Item 7 - Attachment D

Measure AA Strategic Plan Revenue and Expenditure Component Update

TAM Funding, Programs & Legislation Executive Committee

June 8, 2020

TAM
Transportation Authority of Marin

Background

- The Measure AA Expenditure Plan directed TAM to prepare a Measure AA Strategic Plan
- Identifies the revenues, priorities for projects and the dates for project implementation based on project readiness
- Strategic Plan was prepared and adopted by the TAM Board in June 2019
- Strategic Plan will be updated every other year and the Revenue and Expenditure Component will be updated annually

Background (cont.)

- Revenue and Expenditure Component updates the revenue forecast and reviews the cash flow needs of each project and program to determine reimbursement schedule

- Because of COVID-19 and the Shelter in Place (SIP) Order, different revenue scenarios were developed this year to determine their impacts to projects and programs in the Strategic Plan, particularly in the near term.

Revenue Collection

- Prior to COVID-19 and the SIP Order, collection of sales tax revenues was predictably experiencing average annual growth of approximately 3% in the last decade

- How much decrease in sales tax collection caused by COVID-19, and for how long, are still unknown and may not be clear for years to come

Revenue Collection (cont.)

Three scenarios on revenue collection were developed to compare with the revenue forecast adopted by the TAM Board in June 2019:

- Best Case Scenario: assumes that the reopening of the economy will go smoothly without major setbacks and the economy will start to recover by the end of the year, with some future fluctuation
- Moderate Case Scenario: assumes that the reopening of the economy will experience some major setbacks and the need to return to SIP again, recovery starts in 2-3 years
- Worst Case Scenario: assumes that there will be a major second wave of COVID-19 this year, and all social and economic damage becomes long term as the nation goes into a great recession worse than 2008 and will need up to 5 years to start the recovery

Revenue Collection (cont.)

Table 1: Comparison of Revenue Scenarios

		FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	30 Year Total
June 2019 Adopted	Growth	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
	Revenue	$27.50	$28.19	$28.89	$29.61	$30.35	$31.11	$31.89	$1,200
Best Case Scenario	Growth	0.0%	0.0%	-2.5%	-2.5%	3.0%	3.0%	3.0%	
	Revenue	$27.50	$27.50	$26.81	$26.14	$26.93	$27.73	$28.57	$1,152
Moderate Case Scenario	Growth	0.0%	-10.0%	-5.0%	-2.5%	3.0%	3.0%	3.0%	
	Revenue	$27.50	$24.75	$23.51	$22.92	$23.61	$24.32	$25.05	$1,015
Worst Case Scenario	Growth	0.0%	-15.0%	-5.0%	-5.0%	-2.5%	0.0%	3.0%	
	Revenue	$27.50	$23.38	$22.21	$21.10	$20.57	$20.57	$21.19	$871

Measures to Address Revenue Decline
- Reserve Funds

- Reserve Funds – Normally 5% taken off the top of Measure A/AA revenues
- Currently $5.4 million available to offset the decline in revenue to maintain the $27.5 million commitment in FY20/21 and reduce the negative impacts in future years
- Recommend no collection off-the-top of Measure AA Reserve Funds for any years that experience zero or negative growth

Measures to Address Revenue Decline
- Reserve Funds (cont.)

Table 2 – Potential Use of Reserve Funds - $5.4 Million Available							
		FY 20/21	**FY 21/22**	**FY 22/23**	**FY 23/24**	**FY 24/25**	**Remaining Reserve**
June 2019 Adopted	Revenue	$28.19	$28.89	$29.61	$30.35	$31.11	
	Reserve	-	-	-	-		$5.4
Best Case Scenario	Revenue	$27.50	$26.81	$26.14	$26.93	$27.73	
	Reserve	-	$0.69	$1.36	$0.57		$2.78
	Total	$27.50	$27.50	$27.50	$27.50	$27.73	
Moderate Case Scenario	Revenue	$24.75	$23.51	$22.92	$23.61	$24.32	
	Reserve	$2.75	$2.65				0
	Total	$27.50	$26.16	$22.92	$23.61	$24.32	
Worst Case Scenario	Revenue	$23.38	$22.21	$21.10	$20.57	$20.57	
	Reserve	$4.12	$1.28				0
	Total	$27.50	$23.49	$21.10	$20.51	$20.57	

Measures to Address Revenue Decline
- Reserve Funds (cont.)

How reserve funds can be released:

- Option 1: Distribute in proportional shares in accordance with the Expenditure Plans

- Option 2: Only release to strategies/categories that have needs during this challenging time and to funding recipients that can commit to a reasonable repayment schedule

Measures to Address Revenue Decline
- Interest Funds

- Expected by June 30, 2020, an estimated total of $6.26 million of interest funds earned
- $4.53 million will have been spent or programmed to various projects, leaving $1.73 million available
- Interest funds can be programmed to allowable expenses authorized by Measure A/AA at the discretion of the TAM Board

Measures to Address Revenue Decline

- Interest Funds (cont.)

- Interest funds have been used judiciously in the past as emergency funds to fund shortfalls for projects and programs that have no other recourse
- The TAM Board has the discretion to program Measure A/AA Interest Funds to offset the decline in Measure AA revenue collection
- Staff recommends maintaining the past practice of holding the remaining interest funds for emergency use only – essentially an emergency reserve

Impacts to Programs and Projects
-Transit

- Receives 55% of the available Measure AA funds after various off the top expenses have been deducted
- Any revenue decline would impact the transit category the most in terms of dollar amount

Impacts to Programs and Projects
-Transit (cont.)

If no use of reserve funds:

- Approximately 16% drop in FY 20/21 between Adopted and Worst Case Scenario
- Approximately 21% drop in FY 21/22 between Adopted and Worst Case Scenario

Transit - FY 20/21and FY21/22 Revenue ($ millions)				
	June 2019 Adopted	Best Case	Moderate Case	Worst Case
Total FY 20/21	$12.5	$12.9	$11.5	$10.8
Total FY 21/22	$12.9	$12.6	$10.9	$10.2

Impacts to Programs and Projects
- Local Infrastructure

- Funds are distributed upfront to sponsors at the beginning of the fiscal year, based on revenue collected in prior year; not reimbursement based
- Therefore under all three scenarios, the FY20/21 allocations are the same, since based on FY19/20 collections
- FY 21/22 allocations will start to differ under the three scenarios

Impacts to Programs and Projects
- Local Infrastructure (cont.)

- If no use of reserve funds:
  - Difference between June 2019 Adopted revenue and Worst Scenario is approximately 8.5% in FY 21/22
  - Difference between June 2019 Adopted and Worst Case Scenario is approximately 41% in FY 26/27

- Near term appears manageable but long-term drastic revenue losses could cause severe setbacks to the program and negative impacts on PCI gains

Impacts to Programs and Projects – *Safe Routes to School Program*

- Current contract is entering the final year and existing carryovers are sufficient to fund current contract to term
- Scope for next contract will be developed to fit the available funds; will bring approaches and options at later time for consideration

Table 7 – Safe Routes to School Program

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
June 2019 Adopted	$729,569	$751,767	$774,520	$797,841	$876,194
Best Case Scenario	$756,038	$733,179	$710,891	$689,846	$715,292
Moderate Case Scenario	$664,601	$623,454	$603,909	$585,455	$607,768
Worst Case Scenario	$618,882	$580,021	$543,103	$525,567	$525,567

Impacts to Programs and Projects
– Crossing Guard Program

- Largest Measure AA Program managed by TAM
- Sufficient carryover available to maintain current level of guards for FY20/21; after FY 20/21 may need to implement program changes to address funding decline, will bring approaches and options at later time for consideration

Table 8 – Crossing Guard Program

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
June 2019 Adopted	$1,459,139	$1,503,534	$1,549,039	$1,595,682	$1,752,389
Best Case Scenario	$1,512,076	$1,466,357	$1,421,782	$1,379,693	$1,430,584
Moderate Case Scenario	$1,329,201	$1,246,907	$1,207,818	$1,170,909	$1,215,537
Worst Case Scenario	$1,237,764	$1,160,042	$1,086,206	$1,051,134	$1,051,134

Impacts to Programs and Projects

- Other Projects and Programs

- Such as the Marin-Sonoma Narrows (MSN) Project, Highway 101/I-580 Connector, Local Interchange Enhancement Projects, Safe Pathway Programs, and others.

- Revenues for category will decline as per scenarios, but most projects can be delivered by seeking other funds, managing cash flow, and reducing scope as a last resort

Measure A Funds and Strategic Plan

- Unspent Measure A funds remain from uncompleted projects, including Measure A Interest funds
- Small Measure A revenue collection from period prior to April 1, 2019 will continue to come in, probably in the next few years with collection/allocation adjustment and cleanup
- Measure A funds are kept separate from Measure AA funds
- Staff proposes to merge the Measure A fund information with the Measure AA fund information in one Strategic Plan with full update in 2021

Next Steps

- Present revenue scenarios to the Board for review and consideration at its June 25 Meeting
- Evaluate longer term (beyond FY 20/21) program impacts in more detail and bring back options for consideration, particularly
  - ✓ *Safe Routes to School Program*
  - ✓ *Crossing Guard Program*
- Work closely with transit operators and local jurisdictions to understand the potential impacts and how TAM can help during the challenging time as the funding agency
- Monitor the revenue and economic recovery closely and return with regular updates

Questions