Agenda Item 5.

Preliminary Draft Expenditure Plan
Sales Tax Expenditure Plan

A sales tax expenditure plan tells voters how the sales tax funds will be spent, who can receive the funds, and how the program will be administered.
Most of the Expenditure Plan is composed of programs to be flexible over 30 years.

- Draft examples: street resurfacing, traffic calming, transit vehicle replacement/rehabilitation

There are relatively few named projects.

- Draft examples: New Bayview Caltrain Station, BART Core Capacity, Muni Rail Core Capacity
Expenditure Plan Requirements: Content

Division 12.5 of the Public Utilities Code, Section 131051 (paraphrased)

The county transportation expenditure plan shall consist of the following:

• A list of traffic and transportation projects, with their respective sponsoring agencies.

• An estimate of the costs of each of the projects, and of the current sources of funds available to assist in the completion of each of the projects.

• A recommendation whether the sales tax is necessary to fund the projects in the plan, and whether the tax should be permanent or for a specific term.
Expenditure Plan Requirements: Process

Division 12.5 of the Public Utilities Code, Section 131052-6 (paraphrased)

The county transportation expenditure plan shall be subject to:

• A public hearing; and

• Metropolitan Transportation Commission (MTC) review for reasonableness (e.g. revenue projections); prior to

• Adoption and submission of the sales tax ordinance to the voters, by the Board of Supervisors.

Any dedicated tax measure requires a 2/3 approval vote at the ballot.
Approach to the New Expenditure Plan

Equity focus including robust engagement

Build on successes of Prop K + make refinements

COVID recovery + Long-term transportation needs

Transparency + Accountability

Strategic fund planning
How can the EPAC help shape the Expenditure Plan?

- Eligibility of different types of projects
- Relative funding levels for different programs
- Policies (e.g. administration, prioritization)
Preliminary Draft New Expenditure Plan

**Transportation System Development & Management, 6.7%**
- Community-based and citywide planning
- Equity studies
- Demand management (including pilots)

**Paratransit, 8.6%**
- Transit service for seniors and people with disabilities

**Streets & Freeways, 18.4%**
- Bicycle and pedestrian improvements
- Traffic calming and signals
- Street repaving
- Freeway safety and operations
- Freeway redesign planning

**Major Transit Projects, 22.1%**
- Muni Bus Reliability & Efficiency Improvements
- Muni Rail Core Capacity
- BART Core Capacity
- Caltrain Service Vision: Capital Investments
- Downtown Rail Extension & Pennsylvania Alignment

**Transit Maintenance & Enhancements, 43.7%**
- Muni, BART, Caltrain, Ferry
- Maintenance, rehabilitation and replacement
- Enhancements
- Next Generation Transit Planning
Upcoming meetings will dive deep on different programs with project sponsors:

- Eligibility of different project types
- Funding needs
- Anticipated benefits
- Other funding available
# Draft Sales Tax Revenue Forecast

<table>
<thead>
<tr>
<th>Conservative Forecast</th>
<th>Optimistic Forecast</th>
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<tbody>
<tr>
<td><strong>Total forecast</strong>: $2,938 million</td>
<td><strong>Total forecast</strong>: $3,151 million</td>
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<tr>
<td>30 years</td>
<td></td>
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<tr>
<td>October 1, 2022 – September 30, 2052</td>
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<tr>
<td><strong>2020 dollars</strong></td>
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<tr>
<td>Discounted for inflation at 3% annually</td>
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**Near-term economic recovery**
Higher rates of revenue growth through Fiscal Year (FY) 2025/26

<table>
<thead>
<tr>
<th>Long-term conservative growth</th>
<th>Long-term historic growth</th>
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<tbody>
<tr>
<td>Annual nominal growth rate after FY 2025/26: <strong>1.8%</strong></td>
<td>Annual nominal growth rate after FY 2025/26: <strong>2.4%</strong></td>
</tr>
</tbody>
</table>

**Existing sales tax commitments netted out of available funds**
Estimated $550 million already committed (subject to change)

| Priority 1 funding level: $2,388 million | Priority 2 funding level: $2,601 million |
Existing Sales Tax Commitments

The new measure would supersede Prop K, and so needs to account for existing funding commitments:

- **Existing bond repayments**: $21 million per year through Fiscal Year 2033/34
- **Remaining grant balances**: approx. $450 million as of August 2021
- **TBD** - additional financing, legacy projects
Questions?