

DRAFT MINUTES

CITIZENS ADVISORY COMMITTEE

Wednesday, June 15, 2016 Special Meeting

1. Committee Meeting Call to Order

Chair Waddling called the meeting to order at 6:06 p.m.

CAC members present were Myla Ablog, John Larson, Santiago Lerma, Jacqueline Sachs, Peter Tannen (entered during Item 2), Chris Waddling and Bradley Wiedmaier.

Transportation Authority staff members present were Tilly Chang, Michelle Beaulieu, Anna LaForte, Maria Lombardo and Mike Pickford.

2. Development of a Potential Transportation Sales Tax Expenditure Plan – INFORMATION

Tilly Chang, Executive Director, introduced the item and Maria Lombardo, Chief Deputy Director, presented the item per the staff memorandum.

Santiago Lerma asked how it was known that only one of the two options, the charter amendment or the dedicated sales tax, would go forward. Ms. Lombardo responded that the intent was to place only one measure on the ballot, nothing that having both options on the ballot would make it unlikely that either would be approved. She emphasized that policy makers had been cooperating on the two measures as evidenced by the fact that the expenditure plans' six funding "buckets" or programs and initial distribution of revenues between them were identical, as was the 25-year time period of both measures.

Chair Waddling said it was his understanding that the state sales tax would decrease in December by 0.25%, so that if a 0.5% transportation sales tax were passed, the resulting San Francisco sales tax would be 9.0%. Ms. Lombardo confirmed that was correct and added that if the proposed 0.75% general sales tax (which was equivalent to the expenditure new expenditures for homelessness and transportation in the aforementioned charter amendment) were placed on the ballot and approved by voters in November, this would result in an overall sales tax rate of 9.25%. She suggested that the CAC may wish to review the handout staff had prepared showing how San Francisco sales tax rates compare to other Bay Area cities and counties now and if potential November 2016 ballot measures are approved.

Bradley Wiedmaier asked what would happen to sales tax revenues if there was an economic downturn. Ms. Lombardo responded that staff could provide a table showing sales tax collections over the past 25 years – since the first transportation sales tax was approved in 1990. Ms. Lombardo noted that it did vary with the largest one-year dip and increase both being around 10%. She commented that San Francisco was fortunate that given the make-up of its economy, the dip from the Great Recession was less severe than in other places. She added that the historic growth rate average was 3.7%.

Mr. Lerma asked how much the proposed sales tax would cost the average San Franciscan, nothing that this would be useful for outreach purposes. Ms. Lombardo replied that she did not have that information on-hand, but that information available from the Transportation 2030 Task Force indicated that San Francisco residents contributed about half of the current sales tax, while businesses and visitors to the city contributed the other half.

David Pilpel, member of the public, asked if the \$300 million proposed for expanding the BART fleet was tied specifically to BART, and asked for confirmation that there would be a public open house the following Tuesday. Ms. Lombardo replied that she expected this would be one of the areas where the expenditure plan language would be tightened as the intent was to earmark the funds for the additional BART cars, provided that Alameda and Contra Costa provided their share of matching funds. Ms. Chang added that the public open house would be on Monday, June 27 at 6:00 p.m. at the conference room located in the building lobby of the Transportation Authority's offices. Ms. Lombardo noted that information had been updated as shown in the revised schedule and suggested checking the website for the latest information.

Chair Waddling asked which languages would be available at the meeting. Ms. Chang replied that there would be interpretation for Chinese and Spanish. Mr. Lerma said that there should be additional languages, including Tagalog.

Mr. Wiedmaier asked what other taxes were available to fund transportation, because sales tax was regressive and even though San Francisco's tax rate was in line with tax rates of other jurisdictions, the additional tax would make a difference for people in lower economic strata. Ms. Lombardo responded that there aren't too many viable sources that generate enough revenue to make a decent dent in the unfunded transportation need. She noted that the T2030 Report recommended general obligation bonds (a "medium-sized" source), which had a big advantage of having the potential to issue periodic bonds without increasing the overall property tax rate as long as the city followed its current strategy of capping the overall amount of bond debt. However, this means the next T2030 bond is anticipated until 2024 and further, there are eligibility issues such as not being able to fund Muni or BART trains with general obligation bonds. Ms. Lombardo said that the two most promising sources with large revenue generating potential considered by the task force were a vehicle license fee (estimated at about \$70 million annually) and a 0.5% sales tax (estimated at over \$100 million annually). With the rapid growth in the City really accelerating the need to address capacity issues, many city policymakers were supporting the sales tax as the larger amount of revenues will enable the City to address both state of good repair and capacity issues now rather than waiting.

Ms. Lombardo continued to explain that the Metropolitan Transportation Commission had seen support for a five cent per gallon regional gas tax when it conducted polling, but that such a tax would only bring in \$15 million per year to San Francisco, which was not enough. She also noted that MTC staff had not recommended preceding with the measure as it did not want to compete with BART's proposed general obligation bond to fund state of good repair nor the various local transportation measures that are being considered for the November 2016 election such as in San Francisco, Contra Costa and Santa Clara.

Ms. Chang added that staff was producing a revenue measure paper on this topic, which would be available on the Transportation Authority's website.

Chair Waddling asked how the percentages for each category in the proposed expenditure plan were determined. He said that if the street resurfacing were funded by other sources and those funds redistributed among the other categories, it could almost double some of them. He also

asked why the regional transportation category was at 15% of total funds available, but wouldn't get any funds if street resurfacing revenues get redistributed. Ms. Lombardo responded that the initial percentages proposed in the Charter Amendment were the outcome of negotiations between some members of the Board of Supervisors and the Mayor. They were based on T2030 information that had been updated to reflect current priorities and project/program status, but had also been influenced by conversations that Supervisor Avalos' office had been holding with equity and affordability advocates. Ms. Lombardo noted that one distinction between the Charter Amendment and the transportation sales tax was the latter had a trigger that would redistribute funds from the street resurfacing category to other expenditure categories if dedicated funds for street resurfacing were secured, with most of the money going to transit operations and affordability. Ms. Chang added that if looked at by mode, the current proposal was about 50% transit and 50% non-transit. She said redistributing street resurfacing funds, if the trigger goes into effect, would make it about 60-70% transit, which was similar to Prop K.

John Larson said that he thought voters would want more information on how this proposal related to Prop K and Prop AA and would question the duplication of sales taxes. Ms. Lombardo said that was a good point that could be worked into outreach materials. She gave a few examples such as noting that street resurfacing in Prop K, money had been advanced to complete projects earlier and that San Francisco Public Works (SFPW) had nearly exhausted those funds. She added that the need to buy more BART cars to expand the BART fleet wasn't on anyone's radar screen in 2003 when Prop K was approved. Ms. Chang said that Mr. Larson's question would likely be a common perception. She observed that that Santa Clara and Los Angeles counties were already on their third or fourth sales tax, Alameda just approved its second half-cent, and Contra Costa was considering it for the upcoming election.

Myla Ablog asked if 10% was enough for the complete streets category when there was so much for resurfacing. Ms. Lombardo responded that all categories had more needs than could be fully met by the proposed new revenue measure. She observed that some categories of projects like the BART cars and Muni fleet received relatively more in this proposed measure because they are ineligible to receive general obligation bond revenues, whereas complete streets projects can.

Mr. Lerma asked if related items such as bulb-outs and street trees could be funded through the street resurfacing funds. Anna LaForte, Deputy Director for Policy and Programming, replied that the category could fund items like reconstructing the road base, curbs and gutters, but that enhancements were typically funded separately. Ms. Lombardo said there were policies in place to coordinate street resurfacing with other improvements and that these policies could potentially be strengthened to require that paving projects "must be coordinated" with street enhancements.

Jacqueline Sachs said that she had worked on Prop B and Prop K and noted that in a few years Prop K would need to be reauthorized. She said there was still one project called out in Prop B that was not allocated funding (Geary light rail) and that a new measure would be redundant. She said she thought that the city should work with what it had, and that putting red and green paint on the pavement was not helping. She said that Muni should reduce fares in order to increase revenues, and that she did not see the need for a new expenditure plan and did not foresee people voting for it. Ms. Lombardo clarified that Prop K was in place through 2033-34 and that Geary light rail would not be funded under current revenue streams because it was a Priority 3 project in the Expenditure Plan and current revenue forecasts didn't support funding of Priority 3 projects.

Chair Waddling asked what would happen if the sales tax didn't pass. Ms. Chang replied that the city would try again and could consider a similar effort in 2018.

Mr. Larson said that he thought big ticket items, like planning for a second Transbay Tube, would be most attractive to voters. He said that voters might think that the 10% to be dedicated to regional transportation might seem too low. Ms. Chang observed that the Transit Optimization category was meant to help with early planning and design of these bigger ticket transit capacity projects, making them ready to complete for federal and state revenues and to receive more funds in measures like Prop K when the Expenditure Plan is amended in the future.

Mr. Wiedmaier asked what federal and state funds were expected to match the potential sales tax funds and how much San Francisco might miss out on if the measure did not pass. Ms. Chang replied it was estimated that the sales tax would leverage four to seven times as much funding from federal, state and regional sources.

Ms. Ablog said that she thought San Francisco voters tended to be well-informed and know that federal transportation funding had been on the decline while transit had become very crowded in San Francisco and that they would support investing in regional transit.

Peter Tannen said with regard to the charter amendment proposal that he had concerns about setting aside general funds to specific uses without also adding new funding. He said that in 20 years the city's priorities might change. Ms. Chang replied that there was an independent measure to raise the sales tax 0.75%. Ms. Lombardo said that the charter amendment included a provision that it could be nullified by the Mayor if it didn't look like revenues would be available to support the budget set asides.

Todd Morgan, Principal Financial Analyst at BART, said regarding the proposal to allocate \$300 million for expanding BART's fleet was a tough sell in Contra Costa County and that if San Francisco came through with its share, it would help Contra Costa and Alameda Counties follow suit. He said that BART's new train control system was underway and that 775 new cars had been ordered, both of which will help improve service reliability and ease some crowding, but that the additional expansion cars were needed to deal with projected ridership growth.

Chair Waddling asked how many BART cars could be purchased with the \$300 million contribution from each of Alameda, Contra Costa and San Francisco counties. Mr. Morgan replied that the proposal was for 306 additional cars [which would also receive other funding from MTC and BART]. He said that the new train control system would allow BART to increase the number of trains in the Transbay Tube from 23 per hour to 30 per hour, which would require more cars.

April Chan, Chief Officer Planning at Caltrain, said that she was happy to see the \$20 million for Caltrain electrification in the proposal. She said that Caltrain had nine partner agencies, including seven funding agencies, and that she hoped this was the final piece of funding for electrification. She said that Caltrain had significant state of good repair needs beyond electrification.

Mr. Larson said that it would be helpful to provide another pie chart as was shown in the presentation showing how big the state and federal shares of revenues used to be in contrast to their relatively small share today.

Mr. Lerma noted that the memo mentioned that the proposal would fund improvements in every neighborhood and said that it would help voters know what to expect if the proposal were more specific regarding the improvements.

During public comment, David Pilpel said that he thought the process of developing this proposal had started late and that there should have been a citizens group to advise its development. He said that he thought this proposal was not coming from the public, but that it was driven by staff and that it was a tax increase, not an extension. He said that there had not been time to debate.

He said that it would likely be a crowded ballot with other measures and that this would be tough to pass, but that maybe there would be value in having gone through the process even if it did not pass. He said that he did not disagree with the proposed categories or the percentage of total funds dedicated to each, but that it was critical to have the right language in any conditions that are part of the proposal since the expenditure plan language guides the measure for years into the future. He said he feared that voters would pass the charter amendment, but not the additional sales tax. He said that he thought the proposed \$2 billion bonding authority was too high and that it should be lowered to \$1 billion because the program should function on an annual basis and he doesn't want to see a lot of projects get front loaded, only to have funds dry up earlier than expected. He said he thought that each category needed to be explained better and that there should be better links to technical resources on the website for those who were interested, in addition to a more accessible story of why the measure was necessary. He asked for a breakdown of need by agency and by program. He said that it would be bad if the money were spent on major expansion projects rather than more basic investments.

Ms. Chang responded that the charter amendment included a one-time option for the Mayor to veto the proposal in the event that the 0.75% sales tax measure did not also pass. Mr. Pilpel said that he thought this could create dissonance with the voters since they would have voted for what they wanted.

Ms. Sachs said that staff should notify the senior and disabled communities that live in public housing about this proposal. Ms. Chang said that there had been coordination with the Senior Action Network. Ms. Sachs suggested contacting the Citywide Council for Senior and Disabled.

Chair Waddling asked what the timeline had been for developing this proposal. Ms. Chang replied that there had been polling in October 2015 and that there was a lot of work developing the proposal by Supervisors Scott Wiener and John Avalos and others between October 2015 and May 2016.

Chair Waddling asked who would pay for the election. Ms. Lombardo said that the Transportation Authority would pay if the transportation sales tax measure were placed on the ballot and passed and that the City would pay for the charter amendment. She said she couldn't recall exactly, but she estimated the cost would be on the order of \$100,000-200,000, mainly the incremental costs of reproducing the voter pamphlet, etc. since the City is already holding an election.

Mr. Lerma asked if it was possible to change what was subject to taxation to potentially lessen the burden on less wealthy people. Ms. Lombardo replied that the authority over what was taxed was entirely at the state level, but that there were already exemptions for food and other items that might be worth calling out.

Ms. Ablog asked for a breakdown of where the funds would go by agency. Ms. Lombardo replied that this could be one of the areas where the expenditure plan language could be tightened up. She noted that the first two categories were funds for the SFMTA and likely the Vision Zero category as well. The street resurfacing category was intended for SFPW. The remaining two categories were open to any public agency who could sponsor the eligible projects and this would be guided by the long range transportation planning effort that the Transportation Authority and City were working on as well as 5-year prioritization planning efforts that would be used to prioritize these categories for funding. Ms. Chang added that the charter amendment proposal would dedicate certain categories of funds directly to the San Francisco Municipal Transportation Agency or SFPW, but that some of the funds would also be administered by the Transportation Authority.

Mr. Wiedmaier said that it seemed important for this to go before the voters in a presidential election year when turnout would be highest, making it the most democratic election. He said that looking ahead, the Prop K reauthorization vote should also be in a presidential year.

Mr. Lerma said that he thought the proposal could be approved with a larger amount if it included a second Transbay Tube, as that was the project he has heard the most favorable discussion about.

Mr. Pilpel said that it was important to be clear on expectations, such as the PCI score might not be raised to 70 within five years, and that the proposal should not be front loaded with projects. He said these funds should target incremental improvements.

3. Public Comment

There was no public comment.

4. Adjournment

The meeting was adjourned at 7:51 p.m.