



City of Palo Alto

City Council Staff Report

12

(ID # 11514)

Report Type: Action Items

Meeting Date: 8/3/2020

Council Priority: Transportation and Traffic

Summary Title: Discuss Caltrain Proposed 1/8-Cent Sales Tax Measure

Title: Discussion and Direction Regarding Potential Placement of a CalTrain 1/8-cent Sales Tax Measure on the November 3, 2020 Ballot

From: City Manager

Lead Department: Transportation Department

Recommendation

Staff recommends that the City Council sends a letter requesting that the Santa Clara County Board of Supervisors support placing a Caltrain 1/8-cent sales tax measure on the November 2020 ballot.

Background

Caltrain is Palo Alto's primary regional transit service, with riders traveling between San Francisco and Gilroy. Caltrain service creates a hub connecting Palo Alto to regional rail and to both intercity and regional bus service, private shuttles, and the Stanford campus. Under normal operating circumstances, the Palo Alto Transit Center serves as the second-largest generator of weekday Caltrain trips, behind San Francisco's 4th and King Street station. Palo Alto also has a station at the California Avenue downtown district, and a third station that serves Stanford during special events.

Caltrain relies on receiving 70% of its operating funding from farebox revenues, with the remaining funding coming from parking fees, advertising, and member agency contributions. The agency, unlike other similar Bay Area transit agencies, is vulnerable due to a lack of a dedicated source of funding. Because of the impact of COVID-19, the current economic state, and social distancing implications on transit, Caltrain is currently forecasting a \$71 million deficit over the next financial year. Without a resolution to this funding deficit, Caltrain believes that the system could be forced to shut down for years. Polling has shown that despite the economic situation, the measure is politically viable in 2020.

In 2017, Senate Bill No. 797 authorized a consolidated three county election to permanently fund Caltrain operations following approval from the Caltrain Board, and the Supervisors of

Santa Clara County, San Francisco County, and San Mateo County along with the three County Transportation Agencies (VTA, SFMTA, SAMTRANS). If approved by all seven boards, voters in the three counties will have the opportunity to weigh in during the November election, with 2/3 of total votes across all three counties necessary for approval. If voters approve of the measure, it stands to generate approximately \$108 million per year for Caltrain operating and capital needs. This measure would generate enough revenue to make the Caltrain 2040 service vision possible, which aims to provide higher frequency transit, thus producing higher ridership.

Discussion and Timeline

The item before the City Council is to provide time for the City Council to consider sending a letter to regional bodies that are taking up whether or not to place a ballot measure on the November 2020 ballot.

In mid-July, while the full Council was on recess, the Mayor sent a letter urging regional partners to allow voters to decide by placing a measure on the November 2020 ballot. This letter was in response to the San Francisco Board of Supervisors July 14 action to not add the 1/8 cent sales tax measure to the ballot. This refusal meant that prompt action by other cities in the region to weigh in on this issue was necessary to share community concerns and ensure that voters have a choice on this matter. In order for a ballot measure to be on the November ballot, the San Francisco Board of Supervisors needed to take action by July 31. At the time there was a sense of urgency for Palo Alto to share concerns on this matter while the City Council was on summer recess.

The letter was written in accordance with City Council and City policies. It also supports a foundational principle from the City of Palo Alto City Council's [legislative guidelines](#) includes protecting, seeking, and increasing funding for programs, projects, and services. Other council [advocacy guidelines](#) include supporting local and regional public transportation and supporting the collaborative work of regional partners, trade associations, and Joint Powers Authorities. These guidelines were approved by the City Council in late 2019. In addition, the City Council unanimously established "improving mobility for all" as [one of three City Council priorities in February 2020](#). These Council discussions were open to the public, informed through an online survey of the community that garnered over 500 recommended priorities, and set our Council-driven focus for 2020. The financial health and future of Caltrain is an important priority and one that ties directly to the City Council's priority for 2020.

Advancement of the ballot measure was unlikely at the time. The San Francisco Board of Supervisors subsequently agendized a resolution for one-eighth of one percent retail transaction and use tax for Caltrain or its successor agency to use as certain conditions are met to support immediate and long term operational and capital costs, at an election to be held on November 3, 2020. On July 28, 2020 the San Francisco Board of Supervisors approved this resolution by unanimous decision. This resolution as amended contains the following:

- Revenues will be held in Special Escrow Account to be dispersed by the Joint Powers (Caltrain) Board, for eligible expenditures at any time with a 2/3 majority

- Up to the first \$40 Million collected shall offset the member operating contributions and replace COVID related fare losses, if no/limited additional Federal emergency relief funds are made available.
- If a governance solution is found, the Special Escrow Account is closed, and funds transferred to JPB regular account/administration.
- If no governance solution is found by September 30, 2021, another \$40 Million will be made available for operations.
- If no governance solution is found by December 31, 2020, all parties commit to working with the State delegation on a legislative solution in the 2023 legislative session.
- The JPB board shall appoint an independent special counsel and auditor (separate from SamTrans) within 90 days of placement of measure on November 2020 Ballot.

The item was placed on the City Council's agenda to discuss sending an additional letter now that the City Council has returned from July recess and following additional details received from staff about other regional bodies taking up the issue closely following the City Council's August 3 Council meeting. The attached draft letter references the importance of governance to Caltrain's continued success as a regional asset.

Following the approval by the San Francisco Board of Supervisors, the item will be next considered by the San Francisco Municipal Transportation Agency (SFMTA) on July 31, 2020. Other jurisdictions including the Santa Clara Board of Supervisors, Caltrain Board, and Valley Transportation Authority (VTA) are anticipated to have hearing and discussion on this item at their respective scheduled board meetings on August 6, 2020.

Policy Implications

Caltrain supports the City's goal of reducing dependence on automobile and the comprehensive Plan 2030 provides for policies and specific actions for reducing traffic congestion and auto emissions by facilitating an increase in transit use. In addition, it envisions a greater emphasis on improving the City's multi-modal transit connections and expanded Caltrain service in the future. Caltrain service provides a significant alternative to single-occupancy travel to the City of Palo Alto, and the support of it is evidenced in Comprehensive Plan policies and programs:

- GOAL T-1 Create a sustainable transportation system, complemented by a mix of land uses, that emphasizes walking, bicycling, use of public transportation and other methods to reduce GHG emissions and the use of single-occupancy motor vehicles.
- Policy T-1.1 Take a comprehensive approach to reducing single-occupant vehicle trips by involving those who live, work and shop in Palo Alto in developing strategies that make it easier and more convenient not to drive.
- Policy T-1.3: Reduce GHG and pollutant emissions associated with transportation by reducing VMT and per-mile emissions through increasing transit options, supporting

biking and walking, and the use of zero-emission vehicle technologies to meet City and State goals for GHG reductions by 2030.

- Policy T-1.5 Support the introduction of autonomous, shared, clean motor vehicles with the goals of improving roadway safety (especially for vulnerable road users), improving traffic operations, supporting core mass transit routes, reducing air pollution and GHG emissions, enhancing transportation opportunities for the disadvantaged and reclaiming valuable land dedicated to motor vehicle transportation and parking.
- Policy T-1.10 Support Caltrain modernization and electrification, capacity and service enhancements and extension to Downtown San Francisco.
- GOAL T-7 Provide mobility options that allow people who are transit dependent to reach their destinations.
- Policy T-7.1 Support mobility options for all groups in Palo Alto who require transit for their transportation.
- GOAL T-8 Influence the shape and implementation of regional transportation policies and technologies to reduce traffic congestion and GHG emissions.
- Policy T-8.1 Engage in regional transportation planning to reduce congestion and reduce single-occupant vehicle trips, and advocate for specific transit improvements and investments, such as Caltrain service enhancements and grade separations, Dumbarton Express service, enhanced bus service on El Camino Real with queue jumping and curbside platforms, HOV/HOT lanes and additional VTA bus service.
- Program T8.1.1 Continue to participate in regional efforts to develop technological solutions that make alternatives to the automobile more convenient.
- GOAL L-1 A compact and resilient city providing residents and visitors with attractive neighborhoods, workplaces, shopping districts, public facilities and open spaces.
- Policy L-1.8 Maintain an active engagement with Santa Clara County, San Mateo County, neighboring cities, other public agencies including school districts and Stanford University regarding land use and transportation issues.
- Policy L-1.9 Participate in regional strategies to address the interaction of jobs, housing balance and transportation issues.
- Additionally, one of the Palo Alto City Council priorities for the year is “improving mobility for all.”

Attachments:

- Attachment A: Draft Letter to SCC Board of Supervisors Re Caltrain

Place on letterhead

August 3, 2020

President Cindy Chavez
Santa Clara County Board of Supervisors
70 West Hedding Street East Wing, 10th Floor
San Jose, CA 95110

RE: Placing a Caltrain 1/8-cent sales tax measure on the November 2020 ballot

Dear President Chavez,

On behalf of the City of Palo Alto, I am writing to support placing a one-eighth cent sales tax on the November 2020 ballot in the counties of San Francisco, San Mateo, and Santa Clara so that voters have an opportunity to weigh in on this important topic facing our region.

Caltrain is a vital link in the region's transit network, which provides critical alternatives to single-occupancy vehicle travel. Thousands of essential workers and transit-dependent riders continue to use the service.

Improving Caltrain service was always dependent on dedicated funding and discussions with regional partners have continued for several years, with a 1/8-cent sales tax measure as one option to consider. Before the pandemic, Caltrain's member agencies signaled that they could not afford to increase their contributions, and now their financial situation is even more precarious.

We recognize that governance is a longstanding and complex issue. As such we request that Caltrain and Santa Clara County, with other stakeholders, address this issue to extent feasible within the short time remaining prior to the November ballot. A path toward resolution of this issue will require immediate attention and compromise, and is critical to Caltrain's continued success as regional asset.

Caltrain is likely to run out of operating funds before the end of the year and they project a \$71 million deficit over the next financial year. As a result of this projected deficit Caltrain is preparing to stop providing service for several years. Voters must have the opportunity to weigh in on imposing a 1/8-cent sales tax measure and as a regional partner, we urge the Santa Clara County Board of Supervisors to let voters decide whether to financially support Caltrain service through this long-term financial option.

Sincerely,

Adrian Fine
Mayor
City of Palo Alto

Place on letterhead

Cc:

Peninsula Corridor Joint Powers Board

San Francisco Mayor London Breed

San Jose Mayor Sam Liccardo

San Mateo County Board of Supervisors

San Francisco Board of Supervisors

San Francisco Municipal Transportation Agency Board of Directors

San Mateo County Transit District Board of Directors

Santa Clara Valley Transportation Agency Board of Directors