Santa Clara Valley Transportation Authority

Date:	August 3, 2020
Current Meeting:	August 6, 2020
Board Meeting:	August 6, 2020

BOARD MEMORANDUM

APPROVED ACCEPTED ADOPTED AMENDED DEFERRED REVIEWED
Santa Clara Valley Transportation Authority
Board of Directors
Elaine F. Baltao, Board Secretary
BY: [signature]
DATE: 8-6-20

TO: Santa Clara Valley Transportation Authority Board of Directors

THROUGH: General Manager/CEO, Nuria I. Fernandez

FROM: Chief External Affairs Officer, Jim Lawson

SUBJECT: Approval of the Caltrain Sales Tax Ballot Measure Under Senate Bill 797

Policy-Related Action: Yes **Government Code Section 84308 Applies: No**

Resolution No. 2020.08.28

ACTION ITEM

RECOMMENDATION:

Adopt a resolution authorizing the Santa Clara Valley Transportation Authority (VTA) to grant authority to the Peninsula Corridor Joint Powers Board (JPB) to place a 1/8-cent retail transactions and use tax on the November 3, 2020 ballot in San Mateo, Santa Clara and San Francisco Counties.

BACKGROUND:

On August 3, 2017, the Board adopted a support position for Senate Bill 797, introduced by Senator Jerry Hill. The bill was passed by the legislature and signed by the governor in 2017. This bill authorizes the Peninsula Corridor Joint Powers Board (JPB) to place on the ballot a regional measure enacting a sales and use tax (not to exceed 1/8 cent) in the City and County of San Francisco and the Counties of San Mateo and Santa Clara. The net revenues would be used by the JPB for Caltrain operating and capital purposes.

The bill requires a total 2/3 voter approval from the three Counties served by Caltrain. All six partners (Counties of Santa Clara, San Mateo and San Francisco, San Francisco Municipal Transportation Agency (SFMTA), San Mateo County Transit District (SamTrans) and the Santa Clara Valley Transportation Authority (VTA)) and the JPB need to give the authority. The SamTrans Board of Directors and the County of San Mateo Board of Supervisors approved the placement of the tax measure on the ballot without conditions. The San Francisco Board of Supervisors, however, approved the placement of the tax measure on the ballot with several conditions (see Attachment B). If the VTA adopts the resolution, the final step is for the JPB to submit the measure to the voters.

DISCUSSION:

While the partners' contributions to the Caltrain budget are 14% of the total, this contribution is vital to the provision of the service level on the system. Decreases in one partner's contribution are matched by the formula allocation to avoid having one partner assume a disproportionate share of the regional obligation. Securing a dedicated, predictable and permanent source of funding is a long-sought goal of Caltrain and its funding partners - VTA, San Mateo, and City and County of San Francisco.

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 partners through negotiations. This 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 pre COVID-19 rising passenger demands for Caltrain service.

SB 797 permits the JPB to seek voter approval to enact the dedicated 1/8-cent sales tax only when authorized by all the organizations mentioned above. To provide a means to help address the JPB's financial challenges, the JPB has been coordinating with these six agencies to place the measure on the November 2020 ballot. If adopted by the VTA Board, the attached resolution will serve as the approval from VTA.

Successful passage of the sales tax will result in approximately $108 million per year from the three counties. Just over half will come from Santa Clara County. Per the Board's previous action, this will relieve VTA's operating budget of the formula share of our contribution to Caltrain operations and capital (Budgeted for FY2021 at $10.8 million operating and $5 million capital).

ALTERNATIVES:

The Board could make modifications to the Resolution or decline to approve the Resolution.

FISCAL IMPACT:

Approval of this action will not have an immediate fiscal impact to VTA. Should a ballot measure pass in November 2020, an estimate of $108 Million a year in new resources would be available to the Caltrain JPB from this sales tax starting in approximately September 2021.

STANDING COMMITTEE DISCUSSION/RECOMMENDATION:

On May 21, 2020 the Administration and Finance Committee (A&F) received a presentation from Caltrain Chair Dave Pine and Chief Communications Officer Seamus Murphy requesting approval of the resolution. Discussion followed concerning the need of polling and a better understanding of potential support for the measure. Recognizing the uncertainties caused by the pandemic, the committee felt it more appropriate to forward the resolution to the full Board while awaiting more current information concerning the status of the measure.

Prepared by: Manolo Gonzalez-Estay
Memo No. 7393

RESOLUTION NO. 2020.08.28

BOARD OF DIRECTORS, SANTA CLARA VALLEY TRANSPORTATION AUTHORITY

APPROVING THE PENINSULA CORRIDOR JOINT POWERS BOARD'S PLACEMENT OF A THREE-COUNTY MEASURE TO IMPOSE A ONE-EIGHTH OF ONE PERCENT RETAIL TRANSACTIONS AND USE TAX TO BE USED FOR OPERATING AND CAPITAL PURPOSES OF THE CALTRAIN RAIL SERVICE ON THE NOVEMBER 3, 2020 ELECTION BALLOT

WHEREAS, the Peninsula Corridor Joint Powers Board (JPB) is a joint exercise of powers authority duly formed pursuant to the October 3, 1996 joint powers agreement between the City and County of San Francisco (CCSF), the San Mateo County Transit District (SMCTD), and the Santa Clara Valley Transportation Authority (VTA) (together, the "Member Agencies"); and

WHEREAS, the JPB operates the Caltrain passenger rail service between San Francisco, California and Gilroy, California, currently serving 32 stations along the 77- mile corridor; and

WHEREAS, since its inception, the JPB has had no dedicated source of funding other than passenger fares and, instead, relies on contributions from its Member Agencies to fill minimum financial requirements in its operating and capital budgets under two different funding formulas; and

WHEREAS, for capital costs, 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; and

WHEREAS, 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; and

WHEREAS, this 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; and

WHEREAS, Caltrain, the seventh largest commuter rail service in the nation, operates the most efficient such service based on costs per passenger mile, and has the highest farebox recovery rate of all the commuter rail services nationwide at 70%, which reflects the proportion of operating costs funded by passenger fares; and

WHEREAS, the JPB is facing significant and ever-increasing structural funding shortfalls, which impact its ability to meet its operational needs, address its state of good repair requirements and undertake necessary capital improvements to sustain the Caltrain service; and

WHEREAS, the JPB has embarked upon a project to electrify its right of way between San Francisco and San Jose, which will transform the Caltrain service into a more environmentally sustainable, quiet and nimble operation commencing in 2022; and

WHEREAS, although the electrified Caltrain service will eliminate the costs of diesel fuel, Caltrain will confront new system and technological costs for operation and maintenance of the electrified system, the electrical multiple unit rail cars, and the positive train control system; and

WHEREAS, to provide a means to address the JPB's financial challenges, in 2017 the Governor signed Senate Bill No. 797, introduced by Senator Jerry Hill, authorizing 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 Counties of Santa Clara, San Mateo and San Francisco, (iii) the measure is approved by a majority vote of the governing boards of the San Francisco Municipal Transportation Agency, the SMCTD, and VTA, and (iv) the tax is adopted by a two-thirds vote of the three Counties' voters; and

WHEREAS, the revenues derived from the one-eighth cent sales tax will provide a dedicated fund source to support the operational and capital cost of the service; and

WHEREAS, more specifically, the tax revenues from this measure will be prioritized:

- To support the operation of Caltrain service levels throughout the corridor from San Francisco to Gilroy, including, but not limited to, expanded service and increased capacity realized through the operation of an electrified system. The required support includes the maintenance of equipment, infrastructure and systems necessary to sustain and expand the service;
- To support the infrastructure, rolling stock, and capital projects necessary to advance the expansion of the Caltrain peak hour service from 6 trains per hour per direction to 8 trains per hour per direction, as well as the expansion of the Gilroy service to a minimum of five morning and five afternoon trains;
- To develop and implement programs to expand access to the Caltrain service and facilitate use of the system by passengers of all income levels, including establishing an affordability program with consideration of discounted passes and/or additional means-based fare discounts informed by Caltrain’s Means Based Fare Pilot Program; and

WHEREAS, revenues will also be available to help leverage other local, regional, state and federal investments to advance capital projects necessary to implement the Caltrain Business Plan’s 2040 Service Vision, adopted by the Peninsula Corridor Joint Powers Board on October 3, 2019. These projects include, but are not limited to: the San Francisco Downtown Extension project including the Pennsylvania Avenue alignment, the extension of electrified train service to Gilroy, and grade separations throughout the corridor; and

WHEREAS, as required by California Revenue and Taxation Code section 7286.65 (b), this Resolution evidences the Santa Clara Valley Transportation Authority’s approval for the JPB to place a sales tax measure before the voters of the three Counties to provide the JPB with a steady stream of funding to support the annual operating, maintenance and capital needs of an electrified Caltrain service with increased frequency and capacity, which in turn will reduce traffic congestion and air pollution in the three Counties.

NOW, THEREFORE, BE IT RESOLVED that the Santa Clara Valley Transportation Authority approves placement by the Peninsula Corridor Joint Powers Board of a resolution on the November 3, 2020 ballot in Santa Clara, San Mateo and San Francisco Counties to authorize the JPB to impose a one-eighth of one percent (0.125%) retail transactions and use tax for a period of thirty (30) years, throughout the three Counties, to fund operating and capital expenses of the Caltrain rail service, and support the operating and capital needs required to implement the Service Vision adopted by the Peninsula Corridor Joint Powers Board on October 3, 2019 as part of the Caltrain Business Plan.

PASSED AND ADOPTED by the Santa Clara Valley Transportation Authority Board of Directors on August 6, 2020 by the following vote:

AYES: DIRECTORS: CARR, CARRASCO, CHAVEZ, CORTESE, DIEP, HENDRICKS, JONES, LICCARDO, MCALISTER, NUÑEZ, PERALEZ, RENNIE

NOES: DIRECTORS: NONE

ABSENT: DIRECTORS: NONE

DocuSigned by:
Cindy Chavez
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CINDY CHAVEZ, Chairperson
Board of Directors

ATTEST:

DocuSigned by:
Elaine Baltao
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Elaine Baltao, Board Secretary

APPROVED AS TO FORM:

DocuSigned by:
Evelynn Tran
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Evelynn Tran, General Counsel