



DATE: June 27, 2019

TO: Transportation Authority of Marin Board of Commissioners

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

SUBJECT: Measure A and Measure AA Reserve Fund Policy (Action), Agenda Item No. 8

RECOMMENDATION

Recommend the TAM Board to approve the following:

- 1) release Measure A reserve funds at a rate that does not exceed the amount collected for Measure AA reserve funds,
- 2) establish a Measure AA reserve fund policy to collect 5% of the revenue for reserve from all categories for five years starting in FY 19/20, 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, 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 as part 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 would be difficult to 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.

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 bringing the total back to \$5.38 million.

One option is 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. Under this option, Attachment A illustrates the exact reserve amount available to each of the sub-strategies and/or local agencies.

On June 17, 2019, the COC voted to support a different option that would release Measure A reserve funds at a rate that does not exceed the amount collected for Measure AA reserve funds. For example, if TAM collects \$1.5 million in Measure AA reserve funds in FY 19/20, then only up to \$1.5 million in Measure A reserve funds can be released after Measure AA reserve funds have been collected.

Staff Recommendation

Staff concurs with the COC option and recommends that the TAM Board adopts the COC option on Measure A reserve funds.

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.

Primary Purposes of Reserve Funds

Collecting reserve funds under the Measure AA Strategic Plan are fundamental to TAM in administrating the Measure AA Program. The primary purposes of collecting reserve funds are to:

- ensure a cushion is available in periods of economic decline that adversely affect revenue collection;
- react to unforeseen emergencies
- ensure that projects in the Strategic Plan can be implemented and on schedule;
- serve as collateral and help with cash flow when paying back loan; and
- maintain credit worthiness when debt financing is needed.

It is important to note that having reserve funds is fiscally prudent because TAM would have a better credit rating to reduce the costs of borrowing when and if TAM needs to issue debts.

Reserve Funds Set Aside Options

A larger percentage, such as 5%, collected would generate the targeted amount over a shorter period of time but the financial impacts to the categories and sponsors 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 potential upcoming economic downturn, urgent project emergency, as well as the financing needs to meet the cash flow of various projects.

The following options 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.

Attachment B shows the amounts collected from each category and subcategory under the three abovementioned scenarios, including the average one-year collection.

Staff Recommendations

Staff is recommending an option that collects 5% of Measure AA funds for reserve from all categories for five years starting in FY 19/20. The amount collected under this option would be approximately \$7.23 million, which is sufficient 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.

FUNDING, PROGRAMS & LEGISLATION (FPL) EXECUTIVE COMMITTEE REVIEW

On June 10, 2019, the FPL Executive Committee reviewed and deliberated the Measure A and Measure AA reserve fund policies. The FPL Executive Committee did not make any recommendations on the Measure A and Measure AA reserve policies. Rather, the FPL Executive Committee requested staff to obtain a legal review of the language in the Measure AA Expenditure Plan as to whether or not the TAM Board has the discretion to collect only from certain categories, and if so, can the reserve be access by categories that did not contribute to the reserve fund. It was also discussed at the FPL Executive Committee meeting that the Citizens' Oversight Committee should be consulted and given the opportunity to review the issue and provide its comments and recommendations on this matter.

CITIZENS' OVERSIGHT COMMITTEE (COC)

On June 17, 2019, the COC convened to the reserve fund policies for Measure A and Measure AA. After a thorough discussion, the COC voted unanimously to approve the following actions:

- support TAM staff's position that the reserve is needed for TAM's mission and should be collected over the top as a whole
- Support collecting 5% of the generated Measure AA revenue for reserve for five years starting in FY 19/20
- Support releasing Measure A reserve funds at a rate that does not exceed the amount collected for Measure AA reserve funds. For example, if TAM collects \$1.5 million in Measure AA reserve funds in FY 19/20, then only up to \$1.5 million in Measure A reserve funds can be released after Measure AA reserve funds have been collected.

The COC also authorized the Vice-Chairperson Bob Burton to present the COC's comments and recommendations on the Measure A/AA reserve policies to the TAM Board at its June 27, 2019, along with a comment letter.

COUNTY COUNSEL ANALYSIS

At the request of the FPL Executive Committee, County Counsel was consulted as to whether reserve funds can be selectively collected from certain categories and not from others. In a Reserve Fund Analysis letter, dated June 13, 2019, County Counsel provided the following analysis result:

The 2018 Final Expenditure Plan suggests that the reserve fund should be allocated from the gross revenue generated by the transportation sales tax, and therefore, would be set aside from each fund category. However, the Expenditure Plan does not mandate a reserve fund, therefore, the Board likely has the discretion to decide not to have a reserve fund, or to only have a reserve fund for certain categories. If the Board decides to set aside the reserve funds from only certain categories, those categories would be the only ones that could access the reserve funds.

See Attachment C for the entire original letter.

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

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, over the time period that equivalent amount of Measure AA reserve would be collected. 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

Attachment B – Measure AA Reserve Funds Set Aside Scenarios

Attachment C – County Counsel Reserve Fund Analysis, Dated June 13, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

MEASURE A RESERVE FUNDS PROGRAMMING

Reserve Funds Available	\$5,377,037	
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

THIS PAGE LEFT BLANK INTENTIONALLY

Measure AA Reserve Fund Set Aside Options		EP %	Amount	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	

THIS PAGE LEFT BLANK INTENTIONALLY

MEMORANDUM

TO: TAM Board of Commissioners
FROM: Jenna Brady, Deputy County Counsel *JB/BL*
DATE: June 13, 2019
RE: Reserve Fund Analysis

Issue: The TAM Board of Commissioners (“Board”) has requested our office’s opinion on TAM’s reserve options under the Measure AA Expenditure Plan, and specifically, whether the Board may set aside reserve funds from only some fund categories. If the answer is yes, the Board further seeks an opinion as to whether fund categories that did not contribute to the reserve fund could access the reserve fund if needed.

Short Answer: The 2018 Final Expenditure Plan suggests that the reserve fund should be allocated from the gross revenue generated by the transportation sales tax, and therefore, would be set aside from each fund category. If the Board decides to set aside the reserve funds from only certain categories, those categories would be the only ones that could access the reserve funds.

Analysis: The 2018 Final Expenditure Plan provides for the funding of four categories or strategies: Highways, Local Transit, Local Streets and Safe Routes to Schools, and allocates a percentage of the sales tax funds to each. The Expenditure Plan states that “TAM will have 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.”

The Expenditure Plan’s statement that the reserve fund will be set aside from the annual transportation sales tax receipts suggests that the percentage would be set aside from total receipts, not just certain fund categories, and we understand that this is the general practice. However, the Plan does not mandate that a reserve fund exist; therefore, the Board likely has the discretion to decide not to have a reserve fund, or to only have a reserve fund for certain categories.

PG. 2 OF 2

If the Board decides to set aside funds from only certain categories, then only those categories should be able to draw on the reserve funds. The Expenditure Plan provides that “the distribution will not change over the life of the plan, unless the plan is specifically amended.” By allowing a category to receive its full distribution, not allocate a percentage to the reserve fund and still receive reserve funds, would in essence change the distribution of that category without properly amending the Expenditure Plan. Accordingly, if only certain categories had funds allocated to the reserve fund, then only those categories would be able to access those funds.