County of San Mateo

Inter-Departmental Correspondence

Department: BOARD OF SUPERVISORS
DISTRICT 1
File #: 20-258 Board Meeting Date: 5/5/2020

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Supervisor Dave Pine, District 1

Subject: SB 797 - Caltrain Sales Tax Implementation

RECOMMENDATION:
Adopt a resolution approving the Peninsula Corridor Joint Powers Board's placement of a three-county measure on the ballot for the November 3, 2020, Presidential Election to impose a one-eighth of one percent (0.125%) retail transactions and use tax for a period of thirty (30) years, throughout San Mateo County, Santa Clara County, and the City and County of San Francisco to be used for operating and capital purposes of the Caltrain Rail Service.

BACKGROUND:
In 2017, Senator Jerry Hill introduced, and Governor Jerry Brown signed, Senate Bill 797 ("SB 797") which authorized the JPB to implement a new retail transactions and use tax of up to 0.125 percent in the Three Counties served by Caltrain if (i) the Board of Directors of the JPB adopts a resolution submitting the measure to the voters; (ii) the measure is approved by the Boards of Supervisors in the Three Counties; (iii) the measure is approved by a majority vote of the governing boards of the JPB member agencies-the San Francisco Municipal Transportation Agency, the San Mateo County Transit District, and Valley Transportation Authority (the "Member Agencies"); and (iv) the measure is approved by a two-thirds vote of the voters of Three Counties. The revenues derived from the sales tax, if approved, would provide a dedicated fund source to support the operational and capital cost of the Caltrain service.

DISCUSSION:
Since its inception, the JPB has had no dedicated source of funding other than passenger fares and, instead, relies on contributions from the Member Agencies to meet the minimum financial requirements in its operating and capital budgets under two different funding formulas. Each of the Member Agencies (a) contributes an equal amount of capital funding each year and (b) supplements operating funding based on the percentage of system ridership originating in each County. The levels of both capital and operating funding are determined by the funding capacity of the Member Agency with the least ability to provide its share of funding in any given year, and the amount that

Member Agency can make available then becomes the standard against which the contributions of the other Member Agencies are calculated. This funding approach fosters an uncertain financial and planning environment for the JPB, which is exacerbated by continually escalating operating, maintenance, and repair costs, thereby keeping the JPB from operating at service levels that meet the rising passenger demands for Caltrain service.

On October 3, 2019, as part of the Caltrain Business Plan, the JPB adopted a 2040 Service Vision that includes Caltrain electrification, scheduled to launch during the FY 2022-23 (late calendar year 2022). At that time, Caltrain will be able to provide significantly expanded service, including more frequent trains during peak hours as well as improved off-peak and weekend service. However, running more service will also increase operating costs beyond what current resources can support.

Caltrain has assumed a New Baseline Electrified Service increase to six (6) trains per hour (tph) ("New Baseline") when electrified service begins. This New Baseline service increase will cost more to operate and maintain than the system's existing service. Alternatively, if sufficient funding is available, Caltrain has assessed the concept of increasing service beyond the New Baseline level when electrified service commences and focusing investments on accelerating service increases to achieve an 8 tph peak service ("Enhanced Growth"). While the Enhanced Growth service plan best meets projected market demand by extending peak hours and greatly expanding off-peak service, it will cost more to operate than the New Baseline scenario, and will also require significant capital investments to expand service throughout the decade.

Without revenues from SB 797, in order to meet the New Baseline service plan, the Member Agencies will need to fund an additional $7 million annually for ongoing operating expenses, and $20 million annually for ongoing annual capital needs. If the Enhanced Growth service plan is adopted, the Member Agencies' obligations would increase by $28 million annually for ongoing operating expenses, $20 million annually for ongoing annual capital needs, and $1 billion in new capital investment.

With SB 797 revenues in place, on the other hand, Caltrain's annual operating and ongoing capital needs would be covered without requiring any Member Agency contributions. SB 797 would also provide an additional estimated $300 million over 30 years ($10 million annually) to invest in the Enhanced Growth service's $1 billion capital expansion needs. Member Agency contributions or other external sources of funding would be needed to cover the remaining approximately $700 million (approximately $233 million each if only supported by the Member Agencies) to achieve the Enhanced Growth service. If Member Agency contributions were maintained at the current $52.4 million level, approximately $1.8 billion would be available over the life of the measure to support the $1 billion Enhanced Growth capital needs, in addition to other capital expansion projects contemplated for the 2040 Service Vision.

FISCAL IMPACT:
There is no Net County Cost associated with approval of this resolution.