



**MARIN TRANSIT**

**FINANCIAL MANAGEMENT POLICIES**

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## 1 GENERAL INFORMATION

### 1.1 Organization Background

The Marin County Transit District (Marin Transit or the District) is a special district created by the authority of the Marin County Transit District Act of 1964. Marin Transit’s purpose is to develop, finance, organize, and provide local Marin County transit service. Revenues are derived principally from property taxes, local tax measures, state and federal grants, transportation contract revenue, and transit fare revenue.

Marin Transit is governed by a Board of Directors comprised of the members of the Board of Supervisors of the County of Marin (the County) and two members chosen from city council persons or mayors of cities within the county. Marin Transit is a component unit of the County because the County controls Marin Transit’s Board of Supervisors and may impose its will on the district.

#### 1.1.1 Measure A/AA

On November 6, 2018, Marin County voters passed Measure AA, a renewal to the county’s ½-cent transportation sales tax and new expenditure plan. The first ½-cent sales transportation sales tax (Measure A) was a 20-year measure passed in 2004 to provide local funding and investment for transportation infrastructure and programs. Under the sales tax expenditure plan, fifty-five percent (55%) of Measure AA is available for local transit service. The Transportation Authority of Marin (TAM) is the transportation sales tax authority in Marin County. TAM makes Measure AA funding available to Marin Transit based on projections, and adjusts future year balances to account for actual sales tax receipts. Marin Transit requests Measure AA funds on a reimbursement basis and does not carry an unspent balance of these funds.

#### 1.1.2 Measure B

In 2010, Marin County voters approved Measure B, the vehicle registration fee initiative that collects \$10 annually for each vehicle registered in Marin for the purpose of improving transportation within the County. The Measure B expenditure plan designates thirty-five percent (35%) of the funds generated to be used to fund senior and disabled transportation services in Marin, and Marin Transit is the designated agency to manage this component. Marin Transit requests Measure B funds from TAM on a reimbursement basis and does not carry an unspent balance of these funds.

### 1.2 Basis of Accounting

Marin Transit’s resources are allocated to and accounted for in the financial statements as an enterprise fund type of the proprietary fund group. Enterprise funds are accounted for on a flow of economic resources measurement focus. Marin Transit also uses the accrual basis of accounting, recording revenues when earned, and recording expenses at the time the liability is incurred. Grant revenue is

recognized when program expenditures are incurred in accordance with program guidelines. Proprietary funds further distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is Marin Transit's policy to use restricted resources first then unrestricted resources as they are needed.

### 1.3 Reserve Balance<sup>1</sup>

Marin Transit maintains an unrestricted reserve consisting primarily of property tax revenues. The District is dependent on many diverse funding sources for the operation of its services that are subject to state and federal funding availability and administrative processes. The reserve balance is essential to mitigate current and future risk of revenue shortfalls and unanticipated expenditures. The following reserve balance policy provides parameters on desired levels and uses of unrestricted reserve funds. The reserve balance levels are defined to minimize disruptions to the District's services due to fluctuation in funding and in accordance to the Government Finance Officers Association (GFOA) recommendations.

The District shall strive to maintain a reserve balance equivalent to a minimum of two months and up to a maximum of six months operating expenses based on the adopted budget.

Any reserve balance equal to but not exceeding two months operating expenditures is defined as the **emergency reserve**. The emergency reserve will be available for use during prolonged revenue shortages to sustain District operations until service reductions, program cuts, or fare increases are made to reestablish a balanced budget and restore the emergency reserve.

Any reserve balance greater than two months of operating expenditures, but less than four months of operating expenditures, is defined as the **contingency reserve**. The contingency reserve is available to maintain current service levels during short-term periods of declining revenue or slower than anticipated revenue growth.

When the emergency reserve is fully funded and the contingency reserve is funded with the equivalent of at least two months of operations funds, the District may fund a **capital reserve** through the budgeting process. The capital reserve is available to provide resources for high priority capital projects or grant matching funds. The reserve is designed to reduce the District's future needs for borrowing or bonding for large capital projects. With Board approval, capital reserve funds can be transferred to the contingency reserve or the emergency reserve if these funds fall below the target levels.

If, for a prolonged period, the total reserve balance held in emergency and contingency reserves exceeds six months of operating expenditures, Marin Transit will consider options such as, but not

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<sup>1</sup> This policy supersedes the previous Board adopted Reserve Policy #11001, originally adopted 9/20/2010.

limited to: expanding transit service or decreasing fares in an effort to provide the optimal level of transit service and benefits to Marin County.

#### **1.4 Internal Control**

Marin Transit organizes and assigns work duties and responsibilities so that no single employee performs a complete accounting cycle. In addition, established procedures require proper authorizations by designated officials for all actions taken.

#### **1.5 Records and Reports**

Marin Transit keeps and maintains complete and accurate financial records and prepares required reports in accordance with the uniform system of accounts and records adopted by the Controller of the State of California. Financial statements are generated and presented to the Board on a quarterly basis to allow the Board an opportunity to review Marin Transit's financial status and provide fiscal and operational accountability.

#### **1.6 Accounting Software**

Marin Transit utilizes project-based fund accounting software to record and report on revenues and expenditures. The accounting software used by Marin Transit must have the ability to restrict user access to allow for appropriate segregation of duties and multiple approval layers. The accounting software must also maintain an edit-proof audit trail. Accounting software user rights are granted by the Director of Finance.

#### **1.7 Cash**

Marin Transit maintains both operating and investment accounts. Transfers between accounts are initiated by accounting staff and approved by two approval tiers. Cash reconciliations are performed on a monthly basis for each account by the Accounting Manager and approved by the Director of Finance and General Manager.

1. Operating Accounts – Operating funds are currently held in Marin Transit's bank account at the Bank of Marin. Online access to these accounts is limited to finance staff and the General Manager. Online access is further controlled by bank procedures. Any action taken within the bank's online system requires two users to authorize the transaction. Marin Transit maintains three operating accounts:
  - a. Primary Operating Account: All day-to-day cash receipts and disbursements are processed through this account.
  - b. Transactional Operating Account – This account is used to segment more frequent transactional receipts from the districts credit card processing portals that customers use for the purchase and payment of transit passes and other fare media.
  - c. Money Market Account: This is an interest bearing account and will be used to hold operating funds when not immediately needed for disbursements. The account will provide an option for the District to receive interest while retaining liquidity.

2. Investment funds – Investment funds are currently held with the County of Marin (the “County”) as a separate fund within their accounting system. Access to the County’s accounting system is limited and governed by the County’s Information Technology Department.

## **1.8 Investment Policy**

It is the policy of Marin Transit to invest all public funds in accordance with the following goals:

- Compliance with all applicable laws, statutes, ordinances, and regulation requirements
- Preservation of capital
- Liquidity to meet required cash demands
- Maximization of income

Investment funds are held by the County, and as such, follow the investment policy of the County as written<sup>2</sup>.

All funds not required for near-term cash flow are retained in the investment account. Marin Transit strives to maintain in the investment account all funds in excess of those needed to meet current monthly operating and near-term capital expenditures. When the funds in the operating account exceed seven million dollars (\$7,000,000), the excess amount will be transferred to the investment account. When the funds in the operating account fall to less than three and a half million dollars (\$3,500,000), funds will be transferred in from the investment account to bring the operating account balance up to approximately five and a half million dollars (\$5,500,000). Transfers will be made between accounts in one hundred thousand dollar (\$100,000) increments. Exceptions to these balances may be made by staff when there are anticipated expenditures or deposits, within three to four weeks, which will significantly affect the operating balances.

## **2 REVENUES**

### **2.1 Grants**

It is the responsibility of the Director of Finance to oversee applications for all applicable federal, state, and regional funding grants and to account for funds and maintain records in accordance with grantor requirements.

### **2.2 Invoicing and Accounts Receivable**

Unless otherwise stipulated by contract or necessity, Marin Transit invoices for accounts receivable on a quarterly basis. The Marin Transit Board approves all amounts determined to be uncollectible and written off.

### **2.3 Fare Collection**

Marin Transit utilizes the services of multiple contractors to operate transit services. At the initiation of each contract, and throughout the life of the contract, Marin Transit works with each contractor to

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<sup>2</sup> County of Marin STATEMENT OF INVESTMENT POLICY; Department of Finance; Roy Given, Director

ensure that procedures are in place for processing fares to ensure secure cash handling. Marin Transit monitors the fare revenues collected and periodically audits each contractor based on farebox revenue reports generated by the electronic fare registering farebox equipment, ridership data, or historical trends.

## **2.4 Sale of Fare Media**

Sale of Marin Transit fare media is authorized through multiple outlets, including the Marin Transit administration office. Each outlet has procedures in place for tracking and reporting pass sales. Marin Transit periodically audits pass sales against revenues received and pass inventory.

## **2.5 Payment Receipts**

Marin Transit maintains a check receipt log to monitor incoming payments by check. This log is cross-referenced by two separate staff members to ensure accountability. Funds are also received directly to Marin Transit's bank account by electronic funds transfer (EFT). The Director of Finance regularly monitors the accounts receivable balance and inquires directly with grantors or partner agencies regarding past due balances.

# **3 EXPENDITURES**

## **3.1 Invoice Processing**

Invoices are processed by Finance Department staff, and approved by the staff member at Marin Transit who can best verify the validity of the invoiced amount. Typically, approving an invoice indicates verification that the goods or services invoiced have been received or provided. Expenditure authority is governed by Marin Transit's procurement policy.<sup>3</sup>

## **3.2 Employee Expenses**

Employees requesting reimbursement for personal expenditures must do so by submitting a Marin Transit expense report.

Documentation, generally in the form of a receipt, is required for all expenditures itemized on the expense report other than mileage. Mileage reimbursement rates are set by the Internal Revenue Service (IRS) and updated annually. Any employee-claimed expense that is found to not be for Marin Transit business will be rejected. Expenditures that have not been pre-approved may also be rejected.

Examples of typical reimbursable expenses include (but are not limited to): mileage, transportation, lodging, meals, conference fees, memberships, tolls, and supplies. Meals are reimbursed on actual expenses only, in an amount not to exceed the U.S. General Services Administration (GSA) rates for per diem & incidental expenses in the location of the expenditure in the given year.<sup>4</sup>

Expense reports are available from the Finance Department, and are to be completed as soon as possible after the expenditure. Expenses are to be reported at least monthly and any expense over two

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<sup>3</sup> Marin Transit Procurement Policies and Procedures, Policy #PU-02, effective 4/30/12

<sup>4</sup> <http://www.gsa.gov/portal/category/100120>

months old may be rejected. Expenditures for alcoholic beverages cannot be reimbursed due to federal government regulations. Each expense report is to be signed and dated by the employee completing the report.

### 3.3 Credit Cards

Management Employees may be provided with a Marin Transit Credit Card. Marin Transit Credit Cards may only be used for Marin Transit expenses and may not be used for expenses of a personal nature.

#### 3.3.1 Responsibilities

- a. Individuals holding Marin Transit credit cards are responsible for:
  - Using the cards only for their intended purpose
  - Submitting receipts and providing explanations for all credit card transactions
  - Notifying the appropriate authority if the credit card is lost or stolen
- b. Operating managers/supervisors are responsible for:
  - Limiting the use of credit cards to those employees who require a card for Marin Transit business
  - Reviewing and authorizing credit card statements used by their employees
- c. The Finance Department is responsible for:
  - Issuing new and replacement cards
  - Ensuring that all credit card transactions are properly authorized
  - Processing payments for credit card statements on a timely basis
  - Implementing purchase limits for individual cards

#### 3.3.2 Purchase Limits

The spending limit for each Marin Transit credit card is determined by the cardholder's position at Marin Transit, as follows:

Title	Single Purchase Limit	Total Monthly Credit Limit
General Manager	\$10,000	\$20,000
Director of Finance	\$5,000	\$20,000
Other Management Employees	\$5,000	\$10,000

Splitting a single purchase into multiple transactions to avoid the single purchase limit is specifically prohibited.

Purchases of \$3,000 or greater must be purchased using price quotes. Please refer to Marin Transit's procurement policy.<sup>5</sup>

#### 3.3.3 Purchase Types

Credit card purchases are only to be made in the event that the vendor is not equipped to invoice Marin Transit and accept payment on Marin Transit's standard payment schedule. Examples of appropriate credit card use are: on-line purchasing, traditional retail outlets, and travel expenses such as airfare, hotels, and restaurants.

All transactions of a personal nature are prohibited, including (but not limited to) the following:

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<sup>5</sup> Marin Transit Procurement Policies and Procedures, Policy #PU-02, effective 4/30/12



- Airphone
- Bail and bond payments
- Betting, casino gaming chips, off track betting
- Cash advance
- Court costs, alimony, child support
- Direct marketing insurance services
- Fines
- Foreign currency, traveler's checks
- Government loan payments
- Overpayments
- Personal purchases
- Political organizations
- Religious organizations
- Savings bonds
- Security brokers/dealers
- Tax payments
- Timeshares
- Wire transfer or money order

Use of Marin Transit Credit Cards for any of these prohibited transactions may result in disciplinary action up to and including dismissal. It may also result in the expenses being deducted from the employee's pay check. Any card holder's failure to comply with these policies (i.e. – repeated instances of lost receipts) will result in the loss of access to a Marin Transit credit card.

## **4 PAYROLL**

Marin Transit employees are hired directly by Marin Transit. The Director of Finance oversees the payroll process within the accounting software. Employees are paid on a semi-monthly basis. The General Manager indicates approval of the payments by creating the electronic payment file in the accounting software. The electronic payment file is then uploaded to the bank's online system, which requires two approvers.

Payroll tax reports and payments are generated according to the timelines established by the State of California and the Internal Revenue Service. Payments are processed electronically and recorded to the accounting software in the same manner as other vendor payments.

Policies regarding retirement, benefits, and other employment-related guidelines can be found in Marin Transit's personnel policy.<sup>6</sup>

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<sup>6</sup> Marin Transit Personnel Policies and Procedures, Policy, for Board approval on 6/23/14

## **5 FIXED ASSETS**

Fixed assets are governed by Marin Transit's fixed asset policy.<sup>7</sup>

## **6 INDIRECT COST RATE PROPOSAL**

In order to provide for the reasonable and consistent allocation or distribution of costs to its various grants and funding programs, Marin Transit develops an Indirect Cost Rate Proposal (ICRP) annually. The ICRP is designed in accordance with 2 CFR Part 200<sup>8</sup> and is approved by the Federal Transit Administration (FTA). Indirect costs are applied only upon receipt of the approved ICRP from FTA.

## **7 PURCHASING & CONTRACTS**

Purchasing and contracts are governed by Marin Transit's procurement policy.<sup>9</sup>

## **8 BUDGET ADMINISTRATION**

### **8.1 Annual Budget Adoption**

The Marin Transit Board of Directors adopts an annual budget for Marin Transit's fiscal year starting July 1 and ending June 30. Under the direction of the Director of Finance, staff develops a balanced budget for the Board of Directors that provides sufficient and sustainable funding for local transit service needs using the following guidelines:

- Maintain adopted reserve level
- Preserve a balance of revenues and expenditures over a ten-year horizon
- Provide for Short Range Transit Plan (SRTP) adopted service levels
- Allow for innovative growth

The Board adopts the annual budget for the coming fiscal year no later than the June Board of Director's meeting.

### **8.2 Budget Amendment**

Budget control occurs at the total cost center level (Administration, Local, Rural, Special, Capital). Deviation from budgeted line item amounts are acceptable as long as the total cost center expenses do not exceed the budget authority.

Budget authority transfers between cost centers require General Manager approval and must be made such that total budget expenditures are not exceeded.

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<sup>7</sup> Marin Transit Fixed Asset Management Policies and Procedures, Policy #FA-01, effective 4/18/11

<sup>8</sup> Updated in Revision 2 of Policy from Circular A-87, effective 5/7/2018

<sup>9</sup> Marin Transit Procurement Policies and Procedures, Policy #PU-02, effective 4/30/12

In the event that overall expenditures are anticipated to exceed the approved annual budget authority, Board of Directors' approval is required prior to incurring the expense. Requests for budget amendments must include adequate supporting documentation and identification of available revenue to support the expenditure. If circumstances require immediate action, the General Manager may act in place of the Board of Directors but must present the expenditure to the Board of Directors at the next possible opportunity.

All budget amendments are reported to the Board quarterly, as part of the quarterly finance reports.