

Major Notes on SMART and the March 2020 Ballot Measure

Brief History

The first trains appeared in Marin County in 1869 and the last disappeared in 1967—just two years shy of a century of local railroading. The halfway point in that history came on January 8, 1907, when the Northwestern Pacific Railroad was incorporated.

The last passenger rail service along the Northwestern Pacific Railroad south of Willits was discontinued in 1958 as automobile travel along US 101 increased in popularity.

Politicians in Marin and Sonoma long eyed establishing a passenger rail system on the corridor. Local politicians have desired rail and pushed forward on SMART despite losing 3 elections between 1990 and 2002.

A combined district was conceived because Sonoma needed Marin’s sales tax revenues in order to have a train in Sonoma.

The SMART District was established by state legislation in 2002 (AB 2224), creating a 2-county special district. The key provision: sales taxes could be approved by a 2/3 vote in the district. (Measure Q did not obtain a 2/3 vote in 2008 in Marin County).

They failed in 2006 (Measure R) by not achieving a 2/3 vote. They passed Measure Q in 2008 providing sales tax funding. There was a Repeal the tax campaign in 2011 but it did not gather enough signatures.

Measure R (2006)

Vote	Marin	Sonoma	Total
Yes	59,774	118,382	178,156
No	44,168	50,505	94,673
% Yes	57.5	70.1	65.3

Measure Q (2008)

Vote	Marin	Sonoma	Total
Yes	83,805	162,242	246,047
No	49,665	58,016	107,681
% Yes	62.8	73.7	69.6

SMART is a passenger rail service and bicycle-pedestrian pathway project in Sonoma and Marin counties. SMART claims the “entire system” will serve a 70-mile corridor between Cloverdale in northern Sonoma County and Larkspur Landing in Marin County.

Regular service began on August 25, 2017.

Economics of Rail – SMART’s Achilles Heel

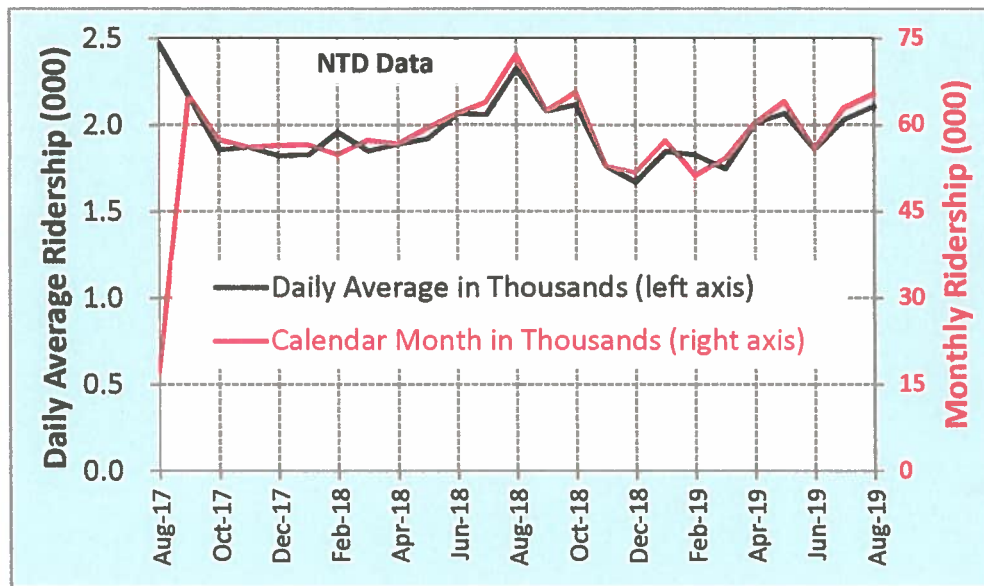
There are 3 types of “rail” transit systems: “heavy” (e.g., BART), “commuter” (e.g., SMART, Caltrain, Metro North in NYC) and light rail (street cars on tracks).

Heavy and Commuter Rail is more cost effective when it can deliver commuters to destination stations where they can walk to their jobs. (Inner city light rail is totally different but the public is frequently confused by the terminology.) Usually commuters they drive and park at the morning departure stations, board the train for a long trip from the suburbs to a CBD and walk to their jobs.

The corridor of Larkspur Landing to Cloverdale offers no such opportunity. There are no dense employment centers in the 2 counties and not all that much employment within walking distance of the stations. It's called in transportation planning literature "the last mile problem." And it is one of the main reasons that Caltrain serving Santa Clara County has so many fewer riders (about 70,000/day) than BART (about 400,000/day). And it is why SMART's ridership is paltry, below forecast and not growing. Here's data they're required to report monthly to the Federal Transit Administration.

For the same reason taxpayer subsidy is high. Rail costs a lot. Spread over a lot of paying riders and the taxpayer subsidy is small. Spread over a few riders and it's huge. According to SMART's numbers the taxpayer subsidy is **\$52.35 per rider (\$104.70 per person taking a round trip)**.

National Transit Database: SMART Ridership by Month Since Startup



The Big Lie in 2008 that Follows SMART to This Day

Board members and senior staff were told by consultants in 2005 that a quarter cent sales tax would not be sufficient to fund construction of a 70 mile rail line and subsidize operations of trains. However, polls taken at the time indicated they could not pass a half cent sales tax. The GM at the time (Lillian Hames) made up financials in order to claim a quarter cent was enough. Proponents believed her despite many opeds by me and others letting the public know they were selling them a bill of goods.

The agency has been living with and hiding this lie. Recently Board member Deborah Fudge (Windsor) claimed it wasn't true after Gary Phillips had stated that the Board at the time overstated the agency's financial potential. We haven't but can transcribe them.

One of the constantly stated claims – and you'll hear it in this campaign – is that the recession and drop in sales taxes was “why” they couldn't complete the rail line. It is a lie. Why?

A big part of their budget is debt service and the interest rates prior to Nov. 2008 and after 2008 were totally different. The recession saved them millions. Also due to high unemployment unit labor costs for several years were much lower than assumed.

The real reason: given what happened with the economy, they couldn't make it up. Between 2008 and 2015 many costs not included were also recognized and the costs of construction of 43 miles exceeded the costs (by a factor of 2) for constructing the 70 mile rail line.

The Bonds – The Real Reason there is an Extension Measure 9 Years before the Tax Expires

Since the current tax doesn't expire until March 31, 2029, the measure has zero impact on its revenues. If it loses, the revenues are unchanged. If it passes, the revenues are unchanged.

What's the rush?

SMART's budgets are being squeezed by the rising debt structure it committed to when it issued the construction bonds in 2012. The debt service is now consuming 42% of the sales tax revenues and it is expected to grow faster than sales tax revenues. It also exposes them to a recession before 2023.

They want to refi the bonds and in order to lower the debt service they need to extend the expiration date of the sales tax to have any material impact on their budgets. But, the bonds have call dates in 2022. They can't be refinanced until then. Hence, the measure has **NO IMPACT ON REVENUES OR EXPENSES FOR 3 YEARS.**

One might ask why they adopted such a debt service schedule. The Board in 2012 like the current Board had no idea what it was doing and its GM sold them a bill of goods. They're now paying the price of such a schedule. (We might PRA internal discussions from 2012 on this issue.) (table is on next page)

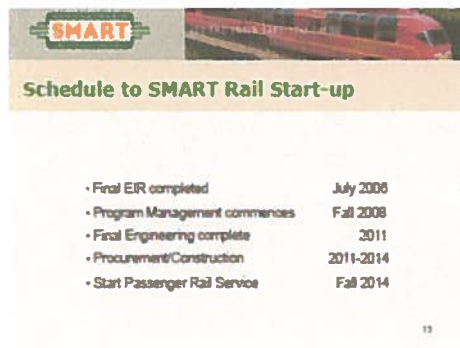
Debt Service and Sales Tax Revenues

FY	Scheduled Debt Service	Sales Taxes Rev	%
2013	7,047	30,436	23.16
2014	8,457	32,473	26.04
2015	8,457	33,845	24.99
2016	12,997	34,776	37.37
2017	13,600	36,062	37.71
2018	14,204	37,135	38.25
2019	16,096	38,323	42.00
2020	16,748	38,300	43.73
2021	17,406	39,500	44.07
2022	18,060	40,600	44.48
2023	18,718		
2024	19,368		
2025	20,024		
2026	20,681		
2027	21,336		
2028	21,990		
2029	16,496		

Yellow = scheduled payments
 Blue = actual sales tax revenues
 Pink = forecast in Strategic Plan (adopted Oct 2019)

Delayed Start of Service[

Scheduled passenger service, already delayed from an originally estimated 2014. That means taxpayers paid taxes from April 1, 2009 – Aug 25, 2017 before the first train provided service. That’s not what they were told in 2008.



Current Service Levels

They are currently operating 17 round trips (referred to as 34 trains) a day during weekdays and five round trips (10 trains) a day.

Single Track Constraints

There is only one track with four passing tracks. This places a significant constraint on operations for scheduling trains because delays are transmitted. (We could PRA a list of service delays.) This was a significant constraint explained in documents by SMART engineers to the Novato City Council. It is also the reason the first train departs southbound before 5am in the morning from Airport Blvd.

Multi-modalism and Connectivity to the Larkspur Ferry

Opposition long ago by Larkspur kept SMART from crossing Sir Francis Drake Blvd and directly serving Golden Gate Transits Larkspur Ferry. Hence, there is a 7-10 minute walk from “Larkspur Landing” over a bridge to the ferry. Proponents are in denial that this is ridership deal killer.

There is another factor: trains arrive every 30 minutes. Ferries in the A.M. peak depart every 20 minutes.

\$55 million + \$25 million for a train tunnel was spent to extend rail south of San Rafael. Federal funding provided \$20 million for a project that the Environmental Assessment calculated the extension would generate 138 additional rail riders a day in 2035. (I’ve got the document.)

Data Appendix

Population by City 2019

Marin County	2019	Service?
Larkspur	12,578	Dec 19
Novato	54,115	Y
San Rafael	60,046	Y
Rest of Marin	148,718	N
Subtotal	275,457	
Sonoma County		
Cloverdale	9,257	N
Cotati	7,919	Y
Healdsburg	12,501	N
Petaluma	62,247	Y
Rohnert Park	43,339	Y
Santa Rosa	175,625	Y
Windsor	28,565	2022
Rest of Sonoma	161,222	N
Subtotal	500,675	
District		
Cities served	415,869	
Not Served	360,263	
Total Pop	776,132	

Sales Tax Revenues Collected by County – FY 2008 – FY 2019

FY	Marin	Sonoma	District
2009	1,808	3,169	4,977
2010	8,960	15,100	24,060
2011	9,914	16,913	26,827
2012	10,447	17,856	28,304
2013	11,216	19,220	30,436
2014	11,883	20,591	32,473
2015	12,352	21,494	33,845
2016	12,706	22,070	34,776
2017	12,746	23,316	36,062
2018	13,417	23,718	37,136
2019	14,035	25,768	40,076

Potential Issues with SMART

Issue	Geography	Comment/Documentation
<p>Rail services overpromised and under delivered</p> <p>Promises not kept</p>	<p>Entire District</p>	<p>Biggest Broken Promises:</p> <ul style="list-style-type: none"> ● Congestion relief (none on Hwy 101; worsened in downtown San Rafael) ● 70 miles vs. 43 miles. They've recently disclosed that they will not be able to fund construction north of Windsor. ● Start-up date (years late): 2014 promised; Aug. 25, 2017 is startup ● Financials (Costs and revenues). The train has cost hundreds of millions more than sold to the public and that's for 43 miles. Sales tax revenues are far below (in total) despite 10 years of higher than average growth. ● Ridership: 2,500 on typical weekday, 400-500 on weekend ● Shuttles ● Fare levels ● Peak hour service gap ● Noise ● Bike path ● Connectivity to the ferry (they're about to start service)
<p>Lack of Credibility</p>	<p>District</p>	<ul style="list-style-type: none"> ● The Big Lie (see below) ● Many voters already doubt what the Board and staff claim because of the failure to deliver on prior promises. ● Forecasts from past have been terrible: understating costs by hundreds of millions and overstating potential revenues by hundreds of millions. They're still doing it in this election cycle.

Issue	Geography	Comment/Documentation
Poor Oversight by Board	District	<ul style="list-style-type: none"> • Criticized in separate Civil Grand Jury reports (Sonoma and Marin separately) • GM's salary is almost the same as BART • Staffing levels are high for an agency this small • Staff runs the place. Board rarely asks tough questions • Adopted a Financial Plan that assumes they'll be draining the reserves.
Lack of Transparency	District	<ul style="list-style-type: none"> • Ridership details hidden. • Financial data/reports organized in way no one can follow
Continuation of False Claims "The Recession Caused SMART's Financial Constraints"	District	<ul style="list-style-type: none"> • They are, in fact, producing the rail on par with what would have been expected had they used real forecasts rather than made up numbers. • Their inability to fund construction north of Windsor contradicts this claim.
Traffic in downtown San Rafael	Central Marin	It is awful now from the crossing gates. It will be worse once the train goes to Larkspur
Jennings Ave. Crossing	Santa Rosa	Neighborhood group has been fighting with SMART over a pedestrian crossing. PUC recently granted an extension and says it is safe. SMART won't budge
Noise	Along the rail corridor in both counties	Complaints about noise are an irritant to those living near the tracks
2 nd Petaluma Station not built	Petaluma residents	Pulled out in favor of Atherton Station in Novato thanks to Judy Arnold
Marin households pay more for train than Sonoma households	Marin Taxpayers	Marin is more affluent. Quarter cent is the same. By definition Marin taxpayers are paying more per capita or household.

Issue	Geography	Comment/Documentation
Most riders are Sonoma residents	Marin Taxpayers	
Cloverdale and Healdsburg will not be served	See population table. Cloverdale is 25 miles from Windsor and has a population of only 9,257	Promised service long ago. This summer the agency announced it could not complete construction of the funds
Misleading the public II	District	They are claiming if they lose in March they will face cutbacks. Actually they are likely to face cutbacks no matter what. The measure makes no difference. In truth, they'll be facing cutbacks because it doesn't change their revenues by a penny until April 1, 2029.
Misleading the public II	District	You name it: financial forecasts; lack of transparency. They're conning the bikers and trying to con voters in northern Sonoma Co. In reality: not only don't have funds for construction, it is doubtful that they'll have funds to maintain frequencies promised let alone serving a longer rail line. A recession will hurt them financially. And they haven't accounted for it.
Overcharging City of Novato for Station	Novato	Novato had to pay millions more than originally estimated for the Grant Ave. Station. But the city is in control of Supervisor and SMART Board member Judy Arnold.
The bonds	District	They issued bonds with a rising debt structure such that the debt service is taking 42% of the sales tax revenues and it these payments are scheduled to grow. And they have call dates in 2022. Can't be refinanced until then