RECOMMENDATION

Staff recommends that Council:

1. Oppose the proposed new 1/2-cent County sales tax intended to fund the proposed Valley Transportation Authority Long-Term Capital Investment Program.

2. Endorse the following:
   a) Palo Alto Intermodal Transit Center Measure A funding commencing in the year 2015, not 2030 as proposed in the proposed VTA Long-Term Capital Investment Program.
   b) Removal of funding for the Silicon Valley Rapid Transit Corridor (BART Extension) Project from the proposed VTA Long-Term Capital Investment Program until a cost effective, feasible, and financially sustainable alternative to the current BART Extension project is developed.

Development of and sufficient funding to be provided in the proposed VTA Long-Term Capital Investment Program for cost-effective, feasible, and financially sustainable alternative to the current BART Extension project.
c) Re-issue by the VTA Board of Directors of a revised draft VTA Long-Term Capital Investment Program reflecting the above changes and then consideration of a suitable sales tax measure proposal sufficient to fund its implementation.

3. Authorize the Mayor to send a letter to the VTA Board of Directors summarizing the Council’s action on the above recommendations. Adopt a resolution of support for SB 680 - The Santa Clara County Traffic Relief Bill (Attachment A).

4. Adopt a resolution of support for SB 680 - The Santa Clara County Traffic Relief Bill (Attachment A).

**BACKGROUND**

The Santa Clara Valley Transportation Authority (VTA) Board of Directors has requested comment and input on its draft 30-year Long-Term Capital Investment Program (Attachment E) and associated proposed ½ cent Santa Clara County sales tax increase. The proposed VTA Long-Term Capital Investment Program comprises a comprehensive and countywide public transit improvement plan to the year 2030. All comment and input received will be considered by the Board at its April 22, 2005 workshop.

In November 2000, voters in Santa Clara County approved a ½-cent sales tax to implement a comprehensive program of public transit, highway, and bicycle/pedestrian improvements countywide. The more notable and expensive project in this program was the extension of Bay Area Rapid Transit Authority (BART) service from Fremont to San Jose and Santa Clara. Public transit projects of particular importance to Palo Alto in the 2000 Measure A, ½-cent transportation sales tax program include the following:

1. Palo Alto Intermodal Transit Center
2. Commuter rail service parallel to the Dumbarton Bridge
3. Bus Rapid Transit Corridors (including Line 22 along El Camino Real)
4. Caltrain service upgrades
5. Caltrain electrification

The regional economic downturn and associated fall in sales tax revenues since passage of the Measure A transportation sales tax in November 2000, along with VTA’s inability to obtain sufficient additional grant resources for the BART extension project, means that the Measure A transit program is not fully funded. The VTA Long-Term Capital Investment Program contains proposed allocations and a timeline for funding all Measure A transit projects.

Implementation of the full-proposed VTA Long-Term Capital Investment Program as proposed by the VTA Board will require passage of an additional ½-cent countywide transportation sales tax. As proposed by the VTA Board, this sales tax measure would go before Santa Clara County voters in November 2006. Three-quarters of the proposed sales tax proceeds would be allocated to VTA for implementation of the transit projects listed in the Long-Term Capital Investment Program and one-fourth would be subvented to the municipalities and the County of Santa Clara for pavement management and other transportation-related purposes.
At workshops in October and November of last year, the VTA Board considered four long-term public transit capital investment program funding scenarios:

1. No new tax or revenue stream
2. A new ¼-cent countywide sales tax
3. A new ½-cent countywide sales tax
4. A new ½-cent sales tax, but with five year delays for the BART extension and Downtown East Valley projects

Option 3 above was selected by the VTA Board as the only one that provided sufficient funds to build and operate BART to San Jose/Santa Clara.

The BART extension project is not currently recommended by the Federal Transit Administration (FTA) for additional grant funding due to uncertainties about revenue sources sufficient to cover expected future operating costs. The VTA Board hopes that funding from the new ½-cent sales tax will result in a favorable recommendation by FTA for future federal grant funding for the BART extension project.

An alternative countywide transportation sales tax is also being discussed by some members of the Santa Clara County Board of Supervisors. As of this writing, however, no specific details have been finalized as to what would be included as funded projects and no such alternative sales tax measure has been formally adopted by the Santa Clara County Board of Supervisors. Staff will keep Council informed as this alternative proposal progresses.

In addition, Senator Joe Simitian has introduced SB 680, a County-option annual $5 surcharge to the existing Motor Vehicle Registration Fee (VRF). Senator Simitian was successful in having similar legislation adopted by the Legislature and signed by the Governor for San Mateo County last year. The VRF surcharge would be in effect for eight years and would generate an estimated $56 million in new transportation revenues countywide. An estimated $15.8 million would go back to local government entities as a direct subvention and another $15.8 million would be placed in a dedicated pool of funding for transportation projects at the local level on a competitive basis. The balance of the revenues would go toward Caltrain capacity improvements ($4 million), expressway and freeway litter removal ($4 million), County expressway system improvements ($15.8 million) and Department of Motor Vehicles administrative costs ($560,000). Attachment B describes the Expenditure Plan Framework.

The Expenditure Plan Framework was agreed to by consensus through a series of meetings with transportation technical staff from all cities in the County, County Roads and Airports Department, VTA, and Caltrans, convened by the Silicon Valley Manufacturing Group (SVMG). Attachment C is the SVMG description of SB 680. Attachment D comprises frequently asked questions (FAQ) on SB 680. Of particular note to Palo Alto and other jurisdictions, SB 680 would fund a variety of transportation projects, including small-scale traffic relief, traffic safety and street operational improvements, and residential street traffic calming efforts.
DISCUSSION

VTA Long-Term Capital Investment Program and Proposed ½-cent Sales Tax Increase
Palo Alto has expressed a number of concerns about the viability of VTA’s proposed long-term transit capital program. On March 15, 2004, the Palo Alto City Council endorsed a letter (Attachment B) to the VTA Board Chairman that called for a re-examination of the entire program in light of the changes in VTA’s financial and the region’s economic outlook since passage of Measure A in November 2000. The letter called upon the VTA Board to develop cost-effectiveness criteria (e.g. “cost/rider vs. increasing ridership regardless of cost”) and to weigh “reasonable assurance of funding” more heavily in prioritizing transit capital projects. In this communication, the Palo Alto Council called for funding of its five priorities:

- Bus Rapid Transit (including Line 22 along El Camino Real)
- Caltrain Service Upgrades
- Dumbarton Rail Service
- Caltrain Electricification
- Palo Alto Intermodal Transit Center

Council noted in its letter that these projects responded to the Valley Transportation Plan Santa Clara County travel forecasts showing the largest travel growth occurring in the northwest portion of Santa Clara County.

On July 26, 2004, Mayor Beecham wrote a letter to the Santa Clara County Board of Supervisors expressing the opposition of the Palo Alto City Council to a proposed 1/4-cent countywide sales tax increase then being considered by the Board of Supervisors. Mayor Beecham noted that the proposal would have no direct benefit to the City, and did not take into account either local needs such as those of the Palo Alto Unified School District or regional transportation needs, such as those of the VTA.

In its August 30, 2004 response to the report by the Santa Clara County Civil Grand Jury, based on its inquiry into VTA Board Structure and Financial Management, the City of Palo Alto called on the VTA Board to “make no further financial commitment to the BART extension to San Jose unless and until there is a more realistic accounting of future capital costs as well as future operating subsidies.”

In Palo Alto’s January 27, 2005 response to the Silicon Valley Manufacturer Group’s call for replacement of Palo Alto’s member of VTA’s Policy Advisory Committee (PAC) for joining with several other PAC members in “trying to divert money from the BART extension,” Mayor Burch noted that “the ways, means and timing of the BART extension to San Jose are fair subjects for civic debate in Santa Clara County.”

The BART extension project represents the largest expenditure line item in the proposed VTA Long-Term Capital Investment Program, consuming 28% of the total anticipated expenditures. Of special significance, however, is that this project is projected to represent approximately 60% of the program funding during the years from 2005 through 2015. This “front-loading” of the BART extension project results in deferral of a number of other important projects.
These include the Palo Alto Intermodal Transit Center, which is not programmed for funding until the year 2030.

Moreover, there are uncertainties regarding the amount of federal and state grant funding that will be made available for the BART extension. Most notably, as previously mentioned, the Federal Transit Administration has given the BART extension project a “not recommended” rating with respect to the important Federal Section 5309 New Starts grant program, the major source of federal funds for new passenger rail projects in the nation.

All of these factors are cautionary and may require a re-examination of the BART extension project. Such a re-examination would include the routing currently proposed and perhaps also a re-consideration of alternatives to extending BART to San Jose and Santa Clara.

SB 680 - Santa Clara County Traffic Relief Bill
SB 680 would provide needed new revenues for local traffic relief and traffic safety efforts Countywide. The annual surcharge amount of $5, to be in effect for eight years, will have negligible impact of motor vehicle owners, but would create a new funding source at a time when federal and state resources available to local government to address traffic issues are diminishing. Funding made available to local jurisdictions under SB680 would support implementation of needed traffic improvements in Palo Alto. Eligible projects would include partial funding for the Charleston-Arastradero Corridor Plan, traffic safety improvements and the Council-adopted School Commute Corridor Network, and enhancements to Palo Alto’s traffic signal system. Funding made available to Caltrain under SB 680 would support implementation of the Caltrain Strategic Plan, including service improvements and train station passenger platform upgrades.

RESOURCE IMPACT
Taking a policy position on the proposed VTA Long-Term Capital Investment Program does not by itself obligate Council to expend resources on any particular project pertaining to Palo Alto. Such decisions would be made on a project-by-project basis depending on the funding requirements of each individual project. Most, if not all, VTA Long-Term Capital Investment Program projects pertaining to Palo Alto will not require any City of Palo Alto resources for their implementation.

Supporting SB 680, the Santa Clara County Traffic Relief Bill, would generate new revenues to the City of Palo Alto. These revenues may be used to fund needed transportation improvements, including provision of grant matching funds to leverage state and federal resources.

POLICY IMPLICATIONS
Council action in support of a VTA Long-Term Capital Investment Program that cost-effectively addresses countywide transit needs supports the following 1998-2010 Palo Alto Comprehensive Plan Goals:

“Goal T-2: A Convenient, Efficient, Public Transit System that Provides a Viable Alternative to Driving”

and
“Goal T-9: An Influential Role in Shaping and Implementing Regional Transportation Decisions”

ENVIRONMENTAL REVIEW
No Palo Alto environmental review is needed for Council to take a policy position on the proposed VTA Long-Term Capital Investment Program and proposed new ½-cent County sales tax.

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ATTACHMENTS
Attachment A: Resolution of City of Palo Alto in support of SB 680.
Attachment B: Expenditure Framework for SB680 (Simitian) Santa Clara County Traffic relief Bill.
Attachment C: SB 680 (Smitian) Santa Clara County Traffic Relief Bill.
Attachment E: Draft VTA Lon-Term Transit Capital Investment Program (Council members only).