

**THIS PRINT COVERS CALENDAR ITEM NO.: 13**

**SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY**

**DIVISION:** Finance and Information Technology

**BRIEF DESCRIPTION:**

Authorizing the Director of Transportation to submit a request to the Board of Supervisors for a Budget Amendment and Supplemental Appropriation of \$38.1 million for Fiscal Year 2019 to support the acceleration of the purchase of light rail vehicles for the Muni transit fleet and/or for other capital projects; and urging the Board of Supervisors to approve the Budget Amendment and Supplemental Appropriation; and making environmental findings.

**SUMMARY:**

- The property tax roll has grown by 20% in San Francisco the last two years. The revenue has increased funding for the Educational Revenue Augmentation Fund (ERAF) to a level that exceeds the City's funding obligation; as a result, the excess property tax contributions will be returned to the City.
- Because of the excess property tax funds, the SFMTA will receive an additional \$38,124,000 in FY 2019.
- Due to the uncertainty of these funds, all City departments are regarding this revenue as a one-time source.
- On August 7, 2017, the SFMTA Board of Directors approved the 2017 SFMTA Capital Plan, which was used to evaluate one-time needs for additional revenue.
- The proposed Supplemental Appropriation would improve rail service by supporting the acceleration of the purchase of light rail vehicles (LRVs) for the Muni transit fleet, putting more new and reliable trains in service and beginning the retirement of 151 old LRVs six months early. The Agency estimates that the last new LRV will arrive 14 to 18 months early (late 2025).
- The Budget Amendment is authorized under Charter Section 8A.106(d).

**ENCLOSURES:**

1. Resolution
2. Central Subway Final SEIS/SEIR and Mitigation Monitoring and Reporting Program, <https://www.sfmta.com/about-sfmta/reports/central-subway-final-seisseir>

**APPROVALS:**

DIRECTOR  \_\_\_\_\_

SECRETARY  \_\_\_\_\_

**DATE**

January 30, 2019

January 30, 2019

**ASSIGNED SFMTAB CALENDAR DATE:** February 5, 2019

**PURPOSE**

Authorizing the Director of Transportation to submit a request to the Board of Supervisors for a Budget Amendment and Supplemental Appropriation of \$38.1 million for Fiscal Year 2019 to support the acceleration of the purchase of light rail vehicles for the Muni transit fleet and/or for other capital projects; and urging the Board of Supervisors to approve the Supplemental Appropriation.

**STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES**

This request supports the following SFMTA Strategic Plan Goal:

Goal 1: Create a safer transportation system for everyone

Objective No. 1.2: Improve safety of the transit system

Goal 2: Make transit and other sustainable modes of transportation the most attractive and preferred means of travel

Objective No. 2.1: Improve transit service

Goal 3: Improve the quality of life and environment in San Francisco and the region

Objective No. 3.5: Achieve financial stability for the agency

This item will support the following Transit First Policy Principles:

1. Improves the safe and efficient movement of people and goods.
2. Improves public transit as an attractive alternative to travel by private automobile.
8. Allocates transit investments to meet the demand for public transit generated by new public and private commercial and residential developments.
9. Promotes the use of regional mass transit and the continued development of an integrated, reliable, regional public transportation system.

**DESCRIPTION**

Under State law, the State Controller distributes property taxes to the City and County of San Francisco (City), the San Francisco Unified School District, and other taxing entities within San Francisco. In 1992 and 1993, as a means of balancing the State budget, the State directed all counties to create an Educational Revenue Augmentation Fund (ERAF) and shift local property tax revenue to the fund. In San Francisco, 25% of collections from the base property tax rate is allocated to ERAF.

The property tax roll has grown by 20% in the last two years, which has increased funding for ERAF to a level that exceeds the City's funding obligation. Therefore, the excess property tax contributions will be returned to the City. The total revenue to be returned is approximately \$415 million for Fiscal Years 2018 and 2019. The result is an increase in the SFMTA General Fund baseline in FY 2019 of \$38,124,000. Due to the uncertainty of this funding source, the City is treating it as a one-time source of revenue. As such, the evaluation of the uses of this revenue was for one-time needs and capital projects, not long-term or on-going operational needs.

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On January 15, 2018, the SFMTA Board of Directors heard a report on performance of rail service. The report noted that over 30 percent of subway incidents are due to vehicle breakdowns. Problems with doors particularly on the existing Breda LRV fleet accounted for nearly a third of vehicle-related delays. Brakes and propulsion were the second-highest source of vehicle-related delays.

### **LRV Procurement**

On July 15, 2014, the SFMTA Board of Directors approved Contract No. 2013-19 with Siemens Industry Inc. to provide up to 260 LRVs, including two options for expansion LRVs. On September 3, 2014, the Board of Supervisors approved the contract in an amount not to exceed \$1.19 billion, subject to the condition that the contract contain Option 1 for 40 LRVs and a separate Option 2 for up to 45 LRVs, and that the SFMTA obtain approval from the Board of Supervisors prior to exercising Option 2. (The procurement of the Siemens LRVs is also referred to as LRV4.)

The LRV4 contract included the replacement of the 151 Breda LRVs. These vehicles went into service beginning in 1996 and are currently scheduled for retirement beginning in 2021. In addition, the SFMTA identified a need to procure expansion LRVs to serve all of the Agency's LRV needs for the next 25 years, including for the Central Subway Project and for projected ridership increases. The contract includes acquisition of 24 LRVs for near-term service expansion (Central Subway), replacement of the 151 Breda LRVs, and two options for up to 85 vehicles for service expansion. The scope of work of the contract includes the design, manufacture, delivery and testing of the LRVs, together with associated services, spare parts, special tools, training and documentation. The contract has been modified four times:

- On March 31, 2015, the City approved Modification No. 1 to exercise Option 1 for 40 additional LRVs to be delivered after the Phase 1 delivery of 24 vehicles, and to exercise options for additional spare parts and equipment.
- On October 30, 2015, the City approved Modification No. 2 to update the list of approved major suppliers, and specify the payment structure for various changes to the LRVs.
- On August 16, 2016, the City approved Modification No. 3, to modify the radio/CAD/AVL systems on the vehicles, including related price and payment schedules; provide extra time for delivery of the vehicles and other project submittals; add a new parent guarantee; and make miscellaneous changes to the Technical Specifications.
- On June 20, 2017, the City approved Modification No. 4, which approved the purchase of four additional LRVs to serve Mission Bay and the Golden State Warriors arena and event center as part of the Phase 1 delivery.

As of January 22, 2019, Siemens has delivered 55 LRVs, of which 46 have been conditionally accepted and placed in revenue service.

The Agency is preparing to initiate the second phase of the LRV4 contract, the replacement of the 151 Breda LRVs. The Agency recommends that this phase be on an accelerated schedule. Expanding the number of Siemens vehicles in service at an earlier date will result in fewer breakdowns, reduce passenger crowding, and provide enhanced accessibility to riders. The

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Agency will save valuable resources in reduced operations and maintenance costs. An accelerated delivery schedule would allow an earlier retirement the legacy Breda LRV Fleet which will improve the reliability of transit service. To facilitate this improved delivery schedule, Siemens must open an additional production line, which these funds would support.

The Budget Amendment is authorized under Charter Section 8A.106(d).

## **STAKEHOLDER ENGAGEMENT**

Throughout the project, the LRV4 team has worked with several stakeholder groups, including maintenance, transit management, safety, accessible services, and communications, as well as the Citizen's Advisory Council, the Multimodal Accessibility Advisory Committee, and the general public. As part of the outreach process, the LRV4 team conducted a public survey to gather input for the overall look of the LRV. In addition, a full scale mock-up of half a vehicle was built and used to gather input from several stakeholder groups, including operators, maintenance personnel, Accessible Services, and the general public.

In response to public comment regarding the Siemens expansion fleet currently operating in service, the SFMTA has undertaken a second round of public outreach to determine what changes may be desired to the interior configuration of the vehicle. In particular, the SFMTA is soliciting feedback from riders through intercept surveys and through focus groups. The results of this survey will be finalized in early February 2019, and will be used to determine updates to the seating configuration on the future vehicle purchase.

## **ALTERNATIVES CONSIDERED**

The Agency considered various initiatives and capital projects for the use of these one-time funds. The primary source for these needs is the 2017 SFMTA Capital Plan, adopted by the Board on August 15, 2017.

The SFMTA's 20-year Capital Plan is a needs-based assessment of the SFMTA's anticipated capital needs for the upcoming 20 years. It is a financially unconstrained plan and includes capital needs for which funding has not yet been committed. The purpose of the Capital Plan is to identify all of the Agency's potential capital investment needs to achieve the Agency's and the City's transportation goals. It also provides the foundation for developing the fiscally constrained five-year Capital Improvement Program (CIP) and the two-year Capital Budget.

The replacement of the LRV fleet is an identified need within the Capital Plan, and was determined, among the various project alternatives, to have the greatest immediate impact, in light of rail system performance and the opportunity to replace vehicles at a more rapid pace. The benefits of the using the additional General Fund revenues to accelerate the LRV replacement include: putting more new and reliable trains in service, starting the retirement of 151 LRVs six months early, and speeding up the production rate with delivery of the last new LRV 14 to 18 months early, or by the end of 2025. In addition, this recommendation takes advantage of successful delivery and acceptance track record and provides the critical first dollars needed to advance and leverage other federal funds.

**FUNDING IMPACT****Funding Plan:**

<b>LRV4 Funding Plan Sources:</b>	<b>Amount of Funds:</b>
Proposition K Sales Taxes	\$ 193,920,778
Regional Transit Capital Priorities	\$ 449,062,643
Bridge Tolls	\$ 79,838,236
SFMTA - Revenue Bonds	\$ 145,050,650
Federal Transit Administration Section 5307	\$ 10,227,539
Central Subway Project Contribution	\$ 16,800,000
SFMTA Operating Capital Funds	\$ 8,000,000
State Transportation and Inter City Rail Program (TIRCP)	\$ 113,140,000
Regional Measure 3	\$ 55,661,139
Additional General Fund Set-Aside	\$ 38,124,000
Additional Funding Need	\$ 18,150,015
<b>Total</b>	<b>\$ 1,127,975,000</b>

The \$38 million in new funds will also help secure the cashflow need and fill in timing gaps in the funding plan.

**ENVIRONMENTAL REVIEW**

The proposed allocation of funds for Light Rail Vehicle Procurement is subject to the California Environmental Quality Act (CEQA). CEQA provides a statutory exemption from environmental review—as defined in Section 21080(b)(10) of the California Resources Code and Section 15275(a) of Title 14 of the California Code of Regulations—for the institution or increase of passenger or commuter service on rail lines or high-occupancy vehicle lanes already in use.

On June 19, 2014, the Planning Department determined (Case Number 2014.0929E) that Light Rail Vehicle Procurement is statutorily exempt from environmental review under Section 21080(b)(10) of the California Resources Code and Section 15275(a) of Title 14 of the California Code of Regulations. This is because the procurement involves an increase of service on rail lines already in use. The vehicles to be used for the Central Subway Project are within the scope of the Central Subway Final Supplemental Environmental Impact Statement/Supplemental Environmental Impact Report (Central Subway SEIS/SEIR), Case No. 1996.281E.

The Planning Department's determination is on file with the Secretary to the SFMTA Board of Directors, and may be found in the records of the Planning Department at 1650 Mission Street in San Francisco, and is incorporated herein by reference.

Should the SFMTA designate any other capital projects for receipt of all or a portion of the ERAF revenues, the Agency shall conduct appropriate environmental review prior to approving such capital projects.

**OTHER APPROVALS RECEIVED OR STILL REQUIRED**

The supplemental appropriation is subject to approval by the Board of Supervisors to increase the Fiscal Year 2019 SFMTA Operating Budget by \$38,124,000.

The City Attorney has reviewed this item.

**RECOMMENDATION**

Staff recommends that the SFMTA Board authorize the Director of Transportation to submit a request to the Board of Supervisors for a Budget Amendment and Supplemental Appropriation of \$38.1 million for Fiscal Year 2019 to support the acceleration of the purchase of light rail vehicles for the Muni transit fleet and/or for other capital projects; and urge the Board of Supervisors to approve the Supplemental Appropriation.

SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY  
BOARD OF DIRECTORS

RESOLUTION No. \_\_\_\_\_

WHEREAS, On July 15, 2014, the SFMTA Board of Directors approved Contract No. 2013-19 with Siemens Industry, Inc., to provide up to 260 light rail vehicles (LRVs), including two options for expansion LRVs; and,

WHEREAS, Under State law, the State Controller distributes property taxes to the City and County of San Francisco (City), the San Francisco Unified School District, and other taxing entities within San Francisco; In 1992 and 1993, as a means of balancing the State budget, the State directed all counties to create an Educational Revenue Augmentation Fund (ERAF) and shift local property tax revenue to the fund. In San Francisco, 25% of collections from the base property tax rate is allocated to ERAF; and,

WHEREAS, The property tax roll has grown by 20% in the last two years, which has increased funding for ERAF to a level that exceeds the City's funding obligation; therefore, the excess property tax contributions will be returned to the City; the SFMTA will receive a one-time payment of \$38,124,000 of the ERAF funds; and,

WHEREAS, The SFMTA considered various initiatives and capital projects for the use of these one-time funds, reviewing the primary source for these needs—the 2017 SFMTA Capital Plan, adopted by the Board on August 15, 2017; and,

WHEREAS, The replacement of the LRV fleet is an identified need within the Capital Plan, and was determined, among the various project alternatives, to have the greatest immediate impact, in light of rail system performance and the opportunity to replace vehicles at a more rapid pace; and,

WHEREAS, The benefits of using the additional General Fund revenues to accelerate the LRV replacement include putting more new and reliable trains in service, starting the retirement of 151 LRVs six months early, and speeding up the production rate with delivery of the last new LRV 14 to 18 months early; and,

WHEREAS, Under Section 8A.106(d) of the Charter, the SFMTA will seek a Budget Amendment and Supplemental Appropriation for the ERAF funds; and

WHEREAS, The proposed allocation of funds for LRV procurement is subject to the California Environmental Quality Act (CEQA); CEQA provides a statutory exemption from environmental review—as defined in Section 21080(b)(10) of the California Resources Code and Section 15275(a) of Title 14 of the California Code of Regulations—for the institution or increase of passenger or commuter service on rail lines or high-occupancy vehicle lanes already in use; and,

WHEREAS, On June 19, 2014, the Planning Department determined (Case Number 2014.0929E) that LRV procurement is statutorily exempt from environmental review under Section 21080(b)(10) of the California Resources Code and Section 15275(a) of Title 14 of the California Code of Regulations; this is because the procurement involves an increase of service on rail lines already in use; and,

WHEREAS, The Central Subway Final Supplemental Environmental Impact Statement/Supplemental Environmental Impact Report (Central Subway SEIS/SEIR) evaluated the environmental impacts of the Central Subway Project, including construction of the subway stations; on August 7, 2008, the San Francisco Planning Commission certified the Final SEIR (Case No. 1996.281E); on August 19, 2008, the SFMTA Board of Directors approved Resolution 08-150 adopting Central Subway Project Alternative 3B as the Locally Preferred Alternative, the CEQA Findings, Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Plan; and,

WHEREAS, The procurement of LRVs described herein to be used for Central Subway service is within the scope of the Central Subway SEIS/SEIR; and,

WHEREAS, A copy of the CEQA determination and the Central Subway SEIS/SEIR are on file with the Secretary to the SFMTA Board of Directors, and are incorporated herein by reference; and,

WHEREAS, Other capital projects may receive all or a portion of the ERAF revenues; in such a case, the Agency will conduct appropriate environmental review prior to approval of such capital projects; now, therefore, be it

RESOLVED, That the SFMTA Board has reviewed and considered the Central Subway SEIS/SEIR and record as a whole, and finds that the Central Subway SEIS/SEIR is adequate for the Board's use as the decision-making body for the actions taken herein relative to construction of the Project, and incorporates the CEQA findings by this reference as though set forth in this Resolution; and be it

FURTHER RESOLVED, That the SFMTA Board of Directors authorizes the Director of Transportation to submit a request to the Board of Supervisors for a Budget Amendment and Supplemental Appropriation of \$38.1 million for Fiscal Year 2019 to support the acceleration of the purchase of light rail vehicles for the Muni transit fleet and/or for other capital projects; and be it

FURTHER RESOLVED, That the SFMTA Board of Directors urges the Board of Supervisors to approve the Supplemental Appropriation.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of February 5, 2019.

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Secretary to the Board of Directors  
San Francisco Municipal Transportation Agency