



FISCAL POLICY

I. INTRODUCTION

The Fiscal Policy is designed to guide decisions pertaining to internal fiscal management, including day-to-day operations, annual budget development and sales tax revenue allocation requirements of the San Francisco County Transportation Authority (Transportation Authority). It is intended to be consistent with the Transportation Authority's adopted Administrative Code, the current Proposition K Sales Tax Expenditure Plan (Expenditure Plan), federal and state regulations, and general prudent accounting and financial management practices.

II. SCOPE AND AUTHORITY

The Fiscal Policy applies only to the operations of the Transportation Authority and is not applicable to the operations of any project sponsoring agencies of the Transportation Authority, unless specifically provided. The Fiscal Policy is separate from, but should be applied in conjunction with, the Transportation Authority's Strategic Plan, adopted Debt Policy, and adopted Investment Policy. Overall policy direction shall be the responsibility of the Transportation Authority Board of Commissioners (Board). Responsibility for implementation of the Policy, and day-to-day responsibility and authority for structuring, implementing, and managing the Transportation Authority's policies, goals, and objectives, shall lie with the Transportation Authority Executive Director (Executive Director). This Policy will be reviewed and updated as required or deemed advisable at least once every three years. Any changes to the policy are subject to approval by the Board at a public meeting.

III. ANNUAL BUDGET PROCESS

The Board shall adopt an Annual Budget by the beginning of each fiscal year. The purpose of the Annual Budget is to provide management guidance and control over disbursement of the Transportation Authority's revenues in accordance with the goals and objectives as determined by the Board and as set forth in other policies including, but not limited to, the Transportation Authority's investment, debt, procurement and disadvantaged business enterprise policies. The Transportation Authority's fiscal year extends from July 1 of each calendar year through June 30 of the following calendar year. The sections below further define the process involved in the development of the final budget.

A. Preparation and Review of a Draft Budget

The Executive Director is charged with responsibility for the preparation of a draft budget for each fiscal year. The draft budget will consist of line items for Revenues, including investment income, Administrative Operating Expenses, Debt Service Expenses as applicable, Program and Operating Reserve, and a single line item for each of the Transportation Authority's capital expenditure programming roles as Proposition K Sales Tax (Prop K) Administrator; San Francisco Congestion Management Agency (CMA); San Francisco Program Manager for the Transportation Fund for Clear Air (TFCA); Proposition AA Vehicle Registration Fee (Prop AA) Administrator; and Traffic Congestion Mitigation Tax (TNC Tax) Administrator. Supplemental budget documentation shall



provide a detailed listing of the capital programs and projects that support the Capital Expenditures line items. The draft budget may also include other functional categories as deemed appropriate.

B. Public Review of Draft Budget

The draft budget shall be presented at a public hearing at a publicly noticed Transportation Authority Board or Committee meeting prior to being approved by the Board. Notice of the time and place of the public meeting shall be published pursuant to Sections 6060 and 6061 of the California Government Code no later than the 15th day prior to the day of the hearing, and the draft budget shall be available for public inspection at least 15 days prior to the hearing.

C. Adoption of a Final Budget

As established by the Administrative Code, the Transportation Authority Board shall be responsible for review of the proposed overall operating and capital budget of the Transportation Authority. The Board shall set the budget parameters (spending limits) by budget line item as detailed in Section III.A. Preparation and Review of a Draft Budget, and shall recommend adoption of a draft budget to the Board.

The final budget for a given fiscal year shall be approved and adopted by resolution of the Board by June 30 of the prior fiscal year. If the Transportation Authority is unable to adopt a final budget by June 30, it must adopt a resolution to continue services and payment of expenses, including debt service. The continuing resolution shall include a date certain by which the annual budget will be adopted.

D. Amendments to the Adopted Budget

Except as otherwise provided in this section, the adopted final budget is not subject to further review or reopener after the Board resolution has passed. The adopted final budget may be amended during the fiscal year to reflect actual revenues and expenses incurred to the date of amendment during the fiscal year. Amendments to the budget will be presented at a publicly noticed Transportation Authority Board or Committee meeting prior to being approved by the Board. The Executive Director shall be responsible for proposing amendments to the adopted final budget; the Board shall be responsible for review of the proposed amended adopted final budget, which shall be adopted by Board resolution.

IV. BUDGET REQUIREMENTS

A. Administrative Operating Expenses

Administrative operating expenses include all expenses related to the operations and maintenance of the Transportation Authority, including, among others, staff salaries, staff benefits, office lease costs, equipment rental, supplies, and travel. Specific requirements with respect to certain budgeted expenses are set forth below.

1. SALARIES AND BENEFITS

The Board shall budget annually for the compensation (salaries and benefits) of the Transportation Authority's staff. Pursuant to the Transportation Authority's enabling legislation (Sections 131100 et seq. of the California Public Utilities Code), the Transportation Authority will observe the statutory limit of one percent (1%) of the annual net amount of Prop K revenues for the salaries and benefits of Prop K program administrative personnel, and will follow applicable statutes for all other staff expenses.

2. EMERGENCY EXPENDITURES

The Executive Director is authorized to exceed the overall administrative operating expense line items by up to seventy-five thousand dollars (\$75,000), for the actual cost of emergency



expenditures that are made to protect the health, safety, and welfare of the agency or the public, or to repair/restore damaged/destroyed property for the Transportation Authority. The Executive Director shall submit a report to the Board within thirty (30) days of the emergency explaining the necessity of the action, a listing of expenditures, and future recommended actions.

3. PETTY CASH

A petty cash revolving account in the amount of one thousand dollars (\$1,000) may be established and maintained by the Executive Director for the purposes of paying miscellaneous expenses of the Transportation Authority. Individual expenditures may not exceed two hundred and fifty dollars (\$250). Such miscellaneous expenses include outside photocopying expenses, office supplies, meeting and travel expenses, and other practical expenses as determined by the Executive Director to be necessary or convenient for proper administration. The Executive Director is authorized from time to time to seek reimbursement of this account to the maximum balance by allocation from the operating budget.

B. Debt Service

Proposed debt service includes debt service of outstanding debt as well as of anticipated financings within the fiscal year. Decisions to fund capital expenditures through debt issuance must adhere to the policies outlined in the Transportation Authority's most current adopted Strategic Plan and Debt Policy.

C. Capital Expenditures

Capital Expenditures shall be listed as a single line item for each of the Transportation Authority's capital expenditure programming roles, which currently are Prop K Administrator, Proposition AA Administrator, TNC Tax Administrator, and CMA and TFCA local administrator. Supplemental budget documentation shall provide a detailed listing of the capital programs and projects that support the Capital Expenditures line items.

D. Program and Operating Reserve

The Transportation Authority shall allocate not less than five percent (5%) and up to fifteen percent (15%) of the estimated net annual sales tax revenue as a hedge against an emergency occurring during the budgeted fiscal year. The adopted final budget, as it may be amended as provided in this Policy, will demonstrate the percentage and amount set aside in the reserve as a separate budget line item.

E. Other Functional Categories

The Executive Director may designate other functional categories as deemed appropriate or necessary.

V. CAPITAL EXPENDITURE ALLOCATIONS

As provided by the Administrative Code, the Board shall be responsible for recommending allocation of funding for those capital expenditure programs and projects in the adopted final budget. The Board shall also be responsible for allocating project funds by resolution. The Transportation Authority will adopt, maintain and periodically update a multi-year strategic plan that derives from the provisions of the Expenditure Plan and outlines the categories, funding and delivery priority of projects to be funded. The Strategic Plan shall encompass the period remaining on the Expenditure Plan and shall be updated periodically as necessary. The Strategic Plan and its governing policies shall be used in combination with the Fiscal and Debt Policies to ensure the proper allocation of funds for and timely financing of eligible programs and projects. No allocations shall be approved that are inconsistent with the adopted Strategic Plan in force at the time of the allocation.



Changes in the capital expenditure supplemental budget documentation do not constitute a budget revision unless such changes exceed authorization for the respective budget line item. Any changes that exceed the amount of the budget line item will require an amendment to the approved final budget to be adopted by the Board. The total allocated capital funding for each Transportation Authority role should be no greater than the respective Capital Expenditures budget line item for the fiscal year.

For allocations with multi-year cash distributions, the resolution shall spell out the maximum reimbursement level per fiscal year, and only the reimbursement amount authorized in the year of allocation shall count against the Capital Expenditures line item for that budget year. The Capital Expenditures line item for subsequent year annual budgets shall 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 and any subsequent allocation actions.

VI. DEBT ISSUANCE

As defined by the Administrative Code and the Debt Policy, the Board shall be responsible for oversight of the debt issuance program for the Transportation Authority. Please refer to the current version of the Debt Policy maintained by the Transportation Authority, for guidelines regarding the issuance and management of debt for financing eligible programs and projects.

VII. INVESTMENTS

As defined by the Administrative Code and the Investment Policy, the Board shall be responsible for oversight of the investment program for Transportation Authority funds. Please refer to the current version of the Investment Policy maintained by the Transportation Authority, for the investment program guidelines regarding all funds and investment-related activities of the Transportation Authority.

VIII. REPORTING REQUIREMENTS

The Executive Director shall report to the Board at least on a quarterly basis on the Transportation Authority's actual expenditures, budgetary performance, authorized variances that have been implemented pursuant to this Fiscal Policy, the Transportation Authority debt program and the Transportation Authority investment program. The Board shall cause the Transportation Authority's financial transactions and records to be audited by an independent, certified public accountant firm at least annually and a report to be submitted to the Board on the results of the audit.

IX. PROCUREMENT OF GOODS AND SERVICES

As defined by the Procurement Policy, the Board shall be responsible for oversight of the procurement program for the Transportation Authority. Please refer to the current version of the Procurement Policy maintained by the Transportation Authority, for guidelines regarding the procurement of materials and supplies, professional and technical services, and lease and rental agreements.