July 11, 2021

Ms. Theresa Romell, Director
Funding Policy and Programs
Metropolitan Transportation Commission
tromell@bayareametro.gov

Re: Pending Allocation of ARPA funding for FY 2021-22

Dear. Ms. Romell:

The MTC Programming and Allocations Committee workshop on June 9th heard from transit operators with each of the agencies asked to report on how CARES and CRRSAA funding allocated to date have been or will be used though the end of the fiscal year; as well as presenting their assumptions for ridership growth and related service needs going forward.

MTC and transit operator staff have developed a set of principles to guide the distribution of ARPA funds over the coming months to support operators' financial certainty in budgeting:

1. **Stabilize and Sustain Transit** – Funds should be used to ensure the financial stability of the region's transit operators.
2. **Restore and Reimagine Service** – Funds should be distributed on the condition that operators take measures to restore service to at least match current demand, and to plan to deploy additional service in a way that advances equity and at a level necessary to support increased local and regional transit demand by September 2021. Although there remains uncertainty about financial sustainability in the medium to long term, transit must be there for riders now, or riders will not be there for transit.
3. **Improve Customer Experience** – Funds should be used to promote and sustain transit usage in the region. Transit needs to invest to welcome riders back or risk that habits and travel modes adopted during the pandemic will linger long after the public health risk has passed. To better compete with other modes of transportation, transit must be safe, reliable, affordable, and easy to use for riders.

The Sonoma Marin Area Rail Transit District [SMART] for FY21-22 has budgeted without including ARPA funding. Their adopted FY21-22 Budget on page B-13 states,

> *….. "The second largest change is in federal COVID-19 relief grants. We are expecting to receive American Rescue Plan Act (ARPA) funds consistent with our Federal 5307 allocation which would provide around $10 million over several years, however, these funds have not yet been allocated by the Metropolitan Transportation Commission, so they have not yet been reflected in the FY 22 budget."*

Nonetheless, the SMART Board has authorized a 40% reduction in fares for at least 11 months commencing May 24, 2021, increased weekday service by 62% and re-established Saturday service with 20% more service than had been operated pre-COVID.

All of these actions have been taken with expenditures covered by District revenues exclusive of *ARPA* funding. SMART's approved budget for FY21-22 results in anticipated operating expense of over $130 per unlinked passenger trip. Recent evidence indicates that SMART is averaging fewer than 35 passengers per train (with 158 seats) since April 2021.

Based on the most recently available "Monthly Finance Report" SMART currently has $70.5 million in "unrestricted" cash sitting in two accounts. These accounts have grown from $38.6 million reported as of June 30$^{th}$, 2020 in their Annual Comprehensive Financial Report. Staff has never provided an explanation for this increase of $31.9 million in its cash position. However, we estimate that there are four primary contributors to this increase as shown in the table:

| Item | Through May ($M) | | Difference |
|---|---|---|---|
| | FY 2019-20 | FY 2020-21 | |
| Sales Tax Revenues | 36.4 | 38.6 | 2.2 |
| Admin+Op Exp (ex Debt Service) | -29.0 | -22.7 | 6.3 |
| Debt Service | -7.4 | -5.1 | 2.3 |
| CARES & CRRSAA | NA | 16.7 | 16.7 |
| **Subtotal** | **0.0** | **27.5** | **27.5** |

SMART ridership in FY18-19 accounted for only 6% of North Bay riders. In FY20-21 their forecast ridership represents only 4% of forecast North Bay riders. Local operators in Marin and Sonoma counties expect to carry 11 times as many riders as SMART in FY21-22.

SMART appears to be the most financially-well-off transit agency in the Bay Area but operates at staggering high cost per rider. It is hard to justify further dollars to SMART from the Federal government when other agencies are providing far more trips at far lower cost and effectively serving essential workers.

Sincerely,

James Schmidt, PE

James Schmidt

Michael Arnold, Ph.D. (Economics)

Mike Arnold