



Memorandum

DATE: 04.28.2023
TO: Prop L Project Sponsors
FROM: Anna LaForte, Deputy Director for Policy and Programming
SUBJECT: Guidance for Development of the 2023 Prop L 5-Year Prioritization Programs

This memo describes the process for developing the first Prop L 5-Year Prioritization Programs (5YPPs) and provides guidance to project sponsors on the materials that they are required to prepare. The inaugural 5YPPs will cover Fiscal Years (FYs) 2023/24 to 2027/28. The memo is organized into the following sections:

- Purpose of 5YPPs
- Overview of the 2023 5YPP Development Process
- Required Elements of the 5YPP Document
- Schedule
- Resources

PURPOSE OF 5YPPS

Development of the 5YPPs is the process by which the Transportation Authority Board identifies the projects to be funded with Prop L funds over the next 5-year period. The 5YPPs provide transparency about how the projects are selected and they give the Board and the public an opportunity to provide input early in the project development process. When the Board adopts the 5YPPs, it creates programming commitments for the specific projects to be funded over the next five years. These multi-year project lists enable project sponsors to plan ahead and facilitate their ability to secure other funding sources to fully fund projects and line up staff and other resources to support project delivery. Transportation Authority Board approval of a Strategic Plan (described in next section) and the relevant 5YPP is a prerequisite for allocation of funds from any Expenditure Plan (EP) program.

OVERVIEW OF THE 2023 5YPP DEVELOPMENT PROCESS

As established in the Prop L EP, each 5YPP is developed by the Transportation Authority working in close collaboration with project sponsors eligible for Prop L funds in each EP program, as well as any other interested agencies. Input from the Board, sponsors, and the public inform the 5YPP process. Overall, the 5YPP development process for Prop L is very similar to that for its predecessor, Prop K. Key differences include integrating several new or



revised criteria into the project prioritization process, such as project benefits to disadvantaged communities, and requiring the Transportation Authority to report at least once every five years on the citywide geographic distribution of sales tax allocations, and the distribution of projects located in Equity Priority Communities and/or benefiting disadvantaged populations. Sponsors should consider this as they develop the 5-year list of projects.

Prop L Strategic Plan Baseline. The first step in establishing the 5YPPs is establishing the Strategic Plan Baseline. The Strategic Plan is the main tool used for the day-to-day implementation of the EP. It provides transparency and accountability about how we administer the sales tax, and it serves as a key financial planning tool for the sales tax program. There are three main components to the Strategic Plan. First it establishes **policies** for the administration of the measure. We don't expect any significant changes to the Prop L policies, including core policies such as allocating funds to one phase at a time, functioning as a reimbursement-based program, assigning financing costs to the programs advancing funds, and requiring proportional spending of Prop L and non-Prop L funds, to the extent possible. These policies directly inform project sponsor proposed programming and cash flow in the 5YPPs and are critical cash management tools that we use to minimize financing costs for the overall program while seeking to have funds ready when sponsors need them to support project delivery. Second, it establishes the **sales tax revenue forecast** for the 30 years of the measure. The revenue estimates in the Strategic Plan reflect the best available data to capture current economic conditions and expectations for growth of the sales tax. Given the changes in economic conditions since the revenue projections for the EP were established in July 2021, we will be lowering projected revenues in the 2023 Strategic Plan. And finally, it includes **expenditures** such as the cost to administer the program, and funding for projects, including any debt that may be needed to advance project delivery faster than pay-as-you-go would support.

In the Strategic Plan Baseline, we use the Strategic Plan financial model to establish the amount of sales tax revenues that will be available on an annual basis to each of the Prop L programs based on their proportional share of available revenues established in the Expenditure Plan. This sets the baseline, pay-as-you-go annual funding levels for each program. Project sponsors can then use this information when identifying their proposed lists of projects to fund in the next five years as part of 5YPP development. Through the 5YPP process, project sponsors can make requests to advance sales tax funds for specific projects, as needed to support project delivery. Financing costs will be assigned proportionately to the Prop L program or programs advancing funds which will reduce the funds available for direct project costs in the relevant program(s).

There are five exceptions to the pay-as-you-go programming approach in the Strategic Plan Baseline where we are proposing to advance programming from the get-go. This is driven



by time sensitive programming needs for two of the Prop L Major Transit Projects: the Transbay Joint Powers Authority (TJPA) Caltrain Downtown Extension Project (\$300 M in 2020\$s) and BART's Core Capacity project (\$100 M in 2020\$s). TJPA and BART are requesting advancement of the maximum amount of sales tax funds for their respective projects to the first 8 years of the 30-year period. In order to provide a more realistic financing cost scenario for these projects, while ensuring we can meet other programs' requests for advancement of funds, we are also including accelerated programming and cash flow schedules in the Strategic Plan Baseline for three other programs. The 5 programs which will have accelerated programming and expenditure of sales tax funds are listed below along with a brief explanation:

- **Caltrain Downtown Rail Extension (DTX):** By August 2023, TJPA needs to demonstrate a commitment of 50% of non-Capital Investment Grant (CIG) funds for the project to meet the next Federal Transit Administration's (FTA) CIG program milestone. TJPA needs to have a firm programming commitment, but not allocation of funds by this time. The project is seeking more than \$3.3 billion in Federal CIG funds.
- **BART Core Capacity:** BART is requesting a programming commitment of the maximum amount of Prop L funds available (\$100 M in 2020\$s) in order to request allocation of funds as soon as September 2023 to enable it to exercise an option on its railcar replacement contract. Exercising the option in October 2023 is needed to avoid a break in the production line and lock in the current contract price.
- **Paratransit:** As contemplated during the EP development process, SFMTA has expressed an interest in advancing paratransit funding with an annual inflationary increase until funding runs out to provide stability for this key program.
- **Muni Maintenance:** This program is more than double the size of any other Prop L program so it has an outsized impact on program-wide cash needs. Given that and since SFMTA has indicated it will seek advancement of funds in this program, we are proposing to include placeholders for advanced programming and expenditures of sales tax funds in the Strategic Plan Baseline.
- **Caltrain Maintenance:** Caltrain has requested a relatively modest advancement of funds in order to support development of multi-year budgets and corresponding commitments from funding partners. With \$100 M in 2020\$s in the EP, it is one of the larger programs.

3 Rounds of 5YPP Adoption. While the Strategic Plan presents the overall 30-year revenues and expenditures picture, the 5YPPs focus on the specific projects to be funded over the next five years in each EP program. As we work with sponsors to develop draft 5YPPs that identify projects along with the Prop L cash flows, we will make corresponding changes to the Strategic Plan expenditures and financing assumptions, ensuring that programs remain



within their EP caps or maximum amounts. This is necessarily an iterative process where we work closely with project sponsors as the timing of cash flow needs in each of the EP programs has an impact on the amount of financing needed.

The schedule (Attachment 1) for 5YPP for adoption allows for 3 rounds of Board approvals recognizing that some 5YPPs may take a bit longer to develop (e.g., for new and substantially revised programs) and that there are limitations on sponsor resources. Round 1, which we will present to the CAC in June and Board in July, prioritizes approval of 5YPPs for a small group of programs where sponsors have indicated they have an urgent need for Prop L allocations at the beginning of the fiscal year. These programs include Street Resurfacing, Rehabilitation, and Maintenance (street cleaning equipment portion); Pedestrian and Bicycle Facility Maintenance (SFPW sidewalk maintenance); and the Neighborhood Transportation Program (program administration for a new cycle of funding available starting July 1, 2023). We are also prioritizing the Paratransit 5YPP for July Board action to provide stability for this annual program (starting July 1, 2023), as discussed above.

For Round 2, which we will present to the CAC in September and Board in October, we will take as many 5YPPs as are submitted timely and are complete. We anticipate that Round 3 would go to the Board for adoption in November. We anticipate adoption of the Final Strategic Plan in November 2023 after Board adoption of all 5YPPs. See the attached schedule for more detailed milestones and deadlines.

Public Outreach and Engagement. Transportation Authority staff will be conducting outreach to get specific input about which projects should be prioritized for Prop L funding over the next five years. We will gather feedback from the Board, CAC, public, and sponsors throughout the process to inform the Strategic Plan and 5YPPs. This outreach includes the following opportunities:

- May 4, 6 pm: Meeting for interested members of the former Expenditure Plan Advisory Committee who helped develop Prop L and representatives of equity-focused community-based organizations (virtual)
- May 25, 6 pm: Public Town Hall (virtual)
- Throughout May: online multi-lingual survey (we plan to share the link by May 5)
- Presentations at community group meetings, as requested
- CAC and Board meetings through the fall. See www.sfcta.org/events for the most up to date meeting schedules.

Sponsors are strongly encouraged to attend CAC and Board meetings where 5YPPs will be presented. Sponsors are welcome, but not required, to attend other outreach and public engagement meetings. The feedback that we receive will be shared with project sponsors



and integrated, as appropriate, into the 5YPPs. We will also post outreach summaries on our website and in Board materials.

REQUIRED ELEMENTS OF THE 5YPP

The 2023 5YPPs will cover FYs 2023/24 to 2027/28. In compliance with EP requirements, each 5YPP will include: a prioritization methodology that ranks projects within an EP program; a 5-year Program of Projects (or project list); Project Information Forms with information on scope, schedule, cost and funding (including non-Prop L funding); and performance measures. Project sponsors will be required to prepare and submit these materials to the Transportation Authority according to the schedule in Attachment 1. The 5YPP documents will also include a review of project delivery for previously funded sales tax projects to help inform funding decisions, and a summary of public outreach and engagement.

Project Delivery Report. The intent of this section is to provide transparency about the history of project delivery for projects funded through the sales tax program. Transportation Authority staff will prepare a list of projects and their status (e.g., completed or underway). This section provides project sponsors an opportunity to outline what agencies are doing to address program-specific challenges. In the 2023 5YPPs, the information will reflect the status of Prop K projects. In future 5YPP updates, this section will include the status of projects funded by Prop L.

Summary of public feedback. Transportation Authority staff will draft this section of the 5YPP. It will include a description of the public outreach and engagement that we conducted to inform the development of the 5YPPs, a summary of feedback heard, and how that feedback was integrated, as appropriate, into the documents.

Performance measures. The EP requires that each program identifies performance measures informed by the Congestion Management Program, such as increased system connectivity, increased transit ridership (net new riders), reductions in travel time for existing riders, system safety, vehicle miles traveled, and increased use of alternatives to the single-occupant automobile, along with a timeline for assessing the performance measures to inform the next 5YPP updates. Performance measures will be developed through collaboration between agencies and Transportation Authority staff.

Project Prioritization Methodology. The intent of establishing and documenting prioritization criteria and methodology is to provide the Transportation Authority Board, the public, and project sponsors with a clear understanding of how projects are prioritized for funding within an EP program. The prioritization criteria, included in Attachment 2, include the voter-approved EP required criteria - relative level of need or urgency (e.g. timely-use-of-



funds requirement for matching funds), cost-effectiveness, benefits to disadvantaged populations, level and diversity of community support – plus others that reflect key policies throughout the EP and which we use for many other sources we administer, such as project readiness, leveraging of additional sources of funding, and safety. Most programs also have additional criteria to inform priorities, such as improving transit reliability and travel time, or replacing assets at the end of their useful lives. We have shared the draft prioritization criteria and definitions with project sponsor staff and have integrated your feedback as appropriate.

Project sponsors will propose scores for their own projects by filling out the **Prioritization Criteria Scoring Tables**. Transportation Authority staff will review and adjust scores as needed to ensure consistency within a given program/sub-program and across all programs as applicable. We will look to the information provided in the Project Information Forms to support the scores.

5-Year Project List (Program of Projects). Project sponsors are responsible for submitting a 5-Year Program of Projects (Attachment 3) with the list of proposed Prop L projects over the 2023 5YPP period (FY 2023/24 - 2027/28) by EP program. The Program of Projects table will provide a summary of the proposed Prop L programming and cash flow needs by fiscal year for the relevant EP program. If sponsors wish to advance funds from later years of Prop L, we will first evaluate if advancing is warranted and then determine the financing costs associated with advancing the funds. Sponsors should consult the Strategic Plan Baseline to see how much funding is available through the end of the EP period in FY 2052/53.

Project Information Forms. Project sponsors shall provide a Project Information Form (Attachment 4) for each project to be included in the 5YPP. It should include detailed information on each project, including scope, schedule, cost estimates, and funding plan. Funding requests should be rounded to the nearest thousand. The Project Information Form needs to provide the back-up information to support the project scoring and any requests to advance funds. Transportation Authority staff will review the proposed Programs of Projects and PIFs for reasonableness and consistency with Prop L requirements. We reserve the right to not consider programming funds to projects if sponsors do not provide sufficient detail in the PIFs.

SCHEDULE

Attachment 1 shows the timeline for the Strategic Plan and 5YPP development process. We will convene meetings with relevant sponsors and interested parties to help develop guidelines for some of the new programs. We will also convene meetings for discretionary programs where multiple agencies are eligible for funds. As noted above, allocations may happen concurrently with or following adoption of the 5YPP for the relevant program.



RESOURCES

For more information or assistance with this process, please email PropL@sfcta.org or contact Suany Chough at 415.522.4830 or via email at suany.chough@sfcta.org or Mike Pickford at 415-522-4822 or via email at mike.pickford@sfcta.org. Please let Transportation Authority staff know immediately if you have any issues accessing the resources or completing the application.

Please visit the websites listed below for reference materials and templates.

1. [Prop L Transportation Sales Tax](https://www.sfcta.org/ExpenditurePlan) - general information about Prop L
<https://www.sfcta.org/ExpenditurePlan>
2. [Prop L Expenditure Plan](https://www.sfcta.org/sites/default/files/2023-04/2022_Expenditure_Plan_Clean.pdf) - detailed text of Prop L
https://www.sfcta.org/sites/default/files/2023-04/2022_Expenditure_Plan_Clean.pdf
3. [2023 5YPP Guidance and Templates](https://www.sfcta.org/2023-prop-l-5ypp-guidance-and-templates) - documents referenced in this memo
<https://www.sfcta.org/2023-prop-l-5ypp-guidance-and-templates>

Attachments

- Attachment 1: Schedule
- Attachment 2: Prioritization Criteria
- Attachment 3: Program of Projects Template
- Attachment 4: Project Information Form Template