



Memorandum

AGENDA ITEM 8

DATE: May 25, 2023

TO: Transportation Authority Board

FROM: Anna LaForte - Deputy Director for Policy and Programming

SUBJECT: 6/13/2023 Board Meeting: Adopt the 2023 Prop L Strategic Plan Baseline

RECOMMENDATION Information Action

Adopt the 2023 Prop L Strategic Plan Baseline.

SUMMARY

The Prop L Expenditure Plan requires that the Transportation Authority adopt a 30-year Strategic Plan that establishes policies for Prop L administration, forecasts sales tax revenues, and forecast expenditures, including setting programming and cash flow by fiscal year for each of the 28 Expenditure Plan programs, and estimating debt needs to advance project delivery faster than pay-as-you go would allow. While the Strategic Plan is the long-range financial planning tool for the program, it is developed in concert with 5-Year Prioritization Programs (5YPPs) that are used to identify the specific projects to be funded in the next five years. Adoption of these documents is a prerequisite for allocation of funds from Prop L. The first step in developing the Strategic Plan and the 5YPPs is establishing the Strategic Plan Baseline. In addition to providing guidance about program implementation to staff and sponsors through the policies, the Baseline sets the amount of pay-go funding available to each program, by fiscal year, through the end of the Expenditure Plan (2053). This provides the starting budget for project sponsors. We worked with a consultant to update the sales tax revenue forecast since it was last set in June 2021 as part of Prop L development. The new projection reflects the last two years of actual data and a slow pandemic recovery in the city. As a result, the forecast is about \$400 million (15%) lower than the 2021 Expenditure Plan optimistic forecast (Priority 1+2)(Baseline Attachment C). We think it is prudent to adjust the forecast to err on the conservative side for budgeting and hope when we revisit the forecast with the next update that we can adjust it upward. On the expenditure side, the Baseline proposes to continue 7.9% off the top for operating

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



costs and program administration (same as Prop K). For Prop K carryforward obligations, we include remaining debt service on the 2017 revenue bond (\$234.7 million) and over \$400 million in grant balances with expenditures in the next five years. For 23 of the 28 Prop L programs, we have assigned their share of annual revenues based on their proportional share of funds available. For 5 of the biggest Prop L programs, we are proposing accelerating funds in the Baseline, driven primarily by the near-term funding needs for The Portal (DTX)(to meet an August 2023 funding milestone for a \$3+ billion Capital Investment Grant it is seeking) and BART Core Capacity (seeking to exercise an option and lock in a lower price on railcar procurement). We also propose advancing funds for Muni Maintenance, Paratransit, and Caltrain Maintenance which we know will be seeking to advance funds and because we want to get a more realistic estimate of debt costs than advancing one program alone would produce. The impact of the front-loaded Prop K carryforward obligations and the significant advancement of funds in five of the largest Prop L programs results in the need for \$843.6 million in revenue bonds over the 30-year program with \$639 million in financing costs (including \$40.5 million from the 2017 bonds). The Baseline is an interim step and when we add the proposed 5YPP projects, these numbers will change. Past experience shows that the Strategic Plan has higher debt need estimates than what actually happens. We reconcile with actuals and updated needs with each update, and if debt needs are reduced, the delta goes back to projects. We expect to present the final 2023 Prop L Strategic Plan to the Board in November/December, following Board adoption of the 28 5YPPs.

BACKGROUND

The Strategic Plan provides transparency and accountability about how we administer the sales tax and serves as a key financial planning tool for the measure. The Strategic Plan has three main elements - policies, revenues, and expenditures - that establish the amount of Prop L funds available on an annual basis over the 30-year program, with the next five-year period reflecting the funding needs for projects recommended from the 5YPPs. The Strategic Plan is how we ensure that projected sales tax revenues are sufficient to cover all program-related expenditures and gives us a sense of how much debt the program can support if agencies seek to advance funds. It also supports project delivery and leveraging of other funds by ensuring that Prop L funds are available when needed. Developing the Strategic Plan is an iterative process closely linked with development of the 5YPPs. Adoption of the 2023 Prop L



Strategic Plan Baseline is the first step in the Strategic Plan and 5YPP development process.

DISCUSSION

Policies. The Prop L Strategic Plan Policies, included as Baseline Attachment B, provide guidance to Transportation Authority staff and project sponsors for program administration. The policies are based on three core principles: optimize leveraging of sales tax funds, support timely and cost-effective project delivery, and maximize the cost-effectiveness of financing. The proposed policies are essentially the same as the policies we had for Prop K, which we have been refining over many years, with minor modifications for clarity and to reflect specific details of the Prop L Expenditure Plan. Examples of key policies include project readiness requirements for allocation of funds, establishing that Prop L is a reimbursement-based program, requiring proportional spending of Prop L and non-Prop L funds, and setting a policy that only programs that advance funds faster than pay-as-you-go will need to proportionately cover their share of financing costs within the funding caps. This policy, carried forward from Prop K, protects the smaller ongoing programs from being impacted by the debt costs resulting from major capital projects/programs choosing to significantly advance funds. The aforementioned policies are critical cash management tools that we use to minimize financing costs for the overall program while seeking to have funds ready when sponsors need them to support project delivery.

One notable new Prop L policy references the Expenditure Plan requirement that the Transportation Authority develop project delivery oversight guidelines. We anticipate presenting these to the Board for approval by the end of the calendar year, if not sooner.

The policies are included with track changes to show differences from the 2021 Prop K Strategic Plan policies.

Revenues. In June 2021 we developed the two forecasts for sales tax revenues in the Expenditure Plan - the Priority 1 conservative forecast of \$2.378 billion (2020\$s) and the Priority 2 optimistic forecast of \$2.598 billion (2020\$s). These revenue forecasts are net of \$550 million for Prop K carryforward obligations assumed in the Prop L Expenditure Plan, including existing grant balances, remaining payments for the 2017 bonds (\$235 million), and other Prop K financial obligations (e.g. maintain the revolving line of credit).

To update the revenue forecast for the Baseline, we worked with Muni Services, our economic consultants, to assist with revenue forecasting. Revenue forecasts from April 2023 reflect a lower projection of \$2.194 billion (2020\$s) (net of the \$550 million Prop K carryforward) which is 15% lower than Priority 2 levels and 7.7% lower



than Priority 1 revenues in the Expenditure Plan. This new projection is grounded in the latest data and considers actual revenues in the last two fiscal years as well as the current economic picture showing a slow pandemic recovery in San Francisco. We think it's prudent to adjust our forecast for the Strategic Plan and to err on the side of conservatism for budgeting and programming purposes because we want to make sure we have enough revenues to meet our commitments to projects and debt. We also recognize that this is year 1 of a 30-year plan, and we hope that when we update the Strategic Plan in a few years, revenues will have outperformed expectations.

Baseline Attachment C compares the revenue forecast in the Expenditure Plan to the current revenue forecast that we are recommending for the Strategic Plan Baseline. Forecasts are shown both in 2020 dollars, which we use to ensure we comply with Expenditure Plan funding caps for each program, and in Year of Expenditure dollars which we use when we program and allocate funds to projects.

Expenditures. The Strategic Plan Baseline includes four elements of expenditures - operating expenditures, capital reserve, project costs, and debt costs. We recommend setting operating costs at 6.9% (same as Prop K), tapering off the last 5 years of the Expenditure Plan) for planning, programming, project delivery support, and oversight for Expenditure Plan projects. We recommend 1% for program administration (same as Prop K) as allowed by statute. All other funds are available for project expenses and project related financing.

We recommend a *capital reserve*, that holds the last 1.75 years of revenue in a reserve (Fiscal Years 2051/52 - 2052/53) to protect against risk that actual revenues are lower than projected, helping ensure that we have enough funds to cover obligations. We will evaluate the capital reserve with each Strategic Plan update and rightsize it and/or release excess funds as appropriate for programming to projects.

Prop K Carry Forward Prop L superseded Prop K which required us to carryforward the Prop K financial obligations into this measure. These obligations include \$234.7 million in remaining debt service for the 2017 revenue bond in even payments of about \$21 million through FY 2033/34 and about \$400 million in grant balances from about 400 open grants. Slide 15 in the attached presentation lists the projects with the largest outstanding balances - nearly a quarter of which is attributed to SFMTA's Light Rail Vehicle Procurement (\$97.6 million). Also, as shown in Slide 15, the approved cash flow reimbursement schedules for these Prop K projects primarily happen in the first 2-3 years of the Expenditure Plan, which is creating a high cash demand over the next few years even before we program any funds to Prop L projects. We are already seeing reimbursement requests coming in slower than the approved maximum for Fiscal Year 2022/23, so we have updated the Strategic Plan financial model to better reflect current expenditures and lowered the cash needs from \$200 million to \$120 million to match the amended agency budget. The delta in



cash needs is now reflected in Fiscal Year 2025/26, providing a more realistic schedule for these expenditures.

Prop L in the Baseline. For 23 of the 28 Prop L programs, the Strategic Plan Baseline reflects their share of annual pay-go revenues over the 30-year period. Through the 5YPP process, sponsors can request acceleration of Prop L funds to support project delivery faster than pay-go revenues would allow but will need to cover a proportional share of finance costs within their program caps.

For 5 of the 28 programs, we are proposing advancing funds in the Baseline, driven by the near-term funding needs for two major transit projects:

- The Portal/Caltrain Downtown Rail Extension (DTX) is seeking the \$300 million Prop L programming commitment needed to meet a Federal Transit Administration Capital Investment Grants funding milestone in August 2023. The project is seeking a \$3+ billion CIG grant.
- BART Core Capacity is seeking \$100 million in the first 10 years of the Expenditure Plan, including a partial allocation this fall to exercise an option on its railcar replacement contract.

To give a more realistic picture of financing costs for these projects, while ensuring we can meet other programs' requests for advancing funds, we are also including accelerating programming and cash flow schedules in the Baseline for three other programs that we know are seeking to advance funds. Together these are among the biggest Prop L programs.

- Muni Maintenance has programming placeholders through Fiscal Year 2047/48 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. We look forward to working with SFMTA to identify which projects should be prioritized for funding during the 5YPP process. If a less aggressive cash flow is needed to support the recommended projects, we would push out the cash flow in the final Strategic Plan, which would reduce debt costs.
- Paratransit includes \$13 million per year with an annual inflationary increase through Fiscal Year 2037/38 to provide funding stability for this critical program for seniors and persons with disabilities.
- Caltrain Maintenance has placeholders of \$5 million per year through Fiscal Year 2045/46 to support Caltrain budgeting and corresponding commitments from funding partners in the three Peninsula Joint Powers Board counties.

While these numbers will change as we refine the above programs that have placeholders and with the addition of 5YPP projects, advancing these large



programs in the Baseline give us confidence that we can recommend the advanced programming and cash flow to support The Portal and BART Core Capacity near-term needs, in particular.

Debt Assumptions in the Financial Model. We use conservative assumptions for the cost of financing to ensure we can cover all debt costs over the 30-year program. Baseline Attachment D provides the key assumptions in the Prop L Strategic Plan financial model. When expenditures exceed the available revenues, the model first pulls down on a \$125 million in revolver loan at an interest rate of 3%. Once the revolver amount is fully drawn, the model assumes that the revolver debt plus any additional financing needed is rolled over into a bond at an interest rate of 5%. All assumed bonds mature in 2050. The Strategic Plan Baseline reflects \$639 million in financing costs attributed to the existing 2017 revenue bond (\$40.5 million), and future debt triggered by the Prop K carryforward grant balances and the 5 Prop L programs that are advancing funds in the Baseline. These figures will change as we work with sponsors to recommend 5-year projects lists for all of the programs. As we bring the various rounds of 5YPPs to the Board for approval, we will provide updated Strategic Plan debt assumptions. Once all of the 5YPPs are adopted, we will incorporate their project programming and cash flow into the Final Strategic Plan.

Next Steps. Following adoption of the Strategic Plan Baseline, sponsors will have the amount of funds available for each of the Expenditure Plan programs and can use this information when identifying the projects they wish to propose for sales tax funding in the next five years. For those programs where sponsors are seeking to advance funds faster than pay-go, we will evaluate their requests and if they seem reasonable, we will add them to the Strategic Plan model to ensure we can accommodate the request within the financial envelope of the 30-year program and to get an estimate of financing costs which would come out of the advancing programs' funding caps. Our schedule anticipates continuing to work with sponsors through the summer and into the fall and bringing the bulk of the 5YPPs to the Board for approval in October/November, with adopted of the final Strategic Plan in November/December following adoption of all 28 5YPPs.

FINANCIAL IMPACT

Approval of the Prop L Strategic Plan Baseline includes the approval of the continuation of 7.9% off the top of the sales tax program for operating costs and program administration. This is the same level as for Prop K, including 6.9%, (tapering off the last 5 years of the Expenditure Plan) for planning, programming, project delivery support, and oversight for Expenditure Plan projects and 1% for program administration (same as Prop K) as allowed by statute. This amount is reflected in the proposed FY 2023/24 budget and work program that the Board will consider for approval in June. There are no impacts to the Transportation Authority's



amended Fiscal Year 2022/23 budget or proposed Fiscal Year 2023/24 budget associated with the recommendation action. The Prop L Strategic Plan is an important long-range financial planning tool for the Transportation Authority as it forecasts sales tax revenues and establishes maximum annual reimbursements for each of the Expenditure Plan programs, and estimates debt needs to advance funds to support project delivery. However, allocation of funds and issuance of any debt are subject to separate approval actions by the Board.

CAC POSITION

The Community Advisory Committee considered this item at its May 24, 2023 meeting and unanimously adopted a motion of support for the staff position.

SUPPLEMENTAL MATERIALS

- Attachment 1 - presentation
- Attachment 2 - 2023 Prop L Strategic Plan Baseline
 - Attachment A - 2022 Expenditure Plan Summary
 - Attachment B - Strategic Plan Policies
 - Attachment C - Draft Prop L Sales Tax Revenue Forecast
 - Attachment D - Key Financial Model Assumptions
 - Attachment E - Priority 1 Funding and Funds Available (2020 \$s)
 - Attachment F - Cash Flow and Finance Costs by Expenditure Plan Program (YOE \$s)
- Attachment 3 - Resolution

Attachment 1

Adopt the Prop L Strategic Plan Baseline



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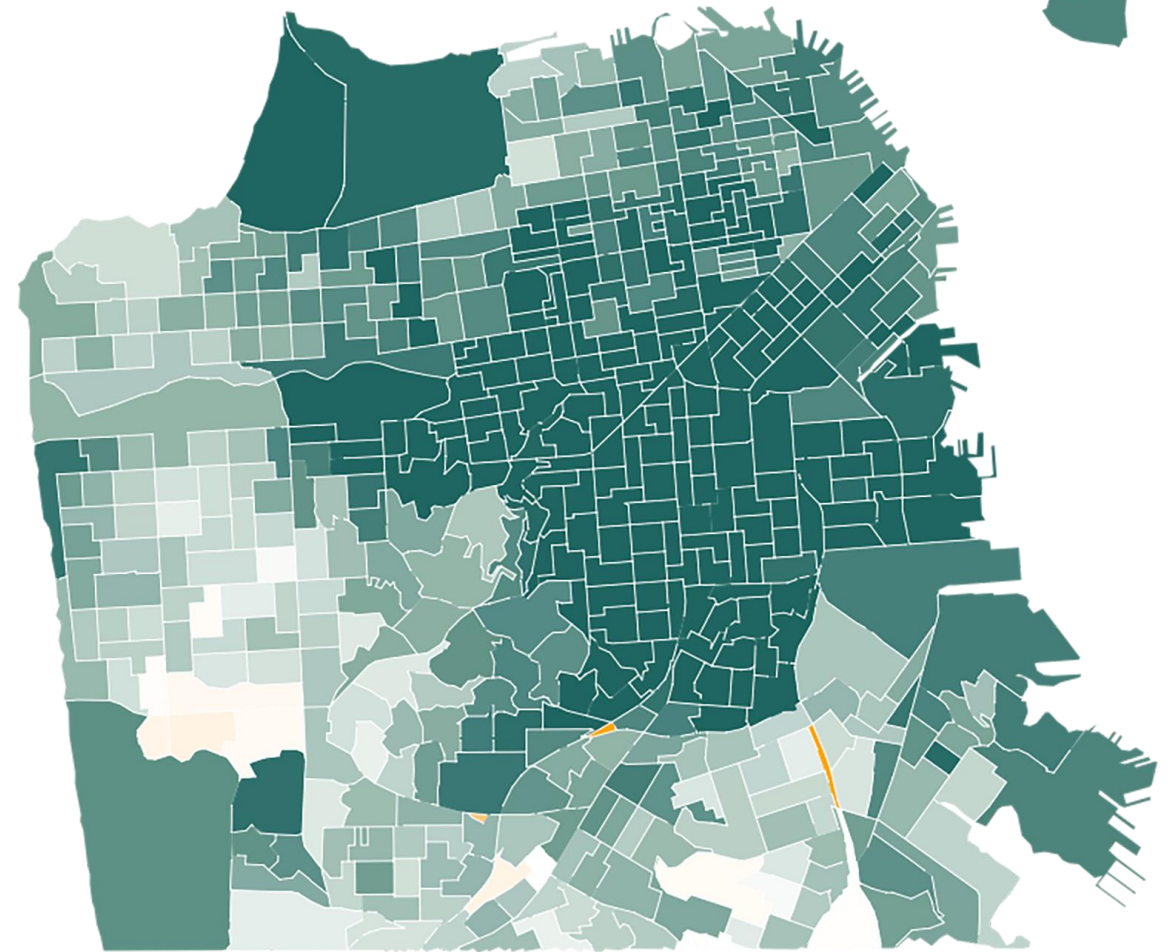
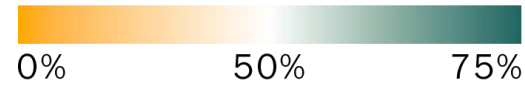
SFCTA Board — Agenda Item 7
June 13, 2023

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



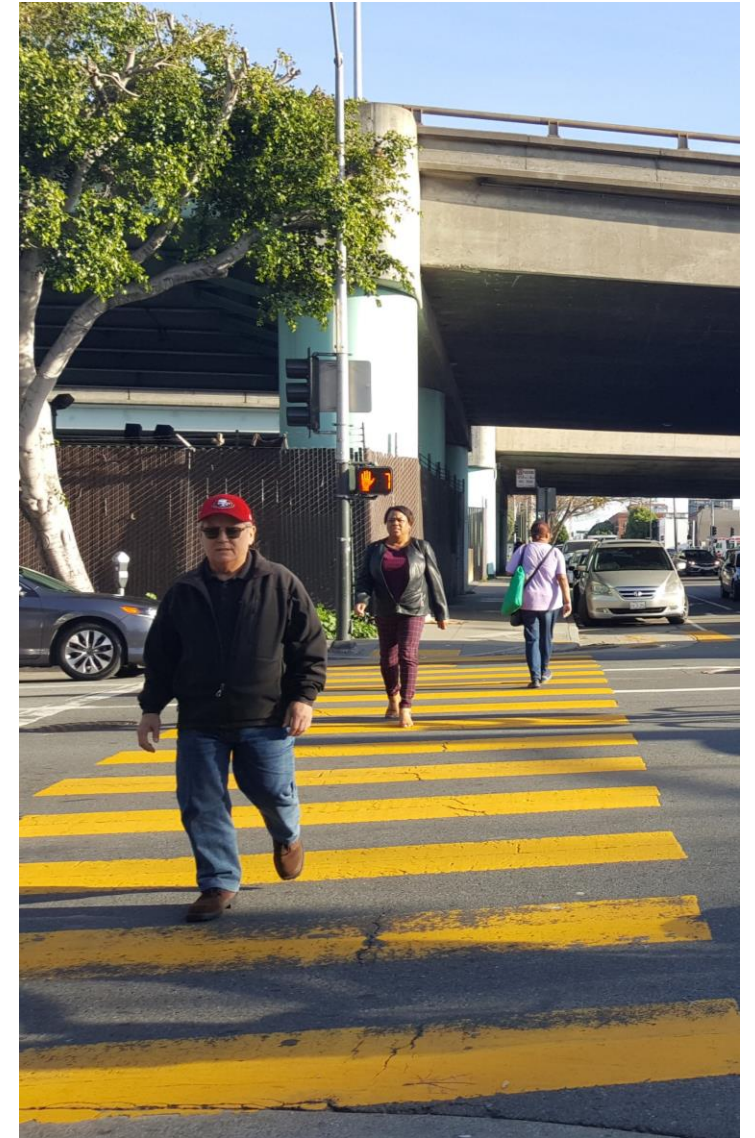
The Strategic Plan and 5YPPs Work Together

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.



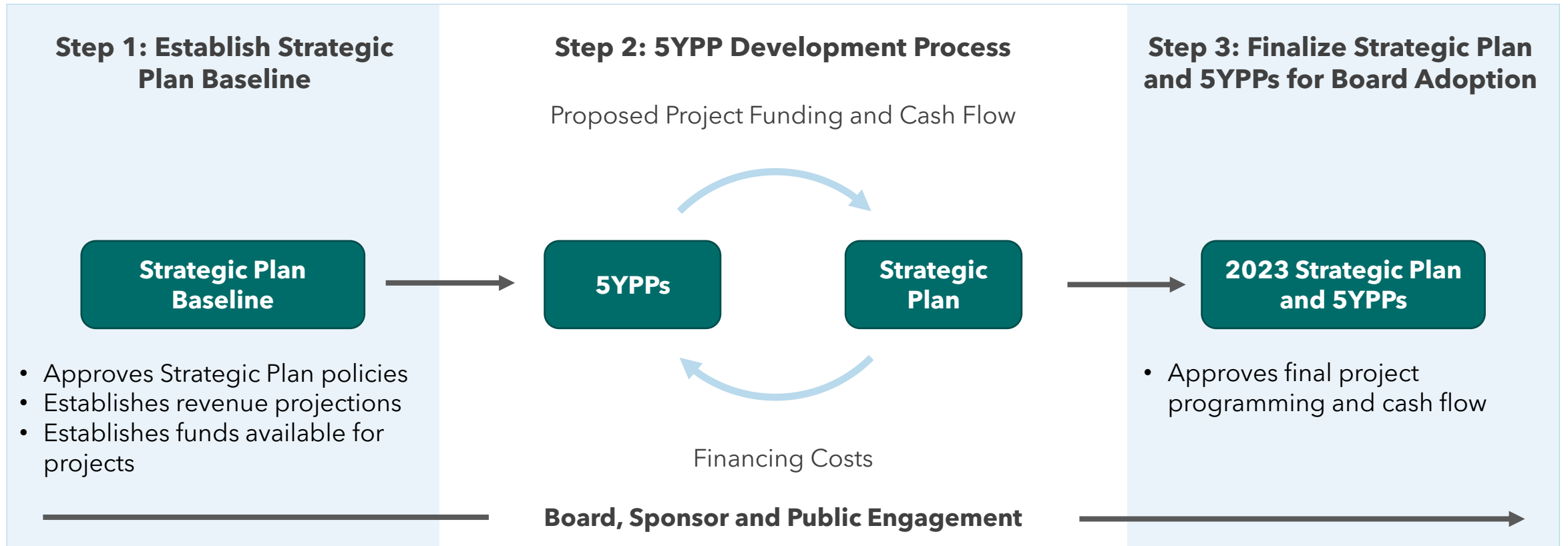
What are the 5-Year Prioritization Plans (5YPPs)?

- 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

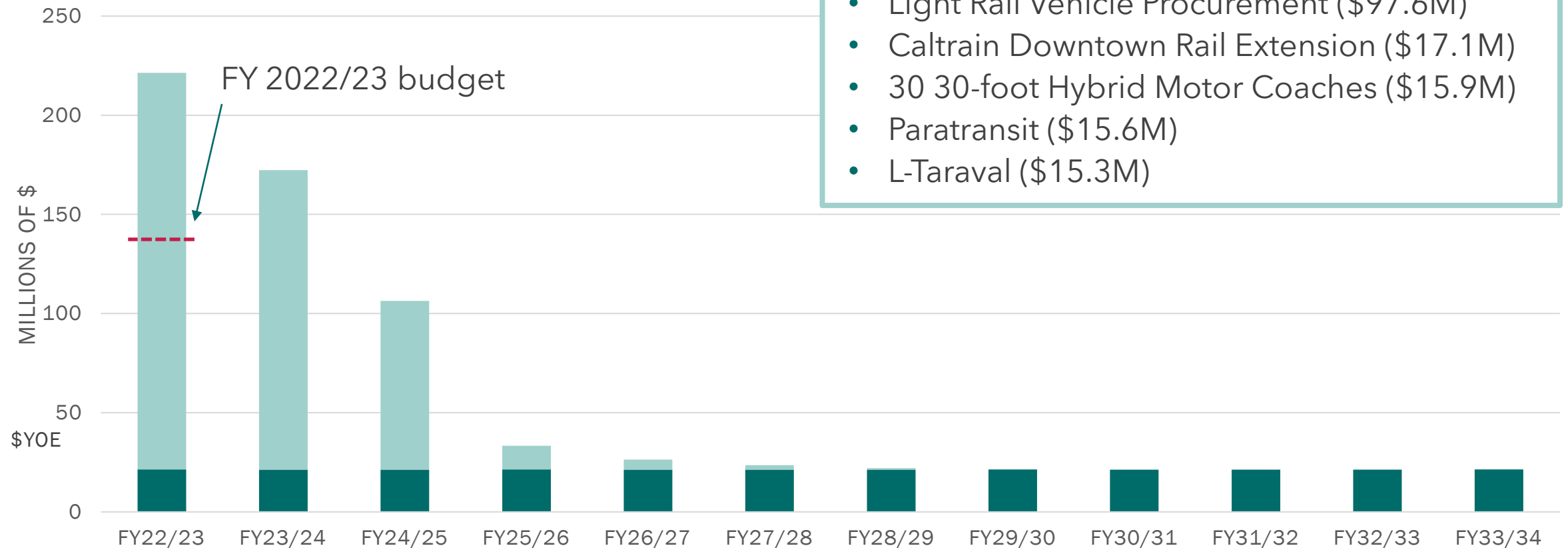
Strategic Plan Baseline Expenditures

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	(YOES\$)
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	(YOES\$)
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

PropL@sfcta.org



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sfcta.org/stay-connected

Attachment 2

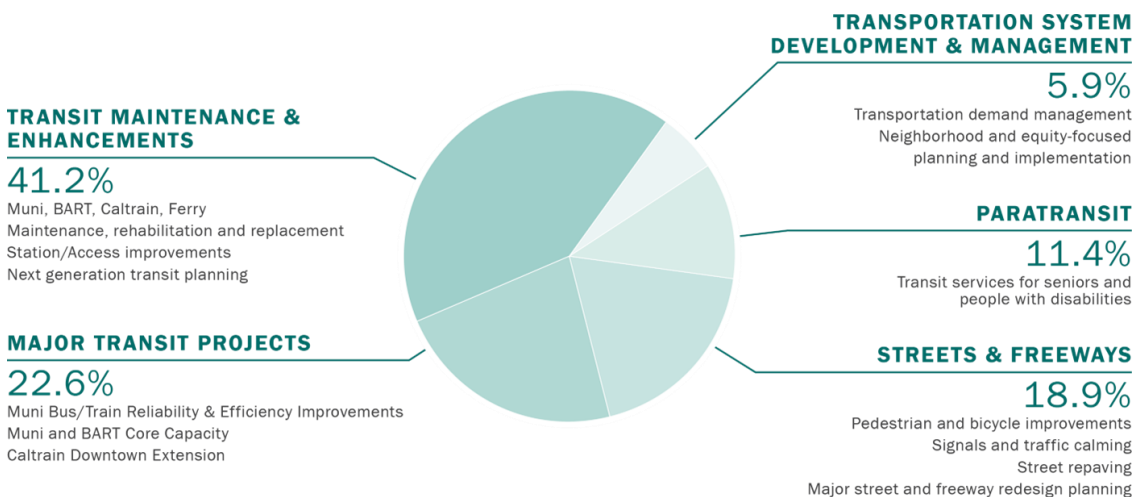
Draft 2023 Prop L Strategic Plan Baseline

The Prop L Strategic Plan provides transparency and accountability about how we administer the sales tax and serves as a key financial planning tool for the measure. The Strategic Plan has three main elements - policies, revenues, and expenditures. The Strategic Plan guides day-to-day administration of the measure through its policies. Further, through its financial model, the Strategic Plan is the tool we use to ensure that projected sales tax revenues are sufficient to cover all program-related expenditures and it gives us a sense of how much debt the program can support if agencies seek to advance funds. Importantly, the Strategic Plan supports project delivery and leveraging of other funds by ensuring that Prop L funds are available when needed.

Developing the Strategic Plan is an iterative process closely linked with development of the 5-Year Prioritization Programs or 5YPPs which identify the specific projects to be funded in each Expenditure Plan program over the next five years. Adoption of the 2023 Prop L Strategic Plan Baseline is the first step in the Strategic Plan and 5YPP development process. *The Baseline sets the amount of pay-go funding available to each program, by fiscal year, through the end of the Expenditure Plan (2053). This provides the starting budget for project sponsors as the work to propose projects to fund in the next five year period. Following adoption of all 28 5YPPs, we will bring the final Strategic Plan, incorporating the programming and cash flow needs of the 5YPP projects, to the Board for adoption.*

Background

San Francisco voters in November 2022 approved Proposition L, the Sales Tax for Transportation Projects measure that will direct up to \$2.6 billion (2020 \$s) 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.



The 30-year Expenditure Plan for Prop L was developed with extensive outreach with the public and an Advisory Committee, composed of 27 members from neighborhoods, community groups, advocacy organizations, and business and civic groups. The Expenditure Plan defines 28

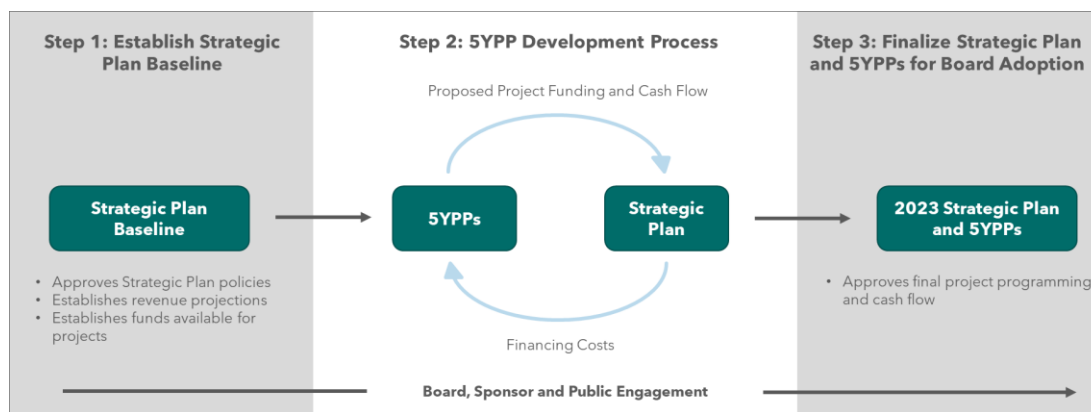
Attachment 2

Draft 2023 Prop L Strategic Plan Baseline

programs, organized in five major categories as shown above and listed in Attachment A. The Expenditure Plan is a primary tool that we use to help implement the San Francisco Transportation Plan.

Strategic Plan Development Process

While the Strategic Plan is the long-range financial planning tool for the program, it is developed in concert with 5YPPs that identify the specific projects to be funded in the next 5 years. This iterative process is illustrated in the diagram below. Adoption of the Strategic Plan and 5YPP documents is a prerequisite for allocation of funds from Prop L.



The first step in developing the Strategic Plan and the 5YPPs is establishing the Strategic Plan Baseline. In addition to providing guidance about program implementation to staff and sponsors through the policies, the Baseline sets the amount of pay-go funding available to each program, by fiscal year, through the end of the Expenditure Plan (2053). This provides the starting budget for project sponsors as they identify the projects they wish to fund over the next five years.

Policies

The Prop L Strategic Plan Policies, included as Attachment B, are based on three core principles: optimize leveraging of sales tax funds, support timely and cost-effective project delivery, and maximize the cost-effectiveness of financing. The proposed policies are essentially the same as the policies we had for Prop K, which we have been refining over many years, with minor modifications for clarity and to reflect specific details of the Prop L Expenditure Plan. Examples of key policies include project readiness requirements for allocation of funds, establishing that Prop L is a reimbursement-based program, requiring proportional spending of Prop L and non-Prop L funds, and setting a policy that only programs that advance funds faster than pay-as-you-go will need to proportionately cover their share of financing costs within the funding caps. This policy, carried forward from Prop K, protects the smaller ongoing programs from being impacted by the debt costs resulting from major capital projects/programs choosing to significantly advance funds. The aforementioned policies are critical cash management tools that we use to minimize financing

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costs for the overall program while seeking to have funds ready when sponsors need them to support project delivery.

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Expenditures

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Operating Costs and Program Administration. The Baseline includes the continuation of 7.9% off the top of the sales tax program for operating costs and program administration. This is the same level as for Prop K, including 6.9%, (tapering off the last 5 years of the Expenditure Plan) for planning, programming, project delivery support, and oversight for Expenditure Plan projects and

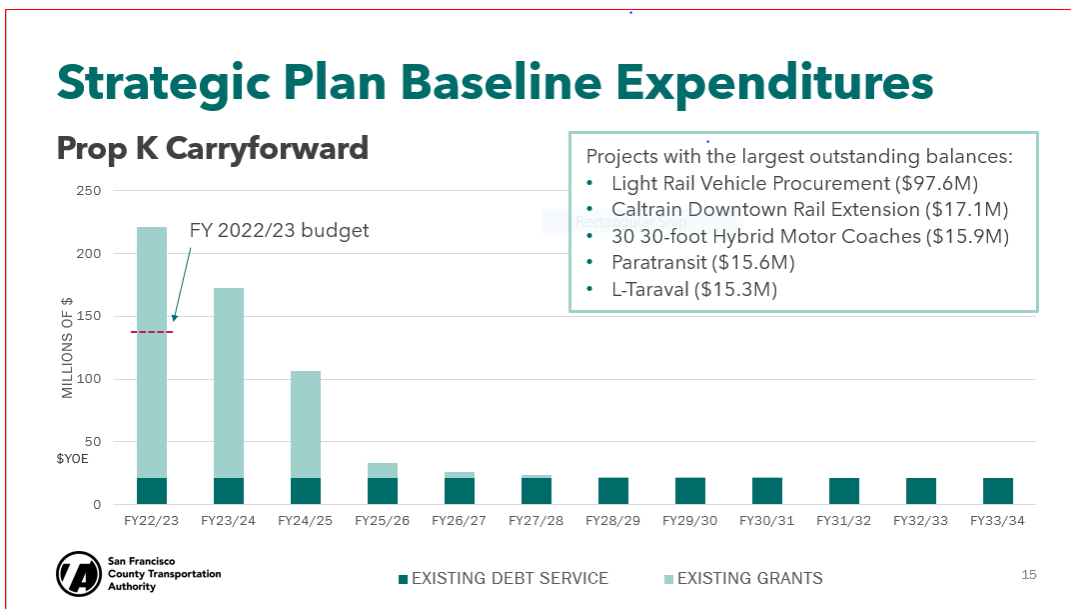
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Draft 2023 Prop L Strategic Plan Baseline

1% for program administration (same as Prop K) as allowed by statute. All other funds are available for project expenses and project related financing.

Capital Reserve. The Baseline includes a capital reserve, that holds the last 1.75 years of revenue in a reserve (Fiscal Years 2051/52 – 2052/53) to protect against risk that actual revenues are lower than projected, helping ensure that we have enough funds to cover obligations. We will evaluate the capital reserve with each Strategic Plan update and rightsize it and/or release excess funds as appropriate for programming to projects.

Prop K Carry Forward. Prop L superseded Prop K which required us to carryforward the Prop K financial obligations into this measure. These obligations include \$234.7 million in remaining debt service for the 2017 revenue bond in even payments of about \$21 million through FY 2033/34 and about \$400 million in grant balances from about 400 open grants. The chart below lists the projects with the largest outstanding balances - nearly a quarter of which is attributed to the SFMTA’s Light Rail Vehicle Procurement (\$97.6 million).



The approved cash flow reimbursement schedules for these Prop K grants primarily happen in the first 2-3 years of the Expenditure Plan, which is creating a high cash demand over the next few years even before we program any funds to Prop L projects. We are already seeing reimbursement requests coming in slower than the approved maximum for Fiscal Year 2022/23, so we have updated the Strategic Plan financial model to better reflect current expenditures and lowered the cash needs from \$200 million to \$120 million to match the amended agency budget. The delta in cash needs is now reflected in Fiscal Year 2025/26, providing a more realistic schedule for these expenditures. Once the Prop K carryforward grants have been reimbursed, starting in Fiscal Year 2028/29, there is nearly double the amount of pay-go funds available for new Prop L projects.

Prop L in the Baseline. For 23 of the 28 Prop L programs, the Strategic Plan Baseline reflects their share of annual pay-go revenues over the 30-year period. Through the 5YPP process, sponsors can

Attachment 2

Draft 2023 Prop L Strategic Plan Baseline

request acceleration of Prop L funds to support project delivery faster than pay-go revenues would allow, but will need to cover a proportional share of finance costs within their program caps.

For 5 of the 28 programs, we are advancing funds in the Baseline, driven by the near-term funding needs for two major transit projects:

- The Portal/Caltrain Downtown Rail Extension (DTX) is seeking the \$300 million Prop L programming commitment needed to meet a Federal Transit Administration Capital Investment Grants (CIG) funding milestone in August 2023. The project is seeking a \$3+ billion CIG grant.
- BART Core Capacity is seeking \$100 million in the first 10 years of the Expenditure Plan, including a partial allocation this fall to exercise an option on its railcar replacement contract.

To give a more realistic picture of financing costs for these projects, while ensuring we can meet other programs' requests for advancing funds, we are also including accelerating programming and cash flow schedules in the Baseline for three other programs that we know are seeking to advance funds. Together these are among the biggest Prop L programs.

- Muni Maintenance has programming placeholders through Fiscal Year 2047/48 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. We look forward to working with SFMTA to identify which projects should be prioritized for funding during the 5YPP process. If a less aggressive cash flow is needed to support the recommended projects, we would push out the cash flow in the final Strategic Plan, which would reduce debt costs.
- Paratransit includes \$13 million per year with an annual inflationary increase through Fiscal Year 2037/38 to provide funding stability for this critical program for seniors and persons with disabilities.
- Caltrain Maintenance has placeholders of \$5 million per year through Fiscal Year 2045/46 to support Caltrain budgeting and corresponding commitments from funding partners in the three Peninsula Joint Powers Board counties.

While these numbers will change as we refine the above programs that have placeholders and with the addition of 5YPP projects, advancing these large programs in the Baseline give us confidence that we can recommend the advanced programming and cash flow to support The Portal and BART Core Capacity near-term needs, in particular.

Debt Assumptions in the Financial Model

We use conservative assumption for the cost of financing to ensure we can cover all debt costs over the 30-year program. Attachment D provides the key assumptions in the Prop L Strategic Plan financial model. When expenditures exceed the available revenues, the model first pulls down on a \$125 million in revolver loan at an interest rate of 3%. Once the revolver amount is fully drawn, the model assumes that the revolver debt plus any additional financing needed is rolled over into a bond at an interest rate of 5%. All assumed bonds mature in 2050. The Strategic Plan Baseline reflects \$639 million in financing costs attributed to the existing 2017 revenue bond (\$40.5 million), and future debt triggered by the Prop K carryforward grant balances and the 5 Prop L

Attachment 2

Draft 2023 Prop L Strategic Plan Baseline

programs that are advancing funds in the Baseline. These figures will change as we work with sponsors to recommend 5-year projects lists for all of the programs. As we bring the various rounds of 5YPPs to the Board for approval, we will provide updated Strategic Plan debt assumptions. Once all of the 5YPPs are adopted, we will incorporate their project programming and cash flow into the Final Strategic Plan.

Next Steps

Following adoption of the Strategic Plan Baseline, sponsors will have the amount of funds available for each of the Expenditure Plan programs and can use this information when identifying the projects they wish to propose for sales tax funding in the next five years. For those programs where sponsors are seeking to advance funds faster than pay-go, we will evaluate their requests and if they seem reasonable, we will add them to the Strategic Plan model to ensure we can accommodate the request within the financial envelope of the 30-year program and to get an estimate of financing costs which would come out of the advancing programs' funding caps. Our schedule anticipates continuing to work with sponsors through the summer and into the fall and bringing the bulk of the 5YPPs to the Board for approval in October/November, with adopted of the final Strategic Plan in November/December following adoption of all 28 5YPPs.

Attachments

- Attachment A - 2022 Expenditure Plan Summary
- Attachment B - Strategic Plan Policies
- Attachment C - Draft Prop L Sales Tax Revenue Forecast
- Attachment D - Key Financial Model Assumptions
- Attachment E - Priority 1 Funding and Priority 1 Funding Levels (2020 \$s)
- Attachment F - Cash Flow and Finance Costs by Expenditure Plan Program (YOE \$s)



2022 Half-Cent Sales Tax Transportation Expenditure Plan

2020 \$MILLIONS	TOTAL EXPECTED FUNDING ¹	TOTAL SALES TAX FUNDING ²	% OF SALES TAX FUNDING ³
A. MAJOR TRANSIT PROJECTS	\$ 10,354.7	\$ 587.0	22.6%
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. TRANSIT MAINTENANCE AND ENHANCEMENTS	\$ 10,065.3	\$ 1,070.0	41.2%
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	-
C. PARATRANSIT⁴	\$ 1,270.0	\$ 297.0	11.4%
D. STREETS AND FREEWAYS	\$ 3,767.1	\$ 492.0	18.9%
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	-
E. TRANSPORTATION SYSTEM DEVELOPMENT AND MANAGEMENT	\$ 824.8	\$ 152.0	5.9%
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	-
TOTAL	\$ 26,281.9	\$ 2,598.0	100.0%
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.

2023 Prop L Strategic Plan Policies

The Strategic Plan policies provide guidance to both Transportation Authority staff and project sponsors on the various aspects of managing a program as large and complex as Prop L. The policies address the programming, allocation, and expenditure of funds, in the policy context of the Transportation Authority's overall Prop L debt management strategy, as well as clarifying the Transportation Authority's expectations of sponsors to deliver their projects in fulfillment of the voter approved Expenditure Plan.

These policies are substantively the same as the policies for the Prop K program, drawing on three decades of experience administering the local half-cent sales tax program. We have proposed minor revisions to the policies reflecting unique requirements of Prop L, refinements drawing from lessons learned over the past five years since the Board last approved revisions to the Prop K policies, and minor revisions for clarity. Proposed revisions are shown using track changes.

GUIDING PRINCIPLES

To help structure our efforts, we used three guiding principles that are fundamental ~~in to~~ ~~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 policies guiding the Transportation Authority and project sponsors are detailed below.

1. Optimizing the Leveraging of Sales tax Funds

1.1. No Substitution

Prop ~~KL~~ funds will not substitute for another local fund source that has been previously programmed or allocated to a project or program.

1.2. Certification of Committed Funds

Prop ~~KL~~ funds will be programmed and allocated to phases of projects emphasizing the leveraging of other fund sources. At the time of a Prop ~~KL~~ allocation request, the project sponsor will provide certification that all complementary fund sources required to fully fund the requested phase or phases 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

Attachment B
Draft 2023 Prop L Strategic Plan Policies

recognized by the Transportation Authority as available for the phase at the time the funds are needed.

1.3. Required Match Consideration

In establishing priorities in the Strategic Plan ~~updates~~, 5-Year Prioritization Programs (5YPP) ~~updates~~, and ~~annual~~ allocation actions, the Transportation Authority will take into consideration the need for ~~Prop K~~ Prop L funds to be available for matching federal, state, or regional fund sources for ~~the projects or program requesting the allocations sales tax funds or for other projects in the Expenditure Plan.~~

1.4. Priority for Projects Leveraging Funds with Timely Use of Funds Requirements

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

1.5. Regional Transportation Plan and San Francisco Transportation Plan Consistency

Projects shall be consistent with the Regional Transportation Plan (RTP) and the San Francisco Transportation Plan (SFTP).

2. Support Timely and Cost-Effective Project Delivery

2.1. 5-Year Prioritization Program ~~Or~~ 5-Year Project Delivery Plan Approval

Transportation Authority Board approval of a 5-Year Prioritization Program (5YPP) is a prerequisite for allocation of funds from ~~the 21 programmatic (i.e., non-project specific) each program in the Expenditure Plan categories (See Section XX, Table XX).~~ The 5YPPs are developed by the lead agency for the ~~programmatic categories, working in close collaboration with other eligible sponsors for the relevant category and Transportation Authority staff.~~ The 5YPP must include clearly defined budgets, scopes and schedules for individual projects within the program as well as other requirements specified in the Expenditure Plan and 5YPP guidance issued by Transportation Authority staff.

For non-programmatic categories such as a named major capital project, Transportation Authority Board approval of a 5-year project delivery plan which includes a clearly defined budget, scope and schedule is a prerequisite for allocation of funds. These plans, which are developed by the project sponsor in concert with Transportation Authority staff, are incorporated into the Strategic Plan (See Appendix X). The Transportation Authority will prepare, in close coordination with all other affected planning and implementation agencies, a 5YPP including clearly defined budgets,

Attachment B
Draft 2023 Prop L Strategic Plan Policies

scopes and schedules as well as other requirements specified in the Expenditure Plan and 5YPP guidance issued by Transportation Authority staff.

Allocations may be made simultaneous to approval of the 5YPP ~~or 5-year project delivery plan~~, contingent on consistency with the Strategic Plan.

2.2. Allocation by Phase

~~Prop K~~Prop L funds will be allocated one project phase at a time, except for smaller, less complex projects, where the Transportation Authority may consider exceptions to approve multi-phase allocations. The Transportation Authority will also consider multi-phase exceptions for a project using ~~Prop K~~Prop L as a local match for certain federal funds, where the administering agency combines planning, environmental, and design work into a one-phase allocation. Phases eligible for an allocation are as follows:

- Planning/Conceptual Engineering
- Preliminary Engineering/ Environmental Studies (PA&ED)
- Design Engineering (PS&E)
- Right of Way Support/Acquisition
- Construction (includes procurement)
- ~~• Incremental Operating and Maintenance~~
- Operations (i.e.g., paratransit operating support)

2.3. ~~Operations and Maintenance~~

~~Prop K funds may be allocated for operations and maintenance only as provided 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 operation 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. Prop L funds shall be spent on capital projects rather than to fund operations and maintenance of existing transportation services, unless explicitly specified in Section 4. Description of Programs in the expenditure Plan.~~

Prop L funds shall be spent on capital projects rather than to fund operations and maintenance of existing transportation services, unless explicitly specified in Section 4. Description of Programs in the Expenditure Plan.

2.3.2.4. Prerequisite Milestones for Allocation

Allocations of ~~Prop K~~Prop L funds for specific project phases will be contingent on the prerequisite milestones shown in Table 1. Exceptions will be considered on a case-by-

Attachment B
Draft 2023 Prop L Strategic Plan Policies

case basis. Allocation requests will be made prior to advertising for services which will utilize ~~Prop K~~Prop L funds.

TABLE 1. PREREQUISITE MILESTONES FOR ALLOCATION

<u>PHASE</u>	<u>PREREQUISITE MILESTONE(S) FOR ALLOCATION</u>
<u>Planning/Conceptual Engineering</u>	<ul style="list-style-type: none"> ● <u>5YPP</u>
<u>Environmental Studies (PA&ED)</u>	<ul style="list-style-type: none"> ● <u>5YPP</u>
<u>Design Engineering (PS&E)</u>	<ul style="list-style-type: none"> ● <u>5YPP</u> ● <u>Approved environmental document</u> ● <u>Capital construction funding in adopted plan, including RTP and Countywide Transportation Plan</u>
<u>Right of Way Support/Acquisition</u>	<ul style="list-style-type: none"> ● <u>5YPP</u> ● <u>Approved environmental document</u> ● <u>Capital construction phase committed in programming document</u>
<u>Construction (includes procurement)</u>	<ul style="list-style-type: none"> ● <u>5YPP</u> ● <u>Approved environmental document</u> ● <u>Right of way certification</u> ● <u>95% PS&E</u> ● <u>All applicable permits</u>
<u>Operations (e.g., paratransit operations)</u>	<ul style="list-style-type: none"> ● <u>5YPP</u> ● <u>Proof that all other fund sources are identified and committed for operating the facility or service</u> ● <u>For pilot projects, demonstration of potential for ongoing funding</u>

~~1.~~ Prop L 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.

~~2.~~ Prop K funds will be allocated for right of way capital and support only if the project has identified and committed construction capital funds. The Transportation Authority

Attachment B
Draft 2023 Prop L Strategic Plan Policies

will consider exceptions whereupon investment in right of way can be recovered if the project does not go forward.

2.4.2.5. Project Readiness

~~Prop K~~Prop L 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 Transportation Authority will take into consideration any incomplete aspects of the previous phase of work prior to ~~allocating~~allocating to the next phase.

2.5.2.6. Work Products and Deliverables

Project phases for which Prop ~~K~~L funds ~~will be~~are allocated will be expected to result in a complete work product or deliverable. The expected work product for each phase is described in Table 2 below. Requests for allocations that are expected to result in a work product/deliverable other than that shown in Table 2 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 2 for the specific phase, the Transportation Authority shall make a determination that the expected work product is consistent with a cost-effective approach to delivering the project as required in the Expenditure Plan. The Transportation Authority may require additional deliverables for a specific allocation that will be reflected in the allocation request form approved by the Transportation Authority Board.

Table 2 located in the following section lists the products expected to accompany allocations. ~~Prop K~~Prop L funds will be allocated prior to the advertising for any equipment or services necessitating the expenditure of ~~Prop K~~Prop L funds.

TABLE 2. EXPECTED WORK PRODUCTS/DELIVERABLES BY PHASE

PHASE	EXPECTED WORK PRODUCT/DELIVERABLE ¹
<u>Planning/Conceptual Engineering</u>	• <u>5YPP</u>
<u>Planning/Conceptual Engineering</u>	• <u>Planning document approved by sponsoring agency</u>
<u>Environmental Studies (PA&ED)</u>	• <u>Final approved environmental decision/project approval documentation</u>
<u>Design Engineering (PS&E)</u>	• <u>Final design package including contract documents</u>

Attachment B
Draft 2023 Prop L Strategic Plan Policies

<u>PHASE</u>	<u>EXPECTED WORK PRODUCT/DELIVERABLE</u> ¹
<u>Right of Way Support/Acquisition</u>	<ul style="list-style-type: none"> • <u>Title to property/easements/rights of entry/order of possession or relocated utility(ies)</u>
<u>Construction (includes procurement)</u>	<ul style="list-style-type: none"> • <u>Constructed improvement or minimum operating segment, or equipment in service</u>
<u>Operations (e.g., paratransit operations)</u>	<ul style="list-style-type: none"> • <u>Continual regular service or operation (e.g. for paratransit)</u> • <u>For pilot projects, operation of the pilot and final report or memo evaluating the pilot</u>

¹ The Transportation 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.

2.6.2.7. Allocation Request Package

Allocations of ~~Prop K~~Prop L funds will be based on an application package prepared and submitted by an eligible project sponsor. The package will be in accordance with application guidelines and formats as outlined in the Transportation Authority's allocation request procedures. The final application submittal must include sufficient detail and supporting documentation to facilitate a determination that the applicable Strategic Plan policies have been satisfied. The allocation request procedures are located on the Transportation Authority's website at www.sfcta.org.

2.7.2.8. Retroactive Reimbursements Not Allowed

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 Transportation Authority will not reimburse expenses incurred prior to fully executing a Standard Grant Agreement. Exceptions to this policy may be granted under the following conditions:

- Where the Transportation Authority has previously approved the scope of a project and that scope has incurred increased costs; and
- Capital costs of a multi-year project to which the Transportation Authority has made a formal commitment in a resolution for out-year costs, although the funds have not been allocated.

While these costs shall be eligible for reimbursement in the situations cited above, the timing and amount of reimbursement will be subject to a Transportation Authority

Attachment B
Draft 2023 Prop L Strategic Plan Policies

allocation, based on available revenues, other anticipated project requests, and ~~project category and subcategory~~program limits established in the Expenditure Plan.

~~2.8.2.9.~~ Indirect Expenses Not Allowed

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 L~~Prop L allocation.

~~2.9.2.10.~~ Contract Award and Encumbrance

~~Prop L~~Prop L allocations for construction capital and equipment purchase shall be encumbered by the award of a contract within 12 months of the date of allocation. At the end of the project, ~~Prop L~~Prop L allocations for the construction, construction engineering and equipment purchase phases shall be drawn down within 12 months of the date of contract acceptance.

~~2.10.~~ Remaining Balance Required to Same Project for Future Phases

~~Unexpended portions of allocated amounts remaining after final reimbursement for that phase may be returned to the project's programmed balance if the project is not yet completed (e.g. future phases remain):~~

2.11. Remaining Balance Returned to Same ~~Category~~Program

Upon completion of the project, including any expected work product shown in Table 2, the Transportation Authority will deem that any remaining programmed or unspent balance for the project is available for programming to another project within the same Expenditure Plan ~~line item~~program.

2.12. Communication

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

~~2.13.~~ Project Delivery Oversight

The Transportation Authority may increase oversight of a given project due to many factors, including but not limited to project size or complexity, issues with scope, schedule, or budget, higher than expected bids, difficulties in the environmental or right-of-way phases, project stakeholders with competing interests, changes in project

Attachment B
Draft 2023 Prop L Strategic Plan Policies

leadership or key staff, or issues with sponsor capacity in delivering the project. As required by the Expenditure Plan, the Transportation Authority Board shall adopt project delivery oversight guidelines for major capital projects in support of the cost-effective and timely delivery of Prop L-funded projects. These guidelines will be developed by Transportation Authority staff in consultation with affected project sponsors and will be implemented in collaboration with project sponsors. The guidelines may include, but are not limited to, more frequent reporting periods, direct Transportation Authority (or Transportation Authority authorized agent) involvement in project meetings, field visits, audits, establishment of or participation in a project oversight group, or reports/investigations into the project by the Transportation Authority. Transportation Authority staff shall report at least annually to the Transportation Authority Board on the status of major capital projects that are funded by Prop L.

3. Maximize the Cost-Effectiveness of Financing

3.1. Cash Flow Distribution Schedules

Under the approved Transportation Authority Fiscal Policy, Cash Flow Distribution Schedules consistent with project schedule 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 Transportation Authority will not guarantee reimbursement levels higher than those adopted in the original allocation or any subsequent amendments.

3.2. Timely-Use-Of-Funds Requirements

Timely use of funds requirements will be applied to all ~~Prop K~~Prop L allocations to help avoid situations where ~~Prop K~~Prop L funds sit unused for prolonged periods of time, especially when the Transportation 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. Alternatively, the Transportation Authority may choose not to advance an allocation for the next year's activity until the prior allocation is substantially expended. On the occasion of each Strategic Plan update or major amendment, envisioned no less frequently than every five years, the ability of sponsors to deliver their committed projects ~~and programs~~ will be taken into consideration when updating the programming of funds.

3.3. Proportional Spending

Other fund sources committed to the project ~~or program~~ will be used in conjunction with ~~Prop K~~Prop L funds. To the maximum extent practicable, other fund sources ~~will~~should be spent down prior to ~~Prop K~~Prop L funds. Otherwise, ~~Prop K~~Prop L funds will be spent

Attachment B
Draft 2023 Prop L Strategic Plan Policies

down at a rate proportional to the ~~Prop K~~Prop L share of the total funds programmed to the project phase ~~or program~~.

3.4. Priority 1 vs. Priority 2 Funding Levels

Allocations of ~~Prop K~~Prop L 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~~Prop L Strategic Plan update cash flow analysis includes revenue forecasts that exceed the Priority 1 levels. Projects carried forward from the Prop K Expenditure Plan as legacy project shall be eligible to receive Priority 1 funds from the designated programs, not to exceed the unallocated amount programmed in the Prop K Strategic Plan as of March 31, 2023. At such time as the revenue forecasts exceed the Priority 1 levels, the Transportation Authority may allocate Priority 2 revenues within a given subcategory ~~subcategory~~ up to the lesser amount of either the category percentage cap, or the program ~~or project~~ program dollar amount caps established in the Expenditure Plan for Priority 2. If after programming all Priority 1 funds to every program in a subcategory, the latest Strategic Plan forecasts available revenues in excess of Priority 1 levels, the Transportation Authority Board may allow programing of Priority 2 funds with the subcategory, subject to the program dollar amount caps for Priority 2 in the Expenditure Plan.

3.4.1 Legacy Projects

3.5. Projects carried forward from the Prop K Expenditure Plan as legacy project shall be eligible to receive Priority 1 funds from the designated programs, not to exceed the unallocated amount programmed in the Prop K Strategic Plan as of March 31, 2023.

3.5. Pro-Rata Share

The baseline of funding that any Expenditure Plan program ~~or project~~ can expect from ~~Prop K~~Prop L cannot exceed the pro-rata share of that ~~project or program's~~ amount relative to the total amount of ~~Prop K~~Prop L 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 Transportation Authority, and the costs of debt financing for that project or ~~program~~ projects must be borne by the Expenditure Plan ~~line item~~ program from which the funds are allocated. See also policies 3.6 and 3.7.

3.6. Advancing Funds

The amount of funds that can be advanced is finite, reflecting the Transportation Authority's limited borrowing capacity. The Transportation Authority must optimize debt service burden through effective planning and project cash management, in

Attachment B
Draft 2023 Prop L Strategic Plan Policies

coordination with Transportation Authority project sponsors, and preserve the highest practical credit ratings in order to minimize the cost of borrowing.

3.7. Financing Assigned By CategoryProgram

Debt issuance and service costs will be allocated to individual Expenditure Plan ~~line items~~programs in proportion to the amount of debt issuance they trigger. The interest assigned to ~~the line item~~a program will be considered a cost to that ~~line item~~program. Total cost, including programming and interest, will not exceed the Priority 1 funding caps as outlined in the Expenditure Plan.

~~Projects grandfathered projects from the Prop B K Expenditure Plan shall be exempt from this policy and any associated financing costs for those projects will be covered by the capital program as a whole:~~

Prequisite Milestones for Allocation

~~Allocations of Prop K funds for specific project phases will be contingent on the prerequisite milestones shown in Table 1 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 1. 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 • Approved environmental document • Capital construction funding in adopted plan, including RTP and Countywide Transportation Plan
Right of Way Support/Acquisition	• 5YPP or 5-year project delivery plan • Approved environmental document • Capital construction phase committed in programming document

Attachment B
Draft 2023 Prop L Strategic Plan Policies

Construction (includes procurement)	<ul style="list-style-type: none"> • 5YPP or 5-year project delivery plan • Approved environmental document • Right of way certification • 100% PS&E • All applicable permits
Incremental Operating and Maintenance	<p>4.1. 5-year project delivery plan</p> <p>4.2. Documentation confirming costs are for new transportation services or an eligible grandfathered project per Expenditure Plan</p> <ul style="list-style-type: none"> • Proof that all other fund sources are identified and committed for operating the facility or service
Operations (i.e. paratransit operations)	<p>4.3. 5-year project delivery plan</p> <p>4.4. Proof that all other fund sources are identified and committed for operating the facility or service</p>

4. ~~Expected Work Products/Deliverables by Phase~~

Project phases for which Prop K funds are allocated will be expected to result in a complete work product or deliverable. The expected work product for each phase is described in Table 2 below. Requests for allocations that are expected to result in a work product/deliverable other than that shown in Table 2 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 2 for the specific phase, the Transportation 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 2. ~~EXPECTED WORK PRODUCTS/DELIVERABLES BY PHASE~~

Phase	Expected Work Product/Deliverable[†]
Planning/Conceptual Engineering	Planning document approved by sponsoring agency
Environmental Studies (PA&ED)	Final approved environmental decision/project approval documentation

Attachment B
Draft 2023 Prop L Strategic Plan Policies

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 (includes procurement)	Constructed improvement or minimum operating segment, or equipment in service:
Incremental Operating and Maintenance	Continual regular service or operation
Operations (e.g. paratransit operating support)	Continual regular service or operation

[†]—————The Transportation 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.

Attachment C: Prop L Sales Tax Revenue Forecast Comparison

Fiscal Year	Prop L 2021 Forecast (Priority 1 and 2) Summer 2021			Prop L 2021 Forecast (Priority 1 Only) Summer 2021			2023 Strategic Plan Baseline Spring 2023		
	Revenue Forecast YOES	% change ⁵	Revenue Forecast in 2020 ³	Revenue Forecast YOES	% change ⁵	Revenue Forecast in 2020 ³	Revenue Forecast YOES	% change ⁵	Revenue Forecast in 2020 ³
FY2022/23 ¹	\$ 27,055,500		\$ 25,502,404	\$ 27,055,500		\$ 25,502,404	\$ 27,803,000		\$ 26,206,994
FY2023/24	\$ 117,299,000	N/A	\$ 107,345,202	\$ 117,299,000	N/A	\$ 107,345,202	\$ 112,357,000	N/A	\$ 102,822,571
FY2024/25	\$ 125,051,000	6.6%	\$ 111,106,194	\$ 125,051,000	6.6%	\$ 111,106,194	\$ 116,920,000	4.1%	\$ 103,881,906
FY2025/26	\$ 130,890,000	4.7%	\$ 112,906,864	\$ 130,890,000	4.7%	\$ 112,906,864	\$ 121,382,000	3.8%	\$ 104,705,179
FY2026/27	\$ 134,044,449	2.4%	\$ 112,260,116	\$ 133,221,645	1.8%	\$ 111,571,031	\$ 125,595,000	3.5%	\$ 105,183,835
FY2027/28	\$ 137,274,920	2.4%	\$ 111,617,072	\$ 135,594,826	1.8%	\$ 110,251,002	\$ 129,577,000	3.2%	\$ 105,357,959
FY2028/29	\$ 140,583,246	2.4%	\$ 110,977,712	\$ 138,010,282	1.8%	\$ 108,946,591	\$ 131,650,232	1.6%	\$ 103,925,909
FY2029/30	\$ 143,971,302	2.4%	\$ 110,342,015	\$ 140,468,767	1.8%	\$ 107,657,613	\$ 133,756,636	1.6%	\$ 102,513,324
FY2030/31	\$ 147,441,010	2.4%	\$ 109,709,959	\$ 142,971,046	1.8%	\$ 106,383,885	\$ 135,896,742	1.6%	\$ 101,119,939
FY2031/32	\$ 150,994,339	2.4%	\$ 109,081,523	\$ 145,517,900	1.8%	\$ 105,125,227	\$ 138,071,090	1.6%	\$ 99,745,493
FY2032/33	\$ 154,633,302	2.4%	\$ 108,456,687	\$ 148,110,124	1.8%	\$ 103,881,461	\$ 140,280,227	1.6%	\$ 98,389,729
FY2033/34	\$ 158,359,965	2.4%	\$ 107,835,430	\$ 150,748,525	1.8%	\$ 102,652,410	\$ 142,524,711	1.6%	\$ 97,052,393
FY2034/35	\$ 162,176,440	2.4%	\$ 107,217,732	\$ 153,433,925	1.8%	\$ 101,437,900	\$ 144,805,106	1.6%	\$ 95,733,234
FY2035/36	\$ 166,084,892	2.4%	\$ 106,603,572	\$ 156,167,163	1.8%	\$ 100,237,760	\$ 147,121,988	1.6%	\$ 94,432,006
FY2036/37	\$ 170,087,538	2.4%	\$ 105,992,931	\$ 158,949,090	1.8%	\$ 99,051,818	\$ 149,475,940	1.6%	\$ 93,148,464
FY2037/38	\$ 174,186,648	2.4%	\$ 105,385,787	\$ 161,780,574	1.8%	\$ 97,879,908	\$ 151,867,555	1.6%	\$ 91,882,368
FY2038/39	\$ 178,384,546	2.4%	\$ 104,782,120	\$ 164,662,497	1.8%	\$ 96,721,863	\$ 154,297,436	1.6%	\$ 90,633,482
FY2039/40	\$ 182,683,614	2.4%	\$ 104,181,912	\$ 167,595,758	1.8%	\$ 95,577,519	\$ 156,766,195	1.6%	\$ 89,401,570
FY2040/41	\$ 187,086,289	2.4%	\$ 103,585,142	\$ 170,581,272	1.8%	\$ 94,446,714	\$ 159,274,454	1.6%	\$ 88,186,403
FY2041/42	\$ 191,595,068	2.4%	\$ 102,991,790	\$ 173,619,969	1.8%	\$ 93,329,289	\$ 161,822,845	1.6%	\$ 86,987,753
FY2042/43	\$ 196,212,509	2.4%	\$ 102,401,837	\$ 176,712,796	1.8%	\$ 92,225,083	\$ 164,412,010	1.6%	\$ 85,805,395
FY2043/44	\$ 200,941,231	2.4%	\$ 101,815,264	\$ 179,860,719	1.8%	\$ 91,133,942	\$ 167,042,603	1.6%	\$ 84,639,108
FY2044/45	\$ 205,783,915	2.4%	\$ 101,232,050	\$ 183,064,718	1.8%	\$ 90,055,711	\$ 169,715,284	1.6%	\$ 83,488,674
FY2045/46	\$ 210,743,307	2.4%	\$ 100,652,177	\$ 186,325,792	1.8%	\$ 88,990,236	\$ 172,430,729	1.6%	\$ 82,353,876
FY2046/47	\$ 215,822,221	2.4%	\$ 100,075,626	\$ 189,644,958	1.8%	\$ 87,937,367	\$ 175,189,620	1.6%	\$ 81,234,503
FY2047/48	\$ 221,023,536	2.4%	\$ 99,502,377	\$ 193,023,251	1.8%	\$ 86,896,955	\$ 177,992,654	1.6%	\$ 80,130,345
FY2048/49	\$ 226,350,203	2.4%	\$ 98,932,412	\$ 196,461,724	1.8%	\$ 85,868,853	\$ 180,840,537	1.6%	\$ 79,041,195
FY2049/50	\$ 231,805,243	2.4%	\$ 98,365,712	\$ 199,961,450	1.8%	\$ 84,852,914	\$ 183,733,985	1.6%	\$ 77,966,848
FY2050/51	\$ 237,391,750	2.4%	\$ 97,802,258	\$ 203,523,519	1.8%	\$ 83,848,995	\$ 186,673,729	1.6%	\$ 76,907,105
FY2051/52	\$ 243,112,891	2.4%	\$ 97,242,031	\$ 207,149,041	1.8%	\$ 82,856,954	\$ 189,660,509	1.6%	\$ 75,861,766
FY2052/53 ²	\$ 186,728,934		\$ 72,513,760	\$ 158,129,361		\$ 61,407,487	\$ 144,521,308		\$ 56,122,976
Total	\$ 5,355,798,807		\$ 3,148,417,667	\$ 4,915,586,196		\$ 2,928,087,151	\$ 4,593,458,124		\$ 2,744,862,302
Prop K Carryforward Commitments⁴			\$ (550,000,000)			\$ (550,000,000)			\$ (550,000,000)
Total Revenue Forecast for the Prop L:			\$ 2,598,417,667			\$ 2,378,087,151			\$ 2,194,862,302

¹Prop L took effect 4/1/2023. FY23 includes revenues only from April through June.

²Prop L covers 30 years ending 3/31/2053, so this fiscal year has only three quarters of revenues.

³Uses 3% inflation to de-escalate to 2020\$.

⁴Prop K Carryforward Commitments include: repayment of existing 2017 series bond; remaining grant balances; and other Prop K financial obligations such as new debt issued (there was none) incurred before April 1, 2023.

⁵Annual average growth rate for the Prop L 2021 Forecast (Priority 1 and 2) was 2.6%. Annual average growth rate for the Prop L 2021 Forecast (Priority 1 only) was 2.1%. Annual average growth rate for the 2023 Strategic Plan Baseline Forecast is 1.9%.

Attachment D
Prop L Strategic Plan Baseline – Key Financial Model Assumptions

The purpose of this document is to provide the key assumptions in the Prop L Strategic Plan Baseline financial model. The key assumptions are as follows:

- **Program Administration and Operating Costs**
 - **Operating Costs** - Recommend 6.9% (same as Prop K), tapering off FY 2048/49 - FY 2052/53 (last five years of the Expenditure Plan) for planning, programming, project delivery support, and oversight for Expenditure Plan projects.
 - **Program Administration** - Recommend 1% (same as Prop K) as allowed by statute.

- **Prop K Carryforward Obligations**
 - **Prop K 2017 Bond Repayment** - ~\$21M/year through FY 2033/34 totaling \$235 M. See Table 1 for the payment schedule.
 - **Prop K Grants - Cash Flow Reimbursement Schedule** – Remaining grant balances for 399 open grants total \$400 M. Assumed cash flow for FY 2022/23 matches our FY 2022/23 amended agency budget (\$120M) rather than the approved cash flow reimbursement schedule (\$200M) which is not likely to occur given the number of grants and based on historic trends for invoicing. We shifted the remaining \$80M of cash flow into FY 2025/26 to reflect a more realistic cash flow in the model.

- **Prop K Allowance of Pay-Go Funds** - \$50M/year for FY 2023/24 – FY 2027/28. We used a simplified assumption to give the model a number it was “allowed” to spend on Prop K needs before incurring financing costs to the Prop K program. We set the Prop K and the Prop L pay-go allowances to be equal for the first five years when Prop K cash flows are anticipated, to fairly distribute financing costs among the Prop K grants and Prop L programs that request advancement of funds.

- **Prop L Allowance of Pay-Go Funds** - \$50M/year for FY 2023/24 – FY 2027/28; then programming up to 90% of funds available through the end of the program. Capping the amount of funds programmed is necessary to comply with debt service coverage ratio constraints to maintain a favorable credit rating.

- **Capital Reserve** – Last 1.75 years of revenue, or \$334M (\$YOE). These funds are not spent and provide a contingency in case revenues are lower than expected.

- **Escalation/De-escalation Percentage for Prop L Funds** – 3%. There is an inflation-based escalation/de-escalation factor of 3% in order to convert from Year of Expenditure dollars to 2020 dollars and back. The Expenditure Plan amounts are in 2020 dollars.

Attachment D

Prop L Strategic Plan Baseline – Key Financial Model Assumptions

Future Debt Assumptions

- **Revolver Loan Interest Rate** – 3%. The actual rate varies with the market, but based on historical rate averages, 3% is appropriately conservative.
- **Revolver Loan Size** - \$125 million. Maintain revolver at current size.
- **Bonding Instrument** – Fixed single-rate.
- **Bond Interest Rate** – Fixed single-rate of 5%.
- **Debt Service Coverage Constraint** – 1.75x. This is the ratio that refers to the amount of cash flow available to meet annual interest and principal payments on debt.
- **Bond Structure** – Backloaded level schedule.
- **Term of Debt** – All assumed bonds mature in 2050. Any outstanding revolver loan beyond 2050 is assumed to be paid with cash on hand from the capital reserve.

Attachment D
Prop L Strategic Plan Baseline – Key Financial Model Assumptions

Table 1: Remaining Debt Service on 2017 Series (\$M)

Fiscal Year	Principal	Interest	Annual Debt Service
FY 2023/24	\$14.55	\$6.79	\$21.34
FY 2024/25	\$15.13	\$6.21	\$21.33
FY 2025/26	\$15.74	\$5.60	\$21.34
FY 2026/27	\$16.36	\$4.97	\$21.33
FY 2027/28	\$17.02	\$4.32	\$21.33
FY 2028/29	\$17.70	\$3.64	\$21.33
FY 2029/30	\$18.41	\$2.93	\$21.34
FY 2030/31	\$18.96	\$2.38	\$21.33
FY 2031/32	\$19.53	\$1.81	\$21.34
FY 2032/33	\$20.11	\$1.22	\$21.33
FY 2033/34	\$20.72	\$0.62	\$21.34
Total Remaining	\$194.19	\$40.50	\$234.69



2023 Prop L Strategic Plan Baseline
Attachment E: Available Funds and Priority 1 Funding Levels (2020\$'s)

EP No.	Expenditure Plan Programs	Priority 1 Funding Cap ¹	Priority 1 Pro - Rata Share ²	Available Funds ³	% of Priority 1 ⁴
A. MAJOR CAPITAL PROJECTS					
I. Muni					
201	Muni Reliability and Efficiency Improvements	\$ 110,000,000	4.63%	\$ 101,620,547	92.4%
202	Muni Rail Core Capacity	\$ 50,000,000	2.10%	\$ 46,191,158	92.4%
II. BART					
203	BART Core Capacity	\$ 100,000,000	4.21%	\$ 92,382,315	92.4%
III. Caltrain					
204	Caltrain Service Vision: Capital System Capacity Investments	\$ -	-	\$ -	-
205	Caltrain Downtown Rail Extension and Pennsylvania Alignment	\$ 300,000,000	12.62%	\$ 277,146,946	92.4%
TOTAL MAJOR CAPITAL PROJECTS		\$ 560,000,000	23.55%	\$ 517,340,966	92.4%
B. TRANSIT MAINTENANCE AND ENHANCEMENTS					
I. Transit Maintenance, Rehabilitation, and Replacement					
206	Muni Maintenance	\$ 784,000,000	32.97%	\$ 724,277,352	92.4%
207	BART Maintenance	\$ 35,000,000	1.47%	\$ 32,333,810	92.4%
208	Caltrain Maintenance	\$ 100,000,000	4.21%	\$ 92,382,315	92.4%
209	Ferry Maintenance	\$ 5,000,000	0.21%	\$ 4,619,116	92.4%
II. Transit Enhancements					
210	Transit Enhancements	\$ 29,000,000	1.22%	\$ 26,790,871	92.4%
211	Bayview Caltrain Station	\$ 27,000,000	1.14%	\$ 24,943,225	92.4%
212	Mission Bay Ferry Landing	\$ 5,000,000	0.21%	\$ 4,619,116	92.4%
213	Next Generation Transit Investments	\$ 22,000,000	0.93%	\$ 20,324,109	92.4%
TOTAL TRANSIT MAINTENANCE AND ENHANCEMENTS		\$ 1,007,000,000	42.35%	\$ 930,289,916	92.4%
C. PARATRANSIT					
214	Paratransit	\$ 227,000,000	9.55%	\$ 209,707,856	92.4%
D. STREETS AND FREEWAYS					
I. Maintenance, Rehabilitation, and Replacement					
215	Street Resurfacing, Rehabilitation and Maintenance	\$ 105,000,000	4.42%	\$ 97,001,431	92.4%
216	Pedestrian and Bicycle Facilities Maintenance	\$ 19,000,000	0.80%	\$ 17,552,640	92.4%
217	Traffic Signs & Signals Maintenance	\$ 90,000,000	3.78%	\$ 83,144,084	92.4%
II. Safer and Complete Streets					
218	Safer and Complete Streets	\$ 152,000,000	6.39%	\$ 140,421,119	92.4%
219	Curb Ramps	\$ 29,000,000	1.22%	\$ 26,790,871	92.4%
220	Tree Planting	\$ 20,000,000	0.84%	\$ 18,476,463	92.4%

**2023 Prop L Strategic Plan Baseline
Attachment E: Available Funds and Priority 1 Funding Levels (2020\$'s)**

EP No.	Expenditure Plan Programs	Priority 1 Funding Cap ¹	Priority 1 Pro - Rata Share ²	Available Funds ³	% of Priority 1 ⁴
III. Freeway Safety and Operational Improvements					
221	Vision Zero Ramps	\$ 8,000,000	0.34%	\$ 7,390,585	92.4%
222	Managed Lanes and Express Bus	\$ 10,000,000	0.42%	\$ 9,238,232	92.4%
223	Transformative Freeway and Major Street Projects	\$ 20,000,000	0.84%	\$ 18,476,463	92.4%
TOTAL STREETS AND FREEWAYS		\$ 453,000,000	19.05%	\$ 418,491,889	92.4%

E. TRANSPORTATION SYSTEM DEVELOPMENT AND MANAGEMENT					
I. Transportation Demand Management					
224	Transportation Demand Management	\$ 18,000,000	0.76%	\$ 16,628,817	92.4%
II. Transportation Demand Management					
225	Neighborhood Transportation Program	\$ 41,000,000	1.72%	\$ 37,876,749	92.4%
226	Equity Priority Transportation Program	\$ 42,000,000	1.77%	\$ 38,800,572	92.4%
227	Development-Oriented Transportation	\$ 20,000,000	0.84%	\$ 18,476,463	92.4%
228	Citywide / Modal Planning	\$ 10,000,000	0.42%	\$ 9,238,232	92.4%
TOTAL TRANSPORTATION SYSTEM DEVELOPMENT AND MANAGEMENT		\$ 131,000,000	5.51%	\$ 121,020,833	92.4%

TOTAL PROP L STRATEGIC PLAN		\$ 2,378,000,000	100%	\$ 2,196,851,459	92.4%
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Notes:

¹ Each program in Prop L has a Priority 1 funding cap based on Priority 1 funding levels (conservative forecast) in the Expenditure Plan. For some programs, the Expenditure Plan also establishes a Priority 2 funding cap that will come into play if the Strategic Plan forecasts available revenues in excess of Priority 1 levels.

² The pro-rata share represents each Expenditure Plan program's proportion of Priority 1 funds, as established in the Expenditure Plan.

³ The total amount available to each Expenditure Plan program based on its pro-rata share of the 2023 Strategic Plan Baseline revenue forecast. Funds are presented in 2020\$'s to allow consistent comparison to the Priority 1 funding caps set by the Expenditure Plan.

⁴ 2023 forecast of available funds (2020\$'s) as a portion of Priority 1 funds (2020\$'s).



RESOLUTION ADOPTING THE 2023 PROP L STRATEGIC PLAN BASELINE

WHEREAS, In November 2022, San Francisco voters approved Prop L, extending the existing half-cent local transportation sales tax and adopting a new 30-year Expenditure Plan summarized in Attachment 1.A. that superseded Prop K; and

WHEREAS, The Prop L Expenditure Plan requires that the Transportation Authority adopt a 30-year Strategic Plan that establishes policies for Prop L administration, forecasts sales tax revenues, and forecast expenditures, including setting programming and cash flow by fiscal year for each of the 28 Expenditure Plan programs, and estimating debt needs to advance project delivery faster than pay-go would allow; and

WHEREAS, The Strategic Plan is developed in concert with the 5-Year Prioritization Programs (5YPPs) that are used to identify the specific projects to be funded in the next five years for each Expenditure Plan program; and

WHEREAS, Adoption of the Strategic Plan and 5YPPs is a prerequisite for allocation of funds from Prop L; and

WHEREAS, The first step in developing the Strategic Plan and the 5YPPs is establishing the Strategic Plan Baseline which sets the amount of pay-go funding available to each program, by fiscal year, through the end of the Expenditure Plan (2053); and

WHEREAS, The Strategic Plan Baseline (Baseline) includes policies (Attachment 1.B.), which provide guidance to Transportation Authority staff and project sponsors for implementing the program guided by three core principles: optimize leveraging of sales tax funds, support timely and cost-effective project delivery, and maximize the cost-effectiveness of financing; and

WHEREAS, Transportation Authority staff worked with MuniServices to update the sales tax revenue forecast since it was last set in June 2021 as part of Prop L



development, with the new projection reflecting the last two years of actual data and a slow pandemic recovery in the city; and

WHEREAS, The revenue forecast is \$2.194 billion (2020\$s) which is 15% lower than Priority 2 (optimistic) and 7.7% lower than Priority 1 (conservative) revenues in the Prop L Expenditure Plan, as shown in Attachment 1.C.; and

WHEREAS, Proposed Baseline expenditures include operating expenditures, capital reserve, project costs, and debt costs; and

WHEREAS, Consistent with the Prop K program, Transportation Authority staff recommend including 1% for program administration as allowed by statute and setting operating costs at 6.9% tapering off the last 5 years of the Expenditure Plan for planning, programming, project delivery support and oversight for Expenditure Plan projects; and

WHEREAS, The proposed Baseline includes a capital reserve, that holds the last 1.75 years of revenue in reserve (Fiscal Years 2051/52 - 2052/53) to protect against risk that actual revenues are lower than projected and helping ensure that there are sufficient funds to cover obligations over the 30-year program; and

WHEREAS, The proposed Prop L Strategic Plan Baseline incorporates carryforward of Prop K financial obligations, including \$234.7 million in remaining debt service for the 2017 revenue bond to be paid down in even payments of about \$21 million through FY 2033/34 and about \$400 million in grant balances which have approved cash flow reimbursement schedules primarily in the first three years of the Expenditure Plan, both which of which contribute to high cash demand over the first few years of Prop L; and

WHEREAS, For 23 of the 28 Prop L programs, the Baseline reflects their share of annual pay-go revenues based on their proportional share of funds available; and

WHEREAS, Through the 5YPP process, sponsors can request acceleration of Prop L funds to support project delivery faster than pay-go revenues would allow, but



will need to cover a proportional share of finance costs within their program caps;
and

WHEREAS, For five of the largest Prop L programs, staff has proposed accelerating funds in the Baseline, driven primarily by the near-term funding needs for two major transit projects: The Portal (DTX), which needs to meet an August 2023 funding milestone for a \$3+ billion federal Capital Investment Grant it is seeking, and BART Core Capacity, which is seeking to exercise an option and lock in a lower price on railcar procurement; and

WHEREAS, To provide a more realistic picture of debt costs for the aforementioned projects, while ensuring that Prop L can meet other programs' requests for advancing funds, the proposed Baseline also accelerates cash flow schedules for three other large programs that are seeking to advance funds: Muni Maintenance, Paratransit, and Caltrain Maintenance; and

WHEREAS, The proposed Baseline incorporates conservative assumptions (Attachment 1.D.) for the cost of financing to ensure coverage of all program expenditures, including debt costs, over the 30-year program; and

WHEREAS, The proposed Baseline reflects \$639 million in financing costs attributed to the existing 2017 revenue bond, and future debt triggered by the Prop K carryforward grant balances and the 5 Prop L programs with accelerated cash flow in the Baseline; and

WHEREAS, Attachment 1.F. shows the cash flow and finance costs in year-of-expenditure dollars for each Prop L program as assumed in the proposed Baseline; and

WHEREAS, The proposed Baseline is an interim step and after the Board adopts the 5YPPs with specific project programming and cash flow needs identified for the first five years of the Expenditure Plan, staff will incorporate this information into the Baseline and bring a draft Final Strategic Plan to the Board for adoption (anticipated end of calendar year 2023); and



WHEREAS, At its May 24, 2023 meeting, the Community Advisory Committee was briefed on the proposed 2023 Prop L Strategic Plan Baseline and unanimously adopted a motion of support for the staff recommendation; and

WHEREAS, At its June 13, 2023 meeting, the Board reviewed was briefed on the proposed 2023 Prop L Strategic Plan Baseline; now, therefore be it

RESOLVED, That the Transportation Authority hereby adopts the 2023 Prop L Strategic Plan Baseline.

Attachment:

1. 2023 Prop L Strategic Plan Baseline
 - A. 2022 Expenditure Plan Summary
 - B. Strategic Plan Policies
 - C. Draft Prop L Sales Tax Revenue Forecast
 - D. Key Financial Model Assumptions
 - E. Priority 1 Funding and Funds Available (2020 \$s)
 - F. Cash Flow and Finance Costs by Expenditure Plan Program (YOE \$s)