

Adopt the Prop L Strategic Plan Baseline



San Francisco
County Transportation
Authority

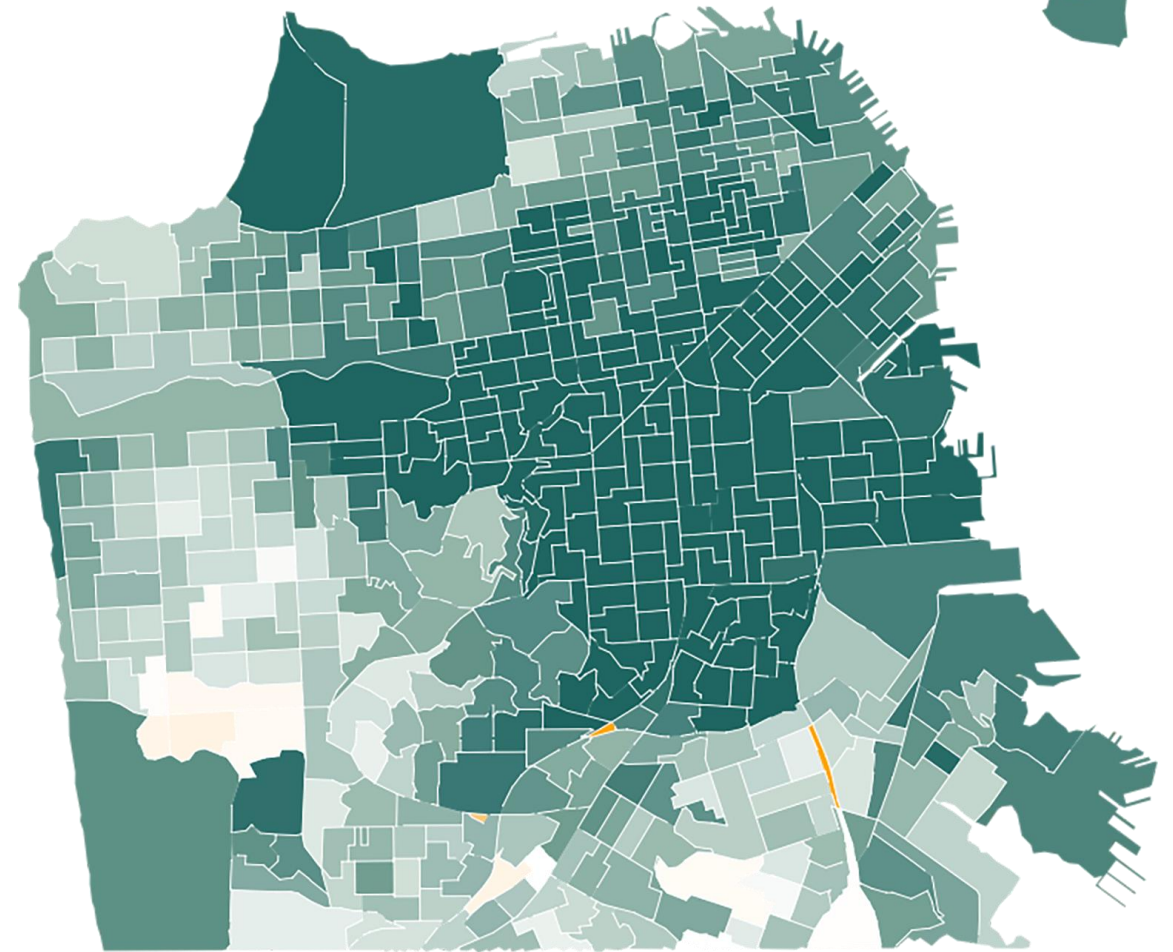
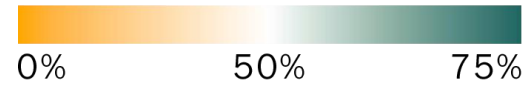
SFCTA Board — Agenda Item 7
June 13, 2023

Prop L

Approved by 71.8% of San Francisco voters

- Extends the ½ cent local transportation sales tax through 2053
- Establishes a new 30-year Expenditure Plan superseding Prop K
- Effective date: April 1, 2023

% YES VOTES



Proposition L Expenditure Plan

Up to \$2.6 billion (2020 \$s) in sales tax revenues over 30 years*

TRANSIT MAINTENANCE & ENHANCEMENTS

41.2%

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

MAJOR TRANSIT PROJECTS

22.6%

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

TRANSPORTATION SYSTEM DEVELOPMENT & MANAGEMENT

5.9%

Transportation demand management
Neighborhood and equity-focused
planning and implementation

PARATRANSIT

11.4%

Transit services for seniors and
people with disabilities

STREETS & FREEWAYS

18.9%

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

Prop L Expenditure Plan

- Determines eligibility of projects and sponsor agencies through 28 programs
- Sets funding caps for each program over 30 years
- Allows for financing to accelerate project delivery
- Includes requirements such as a Board-approved **Strategic Plan** and **5-Year Prioritization Programs (5YPPs)**, as a prerequisite for allocation

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Photo: Sergio Ruiz, [flic.kr/p/2if22hk](https://www.flickr.com/photos/2if22hk/)

2022 Transportation Expenditure Plan

2022 Transportation Expenditure Plan will help deliver safer, smoother streets, more reliable transit, reduce congestion, and more.

What is in the Strategic Plan?

- Establishes **policies** for Prop L administration
- Forecasts sales tax **revenues** over 30 years
- Forecasts **expenditures** by fiscal year
 - Sets programming and cash flow by fiscal year for each program
 - Estimates debt needs



Photo by Sergio Ruiz flic.kr/p/2oAvRWu

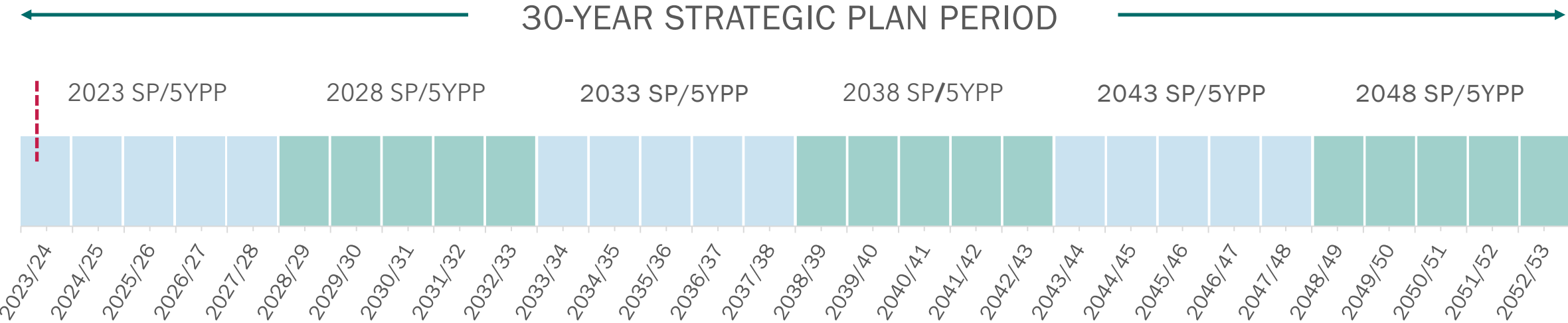
Why is the Strategic Plan important?

- Supports project delivery and leveraging of other funds by ensuring Prop L funds are available when needed
- Informs debt strategy
- Supports transparency and accountability in how sales tax funds are used



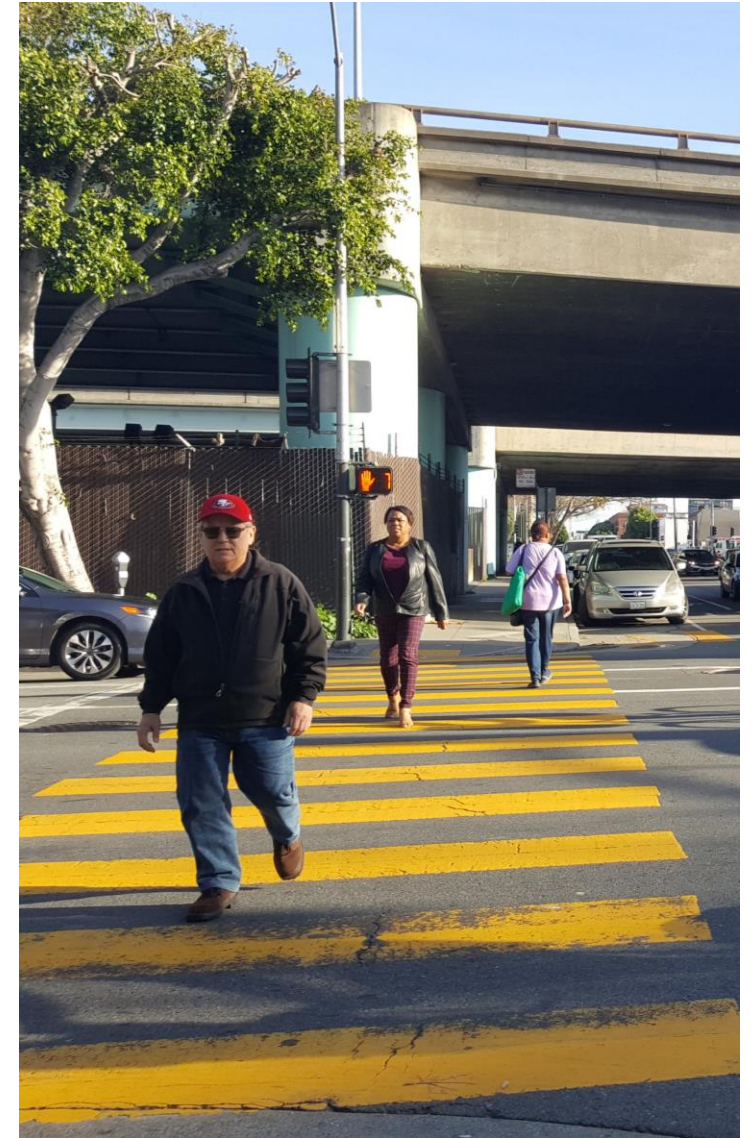
The Strategic Plan and 5YPPs Work Together

The Strategic Plan provides a 30-year financial look at Prop L. The 5-Year Prioritization Programs (5YPPs) provide specific project funding detail in 5-year windows.



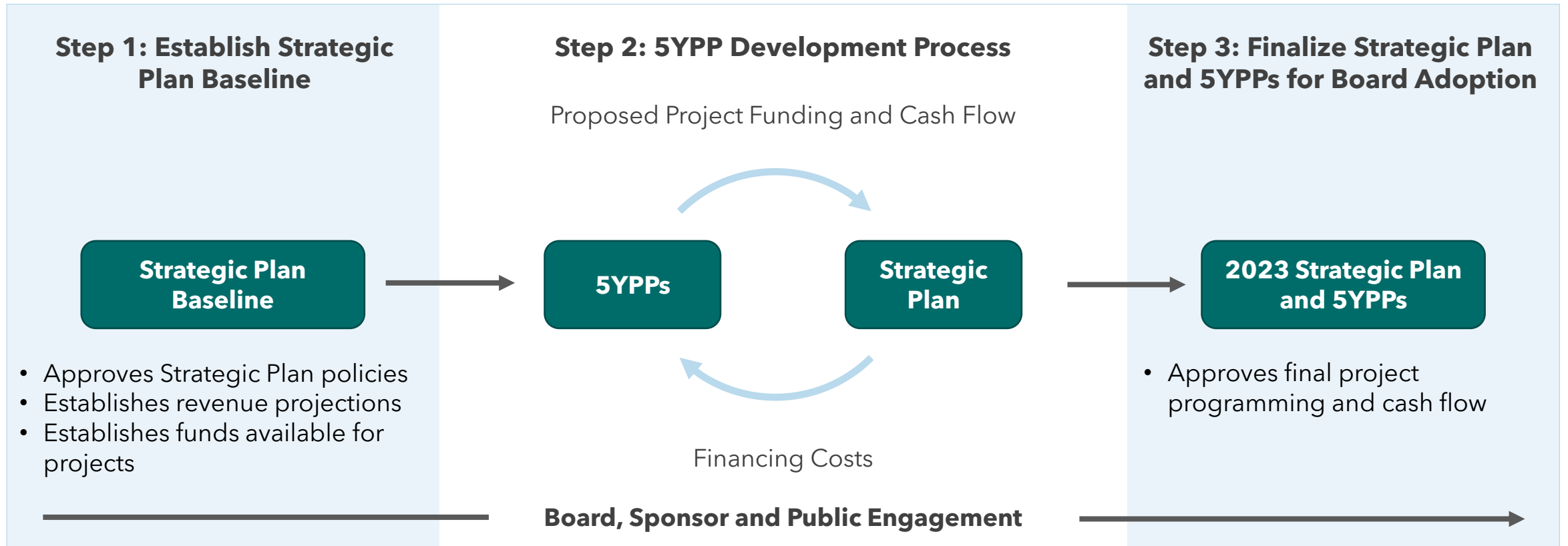
What are 5-Year Prioritization Program (5YPPs)?

- 5-year lists of projects for each program in the Expenditure Plan (28 total)
 - Includes scope, schedule, cost, and funding plan (plus leveraging) for each project
- Programs Prop L funds to each project, with a cash flow reimbursement schedule
- Provides transparency for how projects are prioritized
- Provides certainty to project sponsors with committed funds for projects



Strategic Plan / 5YPPs Development

Development of the Strategic Plan and 5YPPs is an iterative process.



Strategic Plan Components

Policies

Revenues

Sales Tax Revenue
Forecast

Investment Income
Forecast

Expenditures

Operating Expenditures

Capital Reserve

Project Costs

Financing Costs

Strategic Plan Policies

- Provide guidance to Transportation Authority staff and project sponsors for program administration
- Are substantively the same as Prop K policies, which have served us well over the last 20 years
- Retain Prop K Strategic Plan Guiding Principles:
 - Optimize leveraging of sales tax funds
 - Support timely and cost-effective project delivery
 - Maximize cost effectiveness of financing

New Prop L requirement for Board to adopt **project delivery oversight guidelines** for major capital projects to support timely and cost-effective project delivery.

Strategic Plan Revenues

- Revenue projections are down 15% compared to Summer 2021 forecast
- We will revisit revenue projections with each Strategic Plan update

30-YEAR FORECAST	\$2020 TOTAL (MILLIONS)
Prop L Expenditure Plan Revenues (Priority 1 + 2) from Summer 2021	\$2,598
Prop L Strategic Plan Revenues from Spring 2023	\$2,194
Difference	(\$404)

Strategic Plan Baseline Expenditures

Operating Costs and Program Administration

- Recommend 6.9% (same as Prop K), tapering off FYs 2048/49 - 2052/53 for planning, programming, project delivery support, and oversight for Expenditure Plan projects
- Recommend 1% (same as Prop K) as allowed by statute for program administration

Capital Reserve

- Protects against risk that actual revenues are lower than projected
- Holding last 1.75 years of revenue (\$334M \$YOE) in reserve

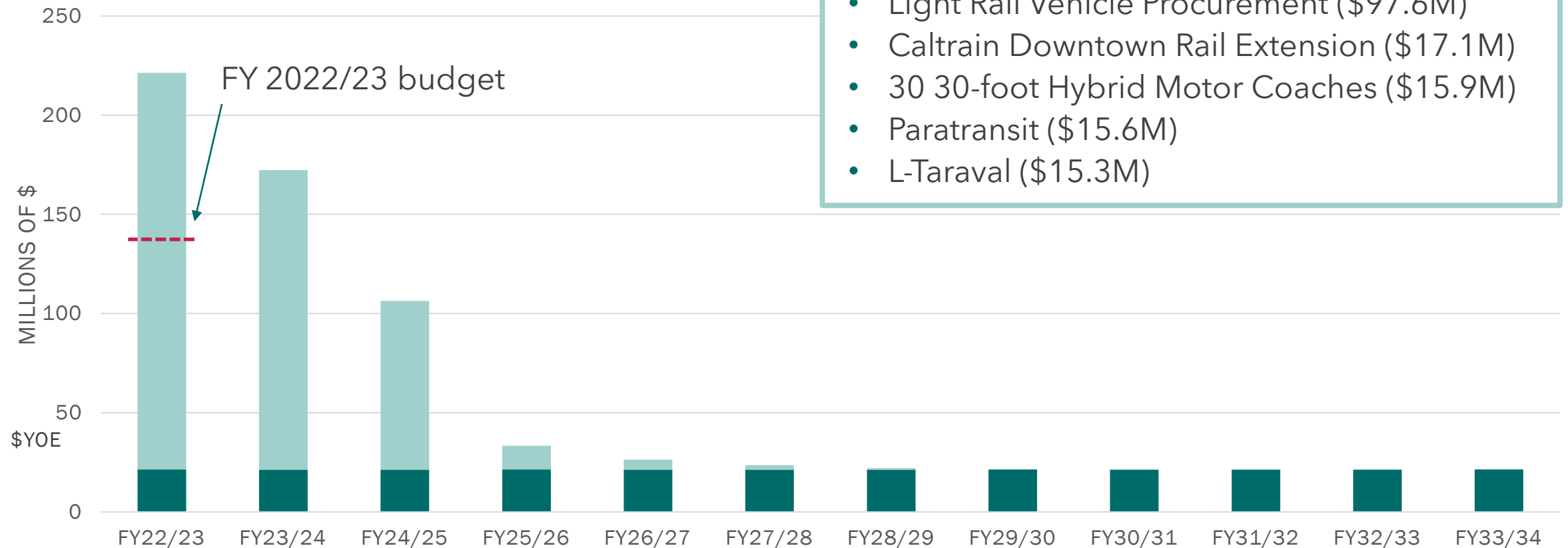
Strategic Plan Baseline Expenditures

Prop K Carryforward Obligations

- Prop K 2017 Bond Debt Costs
 - \$234.7M in remaining debt service for 2017 Bond
 - ~\$21.3M annually through FY 2033/34
- Project Costs (remaining grant balances)
 - \$400.3M (\$YOE) grant balances from 400 open grants
 - Cash flow reimbursement schedules cover FYs 2022/23 – 2026/27

Strategic Plan Baseline Expenditures

Prop K Carryforward



Strategic Plan Baseline Expenditures

Prop L in the Baseline

- For 23 of 28 programs, we have assigned their share of annual revenues based on their proportional share of funds available
 - Through the 5YPP process, project sponsors can seek to advance funds, subject to debt costs
 - **If a program advances, it is assigned a proportional share of debt costs.**
- For 5 of the 28 programs, we propose advancing funds in the Baseline, driven by the near-term funding needs for two projects:
 - The Portal/Caltrain Downtown Rail Extension (DTX)
 - BART Core Capacity

Strategic Plan Baseline Expenditures

Programs Recommended to Advance Funds in the Baseline

- 1. The Portal/DTX:** \$300 M programming commitment needed to meet federal Capital Improvement Grant funding milestone in August 2023
- 2. BART Core Capacity:** seeking \$100 M in first 10 years, including a partial allocation this fall to exercise an option on its railcar replacement contract
- 3. Muni Maintenance:** Programming placeholders in anticipation of advancing funds for this program, which is more than double the size of any other program, resulting in an outsized impact on financing costs
- 4. Paratransit:** ~\$13M/year + annual inflationary increase, one of the largest programs
- 5. Caltrain Maintenance:** Programming \$5M/year to support budgeting and corresponding commitments from funding partners

Strategic Plan Baseline

Key Assumptions for Future Debt

- We use conservative assumptions for the cost of financing to ensure we can cover all debt costs over the 30-year program
 - Actual debt when issued, if lower, gets reflected in the next Strategic Plan update and is made available to projects.
- The Strategic Plan model uses a combination of short-term debt (revolver) and long-term debt (bonds)
- To ensure a fair distribution of debt costs between Prop K and Prop L projects, in FYs 2023/24-2027/28, the pay-go fund allowance for Prop K and Prop L are each capped at \$50 M annually.

Sources and Uses

SOURCES	(YOE\$)
Sales Tax Revenue	\$4,668.4 M
Investment Income	\$2.9 M
Long Term Bond Proceeds	\$843.6 M
Loans - Yerba Buena Island Capital Projects	\$126.8 M
TOTAL	\$5,641.6 M

USES	(YOE\$)
Funds Available for Projects	\$3,086.3 M
Long Term Bond Capital	\$1,051.9 M
Financing Costs	\$638.9 M
Capital Reserve	\$439.8 M
Program Administration and Operating Costs	\$304.6 M
Loans - Yerba Buena Island Capital Projects	\$120.2 M
TOTAL	\$5,641.6 M

Strategic Plan / 5YPP Development

Proposed Action and Next Steps

June 2023: Adopt the 2023 Prop L Strategic Plan Baseline (this item) and guidelines for the development of 5YPPs (separate agenda item)

July - November 2023: Approve 5YPPs, likely in 3 groups; can start approving allocations for programs with approved 5YPPs

November/December 2023: Approve the 2023 Prop L Strategic Plan

For More Information

sfcta.org/ExpenditurePlan

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