

File No. 190044

Committee Item No. 6
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date February 6, 2019

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong
Completed by: Linda Wong

Date February 1, 2019
Date _____

1 [Appropriation - Educational Revenue Augmentation Fund Property Tax - New Light Rail
2 Vehicles - Municipal Transportation Agency - \$38,124,000 - FY2018-2019]

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

7
8 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
9 **Additions to Codes** are in *single-underline italics Times New Roman font*.
10 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
11 **Board amendment additions** are in double-underlined Arial font.
12 **Board amendment deletions** are in ~~strikethrough Arial font~~.
13 **Asterisks (* * *)** indicate the omission of unchanged Code
14 subsections or parts of tables.

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

16 Section 1. The sources of funding outlined below are herein appropriated in General City
17 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 CAP	10011861-0069 MT	493001	OTI Fr 1G-General	\$38,124,000
5	OTHER-FUNDED PRJ	PROCUREMENT OF		Fund	
6	/ 138678	NEW LIGHT RAIL -			
7	MTACC Capital And	Operating General Fund			
8	Constr-Cp	/ 14193 MTL Oper			
9		Conveni Fac Ph2_X0			
10	Total Sources				\$38,124,000

11
 12 Section 2. The uses of funding outlined below are herein appropriated to reflect the projected
 13 funding available for light rail vehicle purchases for FY 2018-2019.
 14

15 **Uses**

16	Fund /	Project & Activity /	Account	Description	Amount
17	Department ID	Authority			
18	22460 MTA TS CAP	10011861-0069 MT	560220	Rail -	\$38,047,904
19	OTHER-FUNDED PRJ	PROCUREMENT OF		New Light Rail	
20	/ 138678	NEW LIGHT RAIL -		Vehicle Purchase	
21	MTACC Capital And	Operating General Fund			
22	Constr-Cp	/ 14193 MTL Oper			
23		Conveni Fac Ph2_X0			

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Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
22460 MTA TS CAP	10011861-0069 MT	581130	0.2% CSA Allocation	\$76,096
OTHER-FUNDED PRJ / 138678	PROCUREMENT OF NEW LIGHT RAIL - Operating General Fund		/ GF-Con-Internal Audits	
MTACC Capital And Constr-Cp	/ 14193 MTL Oper Conveni Fac Ph2_X0			
Total Uses				\$38,124,000

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 appropriation of the excess Educational Revenue Augmentation Fund Property Taxes outlined above of \$38,124,000 is placed on Controller's Reserve pending confirmation of cash flow timing from the State of California.

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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 6 File 19-0044</p>	<p>Department San Francisco Municipal Transportation Agency</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • 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 <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • 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 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. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • 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. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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 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
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 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			
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	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	<u>55,661,139</u>	<u>0</u>	<u>55,661,139</u>
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).

RECEIVED
1/17/19 @ 4:55pm
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D/City/ATM
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President, District 7
BOARD of SUPERVISORS



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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.