



Memorandum

Date: 02.04.10 **RE:** Plans and Programs Committee
February 9, 2010

To: Plans and Programs Committee: Commissioners Campos (Chair), Chu (Vice Chair), Chiu, Avalos, Dufty and Mirkarimi (Ex Officio)

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

Through: José Luis Moscovich – Executive Director *Jose Luis*

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 benefitting 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, 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 December, we have developed draft revenue projections for the proposed vehicle registration fee and initiated recruitment for the Stakeholder Advisory Committee among other tasks. These efforts will inform the development of a draft Expenditure Plan structure, which we plan to present to the Plans and Programs Committee in March. **We are seeking input and guidance from the Plans and Programs Committee. 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, 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 spells out 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 preliminary 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 Plans and Programs Committee.

DISCUSSION

Since December we have focused on developing revenue projections, drafting documents to support procurement of professional services for polling and development of a nexus study, and recruiting for the Stakeholder Advisory Panel. In December, the CAC selected membership for a CAC subcommittee on SB 83, which reports to the full CAC on a regular basis. We expect to convene the first meetings of The Stakeholder Advisory Panel and the CAC subcommittee in mid- to late February to discuss the structure of the Expenditure Plan.

The remainder of this memorandum describes the draft revenue projections.

Vehicle License Fee Revenue Projections: The California Department of Motor Vehicles (DMV) currently collects a flat annual vehicle registration fee based upon vehicle type (e.g. automobile, truck, motorcycle, or trailer).

SB 83 enables the Authority to place a vehicle registration fee of up to \$10 on the ballot. Working with the Authority's financial advisors, the PFM Group, we developed a revenue projection for the full \$10 fee, but the results can be scaled down to reflect a lower fee if that is what the Board recommends.

We explored how San Francisco's vehicle registration fee revenues have historically related to factors such as the city's population, California per-capita income, inflation, gas prices, non-gas vehicle operating costs, and new car prices. A statistical analysis showed that vehicle registrations correlated most closely over time to population; therefore, we selected this measure as the basis for our projections. Attachment 2 shows the historical relationship between San Francisco's population and its registered vehicles between 1978 and 2008.

We then used the historical population and vehicle registration data to develop a range of revenue projections for both a 20-year and 30-year fee. We haven't developed a recommendation for the length

of the fee, but chose these timeframes for illustrative purposes. Specifically, we projected revenues using the following methodologies:

- a. **Constant vehicle registration (baseline)** – assumes vehicle registration stays constant at 2008 level (470,333 vehicles) for the life of the measure.
- b. **Constant growth increment** – assumes vehicle registration grows at historical increment, or 4,124 vehicles per year.
- c. **Constant growth rate** – assumes vehicle registration grows at historical rate, or 1.03% per year.
- d. **Metropolitan Transportation Commission’s (MTC’s) projected vehicles** – uses the vehicle ownership assumptions produced by the MTC as part of the 2008 Regional Transportation Plan.
- e. **Constant vehicles per capita** – assumes a constant rate of vehicle ownership in San Francisco for the life of the measure.
- f. **Linear regression** – statistical estimation of vehicles based upon population projections.

We applied the constant vehicles per capita and linear regression methodologies (‘a’ and ‘f’ above) two times each to test two different population projections: one from the California Department of Finance (DOF) and one produced by the Bay Area’s Association of Bay Area Governments (ABAG). The DOF projections are based upon historic growth rates and are more conservative. The ABAG population projections are produced locally, and reflect the region’s concentrated growth strategy, reflected in the latest Regional Transportation Plan, that distributes more population growth to high-density counties such as San Francisco, resulting in higher population projections than the DOF methodology. Attachment 3 compares DOF and ABAG population projections between 2010 and 2040.

Attachment 4 shows the range of revenue projections produced by the various methodologies described above, including average annual revenues, cumulative 20-year revenues, and cumulative 30-year revenues. Please note that these projections are gross revenues in Year of Expenditure dollars (YOE \$’s), and do not include any off-the-top expenses such as the DMV’s collection fees, or the 5% in fees allowable for program administration.

Our analysis shows that the revenue projections, no matter which methodology we used, fall within a narrow range, as shown in Figure 1.

Figure 1 – Summary of Range of Revenue Projections

	Average Per-Year Revenue Projection	20-Year Revenue Projection	30-Year Revenue Projection
Low	\$4,703,330	\$94,066,600	\$141,099,900
High	\$5,590,142	\$105,996,060	\$167,704,250
Average	\$5,183,537	\$100,672,638	\$155,506,123
Difference between high and low projection	\$886,812	\$11,929,460	\$26,604,350

We will ask the Authority Board to adopt revenue projections as part of the final Expenditure Plan in

May. We are also consulting with our financial advisors regarding options for potential debt issuance against the revenues.

We are seeking input and guidance from the Plans and Programs Committee. This is an information item.

ALTERNATIVES

Not applicable – This is an information item.

CAC POSITION

The January 27, 2010 Citizens Advisory Committee (CAC) agenda included this as an information item, but the item was continued to the February meeting due to time constraints. We will present this information to the CAC as part of the SB 83 item at its February meeting.

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
2. San Francisco Population and Vehicle Registrations, 1978 – 2008
3. San Francisco Population Projections, 2010 – 2039
4. \$10 Vehicle Registration Fee in San Francisco – Revenue Projection Summary

Attachment 1

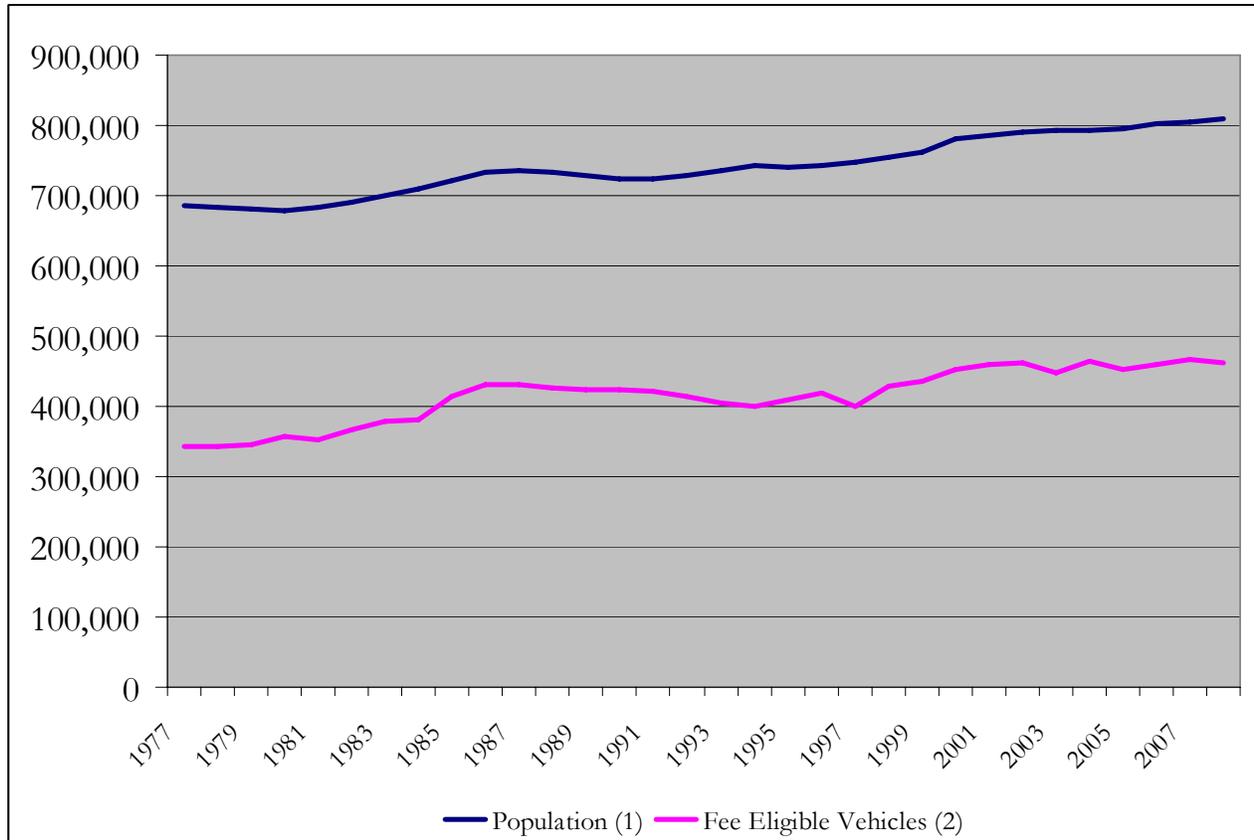
Revised Schedule for Developing an Expenditure Plan and Placing a New Vehicle Registration Fee on November 2010 Ballot

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• Establish Stakeholder Advisory Panel• Report on revenue projections to CAC
February 2010	<ul style="list-style-type: none">• Report on revenue projections to PPC• Draft Expenditure Plan structure to CAC
March 2010	<ul style="list-style-type: none">• Draft Expenditure Plan structure to PPC• Draft Expenditure Plan and draft nexus study to CAC
April 2010	<ul style="list-style-type: none">• Draft Expenditure Plan and draft nexus study 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

Attachment 2

San Francisco Population and Vehicle Registrations, 1978 – 2008



Sources:

¹ California Department of Finance

² California Department of Motor Vehicles

Attachment 3

San Francisco Population Projections, 2010 – 2039 ¹

Year	California Department of Finance (DOF) Population Projections for San Francisco	Association of Bay Area Governments (ABAG) Population Projections for San Francisco
2010	818,163	810,009
2015	834,389	837,485
2020	844,466	867,101
2025	850,704	900,515
2030	854,675	934,798
2035	857,194	969,006
2039	858,356	969,006

¹ Source: The PFM Group, January 2010.

Attachment 4

\$10 Vehicle Registration Fee in San Francisco – Revenue Projection Summary¹
(amounts are in Year of Expenditure \$'s)

Methodology²	Average Annual Revenue Projection	20-Year Revenue Projection	30-Year Revenue Projection
Constant Vehicle Registration (Baseline)	\$4,703,330	\$94,066,600	\$141,099,900
Constant Vehicles Per Capita DOF Population Projections	\$4,913,050	\$97,645,690	\$147,391,490
Linear Regression DOF Population Projections	\$5,023,550	\$99,531,474	\$150,706,486
MTC's Projected Vehicles	\$5,161,163	\$99,972,190	\$154,834,880
Constant Vehicles Per Capita ABAG Population Projections	\$5,208,497	\$100,590,050	\$156,254,910
Constant Vehicle Growth Increment	\$5,383,790	\$103,551,800	\$161,513,700
Linear Regression ABAG Population Projections	\$5,484,779	\$104,027,244	\$164,543,366
Constant Vehicle Growth Rate	\$5,590,142	\$105,996,060	\$167,704,250
Average	\$5,183,537	\$100,672,638	\$155,506,123
Difference between high and low projection	\$886,812	\$11,929,460	\$26,604,350

¹ Base year is 2009. See memorandum for description of methodology. Source: The PFM Group, January 2010.

²Acronyms include the Association of Bay Area Governments (ABAG) and the California Department of Finance (DOF).