually evaluates whether there is anything within SMART’s ability and means that could improve the safety of the system. Recently, as a result of several incidents of distracted pedestrians and bicyclists colliding with the train, the SMART Board authorized the use of capital reserves for additional safety enhancements at 30 crossings. Additionally, SMART is researching technology at grade crossings to detect and deter trespassing or other safety problems on the right of way. Cameras with specialized analytics could be deployed where SMART experiences a high volume of trespassers or other traffic, increasing our ability to react to unsafe behavior. SMART will continue to study these and other safety improvements into the future.

(2) Prioritize safety, education and community outreach programs:

SMART’s operation maintains the highest safety standards, meeting all required federal rules and regulations. Priority for expenditures related to safety includes but is not limited to:

i. Safety, education, suicide prevention and community outreach programs:

Passenger safety and general public safety is SMART’s foremost priority. SMART will continue outreach and safety efforts making sure the public is aware of our new passenger train service after an absence of more 60 years. To date, SMART has:

- Launched a new SMART rider-focused website, that has had over 700,000 users
- Conducted and attended over 450 events or presentations, informing

(3) Capital Projects and Rolling Stock:

The passage of a sales tax extension without increasing the rate enables SMART the ability to fund the operational expenses of Windsor, Healdsburg and Cloverdale extensions-- currently estimated to be \$600,000, \$1.5M and \$3.2M respectively. Although current financial projections do not provide any additional funds dedicated for these capital projects, SMART will continue to work to find state, federal and



private funding to address and invest in both its existing infrastructure as well as seek to leverage funding to complete current projects underway and all future projects. Those projects include:

Rail: The current capital cost estimate for rail extensions and capacity expansion (vehicles/rail yard) is \$364 million based on current construction estimates. Actual cost may be lower or higher based on the economic climate at the time of construction.

This cost 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

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 \$35-40 million based on current construction estimates. Construction to close existing gaps in SMART pathway connections includes the following:

- Larkspur to Downtown San Rafael Station
- Civic Center to Downtown Novato Stations
- Downtown Novato to San Marin Stations
- Petaluma to Cotati Stations
- Santa Rosa North to Sonoma County Airport Stations

Additionally, the cost of pathway segments connecting Windsor to Healdsburg and Cloverdale is estimated to be \$38 million.

Improved Level of Service: In addition to system extensions, SMART will also look to improve the frequency of service. This would require:

- Purchasing additional train sets
- Double tracking where feasible
- Enhanced connections to local transit, regional and national transit systems including airports and national railroad.

For all of these capital priorities, SMART would continue its successful efforts to date that brought a new dollar to the region for every dollar of local sales tax received. The current investment would be leveraged to seek new resources for our priorities.

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
- Regional Measure 3 (bridge toll funds)

Federal resources are also available, with reauthorization of Federal transportation legislation, currently 2015's Fixing America's Surface Transportation (FAST) Act 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 to date.

#### (4) Programmed Flexibility:

The Board of Directors may review and approve amendments to this expenditure plan to provide for the use of additional Federal, State, Regional, local or private funds, to account for unexpected revenues and to accommodate any unforeseen circumstances. Since actual revenues may be higher or lower than expected due to changes in availability of state or

federal funds, changes in cost and/or fluctuations in sales tax revenues. Estimates of actual revenue will be programmed annually by the District in its annual budget and service plan.

## **V. Implementation Guidelines**

In addition to principles for the use of funds, the Board also commits to the following guidelines as a matter of policy for sales tax administration and transparency:

1. A Citizens Oversight Committee, as established by the SMART Board, will continue to provide input and review on the Strategic Plan and subsequent updates. The committee is composed of citizens from the SMART District, appointed by the Board for a specific term.
2. The duration of the measure will be for an additional 30 years and SMART shall continue to undergo an annual independent financial audit.
3. SMART has prepared a Strategic Plan which identifies planned investments in capital implementation, operations and maintenance for the extension and duration of the tax. The Strategic Plan should be updated every five years.
4. SMART is authorized to re-issue or restructure revenue bonds, pursuant to Public Utilities Code section 105220, to advance the commencement of, or expedite the delivery of passenger train service, the bicycle/pedestrian pathway and related train transit improvements.
5. SMART's sales tax will continue to be administered by the California Department of Tax and Fee Administration.
6. When seeking capital grants pursuing rail and pathway, SMART's objective is to concurrently build rail and pathway when feasible.
7. During annual budget reviews, based on revenue status at that time, the Board of Directors will provide direction to staff for upcoming priorities; including; operation of existing system, safety and security, rail and pathway capital projects.
8. For cities that train service was planned and currently not provided (Windsor, Healdsburg and Cloverdale), following that passage of the March 2020 Sales Tax Extension, \$1 million dollars will be allocated for pilot programs, such as partnerships with public and private transportation providers to serve these SMART stations or provide for additional ridership incentives. These specific pilot programs are subject to SMART's Board of Directors approval.