



**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

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## **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
<b>Strategy 1 Transit</b>	<b>59.46%</b>	<b>\$3,197,186</b>
<b>Strategy 2 Hwy 101 Gap Closure</b>	<b>0.00%</b>	<b>\$0</b>
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%	
<b>Strategy 3 Local Infrastructure</b>	<b>28.64%</b>	<b>\$1,539,983</b>
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
<b>Strategy 4 Safe Routes to Schools</b>	<b>11.90%</b>	<b>\$639,867</b>
	<b>100.00%</b>	<b>\$5,377,037</b>