



DATE: November 21, 2022

TO: Transportation Authority of Marin Citizens' Oversight Committee

FROM: Li Zhang, Deputy Executive Director/Chief Financial Officer

SUBJECT: Review of the FY2021-22 TAM Annual Comprehensive Financial Report (Action), Agenda Item No. 6

RECOMMENDATION:

The Citizens' Oversight Committee (COC) reviews the Draft FY2021-22 TAM Annual Comprehensive Financial Report (ACFR) and refers it to the TAM Board for acceptance.

BACKGROUND:

TAM is required by the Measure A/AA ½-Cent Transportation Sales Tax Expenditure Plans and PUC Code 180105(c) to conduct an annual financial audit. TAM staff, along with its audit team from Eide Bailly LLP, started work on the FY2021-22 financial audit in June of this year. Both the initial and the final field visits were conducted remotely due to the COVID-19 pandemic but went smoothly. As required by the Measure A/AA ½-Cent Transportation Sales Tax Expenditure Plans, the COC is asked to review and accept the Draft FY2021-22 ACFR, refer it to the TAM Board for review and acceptance, and report the results to Marin residents in its FY2021-22 COC/2022 TAM Annual Report.

DISCUSSION/ANALYSIS:

FY2021-22 Annual Comprehensive Financial Report

TAM's ACFR includes the following key components to ensure that users of the financial statements have the information and context needed to assess the financial health of TAM.

- **Introductory Section:** A letter of transmittal is included in this section. The letter discusses the profile of the agency and the general economy of Marin County, in which it operates. It also highlights accomplishments and discusses major initiatives of TAM.
- **Financial Section:** This section contains most of what is required for basic financial statements.
- **Statistical Section:** This section consists of operational, economic, and historical data, which provides a context for assessing a government's economic condition. The statistical section is made up of the following broad categories:
 - ✓ Information on financial trends
 - ✓ Information on revenue capacity

- ✓ Information on debt capacity
- ✓ Demographic and economic information
- ✓ Operating information

- Compliance Section: This section includes all the compliance audits that TAM is subject to in the fiscal year audited as well as the Single Audit Report required by the federal awards.

TAM's first ACFR, developed for FY2017-18, received the Certificate of Achievement for Excellence in Financial Reporting Award from the Government Finance Officers Association of the United States and Canada (GFOA). To apply and receive this award, the agency needs to publish an easily readable and efficiently organized ACFR that satisfies both the generally accepted accounting principles and applicable program requirements. Staff appreciates the confirmation of quality work by the GFOA and is committed to continue to improve the ACFR over the years.

Results of the FY2021-22 Financial and Single Audits

The auditor has certified that all of TAM's financial statements are presented fairly in all material aspects, the respective financial position of the governmental activities and each major fund of TAM, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The auditor also confirmed that all tests during the Single Audit process disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Confirmation of Compliance with the 5% Administration Cost Cap Requirement in Measure A/AA

The Expenditure Plan allows TAM to use up to 5% of the Measure A/AA revenue for administration and project/program management related expenditures, of which 1% can be used for salaries and benefits for administrative staff and 4% can be used for overall project/program support. The Measure A/AA compliance audit conducted for FY2021-22 confirmed that TAM is in compliance with the 5% overall administration cost ceiling and is below the 1% administrative staff cost cap mandated by Measure A/AA.

FISCAL CONSIDERATION:

The audit is being conducted within budget and on time.

NEXT STEPS:

After the acceptance of the TAM Board, the COC will report the audit results to Marin County residents in the FY2021-22 COC/2022 TAM Annual Report.

ATTACHMENTS:

[Attachment A: Draft TAM FY2021-22 Annual Comprehensive Financial Report](#) (Provided as a sperate document)
Attachment B: Staff PowerPoint Presentation



Item 6- Attachment B

Review the FY2021-22 TAM Annual Comprehensive Financial Report

Transportation Authority of Marin
Citizens' Oversight Committee

November 21, 2022

A Glance at the Current Economy

- With the significant economic and social damages from the pandemic, along with the ongoing geopolitical risks, more economists believe that the U.S. economy is on the brink of a recession
 - Some believe a recession appears likely to hit in full force by the second quarter of 2023, and many American families are already living the reality of a recession due to inflation and rising interest rates
- The potential sales tax revenue loss in the upcoming few years weighs on the agency's financial picture.
- Over the long-term, the strong sales tax drivers, including Marin's per capita personal income and unemployment rate, will continue to support the stable taxable sales growth in Marin.
- TAM's long-term prudent fiscal practices will also help the agency weather the next recession if it becomes unavoidable.



A Glance of TAM's Upcoming Work Priorities



- North/South Greenway Multi-Use Pathway
- Marin-Sonoma Narrows HOV Lane and Multi-Use Path
- State Route 37 Improvements
- US 101/I-580 Multi-modal and Local Access Improvement Project
- Improve Highway 101 Local Interchanges and Freeway Access Routes
- Bellam Boulevard Off-Ramp Improvements
- Safe Routes to School & Crossing Guard Program
- Alternative Fuel/Electric Vehicle Program
- First/Last Mile Connections to Transit Hubs
- Transportation Demand Management Program
- Sea Level Rise
- Various Innovation Programs
- Active Transportation Improvements

Introduction of the ACFR

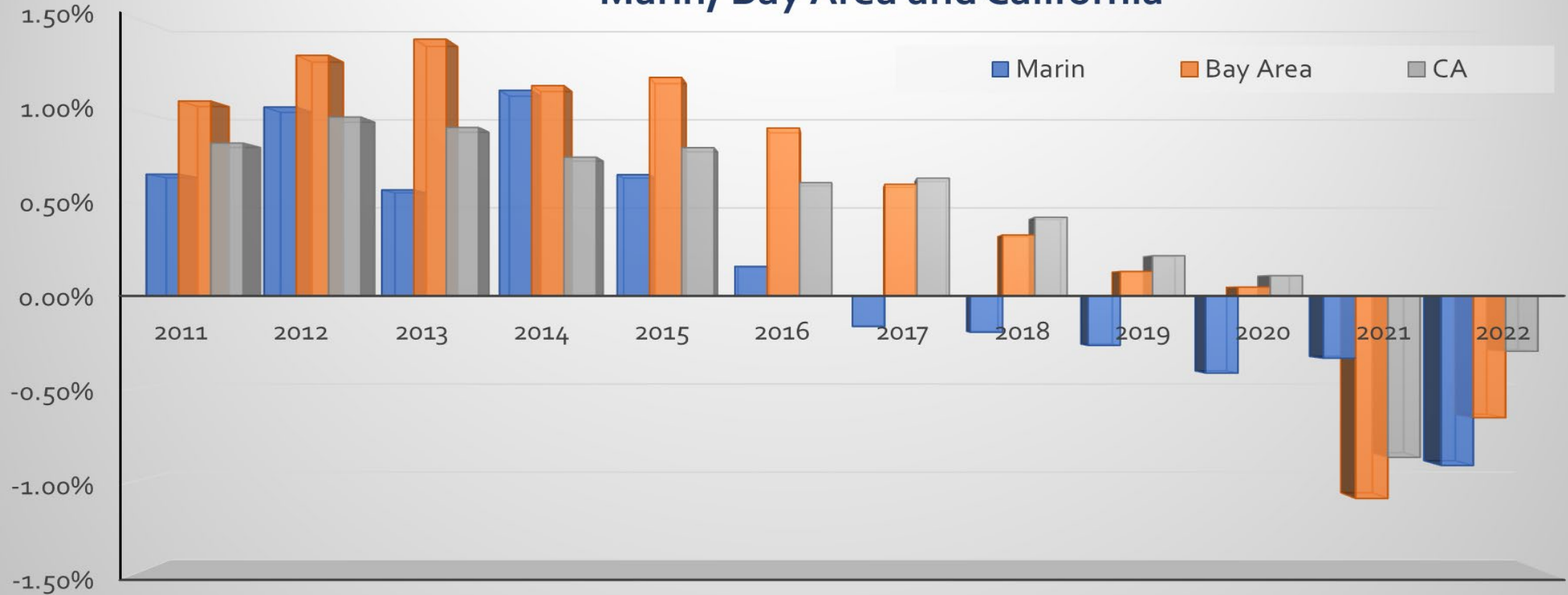
- ACFR includes the following components:
 - Introductory Section
 - Financial Section
 - Statistical Section
 - Compliance Section
- First TAM Annual Comprehensive Financial Report (ACFR) was produced for FY2017-18, with the goal to provide the residents of Marin with a more complete, and meaningful picture of TAM's financial condition and performance.
- First ACFR won the Certificate of Achievement for Excellence in Financial Reporting Award from the Government Finance Officers Association (GFOA) of the United States and Canada.
- Staff appreciates the confirmation of good work by all parties and will continue to improve the ACFR over the years.

Introductory Section

- Profile of TAM
 - Congestion Management Agency and Measure A/AA & B Administrator.
- The fundamentals of Marin's economy
 - Driven by various types of industries including financial services, healthcare, biotech, high technology and tourism.
 - One of the wealthiest, healthiest and most highly educated in the nation, though disparities exist.
 - Good school districts, easy access to a multitude of recreational activities, and breathtaking natural beauty.
 - Marin's unparalleled quality of life continues to attract new residents and reinforces residential property values.

Population Trend

Annual Population Growth from 2010 to 2022 Marin, Bay Area and California

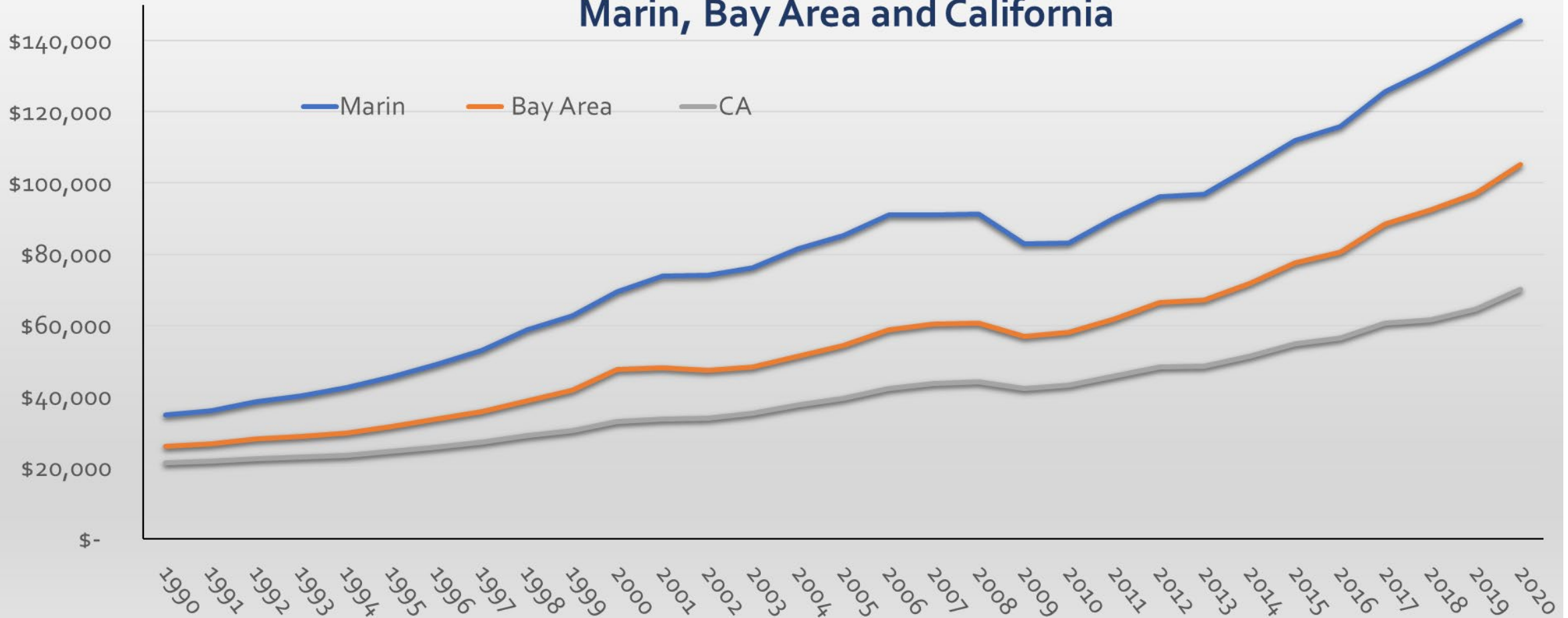


Marin/North Bay Population Trend

- California and all the nine bay area counties are experiencing population loss from 2021 to 2022: CA -0.30%, Bay Area -0.66%.
- Out of the four northern bay counties, Marin, Napa and Sonoma are experiencing population loss since 2017, and Solano had its first loss of population in 2022 since 2012
 - Marin in decline since 2017, average decline 0.38%, and lost 0.92% (2,377) from 2021 to 2022
 - Napa in decline since 2017, average decline 0.64%, and lost 0.97% (1,339) from 2021 to 2022
 - Sonoma in decline since 2018, average decline 0.85%, and lost 0.47% (2,723) from 2021 to 2022
 - Solano, first decline since 2011, lost 0.61% (2,270) from 2021-22
- Possible Reasons for the decline of population in North Bay:
 - Aging population that is staying in housing units longer than expected and has fewer people per household
 - Rising cost of housing that leads to fewer people coming to live in these counties
 - Less diverse populations with lower birth rates
 - Possible hidden population of people using housing units with more people per household - data on taxable sales per person across the state suggests the urban areas have relatively large taxable sales per person which could be a sign of more people actually living there than counted

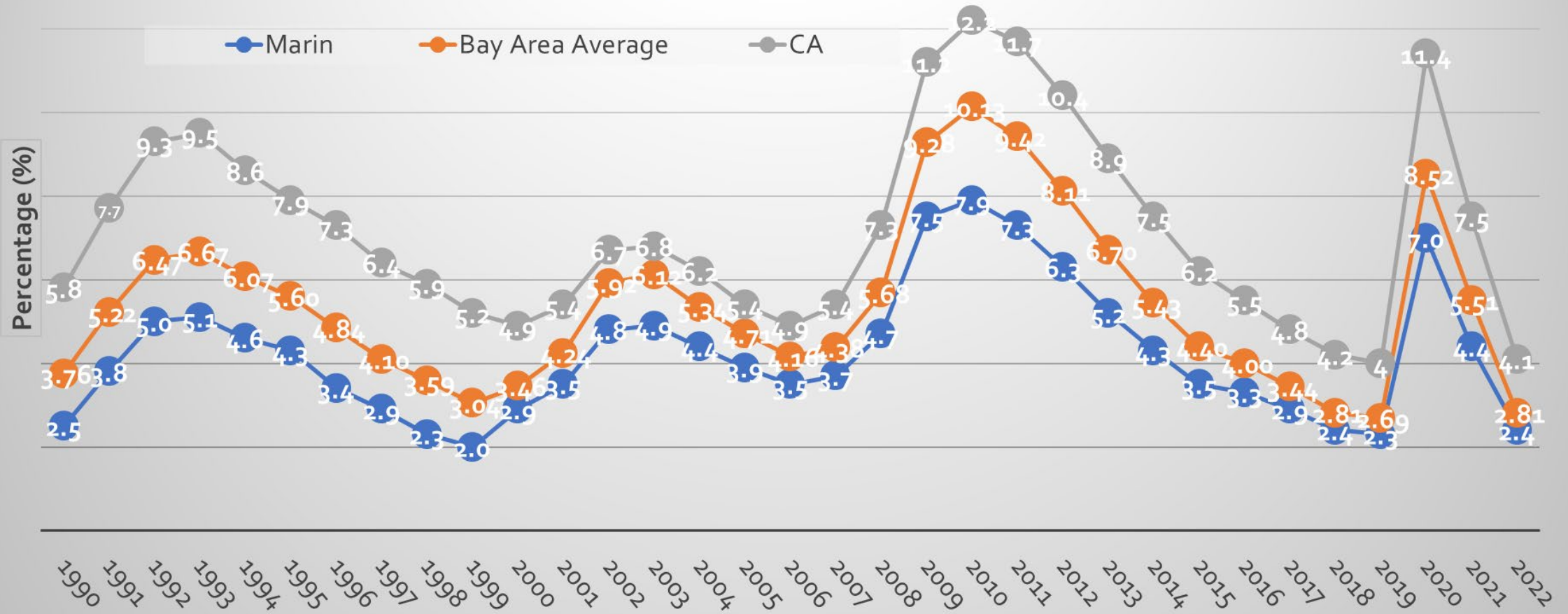
Per Capita Personal Income Trend

Per Capita Personal Income Trend from 1990 to 2020 Marin, Bay Area and California

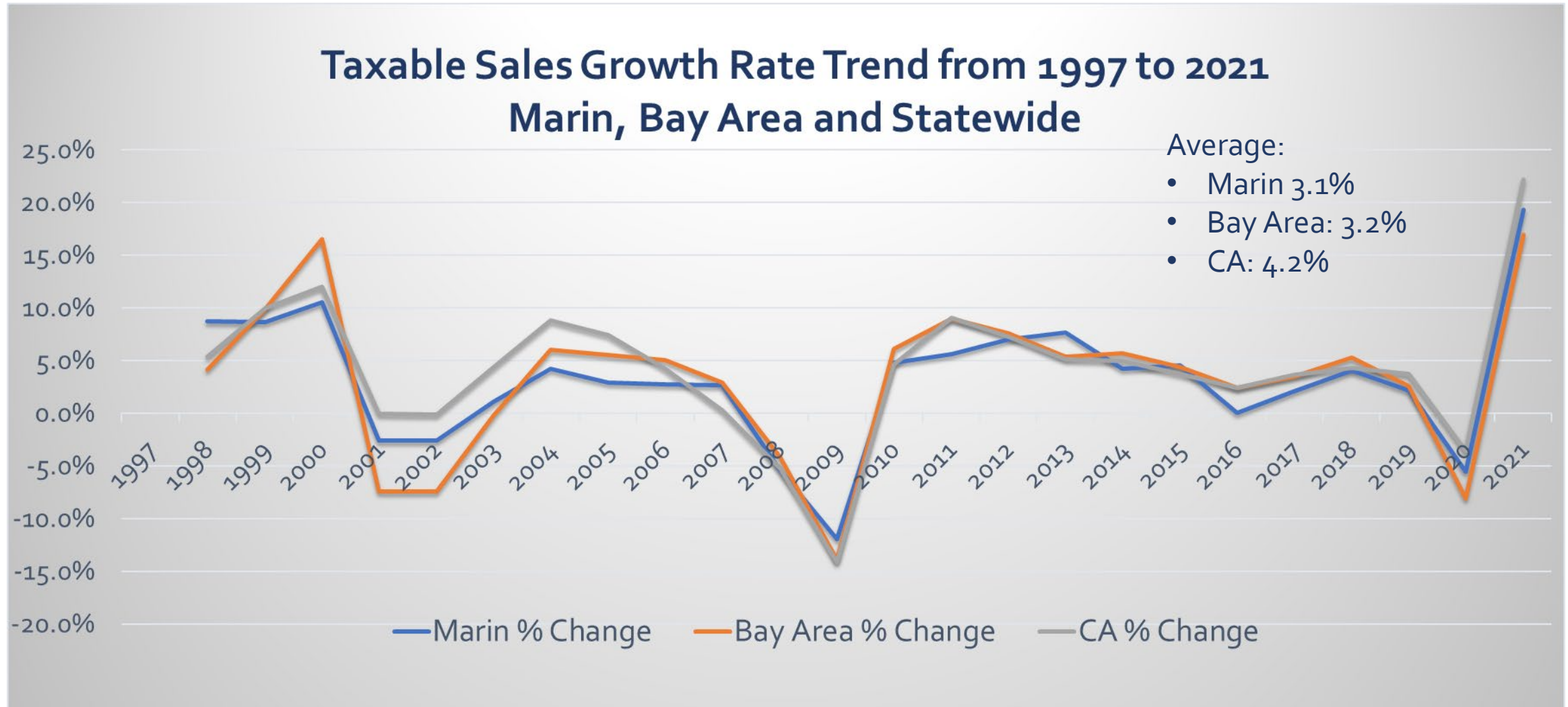


Unemployment Rate Trend

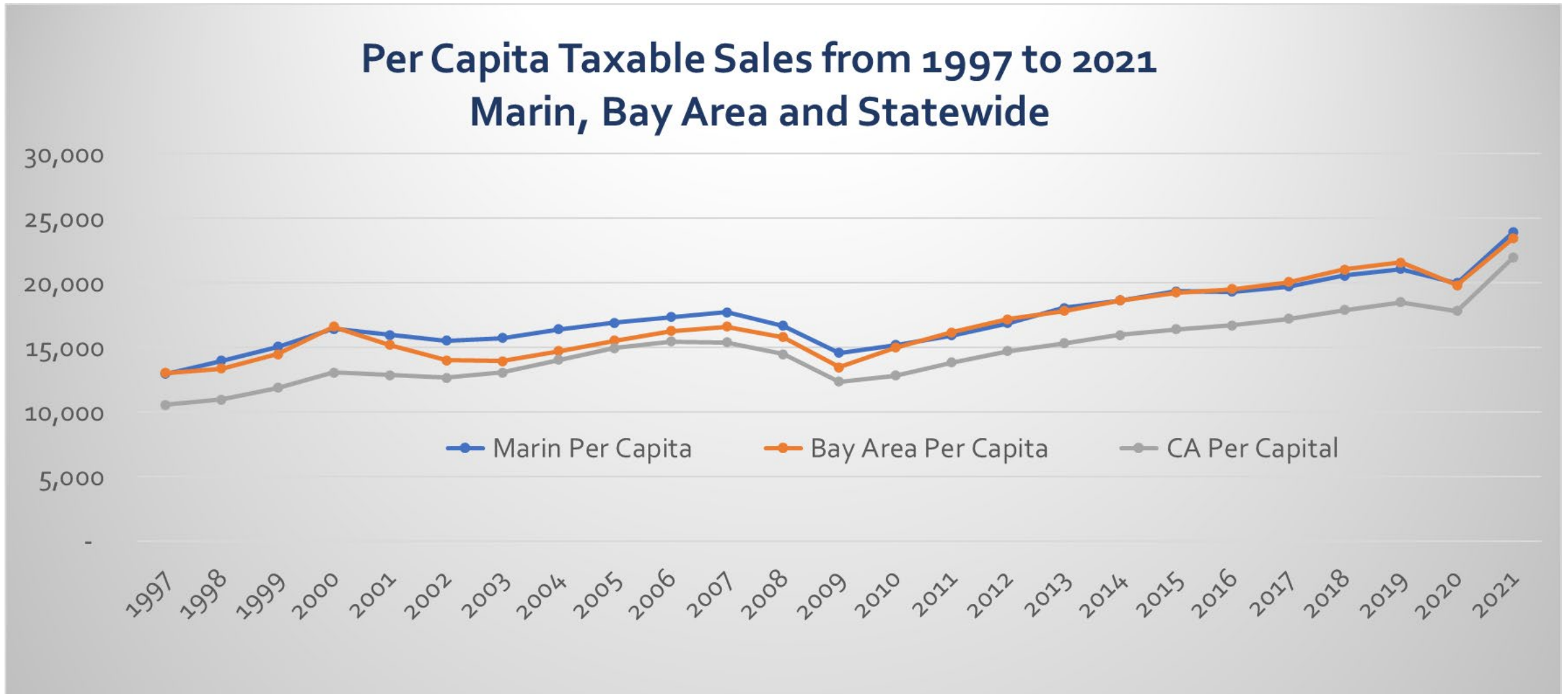
Unemployment Rate Trend from 1990 to 2022 Marin, Bay Area and Statewide



Taxable Sales Trend

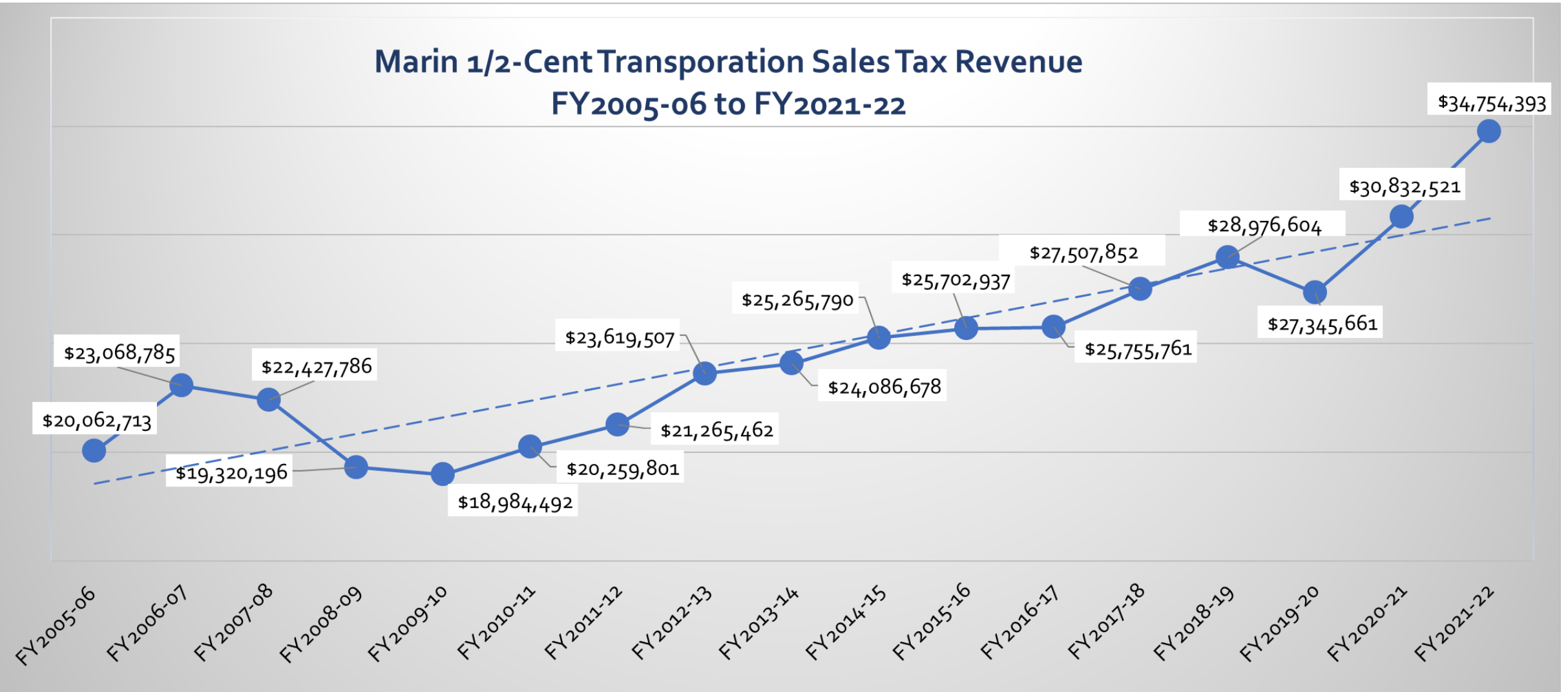


Taxable Sales Per Capita Trend



TAM's Sales Tax Revenue Collection Trend

Marin 1/2-Cent Transportation Sales Tax Revenue FY2005-06 to FY2021-22



Financial Section

The Auditor has rendered an opinion that all of TAM's financial statements are fairly stated in all material aspects, and that the financial position of the governmental activities and each major fund on June 30, 2022, and the respective changes in financial position thereof for the year ended, are presented fairly in conformity with U.S. generally accepted accounting principles.

Financial Section

- Government-Wide Financial Statements
 - Prepared on the full accrual basis of accounting, which means they measure the flow of all economic resources of TAM as a whole.
 - Include Statement of Net Position and the Statement of Activities.
- Fund Financial Statements
 - The Fund Financial Statements provide detailed information about each of TAM's most significant funds and are prepared on the modified accrual basis.
 - TAM currently has five major governmental funds, including General Fund, BAAQMD TFCA Fund, Measure A and Measure AA ½-Cent Transportation Sales Tax Funds, and Measure B \$10 Vehicle Registration Fee.
 - Include Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Financial Section

- Government-Wide Financial Analysis
 - The Statement of Net Position summarizes TAM's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position.
 - TAM's governmental net position was \$44.36 million as of June 30, 2022, and comprised the following:
 - Cash and Investments of \$51.01 million in the CalTRUST and deposits with Bank of Marin
 - Receivables and Prepaid Items of \$10.4 million in sales tax and other accounts receivable
 - Liabilities, including all accounts payables, unearned revenues and net pension liability, totaling \$19.08 million

Financial Section

- Government-Wide Financial Analysis
 - The Statement of Activities presents expenses and related program revenues as well as the general revenues in detail.
 - \$9.23 million or 20.6% of TAM's FY 2021-22 governmental revenues, came from program revenues and \$35.59 million, or 79.4%, from general revenues such as Measure A/AA ½-Cent Transportation Sales Taxes, Measure B \$ 10 VRF and investment earnings/loss.
 - Total expense for FY 2021-22 is \$35.98 million, with \$2.23 million for Administration, \$0.69 million for Professional Services, \$25.14 million for Measure A/AA, B and TFCA Programs/Projects and \$7.92 million for Interagency Agreements.
 - Total net position of \$44.36 million as of June 30, 2022 was restricted for various transportation projects and programs.

Financial Section

TAM Governmental Funds FY2021-22 Activities and Fund Balances:

	Fund Balance 6/30/2021	FY2021-22 Revenue	FY2021-22 Expenditure	Fund Balance 6/30/2022
General Fund	\$ 1,116,884	\$ 8,737,694	\$ 9,095,056	\$ 759,522
BAAQMD/TFCA	\$ 694,760	\$ 328,055	\$ 389,209	\$ 633,606
Measure A Fund	\$ 11,780,173	\$ (225,242)	\$ 1,621,678	\$ 9,933,253
Measure AA Fund	\$ 19,436,982	\$ 33,735,479	\$ 23,996,887	\$ 29,175,574
Measure B Fund	\$ 2,619,832	\$ 2,216,917	\$ 1,723,404	\$ 3,113,345
Total	\$ 35,648,631	\$ 44,792,903	\$ 36,826,234	\$ 43,615,300

Statistical Section

- Statistical Section includes operational, economic, and historical data and provides a context for assessing a government's economic condition.
- The statistical section is made up of the following:
 - Information on financial trends
 - Information on revenue capacity
 - Information on debt capacity
 - Demographic and economic information
 - Operating information

Statistical Section - TAM Historic Governmental Fund Balance

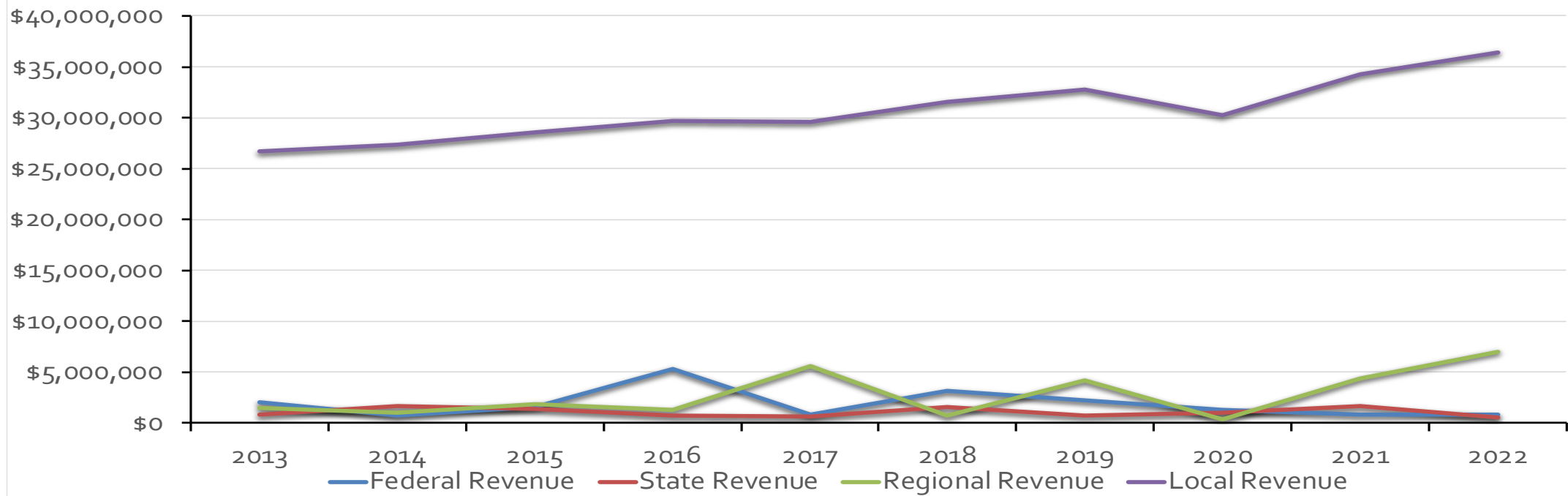
	Fiscal Years Ending June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
REVENUES										
Sales Tax	\$ 34,754,393	\$ 30,832,521	\$ 27,345,662	\$ 28,976,082	\$ 27,507,852	\$ 25,755,762	\$ 25,702,937	\$ 25,265,790	\$ 24,086,678	\$ 23,619,507
Vehicle Registration Fee	\$ 2,311,091	\$ 2,404,319	\$ 2,327,292	\$ 2,417,118	\$ 2,386,486	\$ 2,399,640	\$ 2,376,492	\$ 2,333,642	\$ 2,347,339	\$ 2,280,255
Investment Earnings	\$ (1,514,891)	\$ 180,746	\$ 2,007,743	\$ 1,914,194	\$ 139,632	\$ 122,475	\$ 682,270	\$ 164,964	\$ 203,298	\$ 47,466
Project and Program Revenues	\$ 9,242,310	\$ 7,744,826	\$ 3,194,508	\$ 8,081,927	\$ 6,329,413	\$ 8,024,309	\$ 8,535,259	\$ 5,657,885	\$ 4,225,369	\$ 5,092,646
Total Revenues	\$ 44,792,903	\$ 41,162,412	\$ 34,875,205	\$ 41,389,321	\$ 36,363,383	\$ 36,302,186	\$ 37,296,958	\$ 33,422,281	\$ 30,862,684	\$ 31,039,874
EXPENDITURES										
Congestion management - Current										
Administration	\$ 3,069,428	\$ 3,051,243	\$ 3,154,148	\$ 3,378,703	\$ 3,058,896	\$ 3,013,630	\$ 2,857,963	\$ 2,342,920	\$ 2,221,074	\$ 2,417,234
Professional Services	\$ 685,578	\$ 1,178,698	\$ 2,629,748	\$ 4,216,373	\$ 2,803,406	\$ 2,965,064	\$ 1,717,395	\$ 2,979,268	\$ 2,511,401	\$ 3,734,763
Measure A	\$ 1,143,839	\$ 12,144,379	\$ 9,737,500	\$ 21,849,187	\$ 28,668,609	\$ 25,351,395	\$ 18,357,291	\$ 16,753,135	\$ 23,592,718	\$ 18,017,836
Measure AA	\$ 22,108,424	\$ 22,768,626	\$ 16,896,486	\$ 182,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Measure B	\$ 1,531,554	\$ 1,718,579	\$ 4,098,404	\$ 1,790,363	\$ 1,556,536	\$ 3,632,620	\$ 1,290,574	\$ 1,547,808	\$ 3,285,753	\$ 839,395
Interagency Agreements	\$ 7,924,784	\$ 6,644,955	\$ 535,629	\$ 3,992,151	\$ 5,855,948	\$ 4,526,973	\$ 4,902,359	\$ 1,541,444	\$ 596,806	\$ 220,459
Other Capital Expenditures	\$ 362,625	\$ 1,310,733	\$ 366,674	\$ 66,388	\$ 176,392	\$ 276,856	\$ 765,658	\$ 43,196	\$ 171,012	\$ 896,338
Debt Service										
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 953,854	\$ 1,865,628	\$ 1,810,894	\$ 1,757,765
Interest and Fiscal Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,308	\$ 70,696	\$ 125,431	\$ 178,559
Total Expenditures	\$ 36,826,234	\$ 48,817,213	\$ 37,418,589	\$ 35,476,136	\$ 42,119,787	\$ 39,766,538	\$ 30,859,402	\$ 27,144,095	\$ 34,315,089	\$ 28,062,349
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ 7,966,669	\$ (7,654,801)	\$ (2,543,384)	\$ 5,913,185	\$ (5,756,404)	\$ (3,464,352)	\$ 6,437,556	\$ 6,278,186	\$ (3,452,405)	\$ 2,977,525
NET CHANGE IN FUND BALANCES	\$ 7,966,669	\$ (7,654,801)	\$ (2,543,384)	\$ 5,913,185	\$ (5,756,404)	\$ (3,464,352)	\$ 6,437,556	\$ 6,278,186	\$ (3,452,405)	\$ 2,977,525
Fund Balances - Beginning	\$ 43,303,432	\$ 43,303,432	\$ 45,846,816	\$ 39,933,631	\$ 45,690,035	\$ 49,154,387	\$ 42,716,831	\$ 36,438,645	\$ 39,891,050	\$ 36,913,525
Fund Balances - Ending	\$ 51,270,101	\$ 35,648,631	\$ 43,303,432	\$ 45,846,816	\$ 39,933,631	\$ 45,690,035	\$ 49,154,387	\$ 42,716,831	\$ 36,438,645	\$ 39,891,050

Statistical Section - Revenue by Funding Source

Fiscal Year Ending June 30

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Federal Revenue	2,005,678	763,713	1,591,156	5,301,158	840,442	3,124,051	2,238,572	1,258,585	814,473	860,748
State Revenue	864,490	1,674,388	1,418,942	716,923	665,974	1,530,790	719,436	993,156	1,707,370	554,574
Regional Revenue	1,442,889	977,992	1,862,025	1,259,013	5,597,422	753,288	4,200,382	383,768	4,364,229	6,972,426
Local Revenue	26,726,817	27,374,883	28,599,290	29,726,691	29,602,211	31,592,668	32,739,508	30,231,953	34,276,340	36,405,155
Total	31,039,874	30,790,976	33,471,413	37,003,785	36,706,049	37,000,797	39,897,898	32,867,462	41,162,412	44,792,903

TAM Revenue by Funding Source- Last Ten Fiscal Year



Statistical Section - Top Ten Principal Employers in Marin County

Employer	Rank	2021	
		Number of Employees	Percentage of Total County Employment
County of Marin	1	2,366	1.89%
Kaiser Permanente	2	2,059	1.64%
BioMarin Parmaceutical	3	1,868	1.49%
San Quentin State Prison	4	1,543	1.23%
Marin General Hospital	5	1,279	1.02%
Glassdoor	7	1,092	0.87%
Novato Unified School District	6	800	0.64%
San Rafael City Schools	9	659	0.53%
Marin Community Clinics	10	594	0.47%
Marin County Office of Education	8	462	0.37%
Total		12,722	10.15%

Total County Employment

125,400

Employer	Rank	2012	
		Number of Employees	Percentage of Total County Employment
County of Marin	1	2,033	1.64%
Kaiser Permanente	2	1,803	1.45%
San Quentin State Prison	3	1,802	1.45%
Marin General Hospital	4	1,100	0.89%
Fireman's Fund Insurance Co.	5	950	0.76%
Autodesk, Inc.	6	878	0.71%
BioMarin Parmaceutical	7	871	0.70%
Safeway, Inc.	8	840	0.68%
Novato Unified School District	9	813	0.65%
Comcast	10	620	0.50%
Total		11,710	9.43%

Total County Employment

124,200

Statistical Section - Principal Sales Taxpayers (#s in 000's)

Principal Revenue Payers	Rank	2021		Principal Revenue Payers	Rank	2015	
		Total Taxes in Marin County	Percentage of Total County Taxes			Total Taxes in Marin County	Percentage of Taxable Sales
All Other Outlets	1	\$ 1,538,045,564	24.78%	All Other Outlets	1	\$ 1,210,162	23.82%
Motor Vehicle and Parts Dealers	2	\$ 953,301,436	15.36%	Motor Vehicle and Parts Dealers	2	798,160	15.71%
Other Retail Group	3	\$ 905,669,792	14.59%	Other Retail Group	3	606,555	11.94%
Food Services and Drinking Places	4	\$ 638,444,670	10.28%	Food Services and Drinking Places	4	601,279	11.84%
Building Material and Garden Equip	5	\$ 523,812,563	8.44%	Building Material and Garden			
Gasoline Stations	6	\$ 361,290,704	5.82%	Equipment and Supplies Dealers	5	359,379	7.07%
Food and Beverage Stores	7	\$ 339,658,295	5.47%	Clothing and Clothing Accessories	6	344,228	6.78%
General Merchandise Stores	8	\$ 333,259,779	5.37%	Gasoline Stations	7	325,560	6.41%
Clothing and Clothing Accessories	9	\$ 319,333,575	5.14%	Food and Beverage Stores	8	309,365	6.09%
Home Furnishings and Appliance St	10	\$ 295,102,854	4.75%	General Merchandise Stores	9	289,609	5.70%
		<u>\$ 6,207,919,232</u>	<u>100.00%</u>	Home Furnishings and Appliance St	10	235,961	4.64%
						<u>\$ 5,080,258</u>	<u>100.00%</u>

Compliance Section

- Measure A/AA 5% Administration/Programming Management Cost Cap
 - The Measure A/AA compliance audit conducted for FY2021-22 confirmed that TAM is in compliance with the 5% overall administration cost ceiling and under the 1% administrative staff cost cap mandated by Measure A/AA.
- Single Audit Required for Expenditures related to Federal Grants Awarded
 - In the auditor's opinion, TAM complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

