City and County of San Francisco

Mayor's Transportation Task Force: Revenue Options

June 25, 2013

Controller Revenue Options

Vehicle License Fee

VLF Revenue Projection		
2016 (half-year)	**2030**	**14 Year Total**
$28 Million	$79 Million	$972 Million

- This revenue source would enact a VLF equal to 1.35% of the market value of any registered vehicle. Combined with the rate charged by the state, this would bring the total VLF rate to its full allowable value of 2%.
- Increasing the VLF would require approval a majority of the Board of Supervisors.
- In order for the measure to become enacted, a simple majority of City voters could approve of the measure provided that the revenue will be considered general purpose. Otherwise, a two-thirds vote would be required if the revenue is dedicated to a particular purpose.
- If passed by the voters this November, this revenue source would not be implemented until FY 15-16.

.25% Sales Tax (City Revenue)

.25 % Sales Tax Revenue Projection		
2015 (half-year)	2030	15 Year Total
$20 Million	$59 Million	$766 Million

- This revenue source would increase the current sales tax rate by .25 percentage points, bringing the total sales tax rate up from of 8.75% to 9%.
- In order to be placed on the November ballot, this proposal would need the approval of two-thirds of the Board of Supervisors.
- The measure would then need the approval of two-thirds of voters before it can become law.
- The state allows the City to increase the rate by .75%
- This tax would be administered by the City.
- In comparison, Oakland, Berkeley, and Emeryville have set rates at 9%, San Mateo at 9.25%, San Jose at 8.75%, Sausalito at 8.5%

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General Obligation Bond (One-Time Revenue, Future GO's require voter approval)

General Obligation Bond	
5 Year Increment	15 Year Total
$200 Million	$600 Million

- This bond would require the approval of the City's Capital Planning Committee prior to being presented to the Board.
- In order to be placed on the November ballot, this proposal would need the approval of a majority of the Board of Supervisors.
- The measure would then need the approval of two-thirds of voters before it can become law.
- The increment amount can vary depending on debt capacity

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Increase General Fund Support to MTA (Reduces other General Fund Programs)

1% Baseline Increase Revenue Projection		
2015	2030	15 Year Total
$25 Million	$37 Million	$498 Million

- This proposal would increase MTA's City Aggregate Discretionary revenue proportion by 1%, which would increase their General Fund baseline transfer from 9.193% to 10.193%.
- This would increase the total revenue amount from $232 million to $257 million in the first year.
- An increase to MTA's baseline would require a change to the San Francisco Charter in order to create a legally binding funding obligation that extends beyond the year in which it is passed.
- Changes to the San Francisco Charter require a majority vote by the Board of Supervisors to place the measure on the ballot.
- The measure would then need the approval of a majority of voters before it can become law.
- This proposal does not create new revenue, and would divert funds from the General Fund that could be used by other programs.

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Large Event Ticket Surcharge

Ticket Surcharge Revenue Projection (preliminary)		
2015	2030	15 Year Total
$7 Million	$8 Million	$126 Million

- This proposed revenue source would place a $1 surcharge on ticket purchases to sporting and entertainment events with 1,000 or more attendees.
- In order to be placed on the November ballot, this proposal would need the approval of a majority of the Board of Supervisors.
- The measure would then need the approval of two-thirds of voters before it can become law.
- $3 and $5 surcharges have also been proposed.

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Parcel Tax- Residential and Commercial / Industrial

Parcel Tax Revenue Projection		
2015	**2030**	**15 Year Total**
$20 Million	$20 Million	$288 Million

- The proposal would add a special non ad valorem tax of $100 on parcels of residential, commercial, and industrial property.
- Parcel taxes may be levied for general purposes or restricted to a particular purpose. However, regardless of use, parcel taxes require two-thirds voter approval.
- The projected value assumes an administrative cost of $3.50 per parcel.

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Mello-Roos District (Long-Term Strategy)

- The Board of Supervisors could approve the formation of a Mello-Roos Community Facilities District (CFD) to levy special non ad valorem taxes to finance public transit facilities
- CFD special taxes are typically added to the property tax roll.
- CFD revenue is often used to pay debt service on bonds (A CFD may issue a bond with a useful life of five years or more).
- The tax would be levied by ordinance approved by a two-thirds vote of registered voters within the district.
- Last December, Los Angeles voters approved of a CFD that would allow $62.5 million in local funding for construction of the Downtown Los Angeles Streetcar project through a bond that would not exceed $85 million.
- A CFD was created for the Transit Center District, which is estimated to generate $420 million in revenue between 2015-2058.

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Assessment Districts (Long-Term Strategy)

- The Board or persons to be assessed could propose a benefit assessment on real property for services that directly benefit that property (there are currently no transit-related special assessments in the City).
- Special assessments would be added to the property tax roll and become part of the tax lien.
- Proceedings may be initiated by petition or by action of the legislative body.
- The Board of Supervisors would approve a resolution to levy the assessment.
- If more than 50% of property owners in the district protest, then no assessment may be imposed.
- The revenue from imposing an assessment is based on the cost of the special benefit enjoyed by assessed property owners, and would vary depending on the improvement or service to be funded.
- It would be difficult to link a taxed district with improved transit.

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MTA Revenue Options

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Revenue Bond

Projected Issuance Timeline
$125-$150 million every 3-5 years

- The SFMTA plans to issue revenue bonds every 3-5 years.
- The issuance size is projected to be between $125-$150 million.
- The timing and sizing are dependent on two major factors: project delivery and debt service capacity
- SFMTA's Debt Policy caps debt service at no more than 5% of the operating budget.
- New bond issuances require the approval of the SFMTA Board and concurrence by the Board of Supervisors.
- Bond revenue would be used for repair, vehicle replacement, or other capital.

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Increase General Fund Allocation In Lieu of Parking Tax Revenue

Parking Tax Allocation Increase Revenue Projection		
2015	**2030**	**15 Year Total**
$20M	$29M	$391M

- This proposal would increase SFMTA's allocation of General Fund revenue in lieu of parking tax revenue from the existing 80% to 100%.
- SFMTA currently receives $67 million from the City in lieu of parking tax revenue. This proposal would increase that allocation to $87 million in the first year.
- This is not a new revenue source and would require the General Fund to cover the 20% shift to Transportation that is currently funding aging services.
- This proposal will require a majority vote by the Board of Supervisors.

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Increase Parking Tax Rate

10% Parking Tax Rate Increase Revenue Projection		
2015	2030	15 Year Total
$6.6M	$9.6M	$129M

- This proposal would increase the Parking Tax rate by 10%, bringing the current rate up from 25% to 27.5%.
- Under current policy, 80% of the new revenue would be allocated to SFMTA.
- This measure would require a majority of the Board of Supervisors in order to be placed on the ballot.
- Enacting this measure would require a majority of voters.

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SFMTA Advertising

Advertising Revenue Projection		
2015	**2030**	**15 Year Total**
$5-10M	$5-10M	$75-$150M

- SFMTA advertising currently generates $17 million annually for buses, shelters, and BART
- Three options for increasing advertising revenue:
  - Change current advertising policy to expand types of ads (will require SFMTA Board approval)
  - Allow more ad types such as bus and shelter wraps and other experimental ads including push out technology, sensory ads (will require SFMTA and BOS approval)
  - Allow advertising on other SFMTA assets such as parking meters, signal boxes (will require SFMTA, BOS and possible voter approval)
- The bus contract up for bid in 2014.
- The shelter contract currently generates $12 million annually and is expected to rise to $25 million in 2027 (108% increase).

San Francisco County Transportation Authority Revenue Options

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Local Gas Tax (City Revenue)

$0.10 Local Gas Tax Revenue Projection		
2015	2030	15 Year Total
$18 Million	$22 Million	$326 Million

- This proposed revenue source would place a 10 cent per gallon tax on gasoline and diesel sold in San Francisco.
- In order to be placed on the November ballot, this proposal would need the approval of a majority of the Board of Supervisors.
- The measure would then need the approval of two-thirds of voters before it can become law.
- The tax revenue could be used to fund capital and operations.

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Regional Gas Tax

Regional Gas Tax Revenue Projection (SF Share)		
2015	2030	15 Year Total
$26.7 Million	$25.4 Million	$404 Million

- This revenue source is a 10-cent gas tax imposed by the Metropolitan Transportation Commission (MTC). MTC could request a tax between 1 cent and 10 cents.
- 95% of revenues, based on population share, must be invested in projects attributable to that county; capital and operations eligible
- Revenues decrease initially because of anticipated increase in vehicle fuel efficiency.
- MTC currently has authorization to request the Board of Supervisors in each county place the measure on the ballot, where it would require 2/3 voter approval.
- Measure has polled poorly, with only 50% support in San Francisco (2012)

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½-Cent Sales Tax Increase (Transportation Authority Revenue)

½-Cent Sales Tax Revenue Projection		
2015	**2030**	**15 Year Total**
$94.4 Million	$154.1 Million	$1,841 Million

- This revenue source represents the new revenue that would be available if the Transportation Authority pursues a new ½-cent sales tax or increases its current ½-cent sales tax to 1 cent.
- The Board of Supervisors can place a ½-cent or 1 cent sales tax and accompanying Expenditure Plan on the ballot on behalf of the Transportation Authority, which would require 2/3 majority voter approval.
- Revenues could be spent on any use specified in the Expenditure Plan, including capital projects or operations (e.g. transit service).

½ -Cent Sales Tax Extension 2034 – 2054 (Transportation Authority Revenue)

Sales Tax 2034-2054 Revenue Projection		
2034	**2053**	**15 Year Total**
$184 Million	$347 Million	$4,888 Million

- This revenue source would approve another sales tax Expenditure Plan that begins when the Prop K Expenditure Plan expires in FY 2033/34, extending the existing half-cent sales; assumes a 20-year plan
- The Board of Supervisors can place a ½-cent tax and accompanying Expenditure Plan on the ballot on behalf of the Transportation Authority, which would require 2/3 majority voter approval.
- Because revenues are so far out, bonding may not be advisable due to financing costs;
- This may be a mid/long-term funding option as it becomes a more financially attractive options if there is a strong pipeline of projects ready to be delivered

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Prop K ½-Cent Sales Tax Reauthorization (Transportation Authority Revenue)

Prop K Reauthorization Revenue Projection		
2015	**2030**	**15 Year Total**
$94.4 Million	$154.1 Million	$1,841 Million

- This is not a new revenue source, but a projection of what the existing Prop K ½-cent sales tax will raise if the voters approved a new Expenditure Plan to supersede (replace) Prop K.
- It would allow the existing half-cent sales tax revenues to be used for different purposes than assumed in the Prop K Expenditure Plan
- The Board of Supervisors can place the ½-cent sales tax and accompanying Expenditure Plan on the ballot on behalf of the Transportation Authority, which would require 2/3 majority voter approval.
- After year 20 of Prop K (i.e. 2023), the Authority Board could amend the existing 30-year Expenditure Plan or adopt a new one that extends beyond FY 2033/34, based on a simple majority vote of the public

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Bridge Toll

Bridge Toll Revenue Projection (Region-wide)		
2019	2030	15 Year Total
$115 Million	$121 Million	$1,427 Million

- This revenue source would increase tolls on state-owned Bay Area bridges by $1, starting in Fiscal Year 2018/19.
- Revenues would be collected and administered by the Bay Area Toll Authority according to a voter-approved expenditure plan.
- Measure would require authorization from the state legislature before BATA could place it on the ballot in the 7 affected counties. Requires a 2/3 majority voter approval averaged across the 7 counties.
- Can fund capital (transit vehicles, bike connections to BART) and operating (e.g. transit service) projects most likely requiring some relationship to relieving congestion or providing travel options in toll bridge corridors

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Vehicle Miles Traveled (VMT) Fee

VMT Revenue Projection – San Francisco Share		
2015	2030	15 Year Total
$33.4 Million	$35.8 Million	$520 Million

- This revenue source would assess a fee per mile traveled by a vehicle. The revenue projection assumes a 1 cent fee per mile.
- No jurisdiction currently is authorized to implement this type of fee, and no VMT fee has ever been collected in the US. Implementation would likely require state legislation and 2/3 voter approval of the fee area.
- Challenges to implementing a VMT fee, include: legislative hurdles, technological challenges (how would it be collected?), lack of public support, need to collect it at the regional or state (and not local) level, equity issues, etc.
- However, it has attractive policy linkages and has growing interest as a gas tax replacement, making this a mid to long-term option

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Congestion Pricing

Congestion Pricing Revenue Projection[1]		
2015	**2030**	**15 Year Total**
$70.9 Million	$167.4 Million	$1,713 Million

- Revenue would come from charging drivers to access downtown San Francisco by car and would fund transportation capital and operating projects that improve travel options and traffic flow.
- The Authority is currently studying a $3 fee to enter or exit downtown ($6 daily cap) on weekdays between 3pm and 7pm (cordon pricing approach)
- There is also a pricing program under development for Treasure Island.
- Congestion pricing should be considered a transportation demand management (TDM) tool instead of a tool for revenue generation.
- Process to establish program is uncertain, but would likely require state legislative authorization, approval by the Board of Supervisors, and 2/3 majority voter approval.

[1] Revenue estimates consistent with Authority Board adopted Mobility, Access, Pricing Study and reflect the net revenues available for investment in transportation service and infrastructure after discounts, operations, and maintenance costs.

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San Francisco County Transportation Authority Policy Strategies

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State Legislative Strategy

- Trends:
  - In recent years, state transportation funds have stabilized due to voter-enacted protections, but with less funding than historical levels.
  - This is the last year of Prop 1B transportation bond funding.
- Reducing threshold for voter approval of local transportation taxes to 55% majority.
- Advocate for allocation of cap-and-trade funds to transportation, with local/regional control of project selection.
- Support California High Speed Rail (HSR), including the Early Investment Strategy to bring HSR to the Transbay Transit Center.
- Broader authority for Public Private Partnerships and other innovative delivery strategies. Maintain local control without state interference.
- California Transportation Infrastructure Priorities Task Force is prioritizing unfunded statewide transportation need and suggesting solutions.

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State Cap and Trade Revenue

Cap and Trade Revenue Projection		
2015	**2030**	**15 Year Total**
$14 Million	$14 Million	$216 Million

- The state has not yet established a framework for how revenue will be administered nor has it established what types of projects would be eligible; funding levels not clear yet
- Advocating for distribution at the regional/local level
- MTC has estimated that the Bay Area region will receive $120 million per year (and signaled that funds could go to transit/local streets state of good repair (SOGR) and affordable housing.
- Above revenue projection assumes distribution based on SF’s Bay Area population share; SF could reasonable expect a larger share based on a combination of transit ridership, planned/produced housing, population and SOGR shortfalls

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Public Private Partnerships (P3)

- Public Private Partnerships (P3s) are not a revenue source, but a tool public agencies can use to achieve a range of benefits including risk transfer (to the private sector), project delivery, and financial benefits.
- P3s can be used for planning, design, construction, and/or operation phases of transportation projects and group of projects under certain circumstances (e.g. common financial backing)
- The state has authorized local agencies to implement P3 projects on state-owned facilities, and local jurisdictions can enter into P3s on local projects according to their own local regulations.
- The second phase of the Presidio Parkway project is being delivered using a P3. Among other benefits, P3 is enabling the public to have a seismically safe facility years sooner than would be possible if the state had to provide all of the funding up front as is done under design bid build.

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Federal Legislative Strategy

- Moving Ahead for Progress in the 21st Century (MAP-21):
  - 2-year federal transportation bill, October 2012 – September 2014.
  - Program consolidation, no earmarks, shift to formula distribution.
  - Dramatically increase Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program.
  - Project delivery streamlining.
  - Decreases overall funding for transportation alternatives
- Future challenge: Federal Highway Trust fund (gas tax funded) going broke; Need an alternative to fuel tax, which continues to decrease in value; little political will to tackle this at present
- Federal Advocacy:
  - Increased funding in next federal transportation bill, advocate for implementation of longer bill (provides stability)
  - Advocate for San Francisco's New Starts, Small Starts, and other project priorities and additional stimulus funding
  - Increase options for other delivery methods, financing and P3s

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Freeway Tolls

- This revenue source would implement tolls on the freeway portions of US 101 and I-280 in San Francisco.
- Title 23 of the US Code generally prohibits the conversion of toll-free highways to tolled highways.
- Implementation would require federal and state legislation to exempt the roadways from restrictions that prevent conversion of free to tolled lanes, which would be difficult to achieve, making this a longer-term revenue option
- San Mateo County is likely to oppose freeway tolls, but may support HOT lanes – carpool lanes where single occupant vehicle drives can pay to use them as long as there is enough room to do so without slowing down carpools.

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Employer Trip Cap

- This is more of a TDM tool than a revenue source. It is a means to manage commute trips to employment sites within a defined boundary.
- Currently, such a program exists in Santa Monica where the city sets a target rate of riders per commuting vehicle; employers pay a per-employee fee ($12.23 in 2013), file an annual Employer Trip Reduction Plan, and then employers who meet their targets and requirements enjoy reduced fees.
    - Revenues are used in this program to defray program expenses and assist with trip reduction efforts, not on transportation capital projects or transit operations.
- San Francisco program could be introduced under the Mitigation Fee Act.
- Gross revenues would likely be modest and needed to administer the program. At a level similar to Santa Monica's, City could collect:
    - ~$1 - $4 Million annually, if implemented downtown
    - ~$2 - $4 Million annually, if implemented citywide

MTA Policy Strategies

Transportation Sustainability Fee

- The TSF would replace or be a credit against payment of existing transit-related development fees like the Transit Impact Development Fee (TIDF) and the Community Infrastructure Impact Fees (if applicable) in order to avoid double charging for transit impacts of new development. The TSF would apply to all land uses, except for single-family homes.
- The TSF is anticipated to generate $630 million over twenty years. That revenue will be used to leverage an additional $820 million in other local, state, and federal transportation revenues to fund a $1.4 billion expenditure program.
- The TIDF is an existing impact fee on nonresidential development which, in the absence of an approved TSF, serves as the City's primary mechanism to offset development's impacts on the City's transit system.

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Transit Oriented Development

SFMTA's parking garages, facilities, and sites have potential to generate revenue, examples include:

- Upper Yard: $360,000 to $720,000 per year
- Chinatown: $1M OR $80K per year
- Presidio South: $1.6 million to $3.2 million per year on ground lease/air rights lease basis