

**SAN MATEO COUNTY TRANSPORTATION AUTHORITY  
STAFF REPORT**

TO: Transportation Authority

THROUGH: Carter Mau  
Acting Executive Director

FROM: Derek Hansel  
Chief Financial Officer

April Chan  
Chief Officer, Planning, Grants, and  
the Transportation Authority

SUBJECT: **ADOPTION OF PROPOSED BUDGET FOR FISCAL YEAR 2022**

**ACTION**

Staff recommends the Board adopt the San Mateo County Transportation Authority's (TA) Proposed Fiscal Year 2021-2022 (FY2022) budget in the amount of \$148,893,304 following the public hearing set for this meeting.

**SIGNIFICANCE**

At the May 6<sup>th</sup> Board meeting, staff presented a Preliminary FY2022 budget proposal to the Board. Since then, there has been an increase to sales tax projections to the FY2022 Proposed Budget. Sales tax has increased from \$141.9 million to \$144.7 million (\$94.6 million to \$96.5 million for Measure A; \$47.3 million to \$48.2 million for Measure W).

The FY2022 Proposed Budget for the San Mateo County Transportation Authority (TA) is presented in Attachment A. Attachment B shows more detail for the Annual Allocations, Measure A, and Measure W Categories. Following Board adoption of the Budget, there will be separate Board actions to program and allocate funds for specific purposes.

The FY2022 Proposed Budget reflects staff's current expectation of sales tax revenues based on the most up-to-date trends for the Bay Area's economic and market trends. The narrative set forth below describes the TA's Proposed Budget for FY2022, by line item, and compares it to the FY2021 Forecast. The FY2021 Forecast reflects an increase to sales tax projections from \$120.0 million to \$131.4 million as compared to the FY2021 Revised Budget (\$80.0 million to \$87.6 million for Measure A; \$40.0 million to \$43.8 million for Measure W). The increases in FY2021 sales tax projections are due to a better-than-expected economic recovery from the pandemic as vaccination distribution roll-out continues and local area businesses re-open. Each section of the following budget narrative has a reference to a page number and line item that correspond to the Financial Statement as shown on Attachment A.

## **BACKGROUND**

The TA was formed in 1988 with voter passage of Measure A, the half-cent sales tax for countywide transportation projects and programs. The original Measure A expired December 31, 2008. In 2004, county voters overwhelmingly approved a New Measure A, reauthorizing the tax through 2033.

In November 2018, county voters approved Measure W (placed on the ballot by the San Mateo County Transit District (District)), authorizing a half-cent sales tax commencing July 1, 2019 for a 30-year term through June 30, 2049. One half of the Measure W proceeds are transferred from the San Mateo County Transit District (District) to the TA for administration.

The TA's role is to administer the proceeds from the Measure A and Measure W taxes in accordance with the associated Transportation Expenditure Plan and Congestion Relief Plan, respectively, to fund a broad spectrum of transportation-related projects and programs.

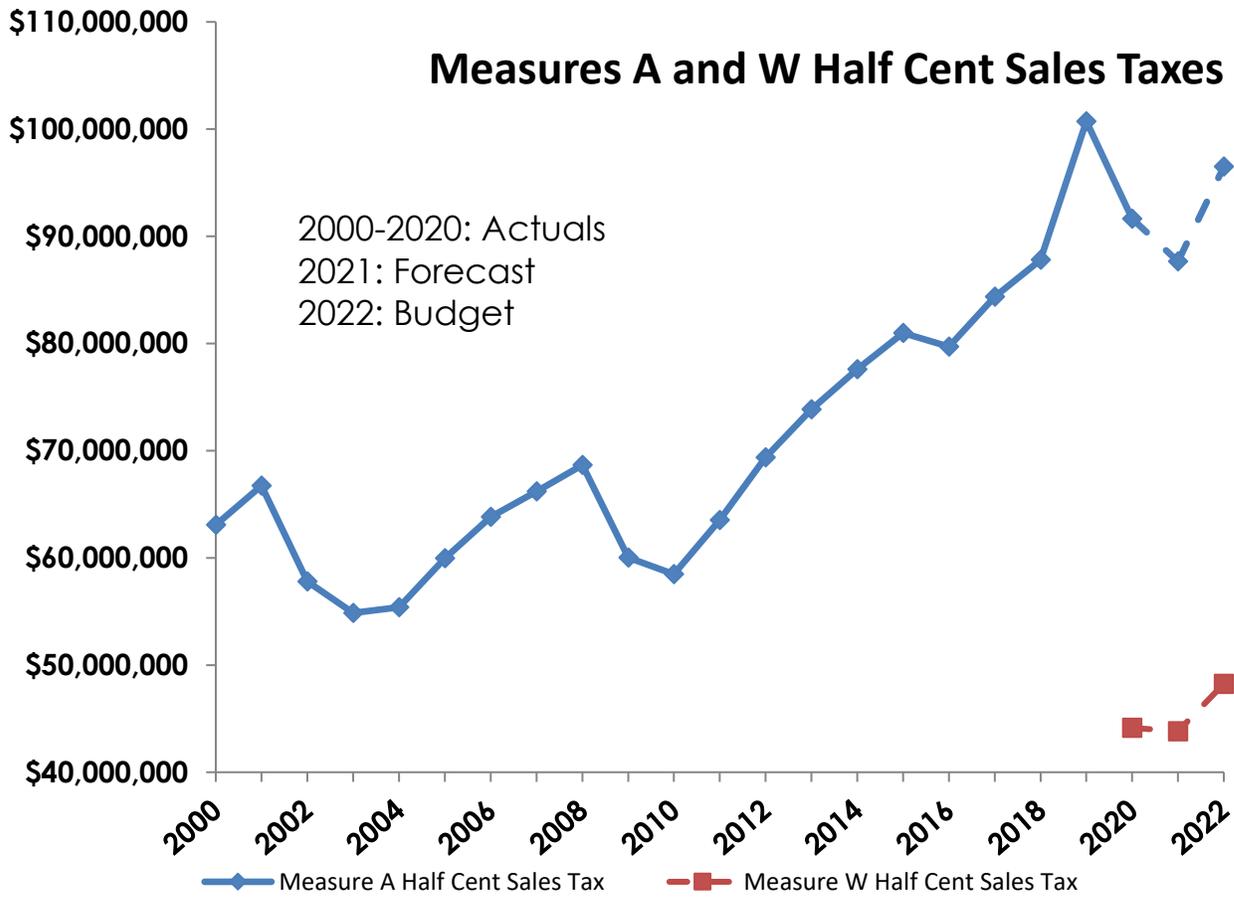
## **Revenues**

Total projected revenue for FY2022 is \$151.2 million, a **decrease** of \$88.9 million, or 37.0%, from the FY2021 Forecast. This decrease is related to the FY2021 Forecast which includes \$100 million grant funding for construction of the 101 Express Lanes Project on behalf of the San Mateo County Express Lanes Joint Powers Authority (SMCELJPA). Offsetting this reduction is an increase to projected sales tax revenue for FY2022.

**Sales Tax** (Attachment A, lines 1 and 3) San Mateo County Ordinance No. 04223, which authorized the TA to extend its Measure A half-cent Retail Transactions and Use Tax for an additional 25 years beginning January 1, 2009 and ending December 31, 2033, was approved by the voters in November 2004 as a new Measure A. San Mateo County Transit District Ordinance No. 105, approved by the voters as Measure W in November 2018, created an additional half-cent Retail Transactions and Use Tax for 30 years beginning July 1, 2019 and ending June 30, 2049, and authorized the District to request that the TA administer 50% of the Measure W tax revenues.

Sales Tax is cyclical and subject to changes in the economy, such as changes associated with the COVID-19 pandemic.

Total sales tax receipt revenues received by the TA for FY2022 are projected to total \$144.7 million (\$96.5 million for Measure A; \$48.2 million for Measure W), which is an increase of \$13.3 million (\$8.9 million from Measure A; \$4.4 million from Measure W), or 10.1%, from the FY2021 Forecast. This estimated increase reflects the continued economic recovery from the pandemic with the re-opening of local businesses across San Mateo County.



**Interest Income** (Attachment A, line 5) is income revenue generated from fund balances in the Original and New Measure A and Measure W accounts in the County Investment Pool, the TA's Investment Portfolio, and Local Agency Investment Fund (LAIF). Interest Income for FY2022 is estimated at \$4.9 million, a decrease of \$2.7 million, or 35.3%, from the FY2021 Forecast. This decrease is a result of current market conditions and the low interest rate environment for all investment vehicles that is likely to continue in FY2022.

**Rental Income** (Attachment A, line 7) is generated from properties the TA owns and leases out to lessees. Rental Income for FY2022 is projected at \$1.2 million, an increase of \$0.1 million, or 13.5%, due primarily to Consumer Price Index (CPI) increase in rents and other rent adjustments.

**Other Sources** (Attachment A, line 9) The FY2022 Budget includes \$0.4 million for the US-101 Express Lanes Project Enhancement Rate. The TA charges this Enhancement Rate (previously described as the "Credit Enhancement Fee") to the SMCELJPA to compensate the TA for risk and efforts associated with the issuance and maintenance of the FY2020 Bonds previously approved by the board.

## Expenditures

Expenditures are budgeted primarily based upon the Transportation Expenditure Plan in Measure A (2004 TEP) and the Congestion Relief Plan in Measure W, each of which assigns a percentage share of tax revenues for various categories of programs and projects.

Budget expenditures for the seven primary **Measure A** program categories are as follows:

<b><u>Category</u></b>	<b><u>% of Tax</u></b>
Transit	30.0%
Highways	27.5%
Local Streets & Transportation	22.5%
Grade Separation	15.0%
Pedestrian & Bicycle	3.0%
Alternative Congestion Relief	1.0%
Administration-Staff Support	1.0%
<b>Total</b>	<b>100.0%</b>

Budget expenditures for the four primary **Measure W** program categories administered by the TA are as follows:

<b><u>Category</u></b>	<b><u>% of Tax</u></b>
Countywide Highway Congestion Improvement	22.5%
Local Safety, Pothole and Congestion Relief Improvement, Grade Sep	12.5%
Bicycle & Pedestrian Improvements	5.0%
Regional Transit Connections	10.0%
<b>Total <sup>1</sup></b>	<b>50.0%</b>

The total Proposed Budget expenditures for FY2022 (Attachment A, line 34) are projected at \$148.9 million, a decrease of \$74.7 million, or 33.4%, compared to the FY2021 Forecast. This is due to the FY2021 Forecast which reflects the \$100 million funding for the construction of the 101 Express Lanes Project on behalf of the San Mateo County Express Lanes Joint Powers Authority (SMCELJPA). The FY2022 Proposed Budget expenditures are composed primarily of \$35.2 million in Measure A Annual Allocations (Attachment A, line 16), \$60.3 million in Measure A Categories (Attachment A, line 18), \$9.7 million in Measure W Annual Allocations (Attachment A, Line 22), \$38.6 million in Measure W Categories (Attachment A, line 24), \$2.3 million in Oversight (Attachment A, line 26), and \$2.9 million in Total Administrative Expenses (Attachment A, line 32).

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<sup>1</sup> Pursuant to Measure W, the other 50% of the sales tax revenues are used for transportation systems and administered by the San Mateo County Transit District.

Proposed expenditures for FY2022 fall into the following major categories:

**Measure A Annual Allocations (Attachment A, line 16)**

Annual Allocations are allocated directly to the recipients without a separate fund programming process. Total Annual Allocations for FY2022 are projected at \$35.2 million, an increase of \$3.2 million, or 10.1%, from the FY2021 Forecast. Annual Allocations include projects with FY2022 funding requirements as detailed in Attachment B.

- **Allocation to Local Entities** – The FY2022 Proposed Budget of \$21.7 million is for the improvement and maintenance of local transportation, including streets and roads for the twenty cities in the County and the unincorporated County.
- **SFO Bart Extension** – The FY2022 Proposed Budget of \$1.9 million is a direct allocation to BART. This represents the District's share of financial assistance associated with the existing San Mateo County / SFO Bart extension.
- **Paratransit** – The FY2022 Proposed Budget of \$3.9 million is to meet the paratransit needs of the County.
- **Caltrain** – The FY2022 Proposed Budget of \$7.7 million is for San Mateo County's local share of Caltrain expenditures that can be used for either operating and/or capital expenses; this represents up to 8% of Measure A sales tax receipts that can be transferred to the District for its share of the Caltrain Member Agency Contribution. For the FY2022 Budget, the District's Member Agency Contribution is expected to be \$0. The \$7.7 million share of District funds for Caltrain will be held in reserves with the TA for future Caltrain allocations.

**Measure A Categories (Attachment A, line 18)**

Measure A Categories include programs as detailed in Attachment B. These categories include Alternative Congestion Relief, Dumbarton, Caltrain, Pedestrian and Bicycle Program, Local Shuttle, Streets and Highways, Grade Separation, and the San Mateo County Ferry Service.

- **Alternative Congestion Relief** – The \$1.0 million in the FY2022 Proposed Budget represents the full 1% of projected sales tax outlined in the 2004 TEP. Of the total, \$0.4 million is proposed to be set aside for future alternative congestion relief projects. The remaining \$0.6 million is budgeted for Commute.org's Transportation Demand Management Program for FY2022.
- **Dumbarton** – The FY2022 Proposed Budget of \$1.9 million is for station facilities and enhancement for the Dumbarton rail corridor through East Palo Alto, Menlo Park, and Redwood City. This amount will be set aside for potential programming to the Dumbarton Rail Project, which is currently in the conceptual planning phase and is being managed by the District.

- **Caltrain** – San Mateo County's local share for the Caltrain system-wide capital improvement program in the FY2022 Proposed Budget is \$7.7 million. This represents 8% of Measure A sales tax receipts for the Caltrain Member Agencies' capital budget contributions. For the FY2022 Budget, the Member Agencies Contribution is expected to be \$0. The \$7.7 million local share for Caltrain will be held in reserves with the TA for future Caltrain allocations.
- **Pedestrian and Bicycle** – The Pedestrian and Bicycle line item for \$2.9 million represents the 3% of sales tax revenues designated for this category in the 2004 TEP. These funds will be used for projects selected through future calls for projects.
- **Local Shuttle** – The \$3.9 million for this line item represents the funds set aside for shuttles receiving allocations resulting from the FY2022 Shuttle Program call for projects.
- **Streets and Highways** – In accordance with the 2004 TEP, the Streets and Highways Program expenditures include funding for projects in key congested corridors in the amount of \$16.7 million, and for supplemental roadway projects in the amount of \$9.8 million. These funds will be used for projects selected through future calls for projects.
- **Grade Separation** – The \$14.5 million Proposed Budget for this line item is available for future Grade Separation projects. The full 15% of Measure A sales tax revenues outlined in the 2004 TEP is set aside for Grade Separation projects. Funds in the FY2022 budget will be available for future allocation now that all prior commitments made by the TA for Grade Separation projects have been met. In prior year budgets, Grade Separation included a Board-approved advancement of budget authority for the 25th Avenue Grade Separation. Final payment for this advance is reflected in the FY2021 Forecast Measure A Categories for Grade Separation in the amount of \$10.8 million. The FY2022 Proposed Budget reflects the full share of Measure A Sales Tax Revenues for Grade Separation Category of 15%.
- **San Mateo County Ferry Service** - \$1.9 million for this line item appears in the FY2022 Proposed Budget and is available for programming to ferry projects in accordance with the 2004 TEP and TA Strategic Plan. The 2% share of Measure A sales tax revenue in the FY2022 budget will be set aside for ferry projects and will be allocated in the FY2022 budget for allocation in accordance with the 2004 TEP now that all prior commitments have been met. In prior year budgets, San Mateo County Ferry included a Board-approved advancement of budget authority for the South San Francisco Ferry Terminal. Final payment for this project is reflected in the FY2021 Forecast Measure A Category for San Mateo County Ferry in the amount of \$0.7 million. The FY2022 Proposed Budget reflects the full share of Measure A Sales Tax Revenues for Ferry Category of 2%.

**Other Uses (Attachment A, line 20)**

FY2021 Forecast reflects the budget authority for the \$100 million grant funding received for the 101 Express Lanes Project. The FY2022 Budget is \$0 as there are no additional grant funds anticipated for the project this year, hence no commensurate budget authority is needed in FY2022.

**Measure W Annual Allocations (Attachment A, line 22)**

Annual Allocations are allocated directly to the recipients without a separate fund programming process. Total Annual Allocations for FY2022 are projected at \$9.6 million. Annual Allocations include projects with FY2022 funding requirements as detailed in Attachment B.

- **Allocation to Local Entities** – The FY2022 Proposed Budget of \$9.6 million is for the major arterial and local roadway improvements in key congested areas throughout the County. Of the \$9.6 million allocated to Local Safety, Pothole and Congestion Relief Improvements.

**Measure W Categories (Attachment A, line 24)**

Measure W Categories include programs as detailed in Attachment B. These categories include Countywide Highway Congestion Improvements, Local Safety, Pothole and Congestion Relief Improvements, Bicycle and Pedestrian Improvements, and Regional Transit Connections.

- **Countywide Highway Congestion Improvements** – The \$21.7 million in the FY2022 Proposed Budget is the full 22.5% of projected sales tax outlined in Measure W.
- **Local Safety, Pothole and Congestion Relief Improvements Grade Separation** – The FY2022 Proposed Budget of \$2.4 million is the full 2.5% identified in the Congestion Relief Plan in Measure W.
- **Bicycle and Pedestrian Improvements** – The Bicycle and Pedestrian line item for \$4.8 million in the FY2022 Proposed Budget represents the full 5% of sales tax revenues designated for this category in Measure W. These funds will be used for projects selected through future calls for projects.
- **Regional Transit Connection** – The FY2022 Proposed Budget of \$9.6 million is the full 10% set aside in the Measure W Congestion Relief Plan. These funds will be used for projects that improve transit connectivity between the County and the region.

Total Measure W Categories for FY2022 are projected at \$38.6 million, of which 1% will be set aside to fund staff support.

**Oversight (Attachment A, line 26)**

Oversight costs include staff and consultant costs to support programming and monitoring of projects, calls for projects and administration of the policies and procedures for implementation of the 2004 TEP. These expenditures will be funded from interest earned on the investment of fund balances. The oversight category contains \$2.3 million for TA costs associated with implementing the various 2004 TEP categories. There is no change in Oversight when compared to the FY2021 Forecast.

**Staff Support (Attachment A, line 29)**

Staff Support includes wages and benefits to administer the TA. The FY2022 Proposed Budget for this line is \$1.5 million. A majority of the \$1.5 million budget will be funded by the 1.0% of the FY2022 Measure A sales tax category designated for staff support; the remainder will be funded from previous' years surpluses in this category. The increase compared to the FY2021 Forecast is primarily due to increases in Inter-Agency Overheads costs of \$237,000, allocated retiree medical costs and unfunded pension obligations of \$22,000, and an overall increase in wages and benefits of \$35,000.

**Measure A Info-Others (Attachment A, line 30)**

Measure A Info-Others expense includes printing and information services for the Communications division. Measure A Info-Others is budgeted at \$5,000 for FY2022.

**Other Admin Expenses (Attachment A, line 31)**

Other Admin Expenses represent administrative expenses other than Staff Support and Measure A Info-Other. Other Admin Expense is budgeted at \$1.4 million for FY2022 and primarily consists of legal expenses, insurance expenses, and bank and audit fees. The decrease between FY2022 Budget and FY2021 Forecast is primarily due to one-time expenses associated with the FY2020 Bonds issuance. That decrease is offset by higher bank fees of \$223,000, an increase in insurance premiums of \$33,000, a new \$50,000 per year contract for sales tax auditing and recovery services, and a one-time recruiting expense cost/increase of \$150,000.

**Total Administrative (Attachment A, line 32)**

Total administrative expenditures for FY2022 are projected at \$2.9 million, or 1.3% less than the FY2021 Forecast.

**Public Hearing Requirement**

Section 131265 (a) of the California Public Utilities Code requires county transportation authorities to adopt an annual budget following a public hearing conducted in accordance with Public Utilities Code Section 131266.

On May 6, 2021 the TA Board of Directors called for a public hearing on June 3. Public notice of the public hearing appeared in the San Mateo Daily Journal on May 19. The notice was also posted in the lobby of the TA's administrative headquarters in San Carlos. As of publication of this staff report, the TA had received no written comments on the proposed budget.

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