



RESOLUTION ADOPTING THE 2019 PROP K STRATEGIC PLAN BASELINE

WHEREAS, In November 2003, San Francisco voters approved Prop K, extending the existing half-cent local transportation sales tax and adopting a new 30-year Expenditure Plan; and

WHEREAS, The Prop K Expenditure Plan describes the types of projects that are eligible for funds, including both specific projects and programmatic (i.e. non-project specific) categories, establishes limits on sales tax funding by Expenditure Plan line item, and sets expectations for leveraging of sales tax funds, but does not detail specific projects for funding in programmatic categories, nor does it specify in which years of the 30-year program projects will receive funds; and

WHEREAS, The Expenditure Plan requires development of a Strategic Plan to guide the implementation of the program, and for each of the 21 programmatic categories, development of a 5-Year Prioritization Program (5YPP) as a prerequisite for allocation of funds; and

WHEREAS, The Prop K Strategic Plan is the financial tool that reconciles the timing of expected Prop K revenues with the schedule for when project sponsors need those revenues to deliver projects, and sets policy for the administration of the program to ensure prudent stewardship of funds; and

WHEREAS, The Transportation Authority Board adopted the first Prop K Strategic Plan and 5YPPs in 2005 and adopted updates of these documents in 2010 and 2015; and

WHEREAS, In April 2018, the Transportation Authority Board adopted the approach and schedule for the 2019 Prop K Strategic Plan and 5YPP update; and

WHEREAS, The 2019 Prop K Strategic Plan Baseline (Baseline) includes non-substantive revisions to the Strategic Plan policies (Attachment 1), which provide guidance to Transportation Authority staff and project sponsors to support efficient, day-to-day administration of the program; and



WHEREAS, The Baseline updates actual sales tax revenues received to date as well as the revenue forecast through the end of the 30-year Expenditure Plan period in Fiscal Year 2033/34 (Attachment 4); and

WHEREAS, The Baseline also incorporates actual expenditures, including financing costs, updated Strategic Plan model assumptions such as interest costs related to debt issuance, capital reserve needs, and expected project cash flows (reimbursement schedules) for allocations with large remaining unexpended balances; and

WHEREAS, The Baseline incorporates any programming and cash flow changes for paratransit operations and the Prop K major capital projects - Central Subway, Caltrain Modernization Program, Presidio Parkway (formerly known as the Doyle Drive Replacement Project) and the Caltrain Downtown Extension to a Rebuilt Transbay Terminal (renamed the Salesforce Transit Center), which have no 5YPP requirement; and

WHEREAS, The Baseline proposes an increase in the annual amount of funds in the Paratransit category to continue recent funding levels of about \$10.2 million through Fiscal Year 2024/25, and an additional \$650,000 spread out over three years for the San Francisco Municipal Transportation Agency's (SFMTA's) Shopper Shuttle and Ramp Taxi Incentive programs, which are part of the Transportation Authority's Lifeline Transportation Program Cycle 5 recommendations; and

WHEREAS, The Baseline includes project updates for the major capital projects in Attachment 7; and

WHEREAS, The only major capital project with funds remaining to be allocated is the Caltrain Downtown Extension, which per Board-adopted policy currently has the remaining funds held in reserve for construction; and

WHEREAS, Given the recent completion/near completion of several studies such as the



Tunnel Options Study and the fact that the City is moving toward consensus on how to proceed with the Downtown Extension, Transportation Authority and Transbay Joint Powers Authority staff are coordinating on a proposal to request amendment of the Strategic Plan Baseline this summer to provide funds for advancing design of the Downtown Extension toward 30%, conducting value engineering and enabling associated project delivery oversight and support; and

WHEREAS, Attachments 6, 8 and 9 show the total funds available for each category over the 30-year life of the Expenditure Plan, remaining planned allocations, expected cash flow (reimbursement) schedules, and for categories where the sponsors have requested advancement of funds, associated financing costs through Fiscal Year 2033/34; and

WHEREAS, For the programmatic categories, adoption of the Strategic Plan Baseline supports development of the 2019 5YPP updates by establishing the amount of funds available for programming in the various Expenditure Plan categories; and

WHEREAS, Staff anticipates bringing the 2019 5YPPs and the final 2019 Strategic Plan to the Board for approval in late Fall 2018; and

WHEREAS, At its April 24, 2018 meeting, the Citizens Advisory Committee was briefed on the subject request and unanimously adopted a motion of support for the staff recommendation; and

WHEREAS, At its May 8, 2018 meeting, the Board reviewed the subject request and unanimously recommended approval of the staff recommendation on its first reading; now, therefore be it

RESOLVED, That the Transportation Authority hereby adopts the 2019 Prop K Strategic Plan Baseline.



Enclosure 1:

Attachment 1 – Draft 2019 Prop K Strategic Plan Policies

Attachment 2 – Prop K Expenditure Plan Summary

Attachment 3 – Prop K Expenditure Plan Line Items

Attachment 4 – Prop K Sales Tax Revenue Forecast

Attachment 5 – Available Funds and Priority 1 Funding Level Comparison (2003 \$s)

Attachment 6 – Available Funds by Expenditure Plan Line Item (YOE \$s)

Attachment 7 – Major Capital Projects Update

Attachment 8 – Planned Allocations and Financing Costs by Expenditure Plan Line Item (YOE \$s)

Attachment 9 – Planned Cash Flow and Financing Costs by Expenditure Plan Line Item (YOE \$s)

Memorandum

Date: April 19, 2018
To: Transportation Authority Board
From: Anna LaForte – Deputy Director for Policy and Programming
Subject: 05/08/18 Board Meeting: Adopt the 2019 Prop K Strategic Plan Baseline

<p>RECOMMENDATION <input type="checkbox"/> Information <input checked="" type="checkbox"/> Action</p> <ul style="list-style-type: none">• Adopt the 2019 Prop K Strategic Plan Baseline. <p>SUMMARY</p> <p>At its April 10, 2018 meeting, the Transportation Authority Board recommended approval of the overall approach to the 2019 Prop K Strategic Plan and 5-Year Prioritization Program (5YPP) update. One of the first steps is to establish a Strategic Plan Baseline to determine how much Prop K revenue will be available for projects through the end of the Expenditure Plan in 2034. To that end, the baseline incorporates actual revenues and expenditures including financing costs since the 2014 Strategic Plan update through Fiscal Year 2016/17, updated revenue projections through 2034, and updated debt assumptions based on our first bond issuance in 2017 and the revolving credit facility. The baseline also includes updated Prop K policies and updates for the Prop K major capital projects and the paratransit operations category which do not have a 5YPP requirement. Compared to the 2014 Strategic Plan, the 2019 baseline has slightly lower revenue projections over the 30-year plan period (decreasing about 1% from \$3.346 billion to \$3.299 billion in year of expenditure dollars) and lower financing costs (down from \$296 million to \$278 million) due primarily to lower long term debt needs (down from \$676 million to \$577 million). The baseline also includes a reduced capital reserve (from \$406 million to \$288 million) as we are getting closer to the end of the Expenditure Plan period. The net effect is a modest amount of additional funding (\$55 million) for projects. Adoption of the Strategic Plan Baseline supports development of the 5YPPs, which will determine how Prop K funds will be spent in the programmatic categories for the 5-year period starting July 1, 2019. We are targeting adoption of the 2019 Strategic Plan and 5YPP update by November/December 2018.</p>	<ul style="list-style-type: none"><input type="checkbox"/> Fund Allocation<input checked="" type="checkbox"/> Fund Programming<input type="checkbox"/> Policy/Legislation<input type="checkbox"/> Plan/Study<input type="checkbox"/> Capital Project Oversight/Delivery<input type="checkbox"/> Budget/Finance<input type="checkbox"/> Contract/Agreement<input type="checkbox"/> Other: <hr/>
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DISCUSSION

Background.

In November 2003, nearly 75% of San Francisco voters approved Prop K, extending the existing half-

cent local transportation sales tax and adopting a new 30-year Expenditure Plan. The Prop K Expenditure Plan describes the types of projects that are eligible for funds, including both specific projects (e.g. Central Subway) and programmatic (i.e., non-project specific) categories. It also establishes limits on sales tax funding by Expenditure Plan line item and sets expectations for leveraging of sales tax funds with other federal, state and local dollars to fully fund the Expenditure Plan programs and projects. The Expenditure Plan estimates that \$2.35 billion (in 2003 \$'s) in local transportation sales tax revenue will be made available to projects over the 30-year program; however, it does not specify how much sales tax funds any given project would receive by year. The Expenditure Plan requires that the Transportation Authority develop and adopt periodic updates to the Strategic Plan and 5YPPs to guide the implementation of the program while supporting transparency and accountability.

The Prop K Strategic Plan sets policy for administration of the program to ensure prudent stewardship of taxpayer funds. It also reconciles the timing of expected sales tax revenues with the schedule for when project sponsors need those revenues, and provides a solid financial basis for the issuance of debt needed to accelerate the delivery of projects and their associated benefits to the public. The 5YPPs identify the specific projects that will be funded with Prop K.

We last updated the Strategic Plan and 5YPPs in 2014. We are currently in year four of the 2014 5YPPs, which identify projects for funding from July 1, 2014 through June 30, 2019 (Fiscal Years 2014/15 through 2018/19).

Prop K Strategic Plan Baseline.

Adoption of the 2019 Strategic Plan Baseline is the first step in the Strategic Plan and 5YPP update process. The baseline determines how much Prop K funds are available for each of the Expenditure Plan line items by fiscal year through the end of the 30-year Expenditure Plan in 2034. It includes a true-up to incorporate actual revenues and expenditures since the 2014 Strategic Plan update, as well as updating the three components of the Strategic Plan: policies, revenues, and expenditures.

Strategic Plan Policies.

The Strategic Plan policies, included as Attachment 1, provide Transportation Authority staff and project sponsors guidance for the efficient, day-to-day administration of the Prop K program. The policies address the allocation and expenditure of funds, and are structured around the Strategic Plan's guiding principles to optimize leveraging of sales tax funds, support timely and cost-effective project delivery, and maximize cost effectiveness of financing. Given that the policies have been refined through prior updates in 2009 and 2014, the proposed 2019 Strategic Plan policies include only minor updates for clarity purposes.

Sales Tax Revenues.

The baseline includes actual and budgeted Prop K sales tax revenues for Fiscal Year 2013/14 through Fiscal Year 2018/19. Overall, revenues are anticipated to come in about \$28 million higher than anticipated in the 2014 Strategic Plan for this 5-year period though we are seeing a slower rate of growth in recent years.

The baseline includes an updated Prop K sales tax revenue forecast through Fiscal Year 2033/34 (see Attachment 4). The sales tax revenue forecast we are proposing that the Board adopt is largely based on an economic model by our consultant, Beacon Economics, that considers population and employment growth projections for San Francisco, as well as consumer spending trends and changes at the State and Federal levels. In the near-term we are recommending a relatively conservative growth rate of 2.1% as a reflection of the slowing down in revenue growth that we have seen the last few

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years. In the long term, however, the projections reflect more robust growth in revenues and are closer to the historic average of 3.5%. We prefer to err toward the conservative side to ensure that we have sufficient funds available for projects and debt.

When compared with the 2014 Strategic Plan, the 2019 Strategic Plan Baseline estimates sales tax revenue to be about 1% or \$46.7 million lower over the 30-year Expenditure Plan, for a total of \$3.30 billion versus the \$3.35 billion in the 2014 Strategic Plan. Sales tax revenues, net of program administration costs and program wide financing costs for grandfathered Prop B (the predecessor to Prop K) projects, are dedicated to project related expenses including project costs, financing costs for Prop K projects, and the capital reserve.

Prop K Expenditures.

Project Costs: As part of preparing the baseline we have incorporated actual Prop K allocations and expenditures since 2014. As we have seen in past updates, both allocations and expenditures have been slower than anticipated. Allocations as of April 2018, are \$143 million less and expenditures (reimbursements) through Fiscal Year 2016/17 are \$350 million less than assumed in the 2014 Strategic Plan. Through the 2019 Strategic Plan and 5YPP update, we will work with project sponsors and the Board to reprogram unallocated funds and update the anticipated reimbursement/expenditure schedules, with the anticipated net result being lower financing costs.

Financing Costs: Given the lower allocation and reimbursement request rates in the current 5YPP period, we just recently issued our first long-term debt (sales tax revenue bonds) resulting in lower financing costs and long-term debt needs than anticipated. In the 2014 Strategic Plan update, we anticipated the need for over \$670 million in long term debt. In the 2019 Strategic Plan Baseline, we estimate a total need of \$557 million, including the bond we issued last year. Financing costs for the remainder of the Expenditure Plan period are also lower, down from \$296 million to \$278 million.

Capital Reserve: The capital reserve serves as a contingency in case revenues are lower and/or financing costs are higher than anticipated. In the 2019 baseline, the reserve is set at 10% of annual revenues for Fiscal Year 2017/18 through the end of the Expenditure Plan period, plus the last $\frac{3}{4}$ year of Prop K in Fiscal Year 2033/34. We are gradually reducing the reserve with each Strategic Plan update. For the 2019 Strategic Plan Baseline, the capital reserve is set at \$288 million versus the prior update at \$406 million.

After incorporating all assumptions and information describe above, total funds available for projects in the 2019 Strategic Plan Baseline are \$2,584.9 million, or \$55.3 higher than what was adopted in the 2014 Strategic Plan. Total available funds for each category is shown in Attachment 6 in the enclosure. Attachments 8 and 9 in the enclosure show the planned amounts of Prop K funds available for each of the Expenditure Plan line items by fiscal year through the end of the 30-year Expenditure Plan in 2034.

Major Capital Project Updates

The Baseline also updates Prop K funding and cash flow for the major capital projects and the paratransit operations category which do not have the 5YPP requirement. The Prop K major capital projects include the Central Subway, Caltrain Modernization Program (including Electrification and Positive Train Control), Presidio Parkway (formerly known as the Doyle Drive Replacement Project) and the Caltrain Downtown Extension to a Rebuilt Transbay Terminal (renamed the Salesforce Transit Center). Attachment 7 in the enclosure provides a brief project update including the scope, status, schedule, cost and funding, challenges and Strategic Plan notes for each of the major capital projects.

Paratransit

We are recommending an increase in the annual amount of funds in the Paratransit category to continue recent funding levels of about \$10.2 million through Fiscal Year 2024/25. This amount was increased from \$9.67 million in Fiscal Year 2015/16 to cover the cost of reducing customer wait times for group van services. We are also recommending fully funding the Shopper Shuttle and Ramp Taxi Incentive projects with \$650,000 in Prop K funds spread over the next three years, which we are recommending for inclusion on the Lifeline Transportation Program contingency list, which is the subject of a separate agenda item. If additional Lifeline funds become available, the Prop K funds will be deobligated and returned to the Paratransit category for reprogramming. The last year of Prop K funding for the paratransit operations category, Fiscal Year 2025/26, is a partial year of funding. SFMTA concurs with the proposed programming.

Next Steps.

Adoption of the Strategic Plan Baseline will establish how much unallocated Prop K funds are available by Fiscal Year through 2034 for each Expenditure Plan line item (e.g. project or programmatic category) and allows us to initiate the 5YPP updates. As we work with Board members, sponsors, the public and other interested stakeholders to identify the projects to be funded in the next five years along with their Prop K cash flow needs, we will make corresponding changes to the Strategic Plan Baseline expenditures and financing assumptions. Then in fall 2018, the Board will be asked to concurrently adopt the final 2019 Strategic Plan and 5YPP updates.

FINANCIAL IMPACT

There are no impacts to the Transportation Authority's adopted or proposed amended Fiscal Year 2017/18 budget associated with the recommendation action. However, the Prop K Strategic Plan is an important long-range financial planning tool for the Transportation Authority as it forecasts sales tax revenues and expenditures, and estimates financing needs to ensure that sufficient funds are available when needed to deliver projects. Both the Strategic Plan and the 5YPPs will program funds to specific projects by fiscal year; however, actual allocation of funds is subject to separate approval action by the Board.

CAC Position

The CAC was briefed on this item at its April 25, 2018 meeting and unanimously adopted a motion of support for the staff recommendation.

SUPPLEMENTAL MATERIALS

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Attachment 1 – Draft 2019 Strategic Plan Baseline Presentation

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2019 Prop K Strategic Plan Baseline

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SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

May 08, 2018

2019 Strategic Plan Baseline Presentation Overview



- ▶ **2019 Strategic Plan/5YPP Update**
 - ▶ Why is it important?
 - ▶ What is the process?

- ▶ **2019 Strategic Plan Baseline**
 - ▶ True-up revenues and expenditures
 - ▶ Update revenue forecast and debt assumptions
 - ▶ Update Strategic Plan Policies
 - ▶ Update 5-year project delivery plan for Major Capital Projects & Paratransit



2019 Strategic Plan/5YPP Update

Why is it important? Why now?



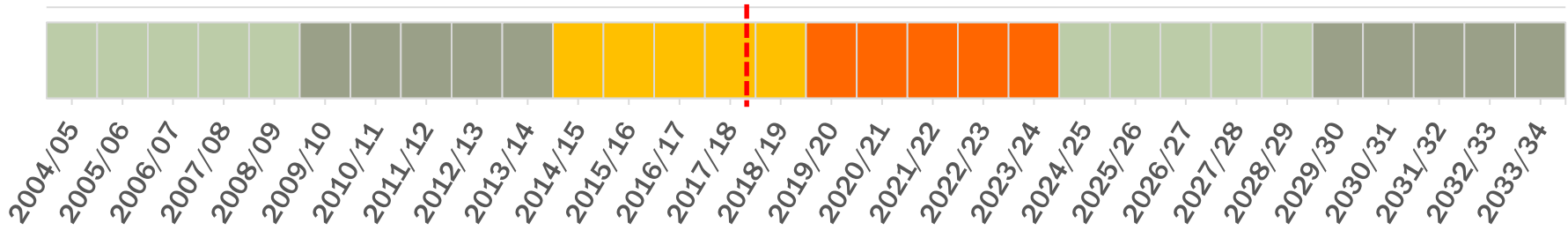
- ▶ Determines which projects will receive funding over next five years
- ▶ Respond to current context
 - ▶ Board interests, agency priorities, changing funding landscape
- ▶ Helps ensure funds are available to support project delivery
- ▶ Support transparency and accountability
 - ▶ Board, sponsor, public engagement
- ▶ Needed now to program funds for 5-year period starting July 1, 2019

30-Year Prop K
Expenditure Plan

2009 SP/5YPP
Update

2014 SP/5YPP
Update

2019 SP/5YPP
Update



Current 5-Year Period

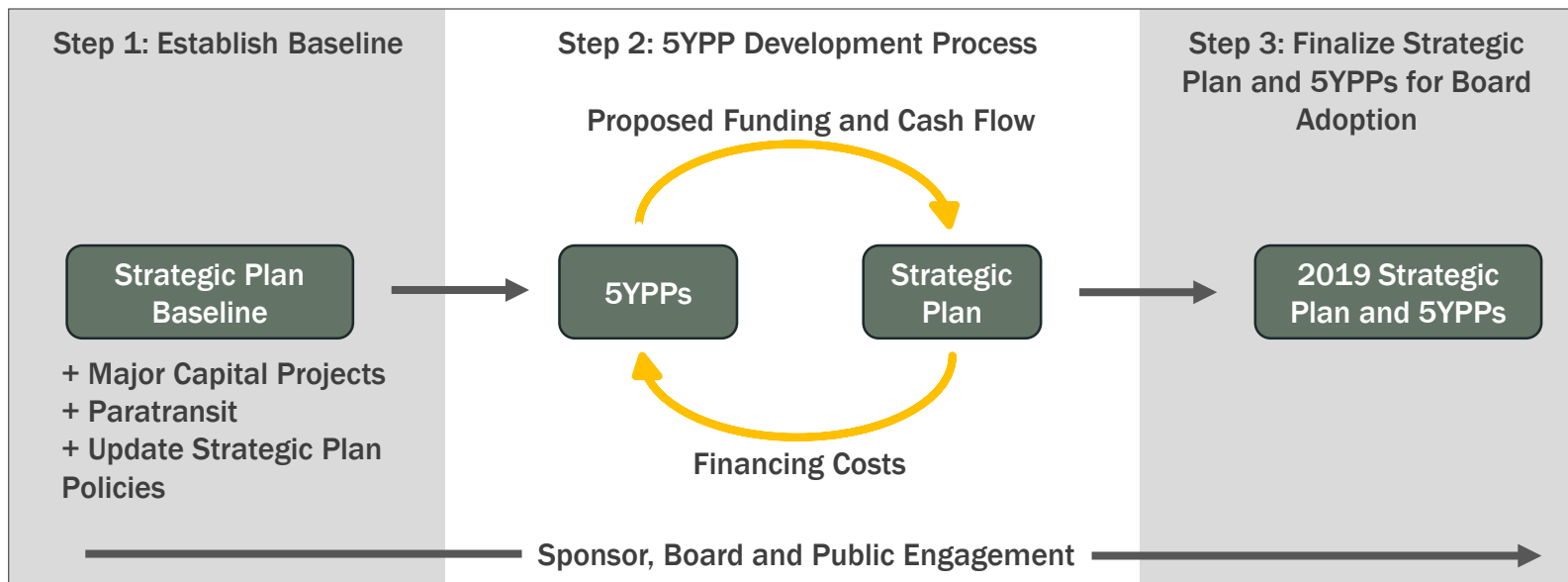
2019 SP/5YPP Update

2019 Strategic Plan/5YPP Update

What is the process?



- ▶ Iterative process requiring extensive communication between SFCTA and project sponsors
- ▶ Strategic Plan and 5YPPs evolve in parallel and are closely coordinated



2019 Strategic Plan/5YPP Update

Step 1: Establish Strategic Plan Baseline



For each Expenditure Plan category, the Strategic Plan Baseline determines how much Prop K funds are available by year through 2034.

Step 1: Establish Baseline

Strategic Plan
Baseline



- ▶ True-up to incorporate actual revenues and expenditures since 2014 Strategic Plan update
- ▶ Update revenue forecast and debt assumptions
- ▶ Update Strategic Plan Policies
- ▶ Update funding plan and project delivery plan for Major Capital Projects and Paratransit

Components of the Strategic Plan



POLICIES

REVENUES

EXPENDITURES

Sales Tax

Operating Expenditures

Capital Reserve

Investment Income

Project Costs

Financing Costs

2019 Prop K Strategic Plan Baseline

Prop K Policies



- ▶ Provides guidance to both Transportation Authority staff and project sponsors for program administration
- ▶ 2019: Minor updates for clarity purposes

Strategic Plan Guiding Principles:

1. Optimize leveraging of sales tax funds
2. Support timely and cost-effective project delivery
3. Maximize cost effectiveness of financing

Components of the Strategic Plan



POLICIES

REVENUES

EXPENDITURES

Sales Tax

Operating Expenditures

Capital Reserve

Project Costs

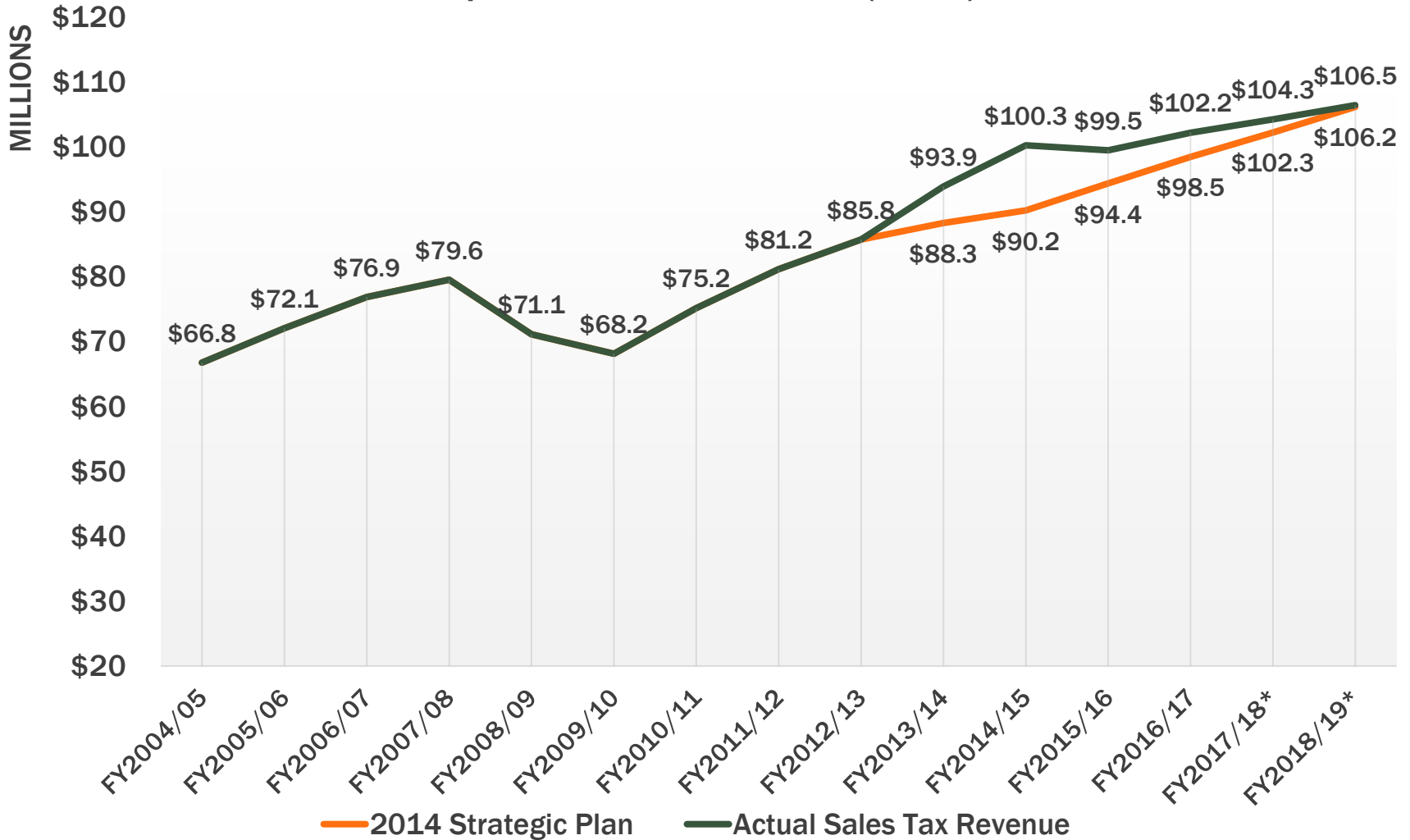
Investment Income

Financing Costs

2019 Strategic Plan Baseline Revenues



Prop K Sales Tax Revenue (YOE\$)

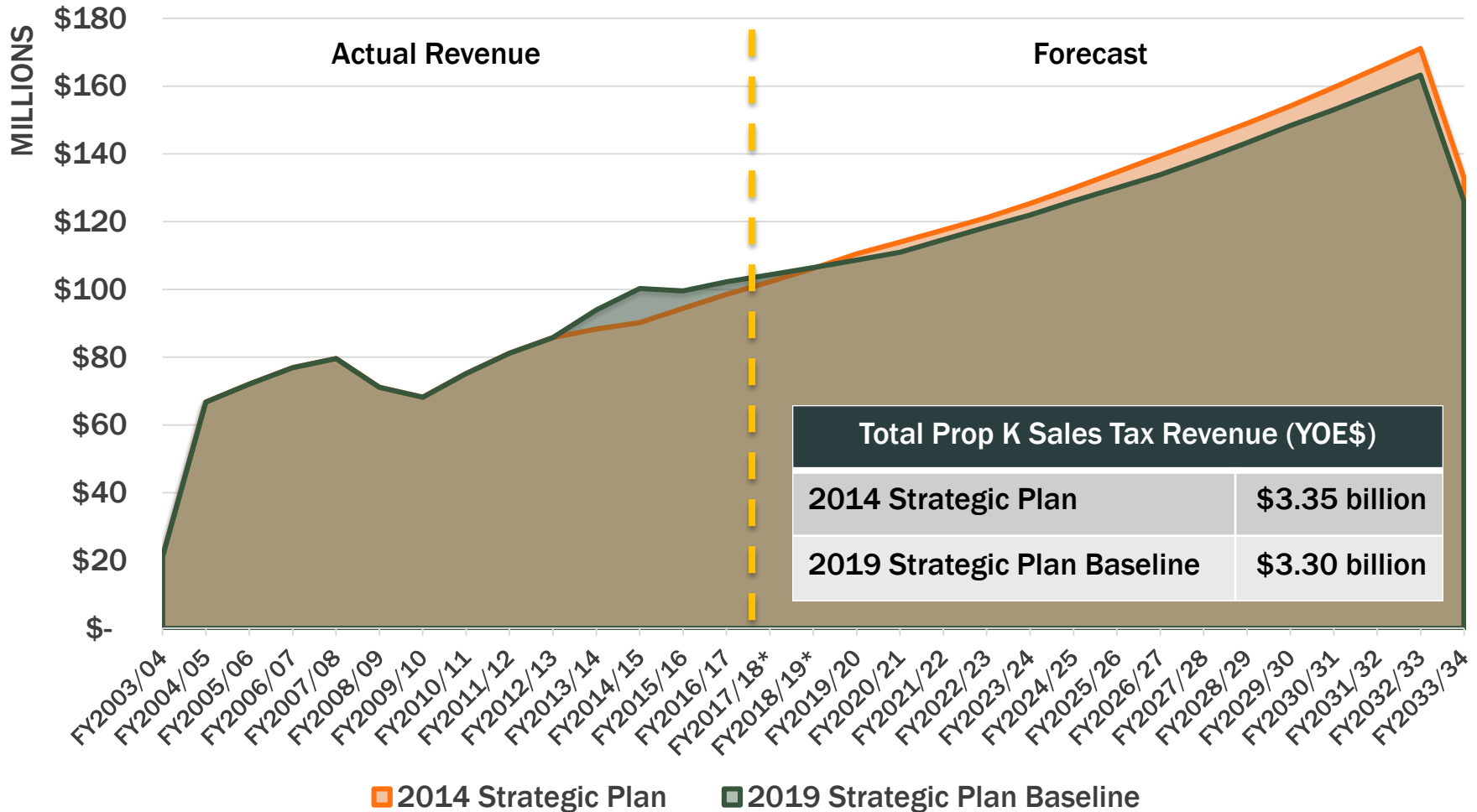


* Sales tax revenue for Fiscal Years 2017/18 and 2018/19 are projections

2019 Strategic Plan Baseline Revenues



Prop K Sales Tax Revenue (YOE\$)



Components of the Strategic Plan



POLICIES

REVENUES

EXPENDITURES

Sales Tax

Interest Income

Operating Expenditures

Capital Reserve

Project Costs

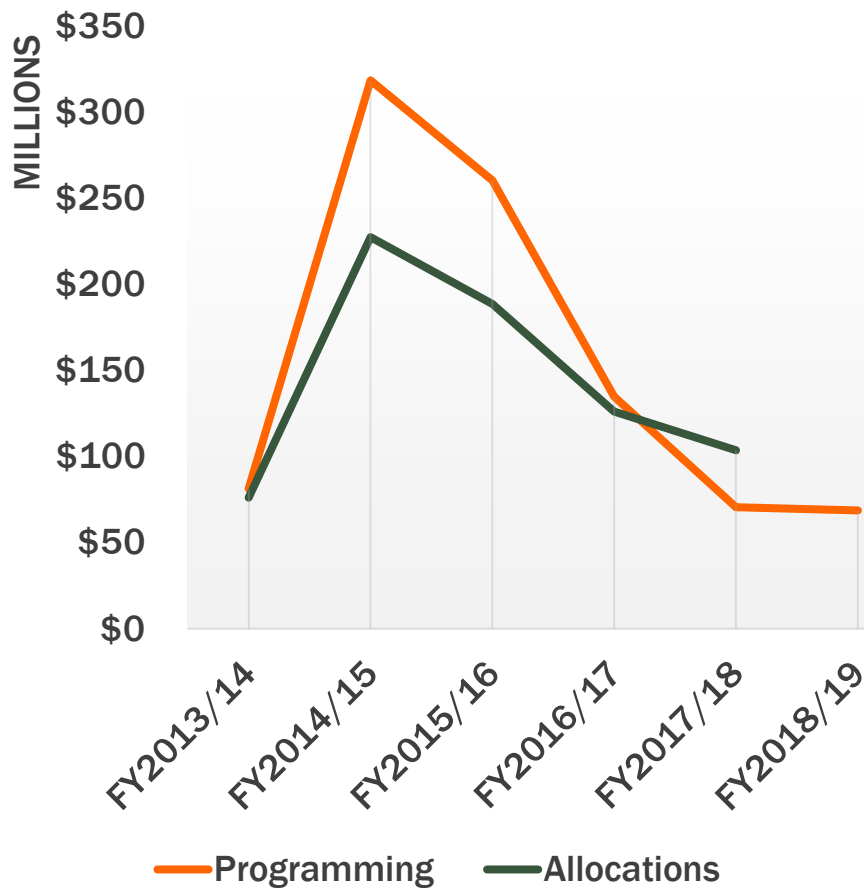
Financing Costs

2014 Strategic Plan Update

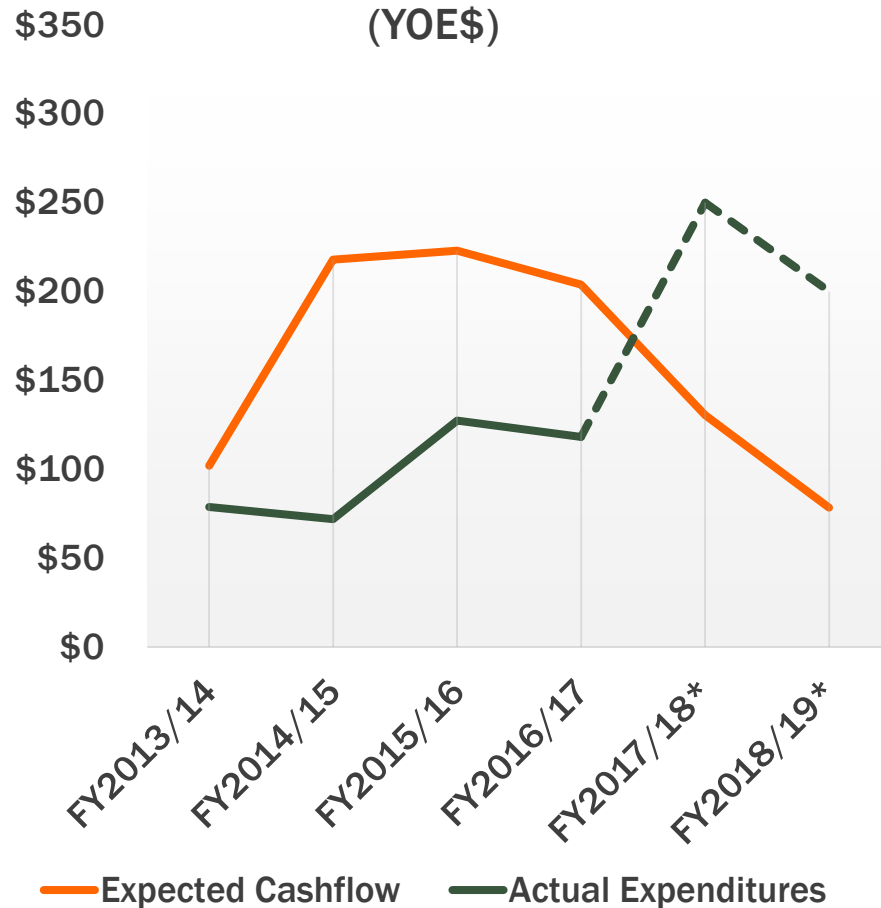
Project Costs



Programming vs Allocations (YOE\$)



Expected vs Actual Expenditures (YOE\$)



* Allocations as of April 24, 2018 Board Meeting

* Expenditures for Fiscal Years 2017/18 and 2018/19 are projections

2019 Strategic Plan Baseline Revenues and Expenditures Comparison



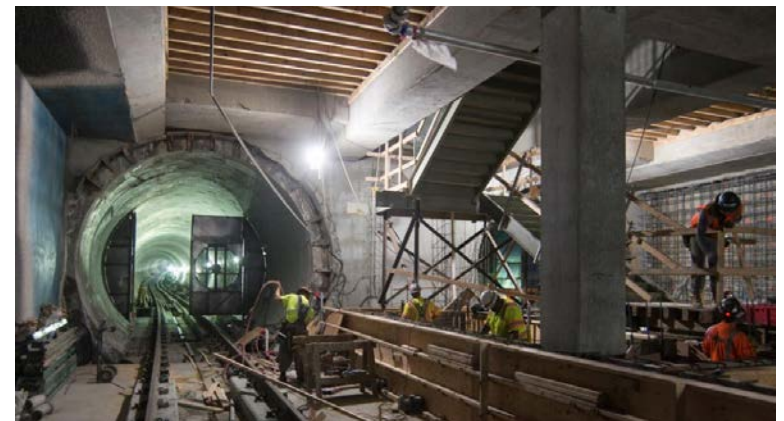
Revenues (YOE\$)	2019 Strategic Plan Baseline	2014 Strategic Plan	Δ
Sales Tax Revenue	\$ 3,299.7	\$ 3,346.4	\$ -46.7
Investment Income	\$ 45.3	\$ 80.7	\$ -35.4
Loans	\$ 19.6	\$ 19.6	
Long Term Bond Proceeds	\$ 557.4	\$ 676.2	\$ -118.8
TOTAL	\$ 3,922.0	\$ 4,122.9	\$ -200.9

Expenditures (YOE\$)	2019 Strategic Plan Baseline	2014 Strategic Plan	Δ
Program Administration	\$ 194.5	\$ 196.0	\$ -1.5
Loans	\$ 19.0	\$ 19.0	
Funds Available for Projects	\$ 2,584.9	\$ 2,529.6	\$ 55.3
Financing Costs	\$ 277.7	\$ 295.7	\$ -17.9
Capital Reserve	\$ 288.4	\$ 406.4	\$ -118.0
Long Term Bond Debt Service	\$ 557.4	\$ 676.2	\$ -118.8
TOTAL	\$ 3,922.0	\$ 4,122.9	\$ -200.9

2019 Strategic Plan Baseline Major Capital Projects & Paratransit



- ▶ **Central Subway**
- ▶ **Caltrain Modernization
(Electrification and Positive
Train Control)**
- ▶ **Presidio Parkway**
- ▶ **Transbay Transit Center /
Caltrain Downtown Extension**
- ▶ **Paratransit**



2019 Strategic Plan/5YPP Update Schedule



Board adopts Strategic Plan/5YPP Update Approach

Step 1: Establish Strategic Plan Baseline

Revenue and Debt Projections

Update Prop K Policies

Major Capital Projects and Paratransit

True-up Actual Revenues and Expenditures

Board Adoption of Strategic Plan Baseline

Step 2: 5YPP Development Process

SFCTA Releases 5YPP Guidance

SFCTA and Sponsors prepare Prioritization Criteria

Sponsors prepare Project Information Forms (PIFs), Program of Projects and Scoring Tables

SFCTA Reviews PIFs, Program of Projects and Scoring Tables

Step 3: Finalize Strategic Plan and 5YPPs for Board Adoption

Assess 5YPPs as a whole, establish financing needs, finalize draft 5YPP documents

Board Adopts 5YPPs Part 1

Board Adopts 5YPPs Part 2 and Final Strategic Plan

Sponsor, Board and Public Engagement



Questions?



SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY