

1 [Approving Submission of Sales Tax to Support Caltrain Service - November 3, 2020,
2 Election]

3 **Resolution approving submission of one-eighth of one percent (0.125%) retail**
4 **transactions and use tax for Caltrain or its successor agency to use as certain**
5 **conditions are met to support its immediate and long-term operational and capital**
6 **costs, at an election to be held on November 3, 2020; and affirming the San Francisco**
7 **Municipal Transportation Agency’s determination under the California Environmental**
8 **Quality Act.**

9
10 WHEREAS, The Peninsula Corridor Joint Powers Board (“JPB”) is a joint exercise of
11 powers authority duly formed pursuant to the October 3, 1996, joint powers agreement
12 between the City and County of San Francisco, the San Mateo County Transit District
13 (“SMCTD”), and the Santa Clara Valley Transportation Authority (“VTA”) (together, the
14 "Member Agencies"); and

15 WHEREAS, The JPB operates the Caltrain passenger rail service between San
16 Francisco, California and Gilroy, California, currently serving 32 stations along the 77-mile
17 corridor; and

18 WHEREAS, Since its inception, the JPB has had no dedicated source of funding other
19 than passenger fares and, instead, relies on contributions from its Member Agencies to fill
20 minimum financial requirements in its operating and capital budgets under two different
21 funding formulas; and

22 WHEREAS, For capital costs, each of the Member Agencies (a) contributes an equal
23 amount of capital funding each year and (b) supplements operating funding based on the
24 percentage of system ridership originating in each County; and

1 WHEREAS, The levels of both capital and operating funding are determined by the
2 funding capacity of the Member Agency with the least ability to provide its share of funding in
3 any given year, and the amount that Member Agency can make available then becomes the
4 standard against which the contributions of the other Member Agencies are calculated; and

5 WHEREAS, This approach fosters an uncertain financial and planning environment for
6 the JPB, which is exacerbated by continually-escalating operating, maintenance and repair
7 costs, thereby keeping the JPB from operating at service levels that meet the rising passenger
8 demands for Caltrain service; and

9 WHEREAS, Caltrain, the seventh largest commuter rail service in the nation, operates
10 the most efficient such service based on costs per passenger mile, and has the highest
11 farebox recovery rate of all the commuter rail services nationwide at 70%, which reflects the
12 proportion of operating costs funded by passenger fares; and

13 WHEREAS, The JPB is facing significant and ever-increasing structural funding
14 shortfalls, which impact its ability to meet its operational needs, address its state of good
15 repair requirements and undertake necessary capital improvements to sustain the Caltrain
16 service; and

17 WHEREAS, The JPB has embarked upon a project to electrify its right of way between
18 San Francisco and San Jose, which will transform the Caltrain service into a more
19 environmentally sustainable, quiet and nimble operation commencing in 2022; and

20 WHEREAS, Although the electrified Caltrain service will eliminate the costs of diesel
21 fuel, Caltrain will confront new system and technological costs for operation and maintenance
22 of the electrified system, the electrical multiple unit rail cars, and the positive train control
23 system; and

24 WHEREAS, To provide a means to address the JPB's financial challenges, in 2017 the
25 Governor signed Senate Bill No. 797, introduced by Senator Jerry Hill, authorizing the JPB to

1 implement a new retail transactions and use tax of up to 0.125 percent in San Francisco, San
2 Mateo, and Santa Clara Counties (together, the "Counties") if (i) the Board of Directors of the
3 JPB adopts a resolution submitting the measure to the voters, (ii) the submission of the
4 measure to the voters is approved by the Boards of Supervisors in the Counties, (iii) the
5 submission of the measure to the voters is approved by a majority vote of the governing
6 boards of the San Francisco Municipal Transportation Agency ("SFMTA"), the SMCTD, and
7 VTA, and (iv) the tax is adopted by a two-thirds vote of the three Counties' voters; and

8 WHEREAS, The revenues derived from the one-eighth cent sales tax will provide a
9 dedicated fund source to support the operational and capital cost of the service; and

10 WHEREAS, More specifically, the tax revenues from this measure will be prioritized:

11 • To support the operation of Caltrain service levels throughout the corridor from San
12 Francisco to Gilroy, including, but not limited to, expanded service and increased capacity
13 realized through the operation of an electrified system. The required support includes the
14 maintenance of equipment, infrastructure and systems necessary to sustain and expand the
15 service;

16 • To support the infrastructure, rolling stock, and capital projects necessary to advance
17 the expansion of the Caltrain peak hour service from 6 trains per hour per direction to 8 trains
18 per hour per direction, as well as the expansion of the Gilroy service to a minimum of five
19 morning and five afternoon trains;

20 • To develop and implement programs to expand access to the Caltrain service and
21 facilitate use of the system by passengers of all income levels, including establishing an
22 affordability program with consideration of discounted passes and/or additional means-based
23 fare discounts informed by Caltrain's Means Based Fare Pilot Program; and

24 WHEREAS, Revenues will also be available to help leverage other local, regional, state
25 and federal investments to advance capital projects necessary to implement the Caltrain

1 Business Plan’s 2040 Service Vision, adopted by the Peninsula Corridor Joint Powers Board
2 on October 3, 2019; these projects include, but are not limited to: the San Francisco
3 Downtown Extension project including the Pennsylvania Avenue alignment, the extension of
4 electrified train service to Gilroy, and grade separations throughout the corridor; and

5 WHEREAS, As required by California Revenue and Taxation Code, Section
6 7286.65(b), this Resolution evidences the San Francisco Board of Supervisors’ approval for
7 the JPB to place a sales tax measure before the voters of the three Counties to provide the
8 JPB with a steady stream of funding to support the annual operating, maintenance and capital
9 needs of an electrified Caltrain service with increased frequency and capacity, which in turn
10 will reduce traffic congestion and air pollution in the three Counties; and

11 WHEREAS, On March 10, 2020, the SFMTA, under authority delegated by the
12 Planning Department, determined that the approval of the Peninsula Corridor Joint Powers
13 Board’s placement of a tax on the ballot is not a “project” under the California Environmental
14 Quality Act (“CEQA”) pursuant Title 14 of the California Code of Regulations, Sections
15 15060(c) and 15378(b); and

16 WHEREAS, A copy of the CEQA determination is on file with the Clerk of the Board of
17 Supervisors in File No. 200793, and is incorporated herein by reference; and

18 WHEREAS, On July __, 2020, the SFMTA granted its approval for the JPB to place a
19 sales tax measure before the voters of the Counties, and copy of this SFMTA resolution is on
20 file with the Clerk of the Board of Supervisors in File No. 200793, and is incorporated herein
21 by reference; and

22 WHEREAS, This tax measure is a district measure governed by the California
23 Elections Code, Division 9, Chapter 4, Section 9300, et seq.; and

24 WHEREAS, Under California Elections Code, Section 9313, the Santa Clara County
25 Counsel’s Office shall prepare the impartial analysis of this tax measure for inclusion in San

1 Francisco’s Voter Information Pamphlet, shall make the impartial analysis available for public
2 review for ten days, and shall submit the impartial analysis and available translations of that
3 impartial analysis to the San Francisco Department of Elections; and

4 WHEREAS, The San Mateo County Registrar of Voters shall serve as the district
5 elections official for this tax measure, shall make the tax measure’s legal text and arguments
6 available for public examination for ten days, and shall submit the final materials to the San
7 Francisco Department of Elections; and

8 WHEREAS, The JPB shall reimburse the San Francisco Department of Elections for its
9 incremental costs incurred due to the inclusion of this tax measure in the City and County of
10 San Francisco’s Voter Information Pamphlet, ballots, and associated materials; now,
11 therefore, be it

12 RESOLVED, That the San Francisco Board of Supervisors approves placement by the
13 Peninsula Corridor Joint Powers Board of a resolution on the November 3, 2020, ballot in
14 Santa Clara, San Mateo and San Francisco Counties to authorize the JPB to impose a one-
15 eighth of one percent (0.125%) retail transactions and use tax for a period of thirty (30) years,
16 throughout the three Counties, and subject to the following conditions (a through e) and
17 provided that all JPA member agencies commit to the same provisions in parallel sales tax
18 ballot measure approval resolutions, to enable the JPB or its successor agency to use said
19 tax revenues to fund operating and capital expenses of the Caltrain rail service, and support
20 the operating and capital needs required to implement the Service Vision adopted by the
21 Peninsula Corridor Joint Powers Board on October 3, 2019, as part of the Caltrain Business
22 Plan:

- 23 a. All revenue flowing from this November 2020 Caltrain ballot measure shall be
24 held in a Special Caltrain Escrow Account under the sole and absolute control of
25

1 the JPB Board to be disbursed by a two-thirds majority of the JPB Board except
2 as set forth in (b), (c), and (d).

3 b. If no additional Federal emergency relief funds are made available to Caltrain,
4 then the JPB commit that the first \$40M collected shall off-set member operating
5 contributions and help replace Covid-related fare losses, and be released to JPB
6 in the immediate term to maintain essential services as approved by the JPB
7 Board as to service levels and operating budgets (without requiring separate
8 SamTrans approval of the same as provided under current JPA arrangements);
9 and any unallocated funds would remain held in the Special Caltrain Escrow
10 Account and could not be used for any other purpose, other than as specified in
11 (c) or (d).

12 c. Tax proceeds net of (b) shall be released from the Special Caltrain Escrow
13 Account to JPB and tax collection and use shall be restored to JPB
14 administration following an agreement on a governance solution as approved by
15 a two-thirds majority of the JPB Board by September 30, 2021.

16 d. If a governance solution is not agreed by September 30, 2021, the JPB Board
17 may elect to release up to \$40M in additional operating funds from the Special
18 Caltrain Escrow Account to maintain essential services with the remaining sales
19 tax funds held in the Special Caltrain Escrow Account until completion of the
20 Caltrain Electrification Project or December 31, 2022, whichever occurs later. If
21 a governance solution is approved by a two-thirds majority of the JPB Board
22 action before these milestones, funds in the Special Caltrain Escrow Account
23 shall be transferred to the JPB, with unrestricted use of these and all
24 subsequent sales tax revenues by the JPB for operating or capital expenditures
25 as authorized by this measure. If a governance solution is not agreed by

1 December 31, 2022, the JPB agrees to work with the state legislative delegation
2 to seek a legislative solution in the 2023 Legislative session.

- 3 e. The JPB Board shall appoint an independent special counsel and auditor
4 (separate from those hired by SamTrans) within 90 days of placement of this
5 measure on the November 2020 ballot, to represent the JPB in all future
6 matters.

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