

June 14, 2019

To: Transportation Authority of Marin
Li Zhang, Chief Financial Officer

Fr: Sperry Capital Inc.
Jim Martling, Principal
Martha Vujovich, Principal

Re: Reserve Policy Strategy for Sales Tax Measure A and Measure AA

As TAM's financial advisor, we have been asked to review TAM's current unrestricted reserve fund strategy as it relates to Measure AA sales tax receipts.

We confirm that the Government Finance Officers Association (GFOA)¹ recommends that government agencies establish a formal policy on the level of unrestricted fund balances that should be maintained in the general fund. Maintaining adequate levels of reserves will mitigate liquidity needs should there be a shortfall in sales tax collection during times of economic stress. In addition, should TAM wish to use debt financing in the future, establishing a credit profile for a strong bond rating by maintaining sufficient reserves for its project/program needs will be one of the factors carefully analyzed. Normal practices in municipal enterprises is to consider the expected gaps as well as the uncertainties in the amounts of annual revenues and expenses before deciding on a reserve amount.

¹<https://www.gfoa.org/fund-balance-guidelines-general-fund>

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