



RESOLUTION APPROVING THE SCHEDULE AND PROCESS FOR DEVELOPMENT OF A NEW EXPENDITURE PLAN FOR REAUTHORIZATION OF THE LOCAL SALES TAX FOR TRANSPORTATION AND ESTABLISHING AN EXPENDITURE PLAN ADVISORY COMMITTEE STRUCTURE

WHEREAS, The half-cent sales tax for transportation was first approved by San Francisco voters in 1989 (Prop B) and then extended by voters in 2003 along with the adoption of the Prop K Expenditure Plan; and

WHEREAS, The half-cent sales tax generates about \$110 million per year (pre-pandemic) and helps fund transportation projects large and small across the city; and

WHEREAS, The Expenditure Plan guides the way the half-cent sales tax program is administered by identifying eligible project types and activities; designating eligible sponsoring agencies; establishing limits on sales tax funding by Expenditure Plan line item; setting expectations for leveraging of sales tax funds with federal, state and other dollars; and providing policies to guide program implementation; and

WHEREAS, Most of the major capital projects in the Prop K Expenditure Plan have been delivered or are under construction, and several categories in the Prop K Expenditure Plan, such as transit enhancements and Muni vehicles, are running out of funds, which will leave a funding gap for some ongoing project and program needs; and

WHEREAS, The Transportation Authority is participating in ConnectSF, a multi-agency collaboration to build an effective, equitable, and sustainable transportation system for San Francisco's future; and

WHEREAS, In 2018, ConnectSF defined a 50-year vision of San Francisco's future to guide planning for the city's transportation system; and

WHEREAS, As Congestion Management Agency for San Francisco, the Transportation Authority is charged with the development of the long-range



Countywide Transportation Plan (also known as the San Francisco Transportation Plan or SFTP) which is intended to provide a framework for the orderly implementation of the City's transportation priorities to help achieve the City's long-range transportation vision; and

WHEREAS, The current SFTP update, known as SFTP 2050, is occurring under the umbrella of the ConnectSF effort, which has and will continue to engage in significant outreach with the public, agencies and other stakeholders; and

WHEREAS, In the process of developing a comprehensive inventory of improvements and their costs for ConnectSF and SFTP 2050, it has become clear that the need for transportation funding will outstrip projected resources for San Francisco's transportation program; and

WHEREAS, Recommendations from the ConnectSF Transit Corridors Study and Streets and Freeways Study, along with other studies and plans from City agencies, regional transit operators, and other San Francisco stakeholders, will be prioritized within the SFTP 2050 to develop a financially constrained transportation investment strategy, along with complementary policies to help achieve the long-range vision; and

WHEREAS, The SFTP will play a critical role in providing a road map for funding advocacy, and serve as the strategy for the use of local transportation revenues for transportation improvements in San Francisco, including, but not limited to informing development of a new Expenditure Plan for the existing half-cent transportation sales tax; and

WHEREAS, A new Expenditure Plan will allow the Transportation Authority to replenish ongoing programs, continuing project delivery and maintaining jobs, and will provide an opportunity to fund new and emerging priorities being identified in the SFTP 2050; and



WHEREAS, California Public Utilities Code Division 12.5 governs the authorization of Bay Area local sales taxes for transportation, and requires that, as a condition of bringing a new Expenditure Plan to the ballot to reauthorize the Prop K sales tax, the Transportation Authority must first establish, by resolution, a schedule and process for the development of the proposed new Expenditure Plan; and

WHEREAS, Adoption of the schedule and process as shown in Attachments 1 and 2 enables staff to proceed with the specific task of developing an Expenditure Plan that may, if adopted by the Board, be placed on the June 2022 ballot, but does not commit the Transportation Authority to placing the measure on the ballot; and

WHEREAS, The proposed process and schedule will allow sufficient time for the development of the Expenditure Plan and to address other statutorily required steps such as adoption of the Expenditure Plan by the Transportation Authority following a public hearing and submission of the plan to the Metropolitan Transportation Commission for a consistency review; and

WHEREAS, Community and stakeholder engagement are crucial components of the Expenditure Plan development process, and the Transportation Authority will build on existing ConnectSF and SFTP community and stakeholder engagement to inform development of a new Expenditure Plan through community interviews, town hall meetings, and other targeted equitable engagement strategies, and will engage with project sponsors and partner agencies through regular meetings including the Transportation Authority's Technical Working Group; and

WHEREAS, As part of the new Expenditure Plan development engagement process, and as required by the Prop K Expenditure Plan, the Transportation Authority will also constitute an Expenditure Plan Advisory Committee (EPAC) with diverse representation (Attachment 3) to provide an opportunity for public review and discussion among representatives of communities, advocacy organizations, business and civic interests, and other stakeholders, in order to provide feedback



and advice on the make-up of the Expenditure Plan; and

WHEREAS, At its March 24, 2021 meeting, the Citizens Advisory Committee was briefed on the staff-recommended schedule and process for development of a new Expenditure Plan for reauthorization of the local sales tax for transportation and the proposed EPAC structure and unanimously adopted a motion of support for the staff recommendation; and

WHEREAS, Subsequent to the Citizens Advisory Committee, and in response to Transportation Authority Board office feedback, staff recommended revising the EPAC to include two additional seats, specifically to provide one additional representative for seniors and people with disabilities and one for small business as shown in Attachment 3; now, therefore, be it

RESOLVED, That the Transportation Authority hereby approves the schedule and process for development of a new Expenditure Plan for reauthorization of the local sales tax for transportation, as show in Attachments 1 and 2, and be it further

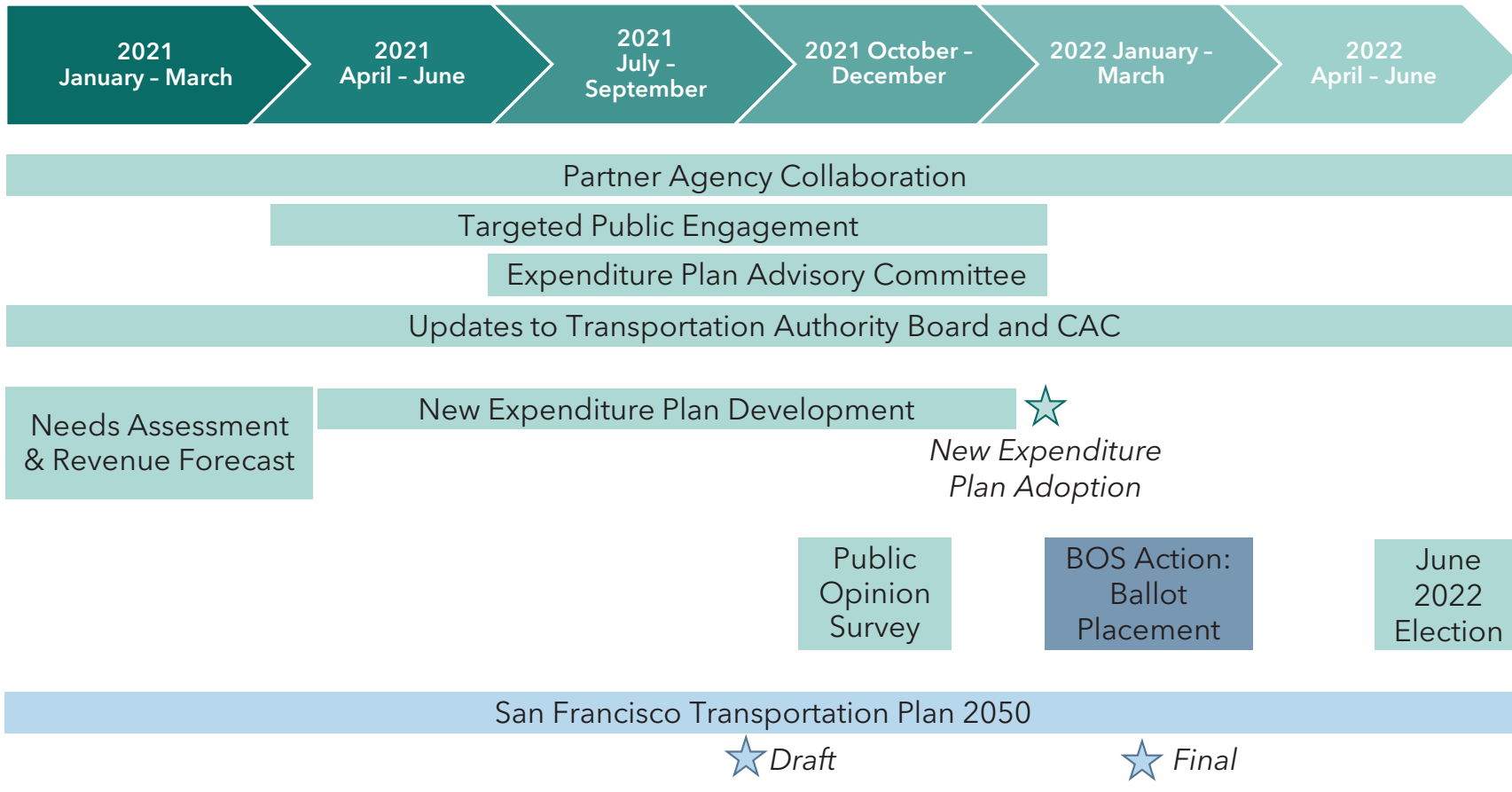
RESOLVED, That the Transportation Authority hereby establishes an EPAC to provide feedback and advice on the make-up of the new Expenditure Plan and approves the EPAC structure shown in Attachment 3, to be seated by the Transportation Authority Chair and Executive Director in consultation with other Board members, and be it further

RESOLVED, That the Executive Director is authorized to work on the Expenditure Plan for the reauthorization of Prop K.

Attachments:

- Attachment 1 - Schedule and Process
- Attachment 2 - Milestone Schedule
- Attachment 3 - Expenditure Plan Advisory Committee Structure

Proposed Process and Schedule



Attachment 2
Proposed Milestone Schedule for Development of a New Expenditure Plan

Dates	Milestone
November 9 or 16, 2021	Transportation Authority Board Meeting: Public Hearing on draft Expenditure Plan Submit near-final draft to Metropolitan Transportation Commission (MTC)
November 2021	Expenditure Plan Advisory Committee Meeting: approve final Expenditure Plan
December 7, 2021	Transportation Authority Board Meeting: first approval action on Expenditure Plan
December 10, 2021	MTC Planning Committee Meeting: reviews/recommends the Expenditure Plan consistency finding
December 14, 2021	Transportation Authority Board Meeting: final approval action on Expenditure Plan
December 22, 2021	MTC Commission Meeting: approves consistency finding
February 2022	Board of Supervisors approves the Expenditure Plan and submits to Elections Commission for inclusion of the ordinance on the June 2022 ballot

**Anticipated schedule, subject to change. Could also be adapted to a November 2022 ballot measure if directed by the Board.*

Attachment 3 - (Revised May 2021)

Expenditure Plan Advisory Committee Structure¹

Category	Affiliation / Representation	Target # of Members
Equity and Neighborhood Focus ²	Communities of Concern / Equity Priority Communities / low-income communities / communities of color	9
	Other Neighborhoods / Communities	4
	<i>Subtotal</i>	13
Advocacy Organizations	Equity & Environment	2
	Modal: Bike	1
	Modal: Transit	1
	Modal: Walk	1
	Seniors and People with Disabilities	2
	Youth	1
	<i>Subtotal</i>	8
Business/Civic Groups	Civic	1
	Labor	1
	Large Businesses	1
	Small Businesses	2
	Tourism	1
	<i>Subtotal</i>	6
TOTAL		27

¹Target of a 25-to-27-member committee. It is possible that some interest areas may overlap, and members may be able to represent more than one interest area.

²Intent to include 1 to 2 Citizens Advisory Committee members.



Memorandum

AGENDA ITEM 10

DATE: May 19, 2021

TO: Transportation Authority Board

FROM: Maria Lombardo - Chief Deputy Director

SUBJECT: 05/25/2021 Board Meeting: Approve the Schedule and Process for Development of a New Expenditure Plan for Reauthorization of the Local Sales Tax for Transportation and Establish an Expenditure Plan Advisory Committee Structure

RECOMMENDATION Information Action

- Approve the schedule and process for development of a New Expenditure Plan for the reauthorization of the local sales tax for transportation
- Establish an Expenditure Plan Advisory Committee (EPAC) Structure

SUMMARY

At the direction of the Board, we have been working on an effort to develop a New Expenditure Plan for Prop K, the half-cent transportation sales tax measure approved by voters in November 2003. In January 2021, we gave a presentation to the Board describing the reasons for seeking voter approval of a New Expenditure Plan and extension of the existing transportation sales tax in 2022 and outlining a proposed process and schedule for a potential June or November 2002 ballot measure. The Transportation Authority’s authorizing statute requires that the anticipated schedule and process for development of a New Expenditure Plan be established through resolution. Further, the Prop K Expenditure Plan requires the Board to establish an Expenditure Plan Advisory Committee or EPAC to help develop the New Expenditure Plan. The proposed process and schedule targeting a June 2022 election are described in the memo below and are shown in Attachment 1. Both can be adapted to a November 2022 schedule if that is the Board’s desire. The proposed EPAC structure is shown in Attachment 3. Approval of the proposed resolution does not commit the Board to placing a measure on the ballot.

- Fund Allocation
- Fund Programming
- Policy/Legislation
- Plan/Study
- Capital Project Oversight/Delivery
- Budget/Finance
- Contract/Agreement
- Other:



BACKGROUND

The half-cent sales tax for transportation was first approved by San Francisco voters in 1989 (Prop B) and then extended by voters in 2003 along with the adoption of the new Prop K Expenditure Plan, which is currently in place. Since then, the Transportation Authority has directed more than \$1.9 billion in half-cent sales tax funding citywide. On average, every dollar in half-cent sales tax funding leverages an additional \$4-\$7 from federal, state, or other sources.

The half-cent sales tax generates about \$110 million per year (pre-pandemic) and helps fund transportation projects large and small across the city. Major capital investments have included the purchase of new Muni buses and light rail vehicles, Salesforce Transit Center, the electrification of Caltrain (under construction), Muni Central Subway, and reconstruction of Doyle Drive, now known as Presidio Parkway. It also makes a big difference in people's lives through smaller projects like traffic calming, street repaving projects, paratransit service for seniors and persons with disabilities, protected bicycle lanes, new and upgraded signals, and, during the pandemic, taxi rides home for essential workers.

The Expenditure Plan guides the way the half-cent sales tax program is administered by identifying eligible project types and activities, designating eligible sponsoring agencies, and establishing limits on sales tax funding by Expenditure Plan line item. It also sets expectations for leveraging of sales tax funds with other federal, state, and local dollars to fully fund the Expenditure Plan programs and projects and includes policies for program administration. Finally, the current Prop K Expenditure Plan requires that the Transportation Authority Board establish an EPAC to help develop a new Expenditure Plan.

Reauthorization and a New Expenditure Plan. Recapping the staff presentation given at the January 21 Board meeting, there are several reasons to bring a New Expenditure Plan to the voters now:

- All but one of the major capital projects in the Prop K Expenditure Plan is complete or under construction, and many of the programs are already out or are running out of funds in the next few years, such as transit enhancements, upgrades to major arterials and procurement of new Muni vehicles to replace vehicles at the end of their useful life.
- A New Expenditure Plan will allow us to replenish those ongoing programs, continuing project delivery and maintaining jobs. This is crucial to COVID recovery, in addition to addressing the ongoing needs of the city such as for upgraded traffic signals, street resurfacing, and transit infrastructure maintenance.
- There are new and emerging priorities that we can capture in a New Expenditure Plan, such as providing critical early funding for the next generation of major capital projects, COVID recovery-focused investments, upgrades to Muni's train control system, and freeway management (to improve safety and person throughput) and



redesign. The city is currently working on ConnectSF, a long-range transportation vision for the city, and the Transportation Authority is leading the update to the San Francisco Transportation Plan (SFTP 2050), which will identify new priorities for investment through 2050.

- The sales tax provides crucial matching funds to highly competitive state and federal fund sources. We expect to see a new federal stimulus and/or surface transportation authorization bill passed before the end of the year, and the sales tax can help position San Francisco to be as competitive for new funding as possible.

DISCUSSION

Approach to the New Expenditure Plan. Our approach to this work starts with a strong focus on equity, which will include robust engagement particularly to residents with low-incomes and communities of color. We acknowledge that a sales tax has regressive aspects, but it is also a large, reliable, and flexible fund source. We can use the revenues to continue to advance equity through the projects and programs it funds and by adhering to a transparent and accountable process for its administration. To maintain our equity-focus, we are using the Government Alliance on Race & Equity's (GARE's) Racial Equity Toolkit to inform every step of our process.

Working with San Francisco project sponsors, including the SFMTA, other City agencies, regional transit operators serving San Francisco, Caltrans, etc., we are identifying the funding needs for all modes of travel and all operators as part of the SFTP 2050 process. Through SFTP 2050, we are analyzing the benefits of different long-range investment packages to help San Francisco achieve its long-range vision for transportation. SFTP 2050 will include both a financially constrained investment package (fits within forecasted revenues) and a vision investment package (including new potential revenue sources) that will show how much closer we can get to our long-range vision with additional revenues. These investment packages will inform the New Expenditure Plan as well as advocacy for new revenue sources.

We also plan to draw on our long experience with the sales tax (Prop K and its predecessor) and to build on its successes, for example, by maintaining funding for ongoing programs that have been working well. In other areas, we plan to propose refinements, such as changes to the size of ongoing programs and/or revising eligibility. Finally, the pandemic has significantly impacted travel and has hit hard some of the fund sources that the SFMTA, in particular, depends on. We may want to be able to address some of those short-term recovery needs while also planning for funding long-term transportation needs. We are doing all of this work while participating in funding conversations regionally, with our local partners, and at the state and federal levels as well, to ensure that we continue to use the sales tax to leverage other funding opportunities.

Recommended Process and Schedule. Our proposed schedule and process for development of a New Expenditure Plan are shown in graphic form in Attachment 1 to the draft Resolution with a proposed milestone schedule shown in Attachment 2. California Public Utilities Code (CPUC) Division 12.5, which governs the authorization of Bay Area local sales taxes for



transportation including Prop K, requires that, as a prerequisite for bringing a new Expenditure Plan to the ballot the Transportation Authority must first establish, by resolution, a schedule and process for the development of the proposed Expenditure Plan. The proposed milestone schedule reflects other procedural requirements in the CPUC Division 12.5, such as the requirement that the draft Expenditure Plan be reviewed and approved by the Metropolitan Transportation Commission (MTC) within 45 days of receipt of the plan. The MTC must approve the plan unless certain findings are made such as the plan would result in a significant negative regional impact as a result of the proposed projects or the estimates of the proceeds from the sales tax are not reasonable. Following MTC approval, the Board of Supervisors, if it so chooses, would act to place the sales tax measure on the ballot.

Outreach is a crucial component of this process and will support our focus on equity for this plan. We will be taking lessons learned from other projects at the Transportation Authority, such as our Downtown Congestion Pricing Study, to help ensure that we hear from folks who may be disproportionately affected by the sales tax while being respectful of the organizations that serve low-income communities and communities of color, many of which are stretched thin right now due to the lengthy pandemic. Our proposed outreach plan includes:

- **Community Interviews:** We will start by reaching out to organizations that serve low-income communities and communities of color across the city for one-on-one interviews. These interviews have two goals: to identify the needs of the communities they serve, and to identify how best to engage with those communities moving forward as we develop the New Expenditure Plan.
- **Town Hall Meetings:** We are planning to host several town hall-style meetings in order to listen to members of the community and allow community members to hear from each other as well. We anticipate hosting at least two English language meetings, and at least one each in Spanish and Chinese, and potentially other language as needed (potentially as identified through our community interviews).
- **Joining Existing Meetings:** We will offer presentations to stakeholder groups across the city in order to meet people where they are already meeting. Our goal here is to gather more specific feedback by neighborhood, by interest group, or by sector. We will reach out to groups who have expressed interest and with whom we have worked in the past and have a sign-up on our website where any group can request a presentation.
- **Traditional, Social, and Multi-lingual Media:** To reach as many people as possible, we engage with traditional print, radio and television media, online social media platforms, and through multi-lingual media to reach mono-lingual populations across the city.



- **Expenditure Plan Advisory Committee (EPAC):** Development of the Expenditure Plan for both of the prior sales tax ballot measures (Prop B and Prop K) was informed by an EPAC. The section below describes the proposed composition of the EPAC. We anticipate that this group will meet regularly (about bi-monthly) from late summer 2021 through the end of the calendar year before making a recommendation on a New Expenditure Plan to the Transportation Authority Board. In the next section, we describe the recommended EPAC structure.

Our ability to successfully develop and deliver the New Expenditure Plan, just like the current one, depends on working collaboratively with San Francisco project sponsors, including city agencies, regional transit operators serving the city such as BART and Caltrain, Caltrans, and funding partners such as the MTC. We have been and will continue to regularly agendaize reauthorization of the sales tax at our monthly Technical Working Group meetings. We have requested identification of point persons at each agency to assist with support of the EPAC, including coordination of agency presentations and responses to information requests. We also meet with project sponsor staff in smaller groups, as requested/needed and through our long-range planning efforts on ConnectSF and the SFTP 2050. Lastly, we have regular staff and management level meetings with the SFMTA, the largest recipient of Prop K sales tax funds, to coordinate on local, regional, state and federal funding strategy.

Recommended EPAC Structure. The EPAC provides an opportunity to engage stakeholders deeply in the development of a new Expenditure Plan. We anticipate bi-monthly meetings of the EPAC where Transportation Authority and San Francisco project sponsors staff will support the EPAC with the goal of reaching broad consensus on a New Expenditure Plan by the end of calendar year 2021. The proposed EPAC structure is shown in Attachment 3 and described in the bullets below. We acknowledge that some interests may overlap, and that individual community members may be able to represent multiple perspectives on the EPAC. We also recognize that many community-based organizations across the city are facing significant capacity constraints due to the COVID pandemic. With that in mind, we are recommending that the Board establish an EPAC with the following representation targets to get to a 25 to 27 member EPAC:

- Equity and Neighborhood Focus (target approximately 50% of the EPAC)
 - We are proposing an equity and neighborhood focus for the committee, which will include targeting recruitment efforts in our communities of concern or equity priority communities, low-income communities and communities of color
 - We will ensure district representation
 - We will invite 1-2 Citizens Advisory Committee members to participate, while also returning to the Citizens Advisory Committee for regular updates throughout the process
- Advocacy organizations (target approximately 30% of the EPAC), which will include:



- Multi-modal transportation interests
- Stakeholders from equity- and environment-focused organizations
- Perspectives of youth, seniors, and people with disabilities
- Business and civic interests (target approximately 20% of the EPAC)
 - Include both small and large business representation

Next Steps. We have been seeking input from Board members on the proposed EPAC structure and on potential organizations that could be invited to sit on the EPAC. Following Board action, we will work with the Chair and Vice Chair to finalize an invitation list for the EPAC that reflects input from all Board members. We will continue to work with our partner agencies to assess San Francisco's transportation funding needs, and with the SFTP 2050 team and San Francisco project sponsors to bring investment recommendations to the EPAC when it begins meeting this summer. We also anticipate finalizing an initial long-range sales tax revenue forecast for the New Expenditure Plan by the end of May. As noted above, we will return to the Board and CAC with regular updates throughout the process.

FINANCIAL IMPACT

There are no impacts to the Transportation Authority's amended FY 2020/21 budget associated with the recommended action. This year's budget as well as the proposed FY 2021/2022 budget include revenues to cover work on development of a New Transportation Expenditure Plan.

CAC POSITION

The Citizens Advisory Committee considered this item at its March 24, 2021 meeting and adopted a motion of support. Subsequent to the CAC meeting and in response to feedback from Board member offices, we are recommending adding two seats to the EPAC: one additional seat representing seniors and people with disabilities (bringing the total to two), and one additional seat representing small businesses (bringing the total to two). These changes are reflected in Attachment 3 to the resolution.

SUPPLEMENTAL MATERIALS

- Attachment 1 - Proposed Schedule and Process
- Attachment 2 - Proposed Milestone Schedule
- Attachment 3 - Proposed Expenditure Plan Advisory Committee Structure