



Memorandum

Date: 03.19.10 **RE:** Citizens Advisory Committee
March 24, 2010

To: Citizens Advisory Committee

From: Anna LaForte – Deputy Director for Policy and Programming *all*
Maria Lombardo – Chief Deputy Director for Policy and Programming *mel*

Subject: **INFORMATION** – Status Report on the Development of a Draft Expenditure Plan for the Imposition of an Additional Vehicle Registration Fee of Up to \$10 in San Francisco Pursuant to the Requirements in SB 83

Summary

In late October, the Governor signed into law SB 83 (Hancock), which authorizes congestion management agencies (CMAs) to impose an annual fee of up to \$10 on motor vehicles registered within their respective counties. The funds would have to be used for programs and projects benefiting the people paying the fee, and they would have to be consistent with the regional transportation plan. In December 2009, the Authority approved Resolution 10-27, authorizing the Executive Director to initiate the development of an Expenditure Plan for a new vehicle registration fee consistent with the requirements of SB 83. Placing the measure on the November 2010 ballot would necessitate a tight timeline for developing and approving an Expenditure Plan and the required nexus study. The schedule shown in Attachment 1 includes monthly updates and feedback from the Citizens Advisory Committee (CAC), Authority Commissioners, our Technical Working Group, and other city stakeholders and culminates in the Authority Board adopting an Expenditure Plan and the required nexus study in May 2010. Since our February report to the CAC, we have completed procurement of professional services for polling and for the development of a nexus study. We also refined the draft principles that will be used to guide development of the Expenditure Plan, and based on those principles have continued development of various elements, including a preliminary list of potential projects and programs and administrative policies. In addition to the guiding principles, we have kept in mind the relatively small amount of funds available annually (estimated at around \$5 million annually), the allowable uses of the revenues per SB 83, and the lessons we have learned through our experience developing and delivering the Prop K Expenditure Plan. On March 11, we convened the first meeting of the CAC's SB 83 subcommittee to discuss the draft Expenditure Plan structure. We expect to convene the first meeting of the Stakeholder Advisory Panel the week of March 22. We anticipate presenting initial polling results and preliminary nexus findings at the March 24 CAC meeting. **We are seeking input and guidance from the CAC. This is an information item.**

BACKGROUND

On December 15, 2009, the Authority Board approved Resolution 10-37, authorizing the Executive Director to initiate the development of an Expenditure Plan pursuant to the requirements in SB 83 so that the Authority Board is able to place the measure on the November 2010 ballot, should it so choose.

SB 83 was authored by Senator Loni Hancock, a Bay Area legislator, and was one of several initiatives considered by the Legislature during the past session intended to mitigate congestion, reduce air quality impacts from mobile sources, and to generate new revenues that can help with these tasks. The bill authorizes congestion management agencies (CMAs) throughout the state to place a measure on the ballot to impose an additional annual fee of up to \$10 on motor vehicles registered within their respective counties. In late October, Governor Schwarzenegger signed SB 83 into law, allowing the Authority, as CMA for San Francisco, to take up the question of whether or not to pursue such a measure. This is the first authorization provided by the state in many years that would generate additional transportation revenues at the local level.

The Authority Board could place the vehicle registration fee on the ballot by a simple majority vote which would also approve the specific Expenditure Plan, to put before the voters, for the revenues collected. SB 83 requires that the fees collected be used only to pay for programs and projects bearing a relationship or benefit to the owners of motor vehicles paying the fee and be consistent with the Regional Transportation Plan. It also requires that the Authority Board make a specified finding of fact (also known as a nexus finding) in that regard. The guidance in SB 83 is broad regarding what types of projects are eligible, but could include bicycle and pedestrian projects, local streets and roads projects, transit projects, traffic signal coordination, and roadway operational improvements. Imposition of the fee would be subject to a simple majority vote of the San Francisco electorate.

Placing a vehicle registration fee on the November 2010 ballot entails a tight timeline for developing and approving an Expenditure Plan and the required nexus study. This timeline and the relatively small amount of funds available (e.g. about \$5 million annually compared to over \$70 million annually for the Prop K half-cent sales tax) call for a very focused and streamlined approach to development of the Expenditure Plan. The revised schedule shown in Attachment 1 would enable the Authority Board to place a vehicle registration fee measure on the November 2010 ballot. It shows key dates and indicates activities and deliverables on a monthly basis. The schedule assumes nearly monthly updates to the Plans and Programs Committee and Citizens Advisory Committee (CAC), and the establishment of a stakeholder advisory panel and subcommittee of the CAC to inform the process.

The purpose of this memorandum is to provide an update on the development of an Expenditure Plan for an additional vehicle registration fee in San Francisco and seek input and guidance from the CAC.

DISCUSSION

Since the February CAC meeting, we have procured professional services contracts for polling (EMC Research, Inc.) and for the development of the required nexus study (Cambridge Systematics). The polling results will give us valuable information about San Francisco voters' level of interest for a vehicle registration fee ballot measure and voter opinion on the fee amount, length of the measure, and type of Expenditure Plan elements that would be of most interest. The preliminary nexus analysis will provide an initial assessment of which projects and programs are most likely to be eligible for inclusion in the final Expenditure Plan by identifying their benefit to those paying the fee or their ability to mitigate negative impacts of their car use. Polling of San Francisco voters began on Monday March 15. We anticipate presenting initial polling results and preliminary nexus findings at the March 24 CAC meeting. Over the past month, we have also further refined a set of draft principles to guide development of the Expenditure Plan, and based on that have continued development of various elements, including a preliminary list of potential projects and programs and administrative policies.

On March 11 we convened the first meeting of the CAC SB 83 subcommittee, which is comprised of CAC members Jul Lynn Parsons, Peter Tannen, Jacqueline Sachs, and Robert Switzer. Topics covered at the subcommittee meeting included the guiding principles, the preliminary list of potential projects and programs, and administrative policies. Robert Switzer will provide a verbal report to the CAC on the subcommittee meeting. Key themes that came up during the discussion included:

- Recognition that the Expenditure Plan needs to clearly meet the nexus requirement and to demonstrate a real benefit to drivers.
- Administration of the Expenditure Plan and project prioritization should occur independently of Prop K, though there was general support for using processes similar to Prop K to achieve administrative efficiencies.

- Consistent with the staff recommendation, project sponsor eligibility should be expanded to include all public agencies, and in addition some members said that we should consider allowing non-profits and Community Benefit Districts to apply for funds.
- Support for funding projects that can be implemented quickly and are responsive to public input/requests, such as pothole and sidewalk repair.
- Broad support for including pedestrian safety projects in the Expenditure Plan.
- Less support for and/or some concern that larger projects with higher costs and longer implementation timelines (e.g. some transit expansion and large-scale streetscape beautification projects) may be less appropriate for this revenue source than shorter-term improvements.

In the paragraphs below, we provide an update on SB 83 activities ongoing in other Bay Area counties with potential applicability to San Francisco, and present the guiding principles, a preliminary draft list of potential projects and programs, and some of the administrative policies proposed for inclusion in the draft Expenditure Plan.

Update on Other Bay Area SB 83 Activities: Our latest communications with the other eight Bay Area Congestion Management Agencies (CMAs) indicate that in addition to San Francisco, seven other counties are considering placing a similar measure on the November 2010 ballot and are therefore moving forward with the development of Expenditure Plans. The only Bay Area county not considering placing a vehicle registration fee on the ballot is Napa, which is instead focusing on developing an Expenditure Plan for a potential new transportation sales tax measure.

The CMAs for Alameda and Marin counties have already conducted countywide polls to gauge support for an additional vehicle registration fee, and their results indicate widespread support for a \$10 vehicle registration fee (61% support in Alameda County and 65% support in Marin County). Results in both counties also indicated that voters support a fee without a sunset date, where the CMA governing board would periodically update the Expenditure Plan. Support for the measure did not notably change even after respondents were asked about Expenditure Plan content or read support and opposition arguments.

If the San Francisco polling produces similar results, given the small size of the annual revenue stream, we would likely recommend enacting the full \$10 fee allowable by law and establishing an ongoing fee with required periodic updates of the Expenditure Plan by the Authority Board.

Draft Principles to Guide Development of the Expenditure Plan: We have developed draft principles keeping in mind the relatively small amount of funds available (estimated at around \$5 million annually), the allowable uses of the revenues per SB 83, and the lessons we learned through our experience developing and delivering the Prop K Expenditure Plan. Our proposed principles to guide the development of the Expenditure Plan are listed below. We have recently updated them based on input from the CAC SB83 subcommittee.

- All programs and projects must provide a documentable benefit to those paying the fee.
- Focus on high-impact projects that will provide tangible benefits in the short-term (i.e., that can be implemented quickly and provide immediate benefits).
- Don't spread the limited revenues too thin or too thick. Limit the Expenditure Plan to between three and five programmatic categories, and within the categories focus on smaller, high-impact projects.

- Stretch limited revenues as far as possible by complementing or enhancing projects that receive Prop K and other funds.
- Provide a fair geographic distribution that takes into account the various needs of San Francisco's neighborhoods.
- Ensure accountability and transparency in programming and delivery.

Preliminary Draft Examples of Projects and Programs: Based upon the above principles, we developed a list of potential project and program types we feel are consistent with the size of the program, the intent of SB 83, and the transportation funding gaps that currently exist. This list, which will be revised based on the upcoming polling results, nexus analysis and ongoing discussions with stakeholders includes:

- **Street resurfacing and pothole repair**, with a possible focus on segments on the bike network. Scope of work would also include curb ramps.
- **Pedestrian safety improvements.** Examples of eligible projects could include intersection reconfiguration or other improvements to shorten crossing distances and minimize conflicts with other modes, sidewalk repair, or other safety upgrades.
- **Complete streets projects** including recommendations from the Better Streets Plan. This could include high-profile projects that address the streetscape comprehensively. Projects elements could include traffic calming, bicycle and pedestrian improvements, and many of the innovative improvements being discussed for Market Street, Columbus Avenue, and other areas all over the city. Given the size of the SB 83 revenue stream, these would have to be smaller-scale complete street projects or projects that leveraging other funds and/or other planned streets improvements (e.g. adding some complete street features onto a planned street resurfacing project).
- **Enhancements** or smaller, typically pedestrian-scale projects that complement and enhance a larger capital project or upgrade an existing facility. Eligible projects could include transit station or stop improvements, connectivity improvements, sidewalk widening, sidewalk bulbouts, trees, lighting, and landscaping, and the repair or upgrade of pedestrian walkways and stairways.
- **Transit signal priority**, with a possible focus on corridors on the Rapid Network identified in the Municipal Transportation Agency's (MTA's) Transit Effectiveness Project (TEP).
- **Transit upgrades and expansion projects**, targeted at smaller to medium-scale, but high impact improvements such as filling critical service gaps through permanent capital improvements and improving reliability; possible focus on corridors on the MTA's Rapid Network or providing key connections to the Rapid Network.
- **Technology-based system management projects.** Projects could support SFgo, signal and controller upgrades, pedestrian countdown signals, bicycle "green wave" projects, real-time information systems, parking management, and transportation demand management, possibly focusing on supporting the TEP Rapid Network.

Draft Policies to Guide Administration of Fee Revenues: Based upon our experience delivering the Prop B and Prop K Expenditure Plans over the last two decades, we began drafting policies to guide the administration of the fee revenues. We believe the following policies would produce administrative efficiency by utilizing, to the extent possible, existing Prop K allocation and oversight processes;

maximize transparency of project selection and delivery oversight; and ensure a coordinated effort to select the highest-priority projects to receive the limited funds available. The initial policy proposals have been well received by the CAC subcommittee, which among other concerns, placed a high priority on public participation in the project selection process and on funding projects that can be delivered quickly so that the public realizes the benefits.

- **Structure Expenditure Plan similarly to Prop K but modify to reflect lower funding level.** We specifically propose adopting 3-4 programmatic categories, specifying caps (i.e., maximum amount of revenues available) on funding levels for each category over the life of the Expenditure Plan, identifying the process by which projects will be prioritized and selected, and establishing a process for updating the Expenditure Plan at the end of its life. One change we are proposing to the Prop K Expenditure Plan policies is to broaden the list of eligible project sponsors. Prop K has a list of about a dozen eligible public agency sponsors and each Expenditure Plan category identifies which sponsors are eligible to apply for funds from that particular category. For the SB83 Expenditure Plan, we propose allowing all San Francisco public agencies to submit eligible projects for consideration during the development and renewal of the Strategic Plan. This recognizes the diversity of agencies that deliver transportation improvements in San Francisco and may encourage a more competitive application process. This approach to sponsor eligibility is consistent with the way we currently administer the Transportation Fund for Clean Air Program, the Lifeline Transportation Program, and the Metropolitan Transportation Commission's (MTC's) policies for many regional grant programs.
- **Adopt a Strategic Plan that would be updated every 3 to 5 years.** Because there would be many fewer Expenditure Plan categories and a much smaller revenue stream, we propose developing a Strategic Plan for the vehicle registration fees that would be a scaled-down version of the Prop K Strategic Plan that also incorporates key features of the Prop K 5-Year Prioritization Programs such as a clear prioritization methodology for programmatic categories, 5-year project lists with full funding plans, and performance measures. There would also be a process to allow periodic amendments through the normal Board process to accommodate minor changes in short-term project prioritization.
- **Implement allocation request and approval processes similar to Prop K.** The vehicle registration fee revenues would be kept separate from the Prop K revenues and allocation process (i.e. funds would not be co-mingled), but the process would be very similar to reduce administrative burden and build upon the familiarity project sponsors already have with the Prop K processes. This would include forms, application requirements, Authority staff evaluation of the applications, presentation to the CAC and Plans and Programs Committee, and then Board approval. The timeline from application submission to Board approval is about 8 weeks.
- **Implement oversight and quarterly reporting processes similar to Prop K.** Effective Prop K reporting systems are already in place. These might be tailored to focus on more frequent reporting to the Board given the likely shorter implementation timeline for many of the proposed projects.

We anticipate holding 2 meetings each of the CAC subcommittee and Stakeholder Advisory Panel in the next month. We plan to present the final draft Expenditure Plan at the April CAC meeting to stay on track for a potential May Board action to approve the Expenditure Plan.

We are seeking input and guidance from the CAC. This is an information item.

ALTERNATIVES

Not applicable – This is an information item.

FINANCIAL IMPACTS

Not applicable – This is an information item.

RECOMMENDATION

Not applicable – This is an information item.

Attachments:

1. Revised Schedule for Developing an Expenditure Plan and Placing a New Vehicle Registration Fee on November 2010 Ballot

Attachment 1

Revised Schedule for Developing an Expenditure Plan and Placing a New Vehicle Registration Fee on November 2010 Ballot

The preliminary schedule shown below would enable the Authority Board to place a vehicle registration fee measure on the November 2010 ballot. It shows key dates and indicates activities and deliverables on a monthly basis. The schedule assumes nearly monthly updates to the Plans and Programs Committee (PPC) and Citizens Advisory Committee (CAC), and the establishment of a stakeholder advisory panel and subcommittee of the CAC to inform the process.

December 15, 2009	<ul style="list-style-type: none"> • Authority Board approves process to develop Expenditure Plan.
January 2010	<ul style="list-style-type: none"> • Establish subcommittee of the CAC • Report on revenue projections to CAC
February 2010	<ul style="list-style-type: none"> • Report on revenue projections to PPC • Establish Stakeholder Advisory Panel • Draft Expenditure Plan structure to CAC
March 2010	<ul style="list-style-type: none"> • First CAC Subcommittee meeting • First Stakeholder Advisory Panel meeting • Draft Expenditure Plan structure to PPC • Draft Expenditure Plan and draft nexus study findings to CAC
April 2010	<ul style="list-style-type: none"> • CAC Subcommittee meetings (#2 and #3) • Stakeholder Advisory Panel meetings (#2 and #3) • Draft Expenditure Plan and draft nexus study findings to PPC • Final Expenditure Plan and nexus study to CAC
May 2010	<ul style="list-style-type: none"> • Final Expenditure Plan and nexus study to PPC • Authority Board acts on Expenditure Plan and nexus study to place measure on the November 2010 ballot
June 15, 2010	<ul style="list-style-type: none"> • Deadline to place measure on November 2010 ballot
November 2, 2010	<ul style="list-style-type: none"> • San Francisco voters consider measure