



DRAFT MINUTES

CITIZENS ADVISORY COMMITTEE

Monday, July 11, 2016 Special Meeting

1. Committee Meeting Call to Order

Chair Chris Waddling called the meeting to order at 6:10 p.m.

CAC members present were Chris Waddling (Chair), Peter Sachs (Vice Chair), Myla Ablog, John Larson, Jacqueline Sachs and Bradley Wiedmaier.

Transportation Authority staff members present were Michelle Beaulieu, Seon Joo Kim, Anna Laforde, Maria Lombardo and Eric Young.

2. Adopt a Motion of Support to Endorse the Proposed San Francisco Transportation Expenditure Plan – INFORMATION/ACTION

Maria Lombardo, Chief Deputy Director, presented the item per the staff memorandum. She acknowledged Monique Webster, San Francisco Municipal Transportation Authority (SFMTA), who was also available to answer questions.

Chair Waddling asked if the sales tax would continue to move through the legislative process should the Board of Supervisors (BOS) vote on July 19 to put the charter amendment on the ballot. Ms. Lombardo replied that it would not, as only one of the measures would be placed on the ballot. Chair Waddling asked if the decision on which measure would move forward would be made at the July 19 BOS meeting. Ms. Lombardo replied that the deadline to place either measure on the ballot was August 5, so the BOS could make a decision at the July 19 meeting or continue the discussion over the next couple of weeks.

Peter Sachs asked whether there was uncertainty or disagreement among the BOS about which measure to place on the ballot. Ms. Lombardo replied that Supervisor Avalos was one of the initial sponsors of both measures, but that he withdrew his support of the charter amendment pending a withdrawal of Supervisor Farrell's proposal related to the City's ability to clear out homeless encampments with 24-hours' notice. She said that both the Mayor and several members of the BOS wanted a transportation measure on the ballot, but that there were many other measures, including those related to homelessness, that were also part of the complicated discussions going on as policymakers decide which measures ultimately will make it to the ballot.

Myla Ablog asked how many new jobs would be potentially created through this measure, and stated that a lot of residents in the southeast sector of the city were concerned about a new tax, and that job creation could be a good messaging point. Ms. Lombardo said she would follow up with that information.

John Larson asked for more detail on the charter amendment clause that allowed all of the Muni Fleet, Facilities and Infrastructure Repair and Maintenance funding to be directed to Transit Service and Affordability in down economic years. Ms. Lombardo stated that the current charter amendment language allowed the SFMTA to direct up to 100% of the Muni capital (fleet, facilities, etc.) category could to the Transit Service and Affordability category in bad economic times to prevent service cuts, while the previous draft capped that amount at 25%. Mr. Larson

asked that in the event the charter amendment passed but the three-quarter sales tax did not, would there be enough funding available in an economic downturn to support transit service. Mr. Larson also asked if the failsafe mechanism whereby the Mayor could retract the charter amendment if the sales tax did not pass was still included in the charter amendment. Ms. Lombardo confirmed that it was.

Chair Waddling stated that the \$100 million per year would go up with inflation and growth, and said that the percentages of funding was what should be considered by the CAC because of that potential. He asked that in the event of a down economy, and if Muni transit capital funds were to be shifted to operations, was there were a way to recoup funding for that category when the economy rebounded. Ms. Lombardo replied that the charter amendment included a baseline set-aside amount which would rise and fall with the discretionary revenues in the General Fund. She said the source of funding in that set-aside was primarily from property taxes, and that the source was less susceptible to economic downturns than a sales tax, and likely wouldn't have the same highs and lows as a sales tax. She added that the Controller felt it would have a similar overall growth rate as the sales tax, but that there was no provision to reset the baseline at a future date.

Mr. Sachs voiced concern about the provision enabling the transfer of capital funds to operations funds in a down economic year, and noted that the City of Chicago had a property tax increase funding a multi-million-dollar capital investment program to address a shortfall for the Chicago Transit Authority (CTA). He said that shortfall occurred because over many years, the CTA kept shifting funds from capital to operations accounts, and that he felt that was a poor budget process policy. He expressed concern over having an explicit mechanism to allow this practice, and to take \$20 million per year from capital to operations, with no mechanism to shift it back after a few years to make up for the deficit in capital funds. Mr. Sachs also pointed out that under the charter amendment, the SFMTA would administer both of the categories, while in a sales tax the Transportation Authority would act as a check on this potential shifting of funds.

Chair Waddling asked if there were a mechanism to return the money from the service to the capital category. Ms. Lombardo replied that there was no such mechanism, but that the SFMTA had a 'rainy day' fund, and that the diversion would not be permitted to exceed the cost of maintaining existing service. Chair Waddling raised concerns about potentially poor decision-making in the future by SFMTA management regarding these funds if there were a change in leadership.

Mr. Larson stated that the current language regarding when this shift of funds could be implemented was vague. He noted that the charter said "should SFMTA be required to make service reductions as part of its budget," but that it was not explicitly tied to a revenue shortfall or some kind of downward trend in the budget. He said this could be open to the perniciousness of the agency and that there should be more specificity.

Mr. Sachs asked if Muni could shift funds from the operations budget into the pension fund, then from capital into operations, should there be a pension fund deficit. Chair Waddling stated that he believed it could be possible but that it was unclear. Ms. Lombardo replied that these were valid points, and that the authors of the amendment were trying to make it simple and flexible enough to work well for 25 years, but with clarity on where the funds were going. She noted that it is very difficult to craft a service cuts trigger and that the proposed language represented a compromise that was necessary to bring along the Transportation Equity and Justice Coalition members, who wanted to protect the City's most vulnerable residents from service cuts. Ms. Lombardo also stated that SFMTA had a huge capital shortfall that was still not covered by the proposed measure, which should provide a counter balance to the shifting of

capital to operating funds. Chair Waddling stated that it would be difficult to try to itemize every item to which money could or could not go in this sort of measure.

Jacqueline Sachs referenced her history working on Propositions B and K. She stated that in Cleveland, 45 years ago, a 1.1% tax was proposed on a large county where the transit systems were falling apart but that it did not pass. She said they went back to the voters with a 1.1% tax and at the same time proposed to lower fares, and that this was contrary to what Muni had been doing. She said that within five years the Cleveland system generated \$60 million and were able to completely rebuild the two rail lines, and given that, San Francisco should be able to complete the Geary Light Rail Transit (LRT) within 20 years. She went on that in Prop B, there was \$100 million tied to Geary LRT and \$100 million for Third Street, however in order to get federal funding all of the Geary LRT money was allocated to the Third Street LRT and the Central Subway. Ms. Sachs said she had mentioned this at previous meetings, and that she believed Muni should work within its existing budget. She said that Prop K was going to have to be extended to complete all the Prop K projects, and that she did not believe that San Francisco residents should be taxed again when they have been taxed twice, in addition to fares going up. Ms. Sachs said she would like to see the Prop K projects finished before seeing an additional sales tax, and that in the five-year prioritization program for Prop K, there was money for Geary Corridor Bus Rapid Transit (BRT) but none for Geary LRT. She said she does not know how Geary Boulevard could be light rail-ready with the current design, and that she also did not support the green and red lanes being painted across the city. She added that the funding for the painted lanes should go to Geary LRT and to the Late Night Transportation investments and service instead. She said that as a transit-first city, San Francisco should not cater so much to the San Francisco Bicycle Coalition, and that there were people who ride the bus all day long outside of commuting hours as well. Ms. Sachs said that the Transit Effectiveness Project reduced service and was a bad idea, and that she believed the city needed to increase, not decrease, transit service. She said residents had been relying on Muni for over a century and that the city should not change the service now. She reiterated that she was against a new sales tax for transportation, and believed that voters wanted to see projects finished before voting on a new measure.

Chair Waddling responded that the 'red carpets' were cheap to implement, and that he had found the carpets to provide valuable transit time-savings. He said that green lanes demarcating bicycle lanes, increased the number of cyclists which took cars off the road and made more room on buses. He noted that the amount of money spent on bike infrastructure overall was miniscule, even compared to the small amount spent on paratransit, and that the city had to use the limited infrastructure space to find the best ways to maximize it. He added that he did not support pitting these various interests against one another, noting that someone on a bike was making a ride better for someone in a car, and that someone in a paratransit bus was making it better for someone on a bike and so on. Chair Waddling also stated that it was important to consider if these new projects were needs rather than just wants. He said he would like reassurance that paying a new sales tax was going to make the transportation system functionally better. He asked if the proposed expenditure plan was the same amount as Prop K, what the Prop K categories were, and how much the new revenues were adding to existing categories, or if they would be funding new projects. He said that knowing how much would go into each Prop K category to help existing projects get completed would be helpful to demonstrate the way this funding would help expedite projects.

Ms. Lombardo responded to Ms. Ablog's earlier question about job creation by citing the American Public Transit Association's estimate that 50,000 jobs were generated per \$1 billion investment, so the \$3 billion raised in this measure would create approximately 150,000 jobs and that is without accounting for any leveraging of other funds. She added that San Francisco agency grant recipients were also bound to local hire regulations, and agreed that this would be

an important message for this measure.

To Chair Waddling's comments, Ms. Lombardo said that she could provide some examples. For instance, she noted that while Prop K had a small amount annual amount remaining for street resurfacing (~\$2-5 million estimated), as did Prop AA (~\$2.5 million), she said those amounts, in addition to the amount included in the new revenue measure, would still would not be enough to get the city to a Pavement Condition Index of 70, which was the goal. She said contributing to the street resurfacing funding shortfall primarily was the decrease in funding from the state via the gas tax, which had dropped precipitously in recent years (e.g. ~\$13 million to \$3 million), as well as past local decisions to not prioritize street resurfacing in the General Fund. Ms. Lombardo stated that the Transit Optimization and Expansion and Regional Transit categories would allow the city to advance projects such as Muni Forward, subway expansions, the next generation of BRT projects, etc. She mentioned that the comparable Prop K category was Transit Preferential Streets and Bus Rapid Transit, which was funding the Geary Corridor and Van Ness Avenue BRT projects. She said that funding in this category was nearly entirely programmed to specific projects, and that it would help fund Van Ness BRT through construction and Geary BRT through design. She said the Transportation Authority was looking for additional funding sources for Geary BRT, and that for any new projects, including Caltrain or BART, there would need to be a new revenue source. She noted that other counties were in the process of doubling their existing half-cent sales tax to a full cent because the federal and state governments weren't providing sufficient funding noting that Contra Costa and Santa Clara Counties were looking to do this in November 2016 and Alameda County had done this in 2014. She said regarding transit service, Prop K only included operations funding for paratransit, and that in the future, that category would be able to be supplemented through the new measure if costs increased, in addition to many other projects such as late night service, subsidized passes, and investments from the Muni Equity Strategy, which were eligible for Prop K funding. She added that the Smart System Management eligible projects, such providing carpool lanes on the freeway in San Francisco to provide travelers a continuous carpool lane to/from Santa Clara, were not currently eligible for Prop K funds, and that this category would also supplement Transportation Demand Management (TDM), which only received a few hundred thousand dollars per year through Prop K. She ended by saying TDM was a very cost effective way to make the current system work better and to squeeze more capacity out of it while we deliver the larger capacity improvement like new BART cars or transit extensions.

Bradley Wiedmaier noted that the state was looking at a mileage-based fee system to make up for the decrease in gas tax revenue. He acknowledged that the roads were in truly poor condition in San Francisco, and asked what the score for streets was today and how long the state had been underfunding resurfacing. Ms. Lombardo replied that this problem was not unique to San Francisco and that each year the Metropolitan Transportation Commission reported on the state of the system. She said the scale used was from 1-100, with 100 being the top score. She explained that a score of 70 means streets were generally in good shape, and that while she couldn't remember the exact number, San Francisco streets were currently around 62-64. She noted that the value of the state gas tax had been declining for decades, but most precipitously in the last few years with declining gas prices and more fuel efficient vehicles, and that cities were also deciding to spend General Fund dollars on other things besides street resurfacing. She added that the road user charge proposed at the state was cutting edge and would likely be 5-10 years out in the future before it was implemented.

Mr. Wiedmaier expressed concern with the regressive nature of sales taxes. He said he was appreciative of the attempts to make equitable investments in the expenditure plan to mitigate this problem, but that he was concerned to see entire communities disappearing from the City, particularly African American communities. He noted he had lived in other states like Oregon

with no sales tax. Mr. Wiedmaier said he was pleased to see a payroll tax proposed by Supervisor Mar, which was more progressive, and thought that for the 25-year plan, the city should be able to come up with a more progressive funding source as well. He mentioned that the new head of the Chamber of Commerce had spoken against these new taxes, as there were quite a few on the ballot, but that he was glad to see state Prop 55 which would extend the portion of State Prop 30 which levied a higher income tax on the wealthiest Californians. He said he was pleased to see the equity options, but was also concerned about the politics at the BOS and the CAC's perceived lack of influence given all the potential ballot measures – transportation and otherwise – under consideration. He said these were important and needed services, but that there should be a transition or trigger option to move away from a sales tax for a period of time this long, and expressed disbelief that voters would support this measure.

In response to Chair Waddling's question, Ms. Lombardo stated that the Controller's office estimated that roughly half of the current sales tax revenues come from residents while the rest come from visitors, employees and businesses in the city. She said a vehicle license fee would be paid entirely by San Francisco residents, and added that the BOS did listen to the CAC's perspective. She also pointed out that almost everything in this measure was designed to improve transit or to achieve Vision Zero goals, noting that the equity analysis from the San Francisco Transportation Plan found that transit, bike and pedestrian investments had been shown to disproportionately benefit low-income communities and communities of concern.

Chair Waddling asked how much a low-income resident would be impacted by a sales tax as compared to someone at middle- or high-income levels. Ms. Lombardo replied that one can find several websites that make these calculations. She noted that many categories of basic necessities did not have sales tax paid on them, but that it was true that low-income residents paid a higher percentage of their income in sales taxes than do high-income residents, which made it a regressive tax.

Mr. Sachs said that different states had different tax systems were missing key legs of the financial stool and had to make up for different deficiencies, such as Washington's lack of income taxes. He stated that California's deficiency in government funding was in property taxes, due to Proposition 13. He said he believed that the system was grossly unfair, but that he did not see another way to bolster funding when property tax increases were going to be on a relatively small percentage of property owners. He added that it put constraint on how government could raise revenues. Mr. Sachs said that Muni received about \$200 million in fare revenues and that their operating budget was about \$600 million, so reducing fares would impact their budget significantly. He said that lowering fares would just negate the benefits of the sales tax, and that if the sales tax made up for the sales tax impacts on low-income residents, then it would be a good expenditure.

Mr. Larson asked that in the event the charter amendment passed and the sales tax did not, and if the charter amendment were then vetoed, would the measure be put on the next ballot. Ms. Lombardo replied that the plan would be to come back to the ballot if whichever measure was placed on the ballot should fail in the coming election. She said the sales tax could go back to the ballot in 2017 if there were an election (none is currently planned), and that either option could go back in 2018. She confirmed that the general sales tax only needed to receive a majority vote to pass.

Ms. Sachs asked when voters would have to consider reauthorizing Prop K. Ms. Lombardo responded that it would not need to go back to voters until 2033/34 when the measure was over. She said that some line items in Prop K would run out of funding by then because they had advanced funding, but that other categories, including many annual programs, would have funding every year until that point. She added that with Prop B, the Transportation Authority

chose to go to the ballot for reauthorization early because many things came to pass that had not been considered in 1989, and that the Transportation Authority could go to the ballot as early as 2023 to amend the plan, but that the decision had not been made yet.

Ms. Ablog stated that much of the public thought that “transportation” only referred to Muni, which should be considered in messaging. She also said that informed voters would say that the city needed more funding for transportation, particularly with such an extreme increase in new residents and visitors coming to the city in such a short period of time.

Chair Waddling cited Honolulu as a case study of where disinvestment in transportation had really harmed the city which is now facing the prospect of a partially completed train to nowhere. He said he believed that people who were accustomed to commuting by car were skeptical of these types of taxes, so messaging was important, as was trust in the people and agencies that implement the programs. Chair Waddling said that he believed that the SFMTA in particular would need to overcome that barrier.

Mr. Sachs stated that voters tend to respond well to specifics, particularly saying where sales taxes would be invested in. He said that citing specific projects would be helpful, such as the M-line improvements or the carpool lane to Santa Clara, which were tangible projects that the public could rally behind. He said he would like to see funds put into planning so that these projects could get built when federal funds become available, particular as the city undergoes major shifts in commuting patterns. Ms. Lombardo commented that one of the intents of this measure was to advance planning for projects to put the city in a good position for regional or state or federal funds when they became available.

Ms. Sachs stated that Geary LRT was a priority three project in Prop K, and that participants at the BRT workshops continued to ask for light rail, which they had wanted since 1989. She cited numerous documents published in the 1980s and 1990s referencing the light rail project. She added that the Public Utilities Commission had stated that the only way to alleviate the congestion on Geary Boulevard was a light-rail system, because the light-rail operated effectively there from 1912 to the 1950s. She added that in the 1970s, BART wanted to build light-rail under Geary Boulevard and over the Golden Gate Bridge, but that Marin County did not want that. She said Geary LRT was the only Prop B project grandfathered into Prop K that was not receiving funding.

Chair Waddling asked if there were comparisons between BRT and LRT regarding capacity. Ms. Lombardo said she would be happy to forward the data to the CAC. She said that Geary Corridor BRT capacity would be close to the capacity of surface LRT if it could receive red painted lanes, signal prioritization, and all the kinds of improvements needed to give the bus a dedicated right of way. She said this project was chosen because it was a cheaper option that would enable significant improvements on Geary since the city chose to go with the Third Street corridor as the next LRT investment. She noted that at current revenue levels, there was typically only one major transit expansion project at a time. She added that there was currently long-term planning for high-capacity transit through the Subway Vision, and that the Geary Corridor had been identified as a prime candidate for high capacity transit. She noted that a subway was really what would make a significant difference in capacity because then it did not have to operate in traffic.

Chair Waddling asked for clarification on the CAC’s action tonight. Ms. Lombardo stated that the transportation sales tax expenditure plan could still be amended, and that endorsement from the CAC could help move the process forward but was not required. She added that the charter amendment could not accept any additional amendments.

Mr. Larson noted that the funding for BART cars no longer included a contingency clause that

the funding would only be expended should the other counties contribute an equal amount to the BART cars procurement. Ms. Lombardo affirmed this, and stated that Transportation Authority Board Chair Weiner felt that this was too important to make contingent on other counties' actions, and noted that under the public utilities code, if the Transportation Authority provided BART funding, BART would have to contribute at least as much as it receives in sales tax funds, which essentially covers the contingency language from the prior version. Ms. Lombardo added that given the tight BOS schedule, she understood that the last time to make amendments would likely be at the BOS Budget and Finance committee the following Wednesday and that those changes indicated in Attachment 3 in the packet were meant to bring the transportation sales tax expenditure plan in line with the charter amendment.

Mr. Sachs moved to amend the Expenditure Plan, Attachment 3, Section 3. A. 2., page 10, lines 21-25, to "...the SFMTA may transfer up to 50% of the annual percentage allocation of funds that would otherwise go to this program...", to cap the amount of funding that would be able to be transferred between categories, seconded by John Larson.

Chair Waddling asked how Mr. Sachs intended the change from "shall" to "may" to change the ordinance. Mr. Sachs stated that "shall" was a very strong word, and this would give latitude to the Transportation Authority in working with the SFMTA to decide whether to shift funds. There was no public comment.

The motion was approved by the following vote:

Ayes: CAC Members Larson, J. Sachs, P. Sachs, Waddling and Wiedmaier

Abstentions: CAC Member Ablog

Absent: CAC Members Hogue and Tannen

John Larson moved to endorse the proposed San Francisco Transportation Expenditure Plan as amended, seconded by Chris Waddling.

The item did not pass by the following vote:

Ayes: CAC Members Larson, P. Sachs and Waddling

Abstentions: CAC Members Ablog, J. Sachs and Wiedmaier

Absent: CAC Members Hogue and Tannen

3. Public Comment

There was no public comment.

4. Adjournment

Chair Waddling thanked the committee for their time on the item over several meetings. Ms. Lombardo also thanked the group for their valuable input. The meeting was adjourned at 7:35 p.m.