



June 25, 2019

The Board of Commissioners
Transportation Authority of Marin
San Rafael, CA

Re: TAM's Measure AA Reserve Policy

Dear TAM Commissioners,

As the citizens' watchdog group mandated by the voter approved ½-cent Transportation Sales Tax Expenditure Plans of Measure A and Measure AA as well as the Measure B \$10 Vehicle Registration Fee, TAM's Citizens' Oversight Committee (COC) has been providing independent review and oversight of TAM's expenditures and the fiscal management of the sales tax revenue since its formation in 2005, as well as providing validation and guidance on critical fiscal management policies.

On June 17, 2019, the COC held a special meeting as a result of the discussion from the June 10, 2019, TAM Funding, Programs and Legislation Executive Committee meeting regarding TAM's Measure AA Reserve Policy. While TAM staff had recommended a 5% annual reserve for the first 5 years to prepare TAM for a potential economic downturn, provide contingency funds for urgent project funding needs, and serve as collateral for potential borrowing, the COC was convened to review Marin Transit's request that TAM not capture any reserve from Category 4, "transit's share", of the sales tax revenue.

With the background information provided by staff, along with the historic knowledge, professional wisdom, and experience of many of the long-term COC members, the COC had an in-depth discussion that lasted over 90 minutes on this important issue. After the extensive discussion, the committee voted unanimously to recommend the following actions to the TAM Board:

1. **Start to build the Measure AA reserve with 5% set aside during each of the first 5 years off-the-top of the total revenue collection, estimated to accumulate a reserve of \$7.2 million.**
2. **Do not release the Measure A reserve all at once, but rather release it at the same rate that the Measure AA reserve is accumulated in order to maintain the current \$5.38 million reserve level as the minimum level at all times.**
3. **Adopt a policy that a category or subcategory that accesses the Measure AA reserve fund will be responsible for replenishing the used funds over an established period of time.**

Along with the final recommendations, the COC also would like to share the following key comments made during the meeting:

900 Fifth Avenue
Suite 100
San Rafael
California 94901

Phone: 415/226-0815
Fax: 415/226-0816

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

- A healthy reserve is a critical asset for future potential borrowing and could be required as collateral for improved loan terms and favorable credit ratings.
- TAM's reserve is not based on categories of the Expenditure Plan but is an independent finance reserve of the entire revenue stream to support TAM's responsibility to deliver all projects and programs under Measure AA cost-effectively and in a timely manner.
- The reserve should be taken off-the-top of the entire revenue stream for fairness to all funding recipients.
- The TAM reserve can be applied to any category that is in need of the reserve for the purposes declared, including project funding contingencies and to ensure a cushion if an economic decline occurs.
- The existing reserve should not be distributed before the new reserve begins to build up. The existing reserve should be released at a ratio of 1:1 as the new reserve is accumulated.
- 5% of total receipts for a term of 5 years is the quickest way to build up the reserve, release the Measure A reserve, and follow precedent from the original Measure A reserve policy.

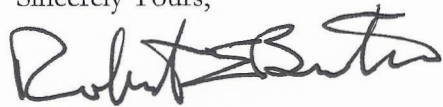
The COC also took the time to review Marin Transit staff's concerns and comments during the meeting. Almost all COC members, through their service on the COC as well the Expenditure Plan Advisory Committee, were aware of Marin Transit's funding share change from Measure A to Measure AA, and the off-the-top major road commitment. Since the Marin Transit staff members were closely involved in the development and review of both the Measure A and Measure AA Expenditure Plans, the COC was surprised to read in Marin Transit's Comment Letter from May 23, 2019, that Marin Transit staff was not aware of those important changes and the potential impacts on its agency's near-term funding picture.

The COC also discussed the \$27.6 million in reserve that Marin Transit is holding according to its Draft FY2019-20 Annual Budget. The COC believes that Marin Transit's current reserve level could reduce or eliminate the impact of the reduced allocation from the renewed Highway Category as well as the temporary impact of TAM building a 5% reserve over 5 years. Marin Transit will also receive additional allocations when the existing Measure A reserve is released to each strategy in line with its funding share.

With the support of the TAM Board, the COC has been a key part of sound and prudent fiscal management of TAM's sales tax revenues and expenditures over the last fifteen years. The quality and fiscally responsible work of the TAM staff has provided TAM with a positive financial management record over the last decade plus. The COC members believe the recommended actions are key to the continuing cost-effective fiscal management of the sales tax fund and are the most responsible way to manage the taxpayers' money.

If you have any questions, please feel free to reach out to me as I have been designated as the authorized spokesperson for the COC on this matter.

Sincerely Yours,



Robert E. Burton
Vice-Chairperson
Citizens' Oversight Committee for Measures A/AA & B