



AGENDA
CITIZENS' OVERSIGHT COMMITTEE
June 17, 2019
5:00 p.m.

900 Fifth Avenue
 Suite 100
 San Rafael
 California 94901

Conference Room
900 Fifth Avenue, Suite 100
San Rafael, CA 94901

Phone: 415/226-0815
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www.tam.ca.gov

Belvedere
 James Campbell

Corte Madera
 David Kunhardt

Fairfax
 John Reed

Larkspur
 Dan Hillmer

Mill Valley
 Stephanie Moulton-Peters

Novato
 Eric Lucan

Ross
 P. Beach Kuhl

San Anselmo
 Brian Colbert

San Rafael
 Gary Phillips

Sausalito
 Susan Cleveland-Knowles

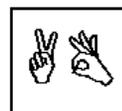
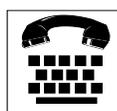
Tiburon
 Alice Fredericks

County of Marin
 Damon Connolly
 Katie Rice
 Kathrin Sears
 Dennis Rodoni
 Judy Arnold

1. Introductions and Welcome (2 minutes)
2. Open time for public expression, up to three minutes per speaker, on items not on the agenda (public is welcome to address the COC, but according to the Brown Act, the COC may not deliberate or take action on items not on the agenda)
3. TAM Staff Report (Information) (20 minutes)
4. [Review the Measure AA Reserve Policy Options and Make a Recommendation to the TAM Board](#) (Action) (45 minutes)

Break – 15 minutes

5. Update on the Measure A Compliance Audit Team RFP Process (Information) (10 minutes)
6. Committee Member Hot Items Report (Information) (20 minutes)
7. Discussion of Next Meeting Date and Recommended Items for the Agenda (2 minutes)



Late agenda material can be inspected in TAM's office between the hours of 8:00 a.m. and 5:00 p.m.
 TAM is located at 900 Fifth Avenue, Suite 100, San Rafael.

The meeting facilities are accessible to persons with disabilities. Requests for special accommodations (assisted listening device, sign language interpreters, etc.) should be directed to Denise Merleno at 415-226-0820 or email: dmerleno@tam.ca.gov, **no later than 5 days** before the meeting date.

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DATE: June 17, 2019

TO: Transportation Authority of Marin Citizens' Oversight Committee

FROM: Li Zhang, Chief Financial Officer

SUBJECT: Review the Measure AA Reserve Policy Options and Make a Recommendation to the TAM Board (Action) - Agenda Item No. 4

RECOMMENDATION:

The COC reviews the Measure AA Reserve Policy options, makes a recommendation to the TAM Board and authorizes the Chairperson to present the recommended option to the TAM Board at its June 27, 2019 meeting.

BACKGROUND:

TAM staff recommended the collection of a reserve fund under Measure AA as part of the Strategic Plan presentation at the May 28, 2019 COC Meeting as well as the May 30, 2019 TAM Board Meeting. The primary of purposes of the TAM reserve fund are to prepare TAM for potential economic downturn and urgent project/program funding needs, as well as enhance the agency's credit worthiness for bonding and borrowing. Under Measure A, 5% for the first 5 years of annual revenue collection was set aside for reserve.

As part of the transition from Measure A to AA, staff recommended the release of the reserve under Measure A and the collection of the new reserve under AA. However, Marin Transit staff has voiced concern that the collection of reserve will reduce its annual distribution of Measure AA funding during collection of the reserve. Marin Transit staff has approached its Board Members, most of who are also serving on TAM's Board, and argued that TAM have no reserve under Measure AA, so Marin Transit can get the maximum amount of its annual allocation. Please note that Marin Transit currently has a \$9.3 million funding balance under Measure A/AA and also holds a total reserve of \$23.5 million, including \$16.2 million for operation and \$7.3 million for capital.

At the June 10, 2019 TAM Funding, Programs and Legislation Executive Committee Meeting, Marin Transit General Manager 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.

Since this is a fiscal management issue related to the sales tax program, staff called for an emergency meeting of the COC in order to fully explain the issue and options to this committee, and get a recommendation regarding the Measure AA reserve policy which staff will carry to the TAM Board at its June 27, 2019 meeting.

DISCUSSION/ANALYSIS:

TAM was entrusted by the voters of Marin to administer the delivery of the Measure A/AA ½-Cent Sales Tax Expenditure Plans. Both Expenditure Plans specifically allow TAM “*the ability to set aside a reserve fund of up to 10% of the annual transportation sales tax receipts for contingencies...*” Under Measure A, 5% of the first five-years of full revenue collection was set aside to allow TAM a reserve of \$5.38 million, which helped the agency weather the 2008 economic recession and urgent project funding and cash needs. Staff strongly believes that as the funding and projects/programs delivery agency of Marin County, a reasonable reserve set-aside is one of the key elements of TAM’s prudent and responsible fiscal management. The reserve allows TAM the ability and flexibility to manage the Measure A/AA projects/programs more efficiently and cost effectively. Unfortunately, due to the protest expressed by Marin Transit staff, there is now the disagreement among some of the TAM Board members who also serve on the Marin Transit Board that TAM should not set aside a reserve out of the 55% funding share of Marin Transit.

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.

At the June 10, 2019 TAM Funding, Programs and Legislation (FPL) Executive Committee Meeting, staff presented survey results that showed 7 of the other 8 CMAs in the San Francisco Bay Area have some level of reserve for their projects/programs. Staff emphasized that the TAM reserve has no direct relationship to the reserve of any of the funding recipients under Measure A/AA, including Marin Transit, since the TAM reserve can be used in the event of an economic recession and/or the urgent funding/cash needs of any of the eligible projects/programs. TAM’s reserve is critical to TAM’s mission as the funding and project/program delivery agency of Marin County. Without this reserve, TAM will have no means to react to funding emergencies and TAM’s ability to borrow for critical project needs may be adversely affected.

Also, at the June 10, 2019 FPL Executive Committee Meeting, it was asked by some of the TAM Board members to consider an exception to not collect a reserve from Marin Transit’s share. Staff is seeking legal opinion on this suggestion and wish to have the COC’s input and recommendation on this suggestion.

All the reserve options TAM staff presented to the FPL Executive Committee are included in the attached staff memo present to the FPL Executive Committee. Staff will review all options as well as the background and Marin Transit’s comments at the June 17, 2019 COC meeting in more details.

FISCAL CONSIDERATION:

TAM’s reserve is critical to TAM’s mission as the funding and project/program delivery agency of Marin County. Without this reserve, TAM will have no means to react to any funding emergencies, and TAM’s ability to borrow for critical project needs may be adversely affected.

NEXT STEPS:

The COC Chairperson present the Committee's recommendation to the TAM Board at its June 27, 2019 Board Meeting.

ATTACHMENTS:

Staff Report to the June 10, 2019 Funding, Programs and Legislation Executive Committee Meeting Regarding the Reserve Policy



DATE: June 10, 2019

TO: Transportation Authority of Marin Funding, Programs & Legislation Executive Committee

FROM: Dianne Steinhauser, Executive Director
David Chan, Programming and Legislation Manager

SUBJECT: Measure A and Measure AA Reserve Fund Policy (Action), Agenda Item No. 7

RECOMMENDATION

Recommend to the TAM Board to approve the following:

- 1) release all remaining Measure A reserve funds in percentage shares as shown in Attachment A and work with sponsor on allocation requests for those funds,
- 2) establish a percentage and the number of years for Measure AA reserve funds to be incorporated in the Measure AA Strategic Plan, and
- 3) adopt a policy whereby a category or subcategory that uses Measure AA reserve funds will be responsible for replenishing the used reserve funds over a reasonable period.

BACKGROUND

On November 6, 2018, 76.7% of Marin voters approved the renewal of Marin's ½-cent Transportation Sales Tax Expenditure Plan, known as Measure AA. The Expenditure Plan directed TAM to prepare an Annual Strategic Plan to identify schedules for project and program implementation based on project readiness, ability to generate matching or leveraged funds, need for borrowing and other relevant criteria.

On May 30, 2019, the TAM Board opened a 30-day public comment period for the Measure AA Strategic Plan. The TAM Board is scheduled to adopt the Measure AA Strategic Plan at its June 27, 2019 meeting.

Measure AA allows TAM to set aside up to 10% of the revenue for reserve. At the May 30 TAM Board meeting, policies on reserve funds from Measure A and Measure AA were discussed in light of the development of the Measure AA Strategic Plan.

Measure A reserve funds were included in the discussion because Measure A reserve funds were already collected and available for programming. Existing Measure A reserve funds cannot be used as Measure AA reserve because the percentages of collection and distribution among the eligible strategies of Measure A and the categories of Measure AA are different. The most prudent courses of action are 1) to program and allocate all remaining Measure A reserve funds and 2) start a new collection of Measure AA reserve funds.

Staff is continuing this discussion and presenting options for the Funding, Programs & Legislation Executive Committee to make recommendations to the TAM Board for adoption on June 27, 2019.

MEASURE A RESERVE FUNDS

TAM had previously collected approximately \$5.38 million reserve funds under Measure A in the first five years of full revenue collection. In February 2017, TAM allocated approximately \$1.88 million in proportional percentages to the three eligible Strategies of Measure A. The Measure A reserve has been replenished since 2017 totals \$5.38 million.

Staff is proposing to distribute all reserve funds collected under Measure A in the same proportional percentage under which they were collected. Funds would immediately be available to each sub-strategy.

Attachment A illustrates the exact reserve amount available to each of the sub-strategies and/or local agencies.

MEASURE AA RESERVE FUNDS

In accordance to the Expenditure Plan, TAM has “the ability to set aside a reserve fund of up to 10% of the annual transportation sales tax receipts for contingencies, to ensure a cushion if economic decline occurs that adversely affects the collection of the sales tax.”

In addition to providing a cushion if collection of sales tax declines, reserve funds also allow TAM to react to unforeseen emergencies and assist projects and programs with deficits that have no other recourses of closing the funding gap. Under the Measure A Program, reserve funds were used exactly as intended when reserve funds were allocated to Marin Transit to close the funding deficit for the Bus Facility at Redwood and Grant in Novato.

Staff is proposing to set aside reserve funds under the Measure AA Strategic Plan. Staff is engaging the FPL Executive Committee to discuss the percentage and the collection period (number of years).

A larger percentage, such as 5%, collected would generate the targeted amount over a shorter period of time but the financial impacts would be greater over that period of time. A smaller percentage, such as 2.5%, would take longer to collect the similar amount but the financial impacts to the categories and sponsors would be less over the collection period. Note that in the current healthy funding environment for transportation projects/program with strong sales tax collection from the prior years, increased revenue from SB1, and potentially funds from RM 3, this setting aside of reserve should have minimum impact on the funding recipients but can prepare TAM for the upcoming economic downturn.

The following scenarios illustrate the amounts of reserve funds that can be collected over a defined time period:

- collect 5% for five years generate approximately \$7.23 million,
- collect 2.5% for 10 years generate approximately \$7.7 million, and
- collect 2.5% for seven years generate approximately \$5.2 million.

Staff is proposing a targeted amount of reserve funds no less than \$5 million since an amount smaller than \$5 million may be not be enough to defray poor revenue collection from economic decline or deficits from critical projects and programs, including large capital construction projects.

Staff is also proposing a policy whereby a category or subcategory that uses Measure AA reserve funds will be responsible for replenishing the used reserve funds over a reasonable period. Under this policy, the release of reserve funds to one category or subcategory would not trigger the need to release reserve funds to all categories and subcategories by percentage. Only the category or subcategory in need of reserve funds will

receive reserve funds and only that category or subcategory will be responsible for replenishing the used reserve funds.

FISCAL IMPACTS

Upon approval by the Board, TAM's Proposed FY2019-20 Annual Budget and the Measure AA Strategic Plan will be amended accordingly to accommodate the availability of Measure A reserve funds and incorporate the percentage of reserve funds for Measure AA.

NEXT STEPS

Present the recommendations to the TAM Board on June 27, 2019 for approval. Upon approval by the TAM Board, Measure A reserve funds as shown in Attachment A will be made available for allocation requests from designated sponsors. The percentage on Measure AA reserve funds as adopted by the TAM Board will be incorporated in the Measure AA Strategic Plan Revenue and Expenditure Worksheets before they are finalized.

ATTACHMENT

Attachment A – Measure A Reserve Funds Programming Proposal

MEASURE A RESERVE FUNDS PROGRAMMING

Reserve Funds Available	\$5,377,037
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Current Programming Proposal		
Assignment to Strategies	% Share of Reserve Funds	Measure A Reserve Funds
Strategy 1.1 Local Transit	40.00%	\$2,150,815
Strategy 1.2 Rural Transit	3.24%	\$174,216
Strategy 1.3 Special Needs	9.73%	\$523,186
Strategy 1.4 Capital	6.49%	\$348,970
Strategy 1 Transit	59.46%	\$3,197,186
Strategy 2 Hwy 101 Gap Closure	0.00%	\$0
North Planning Area - Novato Blvd	19.90%	\$153,228
Central Planning Area - 3rd Street	25.40%	\$195,578
South Planning Area - E. Blithedale Ave.	20.00%	\$153,998
Ross Valley Planning Area - SFD Blvd	21.60%	\$166,318
West Planning Area - West SFD Blvd	13.10%	\$100,869
Major Road Subtotal	100.00%	\$769,992
Strategy 3.1 Major Roads	14.32%	
Belvedere	0.98%	\$7,551
Corte Madera	3.57%	\$27,511
Fairfax	2.81%	\$21,648
Larkspur	3.92%	\$30,193
Mill Valley	5.65%	\$43,511
Novato	18.10%	\$139,404
Ross	1.02%	\$7,862
San Anselmo	4.43%	\$34,137
San Rafael	19.53%	\$150,399
Sausalito	2.68%	\$20,614
Tiburon	3.42%	\$26,361
County	33.87%	\$260,801
Local Road Subtotal	100.00%	\$769,992
Strategy 3.2 Local Roads	14.32%	
Strategy 3 Local Infrastructure	28.64%	\$1,539,983
Strategy 4.1 SRTS Education and Promotion	3.57%	\$191,960
Strategy 4.2 Crossing Guard Program	4.54%	\$244,117
Strategy 4.3 Safe Pathway Capital Projects	3.79%	\$203,790
Strategy 4 Safe Routes to Schools	11.90%	\$639,867
	100.00%	\$5,377,037

Reserve Fund Set Aside			Average One Year
2.5% Reserve @ 7 years		\$5,188,858	\$741,265
2.5% Reserve @ 10 years		\$7,702,325	\$770,232
5% Reserve @ 5 years		\$7,227,452	\$1,445,490
2.5% Reserve @ 7 years	EP %	Amount	Average One Year
Category 1.1 Marin Sonoma Narrows	1.5%	\$77,833	\$11,119
Category 1.2 Hwy 101/580 Direct Connector	2.0%	\$103,777	\$14,825
Category 1.3 Local Interchanges	3.0%	\$155,666	\$22,238
Category 1.4 Commute Alternatives	0.5%	\$25,944	\$3,706
Subtotal	7.0%	\$363,220	\$51,889
Category 2.1 Local Transportation Infrastructure	22.0%	\$1,141,549	\$163,078
Category 2.2 Safe Pathways	3.0%	\$155,666	\$22,238
Category 2.3 Sea Level Rise	1.0%	\$51,889	\$7,413
Category 2.4 Innovative Technology	0.5%	\$25,944	\$3,706
Subtotal	26.5%	\$1,375,047	\$196,435
Category 3.1 Safe Routes to Schools	3.5%	\$181,610	\$25,944
Category 3.2 Cross Guard Program	7.0%	\$363,220	\$51,889
Category 3.3 Small School Safety Projects	1.0%	\$51,889	\$7,413
Subtotal	11.5%	\$596,719	\$85,246
Category 4.1 Bus Transit Service	33.0%	\$1,712,323	\$244,618
Category 4.2 Rural/Recreational Bus Services	3.0%	\$155,666	\$22,238
Category 4.3 Transit Services for Special Needs	9.5%	\$492,942	\$70,420
Category 4.4 Transit Services to Schools	5.0%	\$259,443	\$37,063
Category 4.5 Bus Transit Facilities	4.0%	\$207,554	\$29,651
Category 4.6 Ferries and Regional Transit	0.5%	\$25,944	\$3,706
Subtotal	55.0%	\$2,853,872	\$407,696
Total 2.5% for 7 Years	100.0%	\$5,188,858	\$741,265
2.5% Reserve @ 10 years	EP %	Amount	Average One Year
Category 1.1 Marin Sonoma Narrows	1.5%	\$115,535	\$11,553
Category 1.2 Hwy 101/580 Direct Connector	2.0%	\$154,046	\$15,405
Category 1.3 Local Interchanges	3.0%	\$231,070	\$23,107
Category 1.4 Commute Alternatives	0.5%	\$38,512	\$3,851
Subtotal	7.0%	\$539,163	\$53,916
Category 2.1 Local Transportation Infrastructure	22.0%	\$1,694,511	\$169,451
Category 2.2 Safe Pathways	3.0%	\$231,070	\$23,107
Category 2.3 Sea Level Rise	1.0%	\$77,023	\$7,702
Category 2.4 Innovative Technology	0.5%	\$38,512	\$3,851
Subtotal	26.5%	\$2,041,116	\$204,112
Category 3.1 Safe Routes to Schools	3.5%	\$269,581	\$26,958
Category 3.2 Cross Guard Program	7.0%	\$539,163	\$53,916
Category 3.3 Small School Safety Projects	1.0%	\$77,023	\$7,702
Subtotal	11.5%	\$885,767	\$88,577
Category 4.1 Bus Transit Service	33.0%	\$2,541,767	\$254,177
Category 4.2 Rural/Recreational Bus Services	3.0%	\$231,070	\$23,107
Category 4.3 Transit Services for Special Needs	9.5%	\$731,721	\$73,172
Category 4.4 Transit Services to Schools	5.0%	\$385,116	\$38,512
Category 4.5 Bus Transit Facilities	4.0%	\$308,093	\$30,809
Category 4.6 Ferries and Regional Transit	0.5%	\$38,512	\$3,851
Subtotal	55.0%	\$4,236,279	\$423,628
Total 2.5% for 10 Years	100.0%	\$7,702,325	\$770,232
5% Reserve @ 5 years	EP %	Amount	Average One Year
Category 1.1 Marin Sonoma Narrows	1.5%	\$108,412	\$21,682
Category 1.2 Hwy 101/580 Direct Connector	2.0%	\$144,549	\$28,910
Category 1.3 Local Interchanges	3.0%	\$216,824	\$43,365
Category 1.4 Commute Alternatives	0.5%	\$36,137	\$7,227
Subtotal	7.0%	\$505,922	\$101,184
Category 2.1 Local Transportation Infrastructure	22.0%	\$1,590,039	\$318,008
Category 2.2 Safe Pathways	3.0%	\$216,824	\$43,365
Category 2.3 Sea Level Rise	1.0%	\$72,275	\$14,455
Category 2.4 Innovative Technology	0.5%	\$36,137	\$7,227
Subtotal	26.5%	\$1,915,275	\$383,055
Category 3.1 Safe Routes to Schools	3.5%	\$252,961	\$50,592
Category 3.2 Cross Guard Program	7.0%	\$505,922	\$101,184
Category 3.3 Small School Safety Projects	1.0%	\$72,275	\$14,455
Subtotal	11.5%	\$831,157	\$166,231
Category 4.1 Bus Transit Service	33.0%	\$2,385,059	\$477,012
Category 4.2 Rural/Recreational Bus Services	3.0%	\$216,824	\$43,365
Category 4.3 Transit Services for Special Needs	9.5%	\$686,608	\$137,322
Category 4.4 Transit Services to Schools	5.0%	\$361,373	\$72,275
Category 4.5 Bus Transit Facilities	4.0%	\$289,098	\$57,820
Category 4.6 Ferries and Regional Transit	0.5%	\$36,137	\$7,227
Subtotal	55.0%	\$3,975,098	\$795,020
Total 5% for 5 Years	100.0%	\$7,227,452	\$1,445,490