PREPARED BY THE

San Francisco County
Transportation Authority

# PROP K STRATEGIC PLAN

# 2009

Released July 2009

## TABLE OF CONTENTS


A. Executive Summary ... 1
B. Contex and purpose of the Stratigic Plan ... 5
C. Comparison of Prop K to Prop B ... 6
  1. Key Differences in Prop K ... 7
D. Revenues and Expenditures ... 8
  1. Revenue Element ... 9
  2. Leveraging Non-Prop K Funds ... 13
  3. Guiding Principles ... 14
  4. Prior Prop B Commitments ... 15
  5. Expenditure Element ... 17
E. Finance ... 22
F. Polocies ... 23
  1. Expected Work Products / Deliverables by Phase ... 27
  2. Prerequisite Milestones for Allocation ... 27
G. Program Administration And Management ... 28
H. Access to Prop K funds ... 29
  1. Allocation Request Process ... 29
  2. Amendments to Allocations ... 30
  3. Standard Grant Agreement ... 31


### LIST OF TABLES


Table ES-1. Allocations vs. Allocation Capacity ... 3
Table ES-2. Comparison of Sources & Uses Assumed in 2005 vs. 2009 Strategic Plans ... 4
Table C-1. Prop B Major Capital Projects ... 7
Table D-1. Anticipated Sales Tax Growth Rates ... 10
Table D-2. Programming Summary ... 21
Table F-1. Expected Work Products/Deliverables by Phase ... 27
Table F-2. Prerequisite Milestones for Allocation ... 28


### LIST OF FIGURES


Figure ES-1. Revenues ... 3
Figure ES-2. Expenditures ... 4
Figure C-1. Prop B vs. Prop K Major Categories ... 6
Figure D-1. Revenues ... 9
Figure D-2. 2009 Strategic Plan Projection of Sales Tax Revenues ... 10
Figure D-3. Expenditures ... 17


### LIST OF APPENDICIES


Appendix A. San Francisco Expenditure Plan Summary (2003 $'s)
Appendix B. Expenditure Plan Line Items
Appendix C. Expenditure Plan Line Item Summary (YOE $'s)
Appendix D. Prop K Major Capital Projects – Summary Update (07.09.2009)
Appendix E. Comparison of Available Funds to Priority 1 Funding Levels (2003 $'s)
Appendix F. Pro-Rata Share of Available Revenues by Expenditure Plan Line Item (YOE $'s)
Appendix G. Planned Allocations and Financing Costs by Expenditure Plan Line Item (YOE $'s)
Appendix H. Planned Allocations by Expenditure Plan Line Item by Sponsor (YOE $'s)
Appendix I. Glossary

# A. EXECUTIVE SUMMARY

In November 2003, nearly 75% of the San Francisco electorate approved Proposition K (Prop K), extending the then existing half-cent local transportation sales tax and adopting a new 30-year Expenditure Plan, which was to supersede the existing Proposition B (Prop B) Expenditure Plan. Prop K designated the San Francisco County Transportation Authority (Authority) as the administrator of the Prop K program and funds. The Prop K Expenditure Plan programs a total of $2.35 billion (2003 $'s) in local transportation sales tax revenue to a number of eligible categories, leveraging another $9.6 billion (2003 $'s) in other federal, state and local funds. It does not provide any guidance as to the *timing* of allocation of those revenues over the 30-year life of the Expenditure Plan. Establishing the timing of allocation amounts to each Prop K category, and deciding on funding priority among projects are crucially important functions of the Prop K Strategic Plan.

The Strategic Plan is a programming document that reconciles the timing of expected revenues with the schedule for when project sponsors need those revenues in order to deliver projects. It does so by taking into account the schedule for availability of state, federal and other funds beyond Prop K, the Authority's debt issuance capacity, the Authority's own assessment of the deliverability schedule for proposed projects, and the costs associated with project escalation and debt financing.

In March 2005, the Authority Board adopted the first Prop K Strategic Plan. The 2009 Strategic Plan update, like its predecessor, was developed through an iterative process involving several cycles of consultation with project sponsors, followed by testing of project funding scenarios using a complex and multi-layered computerized financial analysis model developed by Authority staff, with the assistance of the Authority's on-call engineering consultant and the Authority's financial advisors. The financial programming model had to account for a number of special circumstances, such as funding commitments inherited from Prop B, and the treatment of the short-term debt already issued through the Authority's current commercial paper program. Evolving in parallel and closely coordinated with the 5-Year Prioritization Programs (5YPPs), currently being developed by project sponsors for adoption by the Authority Board in fall 2009, the Strategic Plan provides the overall roadmap for the programming of Prop K funds, as well as a solid financial basis for the issuance of future debt. It adopts three guiding principles:

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

These principles permeate the entire document, and are crucial to understanding both the Strategic Plan policies and the specific programming recommendations by line item.

Early on in the development process for the 2005 Strategic Plan, it became clear that project sponsors were seeking to receive programming in the first six years, or 20% of the lifespan of Prop K, equivalent to 40% of the total of Prop K funding available over the 30-year life of the Expenditure Plan. The heightened pressure and competition for Prop K funds reflected the dire state of the State Transportation Improvement Program (STIP), as well as the less-than-promising evolution of the process to authorize a new federal surface transportation act. As a result, the 2005 Strategic Plan recommended a significant level of financing (on the order of $1 billion) to enable delivery of the Prop K program in a timely manner.

The 2009 Strategic Plan comes at a time when the economic situation is even worse than in 2005. The national economic downturn is of a scale not seen since the Great Depression, the State's budget crisis is ongoing, there is uncertainty about the timing and level of funding that will be available from the next federal surface transportation act and local revenues, including sales tax revenues, are experiencing significant declines.

The imperative to advance funds through financing means that over the 30-years of the Expenditure Plan fewer dollars will be available for projects and programs because of the need to pay interest. The trade-off is the ability to deliver projects early on, for the benefit of San Franciscans today. Prudence dictates that we strike a balance between accelerated delivery and financing costs. The Strategic Plan achieves this balance by adhering to the three guiding principles discussed earlier, but it also introduces several important tenets, summarized as follows:

- Individual programs within the Expenditure Plan must retain at least 20-years' worth of funding, after accounting for debt service;
- Projects and programs should not trigger debt costs higher than 10% of the overall Prop K cap for the respective Expenditure Plan line item; and
- Where feasible, non-Prop K funds will be used first, and high priority will be given to leveraging federal, state or other local funds using Prop K.

The Authority made its best effort to adhere to the above tenets in discussions with project sponsors, a goal which has become both more critical and more challenging to meet since the 2005 Strategic Plan given the 13% drop in projected revenues in year of expenditure dollars ($4.01 billion in the 2005 Strategic Plan compared to the current forecast of $3.49 billion) and increases in financing costs stemming from the current global and national economic downtown. The 2009 Strategic Plan assumes slightly over $825 million in debt issuance, at a cost of about $853 million in finance costs in year of expenditure dollars. This is a significant increase over the Authority's current commercial paper program, but it is spread over the 30-year lifespan of the Prop K Expenditure Plan. It must also be noted that the Strategic Plan provides for all debt principal and interest to be retired within the 30-year timeline, without jeopardizing the Authority's excellent AA- credit rating.

Despite a higher cost of financing, the size of the projected debt issuance is about $200 million lower than assumed in the 2005 Strategic Plan primarily because delays in project delivery and favorable rates for our existing $150 million in outstanding commercial paper allowed us to avoid issuing long-term debt during the first five years of Prop K. On the other hand, as illustrated in Table ES-1 below, the overall trend of significantly slower delivery than anticipated in the 2005 Strategic Plan means that sponsors now have to address the impacts of inflation on project costs, and San Franciscans are not yet enjoying the benefits of projects that have been delayed.

The Strategic Plan makes provisions for the expenses associated with Board of Equalization sales tax collection fees as well as for project management oversight and administration, and overhead necessary to oversee a program of this complexity and with this level of borrowing. The Strategic Plan also accounts for the necessary reserves that take into account that the Authority already has $150 million in debt outstanding from the existing commercial paper program, and will be entering into additional debt over the life of the program.

**Table ES-1. Allocations vs. Allocation Capacity**

**(Millions of Year of Expenditure $'s)**

| | Allocated | Unallocated | 5-Year Total |
|---|---|---|---|
| Programmatic Categories | $208.50 | $165.80 | **$374.30** |
| Major Capital Projects | $247.60 | $39.70 | **$287.30** |
| Operations & Maintenance | $74.70 | $0.30 | **$75.00** |
| **Total** | **$530.80** | **$205.80** | **$736.60** |

| | Allocated | Unallocated | 5-Year Total |
|---|---|---|---|
| Programmatic Categories | 56% | 44% | **100%** |
| Major Capital Projects | 86% | 14% | **100%** |
| Operations & Maintenance | 100% | 0% | **100%** |

*Data includes allocations from Prop K inception (April 2004) to April 2009.

The result is a Strategic Plan that minimizes debt financing costs, maximizes the capture of outside funds, ensures fairness by charging debt costs back to the projects that trigger borrowing, and optimizes project delivery schedules in relationship to the availability of funding. Figures ES-1 and ES-2 provide an overview of the forecast revenues and estimated expenditures for the Prop K 2009 Strategic Plan, followed by a comparison of sources (revenues) and uses (expenditures) assumed in the 2005 and 2009 Strategic Plans (Table ES-2).

**Figure ES-1. Revenues**

(Year of Expenditure $'s)

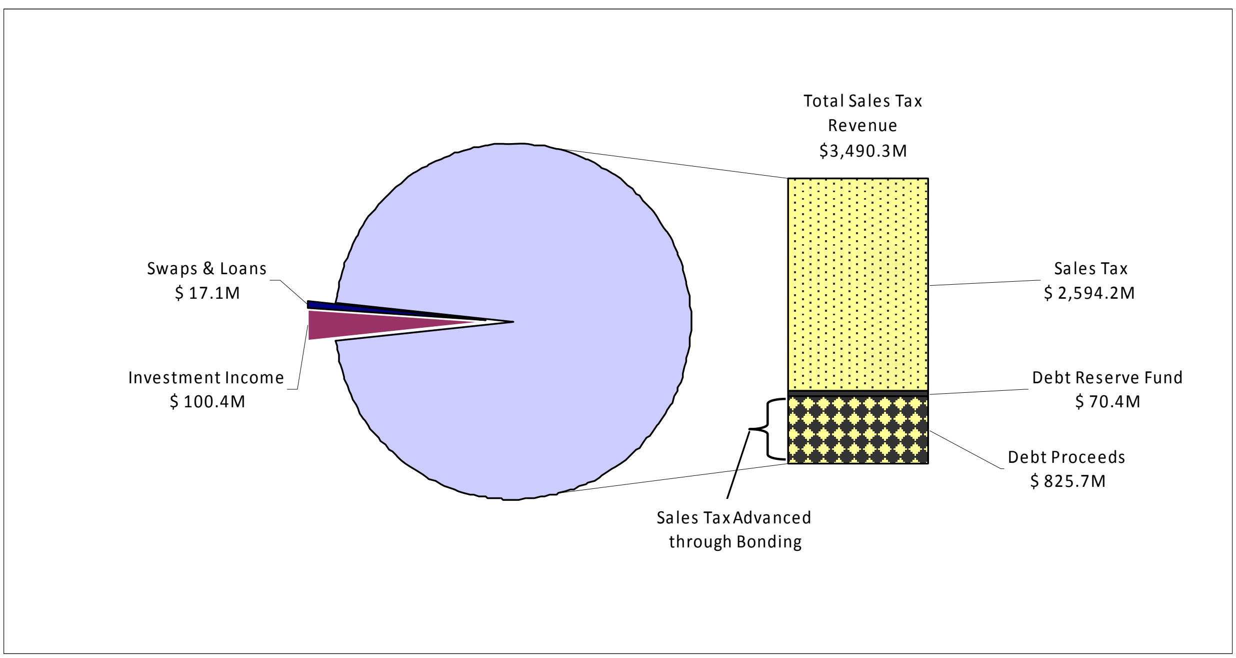


**Figure ES-2. Expenditures**
(Year of Expenditure $'s)

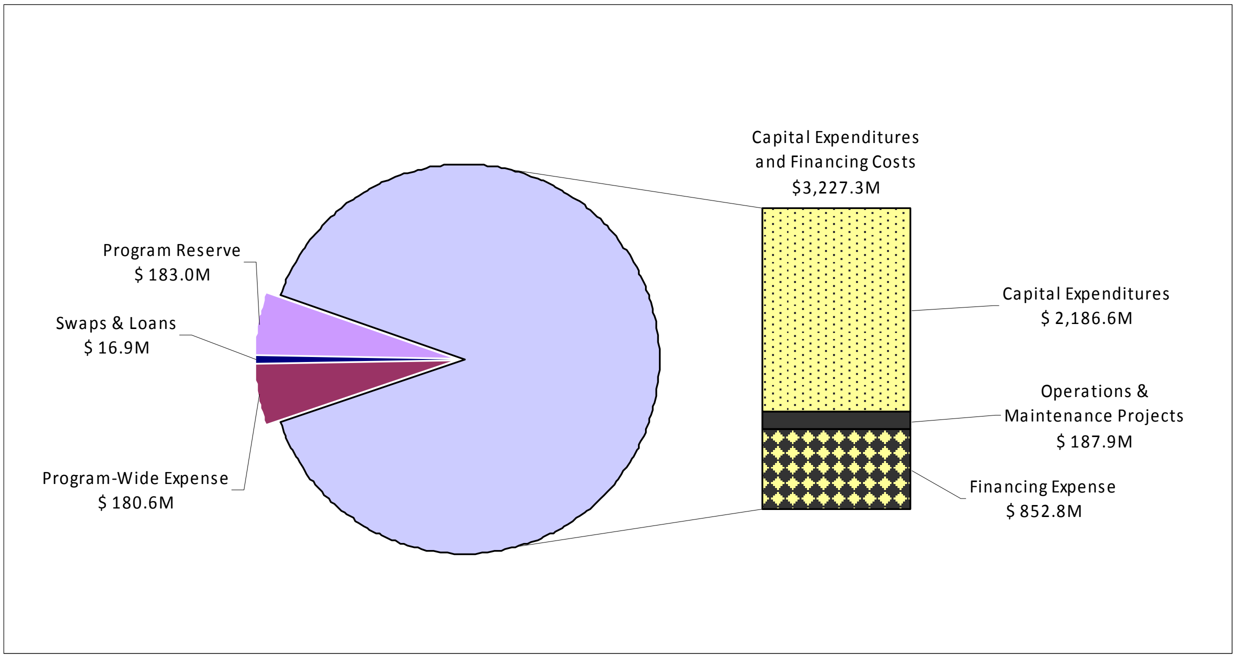



**Table ES-2. Comparison of Sources & Uses Assumed in 2005 vs. 2009 Strategic Plans**

| Sources - Revenues | 2009 Strategic Plan | 2005 Strategic Plan | Difference | |
|---|---|---|---|---|
| Sales Tax | $ 2,594.2M | $ 2,871.0M | ↓ | $ 276.8 M |
| Investment Income | $ 100.4M | $ 45.4M | ↑ | $ 55.0 M |
| Swaps & Loans | $ 17.1M | $ 22.6M | ↓ | $ 5.5 M |
| Debt Reserve Fund | $ 70.4M | $ 66.1M | ↑ | $ 4.3 M |
| Debt Proceeds | $ 825.7M | $ 1,024.8M | ↓ | $ 199.1 M |
| **TOTAL** | **$ 3,607.8M** | **$ 4,030.6M** | ↓ | **$ 422.8 M** |

| Uses - Expenditures | 2009 Strategic Plan | 2005 Strategic Plan | Difference | |
|---|---|---|---|---|
| Program-Wide Expense | $ 180.6M | $ 155.0M | ↑ | $ 25.6 M |
| Swaps & Loans | $ 16.9M | $ 22.6M | ↓ | $ 5.7 M |
| Program Reserve | $ 183.0M | $ 466.8M | ↓ | $ 283.8 M |
| Capital Expenditures | $ 2,186.6M | $ 2,418.1M | ↓ | $ 231.5 M |
| Operations & Maintenance Projects | $ 187.9M | $ 209.7M | ↓ | $ 21.8 M |
| Financing Expense [1] | $ 852.8M | $ 758.4M | ↑ | $ 94.4 M |
| **TOTAL** | **$ 3,607.8M** | **$ 4,030.6M** | ↓ | **$ 422.8 M** |

1 Project financing expenses are equal to $543.9M, and program-wide financing expenses are equal to $308.9 M.

## B. CONTEX AND PURPOSE OF THE STRATIGIC PLAN

In November 2003, nearly 75% of the San Francisco electorate approved Proposition K (Prop K), extending the existing half-cent local transportation sales tax and adopting a new 30-year Expenditure Plan to supersede the then existing Proposition B (Prop B) Expenditure Plan. Prop K designated the San Francisco County Transportation Authority (Authority) as the administrator of the Prop K program and funds.

The half-cent sales tax authorized by Prop K began collection on April 1, 2004. The first full year of revenue generated about $66.7 million. The Prop K Expenditure Plan programs $2.35 billion (2003 $'s) in local transportation sales tax revenue among a number of eligible categories, leveraging another $9.6 billion (2003 $'s) in other federal, state and local sources to fully fund the projects and programs in the Expenditure Plan. The sales tax generated is invested in projects and programs contained in the following four major categories set by the voter-approved Expenditure Plan: Transit, Paratransit, Streets and Traffic Safety, and Transportation Systems Management/Strategic Initiatives. The Expenditure Plan lists transportation projects and programs that are eligible for sales tax funds and establishes the maximum amount of sales tax funds that can be allocated to each category over the 30-year life of the Expenditure Plan (See Appendix A for a one-page summary of the Expenditure Plan). The Expenditure Plan, however, does not guide the pace at which those funds are allocated.

The Prop K Strategic Plan is the financial tool that guides the timing of allocation of Prop K revenues. The Strategic Plan also sets policy and provides guidance for the administration of the program, ensuring prudent stewardship of the funds. The Revenue and Expenditure Element of the Strategic Plan is an expression of policy intent by the Board that allows Authority staff to plan for debt issuance, optimize leveraging of state and federal funds and give project sponsors a sense of certainty about when Prop K revenues can be expected to be available to their projects.

Over the past year, the Authority gathered detailed information from project sponsors on the projects and programs eligible for sales tax funding per the Expenditure Plan, including project sponsors' proposed delivery schedules, need and timing for Prop K funds, and full funding plans including other federal, state, and local funds. To help structure our efforts and our discussions with project sponsors we used three guiding principles:

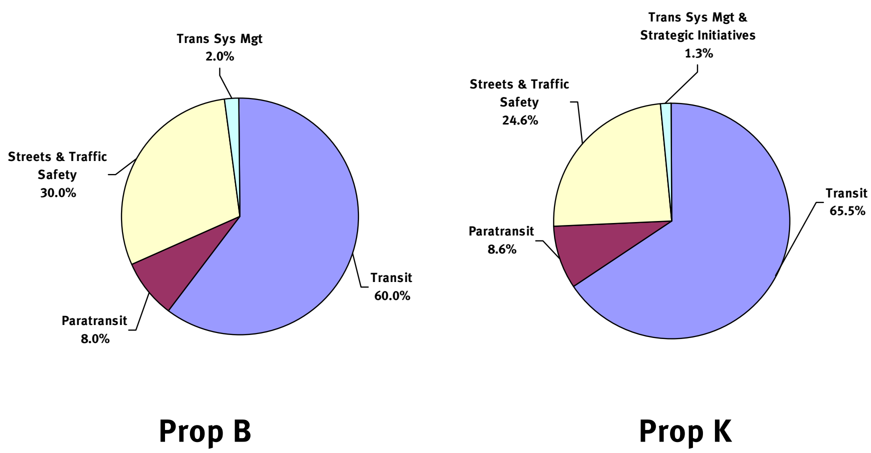
- optimize the leveraging of other funds,
- support timely and cost-effective project delivery, and
- maximize the cost-effectiveness of financing.

The 2009 Strategic Plan development process has resulted in a comprehensive listing of sales tax programming spanning the entire 30-year Expenditure Plan period that ensures delivery of the transportation improvements envisioned in the Expenditure Plan, while maintaining a cost-effective strategy for advancing sales tax funds to meet immediate needs. The advancing of funds through debt financing is being proposed under the most cost-effective strategy currently available. The proposed allocation strategy and cash flow management will ensure that only those projects ready to be reimbursed with sales tax funds will trigger any need to issue debt.

## C. COMPARISON OF PROP K TO PROP B

In 1989, San Francisco voters approved Prop B establishing a local half-cent transportation sales tax to fund a 20-year Expenditure Plan, with a specific set of projects and programs that addressed the mobility needs of San Francisco residents, businesses, and visitors. The vote also created the Authority, a special purpose agency to administer the sales tax revenues. In November 2003, the passage of Prop K reauthorized the half-cent sales tax for transportation and approved a new 30-year Expenditure Plan, ratifying the Authority's role as administrator of the Prop K program and funds. Prop K continued the four major categories of funding developed under Prop B.

**Figure C-1. Prop B vs. Prop K Major Categories**




The four categories contain many of the same ongoing programs that were included in Prop B such as transit vehicle rehabilitation and replacement, street resurfacing, and paratransit, as well as grandfathered Prop B projects that had not been completed at the time of approval of Prop K such as the Initial Operating Segment of the 3rd Street Light Rail Project (Phase 1). Prop K also includes new projects and programs that reflect the changing needs of the city's transportation system since the approval of Prop B.

The Third Street Light Rail Project, Prop B's largest capital project, was scheduled for implementation relatively late in the Prop B program. This, combined with the relatively slower pace of delivery of Prop B projects in the initial years of the program, resulted in the accumulation of major sales tax revenue reserves. These reserves, along with a $126 million grant from the state's Traffic Congestion Relief Program (TCRP) in 2001, enabled the Authority to manage Prop B as a pay-as-you-go program. This meant that the Authority never allocated more funds than the combined total of its available reserves plus annual sales tax receipts. The program functioned without incurring any debt until March 2004, when the Authority Board approved a $200 million short-term commercial paper program. This action, which was anticipated in the 2003 Prop B Strategic Plan, was triggered to a large extent by the cash flow needs of the Third Street Light Rail Project, which had entered the construction phase.

In contrast to Prop B, Prop K has a larger number of capital projects which are intended to be delivered early in the Prop K program including, the Central Subway, the Caltrain Downtown

Extension, Caltrain Electrification, and the Doyle Drive Replacement Project. In addition, a number of equally significant but less costly projects will require Prop K sales tax funding early. Among those are the Municipal Transportation Agency's (MTA's) hybrid bus replacement projects, the Islais Creek Maintenance Facility, and implementation of Bus Rapid Transit on the Geary and Van Ness Corridors. As the costs of these projects are expected to outpace the forecast revenue streams, projects with demonstrated urgent funding requirements will be advanced the necessary moneys through debt financing. Strategic Plan policies reflect the need for strategic prioritization of revenues and effective management of the projects and programs so as to effectively manage a sales tax program that is relying on a higher level of debt financing.

## 1. KEY DIFFERENCES IN PROP K

Prop K introduced a number of changes, including new projects, new sponsors, new programs, and modifications to the size of programs that were carried over from Prop B. The main differences are highlighted in the sections that follow.

### i. Sponsors

The Prop K Expenditure Plan expanded the list of eligible project sponsors beyond City departments, to include the Bay Area Rapid Transit District (BART), the Peninsula Corridor Joint Powers Board (PCJPB, which operates Caltrain), Caltrans, the Department of Administrative Services (DAS), the Department of the Environment (DOE), the Golden Gate Bridge, Highway and Transportation District (GGBHTD, which operates Golden Gate Transit), and the Authority itself. This change helps Prop K address multimodal transportation issues at several different levels: from the system planning and operations perspective, it acknowledges that the regional transportation network plays a crucial role in maintaining and enhancing San Francisco's connectivity; from the funding perspective, it recognizes the inescapable fact that in order to influence capital project priorities at the regional level, the City must have the leverage afforded by local funds, whether they are used as a local match or as a way to expedite projects that the region is not able to prioritize for other funds.

### ii. Projects and Programs

Prop B funded a number of important capital projects, most of which were completed while Prop B was still in force. Two of them, the Third Street Light Rail Line and MUNI Metro East Maintenance Facility, were initiated under Prop B but completed as Prop K projects.

**Table C-1. Prop B Major Capital Projects**

| Project | Status |
|---|---|
| F-Line Streetcar | Completed |
| Embarcadero Roadway | Completed |
| Muni Metro Turnback | Completed |
| Muni Metro Extension to Caltrain | Completed |
| Muni Metro Signal System | Completed |
| Light Rail Expansion (Third Street Light Rail) | Completed |
| Metro East LRV Maintenance Facility (Third Street Light Rail) | Completed |

Prop K makes a significant investment in a new set of major projects, including:

- Citywide Bus Rapid Transit and Transit Preferential Street Network,
- Central Subway (Third Street Light Rail – Phase 2),
- Downtown Extension to a Rebuilt Transbay Terminal,
- Doyle Drive Replacement, and
- Caltrain Electrification.

In addition to financing these new major capital projects and continuing the programs created under Prop B, Prop K has added several new programs, and significantly expanded some programs that were carried over from Prop B. The new Prop K programs are:

- Bicycle Circulation and Safety,
- Pedestrian Circulation and Safety,
- Traffic Calming,
- Advanced Technology and Information Systems (SFgo),
- Curb Ramps, and
- Transportation/Land Use Coordination.

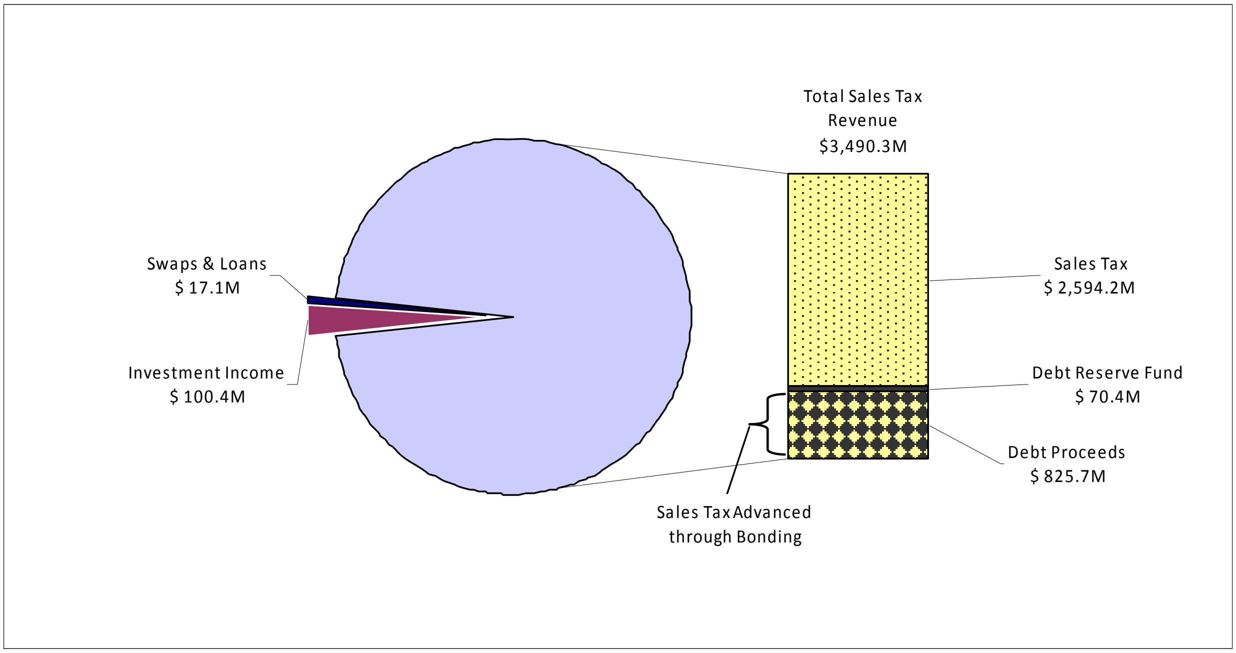
The programs that are expanded in Prop K from their original Prop B funding levels are:

- Vehicles,
- Guideways,
- New Signs and Signals, and
- Tree Planting and Maintenance.

## D. REVENUES AND EXPENDITURES

The 2009 Prop K Strategic Plan provides a 30-year outlook for how the local transportation sales tax will be spent. While strategic plans have been prepared on a regular basis since the Authority's inception, the 2005 Strategic Plan and this first update are particularly important because the Authority has begun to issue debt. A reasonable Strategic Plan will present to the financial community and the Authority's stakeholders a clear sense of the Authority's strategy in managing its revenues and expenditures responsibly and cost effectively, something which is more important than ever given the current national and global economic situation. The Revenue and Expenditure Element is crucial to that goal. It provides the best available understanding of when revenue will be available and how that revenue will be spent. The Revenue and Expenditure Element is the result of a complex iterative analysis and modeling of revenue capacity, matched to project costs and proposed project delivery schedules. Computerized modeling enabled a number of expenditure scenarios to be examined, and the results to be assessed for financial viability. The resulting assignment of dollars to programs and projects does not constitute a final funding commitment. Commitments are secured through allocation actions by the Authority Board to specific programs and projects.

**Figure D-1. Revenues**
(Year of Expenditure $'s)




## 1. REVENUE ELEMENT

The first Prop K Strategic Plan approved in March 2005 came at a time when the Bay Area economy was still recovering from what we now appreciate was a mild economic downturn in 2002 and 2003. Real sales tax revenues had declined annually for several years, followed by modest growth in the first few years of Prop K. Our conservative sales tax projections used to develop the 2005 Strategic Plan were about 90% of Priority 1 funding levels in the Expenditure Plan.

As shown in Figure D-2 and Table D-1 below, we are now experiencing a period of economic decline of a magnitude not seen since the Great Depression of the 1930's. For the 2009 Strategic Plan update, our sales tax revenue forecast includes two years of negative growth in Fiscal Years 2008/09 and 2009/10, followed by a couple years of slow recovery before reverting to a long-term growth rate of 4.5% thereafter. As a result, our 30-year projected revenues are $3.49 billion (year of expenditure dollars), $520 million less than the $4.01 billion assumed in the 2005 Strategic Plan. The primary difference between the 2005 and 2009 sales tax projections is the two years of negative growth with a couple of years of slower than average growth, to reflect the current recession. This alone causes over a $500 million reduction in projected total program revenues. The voter-approved Prop K Expenditure Plan established three levels of potential Prop K funding, Priority 1, 2 and 3. Each level is tied to a different projection of likely sales tax revenue. Priority 1 is the most conservative (lowest) estimate of likely sales tax collections forecast as part of the 2003 Expenditure Plan. Due to the current economic downturn, our current forecast for available programming (i.e., funds for projects) is at about 80% of Priority 1 funding levels.

**Figure D-2. 2009 Strategic Plan Projection of Sales Tax Revenues**
(Year of Expenditure $'s)

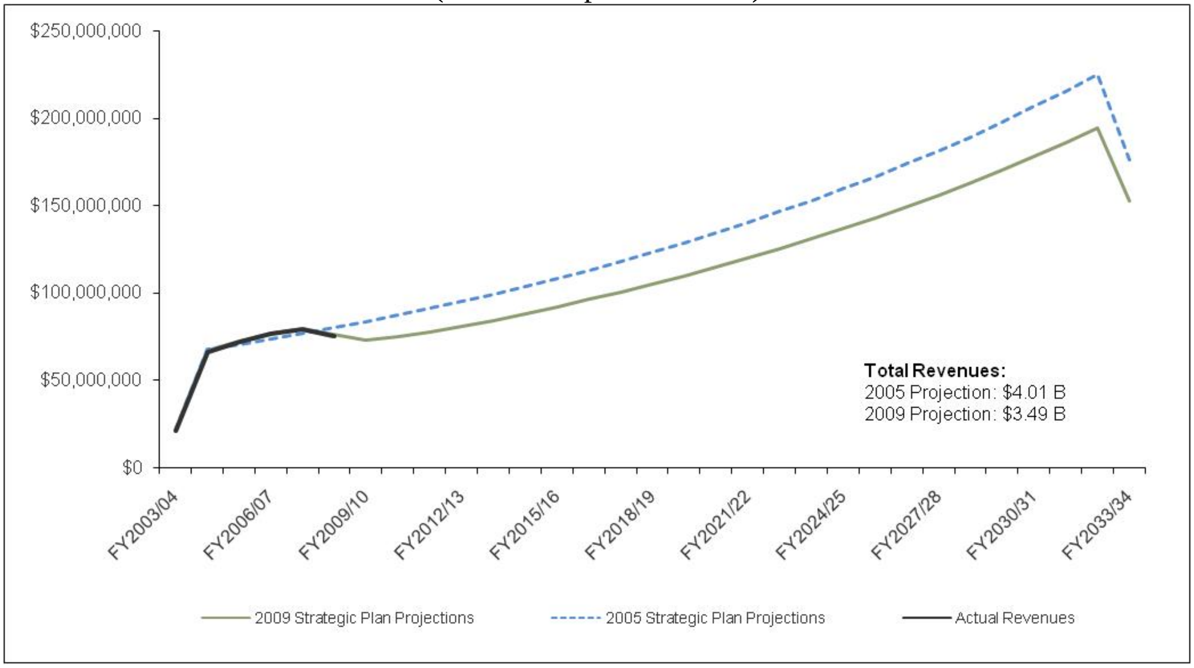



**Table D-1. Anticipated Sales Tax Growth Rates**

| | Assumptions in 2005 Strategic Plan | Current Assumptions |
|---|---|---|
| FY2005/06 | 4.45% | 7.94% * |
| FY2006/07 | 4.40% | 6.72% * |
| FY2007/08 | 4.35% | 3.44% * |
| FY2008/09 | 4.43% | -4.60% |
| FY2009/10 | 4.36% | -4.00% |
| FY2010/11 | 4.42% | 2.70% |
| FY2011/12 | 4.35% | 3.00% |
| FY2012/13 and on | 4.39% | 4.50% |

*Actual growth rates.

There is also great uncertainty about the levels of federal and state revenue that can reasonably be expected over the next 5 years. This is significant given the nearly $10 billion that the sales tax needs to leverage in order to fully fund the Expenditure Plan programs and projects. There are a number of changes on the horizon that will influence the use of sales tax in the future. The debate over reauthorization of the 6-year federal surface transportation act, which provides the largest share of urban transportation funds in the nation, is just beginning in Congress. While prior federal surface transportation acts yielded significant increases in federal revenues for transportation, it is unclear what will happen this time. The Highway Trust Fund (nurtured by the federal gas tax) is going to have a deficit by late August 2009 (the first time in its 60-year history), but the size of the federal deficit and the state of the economy has resulted in a diminished appetite in Congress for a gas tax increase. While some bold proposals have been developed for major increases in infrastructure investment, they have not yet been coupled with a clear sense of where the new revenue will come from. In mid-June, President Obama's administration proposed an 18-month extension of the current act. There is speculation that after mid-term elections, Congress will be more receptive to new taxes or user fees.

Since the passage of Prop K, the State of California has been facing significant challenges in meeting its funding obligations and balancing its own budget. Transportation often has taken a back seat to priorities such as health care and education, though the current situation is severe enough to affect all areas of government. Over the past five years, the State has almost annually diverted transportation revenues to bolster the General Fund and help resolve State Budget issues. This has delayed state funding allocations and pushed out programming of many projects in the STIP. The California Transportation Commission, faced with the worst financial crisis in three decades, may need to consider additional delays to project programming or even a reduction in anticipated funding as part of the upcoming 2010 STIP.

The funding news hasn't been all bad in the past few years. We have seen five major new sources of revenue materialize:

- **Regional Measure 2 (RM2):** Approved by voters on March 2, 2004. Increased tolls on 7 of the state-owned Bay Area bridges by $1. Raises approximately $125 million annually to fund a total of $1.515 billion in capital projects and $48.3 million per year for operating projects. RM2 is administered by the Bay Area Toll Authority (BATA).
- **The Safe, Reliable High-Speed Passenger Train Bond Act (Prop 1A):** Approved by California voters on November 4, 2008. Allocates $9.95 billion to California High Speed Rail Authority. Includes $950 million distributed to local and regional transit operators, including Muni, BART, and Caltrain for High Speed Rail (HSR)-supportive infrastructure.
- **The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B):** Approved by California voters on November 7, 2006. Provides $19.925 billion in bond revenues for transportation improvements, including funds for highway, local streets and roads, and transit.
- **American Recovery and Reinvestment Act of 2009 (ARRA):** Signed into law by President Obama on February 17, 2009. Programs a total of $787 billion, including $49.189 billion for transportation through a variety of discretionary and formula-driven programs for a wide variety of transportation improvements such as transit rehabilitation, HSR, highways, local streets and roads rehabilitation and smaller amounts for transportation enhancements projects.
- **Urban Partnership Program (UPP):** In December 2006, the U.S. Department of Transportation (USDOT) announced the UPP, and solicited applications for congestion-relief projects that focus on tolling, transit, telecommuting and technology. In August 2007, USDOT awarded $853 million to five urban partners, including $87 million to multiple agencies in the San Francisco Bay Area, including the Authority.

These new funding programs offer additional opportunities to leverage Prop K funds, though three of the programs (all except RM2) are one-time infusions of funding and the two bond measures are general obligation debt (i.e., to be retired using general fund revenues, rather than any new revenues dedicated to transportation). Furthermore, the disbursement of funds from both state bond measures (Props 1A and 1B) has been delayed due to the state budget crisis and programming will likely continue to be vulnerable in the near-term. These uncertainties have refocused project sponsors on local transportation measures such as Prop K as a priority source of revenue to meet their immediate funding needs. The adoption of the next federal surface transportation act and the approval of the State budget will hopefully clarify the availability of transportation revenues for San Francisco priorities, shedding further light on the role of Prop K funds and refining our understanding of leveraging opportunities. Future updates to the Strategic Plan, envisioned as a quadrennial process coordinated with updates of the Regional Transportation Plan (RTP), will adjust Prop K funding commitments to reflect both federal and state funding availability.

The Strategic Plan enables the programming of $2.985 billion in year-of-expenditure revenues to Prop K projects and programs over the next 30 years. Sales tax revenues become available as they are collected over a 30-year period. While annual Prop K sales tax revenue collections are relatively stable (between $70 million and $80 million per year), the need for Prop K funds can fluctuate significantly, particularly when large Prop K projects go into construction. When demand for Prop K funds exceeds collection levels, debt must be issued to satisfy that peak in demand. It is therefore critical to balance revenue forecasts against planned expenditures. The Revenue and Expenditure Element of the plan must contain sufficient financial discipline to assure sponsors that funds actually will be available when they need them.

#### i. Priority 1, 2, and 3 Funding Levels

The approved Prop K Expenditure Plan set priority levels on the basis of different levels of sales tax revenue expected to be collected. The Prop K Strategic Plan assumes only about 80% of Priority 1 funding levels will be available, as this is only Year 7 of a 30-year revenue stream and because of the uncertainty of even the near-term forecast given the current economic downturn. From Fiscal Year 2012/13 on, we project a return to a conservative 1.5% real sales tax growth rate and a 3% inflationary growth for the duration of the 30-year Expenditure Plan period. Future Strategic Plans will revisit revenue projections, using actual sales tax receipts to forecast future collections, and may recommend the programming of Priority 2 and/or Priority 3 funds if warranted.

There are a number of additional financial assumptions that govern the detailed programming of revenues and help determine the net revenues available to program to Expenditure Plan programs and projects. These are consistent with the Authority's adopted Fiscal, Debt and Investment Policies:

1- In order to allow for fluctuations in sales tax revenues, project delivery and variable financing requirements, the program will hold an appropriate reserve at the very end of the 30-year period. This amounts to approximately one to two years of Prop K revenue.

2- The Authority's Fiscal Policy requires that the program maintain an operating reserve between 5% and 15% of annual sales tax revenues. The Strategic Plan maintains an operating reserve of approximately 10% of annual sales tax revenues, which is set aside in Year 1 and maintained at that level throughout the 30-year program. As part of each Strategic Plan update, we make unused reserve funds from past fiscal years available for programming to projects in future years.

3- Costs to allocate, administer, and oversee the Prop K program as required by the Expenditure Plan are identified as a cost to the overall program. The annualized cost of revenue collection by the State Board of Equalization also will be funded from the overall program. Collectively, these costs are now 7.35% of annual revenue.

4- The Prop K Program entered into Year 1 with debt outstanding from the issuance of $150 million in commercial paper in 2004. Debt service for that outstanding obligation is included in the Strategic Plan, as well as projected re-funding of the outstanding commercial paper debt with a long-term bond in 2010.

As a result of applying these requirements to our sales tax forecast, the Revenue and Expenditure Element will program up to 80% of Priority 1 funding levels to Prop K projects and programs.

## 2. LEVERAGING NON-PROP K FUNDS

The Expenditure Plan assumes that the half-cent sales tax will generate $2.35 billion (2003 $s) over the 30 years of the program. The ability to deliver the entire list of Expenditure Plan programs and projects will depend on extensive leveraging of Prop K revenues to provide full funding for all sales tax projects and programs. Specifically, as shown in Appendix A, the $2.35 billion (2003 $s) in Prop K is expected to leverage about $9.6 billion (2003 $s) in federal, state, and other local funding. Key state and federal sources include Federal Transit Administration formula funds (Section 5307 and 5309), the Surface Transportation Program (STP), Congestion Management and Air Quality (CMAQ) funds, the STIP, Transportation Enhancement Activities (TEA) funds, and the Transportation Fund for Clean Air (TFCA). As noted in Section D.1. above, while several of these fund sources have experienced declines and/or delays in availability over the past five years, new sources have also become available such as Prop 1A, Prop 1B and ARRA funds.

The Expenditure Plan also details the amount of non-Prop K funds that are expected to be leveraged by individual projects and programs. The amount and type of funds to be leveraged were developed as part of the Prop K Expenditure Plan process and were based on the Metropolitan Transportation Commission's (MTC's) forecasts for the RTP, as well as a $230 million BART General Obligation bond and approximately $199 million from RM2. Both of these sources are fully available to support project needs. The Expenditure Plan also projects that nearly 40% of funds used to deliver projects and programs come from project sponsors' own budgets and other local fund sources. The amount of leveraging by line item varies and is a reflection of eligibility for other fund sources, as well as of the competitiveness of San Francisco projects for those fund sources.

To optimize the ability of Prop K programs and projects to leverage outside fund sources, enabling the delivery of the Expenditure Plan, all Prop K funded projects and programs are consistent with the MTC's RTP, with the most recent update adopted in April 2009. Additionally, allocation requests for Prop K must include funding plans that have appropriate leveraging of other funds.

## 3. GUIDING PRINCIPLES

Development of the Strategic Plan is, by definition, an iterative process, requiring that the Authority collect and evaluate project needs provided by project sponsors, test alternative scenarios of debt financing, communicate results with sponsors and then work with sponsors to refine proposed project needs, to balance likely project delivery schedules and overall debt financing for the Prop K program. In order to help structure the development of the 2005 Strategic Plan and guide discussions with project sponsors, the Authority established three guiding principles pertaining to the Revenue and Expenditures Element of the Strategic Plan focused on the fundamental requirement to ensure implementation of the entire Expenditure Plan as approved by the voters. The three principles, which we have carried forward into the 2009 Strategic Plan update, are:

### Optimize leveraging of sales tax funds

In order to fully fund its projects and programs, the Expenditure Plan assumes that the $2.35 billion (2003 $'s) in sales tax revenues forecast to be available over the 30-year Expenditure Plan period will leverage about $9.6 billion (2003 $'s) in other federal, state, and local funds. Programming recommendations give priority to projects aggressively leveraging funds in order to deliver the entire Expenditure Plan approved by voters.

### Maximize cost effectiveness of financing

The programming recommendations seek to minimize debt issuance and service costs. These costs ultimately reduce the amount of funds available for projects. The Strategic Plan provides for the financing necessary to move Expenditure Plan programs and projects into implementation, as they become ready for delivery, while establishing detailed cash flow distribution schedules that will make funds available only when they are needed.

### Support timely and cost-effective project delivery

This principle has impacts in all functional areas of the Authority from programming to project delivery oversight to debt management. For instance, timely delivery of projects enables the public to enjoy the benefits of the Expenditure Plan projects sooner, is typically more cost effective, and helps project sponsors avoid loss of matching state or federal funds leveraged by sales tax dollars, since these external fund sources increasingly come with strict timely-use-of-funds requirements. The importance of timely and cost effective project delivery is further highlighted when the cost of debt issuance is considered.

Currently, the dearth of state revenues and the flat trend in federal revenues have sharpened the focus on local transportation sales tax revenues as the most available and reliable source of funding for the projects and programs in the Expenditure Plan. Over the long term, it is envisioned that state and federal revenues will recover. Revenue assumptions consistent with regional revenue growth in state and federal funds have been built into the Strategic Plan programming recommendations consistent with the MTC's 2009 RTP (also known as Transportation 2035) adopted in April 2009. The timing and availability of state and federal funds was considered when making programming recommendations for specific Expenditure Plan projects and programs.

With limited funding available through the Prop K sales tax, and the need to address all of the Expenditure Plan needs, the Strategic Plan is built on a strategy of fund distribution that ultimately enables all needs to be met. A baseline of funding is assumed for each project or program equal to that project's or program's pro-rata share of the annual Prop K revenue stream as established by the Expenditure Plan. Sponsors can request more funding than their pro-rata share of the annual revenue, but financing must be agreed to by the Authority. With the exception of four grandfathered Prop B projects (see Section 4 below), the costs of debt financing (i.e., advancing funds to that project beyond its pro-rata share) for that project or program must be borne by that particular project or program. Funds obtained through debt financing are not new sales tax revenue. They are borrowed money that must be repaid, with interest, out of future Prop K revenues. Those borrowing costs, which include interest and issuance expenses, must be contained within Prop K funding caps for that project or program. This means that the total programming commitment to the project includes the net available for direct project expenditures plus the debt service cost triggered by the advancement of funds.

Given these considerations, the Revenue and Expenditures Element necessitated a complex iterative analysis of revenue capacity matched to the estimated costs and schedules of projects and programs. A number of expenditure scenarios were examined utilizing a computerized model, and the results were assessed for financial viability. The assignment of dollars to programs and projects in the Revenue and Expenditure Element of the Strategic Plan provides a reasonable funding strategy, intended to ensure that the Prop K program is delivered efficiently while optimizing financing costs. The Revenue and Expenditure Element does not constitute a final commitment of funds to any individual program or project. Funding commitments are made through actual allocation actions by the Authority Board to specific programs and projects.

## 4. PRIOR PROP B COMMITMENTS

Prop K continues, and in several cases expands, funding commitments for programs funded under Prop B. In addition, there are four projects that had pre-existing commitments entered into under Prop B that must be honored under Prop K. They are the MTA's Third Street Light Rail and Central Subway projects, the Port of San Francisco's Illinois Street Bridge, and the Department of Public Works' (DPW's) Bernal Heights Street System Upgrade project. The Strategic Plan recognizes the commitment made and incorporates funding accordingly. Consistent with commitments made under Prop B, no financing costs are assigned to the four grandfathered projects. These costs are borne by the Prop K program as a whole.

### Third Street Light Rail (Initial Operating Segment, Phase 1)

On July 15, 2002, the Authority Board adopted Resolution 03-06, approving a budget and funding plan for the Third Street Light Rail Project. In this budget, the Authority committed to providing the project with a total of $275.33 million in sales tax funds. The $70 million allocation limit established in the Expenditure Plan was based upon the anticipated amount remaining to be allocated after Prop K began. Not all of the anticipated Prop B allocations were needed prior to the start of Prop K. These allocations are therefore included in the programming of the Third Street Light Rail project in the Strategic Plan, meeting the total sales tax funding commitment per Resolution 03-06, with no finance costs assigned to the project.

## Central Subway

The Authority entered into an agreement with the State of California on November 30, 2001 exchanging $126 million in State TCRP funding programmed for the Central Subway (Third Street Light Rail Project – Phase 2) for a like amount of sales tax funding for the Initial Operating Segment of the Third Street Light Rail Project (Phase 1), as authorized by Resolution 01-37. This funding swap saved the Authority about $20-30 million in interest costs by putting off the need for the Authority to issue debt for this project for almost three years, and enabled the Authority to redirect the moneys saved from debt service to the Third Street Light Rail Project. The State has delivered all $126 million to the Third Street Light Rail Project.

The Strategic Plan programs the full $126 million to the Central Subway, regardless of year of expenditure, with no related finance costs assigned to the project.

## Illinois Street Bridge

The Illinois Street Bridge was necessitated by the construction of the Third Street Light Rail Project. It provides a shorter freight spur track for Union Pacific Railroad to access Pier 80, eliminating the existing track along 3rd Street, and eliminating the need for an additional at-grade crossing of the Third Street Light Rail line near the intersection of 3rd Street and 16th Street. If left in place, this freight route along the 3rd Street corridor would have continued to affect residences and businesses. The new access to Pier 80 eliminates negative impacts along the former route and makes the Port's Cargo Facility more competitive. The project was, in effect, a mitigation measure for the Third Street Light Rail Project, also providing for improved bicycle and pedestrian access along the corridor. The new access takes trucks off 3rd Street as well, providing truck access along Illinois Street instead. The project was ready for construction in 2003, and received a full allocation of its entire Prop K funding in June of 2004. The bridge was opened for service in July 2008.

As a related component to the Third Street Light Rail Project's budget commitment made by the Authority, the Strategic Plan fully programs the $2 million allocated to the Port of San Francisco for the project, with no related finance costs assigned to the project.

## Bernal Heights Street System Upgrade

The Authority adopted the Prop B 2003 Strategic Plan Update in April 2003. The 2003 Prop B Strategic Plan Update included $2.42 million for allocations to be made to this project. The $1.415 million shown in the Expenditure Plan was an estimate of the allocations that would be needed under Prop K. Because of delays due to utility work on the project, none of the anticipated $2.42 million in allocations has been made. The Prop K funded phases of the project are as follows:

Sub-Area 1: Brewster/Joy: Commonly known as the "East Slope" of Bernal Heights, this sub-area is west of Highway 101 bounded by Holladay Avenue on the east, Franconia Street on the west, and Rutledge and Mayflower Streets on the north and south respectively. Construction was completed in August 1997.

Sub-Area 2: Banks/Chapman: Located on the south side of Bernal Heights Park, this sub-area is bounded by Ellsworth Street and Gates Street on the west, Bradford Street on the east, Bernal Heights Boulevard on the north, and extending beyond Powhattan Avenue on the south. Construction was completed in April 2008.

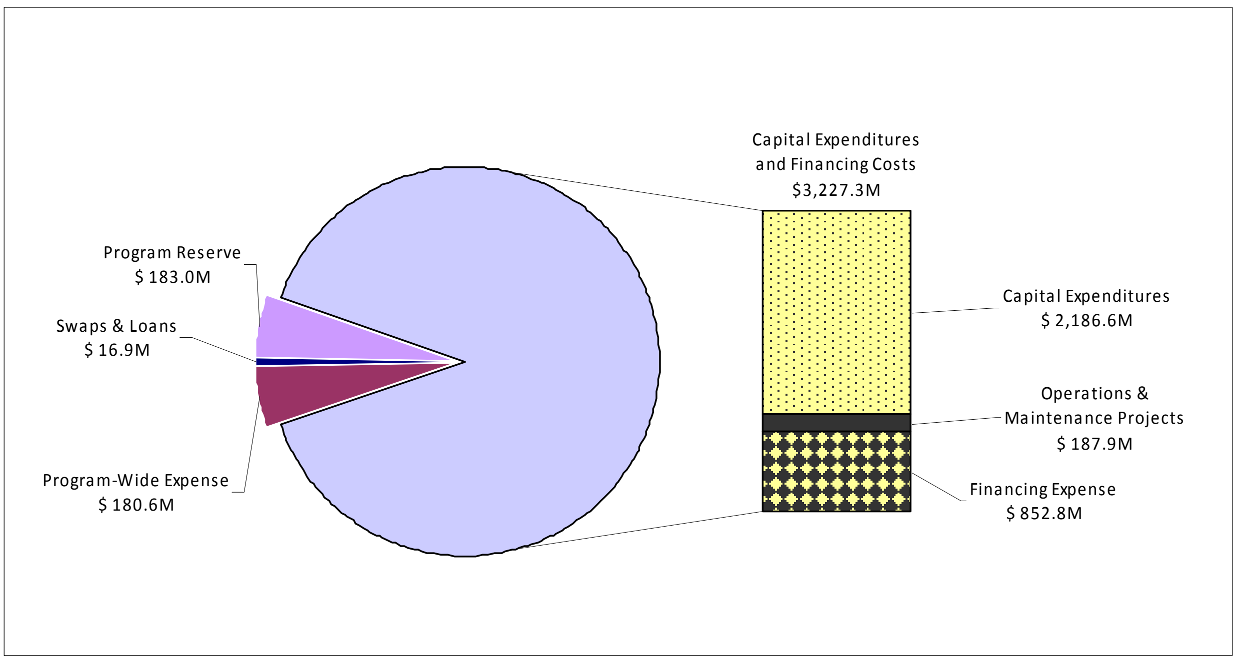
Sub-Area 3: Bradford/Jarboe: Located north of Farmer's Market, this sub-area is bounded by Cortland Avenue on the north, Tompkins Avenue on the South, and Highway 101 and Putnam Street on the east and west respectively. The design for this sub-area is complete and construction is scheduled to be complete in 2010.

In order to fulfill the commitment made in the 2003 Prop B Strategic Plan Update, the full $2.42 million is programmed in the Prop K Strategic Plan, with no related finance costs assigned to the project.

## 5. EXPENDITURE ELEMENT

The Expenditure Element is the listing of programmed sales tax funds to each Expenditure Plan line item, for each of the 30 years of the program. The programming decisions resulted from extensive interaction with Expenditure Plan sponsors and iterative modeling and analysis of options. The process and the results are described below.

**Figure D-3. Expenditures**
(Year of Expenditure $'s)




### i. Expenditure Element Development

The Revenue and Expenditure Element is the result of an iterative process spanning the past year. Sponsors of major projects were asked to submit detailed information regarding their projects to enable the Authority to adequately assess the need for funding in light of project schedules and the availability of other complementary fund sources. The initial snapshot afforded by sponsor submittals served as a starting point for discussions regarding the levels and timing of Prop K funding that sponsors could reasonably expect.

The information submitted was carefully reviewed with sponsors to ascertain whether projects could really be delivered according to the proposed project schedules. This involved an evaluation of many factors such as whether the project has obtained the necessary environmental clearances, and the project sponsor's track record in project delivery. For each project, complementary sources included in the project's funding plan were also reviewed to determine if they were planned and programmed as well as whether they could be expended prior to spending Prop K funds. Simultaneous to this effort, financial modeling was conducted according to the Authority's Debt, Fiscal and Investment Policies. This financial analysis used the capital expenditures being developed with the sponsors to determine if the level of borrowing required to meet sponsor needs was feasible, and established any resultant debt finance cost.

### ii. Relationship to 5-Year Prioritization Programs

The Expenditure Plan requires that each programmatic category (i.e. not project-specific) develop a 5YPP as a prerequisite for receiving Prop K allocations. This requirement applies to 21 programs such as street resurfacing, new signals and signs, traffic calming, and transit enhancements (see Appendix B). The 5YPPs provide a strong link between project selection and expected project performance, and support on-time, on-budget project delivery, and timely and competitive use of state and federal matching funds. Specifically, the purpose of the 5YPPs is to:

- Establish a clear set of criteria for prioritizing projects within each Prop K category,
- Improve interagency coordination at the earlier stages of the planning process,
- Allow and ensure public input early and through the planning process, and
- Establish performance measures.

The 5YPPs provide input to the Strategic Plan, which aggregates all projects and programs for purposes of overall financial management of the sales tax revenue. The Expenditure Plan established limits on funding and described the types of projects that are eligible for each of the 21 programmatic categories, but did not detail specific projects for funding within each category nor the timing for receipt of funds. The Strategic Plan provides the long-term road map for managing Prop K revenue, including setting programming amounts by fiscal year for Expenditure Plan line items, establishing reimbursement schedules, and providing information on the amount of financing that would be attributed to particular projects and programs in proportion to any advancement of Prop K funds above their pro-rata share. Beyond providing input into the Strategic Plan, the 5YPPs also ensure that the Authority Board, project sponsors and the public have a clear understanding of how projects are prioritized for funding within each particular programmatic category. Another important function of the 5YPPs is to ensure coordination across Prop K categories, which should lead to more effective and efficient use of Prop K funds.

The intended outcome of the 5YPPs is the establishment of a steady stream of grant-ready transportation projects that can be advanced as soon as funds (including Prop K, federal, state, and other funds) are available, to help deliver the Expenditure Plan in a timely and cost effective manner. All eligible project sponsors for each programmatic category assist in developing the 5YPPs, coordinating with the designated lead agency for that category. The lead agency role is one of facilitator and does not imply any veto power over other eligible sponsors.

Utilizing 5YPP guidance prepared by the Authority, project sponsors develop draft programs through inter-agency collaboration and public input. The draft 5YPPs are then subject to Authority Board review and approval. The adoption of the 5YPPs may be accompanied by minor adjustments to programming in the Strategic Plan.

The first round of 5YPPs, adopted in May and June 2005, covers the five-year period from Fiscal Year 2004/05 through Fiscal Year 2008/09. The 5YPPs will be updated in concert with quadrennial updates of the Prop K Strategic Plan, which is similarly coordinated with the now quadrennial updates of the RTP. The 2009 5YPP updates cover Fiscal Years 2009/10 through 2013/14, and their development is well underway, though not as far as we would like. The 5YPPs will be the subject of a series of public open houses in July and August 2009, and are slated for approval by the Authority in September 2009. We have made considerable progress reviewing and refining proposed 5YPPs with project sponsors to ensure that projects have realistic schedules, reasonable cost estimates, and appropriate levels of leveraging. However, there are still a number of 5YPPs where our current assessment is that the proposed schedules and corresponding cash flow needs, particularly those that trigger a high level of financing for the category, are more aggressive than is reasonable considering factors such as how much of the funding plan is committed compared to proposed, agency staff resources, recent project delivery track records, etc. In order to allow major capital projects to move forward with Fiscal Year 2009/10 allocations, we are recommending provisional adoption of the 2009 Strategic Plan in July 2009. This will give us a few months to work with project sponsors to finalize the 5YPPs after the public open houses, with the expectation that we will likely amend the Strategic Plan to reduce the acceleration of Prop K funds where not warranted and to help decrease financing for the Prop K program as a whole.

Allocation requests from programmatic categories must be consistent with the applicable 5YPP in addition to the Strategic Plan. If not, project sponsors must provide a justification for the inconsistency, which may involve amending the 5YPP or the Strategic Plan.

### iii. Expenditures

The Authority applied the Strategic Plan's guiding principles in programming the Revenue and Expenditure element. The resultant programming recommendation for each Expenditure Plan line item, capturing the consensus we have reached with sponsors, is highlighted in Appendix C. We have also provided in Appendix D an update of the status, schedule, cost and funding plans for the Caltrain Electrification, Central Subway, Downtown Extension to a Rebuilt Transbay Terminal, and Doyle Drive Replacement Project – all signature major capital projects included in the Prop K Expenditure Plan. Similar types of information for programmatic categories such as street resurfacing and traffic calming is included in the 5YPPs, which will be adopted by the Authority Board this fall, following adoption of the 2009 Strategic Plan.

A number of basic tenets guided the Authority's development of the final programming strategy. The Authority held to these tenets, which are consistent with the guiding principles. The tenets were used in discussions with sponsors to finalize programming within the Strategic Plan, maintaining a level playing field for the many elements under consideration. The basic tenets are as follows:

- A certain amount of borrowing is acceptable in order to accelerate implementation of transportation improvements, but Prop K funding for programmatic (recurring) activities needs to last at least 20 years. Because finance costs associated with accelerating sales tax funding beyond a program's annual pro-rata share count against the Prop K funding cap for that line item, sponsors are not permitted to accelerate their funding to such a degree that finance costs would result in less than the necessary Prop K funding to keep that program in place until FY 2023/24.
- Prop K funding for major projects should be spread out as far as possible, while still maintaining the Prop K commitment and ensuring progress on the project in accordance with a realistic project schedule. Capital Projects by their nature need funding all at once. Each major project that would likely trigger debt cost was closely examined in concert with the project sponsor, to determine when sales tax funds would be needed, and whether other funds could be used instead, so as to minimize debt costs.
- Projects and programs should not trigger debt costs beyond 10% of the overall capped amount. The Authority made every effort to keep debt costs at only 10% of the overall capped amount for each line item.
- Other fund sources are expected to be available in addition to the Prop K funds. For many of the Expenditure Plan line items, the Authority assigned highest priority to the use of Prop K funds to match federal funds and leverage state or local funds. Programming reflects the use of these fund sources first, where feasible, so as to minimize financing costs.

The resulting programming, documented in the Programming Summary (Figure D-2) on the following page, optimizes the use of sales tax funds by maximizing the ability of Prop K to leverage other funds and minimizing the use of Prop K funds to finance debt costs.

# Table D-2. Programming Summary

(Year of Expenditure $'s)

| | Total Available Funds [1] | Total Anticipated Funding Need | Programming | Financing Costs |
|---|---|---|---|---|
| | A | B+C | B | C |
| **A. TRANSIT** | | | | |
| **i. Major Capital Projects** | **725,725,145** | **722,074,138** | **522,780,570** | **199,293,568** |
| a. MUNI | 350,467,863 | 348,439,238 | 297,074,173 | 51,365,066 |
| b. Caltrain | 357,761,571 | 356,464,027 | 214,143,515 | 142,320,512 |
| c. BART Station Access, Safety and Capacity | 11,835,334 | 11,552,315 | 7,402,775 | 4,149,539 |
| d. Ferry | 5,660,377 | 5,618,558 | 4,160,107 | 1,458,451 |
| **ii. Transit Enhancements** | **55,317,323** | **53,840,088** | **46,093,353** | **7,746,735** |
| **iii. System Maintenance and Renovation** | **1,168,830,996** | **1,130,823,107** | **1,025,508,917** | **105,314,190** |
| a. New and Renovated Vehicles | 648,758,558 | 623,565,137 | 622,091,452 | 1,473,685 |
| b. Rehab/Upgrades Existing Facilities | 125,518,415 | 124,113,802 | 84,181,688 | 39,932,114 |
| c. Guideways | 394,554,023 | 383,144,168 | 319,235,777 | 63,908,391 |
| **TOTAL TRANSIT** | **1,949,873,465** | **1,906,737,332** | **1,594,382,839** | **312,354,493** |
| **B. PARATRANSIT** | 259,734,129 | 258,996,791 | 161,295,600 | 97,701,191 |
| **C. STREETS AND TRAFFIC SAFETY** | | | | |
| **i. Major Capital Projects** | **133,177,641** | **131,749,589** | **85,792,643** | **45,956,947** |
| a. Golden Gate Bridge South Access (Doyle Drive) | 101,886,790 | 101,427,523 | 56,066,085 | 45,361,438 |
| b. New and Upgraded Streets | 31,290,850 | 30,322,066 | 29,726,558 | 595,508 |
| **ii. System Operations, Efficiency and Safety** | **68,696,397** | **66,064,835** | **61,553,010** | **4,511,825** |
| a. New Signals and Signs | 46,440,822 | 44,750,478 | 41,373,387 | 3,377,091 |
| b. Advanced Technology and Information Systems (SFgo) | 22,255,574 | 21,314,358 | 20,179,623 | 1,134,734 |
| **iii. System Maintenance and Renovation** | **319,102,310** | **310,234,117** | **243,897,245** | **66,336,871** |
| a. Signals and Signs | 113,078,900 | 108,936,111 | 102,559,268 | 6,376,843 |
| b. Street Resurfacing, Rehabilitation, and Maintenance | 183,639,191 | 179,749,369 | 122,404,302 | 57,345,067 |
| c. Pedestrian and Bicycle Facility Maintenance | 22,384,219 | 21,548,637 | 18,933,675 | 2,614,962 |
| **iv. Bicycle and Pedestrian Improvements** | **216,895,364** | **208,354,316** | **193,036,545** | **15,317,771** |
| a. Traffic Calming | 78,216,122 | 75,489,750 | 75,489,750 | 0 |
| b. Bicycle Circulation/Safety | 35,506,003 | 34,787,331 | 25,125,833 | 9,661,497 |
| c. Pedestrian Circulation/Safety | 30,617,495 | 29,376,553 | 26,944,100 | 2,432,453 |
| d. Curb Ramps | 30,360,205 | 28,553,454 | 28,358,425 | 195,029 |
| e. Tree Planting and Maintenance | 42,195,539 | 40,147,228 | 37,118,436 | 3,028,791 |
| **TOTAL STREETS AND TRAFFIC SAFETY** | **737,871,712** | **716,402,857** | **584,279,443** | **132,123,413** |
| **D. TSM / STRATEGIC INITIATIVES** | | | | |
| **i. Transportation Demand Management/Parking Management** | **14,922,813** | **14,386,234** | **14,119,498** | **266,736** |
| **ii. Transportation/Land Use Coordination** | **22,641,509** | **21,933,388** | **20,477,574** | **1,455,814** |
| **TOTAL TSM/STRATEGIC INITIATIVES** | **37,564,322** | **36,319,621** | **34,597,072** | **1,722,549** |
| **TOTAL STRATEGIC PLAN** | **2,985,043,627** | **2,918,456,602** | **2,374,554,955** | **543,901,647** |

Notes:

[1] The total amount available to each Expenditure Plan line item based on its pro-rata share of current revenue forecasts. Each Expenditure Plan line item's pro-rata share is provided in Appendix E.

## E. FINANCE

From the inception of the Prop B Program, the Authority was able to use a "pay-as-you-go" approach because major capital expenses lagged before revenue collection by several years, allowing sufficient reserves to be built up in the early years. In contrast, the Prop K portfolio of projects is expected to be developed and put into service much earlier in the 30-year timeline of the program. Capital expenditure requirements for Prop K projects outpace revenue collections in Fiscal Year 2 of the Prop K Strategic Plan, and revenues are not expected to catch up with expenses until Year 17 (Fiscal Year 2019/20).

While the development of the Prop K Strategic Plan included a thorough exploration and evaluation of alternate sources of capital funding to optimize the leveraging of sales tax funds, reliance on uncertain federal and state funds, or opting to follow a pay-as-you-go approach could force the beneficiaries of Prop K projects to forego many needed improvements. The risk of inflation is also a concern when deferring or extending the schedule of any given project. In short, the 2009 Prop K Strategic Plan, like the 2005 Strategic Plan, will require a significant amount of financing to support a cost-effective and timely delivery of the Prop K portfolio of projects. The 2009 Strategic Plan forecasts the issuance of debt on the order of $825 million, about $200 million lower than the approximately $1 billion debt issuance forecast in the 2005 Strategic Plan. The primary reason for the decrease is the delay in project delivery experienced over the past 5 years as compared to that assumed in the 2005 Strategic Plan, and in a few instances sponsors were able to use non-Prop K funds first. Both of these factors allowed cash reserves to accumulate, and allowed the Authority to delay issuing long-term debt for a few years, and ultimately reduced the program's financing needs.

By 2005 the Authority had already issued $150 million in short-term debt through its Board-approved $200 million commercial paper program; however, the anticipated debt levels of the Prop K Strategic Plan in both the 2005 Strategic Plan and the 2009 update are well beyond the capacity of the approved commercial paper program. Following the passage of Prop K, the Authority performed a sweeping review of its policies and procedures, leading to the adoption of a comprehensive framework for evaluating financing options, and to control the types and levels of its outstanding obligations, putting into effect updated Fiscal and Investment Policies and an inaugural Debt Policy. Since then we have reviewed and updated these policies on a regular basis. The Authority's debt management program, which incorporates the tenets contained in the Debt, Fiscal and Investment Policies and is well-integrated with the guiding principles of the Prop K Strategic Plan, contemplates debt financing only in those cases where public policy, equity and economic efficiency favor debt over cash financing.

While the proposed Strategic Plan forecasts the issuance of debt on the order of $825 million over the 30-year life of the Prop K Expenditure Plan, the Authority will evaluate each and any financing option in context. Each potential debt issuance will be considered, in coordination with Prop K project sponsors, and in light of Strategic Plan prioritization guidelines and Debt Policy's standards for the use of debt financing, while conforming to the primary objectives of maintaining cost-effective access to the capital markets through prudent yet flexible policies, keeping debt service payments to a minimum through effective planning and cash management, and achieving the highest practical credit ratings.

Adoption of the Strategic Plan or annual Authority Budget by the Authority Board does not constitute authorization for debt issuance for any capital projects. The Debt Policy requires that the Board specifically authorize each debt financing. Each financing will be presented to the Board in the context of and consistent with the Strategic Plan and applicable annual Authority Budget.

## F. POLOCIES

The Strategic Plan policies and procedures provide guidance to both 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 Authority's overall debt management structure, as well as clarifying the 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 first update, we have continued to refine the policies with the benefit of the lessons learned during the last five 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 Authority and project sponsors are as follows:

### Optimizing the Leveraging of Sales Tax Funds

- Prop K funds will not substitute for another fund source that has been programmed or allocated previously to the project or program.
- 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 Authority as available for the phase at the time the funds are needed.
- 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.
- In establishing priorities in the Strategic Plan Updates and annual allocation actions, the 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.

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

### Support Timely and Cost-Effective Project Delivery

- Prop K funds will be allocated one project phase at a time, except for smaller, less complex projects, where the Authority may consider exceptions to approve multi-phase allocations. Phases eligible for an allocation:

  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)

- Under the approved Authority Fiscal Policy, Cash Flow Distribution Schedules 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 Authority will not guarantee reimbursement levels higher than those adopted in the original and any subsequent allocation actions.
- 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 Authority will not reimburse expenses incurred prior to fully executing a Standard Grant Agreement (SGA).
- 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.
- 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 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.
- Project phases for which Prop K funds will be allocated will be expected to result in a complete work product or deliverable. Table F-1 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.

- 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 Authority will take into consideration any incomplete aspects of the previous phase of work prior to allocating the next phase.
- Allocations of Prop K funds for specific project phases will be contingent on the prerequisite milestones shown in Table F-2 (see section 2 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.
- Prop K funds will be expended for right of way capital and support only if the project has identified and committed construction capital funds. The Authority will consider exceptions whereupon investment in right of way can be recovered if the project does not go forward.
- 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 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 Authority's website at www.sfcta.org under *Funding Opportunities*.
- Prop K funds may be allocated for operations and maintenance only as provided for 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 operating 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.
- 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 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.

- 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).
- 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.
- Upon completion of the project, including any expected work product shown in Table F-1, the Authority will deem that any remaining programmed balance for the project is available for programming to another capital project or Annual Activity within the same category as listed in the Expenditure Plan.
- It is imperative to the success of the Prop K program that project sponsors of Prop K-funded projects work with Authority representatives in a cooperative process. It is the project sponsor's responsibility to keep the Authority apprised of significant issues affecting project delivery and costs. Ongoing communication resolves issues, facilitates compliance with Authority policies and contributes greatly toward ensuring that adequate funds will be available when they are needed.

### Maximize the cost-effectiveness of financing

- 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 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.
- 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 must be agreed to by the Authority, and the costs of debt financing for that project or program must be borne by that particular project or program.
- The amount of funds that can be advanced is finite, reflecting the Authority's limited borrowing capacity. The Authority must optimize debt service burden through effective planning and project cash management, in coordination with Authority project sponsors, and preserve the highest practical credit ratings in order to minimize the cost of borrowing.
- Debt issuance and service costs will be allocated to individual projects and programs 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.

## 1. 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-1 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-1 for the specific phase, the 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.

**Table F-1. 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 |

[1]The 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.

## 2. PREREQUISITE MILESTONES FOR ALLOCATION

Allocations of Prop K funds for specific project phases will be contingent on the prerequisite milestones shown in Table F-2 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.

**Table F-2. Prerequisite Milestones for Allocation**

| **Phase** | **Prerequisite Milestone(s) for Allocation** |
|---|---|
| Planning/Conceptual Engineering | • 5YPP or 5-year project delivery plan |
| Environmental Studies (PA&ED) | • 5YPP or 5-year project delivery plan |
| Design Engineering (PS&E) | • 5YPP or 5-year project delivery plan<br>• Approved environmental document<br>• Capital construction funding in adopted plan, including RTP and Countywide Transportation Plan |
| Right of Way Support/Acquisition | • 5YPP or 5-year project delivery plan<br>• Approved environmental document<br>• Capital construction phase committed in programming document |
| Construction | • 5YPP or 5-year project delivery plan<br>• Approved environmental document<br>• Right of way certification<br>• 100% PS&E<br>• All applicable permits |
| Procurement (e.g. rolling stock) | • 5YPP or 5-year project delivery plan<br>• Approved environmental document<br>• Right of Way Certification (if appropriate)<br>• 100% PS&E |
| Incremental Operating and Maintenance | • 5-year project delivery plan<br>• Documentation confirming costs are for new transportation services or an eligible grandfathered project per Expenditure Plan<br>• Proof that all other fund sources are identified and committed for operating the facility or service |
| Operations (e.g. paratransit operating support) | • 5-year project delivery plan<br>• Proof that all other fund sources are identified and committed for operating the facility or service |

## G. PROGRAM ADMINISTRATION AND MANAGEMENT

The Authority is responsible for ensuring that Prop K funds are being spent in accordance with the intent of the voter-approved sales tax initiative. Authority representatives will work with project sponsors at every stage of the project, seeking to leverage other fund sources coming to the project, resolving issues that may arise throughout the various phases of project delivery, and otherwise championing the projects and programs in the Prop K Expenditure Plan.

Administration of the Prop K program includes the tasks necessary for effectively carrying out Authority initiatives, policies and mandates. The Authority will conduct project management oversight of the projects funded in whole or in part with Prop K funds. The purpose of the oversight is threefold:

- To review the components of the project, so as to identify, if possible, more cost-effective alternatives or enhancements,
- To review major cost components of the project, and
- To review the objectives and purpose of the project to determine if the project is consistent with the original purpose of the project in the Expenditure Plan.

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

The sponsor is wholly responsible for the direct delivery of the project phases. The Authority, however, has the responsibility to suggest, where it appears warranted, cost effective solutions to issues that will enable projects and programs to be delivered on time and within budget.

The Authority reimburses the State Board of Equalization for providing sales tax collection services. This amounts to 1.25% of the annual revenue collected. Pursuant to state statutes, the Authority reserves 1% of annual collection for salaries and benefits associated with administration of the program. The Authority reserves 1% of annual proceeds for overhead, and 4.1% of annual proceeds for project management oversight, which includes planning, programming, and project delivery support. The Authority anticipates, and the Revenue and Expenditure Element reflects, that a number of projects are anticipating allocations well beyond the project's annual pro-rata share of revenue. The 4.1% reservation of proceeds for project management oversight will capture the fluctuations in allocations caused when projects or programs receive allocations which exceed their pro-rata share of funds.

## H. ACCESS TO PROP K FUNDS

### *1. ALLOCATION REQUEST PROCESS*

In order to initiate a request for allocation of Prop K funds, a project sponsor must complete a Proposition K Sales Tax Allocation Request Form, which is available in its most current form on the Authority's website, www.sfcta.org, under *Funding Opportunities* and submit it to the Authority by the 25th day of the month or the first business day thereafter. Consistent with the emphasis on deliverability, funding applications will include information that details the full funding plan to match the cost of the activity or project proposed, and supports application of Strategic Plan policies. Allocation requests must also be consistent with any applicable 5YPPs. Project sponsors must provide justification for inconsistency with 5YPPs, which may involve amending the Strategic Plan and/or 5YPP. As has always been the practice at the Authority, the actual funding amount recommended will depend on the justification provided by the sponsor, and it may be below the Strategic Plan amount, depending largely on the sponsor's ability to demonstrate program needs and ability to deliver the project.

Generally, allocation requests that are complete, with reasonable budgets, scopes and schedules and that are consistent with the Strategic Plan and 5YPP, will be scheduled for action at the regular meeting of the Authority's Citizen Advisory Committee on the fourth Wednesday of the month following when the request is received, and for the Plans and Programs Committee and Authority Board for approval the following month. Following Board approval of the allocation, the Executive Director will impose, as a condition of this authorization for expenditure, such terms and conditions as may be deemed necessary for project sponsors to comply with applicable law and adopted Authority policies, and execute SGAs to that effect. SGAs, described in more detail in Section 3 below, set the start date after which Prop K expenses can be incurred against the allocation, and specify other terms and conditions related to the use of the Prop K funds.

Project sponsors typically need to know about the likely level of Prop K funding they can expect to receive in order to inform their annual budget development processes, and to have the staff and other resources in place at the beginning of the fiscal year. Thus, the Authority issues an annual call for projects each spring, with the intent of bringing as many of the programmatic and other individual capital project allocations to the Board for approval in June. This ensures that sales tax funding is in place by the start of the fiscal year (July 1). Nevertheless, sponsors may initiate allocation requests at anytime during the fiscal year.

Allocation Request Forms are available on the Authority's website at www.sfcta.org, under *Funding Opportunities*.

## 2. AMENDMENTS TO ALLOCATIONS

When the Authority allocates Prop K funds to a project or program, it is for a specific scope, schedule, and budget. Following Board approval, this information is incorporated into the SGA for that allocation (see Section 3 below). The project sponsor is expected to deliver the project or program as approved by the Board. If a project sponsor anticipates that any of these factors (i.e., scope, schedule or budget) will change, the sponsor must submit a written request to the Authority describing the proposed change and the rationale for the change, and request a SGA amendment. The Authority reviews the request to determine whether the amendment can be approved administratively at the discretion of the Executive Director or whether it involves significant enough changes to require policy-level action by the Authority Board. Work performed by project sponsors which is not consistent with the original allocation is not reimbursable by Prop K unless an SGA amendment reflecting such changes has been executed prior to incurring the expenses associated with those changes

An administrative amendment addresses changes such as minor scope, schedule and budget adjustments which do not change the nature of the original Authority-approved allocation. In contrast, policy-level amendments include changes such as a significant increase in cost where the sponsor is requesting that the Authority allocate or program other non-sales tax funds to help cover the cost increase, a significant change in scope, or major delay of any project phase. Policy-level amendments must follow the standard allocation approval process involving review and action by the Citizens Advisory Committee, the Plans and Programs Committee, and the Authority Board.

Authority staff will review all amendment requests for consistency with the Strategic Plan and, if applicable, the approved 5YPP. This information, along with the sponsor's justification for the proposed amendment will be considered when the Authority makes a recommendation whether or not the amendment should be approved.

Detailed amendment request procedures are available on the Authority's website at www.sfcta.org, under *Funding Opportunities*.

### 3. STANDARD GRANT AGREEMENT

The execution of the SGA represents the transition from the programming phase to the implementation phase of a Prop K grant. It is only after the execution of the SGA by both the Authority and project sponsor that the sponsor may start expending the funds and the Authority may allow for their reimbursement. The SGA was developed during the early years of the Authority for the Prop B sales tax program.

The SGA generally addresses contractual issues between the Authority and its sponsors. A unique SGA is executed for each grant. The following are the key elements of the SGA:

1. Sections 1 and 2 of the SGA establish the legal relationship between the Authority and the sponsor. Some of the key elements that are addressed are cost eligibility, the Authority's rights to review project records, the relationship between the sponsor's project manager and the Authority's project oversight team, attribution and signage, how costs are to be documented, how costs are reimbursed, reporting requirements on an ongoing basis and end of project reporting requirements.
2. Proposition K Sales Tax Program Allocation Request Form – This attachment to the SGA is one of the essential elements of the SGA. This form establishes the scope of the grant, the schedule, budget, reimbursement schedule, deliverables, special conditions and any other grant specific information.

The Authority will periodically request that heads of agencies that are eligible project sponsors will provide the Authority with an official written communication specifying the name and title of the individuals authorized to execute SGAs, and bearing those individuals' signatures, unless they are to be executed exclusively by the head of the agency. The names and titles of the individuals that are authorized to submit requests for reimbursement of Prop K funds will also be included. Sponsors will communicate to the Authority any changes to authorized signatures within 30 days of the change. The sponsor will execute the SGA, and return it to the Authority for signature by the Executive Director. The sponsor will provide verification that any sponsor board actions necessary for the execution of the SGA have been completed and will attach the appropriate budget and/or resolution. This verification requirement will not apply to departments of the City and County of San Francisco.

Project sponsors may start incurring Prop K-reimbursable costs only upon receipt of an original SGA executed by the Authority's Executive Director. A sample of the most current SGA format is available on the Authority's website, www.sfcta.org, under *Funding Opportunities*.

## Appendices

**Appendix A. San Francisco Expenditure Plan Summary (2003 $'s).** This table is pulled directly from the Prop K Expenditure Plan approved by the voters in November 2003. It lists all the categories and sub-categories of eligible projects and programs, the maximum amount of funding they can receive over the 30-year Expenditure Plan period, and Total Expected Funding, which includes Prop K funds and other federal, state and local funds that are leveraged by Prop K.

**Appendix B. Expenditure Plan Line Items.** This table lists every Expenditure Plan commitment (e.g. specific project or program to be funded with Prop K). Each commitment is assigned an "EP Line Item Number". It is a key to reading the various revenue and expenditure spreadsheets included in the Strategic Plan. This appendix also identifies the 21 required 5YPPs.

**Appendix C. Expenditure Plan Line Item Summary (YOE $'s).** This table summarizes the programming recommendation for the 2009 Strategic Plan by Expenditure Plan (EP) line item. It shows total programming (i.e., planned allocations), any financing costs related to acceleration of funds beyond that EP line item's pro-rata share, and available funds. It also provides a brief summary of the types of projects and programs that are funded in each EP line item, and as relevant information related to our programming recommendation (e.g. financing costs for Prop B grandfathered projects are not assigned to those projects).

**Appendix D. Prop K Major Capital Projects – Summary Update (07.09.2009).** This provides an update on the status, schedule, cost and funding plans for the Caltrain Electrification, Central Subway, Downtown Extension to a Rebuilt Transbay Terminal, and the Doyle Drive Replacement Project – all signature major capital projects included in the Prop K Expenditure Plan.

**Appendix E. Comparison of Available Funds to Priority 1 Funding Levels (2003 $'s).** This table depicts the recommended programming level in the 2009 Strategic Plan by Expenditure Plan line item and shows what percent of Priority 1 funding this represents. Generally, this is about 80% of Priority 1 caps except for grandfathered Prop B projects which receive 100% of Priority 1 funding.

**Appendix F. Pro-Rata Share of Available Revenues by Expenditure Plan Line Item (YOE $'s).** This is the baseline amount of sales tax revenues that each EP line item (e.g. project or program) can expect in each of the thirty years of the Strategic Plan. This assumes we are programming to 80% of Priority 1 caps, and assigns each EP line item its share of annual revenues.

**Appendix G. Planned Allocations and Financing Costs by Expenditure Plan Line Item (YOE $'s).** This spreadsheet depicts exactly what each EP line item can expect in programming over the thirty years of Prop K. It is based on the 80% of Priority 1 levels of funding and assigns debt costs to EP line items if advancement of funds occurs beyond the 80% Priority 1 baseline.

**Appendix H. Planned Allocations by Expenditure Plan Line Item by Sponsor (YOE $'s).** This spreadsheet depicts exactly what each sponsor can expect in programming over the thirty years of Prop K in year of expenditure dollars. It is based on the 80% Priority 1 levels of funding. ***This appendix will be provided this fall when the 2009 5YPP updates are adopted by the Authority Board.***

**Appendix I. Glossary.** ***This appendix will be provided this fall when the 2009 5YPP updates are adopted by the Authority Board.***

**Appendix A. San Francisco Expenditure Plan Summary (2003 $'s)**

**Appendix B. Expenditure Plan Line Items**

**Appendix C. Expenditure Plan Line Item Summary (YOE $'s)**

**Appendix D. Prop K Major Capital Projects – Summary Update (07.09.2009)**

**Appendix E. Comparison of Available Funds to Priority 1 Funding Levels (2003 $'s)**

**Appendix F. Pro-Rata Share of Available Revenues by Expenditure Plan Line Item (YOE $'s)**

**Appendix G. Planned Allocations and Financing Costs by Expenditure Plan Line Item (YOE $'s)**

**Appendix H. Planned Allocations by Expenditure Plan Line Item by Sponsor (YOE $'s)**

**Appendix I. Glossary**