

File No. 190044

Committee Item No. 2

Board Item No. 2

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date February 11, 2019

Board of Supervisors Meeting

Date February 26, 2019

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
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| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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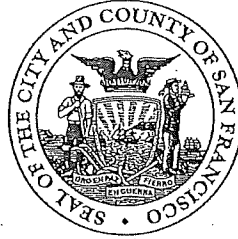
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Completed by: Linda Wong Date February 7, 2019

Completed by: Linda Wong Date February 11, 2019

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

BUDGET AND FINANCE COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Sandra Lee Fewer, Chair
Budget and Finance Committee

FROM: Linda Wong, Assistant Clerk

DATE: February 11, 2019

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, February 12, 2019

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, February 12, 2019, at 2:00 p.m. This item was acted upon at a Special Committee Meeting today, February 11, 2019, at 11:30 a.m., by the votes indicated.

Item No. 29 File No. 190044

Ordinance appropriating \$38,124,000 in excess Educational Revenue Augmentation Fund Property Taxes to the San Francisco Municipal Transportation Agency (SFMTA), including \$19,247,904 to purchase Light Rail Vehicles, \$13,800,000 to conduct energy efficiency audits and improvements at SFMTA facilities, \$5,000,000 to a Small Business Impact Mitigation Fund and a mandatory City Services Auditor baseline in FY 2018-2019; and placing \$38,124,000 on Controller's Reserve pending confirmation of cash flow timing from the State of California.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Sandra Lee Fewer - Aye
Supervisor Catherine Stefani - Aye
Supervisor Rafael Mandelman - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director

AMENDED IN COMMITTEE
2/6/19
ORDINANCE NO.

FILE NO. 190044

RO#19015
SA#25-15

1 [Appropriation - Educational Revenue Augmentation Fund Property Tax - for New Light Rail
2 Vehicles, Energy Efficiency Audits, Small Business Mitigation Fund, and Mandatory City
3 Services Auditor Baseline - SFMTA - \$38,124,000 - FY2018-2019]

4 Ordinance appropriating \$38,124,000 in excess Educational Revenue Augmentation
5 Fund Property Taxes to the San Francisco Municipal Transportation Agency (SFMTA),
6 including \$19,247,904 to purchase Light Rail Vehicles, \$13,800,000 to conduct energy
7 efficiency audits and improvements at SFMTA facilities, \$5,000,000 to a Small Business
8 Impact Mitigation Fund and a mandatory City Services Auditor baseline in FY 2018-
9 2019; and placing \$38,124,000 on Controller's Reserve pending confirmation of cash
10 flow timing from the State of California.

11 Note: Unchanged Code text and uncodified text are in plain Arial font.
12 Additions to Codes are in *single-underline italics Times New Roman font*.
13 Deletions to Codes are in *strikethrough italics Times New Roman font*.
14 Board amendment additions are in double-underlined Arial font.
15 Board amendment deletions are in ~~Arial font~~.
16 Asterisks (* * * *) indicate the omission of unchanged Code
17 subsections or parts of tables.

18 Be it ordained by the People of the City and County of San Francisco:

19 Section 1. The sources of funding outlined below are herein appropriated in General City
20 Responsibility in Fiscal Year 2018-2019.
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1 **Sources**

| 2 Fund / | Project & Activity / | Account | Description | Amount |
|-------------------------|----------------------|---------|--------------|---------------------|
| 3 Department ID | Authority | | | |
| 4 22460 MTA TS | 10011861-0069 MT | 493001 | OTI Fr 1G- | \$38,124,000 |
| 5 CAP OTHER- | PROCUREMENT | | General Fund | |
| 6 FUNDED PRJ / | OF NEW LIGHT | | | |
| 7 138678 | RAIL - Operating | | | |
| 8 MTACC Capital | General Fund / | | | |
| 9 And Constr-Cp | 14193 MTL Oper | | | |
| 10 | Conveni Fac | | | |
| 11 | Ph2_X0 | | | |
| 12 Total Sources | | | | <u>\$38,124,000</u> |

15 Section 2. The uses of funding outlined below are herein appropriated to reflect the projected
 16 funding available for light rail vehicle purchases, energy efficiency projects at SFMTA
 17 facilities, and to a Small Business Impact Mitigation Fund for FY 2018-2019.

19 **Uses**

| 20 Fund / | Project & Activity / | Account | Description | Amount |
|---------------------|-------------------------------|---------------|------------------|---------------------|
| 21 Department ID | Authority | | | |
| 22 22460 MTA TS CAP | <u>10011861-0069 MT</u> | <u>560220</u> | Rail - | \$38,047,904 |
| 23 OTHER-FUNDED PRJ | <u>PROCUREMENT OF</u> | | New Light Rail | <u>\$19,247,904</u> |
| 24 / 138678 | <u>NEW LIGHT RAIL -</u> | | Vehicle Purchase | |
| 25 | <u>Operating General Fund</u> | | | |

| 1 | Fund / | Project & Activity / | Account | Description | Amount |
|----|--------------------------|------------------------------|---------------|--------------------------|---------------------|
| 2 | Department ID | Authority | | | |
| 3 | MTACC Capital And | <u>/14193 MTL Oper</u> | | | |
| 4 | Constr-Cp | <u>Conveni Fac Ph2_X0</u> | | | |
| 5 | | | | | |
| 6 | <u>22460 MTA TS CAP</u> | <u>10034575-0145 Energy</u> | <u>567000</u> | <u>Energy Efficiency</u> | <u>\$13,800,000</u> |
| 7 | <u>OTHER-FUNDED PRJ</u> | <u>Efficiency Project/</u> | | <u>Projects</u> | |
| 8 | <u>/138678</u> | <u>XXXXXXX</u> | | | |
| 9 | <u>MTACC Capital And</u> | | | | |
| 10 | <u>Constr-Cp</u> | | | | |
| 11 | | | | | |
| 12 | <u>22460 MTA TS CAP</u> | <u>10034576-0145 MT</u> | <u>567000</u> | <u>Small Business</u> | <u>\$5,000,000</u> |
| 13 | <u>OTHER-FUNDED PRJ</u> | <u>Small Business Impact</u> | | <u>Impact Fund</u> | |
| 14 | <u>/138678</u> | <u>Fund/XXXXXXX</u> | | | |
| 15 | <u>MTACC Capital And</u> | | | | |
| 16 | <u>Constr-Cp</u> | | | | |
| 17 | | | | | |
| 18 | 22460 MTA TS CAP | 10011861-0069 MT | 581130 | 0.2% CSA Allocation | \$76,096 |
| 19 | OTHER-FUNDED PRJ | PROCUREMENT OF | | / | |
| 20 | / 138678 | NEW LIGHT RAIL - | | GF-Con-Internal | |
| 21 | MTACC Capital And | Operating General Fund | | Audits | |
| 22 | Constr-Cp | / 14193 MTL Oper | | | |
| 23 | | Conveni Fac Ph2_X0 | | | |
| 24 | Total Uses | | | | <u>\$38,124,000</u> |
| 25 | | | | | |

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Section 3. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this Ordinance as necessary to conform with Generally Accepted Accounting Principles.

Section 4. The total uses appropriations of the excess Educational Revenue Augmentation Fund Property Taxes outlined above of \$38,124,000 ~~is~~ are placed on Controller's Reserve pending confirmation of cash flow timing from the State of California.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: 
BUCK DELVENTHAL
Deputy City Attorney

FUNDS AVAILABLE:
BEN ROSENFELD, Controller

By: 
BEN ROSENFELD
Controller

| | |
|--------------------------------|---|
| <p>Item 2 File 19-0044</p> | <p>Department San Francisco Municipal Transportation Agency</p> |
|--------------------------------|---|

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance appropriates \$38,124,000 in excess Educational Revenue Augmentation Fund (ERAF) property tax to the SFMTA to (a) partially fund the purchase of light rail vehicles under the contract between SFMTA and Siemens, (b) fund energy efficiency projects at SFMTA facilities, and (c) establish a fund to mitigate the impact of construction projects on small businesses.

Key Points

- Due to recent growth in the property tax roll (20 percent in the last two years); property tax allocations to the San Francisco Unified School District and the Community College District exceed state funding requirements. The City Charter sets annual baseline funding to the SFMTA, of which \$38.1 million is the excess ERAF allocation.
- Of the \$34.1 million in funding, \$19.2 million is allocated to the purchase of light rail vehicles. Under SFMTA's contract with Seimens, Inc. (Seimens), SFMTA plans to purchase 151 light rail vehicles to replace aging vehicles, and 68 light rail vehicles to accommodate service expansions, including the Central Subway and the Warriors Stadium, totaling 219 vehicles. SFMTA has previously purchased 46 of the 68 expansion vehicles but has not purchased any of the 151 replacement vehicles.

Fiscal Impact

- SFMTA has \$641.9 million in funds that are available or that have been committed (including the \$19.2 million appropriation of excess ERAF funds), and anticipates an additional \$449.1 million in Metropolitan Transportation Commission funds, totaling \$1.1 billion for the purchase of 219 vehicles. This amount includes \$349.8 million previously spent or encumbered, and \$778 million remaining.
- As noted above, 46 of the 68 light rail vehicles needed for service expansion have been purchased. SFMTA plans to purchase the remaining 22 vehicles in 2019. SFMTA plans to purchase the 151 replacement light rail vehicles between 2020 and 2025.
- In order to fully fund the purchase of the 219 light rail vehicles, SFMTA anticipates receiving \$449.1 million from the Metropolitan Transportation Commission for the Federal Transit Administration grant. SFMA will still need to identify \$37.0 million to fully fund the purchase of the light rail vehicles.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

The San Francisco Municipal Transportation Agency (SFMTA) currently operates 151 light-rail vehicles over 71.5 miles of track throughout the City. Many of the current fleet of light-rail vehicles started operating in 1996 with a 25-year operating life through 2021. Ansaldo Breda, Inc. (Breda), a private for-profit company, built and assembled the current fleet of MTA light-rail vehicles.

The Board of Supervisors approved a contract between SFMTA and Siemens, Inc. (Siemens) in September 2014 for the purchase of 151 light rail vehicles between FY 2021-22 and FY 2027-28 to replace the Breda light rail vehicles (File 14-0882). The contract provided for the purchase of up to 260 light rail vehicles in total.

SFMTA originally planned to also purchase 64 light rail vehicles between FY 2016-17 and FY 2020-21, in addition to the 151 replacement light rail vehicles, to expand the light rail vehicle fleet to accommodate service growth and the opening of the Central Subway. Subsequently, in order to accommodate service growth due to the new Warriors Stadium, SFMTA added four light rail vehicles to the plan to expand the number of light rail vehicles, for 68 total light rail vehicles to expand the fleet. As of January 2019, 46 of the 68 new light rail vehicles for the expanded fleet have been received and placed into active service.

According to an October 2018 memorandum from SFTMA staff to the SFMTA Board of Directors, subsequent to the signing of the initial contract in 2014, SFMTA and Siemens agreed to an accelerated delivery schedule for the expanded fleet vehicles; the delivery of the remaining 22 expanded fleet vehicles would be completed by September 2019, or approximately three months earlier than the previous delivery date of December 2019. The accelerated delivery schedule is to accommodate the planned opening date of the Central Subway, which is currently anticipated to be complete in December 2019.

In addition, according to SFMTA, SFMTA and Siemens agreed to work out the terms of an accelerated delivery of the 151 replacement vehicles that compressed the original delivery time frame from six and a half years to only five years. The first replacement vehicles are currently planned to be delivered in approximately April of 2020, and deliveries will continue through March of 2025. According to SFMTA, the accelerated purchase of the 151 replacement light rail vehicles will result in reduced costs and out-of-service time for vehicle maintenance, and will allow SFMTA to achieve cost savings by reducing the 5 percent per year price escalation in the contract with Siemens.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance appropriates \$38,124,000 in excess Educational Revenue Augmentation Fund (ERAF) property tax to the SFMTA to (a) partially fund the purchase of light rail vehicles under the contract between SFMTA and Siemens, (b) fund energy efficiency projects at SFMTA facilities, and (c) establish a fund to mitigate the impact of construction projects on small businesses.

Excess ERAF Property Tax

In 1992 and 1993, the State directed all counties to create an Educational Revenue Augmentation Fund (ERAF) and divert local property tax revenue into the fund for public school systems in each county. In San Francisco, 25 percent of collections from the base property tax rate are allocated to ERAF. When the fund has sufficient money to meet minimum state funding requirements for public schools and community colleges, excess funds are returned to the local governments.

Due to recent growth in the property tax roll (20 percent in the last two years), property tax allocations to the San Francisco Unified School District and the Community College District exceed state funding requirements for the first time since the creation of the fund, and the City will recognize approximately \$415 million in excess ERAF property tax revenue in FY 2018-19, including \$208 million attributable to FY 2017-18 and \$207 million attributable to FY 2018-19. According to Charter provisions adopted by the voters, approximately \$74 million of the \$415 million must be allocated to various baselines and approximately \$156 million to Rainy Day Reserves, and the balance of approximately \$185 million is available for any public purpose.

FISCAL IMPACT

The appropriation of \$38,124,000 in excess ERAF funds is shown in Table 1 below.

Table 1: Summary of Appropriation

| | |
|------------------------------|---------------------|
| Source | |
| Excess ERAF | \$38,124,000 |
| Uses | |
| Light Rail Vehicle Purchases | \$19,247,904 |
| Energy Efficiency Projects | 13,800,000 |
| Small Business Impact Fund | 5,000,000 |
| City Services Auditor | <u>76,096</u> |
| Total | \$38,124,000 |

Light Rail Vehicles

Under the contract with Seimens, SFMTA plans to purchase 68 light rail vehicles to expand the fleet and 151 light rail vehicles to replace existing light rail vehicles that have reached the end

of their useful life. As noted above and shown in Table 2 below, SFMTA has purchased 46 of the 68 fleet expansion vehicles and none of the 151 replacement vehicles.

Table 2: Purchase of Light Rail Vehicles

| LRV Purchase Plan | Total in Contract | Purchased | Remaining to be purchased |
|-------------------|-------------------|-------------|---------------------------|
| Expansion | 68 | (46) | 22 |
| Replacement | 151 | 0 | 151 |
| Total | 219 | (46) | 173 |

Source: SFMTA

The total cost to purchase 219 light rail vehicles under the contract with Siemens is \$1.1 billion. SFMTA has spent or encumbered \$349.8 million for the purchase of the 46 light rail vehicles to expand the fleet¹, as shown in Table 3 below, with costs of \$778 million to purchase the remaining 173 light rail vehicles.

Table 3: Prior and Remaining Project Amount by Funding Source

| Source | Spent/ Encumbered | Remaining | Total |
|--|----------------------|----------------------|------------------------|
| Proposition K Sales Tax | \$131,153,144 | \$62,767,634 | \$193,920,778 |
| Metropolitan Transportation Commission | | | |
| Transit Capital Priorities | 0 | 449,062,643 | 449,062,643 |
| Bay Area Toll Authority | 0 | 79,838,236 | 79,838,236 |
| GF New Revenue | 0 | 19,247,904 | 19,247,904 |
| SFTMA - Revenue Bond | 122,874,837 | 22,175,813 | 145,050,650 |
| Federal Transit Administration | | | |
| 5307 Urbanized Area Formula Program | 10,227,539 | 0 | 10,227,539 |
| Central Subway | 16,800,000 | 0 | 16,800,000 |
| Operating | 6,947,719 | 1,052,281 | 8,000,000 |
| Caltrans | | | |
| Transit & Intercity Rail Capital Program | 61,823,800 | 51,316,200 | 113,140,000 |
| Regional Measure 3 Bridge Toll | 0 | 55,661,139 | 55,661,139 |
| Funding To Be Determined | | 37,026,111 | 37,026,111 |
| Total | \$349,827,039 | \$778,147,961 | \$1,127,975,000 |

Source: SFMTA

Of the total \$1.1 billion to purchase 219 light rail vehicles, SFMTA has commitments for \$660.8 million in funds from federal, state, and local sources (including the \$19.2 million in excess ERAF funds), as shown in Table 4 below, and anticipates an additional \$449 million in Transit Capital Priorities funds.

¹ This includes the purchase price of each vehicle and associating costs including spare parts, manuals, training, special tools and equipment, and other costs.

Table 4: Committed and Anticipated Funds

| Source | Committed | Anticipated | Total |
|--|----------------------|----------------------|------------------------|
| Proposition K Sales Tax | 193,920,778 | 0 | 193,920,778 |
| Metropolitan Transportation Commission | | | |
| Transit Capital Priorities | 0 | 449,062,643 | 449,062,643 |
| Bay Area Toll Authority | 79,838,236 | 0 | 79,838,236 |
| GF New Revenue | 19,247,904 | 0 | 19,247,904 |
| SFTMA - Revenue Bond | 145,050,650 | 0 | 145,050,650 |
| Federal Transit Administration | | | |
| 5307 Urbanized Area Formula Program | 10,227,539 | 0 | 10,227,539 |
| Central Subway | 16,800,000 | 0 | 16,800,000 |
| Operating | 8,000,000 | | 8,000,000 |
| Caltrans | | | |
| Transit & Intercity Rail Capital Program | 113,140,000 | 0 | 113,140,000 |
| Regional Measure 3 Bridge Toll | 55,661,139 | 0 | 55,661,139 |
| Total | \$641,886,246 | \$449,062,643 | \$1,090,948,889 |
| Additional Funding -- To Be Determined | | | 37,026,111 |
| Total | | | \$1,127,975,000 |

Source: SFMTA

Of the \$641.9 million in committed funds, SFMTA has received \$397.5 million.² In addition, the SFMTA anticipates \$449.1 million in Metropolitan Transportation Commission funds for Transit Capital Priorities. The Transit Capital Priorities funds are Federal Transit Administration funds granted to the Metropolitan Transportation Commission based on a formula. According to SFMTA staff, the Metropolitan Transportation Commission prioritizes transit vehicle replacement, and SFMTA expects to receive these funds between FY 2020-21 and FY 2024-25.

RECOMMENDATION

Approve the proposed ordinance.

² Funds that have been committed but not received include \$62.8 million in Proposition K sales tax revenues from the San Francisco County Transportation Authority, \$79.8 million from the Metropolitan Transportation Commission from bridge tolls, \$19.2 million in excess ERAF funds, \$26.9 million from Caltrans from the Transit & Intercity Rail Program, and \$55.7 million from Regional Measure 3 bridge tolls. According to SFMTA, (a) the San Francisco County Transportation Authority has programmed the \$62.8 million for FY 2021-22 through FY 2024-25 as part of the Five-Year Prioritization Program and Strategic Plan; (b) of the \$79.8 million from the Metropolitan Transportation Commission, \$59 million was allocated on January 23, 2019 and is now available to SFMTA and the remaining \$21 million is expected to be available later in the year; (c) SFMTA and Caltrans are in the process of executing the grant agreement for \$26.9 million in Transit & Intercity Rail Program funds; and (d) \$55.6 in Regional Measure 3 Bridge Toll funds are part of the \$140 million Regional Measure 3 allocation to SFMTA (a lawsuit is pending challenging Measure 3's validity).

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| <p>Item 6 File 19-0044</p> | <p>Department San Francisco Municipal Transportation Agency</p> |
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance appropriates \$38,124,000 in excess Educational Revenue Augmentation Fund (ERAF) property tax to the San Francisco Municipal Transportation Agency (SFMTA) to partially fund the purchase of light rail vehicles under the contract between SFMTA and Siemens

Key Points

- Due to recent growth in the property tax roll (20 percent in the last two years), property tax allocations to the San Francisco Unified School District and the Community College District exceed state funding requirements. The City Charter sets annual baseline funding to the SFMTA, of which \$38.1 million is the excess ERAF allocation.
- Under SFMTA's contract with Siemens, Inc. (Siemens), SFMTA plans to purchase 151 light rail vehicles to replace aging vehicles, and 68 light rail vehicles to accommodate service expansions, including the Central Subway and the Warriors Stadium, totaling 219 vehicles. SFMTA has previously purchased 46 of the 68 expansion vehicles but has not purchased any of the 151 replacement vehicles.

Fiscal Impact

- SFMTA has \$660.7 million in funds that are available or that have been committed (including the \$38.1 million appropriation of excess ERAF funds), and anticipates an additional \$449.1 million in Metropolitan Transportation Commission funds, totaling \$1.1 billion for the purchase of 219 vehicles. This amount includes \$349.8 million previously spent or encumbered, and \$760 million remaining.
- As noted above, 46 of the 68 light rail vehicles needed for service expansion have been purchased. SFMTA plans to purchase the remaining 22 vehicles in 2019. SFMTA plans to purchase the 151 replacement light rail vehicles between 2020 and 2023.
- In order to fully fund the purchase of the 219 light rail vehicles, SFMTA anticipates receiving \$449.1 million from the Metropolitan Transportation Commission for Transit Capital Priorities. The Transit Capital Priorities funds are Federal Transit Administration funds granted to the Metropolitan Transportation Commission based on a formula. According to SFMTA staff, the Metropolitan Transportation Commission prioritizes transit vehicle replacement, and SFMTA expects to receive these funds in a timeframe that allows for the purchase of the vehicles.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

The San Francisco Municipal Transportation Agency (SFMTA) currently operates 151 light-rail vehicles over 71.5 miles of track throughout the City. Many of the current fleet of light-rail vehicles started operating in 1996 with a 25-year operating life through 2021. Ansaldo Breda, Inc. (Breda), a private for-profit company, built and assembled the current fleet of MTA light-rail vehicles.

The Board of Supervisors approved a contract between SFMTA and Siemens, Inc. (Siemens) in September 2014 for the purchase of 151 light rail vehicles between FY 2021-22 and FY 2027-28 to replace the Breda light rail vehicles (File 14-0882). The contract provided for the purchase of up to 260 light rail vehicles in total.

SFMTA originally planned to also purchase 64 light rail vehicles between FY 2016-17 and FY 2020-21, in addition to the 151 replacement light rail vehicles, to expand the light rail vehicle fleet to accommodate service growth and the opening of the Central Subway. Subsequently, in order to accommodate service growth due to the new Warriors Stadium, SFMTA added four light rail vehicles to the plan to expand the number of light rail vehicles, for 68 total light rail vehicles to expand the fleet. As of January 2019, 46 of the 68 new light rail vehicles for the expanded fleet have been received and placed into active service.

According to an October 2018 memorandum from SFMTA staff to the SFMTA Board of Directors, subsequent to the signing of the initial contract in 2014, SFMTA and Siemens agreed to an accelerated delivery schedule for the expanded fleet vehicles; the delivery of the remaining 22 expanded fleet vehicles would be completed by September 2019, or approximately three months earlier than the previous delivery date of December 2019. The accelerated delivery schedule is to accommodate the planned opening date of the Central Subway, which is currently anticipated to be complete in December 2019.

In addition, according to SFMTA, SFMTA and Siemens agreed to work out the terms of an accelerated delivery of the 151 replacement vehicles that compressed the original delivery time frame from six and a half years to only five years. The first replacement vehicles are currently planned to be delivered in approximately April of 2020, and deliveries will continue through March of 2023. According to SFMTA, the accelerated purchase of the 151 replacement light rail vehicles will result in reduced costs and out-of-service time for vehicle maintenance, and will allow SFMTA to achieve cost savings by reducing the 5 percent per year price escalation in the contract with Siemens.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance appropriates \$38,124,000 in excess Educational Revenue Augmentation Fund (ERAF) property tax to the SFMTA to partially fund the purchase of light rail vehicles under the contract between SFMTA and Siemens.

Excess ERAF Property Tax

In 1992 and 1993, the State directed all counties to create an Educational Revenue Augmentation Fund (ERAF) and divert local property tax revenue into the fund for public school systems in each county. In San Francisco, 25 percent of collections from the base property tax rate are allocated to ERAF. When the fund has sufficient money to meet minimum state funding requirements for public schools and community colleges, excess funds are returned to the local governments.

Due to recent growth in the property tax roll (20 percent in the last two years), property tax allocations to the San Francisco Unified School District and the Community College District exceed state funding requirements for the first time since the creation of the fund, and the City will recognize approximately \$415 million in excess ERAF property tax revenue in FY 2018-19, including \$208 million attributable to FY 2017-18 and \$207 million attributable to FY 2018-19. According to Charter provisions adopted by the voters, approximately \$74 million of the \$415 million must be allocated to various baselines and approximately \$156 million to Rainy Day Reserves, and the balance of approximately \$185 million is available for any public purpose.

FISCAL IMPACT

Under the contract with Seimens, SFMTA plans to purchase 68 light rail vehicles to expand the fleet and 151 light rail vehicles to replace existing light rail vehicles that have reached the end of their useful life. As noted above and shown in Table 1 below, SFMTA has purchased 46 of the 68 fleet expansion vehicles and none of the 151 replacement vehicles.

Table 1: Purchase of Light Rail Vehicles

| LRV Purchase Plan | Total in Contract | Purchased | Remaining to be purchased |
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| Replacement | 151 | 0 | 151 |
| Total | 219 | (46) | 173 |

Source: SFMTA

The total cost to purchase 219 light rail vehicles under the contract with Siemens is \$1.1 billion. SFMTA has spent or encumbered \$349.8 million for the purchase of the 46 light rail vehicles to expand the fleet¹, as shown in Table 2 below, with costs of \$760 million to purchase the remaining 173 light rail vehicles.

¹ This includes the purchase price of each vehicle and associating costs including spare parts, manuals, training, special tools and equipment, and other costs.

Table 2: Prior and Remaining Project Amount by Funding Source

| Source | Spent/ Encumbered | Remaining | Total |
|--|----------------------|----------------------|------------------------|
| Proposition K Sales Tax | \$131,153,144 | \$62,767,634 | \$193,920,778 |
| Metropolitan Transportation Commission | | | |
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| Bay Area Toll Authority | 0 | 79,838,236 | 79,838,236 |
| GF New Revenue | 0 | 38,124,000 | 38,124,000 |
| SFTMA - Revenue Bond | 122,874,837 | 22,175,813 | 145,050,650 |
| Federal Transit Administration | | | |
| 5307 Urbanized Area Formula Program | 10,227,539 | 0 | 10,227,539 |
| Central Subway | 16,800,000 | 0 | 16,800,000 |
| Operating | 6,947,719 | 1,052,281 | 8,000,000 |
| Caltrans | | | |
| Transit & Intercity Rail Capital Program | 61,823,800 | 51,316,200 | 113,140,000 |
| Regional Measure 3 Bridge Toll | 0 | 55,661,139 | 55,661,139 |
| Total | \$349,827,039 | \$759,997,946 | \$1,109,824,985 |

Source: SFMTA

Of the total \$1.1 billion to purchase 219 light rail vehicles, SFMTA has commitments for \$660.8 million in funds from federal, state, and local sources (including the \$38.4 million in excess ERAF funds), as shown in Table 3 below, and anticipates an additional \$449 million in Transit Capital Priorities funds.

Table 3: Committed and Anticipated Funds

| Source | Committed | Anticipated | Total |
|--|----------------------|----------------------|------------------------|
| Proposition K Sales Tax | 193,920,778 | 0 | 193,920,778 |
| Metropolitan Transportation Commission | | | |
| Transit Capital Priorities | 0 | 449,062,643 | 449,062,643 |
| Bay Area Toll Authority | 79,838,236 | 0 | 79,838,236 |
| GF New Revenue | 38,124,000 | 0 | 38,124,000 |
| SFTMA - Revenue Bond | 145,050,650 | 0 | 145,050,650 |
| Federal Transit Administration | | | |
| 5307 Urbanized Area Formula Program | 10,227,539 | 0 | 10,227,539 |
| Central Subway | 16,800,000 | 0 | 16,800,000 |
| Operating | 8,000,000 | | 8,000,000 |
| Caltrans | | | |
| Transit & Intercity Rail Capital Program | 113,140,000 | 0 | 113,140,000 |
| Regional Measure 3 Bridge Toll | 55,661,139 | 0 | 55,661,139 |
| Total | \$660,762,342 | \$449,062,643 | \$1,109,824,985 |
| Additional Funding – To Be Determined | | | 18,150,139 |
| Total | | | \$1,127,975,124 |

Source: SFMTA

Of the \$660.8 million in committed funds, SFMTA has received \$397.5 million.² In addition, the SFMTA anticipates \$449.1 million in Metropolitan Transportation Commission funds for Transit Capital Priorities. The Transit Capital Priorities funds are Federal Transit Administration funds granted to the Metropolitan Transportation Commission based on a formula. According to SFMTA staff, the Metropolitan Transportation Commission prioritizes transit vehicle replacement, and SFMTA expects to receive these funds between FY 2020-21 and FY 2024-25, which allows SFMTA to meet the purchase obligations under its contract with Siemens for the purchase of the 151 replacement light rail vehicles.

RECOMMENDATION

Approve the proposed ordinance.

² Funds that have been committed but not received include \$62.8 million in Proposition K sales tax revenues from the San Francisco County Transportation Authority, \$79.8 million from the Metropolitan Transportation Commission from bridge tolls, \$38.1 million in excess ERAF funds, \$26.9 million from Caltrans from the Transit & Intercity Rail Program, and \$55.7 million from Regional Measure 3 bridge tolls. According to SFMTA, (a) the San Francisco County Transportation Authority has programmed the \$62.8 million for FY 2021-22 through FY 2024-25 as part of the Five-Year Prioritization Program and Strategic Plan; (b) of the \$79.8 million from the Metropolitan Transportation Commission, \$59 million was allocated on January 23, 2019 and is now available to SFMTA and the remaining \$21 million is expected to be available later in the year; (c) SFMTA and Caltrans are in the process of executing the grant agreement for \$26.9 million in Transit & Intercity Rail Program funds; and (d) \$55.6 in Regional Measure 3 Bridge Toll funds are part of the \$140 million Regional Measure 3 allocation to SFMTA (a lawsuit is pending challenging Measure 3's validity).

Member, Board of Supervisors
District 1



City and County of San Francisco

SANDRA LEE FEWER
李麗嫦 市參事

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2019 FEB - 6
AM 8:31
BY _____

DATE: February 5, 2019
TO: Angela Calvillo
Clerk of the Board of Supervisors
FROM: Supervisor Sandra Lee Fewer
Chairperson
RE: Budget and Finance Committee
SPECIAL MEETING

Sandra Lee Fewer

As Chair of the Budget and Finance Committee, I request a special Budget and Finance Committee meeting for Monday, February 11, 2019, at 11:30am to hear and consider the following items, as committee reports to be considered at the February 12, 2019 Board of Supervisors meeting:

File No. 181185 - Appropriation - Educational Revenue Augmentation Fund Property Tax - Homeless and Behavioral Health Services, Affordable Housing, and Mandatory Baseline Contributions - \$220,546,870 - FY2018-2019

Ordinance appropriating a total of \$220,546,870 in excess Education Revenue Augmentation Fund Property Taxes to support homelessness and behavioral health services and for affordable housing projects for \$185,850,616; mandatory baselines contributions for \$34,696,254; and placing \$220,546,870 on Controller's Reserve pending confirmation of cash flow timing from the State of California.

File No. 181186 - Appropriation - Educational Revenue Augmentation Fund Property Tax \$220,545,896 - Rainy Day One-Time Reserve Funds \$10,900,000 - MOHCD - DCYF - Public Library - HSA - PW - DPH - FY2018-2019

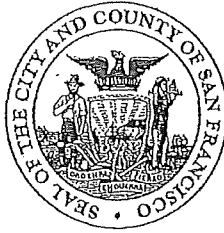
Ordinance appropriating \$181,000,000 of excess Education Revenue Augmentation Fund Property Taxes to the Mayor's Office of Housing and Community Development and Department of Public Health for affordable housing small site, single residence occupancy hotel, and behavioral health acquisition and renovation, and to the Human Services Agency for early childhood education bridge funding, and to support utility distribution acquisition.

File No. 190044 - Appropriation - Educational Revenue Augmentation Fund Property Tax - New Light Rail Vehicles - Municipal Transportation Agency - \$38,124,000 - FY2018-2019

Ordinance appropriating \$38,124,000 in excess Educational Revenue Augmentation Fund Property Taxes to the Municipal Transportation Agency to purchase light rail vehicles in FY2018-2019; and placing \$38,124,000 on Controller's Reserve pending confirmation of cash flow timing from the State of California.

RECEIVED
1/17/19 @ 4:05 PM
AK

President, District 7
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. 554-6516
Fax No. 554-7674
TDD/TTY No. 544-6546

Norman Yee

PRESIDENTIAL ACTION

Date: 1/17/2019

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,
Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. 190044 Department
(Primary Sponsor)

Title: Appropriation - Educational Revenue Augmentation Fund Property
Tax - New Light Rail Vehicles - San Francisco Municipal

Transferring (Board Rule No 3.3)

File No. _____
(Primary Sponsor)

Title.

From: _____ Committee

To: _____ Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

Norman Yee, President
Board of Supervisors

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

2019 JAN 15 PM 4:21

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Kanishka Karunaratne Cheng *KKC*
RE: Appropriation - San Francisco Municipal Transportation Agency (SFMTA)
- Educational Revenue Augmentation Fund Property Tax for New Light
Rail Vehicles - \$38,124,000 - FY2018-2019
DATE: 1/15/2019

Ordinance appropriating \$38,124,000 in excess Educational Revenue Augmentation Fund Property Taxes to the San Francisco Municipal Transportation Agency (SFMTA) to purchase Light Rail Vehicles in FY 2018-2019; and placing \$38,124,000 on Controller's Reserve pending confirmation of cash flow timing from the State of California.

Should you have any questions, please contact Kanishka Karunaratne Cheng at 415-554-6696.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

