Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004
T +1 202 637 5600
F +1 202 637 5910
www.hoganlovells.com

302060

ENTERED
Office of Proceedings
April 20, 2021
Part of
Public Record

April 20, 2021

By Electronic Submission

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: STB Docket No. AB 1310X, *Northwest Pacific Railroad Company – Discontinuance of Service Exemption – In Marin, Napa, and Sonoma Counties, CA*

Dear Ms. Brown:

Enclosed for filing in the above-captioned docket is the Reply of Sonoma-Marin Area Rail Transit District to Train Riders Association of California (1) Motion to Deny Petition for Exemption of Northwestern Pacific Railroad Company and (2) Petition to Revoke Verified Notice of Exemption of Sonoma-Marin Area Rail Transit District.

If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance in this matter.

Respectfully submitted,

/s/ Carolyn Gaut Kraska
Carolyn Gaut Kraska

Associate
carolyn.kraska@hoganlovells.com
(202) 637-5600

Hogan Lovells US LLP is a limited liability partnership registered in the District of Columbia. "Hogan Lovells" is an international legal practice that includes Hogan Lovells US LLP and Hogan Lovells International LLP, with offices in: Alicante Amsterdam Baltimore Beijing Birmingham Boston Brussels Colorado Springs Denver Dubai Dusseldorf Frankfurt Hamburg Hanoi Ho Chi Minh City Hong Kong Houston Johannesburg London Los Angeles Luxembourg Madrid Mexico City Miami Milan Minneapolis Monterrey Moscow Munich New York Northern Virginia Paris Perth Philadelphia Rome San Francisco São Paulo Shanghai Silicon Valley Singapore Sydney Tokyo Warsaw Washington, D.C. Associated Offices: Budapest Jakarta Riyadh Shanghai FTZ Ulaanbaatar Zagreb. Business Service Centers: Johannesburg Louisville. Legal Services Center: Berlin. For more information see www.hoganlovells.com

BEFORE THE

SURFACE TRANSPORTATION BOARD

STB Docket No. AB-1310X

NORTHWESTERN PACIFIC RAILROAD COMPANY
- DISCONTINUANCE OF SERVICE EXEMPTION –
IN MARIN, NAPA, AND SONOMA COUNTIES, CA

REPLY OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT TO TRAIN RIDERS ASSOCIATION OF CALIFORNIA (1) MOTION TO DENY PETITION FOR EXEMPTION OF NORTHWESTERN PACIFIC RAILROAD COMPANY AND (2) PETITION TO REVOKE VERIFIED NOTICE OF EXEMPTION OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

Kevin M. Sheys
Carolyn G. Kraska
Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street NW
Washington, DC 20004
(202) 637-5600

Counsel for Sonoma-Marin Area Rail Transit District

Dated: April 20, 2021

Before the

SURFACE TRANSPORTATION BOARD

STB Docket No. AB-1310X

NORTHWESTERN PACIFIC RAILROAD COMPANY - DISCONTINUANCE OF SERVICE EXEMPTION – IN MARIN, NAPA, AND SONOMA COUNTIES, CA

REPLY OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT TO TRAIN RIDERS ASSOCIATION OF CALIFORNIA (1) MOTION TO DENY PETITION FOR EXEMPTION OF NORTHWESTERN PACIFIC RAILROAD COMPANY AND (2) PETITION TO REVOKE VERIFIED NOTICE OF EXEMPTION OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

I. Background

On February 22, 2021, Northwest Pacific Railroad Company ("NWPCO") filed a Petition for Exemption (the "NWPCO Petition") under 49 U.S.C. § 10903 to discontinue service between the Sonoma/Mendocino County, CA border (NWP MP 89)[1] and Healdsburg, CA (NWP MP 68.2) and Lombard, CA (SP MP 63.4) (together, the "Subject Line"). NWPCO operated the NWPCO Subject Line pursuant to a lease with the North Coast Railroad Authority ("NCRA"). At the time of the NWPCO Petition, NCRA owned the portion of the Subject Line between Sonoma/Mendocino County, CA border (NWP MP 89) and Healdsburg, CA (NWP MP 68.2) and had a freight operating easement between the same point in Healdsburg and Lombard, CA (SP MP 63.4), which was already owned by Sonoma-Marin Area Rail Transit District ("SMART"). On March 26, 2021, SMART acquired (1) the portion of the Subject Line between the Sonoma/Mendocino County, CA border (NWP MP 89) and Healdsburg, CA (NWP MP 68.2) and (2) the freight rail operating easement on the line of railroad between Healdsburg, CA (NWP

[1] All mileposts designations herein are approximate.

MP 68.2) and Lombard, CA (SP MP 63.4) pursuant to a Notice of Exemption in Finance Docket No. 36481 ("SMART Exemption"), which became effective on March 4, 2021.

On March 31, 2021, the Train Riders Association of California ("TRAC") filed a letter (and numerous attachments) (the "TRAC Opposition") requesting that the Board deny the NWPCO Petition and revoke the SMART Exemption.[2]

II. Reply

TRAC disagrees with a California law ("SB 1029") that set in motion the NWPCO Petition and the SMART Exemption. Subject to securing Surface Transportation Board ("STB" or "Board") authorization, SB 1029 would railbank over 200 miles of dilapidated, washed-out and track-less (at some locations) line of railroad between Blue Lake (near Humboldt Bay), California and the Sonoma/Mendocino County line and preserve the light density freight rail service on the line from Sonoma/Mendocino County line to Lombard, California.[3] In TRAC's view California should have enacted a law to restore the line from Willits to the Sonoma/Mendocino County line for freight rail service and for scenic trains; California should have had SMART acquire the line all the way to Willits, but should have designated a private sector entity to provide the freight rail service from Willits to Lombard. Yes, TRAC concedes, the Willits - Sonoma/Mendocino County line segment was shut down by the FRA in 1998 and has not seen a freight car in the last 23 years, but SB 1029 is a "scheme by the state of California to ignore the needs of shippers" on this line. TRAC Opposition at 4. SMART built and now

[2] The TRAC Opposition requests that the Board "reject" the SMART Exemption, which is equivalent to a petition for revocation. SMART is filing its Reply to the TRAC revocation request in this docket rather than in Finance Docket No. 36481.

[3] The line from Sonoma/Mendocino County line to Lombard carried approximately 572 carloads in 2019. NWPCO Petition at 6.

operates a commuter rail system on part of the Subject Line and is an agency of California. TRAC (or at least the author of the TRAC letter) is a "strong supporter" of SMART (if not its management), but California should have appointed a private sector operator for the freight rail service, because SMART (as a governmental agency) "has neither the entrepreneurial culture nor the requisite expertise to become a freight operator, making it a bad fit for the mission." TRAC Opposition at 2, 10, 104.

California went in a different direction than TRAC wished. TRAC acknowledges that "the wisdom of California's decision making process … is outside the Board's purview." TRAC Opposition at 3. But rather than seeking a change in California law to right the wrongs TRAC sees in SB 1029, TRAC seeks denial of the NWPCO Petition and revocation of SMART Exemption. Both of TRAC's requests were based upon (1) TRAC's opposition to the possible abandonment of the line of railroad north of the Subject Line between the Sonoma/Mendocino County, CA border and Willits, CA[4] and (2) TRAC's assertions that SMART is not financially fit to provide freight rail service and is not seeking the freight rail service obligation in good faith. TRAC Opposition at 2–6, 9–10, 23–25, 96–118. The first point has nothing to do with the NWPCO Petition or the SMART Exemption; the second point is not supported by any TRAC evidence.

TRAC's request that the Board deny the NWPCO Petition should be dismissed, because TRAC has failed show that NWPCO has not met the 10502 exemption criteria. No evidence or argument offered by TRAC demonstrates that STB regulation of the NWPCO discontinuance

[4] The line of railroad between the Sonoma/Mendocino County border and Willits is owned by North Coast Railroad Authority, a California agency and operated by NWPCO pursuant to a lease. Abandonment/discontinuance of this line is not within the scope of the NWPCO Petition or the SMART Exemption and would require separate Surface Transportation Board authorization.

(through the filing of a discontinuance application) is necessary to carry out the rail transportation policy ("RTP") of 49 U.S.C. § 10101. 49 U.S.C. § 10502(a).[5]

TRAC's request that the Board revoke the SMART Exemption should be denied, because TRAC has not met its burden to show that regulation of the transaction that was the subject if the SMART Exemption is necessary to carry out the RTP. 49 U.S.C. § 10502(d); 49 C.F.R. § 1121.4(f). The party seeking revocation has the burden of proof, and their petition "must be based on reasonable, specific concerns demonstrating that reconsideration of the exemption is warranted and regulation of the transaction is necessary."[6] TRAC has not made this showing.

A. TRAC's Concerns About Abandonment of the Line of Railroad North of The Subject Line Are Not Before the Board

TRAC's concerns about abandonment of the line of railroad north of the Subject Line, from the Sonoma/Mendocino County line to Willits, are not before the STB. If abandonment of that line is sought, TRAC may oppose the abandonment at that time. Nothing in the NWPCO Petition or the SMART Exemption pre-ordains the outcome of any abandonment north of the Subject Line.

B. TRAC's Concerns with SMART's Fitness as a Freight Operator Are Baseless

TRAC's assertions that SMART is not financially fit to provide freight rail service and is not seeking the freight rail service obligation in good faith are unfounded and do not support denial of the NWPCO Petition and revocation of the SMART Exemption.

---

[5] TRAC does not even allege that NWPCO failed to meet the 10502(a)(2) exemption criteria.

[6] See New York New Jersey Rail LLC and New York Cross Harbor Railroad Terminal Corp.–Corporate Family Transaction Exemption, Docket No. FD 34813, slip op. at 2 (STB served Dec. 8, 2006); Minnesota Comm. Ry., Inc.–Trackage Exempt.– BN RR. Co., 8 I.C.C.2d 31, 35 (1991).

TRAC asserts that the "most concerning aspect of SMART becoming a common carrier is its financial condition."[7] TRAC Opposition at 2. To support their assertion, TRAC cites a 2019 SMART Board presentation that noted that the agency's funding source needed to be extended, and notes that the 2020 ballot measure that would extend SMART's funding did not pass. TRAC Opposition at 2, 15–21.

The 2019 SMART Board presentation relied upon by TRAC was published almost two years ago and has no bearing on the current SMART operating budget or SMART's longer term financial plan.[8] The Verified Statement of Heather McKillop includes, as Attachment 1, the SMART Board resolution for the SMART amended budget for FY 2020-21, showing sources and uses of funds. The McKillop Statement provides a summary of current information related the SMART's financial strength, achieved because of implemented policies and budgetary adjustments, and explains how freight operations will be funded and how SMART will pay for freight-related capital expenditures.[9] The McKillop Statement demonstrates that SMART has the financial resources to assume responsibility for freight operations on the Subject Line.

SMART would like to call the STB's attention to the fact that the SMART Board resolution for the amended budget for FY 2020-21, Attachment 1 to the McKillop Statement, has been on the SMART website *since February 3, 2021*.[10] This date was well before TRAC's filing on March 31, 2021. Thus, on the issue TRAC says is of greatest concern, TRAC has

---

[7] SMART is already a residual common carrier on the Subject Line. See Sonoma-Marin Area Rail Transit District–Acquisition Exemption–Northwestern Pacific Railroad Authority, Finance Docket No. 34400 (STB served Mar. 10, 2004); Sonoma-Marin Area Rail Transit District – Acquisition and Operation Exemption –North Coast Railroad Authority, Finance Docket No. 36481 (STB served Feb. 18, 2021).

[8] See Verified Statement of Heather McKillop, the SMART Chief Financial Officer, included as Exhibit A (hereinafter, "McKillop Statement") at page 6.

[9] McKillop Statement at pages 1-3.

[10] McKillop Statement at page 1.

presented the STB with information that is almost two years old even though TRAC had ready access to more current information from the same source.

Next, TRAC asserts that SMART is not seeking freight operating rights in good faith. In support of this claim, TRAC offers a July 2018 email from Eric Thronson, an employee of the California legislature, in response to an inquiry from Mike Arnold of Alco Partners regarding SB 1029. TRAC Opposition at 2, 9, 12–13, 103, 106–107. In July of 2018, before passage of SB 1029, it was unclear whether freight service would continue on the Subject Line. As enacted, SB 1029 preserves the light density freight rail service on the Subject Line. In any case, Mr. Thronson was not a SMART representative and was not writing about the transaction described in the SMART Notice of Exemption or the NWPCO Petition. Therefore the email says nothing about SMART's present intention to provide freight rail service on the Subject Line.

TRAC asserts that SMART is hostile to freight and that SMART's freight hostility makes TRAC concerned that "the [SMART] staff's proposal to undertake freight service might be part of an elaborate plan to abandon freight service in the NWP corridor." TRAC Opposition at 9, 103. In support of this assertion, TRAC relies upon a May 20, 2014 article in the Press Democrat. TRAC Opposition at 127–35. The Press Democrat article reports the disappointment of one then-current freight rail customer and three potential freight rail customers regarding decisions made among SMART, NCRA and NWPCO regarding the number and location of restored freight sidings on the Subject Line. TRAC Opposition at 127–130.

- The Press Democrat article identifies a manager from Lagunitas Brewing Company, an actual freight rail customer, who regretted that there was no siding

to its company's Petaluma brewery. TRAC Opposition at 127–28. However, in April of 2013, the same manager from Lagunitas requested freight service at the former Adobe Lumber Company site. SMART relied upon that letter and installed a turn-out at the Adobe Lumber Spur (MP 41.9).[11]

- The article also reports that California Shingle and Shake wanted a restored siding at its location. TRAC Opposition at 129. However, the company did not use rail service on even a single occasion after service was restored in 2011. When rail and truck options were both available, California Shingle and Shake chose truck. This prompted SMART to ask NCRA and NWPCO several times in 2013-14 for information regarding California Shingle and Shake's future freight rail service needs, but SMART never received the requested information.[12]
- Similarly, the article reports that Glenn Kantock wanted a siding at a property near Airport Blvd. TRAC Opposition at 129–30. Mr. Kantock did not use rail service on even a single occasion after service was restored in 2011.[13]
- Finally, Mr. Nick Abbott, whose company owned or operated a large warehouse in Santa Rosa, is quoted in the article as saying a rail spur "would add value for the right kind of use." TRAC Opposition at 129. This is certainly true, but no customer in this Santa Rosa warehouse used rail service after service was restored in 2011.[14]

---

[11] Verified Statement of SMART General Manager Farhad Mansourian, included as Exhibit B (hereinafter "Mansourian Statement"), at pages 4–5.

[12] Mansourian Statement at pages 5–6.

[13] Mansourian Statement at page 6.

[14] Mansourian Statement at page 6.

So of the four businesses discussed in the Press Democrat article, one receives service today *at the siding it requested* when the new sidings were being planned for installation and the other three businesses *did not use freight rail service even once* during the period when freight rail service was available in 2011 until new sidings were planned and installed.

The Press Democrat article does not show SMART hostility or opposition to freight rail service on the Subject Line. To the contrary, in advance of the construction and renewal of the Subject Line, SMART agreed to pay the incremental cost of installation of siding connections (turn-outs) at four locations: Burdell South (MP 30.5); Burdell North (MP 31.7); Park South (MP 39.2); and Park North (MP 39.7) and up to twelve additional turn-outs, if NCRA/NWPCO could demonstrate freight customer needs for the additional sidings.[15] NCRA/NWPCO did not show the need for any additional freight sidings, but by May of 2014, in addition to two of the four sidings it committed to in 2011, SMART had installed three additional turn-outs: Dairymen's Coop (MP 38.1); Adobe Lumber Spur (MP 41.9); and Willowbrook Farms (MP 42.2) and had committed to install turnouts at the Petaluma Transload Track and Shamrock (MP 38.1). In the end, ten freight turn-outs were installed, with SMART paying either the incremental cost for the turn-out or costs associated with integration of the turn-outs into the SMART systems or Positive Train Control.[16]

TRAC claims that SMART's use of 115# rail instead of heavier rail demonstrates that SMART is not seeking freight operating rights in good faith. TRAC Opposition at 2–3. When SMART's Design-Build team was designing the track in advance of construction of its commuter rail system on the line of railroad between Healdsburg and Ignacio, SMART

[15] Mansourian Statement at pages 3–4.

[16] Mansourian Statement at page 4.

determined the weight of rail for the project based on several factors, including the suitability for the current and anticipated future freight rail operations and the lighter weight commuter rail trains. Based on the advice of our design team, the lighter rail was deem appropriate and specified. Although some freight railroads use a heavier rail, SMART concluded that 115# rail was sufficient for the current and anticipated freight operations on the Healdsburg and Ignacio segment.[17] Nothing about this design decision suggests that SMART is not seeking freight operating rights in good faith.

TRAC also claims that the absence of freight access to go around passenger stations *south of Ignacio* is an indication of SMART not seeking freight operating rights in good faith. TRAC Opposition at 2–3. But there is not freight service or freight service obligation on the south of Ignacio. Northwestern Pacific Railroad Company—Discontinuance Exemption—Operations in Marin County, CA, Docket No. AB-14 (Sub-No. 6X) (I.C.C. served Jun. 16, 1989).

Finally, TRAC criticizes how the SMART Board reviewed and considered the obligations that SMART would assume if it took over freight service on the Subject Line. TRAC Opposition at 10, 104. For example, TRAC thought SMART's conclusion that consolidated freight and commuter operations would allow "closer coordination of use of the rail line, improving dispatching and scheduling options" was "unsupported by either logic or real-world operational considerations." TRAC Opposition at 2, 10. The STB should not question the business judgment of the SMART Board or substitute its judgment or TRAC's judgement for that of the SMART Board.[18]

---

[17] Mansourian Statement at page 6.

[18] Hartwell First United Methodist Church—Adverse Abandonment and Discontinuance—The Great Walton Railroad Company, Inc., in Hart County, GA, Docket No. AB 1242, slip op. at 4 (STB served Jan. 31, 2018) ("…the Board typically is reluctant to substitute its operational judgment for the railroad's."); Salt Lake City Corporation —

TRAC has not provided any credible evidence that SMART is not seeking freight operating rights in good faith. SMART will provide rail service upon reasonable request for service, consistent with 49 U.S.C. § 11101(a). In addition, SMART is evaluating ways to grow freight traffic so the freight service on the Subject Line can become viable and self-sustaining and not require a public subsidy. In February of 2021, SMART retained Project Finance Advisory Limited ("PFAL") to conduct an analysis of the existing and potential freight customers throughout the North Bay Area. Although report results are not yet available, PFAL staff have completed over 170 hours on this analysis, including interviews local customers, adjacent railways, and logistics companies in the area.[19]

[This space intentionally left blank]

Adverse Abandonment — In Salt Lake City, UT, Docket No. AB-33 (Sub-No. 183), slip op. at 8 (STB served Mar. 8, 2002) ("…it would be inappropriate to substitute our judgment for [the railroad]'s business judgment"); Octoraro Railway, Inc.—Operation—Over Southeastern Pennsylvania Transportation Authority Between Wawa, PA and Colora, MD in Delaware and Chester Counties, PA To Cecil County, MD, Docket No. FD 28334, slip op. at 7 (Oct. 21, 1981) ("It is not [the Board's] function to usurp the business judgment of OCTR and SEPTA and others willing to finance this endeavor, and to 'second-guess' their assessment of the risks involved in rehabilitating and operating a railroad.").

[19] See Verified Statement of Victoria Taylor, included as Exhibit C.

III. Conclusion

For the reasons stated above, TRAC's request that the Board deny the NWPCO Petition should be dismissed and TRAC's request that the Board revoke the SMART Exemption should be denied.

Respectfully submitted,

Kevin M. Sheys
Carolyn G. Kraska
Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street NW
Washington, DC 20004
(202) 637-5600

Counsel for Sonoma-Marin Area Rail Transit District

Dated: April 20, 2021

Before the

SURFACE TRANSPORTATION BOARD

STB Docket No. AB-1310X

NORTHWESTERN PACIFIC RAILROAD COMPANY
- DISCONTINUANCE OF SERVICE EXEMPTION –
IN MARIN, NAPA, AND SONOMA COUNTIES, CA

REPLY OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT TO TRAIN RIDERS ASSOCIATION OF CALIFORNIA (1) MOTION TO DENY PETITION FOR EXEMPTION OF NORTHWESTERN PACIFIC RAILROAD COMPANY AND (2) PETITION TO REVOKE VERIFIED NOTICE OF EXEMPTION OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

EXHIBIT A

Verified Statement of Heather McKillop

VERIFIED STATEMENT OF HEATHER MCKILLOP

My name is Heather McKillop. I am the Chief Financial Officer of Sonoma Marin Area Rail Transit District (SMART). I have been with SMART since November 2020. Prior to joining SMART, I spent 5 ½ years as the Chief Financial Officer and Assistant General Manager of Finance and Administration for the Regional Transportation District (RTD) in Denver, Colorado. I worked for the State of Colorado as the Deputy Executive Director for the Colorado Department of Revenue for 4 years and spent 16 years with the Colorado Department of Transportation, the last 5 years as the Chief Financial Officer.

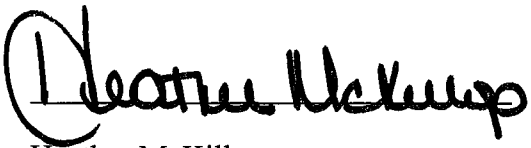
1. Attached to this Verified Statement is the Board resolution for the amended budget for FY 2020-21, showing sources and uses of funds (included as Attachment 1). The summary provides current and updated information related the District's financial strength because of implemented policies and budgetary adjustments. These documents have been on the SMART's website since February 3, 2021.
2. FY 2019-20 and FY 2020-21 have been challenging due to COVID-19; however SMART took immediate action in the Spring of 2020 after COVID-19 restrictions began, to adjust our service and reduce expenditures. In addition, SMART refinanced its outstanding bonds freeing up to 3 million in interest payments annually through 2029. SMART was also the recipient of $15 million in Coronavirus Aid, Relief, and Economic Security Act (CARES) funding and recently received an additional $1.8 million of Coronavirus Response and Relief Appropriations Act of 2021 (CRRSAA) funding. The Metropolitan Transportation Commission, the transportation planning, financing and coordinating agency for the nine-county San Francisco Bay Area, is currently deciding how the American Rescue Plan Act (ARPA) funds will be distributed, SMART is expecting to get

an allocation of these funds as well. SMART has also been building our financial reserves over the last several years and in the Spring of 2020, the SMART Board of Directors approved an operating reserve policy of 25% of the operating budget in any given year. That reserve is currently $10 million. We have also set aside funding for future capital projects. See the Board Approved Amended Budget, included in Attachment 1.

3. SMART received a $6 million grant from the State of California. Four (4) million is to fund the transfer of freight rights and equipment from the Northwestern Pacific Railroad Company and $2 million to fund freight safety upgrades and maintenance. We also received an additional $1.45 million from the State of California's Short-Line Railroad Improvement Program for maintenance and modernization of the freight rail line.
4. The $6 million is reflected in the Amended FY2020-21 Budget in Attachment 1. The $1.45 million was awarded after our amended budget was adopted and will be reflected in the FY2021-22 budget. Any funds not expended in FY2020-2021 will be rolled forward into FY2021-22 for freight purposes.
5. Measure Q sales tax expires in 2029. While it is true that Measure I, the 30-year sales tax extension on the ballot in March of 2020 was not passed by the voters, SMART will have at least four (4) more opportunities (2022, 2024 ,2026, and 2028) to go to the voters prior to the expiration of the sales tax. As is reflected in the Amended FY2020-21 Budget in Attachment 1, SMART has been able to weather COVID-19 with the assistance of Federal CARES and CRRSAA funding as well as proactive measures that we have taken to reduce expenditures and build up reserves.
6. The Financial Projection document attached as Exhibit 2 to the TRAC submission, which was prepared almost two years ago in advance of the ballot measure, has no

bearing on the current SMART Operating Budget or SMART's longer term financial plan.

I, Heather McKillop, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement. Executed on April 20, 2021.



Heather McKillop

Exhibit A

Attachment 1

SMART Board Resolution & FY2020-21 Amended Budget

David Rabbitt, Chair
Sonoma County Board of Supervisors

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

Judy Arnold
Marin County Board of Supervisors

Kate Colin
Transportation Authority of Marin

Damon Connolly
Marin County Board of Supervisors

Debora Fudge
Sonoma County Mayors' and
Councilmembers Association

Patty Garbarino
Golden Gate Bridge,
Highway/Transportation District

Susan Gorin
Sonoma County Board of Supervisors

Dan Hillmer
Marin County Council of Mayors and
Councilmembers

Eric Lucan
Transportation Authority of Marin

Chris Rogers
Sonoma County Mayors' and
Councilmembers Association

Farhad Mansourian
General Manager

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

February 3, 2021

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

SUBJECT: Approval of the Fiscal Year (FY) 2020/2021 Amended Budget

Dear Board Members:

RECOMMENDATION:
Approve the Amended Budget for Fiscal Year 2020/2021 as presented in Resolution No. 2021-01.

SUMMARY:
In June 2020, your Board adopted the FY 2020/2021 budget. In September 2020, the Chief Financial Officer, Erin McGrath, provided the Board with an update on how FY 2019/2020 year ended and provided information on additional savings that had been identified. We are now over halfway through FY 2020/2021 and are providing you with an update and amended budget for consideration. FY 2020/2021 has been a volatile year and it seemed appropriate to bring the latest information to the Board in the form of an amended budget request.

In summary, revenues increased by $14.4 million, expenditures only increased by $2.7 million, we were able to transfer an additional $13.1 million to reserves, and we are projecting to end the fiscal year with a $37.5 million unrestricted fund balance which is $20.4 million more than anticipated.

Over the course of calendar year 2020, more than 6 meetings/workshops where held with the Board to discuss revenues and expenditure levels. The Board agreed to reductions in expenditures early on for the FY 2020/21 budget. The reductions totaled 20% of the operating budget or 10% of the total budget at the time. This action put SMART in a much more positive financial situation than perhaps other transit agencies are experiencing. Those previous actions taken along with other proposed reductions being presented today, will put SMART in a more positive cash position moving forward.

In the attached Board Resolution, we have included Table 1. Table 1 has been updated from the Board approved FY 2020-21 budget. Table 1 now includes four (4) columns. Column A is the current Board adopted budget, Column B contains revenues and expenditures rolled forward from FY 2019/2020, Column C is additional adjustments since the budget was adopted in June 2020, and Column D is the proposed Amended Budget that we are asking you to adopt. In addition, each line is numbered for ease of identification.

Rollforward from FY 2019/2020 Budget (Table 1, Column B)
Each year, there are certain activities are not able to be completed within the fiscal year. This may be planned, a multi-year projects such as the Windsor project, or unplanned such as delayed payment of equipment where we are waiting on warranty issues to be resolved. Those activities and their associated revenues are then "rolled forward" from one fiscal year to the next. For FY 2019/ 2020, **$3,377,372** in revenues (Column B, Line 12) and **$3,373,979** in expenditures (Column B, Line 24) are being rolled forward into FY 2020/2021. Of the $3,373,979, $2,200,000 is for payment of rail vehicles, the remaining is related to work on the Windsor project that will be completed in FY 2020/2021 and beyond.

Revenues
Several changes have been made to revenues. Those changes are delineated below.

Sales and Use Taxes (Columns C & D, Line 1)
When the FY 2020/21 budget was prepared in May of 2020, there was limited information on how sales and use tax would perform considering the pandemic. Three forecasts were considered: Avenue, HDL, and Management Partners (Santa Rosa). At that time, they were projecting a decrease in sales and use tax revenues between 15% and 22%. Based on that information, the sales and use tax forecast for SMART was determined to be $33,020,754. Since that time, we have received nine months of actual revenues and an updated forecast from Muni Services, we have adjusted sales and use tax revenue up by $6,112,246 to **$39,133,000** which is the new forecast.

Interest and Lease Earnings (Columns C & D, Line 2)
This line item contains interest, lease and rental income, and advertising income. We are anticipating lower interest earnings and lower revenues from advertising. This is a reduction of $236,583 for a total amount of **$738,700**.

Miscellaneous Revenues (Columns C & D, Line 3)
We are increasing miscellaneous revenues by $76,176 to **$105,000.** Included in this line item are revenues such as insurance claim reimbursements, application/permit fees, and sale of used equipment.

Fare & Parking Revenues (Columns C & D, Line 4)
The original forecast for fare revenue was $4.1 million and was decreased to $2.6 million in the final FY 2020/21 budget it is now being further reduced to $655,525. This is an 84% reduction in fare revenue. The original estimate for parking was originally $50,000 and has now been reduced to $25,000. The new estimated for fare and parking revenue is **$680,525** ($655,525 fares + $25,000 parking).

State Grants (Columns B,C,& D, Line 5)
Have been increase by both the roll forward from FY 2019/2020 and higher than anticipated revenue allocation. The new forecasted amount for FY 2020/2021 is **$18,801,631**. This includes revenues for Windsor, the bike path, and operating grants.

State Grants – Freight (Columns C & D, Line 6)
We were recently awarded $4 million from the State of California for the transfer of freight rights and equipment from Northwestern Pacific Railroad Company and $2 million for freight safety and maintenance for a total of **$6,000,000**. These funds have not yet been received by SMART. These funds are restricted and can only be used to purchase freight rights and to pay for allowable maintenance activities. We have created a separate fund, Fund 40, to be able to more easily track revenues and expenditures related to freight activities.

Federal Funds - Non-Cares Act (Columns B & D, Line 8)
Federal Railroad Funds (FRA) in the amount of $494,025 were rolled forward from FY 2019/2020 to FY 2020/2021 for a total of **$7,394,025**.

Federal Funds - CARES Act Funding (Column C & D, Line 9)
This was increase by $294,348 for a total of **$6,894,348**. This was due to the timing of revenues. At this time, we have not assumed any additional funds.

Other Governments/ Misc. (Columns C & D, Line 10)
Revenues captured in this line item include revenues from other jurisdictions for projects performed by SMART and other miscellaneous revenues such as sale of property/ land. We received a net amount of $3,985,693 for the sale of the Railroad Square property. These funds, combined with other revenues from local governments for other projects, total **$8,957,193**.

There were no changes to the following revenue line items: Charges for Services (Column D, Line 7) and Measure M (Column D, Line 11).

The new updated revenue forecast for FY 2020-2021 is **$88,941,770** (Column D, Line 12)

Beginning Fund Balance (Column A, B & D, Line 13)
The beginning fund balance is the amount of funds available from the end of the previous fiscal year that is available to be used in the current fiscal year. It is not restricted for other uses and can be spent or allocated by the Board. When the FY 2020/21 budget was adopted in June it was projected to be $22,571,008. The final audited balance was **$46,360,003**. In a September16, 2020 memo, former CFO, Erin McGrath presented information that showed that we were estimating to end the FY 2019/20 with more in fund balance than anticipated. This was due to lower than anticipated expenditures, higher than anticipated revenues (mainly in sales & use tax) and less funds allocated to the operating reserve.

Debt Service (Columns C & D, Line 15)
SMART recently refinanced its 2011A Bonds. Based on that refinancing, we are expecting the debt service for FY 2021 to be $2.1 million lower than what was originally budgeted. The new anticipated debt service for FY 2021 is **$14,284,259.**

Budgeted Expenditures

Salaries and Benefits (Columns C &D, Line 17)
In September 2020, the Board approved the elimination of two (2) vacancies. This resulted in savings of $310,078 of savings. We are requesting as part of this amended budget a new position, titled "Principal Planner". This position will direct, plan, and organize staff and other resources needed to manage functions that provide direction for future transportation planning, services, and capital improvements. The annual fully loaded cost is expected to be $163,480, however there is only 5 months remaining in the year. That cost is expected to be $68,118. The net amount of $241,962 is being reduced ($310,078 - $68,118). The total salaries and benefits cost for FY 2020/21 is now estimated at **$21,970,309.**

Services and Supplies (Columns C & D, Line 18)
Reduction of $972,997 due to lower than anticipated expenditures and roughly half of the savings related to reductions in vehicle maintenance related to mid-life overhauls and roughly half of the savings related to fuel. New estimated expenditures are **$14,421,029.**

Capital Projects (Columns B, C, & D, Line 20)
Capital projects has been increased by $3,144,379 for the cost of rail cars that not paid in FY 2019/20 due to warranty issues, the Windsor project, and $30,000 of anticipated expenditures has been moved to Other Governments line item. This results in anticipated expenditures of **$22,211,179**.

Other Governments (Columns B, C, & D, Line 21)
This line item is to capture work that SMART perform for other jurisdictions and are paid for entirely by other jurisdictions. This line item was increase by $259,600 of which $229,600 is a rollforward from FY 2019/2020 and $30,000 was a line item adjustment between Capital Projects. The updated estimate for FY 2020/2021 is **$3,786,500.**

Freight (Columns C & D, Line 22)
State funds were approved and are expected to be received this fiscal year for the purchase of freight rights, equipment, and maintenance. These funds can only be used for designated and authorized activities. Revenues and expenditures will be tracked in a new fund 40 which was established for this purpose. The amount is **$6,000,000**. The revenue is listed on line 6.

There were no changes to the following expenditure line items: Equipment, Buildings, & Improvements (Column D, Line 19) and Account and Fund Transfers (Column D, Line 23).

Total expenditures are estimated at **$70,471,928** (Column D, Line 24)

Budget expenditures do include funds for weekend service. If service is not restored, there will be additional savings in FY 2020/2021.

Additional Adjustments

Pension Liability (Columns B & D, Line 26)
At the end of each year, the amount of pension liability is calculated and transferred to the Pension Liability Fund for future use. The amount from the FY 2019/20 financial audit is **$1,079,380.**

Equipment Sinking Fund (Columns A & D, Line 27)
This fund is used to accumulate funds for future equipment needs such as Diesel Multiple Units (DMUs). The original contribution in the FY 2020/21 budget was **$5,000,000**. We are continuing that contribution in the amended budget.

Adjustment to match Board approved minimum reserve (Columns A, B, & D, Line 28)
Originally $17 million had been deducted from the beginning fund balance for the operations reserve. In the FY 2020/21 budget, the Board approved $10 million for the reserve. This resulted in $7 million going back to the unrestricted reserve. This amount has already been accounted for in the Beginning Fund balance (Column B, Line 13), so we took it to $0, so it wouldn't be duplicated.

Corridor Completions Fund Reserve (Columns C & D, Line 29)
We are recommending to the Board that they set aside $7,000,000 (see line 28) for corridor completion activities. These funds could be used by the Board to leverage other funding for projects, or activities such as completing National Environmental Protection Agency (NEPA) work or preliminary design.

Remaining Unrestricted Year End Fund Balance (Estimated)
The remaining unrestricted fund balance is the portion of the fund balance that is not currently restricted for other uses and can be spent or allocated by the Board. The unrestricted fund balance is calculated by SMART using audited numbers in the following way:

Plus (+)	Forecasted Revenues
Plus (+)	Beginning Fund Balance
	Debt Service
Less (-)	Forecasted Expenditures
Plus (+) or Less (-)	Other Adjustments
Equals (=)	Remaining Unrestricted Fund Balance

The unrestricted fund balance for FY 2020/2021 year-end is estimated at **$37,466,206** (Column D, Line 31). This is attributable to a higher beginning fund balance, higher revenues, and savings related debt service, vehicle maintenance, and fuel.

Restricted Fund Balance – Reserves (Lines 32-36)
SMART currently has four (4) reserve funds. We are recommending the addition of a Corridor Completion Reserve. It would require a 2/3rds vote to utilize as does the other reserves. These restricted reserve balances are in addition to the forecasted unrestricted fund balance above.

Reserve	Amount
Self-Insured Fund	$1,876,019
Capital Sinking Fund	$7,625,000
Future Other Post-Employment Benefits (OPEB)/ CalPers Liability Fund	$3,074,676
Operating Reserve (Equivalent to 25% operations or 3 months)	$10,000,000
Corridor Completion Fund (New)	$7,000,000

Very truly yours,

/s/
Heather McKillop
Chief Financial Officer

Attachment: Resolution No. 2021-01

Resolution No. 2021-01
Sonoma-Marin Area Rail Transit District
February 3, 2021

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA-MARIN AREA RAIL TRANSIT DISTRICT AMENDING RESOLUTION NO. 2020-10 TO REVISE THE ANNUAL BUDGET FOR FISCAL YEAR 2020-21 TO PROVIDE FOR REVISED EXPENDITURE AUTHORITY AND INCREASED POSITION AUTHORITY

WHEREAS, as part of its approval of the Annual Budget for Fiscal Year 2020-21, the Board duly considered the annual expenditures necessary for the Sonoma-Marin Area Rail Transit District; and

WHEREAS, on June 17, 2020, the Board adopted Resolution No. 2020-10 approving the annual budget for Fiscal Year 2020-21; and

WHEREAS, Resolution No. 2020-10 considered the appropriation of funds for Operating expenses as part of the Annual Budget; and

WHEREAS, the Board desires to Amend the Annual Budget to provide increased appropriation authority for short line railroad related expenditures and revised position authority; and

WHEREAS, Resolution No. 2020-10 considered the creation of employee positions and fixed the compensation and salary for those positions; and

NOW, THEREFORE, BE IT RESOLVED THAT Resolution No. 2020-10, FY 2020-21 Annual Budget, Exhibit A, Table 1, is hereby amended to increase expenditure authority.

NOW THEREFORE, BE IT ALSO RESOLVED that Resolution No. 2020-10, Exhibit A, Table 5 (SMART Position Authorizations), is hereby revised to add one new position, Principal Planner, as shown below, and;

Position	Authorized FTE	Salary Range: Annual		Salary Range: Hourly	
		Low	High	Low	High
Principal Planner	1	$122,096	$148,408	$58.70	$71.35

BE IT FURTHER RESOLVED except as specifically amended or supplemented by this Resolution, Resolution No. 2020-10, together with all supplements, amendments and exhibits thereto is, and shall continue to be, in full force and effect as originally adopted, and nothing contained herein shall, or shall be construed to, modify, invalidate or otherwise affect any provision of Resolution No. 2020-21.

Resolution No. 2021-01
Sonoma-Marin Area Rail Transit District
February 3, 2021

TABLE 1:

BUDGET REPORT: OVERVIEW OF ALL SOURCES AND USES

		Column A	Column B	Column C	Column D
		FY 2020-21 ADOPTED BUDGET	Rollover From FY19-20 Budget	Adjustments Since Budget Adopted	FY 2020-21 PROPOSED AMENDED BUDGET
Forecasted Revenue					
1	Sales/Use Taxes	$ 33,020,754	$ -	$ 6,112,246	$ 39,133,000
2	Interest and Lease Earnings	$ 975,283	$ -	$ (236,583)	$ 738,700
3	Miscellaneous Revenues	$ 28,824	$ -	$ 76,176	$ 105,000
4	Fare & Parking Revenue	$ 2,658,366	$ -	$ (1,977,841)	$ 680,525
5	State Grants	$ 16,038,215	$ 2,653,746	$ 109,669	$ 18,801,631
6	State Grants - Freight (Fund 40)	$ -	$ -	$ 6,000,000	$ 6,000,000
7	Charges For Services	$ 80,000	$ -	$ -	$ 80,000
8	Federal Funds (non-CARES)	$ 6,900,000	$ 494,025	$ -	$ 7,394,025
9	Federal Funds CARES	$ 6,600,000	$ -	$ 294,348	$ 6,894,348
10	Other Governments/ Misc.	$ 4,741,900	$ 229,600	$ 3,985,693	$ 8,957,193
11	Measure M	$ 157,348	$ -	$ -	$ 157,348
12	**Total All Revenues**	**$ 71,200,690**	**$ 3,377,372**	**$ 14,363,708**	**$ 88,941,770**
13	**Beginning Fund Balance**	**$ 22,571,008**	**$ 23,788,995**	**$ -**	**$ 46,360,003**
14	**Total Revenues + Beginning Fund Balance**	**$ 93,771,698**	**$ 27,166,367**	**$ 14,363,708**	**$135,301,773**
Debt Service					
15	Debt Service	$ 16,405,850	$ -	$ (2,121,591)	$ 14,284,259
16	**Total Revenues Less Debt Service**	**$ 77,365,848**	**$ 27,166,367**	**$ 16,485,299**	**$121,017,514**
Budgeted Expenditures					
17	Salaries & Benefits	$ 22,212,271	$ -	$ (241,962)	$ 21,970,309
18	Services & Supplies	$ 15,394,026	$ -	$ (972,997)	$ 14,421,029
19	Equipment, Buildings & Improvements	$ 2,417,911	$ -	$ -	$ 2,417,911
20	Capital Projects	$ 19,096,800	$ 3,144,379	$ (30,000)	$ 22,211,179
21	Other Governments	$ 3,526,900	$ 229,600	$ 30,000	$ 3,786,500
22	Freight (Fund 40)	$ -	$ -	$ 6,000,000	$ 6,000,000
23	Account and Fund Transfers	$ (335,000)	$ -	$ -	$ (335,000)
24	**Total Budgeted Expenditures**	**$ 62,312,908**	**$ 3,373,979**	**$ 4,785,041**	**$ 70,471,928**
25	**Total Revenues Less Debt Service and Budgeted Expenditures**	**$ 15,052,940**	**$ 23,792,388**	**$ 11,700,259**	**$ 50,545,586**
26	Transfer to Future OPEB/CalPERS Liability Fund	$ -	$ (1,079,380)		$ (1,079,380)
27	Transfer to Equipment Sinking Funds	$ (5,000,000)	$ -	$ -	$ (5,000,000)
28	Adjustment to match Board apporved minimum agency reserve	$ 7,000,000	$ (7,000,000)	$ -	$ -
29	Transfer Fund Balance to New Corridor Completion Reserve	$ -	$ -	$ (7,000,000)	$ (7,000,000)
30	**Total Additional Adjustments**	**$ 2,000,000**	**$ (8,079,380)**	**$ (7,000,000)**	**$ (13,079,380)**
31	**Estimated FY 2020/21 Ending Fund Balance**	**$ 17,052,940**	**$ 15,713,008**	**$ 4,700,259**	**$ 37,466,206**
Restricted Fund Balances (Reserves)					
32	Self Insured	$ 1,876,019			
33	Equipment Sinking Fund	$ 7,625,000			
34	Future OPEB/ CalPERS Liability Fund	$ 3,074,676			
35	Corridor Completion Reserve (New)	$ 7,000,000			
36	Operating Reserve (25% or 3 months operating)	$ 10,000,000			

Resolution No. 2021-01
Sonoma-Marin Area Rail Transit District
February 3, 2021

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Sonoma-Marin Area Rail Transit District held on the 3rd day of February 2021, by the following vote:

DIRECTORS:
AYES: Arnold, Colin, Connolly, Fudge, Garbarino, Gorin, Hillmer, Lucan, Pahre, Rabbitt and Rogers

NOES:

ABSENT:

ABSTAIN:

David Rabbitt, Chair, Board of Directors
Sonoma-Marin Area Rail Transit District

ATTEST:

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

Before the

SURFACE TRANSPORTATION BOARD

STB Docket No. AB-1310X

NORTHWESTERN PACIFIC RAILROAD COMPANY
- DISCONTINUANCE OF SERVICE EXEMPTION –
IN MARIN, NAPA, AND SONOMA COUNTIES, CA

REPLY OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT TO TRAIN RIDERS ASSOCIATION OF CALIFORNIA (1) MOTION TO DENY PETITION FOR EXEMPTION OF NORTHWESTERN PACIFIC RAILROAD COMPANY AND (2) PETITION TO REVOKE VERIFIED NOTICE OF EXEMPTION OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

EXHIBIT B

Verified Statement of Farhad Mansourian

VERIFIED STATEMENT OF FARHAD MANSOURIAN

My name is Farhad Mansourian and I am the General Manager of Sonoma-Marin Area Rail Transit District ("SMART"). The purpose of this Statement is to summarize the steps taken by SMART in advance of construction of its commuter rail system on the line of railroad between Healdsburg and Ignacio, CA, to ensure that freight rail customers located on the same line would not lose rail service as a result of the SMART commuter rail construction. I also explain why the 115# rail SMART used for the line construction project is suitable for freight rail operations.

I joined SMART on September 23, 2011. As General Manager, I have responsibility for all aspects of the agency, including operations, public safety, finance, engineering, systems, community outreach, marketing, legal, and construction. Prior to joining SMART, I served as Director of the Department of Public Works for Marin County, where I started my career as a junior engineer, rising through the ranks to become the agency's top executive in 2002. I am a licensed Professional Engineer and has a degree in Civil Engineering and Political Science from California State University, Sacramento.

1. From 1998 until 2011, there was no freight service on the Subject Line. In 2011, Northwestern Pacific Railroad Company ("NWPCo") , the lessee of the freight property and operating rights of North Coast Railroad Authority ("NCRA"), restarted freight service on the Subject Line. While NWPCo was restarting freight service, SMART was conducting the preliminary engineering for reconstruction of the Subject Line to accommodate commuter rail service. In 2011, there were numerous sidings on the Subject Line, all of which had deteriorated after many years of no use. Many of the sidings were not in a condition for freight service.

2. In advance of the construction and renewal of the Subject Line, SMART, NCRA and NWPCo negotiated regarding which freight sidings would be rehabilitated and connected to the main line and how the parties would share the cost of rehabilitation and connection. It was agreed that NCRA and NWPCo would pay the costs associated with rehabilitation of the freight sidings plus a share of the cost of the turn-outs to connect the sidings to the main line equivalent to what would have been spent if SMART were not rebuilding for commuter rail service. It was agreed that SMART would pay the "incremental" cost of the turn-outs – the costs of the turn-outs over and above the cost that NCRA/NWPCo would have incurred in the absence of the commuter rail service. In this fashion, the parties allocated the freight-related capital costs to NCRA/NWPCo and the commuter rail- related capital costs to SMART.
3. Although several potential customers expressed interest in receiving freight rail service, no potential customer offered NCRA or NWPCo a traffic commitment that would have permitted NCRA or NWPCo to meet its funding obligations to rebuild the all of the former sidings. In other words, a number of shippers thought freight service would be "nice" to have, but none of them offered to commit to a specific volume of service to support the cost of re-establishing all of the sidings adjacent to their properties. Thus, NCRA and NWPCo had to rely on their own funds to rebuild some number of the sidings, without contractually-guaranteed freight revenue from any shippers.
4. Even without much demand for freight rail service, SMART agreed in 2011 to pay the incremental cost of installation of turn-outs at four locations: Burdell South (MP 30.5); Burdell North (MP 31.7); Park South (MP 39.2); and Park North (MP 39.7). SMART also agreed to pay the incremental cost of up to *twelve* additional turn-outs for customers

requiring service from additional locations, if NCRA could demonstrate the shipper/customer need for the additional sidings and turn-outs. The obligation for up to twelve additional turn-outs required NCRA to show a freight need by January 31, 2014 in order to allow SMART to know the location of any additional turn-outs and incorporate them in its plans for the line construction project.

5. NCRA did not show the freight need for any additional sidings by the January 31, 2014 deadline. Even five months after the deadline, NCRA had not shown the need for any additional freight sidings. Even so, by May of 2014, in addition to two of the four sidings it committed to in 2011, SMART also had installed three *additional* turn-outs: Dairymen's Coop (MP 38.1); Adobe Lumber Spur (MP 41.9); and Willowbrook Farms (MP 42.2) and had committed to install turnouts at addition Petaluma Transload Track and Shamrock (MP 38.1). In the end, ten freight turn-outs were installed, with SMART paying either the incremental cost for the turn-out or costs associated with integration of the turn-outs into the SMART systems or Positive Train Control. A track chart with the ten turn-outs circled is attached as Attachment 1.

6. The May 20, 2014 Press Democrat article attached to the TRAC submission as Exhibit 7 identifies four disappointed potential freight customers: Lagunitas Brewing Company; California Shingle and Shake; North Bay Property Advisors; and Mr. Glenn Kantock. I will now discuss each of these potential freight customers.

7. Lagunitas Brewing Company. In April of 2013, Mr. Leon Sharyon of Lagunitas Brewing Company requested freight service to Lagunitas from the siding serving the former Adobe Lumber Company site, which Lagunitas apparently intended to lease for the purpose of accepting rail shipments of barley. As noted above, SMART installed a

turn-out at the Adobe Lumber Spur (MP 41.9). Lagunitas Brewing Company receives service from this location today. I cannot explain why Mr. Sharyon neglected to mention to the Press Democrat reporter that he had *requested* service at the Adobe Lumber Spur in writing. The Press Democrat article quotes Mr. Sharyon as saying it is "silly" that shipments are not made to the Lagunitas brewery, but that is what he requested on behalf of the company at the time decisions were made about how Lagunitas would receive service.

8. California Shingle and Shake. California Shingle and Shake desired freight service using the dilapidated siding shown in an image accompanying the May 20, 2014 Press Democrat article. (The siding shown in the image depicts at least one crosstie resting *on top of the rail*.) In the article, Mr. John Schunzel is reported to have said that California Shingle and Shake had previously shipped laminated shingles and plywood from Oregon and Washington by rail but was then (at the time of the article) using truck transportation and paying higher rates. However, from the time freight rail service was re-established in 2011 until the siding was disconnected from the main line in the summer of 2012, NWPCo did not handle a single railcar to or from California Shingle and Shake. Mr. Schunzel may have been referring to California Shingle and Shake rail shipments before the shut-down of the line in 1998, but in 2011-12 when rail service was available to California Shingle and Shake, the company chose truck service even with its (apparently) higher costs. California Shingle and Shake's non-use of rail service in 2011-12 prompted SMART to ask NCRA and NWPCo several times in 2013-14 for information regarding California Shingle and Shake's future freight rail service needs, but SMART never received the requested information.

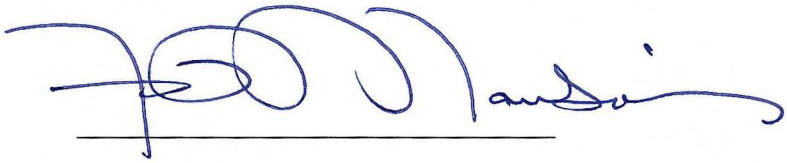
9. North Bay Property Advisors. Mr. Nick Abbott, whose company (North Bay Property Advisors) owned or operated a large warehouse in Santa Rosa, is quoted in the article as saying a rail spur "would add value for the right kind of use." The presence of a rail siding certainly can create value when it is the right kind of use. However, no customer in this Santa Rosa warehouse used rail service after service was restored in 2011.

10. Mr. Glenn Kantock. The article reports that Glenn Kantock wanted a siding at a property near Airport Blvd. Mr. Kantock did not use rail service on even a single occasion after service was restored in 2011.

11. When SMART's Design-Build team was designing the track in advance of construction of its commuter rail system on the line of railroad between Healdsburg and Ignacio, SMART determined the weight of rail for the project based on several factors, including the suitability for the anticipated future freight rail operations and the lighter weight commuter rail trains. Based on the advice of our design team, the lighter rail was deem appropriate and specified. Although some freight railroads use a heavier rail, SMART concluded that 115# rail was sufficient for the current and anticipated freight operations on the Healdsburg and Ignacio segment, because the composition of current and foreseeable future freight traffic is not of the type which would require heavier rail.

I, Farhad Mansourian, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on April 20, 2021.



Farhad Mansourian

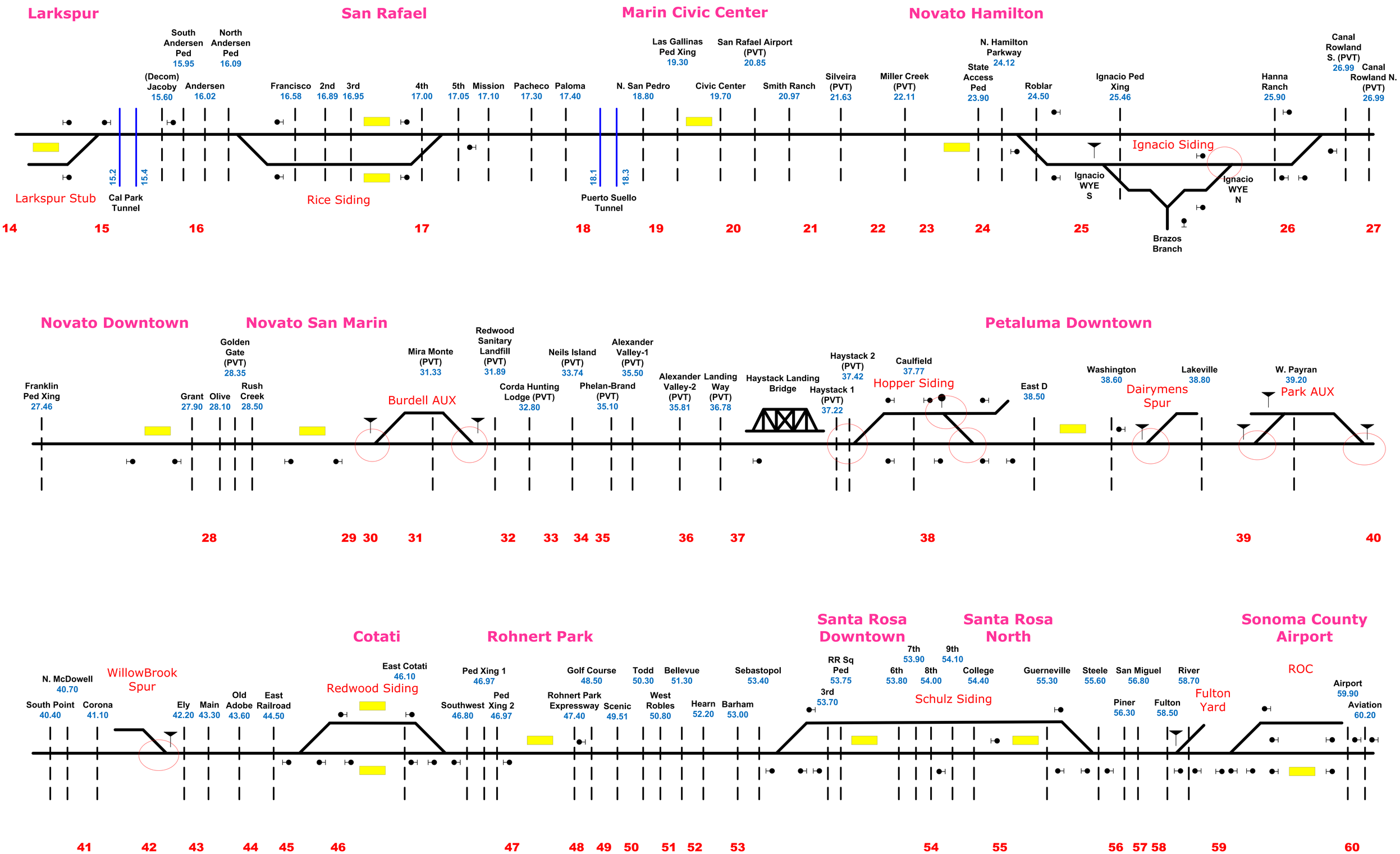
Exhibit B

Attachment 1

Track Chart with Turn-Outs Circled

SMART ALIGNMENT BOARD
MAINLINE SUBDIVISION

JAN 15, 2020



Before the

SURFACE TRANSPORTATION BOARD

STB Docket No. AB-1310X

NORTHWESTERN PACIFIC RAILROAD COMPANY
- DISCONTINUANCE OF SERVICE EXEMPTION –
IN MARIN, NAPA, AND SONOMA COUNTIES, CA

REPLY OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT TO TRAIN RIDERS ASSOCIATION OF CALIFORNIA (1) MOTION TO DENY PETITION FOR EXEMPTION OF NORTHWESTERN PACIFIC RAILROAD COMPANY AND (2) PETITION TO REVOKE VERIFIED NOTICE OF EXEMPTION OF SONOMA-MARIN AREA RAIL TRANSIT DISTRICT

EXHIBIT C

Verified Statement of Victoria Taylor

VERIFIED STATEMENT OF VICTORIA TAYLOR

My name is Victoria Taylor. I am the President & CEO of Project Finance Advisory Limited (PFAL). PFAL mission is to provide independent, expert advice to clients for complex infrastructure projects including market analysis.

In -Marin Area Rail Transit District ("SMART") to conduct a thorough and unbiased analysis of the existing and potential freight customers throughout the North Bay Area including from Corte Madera to The Sonoma/Mendocino County line and from the Ignacio Wye in Novato to the Napa River. While report results are not yet available PFAL and its consulting employees have completed over 170 hours towards this task including interviewing local customers, adjacent railways, and logistics companies in the area as well as drafting and compiling results.

PFAL's scope of work includes a comprehensive analysis of existing and potential freight rail customers within the North Bay Area including and freight traffic projections. The object of the study to define challenges, identify potential solutions, make reasonable estimates of freight traffic potential, and to provide a detailed final report of the findings to SMART. To that purpose PFAL Scope of work includes the following tasks:

1) Identification of Ownership

Review or obtain and examine existing contracts, agreements, and practices which control the use of tracks and interchanges with connecting carriers.

2) Examination of Handling Fee Structures and Through Rates

Review all existing tariff, haulage, and similar commercial agreements.

3) Existing and Potential Customers

Review the freight traffic situation, starting with the past and working forward. All old traffic reports, customer lists, maps, and other documents that may be available shall be obtained from NWP, previous studies and other sources. Solicit traffic reports and conduct interviews, to provide a picture of existing customers, the traffic they generate, and resulting revenue. Review all existing customer facilities and the status of each.

Contact current and potential shipper/receiver in the area of study which were identified through the research performed to conduct an interview directed at gaining an understanding of each customer's current shipping practices (eg. Products, origins/destinations, modes used, and volumes), their expectations for the future, as well as economic factors that influence their decisions.

c. Research and hold discussions with local business development officials and searches of local media to uncover potential new entrants into the area or expansions of existing facilities and will carefully review the data and various opportunities to determine which, if any, hold true potential for viable freight rail traffic.

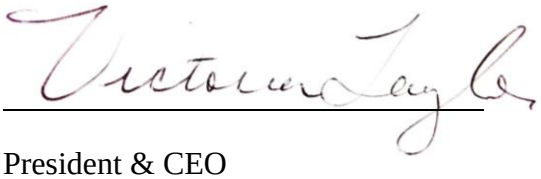
d. Identify potential transload locations, and discuss their utility with the potential customers to ascertain likelihood of use.

e. Provide a thorough analysis of the Operations and Maintenance (O&M) costs associated with each current and potential freight customer's traffic.

4) Freight Traffic Projections

a. Based on the foregoing tasks, Develop a freight traffic projection and further analyze and provide a detailed understanding of incremental Operations and Maintenance costs and/or capital costs that would result from any newly acquired freight traffic.

I, Victoria Taylor, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement. Executed on April 19, 2021.



President & CEO

Project Finance Advisory Ltd.

CERTIFICATE OF SERVICE

I hereby certify that on this 20th day of April 2021, a copy of the foregoing reply was served upon all of the parties of record in this proceeding via email:

Justin J. Marks
Clark Hill PLC
1001 Pennsylvania Ave. N.W.
Suite 1300 South
Washington, DC 20004
United States
jmarks@clarkhill.com
Counsel for Northwest Pacific Railroad Company

David Schonbrunn
Train Riders Association of California
P.O. Box 151439
San Rafael, CA 94915
United States
David@Schonbrunn.org

Respectfully submitted,

/s/ Carolyn Gaut Kraska
Carolyn Gaut Kraska