

The Strategic Plan policies and procedures provide guidance to both Transportation Authority staff and project sponsors on the various aspects of managing a program as large and complex as Prop K. The Strategic Plan policies and procedures highlighted here address the allocation and expenditure of funds, in the policy context of the Transportation Authority's overall debt management structure, as well as clarifying the Transportation Authority's expectations of sponsors to deliver their projects. Many of the policies were carried over from the Prop B Strategic Plan, but the transition to a new Strategic Plan in 2005 provided the opportunity to update and improve upon prior policies, in addition to requiring the development of new policies to meet the new requirements and challenges of a new Expenditure Plan, which is not deliverable under the old pay-as-you-go approach. As part of this second update, we have continued to refine the policies with the benefit of the lessons learned during the last ten years.

In order to help structure our efforts, we used three guiding principles that are fundamental in ensuring implementation of the Expenditure Plan as approved by the voters:

- Optimize leveraging of sales tax funds
- Support timely and cost-effective project delivery
- Maximize cost effectiveness of financing

The full set of detailed policies and procedures guiding the Transportation Authority and project sponsors are as follows:

4.1 | OPTIMIZING THE LEVERAGING OF SALES TAX FUNDS

4.1.1 | NO SUBSTITUTION

Prop K funds will not substitute for another local fund source that has been programmed or allocated previously to a project or program.

4.1.2 | CERTIFICATION OF COMMITTED FUNDS

Prop K funds will be programmed and allocated to phases of projects emphasizing the leveraging of other fund sources. The sponsor will provide certification at the time of an allocation request that all complementary fund sources are committed to the project. Funding is considered committed if it is included specifically in a programming document adopted by the governing board or council responsible for the administration of the funding and recognized by the Transportation Authority as available for the phase at the time the funds are needed.

4.1.3 | REQUIRED MATCH CONSIDERATION

In establishing priorities in the Strategic Plan updates, 5YPP updates, and annual allocation actions, the Transportation Authority will take into consideration the need for Prop K funds to be available for matching federal, state, or regional fund sources for the project or program requesting the allocation or for other projects in the Expenditure Plan.

4.1.4 | PRIORITY FOR PROJECTS LEVERAGING FUNDS WITH TIMELY USE OF FUNDS REQUIREMENTS

Projects with complementary funds from other sources will be given priority for allocation if there are timely use of funds requirements outside of the Transportation Authority's jurisdiction applied to the other fund sources.

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4.1.5 | RTP CONSISTENCY

Projects shall be consistent with the RTP.

4.2 | SUPPORT TIMELY AND COST-EFFECTIVE PROJECT DELIVERY

4.2.1 | 5YPP APPROVAL

Prior to allocation of any Prop K funds, the lead agency will submit a 5YPP which includes clearly defined budgets, scopes and schedules for individual projects within the program, or a 5-year project delivery plan (for capital projects) which includes a clearly defined budget, scope and schedule consistent with the Strategic Plan for use of Prop K funds, for review and adoption by the Transportation Authority Board as provided for in the Expenditure Plan. Allocations may be made simultaneous to approval of the program of projects or plans, contingent on consistency with the Strategic Plan.

4.2.2 | ALLOCATION BY PHASE

Prop K funds will be allocated one project phase at a time, except for smaller, less complex projects, where the Transportation Authority may consider exceptions to approve multi-phase allocations. The Transportation Authority will also consider multi-phase exceptions for a project using Prop K as a local match for certain federal funds, where the administering agency combines planning, environmental, and design work into a one-phase allocation. Phases eligible for an allocation are as follows:

- Planning/Conceptual Engineering
- Preliminary Engineering/ Environmental Studies (PA&ED)
- Design Engineering (PS&E)
- Right of Way Support/Acquisition
- Construction
- Procurement (e.g. rolling stock)
- Incremental Operating and Maintenance
- Operations (e.g. paratransit operating support)

4.2.3 | OPERATIONS AND MAINTENANCE

Prop K funds may be allocated for operations and maintenance only as provided in the Expenditure Plan. The amount of funding for incremental operating and maintenance costs for eligible facilities and services will decrease linearly from 100% for the first year of operation to 0% for the tenth year. The first year amount of Prop K funds for incremental operation and maintenance costs for facilities and services that received Prop B funding will be equal to the Prop B amount shown in the 2003 Strategic Plan Update for Fiscal Year 2003/04.

4.2.4 | PREREQUISITE MILESTONES FOR ALLOCATION

Allocations of Prop K funds for specific project phases will be contingent on the prerequisite milestones shown in Table F-1 (see section 1 below). Exceptions will be considered on a case-by-case basis. Allocation requests will be made prior to advertising for services which will utilize Prop K funds.

- Prop K allocations for right-of-way and construction will be contingent on a completed environmental document. Consideration will be given to right-of-way acquisition prior to environmental document completion to respond to owner hardship, or to avoid significant cost increases due to impending development of the site. Allocations in these situations may be granted if the risk associated with the exception can be mitigated to an acceptable level and the exception is consistent with a cost-effective approach to delivering the project or program as required in the Expenditure Plan.

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- Prop K funds will be allocated for right of way capital and support only if the project has identified and committed construction capital funds. The Transportation Authority will consider exceptions whereupon investment in right of way can be recovered if the project does not go forward.

4.2.5 | PROJECT READINESS

Prop K funds will be allocated to phases of a project or to a program based on demonstrated readiness to begin the work and ability to complete the product. Any impediments to completing the project phase or program will be taken into consideration, including any pending or threatened litigation. The Transportation Authority will take into consideration any incomplete aspects of the previous phase of work prior to allocating the next phase.

4.2.6 | PROJECT READINESS

Project phases for which Prop K funds will be allocated will be expected to result in a complete work product or deliverable. Table F-2 located in the following section demonstrates the products expected to accompany allocations. Prop K funds will be allocated prior to the advertising for any equipment or services necessitating the expenditure of Prop K funds.

4.2.7 | ALLOCATION REQUEST PACKAGE

Allocations of Prop K funds will be based on an application package prepared and submitted by the lead agency for the program or project. The package will be in accordance with application guidelines and formats as outlined in the Transportation Authority's allocation request procedures, with the final application submittal to include sufficient detail and supporting documentation to facilitate a determination that the applicable conditions of this policy have been satisfied. The allocation request procedures are located on the Transportation Authority's website at www.sfcta.org under *Funding Opportunities*.

4.2.8 | RETROACTIVE REIMBURSEMENTS NOT ALLOWED

Retroactive expenses are ineligible. No expenses will be reimbursed that are incurred prior to Board approval of the sales tax allocation for a particular project or program. The Transportation Authority will not reimburse expenses incurred prior to fully executing a Standard Grant Agreement.

4.2.9 | INDIRECT EXPENSES NOT ALLOWED

Indirect expenses are ineligible. Reimbursable expenses will include only those expenses directly attributable to the delivery of the products for that phase of the project or program receiving a Prop K allocation.

4.2.10 | CONTRACT AWARD AND ENCUMBRANCE

Prop K allocations for construction capital and equipment purchase must be encumbered by the award of a contract within 12 months of the date of allocation. At the end of the project, Prop K allocations for the construction, construction engineering and equipment purchase phases must be drawn down within 12 months of the date of contract acceptance.

4.2.11 | REMAINING BALANCE REQUIRED TO SAME PROJECT FOR FUTURE PHASES

Unexpended portions of allocated amounts remaining after final reimbursement for that phase will be returned to the project's programmed balance if the project is not yet completed (e.g. future phases remain).

4.2.12 | REMAINING BALANCE RETURNED TO SAME CATEGORY

Upon completion of the project, including any expected work product shown in Table F-1, the Transportation Authority will deem that any remaining programmed balance for the project is available for programming to another project within the same Expenditure Plan line item.

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4.2.13 | COMMUNICATION

It is imperative to the success of the Prop K program that project sponsors of Prop K-funded projects work with Transportation Authority representatives in a cooperative process. It is the project sponsor's responsibility to keep the Transportation Authority apprised of significant issues affecting project delivery and costs. Ongoing communication resolves issues, facilitates compliance with Transportation Authority policies and contributes greatly toward ensuring that adequate funds will be available when they are needed.

4.3 | MAXIMIZE THE COST-EFFECTIVENESS OF FINANCING

4.3.1 | CASH FLOW DISTRIBUTION SCHEDULES

Under the approved Transportation Authority Fiscal Policy, Cash Flow Distribution Schedules consistent with project schedule are adopted simultaneous to the allocation action. The allocation resolution will spell out the maximum reimbursement level per year, and only the reimbursement amount authorized in the year of allocation will count against the Capital Expenditures line item for that budget year. The Capital Expenditures line item for subsequent year annual budgets will reflect the maximum reimbursement schedule amounts committed through the original and any subsequent allocation actions. The Transportation Authority will not guarantee reimbursement levels higher than those adopted in the original and any subsequent allocation actions.

4.3.2 | TIMELY-USE-OF-FUNDS REQUIREMENTS

Timely use of funds requirements will be applied to all Prop K allocations to help avoid situations where Prop K funds sit unused for prolonged periods of time, especially when the Transportation Authority is issuing debt in order to make those allocations. Annual allocations that are unspent may be deducted from the following year's allocation to avoid the unnecessary accumulation of unspent revenue and the untimely delivery of a product to the public. On the occasion of each Strategic Plan update or major amendment, envisioned no less frequently than every four years, the ability of sponsors to deliver their committed projects and programs will be taken into consideration when updating the programming of funds.

4.3.3 | PROPORTIONAL SPENDING

Other fund sources committed to the project or program will be used in conjunction with Prop K funds. To the maximum extent practicable, other fund sources will be spent down prior to Prop K funds. Otherwise, Prop K funds will be spent down at a rate relatively proportional to the Prop K share of the total funds programmed to that project phase or program.

4.3.4 | PRIORITY 1 VS. PRIORITY 2 FUNDING LEVELS

Allocations of Prop K funds for capital projects or annual activities will not exceed the total amount for the given program or project established in the Expenditure Plan as Priority 1 until such time as the latest Prop K Strategic Plan update cash flow analysis includes revenue forecasts that exceed the Priority 1 levels. At such time as the revenue forecasts exceed the Priority 1 levels, the Transportation Authority may allocate Priority 2 revenues within a given subcategory up to the lesser amount of either the category percentage cap, or the program or project dollar amount caps established in the Expenditure Plan for Priority 2.

4.3.5 | PRO-RATA (1/30TH) SHARE

The baseline of funding that any program or project can expect from Prop K cannot exceed the pro-rata share of that project or program's amount relative to the total amount of Prop K revenue in any given year. If the project sponsor wants more funding earlier than the corresponding pro-rata share, then debt financing

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must be agreed to by the Transportation Authority, and the costs of debt financing for that project or program must be borne by that particular project or program.

4.3.6 | ADVANCING FUNDS

The amount of funds that can be advanced is finite, reflecting the Transportation Authority's limited borrowing capacity. The Transportation Authority must optimize debt service burden through effective planning and project cash management, in coordination with Transportation Authority project sponsors, and preserve the highest practical credit ratings in order to minimize the cost of borrowing.

4.3.7 | FINANCING ASSIGNED BY CATEGORY

Debt issuance and service costs will be allocated to individual Expenditure Plan line items in proportion to the amount of debt issuance they trigger. The interest assigned to the project will be considered a cost to the project. Total cost, including that interest, will not exceed the Priority 1 funding caps as outlined in the Expenditure Plan. Projects grandfathered from the Prop B Expenditure Plan shall be exempt from this policy and any associated financing costs for those projects will be covered by the capital program.

4.4 PREQUISITE MILESTONES FOR ALLOCATION

Allocations of Prop K funds for specific project phases will be contingent on the prerequisite milestones shown in Table F-1 below. Exceptions will be considered on a case-by-case basis. Allocation requests will be made prior to advertising for services which will utilize Prop K funds.

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Table F-1. Prerequisite Milestones for Allocation

Phase	Prerequisite Milestone(s) for Allocation
Planning/Conceptual Engineering	<ul style="list-style-type: none"> • 5YPP or 5-year project delivery plan
Environmental Studies (PA&ED)	<ul style="list-style-type: none"> • 5YPP or 5-year project delivery plan
Design Engineering (PS&E)	<ul style="list-style-type: none"> • 5YPP or 5-year project delivery plan • Approved environmental document • Capital construction funding in adopted plan, including RTP and Countywide Transportation Plan
Right of Way Support/Acquisition	<ul style="list-style-type: none"> • 5YPP or 5-year project delivery plan • Approved environmental document • Capital construction phase committed in programming document
Construction	<ul style="list-style-type: none"> • 5YPP or 5-year project delivery plan • Approved environmental document • Right of way certification • 100% PS&E • All applicable permits
Procurement (e.g. rolling stock)	<ul style="list-style-type: none"> • 5YPP or 5-year project delivery plan • Approved environmental document • Right of Way Certification (if appropriate) • 100% PS&E
Incremental Operating and Maintenance	<ul style="list-style-type: none"> • 5-year project delivery plan • Documentation confirming costs are for new transportation services or an eligible grandfathered project per Expenditure Plan • Proof that all other fund sources are identified and committed for operating the facility or service
Operations (e.g. paratransit operating support)	<ul style="list-style-type: none"> • 5-year project delivery plan • Proof that all other fund sources are identified and committed for operating the facility or service

4.5 EXPECTED WORK PRODUCTS/DELIVERABLES BY PHASE

The phase for which Prop K funds are allocated shall be reasonably expected to result in a complete work product or deliverable. The expected work product for each phase is described in Table F-2 below. Requests for allocations that are expected to result in a work product/deliverable other than that shown in Table F-1 for a specific phase shall include a description of the expected work product/deliverable. Prior to approval of a request for allocation that is expected to result in a work product/deliverable other than that shown in Table F-2 for the specific phase, the Transportation Authority shall make a determination that the expected work product is consistent with a cost effective approach to delivering the project or program as required in the Expenditure Plan.

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Table F-2. Expected Work Products/Deliverables by Phase

Phase	Expected Work Product/Deliverable ¹
Planning/Conceptual Engineering	Planning document approved by sponsoring agency
Environmental Studies (PA&ED)	Final approved environmental decision/project approval documentation
Design Engineering (PS&E)	Final design package including contract documents
Right of Way Support/Acquisition	Title to property/easements/rights of entry/order of possession or relocated utility(ies)
Construction	Constructed improvement or minimum operating segment
Procurement (e.g. rolling stock)	Equipment in service
Incremental Operating and Maintenance	Continual regular service or operation
Operations (e.g. paratransit operating support)	Continual regular service or operation

¹The Transportation Authority will specify required deliverables for an allocation in the Allocation Request Form, typically requiring evidence of completion of the above work products/deliverables such as a copy of the signed certifications page as evidence of completion of PS&E or digital photos of a completed construction project.