



## Memorandum

### AGENDA ITEM 12

**DATE:** January 20, 2023  
**TO:** Transportation Authority Board  
**FROM:** Anna LaForte - Deputy Director for Policy and Programming  
**SUBJECT:** 1/24/2023 Board Meeting: Prop L Implementation Approach

**RECOMMENDATION**  Information  Action

None. This is an information item.

### SUMMARY

We are very appreciative and excited that San Francisco voters approved the Prop L Sales Tax for Transportation in November 2022. Prop L adopted a new Expenditure Plan to guide investment of the half-cent sales tax and extended the sales tax for 30-years to fund it. Prop L will supersede Prop K, the current sales tax measure on April 1, 2023. This memo provides an overview of our approach to implementing Prop L, an approach which will continue the focus on equity and transparency which guided the development of Prop L. Like Prop K, the Prop L Expenditure Plan requires that the Transportation Authority adopt a 30-year Strategic Plan to guide day-to-day implementation of the sales tax program, and for each of the 28 programs in the Expenditure Plan, adopt a 5-Year Prioritization Program (5YPP) which identifies the specific projects to be funded in the next five years. Adoption of these documents is a prerequisite for allocation of funds from the corresponding program. The inaugural Prop L 5YPPs will cover the five-year period starting July 1, 2023. The Strategic Plan and 5YPPs will be developed in close collaboration with the eligible project sponsors and informed by public engagement, the Board and Community Advisory Committee throughout the process. To facilitate the transition from Prop K to Prop L, we are proposing a freeze on sales tax allocations between April and May 2023. As shown in the draft schedule (Attachment 2), the first Prop L allocations are anticipated in June 2023, with funds available July 1. This memo and the accompanying staff presentation will highlight the many similarities between Prop K and L, but also the new opportunities in Prop L, such as newly eligible project types and new prioritization criteria to select projects.

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



## **BACKGROUND**

In November 2022, 71.8% San Francisco voters approved Prop L, the Sales Tax for Transportation Projects measure that will direct \$2.6 billion in half-cent sales tax funds over 30 years to help deliver safer, smoother streets, more reliable transit, continue paratransit services for seniors and persons with disabilities, reduce congestion, and improve air quality. This is the second time that the San Francisco transportation sales tax has been reauthorized with voter approval of a new Expenditure Plan: in 2003, voters approved Prop K, reauthorizing the Prop B sales tax, which was approved in 1989.

## **DISCUSSION**

The Prop L Expenditure Plan describes the types of projects that are eligible for funds in 28 Expenditure Plan programs such as Muni Reliability and Efficiency Improvements; BART Maintenance; Street Resurfacing; Traffic Signals and Signs Maintenance; and Safer and Compete Streets. It also establishes limits on sales tax funding by Expenditure Plan program and sets expectations for leveraging of sales tax funds with other federal, state and local dollars to fund the Expenditure Plan programs. However, the Expenditure Plan does not specify how much sales tax funds any given program would receive by year. Instead, the Expenditure Plan calls for development and periodic update of a 30-year Strategic Plan to determine annual funding levels for each program and to guide the day-to-day implementation of the Prop L program through the adoption of Strategic Plan policies. The Expenditure Plan also requires the development of 5-Year Prioritization Programs (5YPPs) for each program to identify which specific projects will be funded over the next five years. These requirements apply to Prop K as well.

Prop L also introduced a number of changes to Prop K such as:

- Creating New Programs, e.g., Muni Rail Core Capacity, Next Generation Transit Investments, Safer and Compete Streets, Vision Zero Ramps, Transformative Freeway and Major Street Projects, and Equity Priority Transportation Program
- Expanding Eligibility, e.g., Vision Zero related outreach and educational programs; pilots and projects to address climate change (e.g., electric vehicle charging infrastructure) as part of Neighborhood Transportation Program; new solutions or technologies for first-last mile connections or special trip markets; incentives and affordability projects as part of Transportation Demand Management; and transit facility upgrades to improve resilience to climate change.
- New/Revised Requirements, e.g. new/revised project prioritization criteria that elevate projects that benefit and are supported by disadvantaged populations; and requiring the Transportation Authority to develop project delivery oversight guidelines for major capital projects.

We are excited to apply our experience and lessons learned from the past three decades of managing the transportation sales tax program and working with the Board, project sponsors, the public, and other stakeholders along with the extensive input received during the Prop L Expenditure Plan development process as we implement the new measure. The sections below provide some additional background on the Strategic Plan and 5YPPs that must be in



place before Prop L funds can be allocated, and describe our public engagement approach and schedule for the transition from Prop K to Prop L.

**Strategic Plan.** The Strategic Plan includes three main elements:

- policies to guide the day-to-day administration of the sale tax program,
- sales tax revenue projections, and
- expenditures (e.g., project costs, financing costs to accelerate project delivery faster than pay-go, when appropriate; and operational expenditures to support administration and delivery of the Expenditure Plan).

Developing the final Strategic Plan is an iterative process closely linked with development of the 5YPPs. The first step is establishing a Strategic Plan Baseline tentatively scheduled for Board approval in March 2023. The Strategic Plan Baseline includes adoption of policies that we anticipate will be very similar to the Prop K policies (e.g. project readiness requirements for allocation of funds, establishing that Prop L is a reimbursement-based program, setting financing cost policy). The baseline also includes adoption of revenue projections, estimates of Prop K carryforward obligations (e.g., remaining balances on grants, debt, etc.), and off the top expenses to support Expenditure Plan administration and project delivery. Based on these inputs, we use the Strategic Plan financial model to establish the amount of sales tax revenues that will be available on an annual basis to each of the 28 programs based on their proportional share of available revenues established in the Expenditure Plan. This sets the baseline, pay-as-you-go annual funding levels for each program. Project sponsors can then use this information when identifying their proposed lists of projects to fund in the next five years as part of 5YPP development (see 5YPP section below). Through the 5YPP process, project sponsors can make requests to advance sales tax funds for specific projects, as needed to support project delivery.

**Downtown Extension and BART Core Capacity:** In general, the Strategic Plan Baseline will focus on funding availability at the program level rather than on project specific needs, which will first be addressed in the 5YPPs. However, there are two programs in the Major Transit Projects category that we may recommend for early 5YPP approval and inclusion in the Strategic Plan Baseline since both are going to request significant advancement of Prop L funds. These include the Caltrain Downtown Rail Extension and BART Core Capacity program.

To advance the Downtown Rail Extension (DTX or The Portal) project within the Federal Transit Administration's (FTA's) Capital Investment Grant program, the Transbay Joint Powers Authority needs to demonstrate that it has secured a commitment of 50% in matching funds or approximately \$1.7 billion by August 2023. The project team anticipates that FTA will require documentation of available Prop L funds in year of expenditure dollars rather than the \$300 million in 2020 dollars that is identified in the Expenditure Plan. This would provide certainty about the amount of Prop L funds to include in the funding plan.

As part of its Core Capacity Program, BART is seeking to advance \$100 million (2020 dollars) in sales tax funds to help close the funding gap needed to exercise the first rail car option to its existing contract in July 2023 in order to avoid a gap in the production line. We want to look at all potential funding sources for the vehicle contract options - including contributions from other BART counties and the Metropolitan Transportation Commission as part of



evaluating this request. Including this project in the Strategic Plan Baseline would provide the project with a firm commitment of San Francisco's contribution to the vehicle procurement.

Advancing \$400 million in sales tax funds for these two projects, should the Board approve it, will likely trigger debt needs early in the Prop L program and will affect cash availability for the overall program. This is another reason to consider including the proposed project funding needs in the Strategic Plan Baseline and accelerating development of these 5YPPs.

**5YPPs.** Concurrently with Board adoption of the Strategic Plan Baseline, we will ask the Board to approve guidance to project sponsors to inform the 5YPP development process. Development of the final Strategic Plan and 5YPPs is an iterative process requiring extensive communication between the Transportation Authority and eligible project sponsors to identify a set of proposed projects, schedules, and funding plans that support timely and effective implementation of the Expenditure Plan. In reviewing proposed projects and their specific sales tax programming requests, we evaluate the project funding plans seeking to maximize leveraging opportunities and assess agency capabilities to deliver projects on the schedule and at the cost they have proposed.

The 5YPP requirement was also included in the Prop K Expenditure Plan, to allow the Prop K program to be strategic, coordinated, and transparent by letting the Board, public, and project sponsors know what to expect in the next five years. As in Prop K, the Prop L 5YPPs are intended to provide transparency in how sponsors prioritize projects for sales tax funding, to establish a pipeline of projects that are ready to advance as soon as Prop L and other funds are available, and to encourage coordination across Prop L programs. In short, the 5YPP development process is the key opportunity to provide input on what projects should be funded with Prop L in the next five years.

The 2023 5YPPs will cover Fiscal Years 2023/24 to 2027/28. In compliance with Expenditure Plan requirements, each 5YPP will include: a prioritization methodology to rank projects within a category; a 5-year program or list of projects with information on scope, schedule, cost and funding (including non-Prop L funding); and performance measures.

As established in the Prop L Expenditure Plan, each 5YPP will be developed by the Transportation Authority, working closely with project sponsors eligible for Prop L funds in each program, as well as any other interested agencies. For programs with only one eligible sponsor agency, the Transportation Authority may designate that agency as the agency that is to prepare the 5YPP. We will bring recommendations regarding who should prepare each 5YPP as part of the Board action on 5YPP guidance.

**Outreach Approach.** There are two primary goals for outreach related to the Prop L Strategic Plan and 5YPP adoption process. The first is to allow the Board, the public, and project sponsors the opportunity to identify and provide input on the projects that will get funded with Prop L funds over the five-year period starting July 1, 2023. The second is to increase awareness of the Prop L transportation sales tax program. The Expenditure Plan Advisory Committee stressed the importance of outreach and transparency in the administration of the sales tax, particularly to advance equity goals. We are planning to utilize several different engagement tools for this project, including:



- Board and Community Advisory Committee presentations. We anticipate regular updates throughout this process until the final Strategic Plan and 5YPPs are approved.
- An optional meeting for the Expenditure Plan Advisory Committee, to provide input and also to help craft our public engagement strategies.
- Stakeholder outreach and community listening sessions, particularly reaching out to groups that work with disadvantaged communities.
- An Equity Roundtable event(s), bringing together leaders from multiple organizations to discuss guiding policies for the implementation of Prop L and to help shape some of the equity-focused programs such as the Equity Priority Transportation Program and the Transformative Freeway and Major Streets Projects.
- Citywide town halls and an online survey, to gather broad input from the public on project and policy priorities.
- Project sponsor meetings, to work collaboratively on project lists that reflect agency priorities and respond to public input.

We will work with Commissioner's Offices to refine these strategies.

**Schedule.** Attachment 2 provides a preliminary schedule of major milestones in the development and adoption of the Prop L Strategic Plan and 5YPPs. The Transportation Authority Board cannot make Prop L allocations until the Strategic Plan and 5YPPs are approved. We are targeting completion of this process by summer 2023; however, we anticipate based on past experience that not all 5YPPs may be ready at the same time. As long as the Board has adopted the Strategic Plan, the Board can proceed with allocations from programs that have a Board-adopted 5YPP. We hope to have all 28 approved by fall 2023 at the latest, along with the final 2023 Prop L Strategic Plan.

## **FINANCIAL IMPACT**

None. This is an information item.

## **CAC POSITION**

The Community Advisory Committee will be briefed on this information item at its January 25, 2023 meeting.

## **SUPPLEMENTAL MATERIALS**

- Attachment 1 - Prop L 2022 Expenditure Plan Summary
- Attachment 2 - Draft 2023 Prop L Implementation Schedule

# 2022 Half-Cent Sales Tax Transportation Expenditure Plan

The 2022 Transportation Expenditure Plan will help deliver safer, smoother streets, and more reliable transit; reduce congestion, address climate change, and improve air quality; and more.

The 2022 Transportation Expenditure Plan would continue the existing half-cent sales tax, funding transportation improvements without increasing the current tax rate.

The Transportation Expenditure Plan includes funding for:

- Neighborhood-level investments such as crosswalks, traffic calming, new and upgraded traffic signals, bicycle lanes, and Safe Routes to School programs
- Repairing and maintaining street pavement, traffic signals, and sidewalks citywide
- Transit improvements like electrifying Muni's bus fleet, implementing transit signal priority, maintaining buses and trains so they operate safely and reliably, and increasing capacity on both Muni and BART to reduce crowding
- Implementing improvements identified in community-based plans across the city and particularly in Equity Priority Communities
- Major projects like the Downtown Caltrain Extension, bringing Caltrain to the Salesforce Transit Center

To learn more about the 2022 Transportation Expenditure Plan, visit [www.sfcta.org/ExpenditurePlan](http://www.sfcta.org/ExpenditurePlan)

## EXPENDITURES BY CATEGORY

\$2.6 billion (in 2020 dollars)

### TRANSIT MAINTENANCE & ENHANCEMENTS

41%

Muni, BART, Caltrain, Ferry  
Maintenance, rehabilitation  
and replacement  
Station/Access improvements  
Next generation transit planning

### MAJOR TRANSIT PROJECTS

23%

Muni Bus/Train Reliability & Efficiency Improvements  
Muni and BART Core Capacity  
Caltrain Downtown Extension

### STREETS & FREEWAYS

19%

Pedestrian and bicycle improvements  
Signals and traffic calming  
Street repaving  
Major street and freeway redesign planning

### PARATRANSIT

11%

Transit services for seniors and  
people with disabilities

### TRANSPORTATION SYSTEM DEVELOPMENT & MANAGEMENT

6%

Transportation demand management  
Neighborhood and equity-focused  
planning and implementation



Every dollar of sales tax invested in San Francisco leverages 4 to 7 times the amount in federal, state, and other funds – multiplying local dollars several times over.



# 2022 Half-Cent Sales Tax Transportation Expenditure Plan

2020 \$MILLIONS	TOTAL EXPECTED FUNDING <sup>1</sup>	TOTAL SALES TAX FUNDING <sup>2</sup>	% OF SALES TAX FUNDING <sup>3</sup>
<b>A. MAJOR TRANSIT PROJECTS</b>	<b>\$ 10,354.7</b>	<b>\$ 587.0</b>	<b>22.6%</b>
i. Muni Reliability and Efficiency Improvements	\$ 1,088.3	\$ 110.0	-
ii. Muni Rail Core Capacity	\$ 720.0	\$ 57.0	-
iii. BART Core Capacity	\$ 3,536.4	\$ 100.0	-
iv. Caltrain Service Vision: Capital System Capacity Investments	\$ 10.0	\$ 10.0	-
v. Caltrain Downtown Rail Extension and Pennsylvania Alignment	\$ 5,000.0	\$ 310.0	-
<b>B. TRANSIT MAINTENANCE AND ENHANCEMENTS</b>	<b>\$ 10,065.3</b>	<b>\$ 1,070.0</b>	<b>41.2%</b>
i. Transit Maintenance, Rehabilitation, and Replacement	\$ 9,047.1	\$ 975.0	-
1. Muni	\$ 7,934.8	\$ 825.0	-
2. BART	\$ 547.7	\$ 45.0	-
3. Caltrain	\$ 550.3	\$ 100.0	-
4. Ferry	\$ 14.3	\$ 5.0	-
ii. Transit Enhancements	\$ 1,018.2	\$ 95.0	-
1. Transit Enhancements	\$ 777.4	\$ 36.0	-
2. Bayview Caltrain Station	\$ 100.0	\$ 27.0	-
3. Mission Bay Ferry Landing	\$ 53.8	\$ 5.0	-
4. Next Generation Transit Investments	\$ 87.0	\$ 27.0	-
<b>C. PARATRANSIT<sup>4</sup></b>	<b>\$ 1,270.0</b>	<b>\$ 297.0</b>	<b>11.4%</b>
<b>D. STREETS AND FREEWAYS</b>	<b>\$ 3,767.1</b>	<b>\$ 492.0</b>	<b>18.9%</b>
i. Maintenance, Rehabilitation, and Replacement	\$ 2,194.7	\$ 214.0	-
1. Street Resurfacing, Rehabilitation, and Maintenance	\$ 1,984.0	\$ 105.0	-
2. Pedestrian and Bicycle Facilities Maintenance	\$ 84.6	\$ 19.0	-
3. Traffic Signs and Signals Maintenance	\$ 126.1	\$ 90.0	-
ii. Safe and Complete Streets	\$ 1,114.8	\$ 240.0	-
1. Safer and Complete Streets	\$ 918.8	\$ 187.0	-
2. Curb Ramps	\$ 143.0	\$ 29.0	-
3. Tree Planting	\$ 53.0	\$ 24.0	-
iii. Freeway Safety and Operational Improvements	\$ 457.6	\$ 38.0	-
1. Vision Zero Ramps	\$ 27.5	\$ 8.0	-
2. Managed Lanes and Express Bus	\$ 206.0	\$ 10.0	-
3. Transformative Freeway and Major Street Projects	\$ 224.1	\$ 20.0	-
<b>E. TRANSPORTATION SYSTEM DEVELOPMENT AND MANAGEMENT</b>	<b>\$ 824.8</b>	<b>\$ 152.0</b>	<b>5.9%</b>
i. Transportation Demand Management	\$ 146.5	\$ 23.0	-
ii. Transportation, Land Use, and Community Coordination	\$ 678.3	\$ 129.0	-
1. Neighborhood Transportation Program	\$ 191.2	\$ 46.0	-
2. Equity Priority Transportation Program	\$ 192.2	\$ 47.0	-
3. Development Oriented Transportation	\$ 263.7	\$ 26.0	-
4. Citywide/Modal Planning	\$ 31.2	\$ 10.0	-
<b>TOTAL</b>	<b>\$ 26,281.9</b>	<b>\$ 2,598.0</b>	<b>100.0%</b>
	Total Sales Tax Priority 1	\$ 2,378.0	
	Total Sales Tax Priority 1 + 2	\$ 2,598.0	

## Notes

1 Total Expected Funding represents project costs or implementable phases of multi-phase projects and programs based on a 30-year forecast of expected revenues from existing federal, state, regional, and local sources, plus \$2.598 billion in Proposition \_ revenues. The amounts in this column are provided in fulfillment of Sections 131051(a)(1), (b) and (c) of the Public Utilities Code.

2 The "Total Sales Tax" fulfills the requirements in Section 131051(d) of the Public Utilities Code.

3 Percentages are based on Proposition \_ Priority 1 and 2 forecasts of \$2.598 billion. The forecast is net of existing obligations of the predecessor Proposition K program.

4 With very limited exceptions, the funds included in the 30-year forecast of expected revenues are for capital projects rather than operations. Paratransit is the primary exception, providing door-to-door vans and others transportation services for seniors and persons with disabilities who cannot use regular fixed route transit. Total Expected Funding for Paratransit reflects Proposition \_ revenues, federal Section 5307 funds, and other sources of operating funds included in SFMTA's annual operating budget over the next 30 years.

# Draft Proposition L Implementation Schedule

