



SFMTA
Municipal

Edwin M. Lee, *Mayor*

Tom Nolan, *Chairman*

Malcolm Heinicke, *Director*

Joel Ramos, *Director*

Edward D. Reiskin, *Director of Transportation*

Cheryl Brinkman, *Vice-Chairman*

Jerry Lee, *Director*

Cristina Rubke, *Director*

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Memorandum

To: Angela Calvillo, Clerk of the San Francisco Board of Supervisors

From: Edward D. Reiskin, *[Signature]*
Director of Transportation, San Francisco Municipal Transportation Agency

Date: June 6, 2014

Re: Appeal of CEQA Determination - SFMTA Fiscal Year 2015 and 2016 Two-Year Capital and Operating Budget

Hearing Date: June 17, 2014

Introduction

In response to an appeal submitted to the Board of Supervisors, the San Francisco Municipal Transportation Agency (SFMTA) submits this memorandum in support of SFMTA Resolution No. 14-061 and the California Environmental Quality Act (CEQA) determination made in connection therewith.

On April 15, 2014, the SFMTA determined that the SFMTA’s Fiscal Year 2015 and 2016 Two-Year Operating and Capital Budget (Budget) was statutorily exempt from CEQA under Public Resources Code Section 21080(b)(8) and CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges). This appeal challenges that determination. The Budget is necessary for the SFMTA to perform its wide range of services to the people of San Francisco, including providing Muni transit service, management of the City’s surface transportation system, bicycle and pedestrian programs, on- and off-street parking operations, and oversight of the taxi industry.

SFMTA Budget

The SFMTA Operating Budget for FY 2015 and FY 2016 is \$943.2 million and \$962.6 million respectively, and the FY 2015 and FY 2016 Capital Budget is \$562.9 million and \$669.0 million respectively. The FY 2016 Capital Budget includes \$32 million which is contingent upon voter approval of possible November 2014 ballot initiatives.

The Budget supports all of the Agency’s Strategic Plan Goals which include:

- Create a safer transportation experience for everyone
- Make transit, walking, bicycling, taxi, ridesharing and carsharing the most attractive and preferred means of travel
- Improve the environment and quality of life in San Francisco
- Create a workplace that delivers outstanding service

The SFMTA is required by the Charter to submit a balanced budget to the Mayor and the Board of Supervisors no later than May 1 of each even numbered year, after holding public hearings and receiving the recommendations of the Citizens’ Advisory Council (CAC). The SFMTA Board held several public hearings to receive input and recommendations on the Budget. In addition to these public

hearings, the Agency held Town Hall meetings to hear public comment on the Budget, and received public comment via mail and email. The Citizens' Advisory Committee and their Finance Committee also held several meetings to consider the Budget.

The SFMTA Board conducted a noticed public hearing on April 15, 2014, and approved Resolution No. 14-0161 which adopted the Budget and included the following:

- Changes to the various SFMTA fines fees, fares, rates, and charges;
- Continuation of the free Muni for low and moderate income youth program;
- Funding for a three percent Muni service increase in FY 2015;
- Funding for an additional seven percent increase in Muni service in FY 2016, transit vehicle fleet cleaning and appearance, and Free Muni for low and moderate income 18 year olds, seniors, and/or disabled customers depending on a determination of the agency's fiscal health in January, 2015;
- Elimination of the in-person customer service center fee;
- Possible elimination of the telephone and on-line computer customer transaction fee effective April 1, 2015; and
- Elimination of parking meter enforcement on Sundays.

Making Transportation Affordable for All

The Budget includes the continuation of the popular free Muni for low and moderate income youth program. In addition, provisions for a new free Muni for low and moderate income seniors and/or disabled riders programs were supported by the SFMTA Board, and may be implemented contingent upon a review of the agency's fiscal health in January 2015. Sunday parking meter enforcement was also eliminated.

Operating Budget

The focus of this two-year Operating Budget is twofold. First, to add transit service based on the Transit Effectiveness Project recommendations, and second, to address affordability concerns based on recent information on our ridership that indicates more than half of Muni riders are low income.

In recognition of ridership demand, the Operating Budget includes a 3% transit service increase in FY 2015. To support affordability goals, the two-year Operating Budget continues the Free Muni for Low and Moderate Income Youth program.

The Operating Budget includes the following:

- Continuation of Free Muni for Low and Moderate Income Youth program for FY 2015 and FY 2016
- Retaining the youth, senior and disabled discounts for Muni cash fares and passes at 65%
- Eliminating enforcement of parking meters on Sundays between the hours of 12 pm and 6 pm
- Funding a 3% Transit Service Increase in FY 2015
- Reduction in legal claims and judgments, and worker's compensation claims costs

- Implementing some or all of the following programs or services, contingent upon a determination by the SFMTA Board of the agency's fiscal health in January 2015:
 - Providing Free Muni for low and moderate income seniors and/or disabled riders effective June 1, 2015
 - Funding an additional 7% increase in transit services in FY 2016
 - Allocating additional funding for transit vehicle fleet cleaning and appearance.
 - Eliminating the telephone and on-line computer service transaction fees effective April 1, 2015

Capital Budget

The Capital Budget includes funding for core infrastructure projects such as biking and pedestrian safety, Muni fleet replacement and expansion, traffic signal upgrades, facility replacement/repair projects, street improvements on Market Street, the Central Subway project, implementation of the Vision Zero project, and many other transit and transportation related projects.

CEQA Exemption

Under authority delegated from the Planning Department, the SFMTA issued a statutory exemption from CEQA on April 15, 2014 (case number 2014.0433e) based on California Public Resources Code Section 21080(b)(8) and CEQA State Guidelines Section 15273.

Section 15273(a) states that: "CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares or other charges by public agencies which the public agency finds are for the purpose of: (1) Meeting operating expenses, including employee wage rates and fringe benefits, (2) Purchasing or leasing supplies, equipment, or materials, (3) Meeting financial reserve needs and requirements, (4) Obtaining funds for capital projects, necessary to maintain service within existing service areas, or (5) Obtaining funds necessary to maintain such intra-city transfers as are authorized by City charter." This statutory exemption is commonly used by many City department budgets which include adjustments to rates, fees or other charges.

SFMTA Resolution No. 14-061 approved changes to numerous fines, fees, rates, fares, and other charges, such as increasing parking citation fines, increasing parking permit fees, and increasing transit fares. The Resolution also eliminated enforcement of parking meters at most City parking meters on Sundays between noon and 6 p.m. effective July 1, 2014. These changes clearly fall within the statutory exemption provided under California Public Resources Code Section 21080(b)(8) and CEQA State Guidelines Section 15273.

Further, Section 15273(c) states: "The public agency shall incorporate written findings in the record of the proceeding in which an exemption under this section is claimed setting forth with specificity the basis for the claim of exemption." These findings were incorporated into the record of the proceedings in which the Budget was approved by the SFMTA Board of Directors on April 15, 2014.

Specifically, SFMTA Resolution No. 14-061 includes the following clauses: “WHEREAS, The SFMTA Board desires to eliminate enforcement of parking meters on Sundays between the hours of 12 pm and 6 pm including the four-hour time limit for parking at a meter on Sundays effective July 1, 2014;” and “RESOLVED, That the SFMTA Board eliminates enforcement of parking meters on Sundays between the hours of 12 pm and 6 pm including the four-hour time limit for parking at a meter on Sundays.”

In addition, SFMTA Resolution 14-061 states that: “WHEREAS, the changes in various fees, fares, rates and charges itemized in Attachment A are necessary to meet SFMTA operating expenses, including employee wages and benefits or to purchase and lease essential supplies, equipment and materials...”

This statement satisfies the requirement that the agency incorporate written findings in the record setting forth with specificity the basis for the claim of exemption. (*Great Oaks Water Co. v. Santa Clara Valley Water Dist.* (2009) 170 Cal.App.4th 956, 972.) Attachment A is a table setting forth the various changes in rates, fees, charges and fines, including parking citation increases for violating parking meter regulations such as not paying to park at a meter, or parking at a meter longer than allowed. Appellants’ contention that, since Attachment A does not mention the elimination of Sunday parking meter enforcement, the CEQA findings are inadequate is incorrect. The CEQA findings address and apply to the entire Budget since all of the anticipated revenue listed in Attachment A - including revenue derived from parking meter regulations which includes citation and meter fees - will be used to meet SFMTA operating expenses, including employee wage rates and fringe benefits, or to purchase or lease supplies, equipment, or materials.

Even though the SFMTA's decision to eliminate Sunday parking meter enforcement may have a budgetary impact through the loss of some parking meter citation fines and fees, the SFMTA Budget raises many other rates, fees, and charges which more than offsets the reduction in revenue from operating parking meters on Sundays. For example, the fine for illegally parking at a parking meter in the downtown core would increase from the existing \$74 in FY 14 to \$76 in Fiscal Year 15 and to \$78 in Fiscal Year 16. The charge for contractor parking permits would increase from \$920 per year in Fiscal Year 14 to \$929 per year in Fiscal Year 15 and to \$938 per year in Fiscal Year 16. The fee for a monthly Adult “A” Fast Pass would increase from \$76 in Fiscal Year 14 to \$80 in Fiscal Year 15 to \$83 in Fiscal Year 16. Some other charges would decrease. For example, the existing in-person customer service center fee is eliminated. Overall, the SFMTA budget for Fiscal Years 15 and 16 is balanced. The requirement that the SFMTA incorporate written findings in the record for which the statutory exemption has been claimed setting forth with specificity the basis for the claim of exemption has been satisfied.

Conclusion

The Board of Supervisors should uphold the determination that the Budget is statutorily exempt pursuant to California Public Resources Code Section 21080(b)(8) and CEQA State Guidelines Section 15273 and deny this appeal.

Memo to Board of Supervisors
Appeal of CEQA Determination - SFMTA Capital and Operating Budgets
June 6, 2014
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Attachment:

Exhibit A: Transmittal of the San Francisco Municipal Transportation Agency Operating and Capital Budgets for FY 15 and 16 dated April 22, 2014



SFMTA
Municipal
Transportation
Agency

Edwin M. Lee, *Mayor*

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Jerry Lee, *Director*

Cristina Rubke, *Director*

April 22, 2014

The Honorable Mayor Edwin M. Lee
City and County of San Francisco San Francisco City Hall, Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

The Honorable Board of Supervisors
City and County of San Francisco San Francisco City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Transmittal of the San Francisco Municipal Transportation Agency Operating and Capital Budgets for FY 2015 and FY 2016

Honorable Mayor Lee and Members of the Board of Supervisors:

I am pleased to provide to you the San Francisco Municipal Transportation Agency Operating and Capital Budgets for FY 2015 and 2016, which the SFMTA Board of Directors approved on April 15, 2014.

The FY 2015 and FY 2016 Operating Budget is \$943.2 million and \$962.6 million respectively, and the Capital Budget is \$562.9 million and \$669.0 million respectively. The Capital Budget includes \$32 million in FY 2016 contingent upon voter approval of possible November 2014 ballot initiatives and on an increased General Fund support from the City for transportation and street improvements. Comparatively, the FY 2014 Operating Amended Budget is \$851.1 million and the Capital Budget is \$415.1 million.

The SFMTA is required by Charter to submit a balanced Budget no later than May 1 of each even-numbered year to the Mayor and the Board of Supervisors for your respective considerations, after public hearings and after receiving the recommendations of the Citizens' Advisory Council (CAC). The SFMTA Board held several public hearings to receive public input and recommendations on certain aspects of the Operating Budget. In addition to the public hearings before the SFMTA Board, the agency held additional Town Hall meetings to hear public comment on the Budget, and received public comment via other means such as mail and email. The Citizens' Advisory Committee and their Finance Committee also held several meetings to consider the FY 2015 and FY 2016 Operating and Capital Budgets.

Operating Budget

The focus of this two-year Operating Budget is twofold. First, to add transit service based on the Transit Effectiveness Project recommendations, and second, to address affordability concerns based on recent information on our ridership that indicates more than half of Muni riders are low income.

In recognition of ridership demand, the Budget includes a 3% transit service increase in FY 2015. To support affordability goals, the two-year Operating Budget continues the Free Muni for Low and Moderate Income Youth program funded through a gift from Google. Additionally, while not reflected in the attached Budget document, the SFMTA Board of Directors approved expanding the Free Muni for Low and Moderate Income Youth program to include 18-year-olds and delaying the indexing (fare increase) for discount passes and discount cash fare until FY 16. These changes, along with others, will be made through technical adjustments under the authority granted to me by the SFMTA Board.

As a result of the strong economy, our Budget balancing process was made easier by increased General Fund revenue projections and state Operating funds. However, the two-year Operating Budget assumes labor increases of 0% in FY 2015 and 2.21% in FY 2016 mirroring the Citywide assumptions as of early April 2014. To the extent labor increases are higher than assumed, the economy declines and/or the measures proposed for transportation at the November ballot are unsuccessful, the Budget includes a January 2015 fiscal review of the Agency at which time the SFMTA Board will consider whether or not to pursue a 7% transit service increase in FY 2016, additional funding for transit fleet appearance and cleanliness, free Muni for low and moderate income seniors and disabled riders as a pilot program and elimination of transaction fees for payments via telephone or web. The SFMTA Board has directed advancement and prioritization of the free Muni for low and moderate income seniors and disabled riders pilot program as part of that review process.

In addition, the FY 2015 and FY 2016 Operating Budget includes the following:

- Increasing Muni passport prices, which are usually purchased by visitors, between \$2-\$5 (above indexing formula amount)
- Increasing the A pass (allows unlimited use of BART in San Francisco in addition to Muni) differential above indexing by \$2 over the current \$10 premium over the M (Muni only) pass
- Creating a single transfer policy for all connecting agencies for riders that use Muni and another system
- Implementing the SFMTA Board's approved Automatic Indexing and Cost Recovery Policy calculations for various fares, fees, fines, rates and charges
- Eliminating enforcement of parking meters on Sundays
- Funding communication, technology and safety efforts
- Using reserves available above the Board adopted rainy day reserve level
- Keeping work orders to-date essentially flat compared to FY 2014
- Funding certain capital projects from local fees and operating sources

Also embedded in this two-year Operating Budget are reductions in several areas including worker's compensation, claims, contracts, and materials and supplies. The need to fund our rainy day reserve is not included in the FY 2015 and FY 2016 Budget as the reserve is currently at the 10% SFMTA Board approved level.

Capital Budget

The Capital Budget includes funding for 192 projects from appropriated funds and 371 projects from previously appropriated funds including the Central Subway project. As mentioned previously, the FY 2016 figures include \$32 million contingent upon voter approval of possible November 2014 ballot initiatives and on an increased General Fund support from the City for transportation and street improvements.

The projects continue to reflect the SFMTA Board of Directors' adopted policies and plans including the San Francisco Pedestrian Strategy, the SFMTA Bicycle Strategy, the City and County of San Francisco Adopted Area Plans, the SFMTA FY 2013 – 2018 Strategic Plan, Vision Zero, and the San Francisco County Transportation Plan.

The highlights of the two-year Capital Budget include the following:

- Maintain and build upon \$250 m per year State of Good Repair (SOGR) investment
 - o Ensure full funding for Muni Fleet Replacement
 - o Increase funding for Traffic Signal SOGR from historic base
 - o Initiate an ongoing Muni Fleet Mid-Life Overhaul Program
 - o Fund critical Facility Replacement and overhaul needs
- Maintain and increase funding in Safe and Complete Streets
 - o Integrate recommendations from WalkFirst/Pedestrian Strategy
 - o Integrate recommendations from Bicycle Strategy
 - o Increase investment in Traffic Calming (current plan backlog)
- Fund critical Transit Travel Time and Reliability Projects
 - o Fund Priority Travel Time Reliability and Customer First Projects
 - o Integrate and fund improvements on Market Street
 - o Increase funding for Fleet Expansion (LRV, articulated bus fleet)

Managing Strategically for the Future

In the first two years of the 2013-2018 Strategic Plan, the agency has made considerable progress in reducing its structural deficit through increased revenues, and the reduction of certain overtime expenditures, labor costs, and workers' compensation claims. Established metrics allow the agency to chart its progress toward reaching milestones adopted through the six-year Strategic Plan. For more information regarding the SFMTA Strategic Plan please visit <http://www.sfmta.com/about-sfmta/sfmta-strategic-plan>

Additionally, the Mayor's 2030 Transportation Task Force, which identified a need to invest \$10 billion in the city's transportation infrastructure over the next 15 years, recommended three new revenue sources to address that need. If secured, these sources would generate \$3 billion over 15 years, and would fund capital infrastructure investments to improve roads, transit, and pedestrian and bicycle safety. The recommended revenue sources are:

- Two \$500 million General Obligation bonds;
- A 1.35 percent local increase to the vehicle license fee, which would generate roughly \$1 billion between 2015 and 2030, \$74 million annually in new general fund revenue;
- A half-cent increase in the sales tax, which would generate roughly \$1 billion between 2017 and 2030.

Voter approval of the Mayor's 2030 Transportation Task Force recommendations is required to realize these new revenue sources, which are essential to meeting the city's transportation infrastructure needs. By investing in new vehicle acquisition, rail and overhead wire replacement, street paving, and other system improvements, inefficiencies such as repairing vehicles currently at the end of their useful life will be reduced while improving transit reliability. Operational savings from improved infrastructure investments could then be redirected to improving and increasing Muni service. Additionally, these new revenues would significantly increase funding for critical bike and pedestrian safety investments.

Summary

We believe we have made significant progress during the last budget cycle to serve the transportation needs of the City by working on the objectives outlined in the SFMTA's FY 2013-2018 Strategic Plan. We are confident that the FY 2015 and FY 2016 Operating and Capital Budgets allow for continued forward momentum on these goals over the next two years.

We look forward to your deliberations on the SFMTA Budget. Thank you for your consideration, and I am available to discuss at any time.

Sincerely,



Edward D. Reiskin
Director of Transportation

Enclosures: FY 2015 and FY 2016 SFMTA Draft Operating Budget
FY 2015 and FY 2016 SFMTA Draft Capital Budget

cc: Controller
SFMTA Board of Directors