

Review the Measure AA Reserve Policy Options and Make a Recommendation to the TAM Board

**Citizens' Oversight Committee
June 17, 2019 Meeting**



Background Information

Measure A Expenditure Plan

Page 26: “... *The Authority will also have the ability to set aside a reserve fund of up to 10% of the annual receipts from the tax for contingencies, to ensure that the projects included in this plan are implemented on schedule.*”

Measure AA Expenditure Plan

Page 34: “... *TAM will have the ability to set aside a reserve fund up to 10% of the annual transportation sales tax receipt for contingencies, to ensure a cushion if economic decline occurs that adversely affect the collection of the sales tax...*”

Background Information

Measure A Strategic Plan Adopted Reserve Policy

Page 17 of the Original Strategic Plan adopted on July 18, 2006:

... The purpose of establishing a reserve is to not only ensure that projects are implemented on time, but to allow for fluctuations in annual sales tax receipts that might negatively impact ongoing operating programs. The impacts on revenue availability to strategies of establishing a 5% and a 10% annual reserve fund were analyzed. Given that the reserve fund is only one mechanism TAM will use to address fluctuations in sales tax revenue and that a conservative (low) sales tax forecast will be used, a 5% annual reserve is established for the first five years of the Strategic Plan. The conditions and process for disbursing revenues from the reserve will be considered in future policy discussions of the Board.

Primary Purposes of the Measure A/AA Reserve Fund



ensure that the projects included in this plan are implemented on schedule



ensure a cushion if economic decline occurs that adversely affect the collection of the sales tax

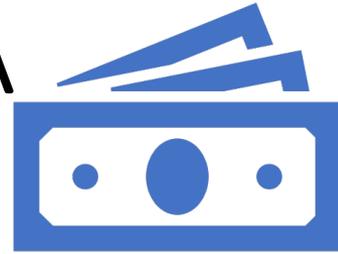


Use as collateral and help with cash flow when paying back loan



help maintain credit worthiness when debt financing is needed

Use of Reserve Fund Under Measure A



- ❖ The collection of the reserve fund was used as collateral and provided extra assurance that TAM could pay back the loan per payment schedule when TAM had to borrow \$12.5 million from MTC to meet the cash flow needs of the Highway 101 Gap Closure Project
- ❖ Cash in the reserve fund helped TAM to meet the annual loan payment cash needs
- ❖ \$1.12 million of the reserve fund was released to Marin Transit on December 1, 2016 to close the funding gap for its Redwood and Grant Transit Improvement Project

COC's Input on the Marin Transit Reserve Fund Request in 2016

Review of the Citizen's Oversight Committee of the 2016 Marin Transit reserve request (from December 1, 2016 staff memo to the TAM Board)

TAM staff presented the proposal to use Reserve for this urgent situation to its Citizen's Oversight Committee on November 7th, 2016. The COC is charged with reviewing all Measure A Sales Tax expenditures. TAM has taken all uses of reserve to the COC for input over the past 12 years.

The COC did not support TAM staff's recommendation and raised a number of concerns. They addressed the TAM Executive Committee on November 14th regarding their concerns and recommendation.

The Committee felt restoring reserve with excess revenue collected would meet the concerns of the COC.

COC's Input on the Marin Transit Reserve Fund Request

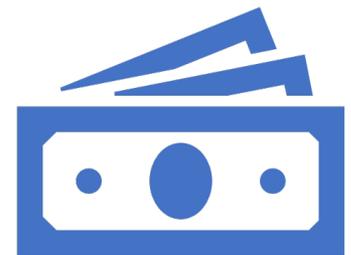
Summary of the COC's concerns (from November 14, 2016 TAM Executive Committee)

...Ms. Chernock also reported that the COC had a lively discussion, and reached the conclusion.., with several caveat recommendations that she reviewed. The caveats were:

- 1. ensure that all outside funding options have been considered;*
- 2. Marin Transit is encouraged to use a portion of their own reserve or funding set aside to fund at least half of the \$1.2 million that is being requested;*
- 3. require that MT and the contractor conduct rigorous value engineering to reduce the final cost of the project; and/or*
- 4. consider requiring Marin Transit to return unspent project contingencies to TAM's Reserve Fund...*

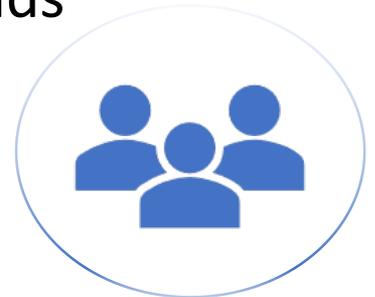
Transition from Measure A to Measure AA

- ❖ Approximately \$5.38 million available in Measure A Reserve Funds
- ❖ Measure A Reserve Funds cannot be used as Measure AA Reserve Funds – different eligibilities and different percentages
- ❖ Staff is proposing to program and allocate existing Measure A Reserve Funds in the percentages and amounts as shown in attachment/staff report



Measure AA Reserve Funds Proposals

- ❖ Staff is proposing to start a new collection of reserve funds with Measure AA funds starting in FY 2019-20
- ❖ Staff is proposing a targeted amount no less than \$5 million (ideally no less than \$7 million) because anything less would make it difficult:
 - to defray poor revenue collection from economic decline
 - to defray deficits from larger programs and projects
- ❖ Staff is proposing a policy whereby a category or subcategory that uses Measure AA reserve funds will be responsible for replenishing the used reserve funds



Measure AA Reserve Funds Proposals

- ❖ Various scenarios on Reserve Fund Set-Aside

Option 1: 5.0% over 5 year = \$7.2 million

Option 2: 2.5% over 7 years = \$5.2 million

Option 3: 2.5% over 10 years = \$7.7 million

- ❖ Detailed Distribution Table shows the amounts collected from categories and subcategories over the collection periods

Marin Transit's Comment Letter on the SP

Marin Transit's first comment letter to TAM dated on May 23, 2019 highlighted the following comments/requests:

- ❖ Under Measure AA Local Transit receives a lower % of gross sales tax receipts
- ❖ Provide for an equitable allocation of interest funds
- ❖ Develop a leveraging and fund swap policy
- ❖ Adopt a reserve policy

Marin Transit is working on its revised comment letter and plans to get that to TAM this week.

Comment 1: MT Funding Share Change

Comment 1: Under Measure AA Local Transit receives a lower % of gross sales tax receipts

Two Issues under this comment:

1. MT's funding share change from Measure A to Measure AA
2. The \$2.35 Million off the top to fulfill the promise to the voters to deliver all major roads projects that should be funded under Measure A until its 20-year original life

Comment 1: MT Funding Share Change

MT’s funding share change from Measure A to Measure AA

MT Measure A Vs. AA Funding Change Illustration

Measure A	Measure AA
Gross Revenue	Gross Revenue
Minus 5% TAM Operation and General Project/Program Management	Minus 5% TAM Operation and General Project/Program Management
Minus \$2.35M Debt Reserve under Measure A (life of the Measure A)	Minus \$2.35M Debt Reserve under Measure A and Major Road Reserve Under Measure AA (first 14 Years)
<p style="text-align: center;">Net Amount that MT's Fund Share should be apply SAME under Both A & AA (Year 1-14), Increase by \$2.35M after year 14</p>	
EP stated 55% but effective 59.5% after redistribution of 7.5% Gap Closure Share	55% - Net Amount increase after year 14

Comment 1: MT Funding Share Change

Why MT's effective funding share is 59.5% under Measure A?

- *Strategy 2 of Measure A was intended to complete the Highway 101 Gap Closure Project and was originally assigned 7.5% of the Measure A revenues after the off-the-top items.*
- *In addition, a off-top-top debt reserve of \$2.65 million was specified in the Measure A Expenditure Plan to issue a \$30 million debt to meet the \$25 million cash flow needs of the Highway 101 Gap Closure Project and the potential cash flow needs of the Major Roads projects under Strategy 3.*
- *It was determined at the start of the implementation of the Measure A Expenditure Plan that the \$25 million funding commitment to the Highway 101 Gap Closure Project was then fully met with the debt reserve fund, later set at \$2.35 million with an updated bond financial analysis*
- *With all of this refined information, the TAM Board determined to redistribute the 7.5% assigned to the Highway 101 Gap Closure Project share proportionally to the other three Strategies. Therefore, Strategy 1 effective percentage under Measure A was 59.5% instead of 55%.*
- *Local Transit's share returned to 55% of the revenues (less the abovementioned off-the-top set-asides) under Measure AA with the new Highway Category at 7%.*

Comment 1: MT Funding Share Change

Facts related to MT's claim in the comment letter that "before the Strategic Plan was developed, Marin Transit staff was not aware that there would be a decrease in funding for local transit under Measure AA"

- The redistribution of the Strategy 2, 7.5%, funding was clearly communicated to all funding recipients and shown in the Strategic Plan*
- MT's GM, Nancy Whelan, was the fund advisor for the original Measure A Expenditure Plan, publicly acknowledged her awareness of the redistribution of the 7.5% for Strategy 2 and the boost of MT's funding share at the May 6, 2019 Marin Transit Board Meeting*
- TAM staff fully explained the whole background to MT staff at the March 22, 2019, when we first learned that MT staff were not aware of this*
- TAM staff explained this to the EPAC in various discussions, which MT staff presented twice and participated*
- TAM staff reminded MT staff about the % change and potential impact to MT in various settings during the development of the Measure AA Expenditure Plan*

Comment 1: MT's Funding Share Change

Facts related to MT staff's claim that they were not aware of the \$2.35 million off the top funding for Major Roads Reserve and whether this off the top set aside is legal:

- *The \$2.35 million annual commitment to the unfinished Major Roads projects under Measure A was one of the first policy element that TAM staff presented to the EPAC and the TAM Board, initial presentation to the Board, on December 11, 2017, then final recommendation April 26, 2018*
- *TAM staff explained this to the EPAC in various discussions, which MT staff presented twice and participated*
- *Marin Transit staff reviewed the draft Measure AA Expenditure Plan and provided comments as part of the Measure AA Expenditure Plan review process:
Page 31 of the Measure AA Expenditure Plan under "BONDING, FINANCING, AND EXISTING CARRYOVER COMMITMENTS", clearly states:
TAM will set aside up to \$2.35 million annually to fund existing commitments to several major road projects and to the Richmond-San Rafael Bridge approaches (on East Sir Francis Drake and Bellam Boulevard). This Major Road Reserve will replace the Bond Debt Reserve identified in the original 2004 Measure A Sales Tax Expenditure Plan. This set-aside will occur for approximately 14 years, or until unallocated commitments as defined are met.*

Comment 2: Interest Fund Distribution Policy

Facts related to MT staff's request to allocate interest fund proportionally based on the category funds held by TAM and in accordance with the Measure AA Expenditure Plan

- *What's in the Measure AA Expenditure Plan (page 34):*
 - All interest income generated by the sales tax can only be spent for the transportation purposes authorized by this Sales Tax Renewal Expenditure Plan. All use of sales tax interest revenue shall be solely determined by the TAM board, in a noticed public meeting.*
 - TAM will also be able to use other means to assure the delivery of projects and programs, including seeking outside grants and matching or leveraging tax receipts to the maximum extent possible, including the usage of interest revenue generated by the sales tax.*

Comment 2: Interest Fund Distribution Policy

Action took by the TAM Board at its May 30, 2019 TAM Board after lively discussion at its May 13, 2019 Funding, Programs & Legislation Executive Committee meeting,

- *Approve the Measure A/ AA Interest Policy as presented.*
 1. *Maintain commitment to fund a mitigation measure associated with the Central Marin Ferry Connector Project;*
 2. *Provide funding to respond to bid opening and construction shortfalls;*
 3. *Maintain funding commitments to routine bike/ped path maintenance;*
 4. *Other emerging unfunded immediate needs.*

Note: Each allocation request for urgent construction project related funding will be brought to the Board separately at the time funds are needed.

Marin Transit received \$1.1 million out interest fund for its yellow school bus services needs, which was approved by the TAM Board on February 28, 2019

Comment 3: Develop a leveraging & fund swap policy

Facts related to MT staff's comment "develop a leveraging and fund swap policy"

- *TAM's Fund Swap Policy is clearly stated in the Measure A Strategic Plan, since its original adoption in 2006, and then presented to all funding recipients annually through TAM's SP updating process. Page 19 of the 2006 Original SP:*

Leveraging funds through a "fund swap," i.e., exchanging Measure A funds for an equivalent or greater amount of state or federal dollars is one mechanism that TAM will utilize in the delivery of the Measure A program. In its role as the Congestion Management Agency for Marin, TAM has the responsibility for programming the majority of state and federal funds that come to the county. TAM is therefore well-situated to identify opportunities where such an exchange would be appropriate. Specifically, TAM will look for fund swap opportunities that meet one or more of the following criteria:

- *The fund swap will in some way reduce overall project costs of TAM sales tax strategies, e.g. by reducing or eliminating the need for other financing.*
- *The fund swap will facilitate the accelerated delivery of TAM's sales tax strategies.*
- *The fund swap will facilitate the accelerated or reduced delivery cost of TAM funded projects that would otherwise have been funded with federal funds.*

Comment 4: Adopt a Reserve Policy

Facts related to MT staff's comment "adopt a reserve policy"

- *TAM's Reserve Policy is clearly stated in the Measure A Strategic Plan, since its original adoption in 2006, and then presented to all funding recipients annually through TAM's SP updating process. Page 17 of the 2006 Original SP:*

... The purpose of establishing a reserve is to not only ensure that projects are implemented on time, but to allow for fluctuations in annual sales tax receipts that might negatively impact ongoing operating programs. The impacts on revenue availability to strategies of establishing a 5% and a 10% annual reserve fund were analyzed. Given that the reserve fund is only one mechanism TAM will use to address fluctuations in sales tax revenue and that a conservative (low) sales tax forecast will be used, a 5% annual reserve is established for the first five years of the Strategic Plan. The conditions and process for disbursing revenues from the reserve will be considered in future policy discussions of the Board.

Comment 4: Adopt a reserve policy

Marin Transit's most recent request to TAM's Funding, Programs & Legislation Executive Committee at its May 13, 2019 meeting:

- *TAM should have a reserve but should not fund the reserve with the 55% transit category share since Marin Transit has its own reserve*

Facts related to this request:

- *TAM is entrusted by the voters in Marin under the Measure AA Expenditure Plan to administer the Measure AA EP and delivery all the projects/programs to the voters in the most fiscal responsible and cost effective way. The reserve policy is one of the key elements TAM needs to carry its mission*
- *There is no direct relationship between TAM's reserve fund and MT's reserve fund. As a matter of facts, most, if not all of the funding recipients under Measure AA, have their own reserves, which is the fiscal responsible thing to do*

Comment 4: Adopt a reserve policy

Marin Transit's most recent request to TAM's Funding, Programs & Legislation Executive Committee at its May 13, 2019 meeting:

- *TAM should have a reserve but should not fund the reserve with the 55% transit category share since Marin Transit has its own reserve*

Facts related to this request:

- *As standard fiscal practice, the Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund. It is essential that governments maintain adequate levels of general fund balance to mitigate current and future risks and sufficient liquidity in all funds. Another objective in establishing a general fund balance reserve policy is to maintain credit worthiness. Rating agencies monitor levels of fund balance and unrestricted fund balance in governmental general funds to evaluate creditworthiness. In TAM's case, the reserve proposed is the general fund reserve needed and allowed by the sales tax expenditure plan. Due to almost unavoidable financing needs of the quick delivery schedule of some of the projects/programs, the reserve will be mandatory if TAM needs to borrow for the cash flow of those projects/programs.*

Communication Background on the Issues

- ❖ TAM staff (Li Zhang & David Chan) had its first meeting regarding the SP with Marin Transit staff (Nancy Whelan & Lauren Gradia) on March 22, 2019 – during this meeting, MT staff expressed their frustration that they were unaware of MT’s funding share change and the \$2.35 million major road commitment
- ❖ Since then, TAM staff had numerous phone, email and in-person meetings with both MT staff, MT Board members and TAM Board members on this issue
- ❖ At the June 10, 2019 TAM Funding, Programs and Legislation Executive Committee Meeting, MT GM Nancy Whelan formally requested that TAM carries no reserve under the Transit Category. As a result, the members on the Executive Committee could not reach consensus on TAM staff’s recommendation. The Executive Committee chose not to vote and instead deferred this issue to the full TAM Board.

Communication Background on the Issues

TAM staff's understanding of MT's current funding situation:

- ✿ *During various meetings at staff level, as well as MT's report to its own board and TAM's executive committees, even with the temporary impact of the 5%/5-year level, MT is in good financial position.*
- ✿ *MT staff report that they don't think they will have any financial problem in the next 2-3 years*

Conclusions



- **Good financial position**
- **Healthy** operations reserves
- Positioned financially to purchase an **operations facility**
- **SB1 State revenue** provides restored and new revenue for transit
- Extension of Measure A provides **longer range certainty**
- Measure AA Strategic Plan will be important for **SRTP financial plan**
- *****
- Board comments on draft today
- Board considers adoption of budget on June 3, 2019

Communication Background on the Issues

TAM staff's understanding of MT's current funding situation:

- ❖ By the end of FY2018-19, MT is expected to have \$9.3 million in Measure A/AA carryover,.
- ❖ By the end of FY2019-20, MT is expected to have \$6.1 million in carryover,

Budget Local Sales Tax – FY2019/20	
	
Programming Amounts to Marin Transit	
Measure AA - Estimated FY2019/20 Program	\$12.32
Measure A – Estimated Program (one-time return of reserve)	\$3.20
Measure A - Carryforward	<u>\$9.31</u>
	\$24.83mil
Allocation Request Amount (Budget Amounts)	
	Operations \$14.44
	<u>Capital \$4.29</u>
	\$18.73mil



MARIN TRANSIT BUDGET
FY 2019/20

Communication Background on the Issues

TAM staff's understanding of MT's current funding situation:

- ✿ MT's current reserve level, total \$27.6 million, as presented in its proposed FY2019-20 budget

Budget Overview - Summary				
	FY 2017/18 Actual	FY 2018/19 Final Budget	FY 2018/19 Estimated Actual	FY 2019/20 Draft Budget
Revenue				
Capital	11,485,678	13,041,596	4,394,116	18,583,692
Operations	32,344,147	35,558,675	34,645,929	37,301,521
Total Revenue	\$43,829,825	\$48,600,271	\$39,040,045	\$55,885,213
Expenditures				
Capital	11,517,302	16,041,596	4,394,116	21,583,692
Operations	28,610,278	32,471,027	30,849,749	33,597,353
Total Expenditures	\$40,127,580	\$48,512,623	\$35,243,865	\$55,181,045
Net Change in Fund Balance	\$3,702,245	\$87,648	\$3,796,180	\$704,168
Emergency Reserve	4,992,037	5,411,838	5,411,838	5,599,559
Contingency Reserve	9,984,074	10,823,676	10,823,676	11,199,118
Capital Reserve	8,160,238	6,988,485	10,697,017	10,838,022
Fund Balance (total reserve)	\$23,136,349	\$23,223,997	\$26,932,529	\$27,636,697

Communication Background on the Issues

TAM staff's understanding of MT's current funding situation:

- ✿ MT's argument is that they may have a problem with the next Short Range Transit Plan Update, which TAM staff fully understand and offered to help with options during that process
- ✿ Long-term funding picture for MT is solid: additional \$1.3 million will be available to MT after year 14 with the completion of funding committee to major road projects
- ✿ MT has been receiving additional funds under SB1:

	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Revenue Based	\$4,071,000	\$4,184,000	\$10,856,000	\$12,610,000
GGBHTD	\$3,432,000	\$2,582,000	\$7,899,000	\$9,167,000
Marin Transit	\$639,000	\$916,000	\$1,337,000	\$1,556,000
SMART	\$0	\$686,000	\$1,620,000	\$1,887,000
Population Based	\$1,074,000	\$1,163,000	\$2,574,000	\$3,462,000
GGBHTD	\$0	\$0	\$1,448,000	\$1,991,000
Marin Transit	\$878,000	\$970,000	\$967,000	\$1,334,000
SMART	\$0	\$0	\$159,000	\$137,000
Lifeline	\$196,000	\$193,000	\$0	\$0
Total (Rev. + Pop. Based)	\$5,145,000	\$5,347,000	\$13,430,000	\$16,072,000
GGBHTD	\$3,432,000	\$2,582,000	\$9,347,000	\$11,158,000
Marin Transit	\$1,517,000	\$1,886,000	\$2,304,000	\$2,890,000
SMART	\$0	\$686,000	\$1,779,000	\$2,024,000
Lifeline	\$196,000	\$193,000	\$0	\$0

Legal Review and Survey of other CMAs

- ❖ Staff is waiting for the final legal opinion from County Counsel regarding two issues:
 - *Can TAM only take reserve from certain category*
 - *Can the category that no reserve is taken access the reserve fund in case of urgent funding needs*

- ❖ Survey of other CMA show that 7 out of the 8 out CMAs have some type of reserve to allow them address economic recession, urgent project funding needs, and enhance their credit worthiness in the case of financing/borrowing is needed.

TAM Staff's Recommendation:

- ☐ The COC support TAM staff's position that the reserve is needed for TAM's mission and should be collected over the top as a whole
- ☐ The COC review the three Measure AA reserve options presented by staff and make a recommendation to the TAM Board:

Option 1: 5.0% over 5 year = \$7.2 million

Option 2: 2.5% over 7 years = \$5.2 million

Option 3: 2.5% over 10 years = \$7.7 million

- ☐ The COC Chairperson presents the COC's comments and recommendation on the reserve policy to the TAM Board at its June 27, 2019 meeting







marin transit

May 23, 2019

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Dianne Steinhauser, Executive Director
Transportation Authority of Marin
900 Fifth Avenue, Suite 100
San Rafael, CA 94901

Re: Marin Transit Comments on the Measure AA Strategic Plan

Dear Ms. Steinhauser:

board of directors

damon connolly
president
supervisor district 1

dennis rodoni
vice president
supervisor district 4

kate colin
2nd vice president
city of san rafael

judy arnold
director
supervisor district 5

stephanie moulton-peters
director
city of mill valley

katie rice
director
supervisor district 2

kathrin sears
director
supervisor district 3

eric lucan
alternate
city of novato

Marin Transit is very grateful that the voters of Marin County reauthorized the Measure A half-cent transportation sales tax and for the initiative and dedication of the Transportation Authority of Marin (TAM). Without consistent and ongoing local funding, Marin Transit would have to drastically reduce bus and paratransit services.

The original Measure A local transportation sales tax was slated to end in FY 2024/25. On an annual basis, Measure A has provided nearly forty percent of the revenues needed to operate Marin Transit services. The measure is also the source of critical capital funds that enable the District to replace aging transit buses and paratransit vehicles. The renewal measure, Measure AA, provides longer-term certainty that allows Marin Transit to continue to plan for and deliver efficient and sustainable transit services to Marin residents.

The Measure AA Strategic Plan is the implementation roadmap for the voter-approved Expenditure Plan. We recognize the complexity of developing this roadmap and balancing Marin's competing transportation needs.

Before the TAM Board adopts the draft *Transportation Sales Tax Measure AA Strategic Plan Update 2019*, (SPU) Marin Transit is providing the following comments and recommendations for your consideration:

1. Under Measure AA Local Transit receives a lower % of gross sales tax receipts

Before the passage of Measure AA, the revenue forecasts in the *2018 Measure A Strategic Plan Update*¹ indicated that Marin Transit would receive \$89.2 million over the next six fiscal years – from FY 2020 through FY 2025 – until Measure A expired (see attachment). The Measure AA Strategic plan projects only \$80 million for local transit (SPU 2019 Attachment 3-4) over the same six years. This is a \$9.3 million decline in funding for local transit.

Before the Strategic Plan was developed, Marin Transit staff was not aware that there would be a decrease in funding for local transit under Measure AA. The voter approved Expenditure Plan for Measure AA retained a 55% allocation for local transit and showed a consistent funding level of \$14.9 million for local transit in the included figures and charts. While the gross sales tax projections increase by \$500,000 between the Expenditure Plan and the Draft Strategic Plan for FY2019/20, the allocation to transit drops from \$14.9 to \$12.2 million. The collection of new reserve funds reduces funding for the first five years of the Measure but does not account for all of the difference (see attachment, year FY25). Based on conversations with TAM staff, we understand funding for prior commitments, combined with a structural change in between the measures causes an 8% reduction in local transit funds for the first 14 years of Measure AA.

Marin Transit can compensate for the decline in local transit funding in the upcoming fiscal year using revenue from the anticipated release of Measure A reserves. The lower funding level will have a longer-term impact on local transit service levels. The final impacts of the changes will be modeled in our District's current Short Range Transit Plan (SRTP) update

2. **Provide for an Equitable Allocation of Interest Funds** - Interest is earned when funds are invested, and there is no interest earned when funds are allocated to project sponsors. For transit funding, this occurs for two reasons: (1) When actual sales tax receipts exceed forecasted revenues, these funds are available for TAM to invest. TAM allocations are based on forecasts rather than actual receipts. (2) Due to the uneven timing of large capital projects, funds for those projects are available to invest since TAM allocates them on a reimbursement basis.

Marin Transit recommends the following practices to ensure that TAM allocates Measure AA interest revenues consistently and predictably:

- (a) The allocation of interest reserves should adhere to the established Measure AA funding percentages. This would mitigate some of the funding losses to categories under the new Measure and create an equitable distribution that is in accordance with voter expectations. Under this protocol, categories would receive the interest proportionally based on the category funds held by TAM and in accordance with the allocation plan in the voter-approved Expenditure Plan.

¹ Adopted by TAM Board June 2018

TAM's immediate funding needs for anticipated roadway capital projects with cost overruns and eligible bicycle path maintenance under Measure A would be funded with interest funds from the relevant funding category.

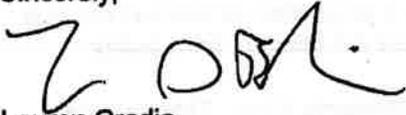
- (b) Include a cash flow plan in the Strategic Plan that provides anticipated interest fund projections, earnings, and expenditures. Providing a projection of interest funds is critical for understanding and evaluating the Measure AA interest fund policy.
 - (c) Include the Measure AA interest fund policy in the Strategic Plan. This provides clarity and an opportunity for the TAM Board of Directors to conduct an annual review.
3. **Develop a Leveraging and Fund Swap Policy** – This policy can be very helpful in cases where “fund swapping” simplifies project delivery as it can limit the number of fund sources on a single project.
- (a) To ensure that all available federal, state, and local funds are used for their stated purpose, Marin Transit recommends that TAM restrict fund swapping to uses within a category and not between categories. For example, if the State provides formula funding to Marin County that is restricted for use in Transit Operations, this funding would not replace funding for Measure AA Local Transit (Strategy 4). This swap frees up Measure AA funds for an alternate use. Both the designated State and Measure AA sources should be available for their intended transit projects in Marin County. This is consistent with Implementing Guideline # 16 from the Expenditure Plan that states that “funds shall remain in the major category unless all needs in the category are met.”
4. **Adopt a Reserve Policy** – The draft Strategic Plan outlines a five percent set-aside of annual receipts to be held in reserve for five years. A set-aside of reserve funding in the initial years of the Measure adds to the eight percent decline in funding to the Measure AA categories.
- (a) Marin Transit recommends that the TAM Board adopt a Reserve Policy that establishes a guideline for the total amount of reserves that will be held by TAM. This policy should be based on the balance needed to smooth out allocation amounts under a typical economic downturn scenario. Provide a comparison of this level to other sales tax agencies. TAM uses conservative projections to prevent the need for reserves, and holding the equivalent of 25 percent of annual receipts in reserve may be too high.

Thank you for this opportunity to provide feedback on the Strategic Plan. Measure AA funding is critical to providing transit services that meet the needs and expectations of Marin residents.

There is a direct correlation between the ability to accurately predict future funding and delivering the maximum amount of transit service to Marin County. While we respect TAM's

desire to hedge against future revenue uncertainty, we will gladly share the responsibility for uncertainty in exchange for earlier access to dedicated transit operating and capital revenues.

Sincerely,



Lauren Gradia
Director of Finance and Capital Programs

Attachment – Comparison of *Measure A- Transportation Sales Tax, Strategic Plan Update (SPU) 2018* to *Transportation Sales Tax, Measure AA, Strategic Plan Update (SPU) 2019*

cc: Nancy Whelan, General Manager, Marin Transit
Judy Arnold, President, Transportation Authority of Marin Board of Commissioners
Damon Connolly, President, Marin Transit Board of Directors

Attachment

Comparison of
 Measure A- Transportation Sales Tax, Strategic Plan Update (SPU) 2018
 to
 Transportation Sales Tax, Measure AA, Strategic Plan Update (SPU) 2019

Measure A, TAM Board Adopted Strategic Plan Update (SPU) June 2018

	FY20	FY21	FY22	FY23	FY24	FY25	Total (6 years)
Gross Sales Tax Revenue	\$27,478,800	\$28,028,376	\$28,588,944	\$29,160,722	\$29,743,937	\$25,282,346	\$168,283,125
Annual Rev to Local Transit	\$14,024,511	\$14,334,948	\$14,651,592	\$14,974,570	\$15,304,008	\$15,987,438	\$89,277,067
% of receipts	51%	51%	51%	51%	51%	63%	53%

Measure AA, DRAFT Strategic Plan Update (SPU) May 2019

	FY20	FY21	FY22	FY23	FY24	FY25 ¹	Total (6 years)
Gross Sales Tax Revenue	\$27,500,000	\$28,187,500	\$28,892,188	\$29,614,492	\$30,354,854	\$31,113,726	\$175,662,760
Annual Rev to Local Transit	\$12,321,000	\$12,660,313	\$13,009,133	\$13,336,674	\$13,733,153	\$14,964,422	\$80,024,695
% of receipts	45%	45%	45%	45%	45%	48%	46%

1) FY25 is the first year no reserve funds are collected. As a result, the Local Transit share increases to 48% from 45%.

Comparison of Measure A SPU June 2018 to Draft Measure AA SPU May 2019

	Projected Total Sales Tax Revenue FY20-FY25	Annual Rev To Local Transit	% of Gross
2018 Measure A SPU	\$168,283,125	\$89,277,067	53%
2019 Measure AA SPU	\$175,662,760	\$80,024,695	46%
Difference	\$7,379,635	-\$9,252,372	
% Change	4%	-10%	

- Projected Total Sales Tax Revenue for FY20-FY26 increases 4% in Measure AA SPU 2019 by
- Revenue to Transit decreases 10% in Measure AA SPU 2019 by