Municipal Transportation Agency
Board of Directors & Parking Authority

MUNI San Francisco Municipal Railway

DPT San Francisco Department of Parking and Traffic

MEMORANDUM

DATE: March 27, 2007

TO: MTA Board of Directors
Rev. Dr. James McCray, Jr., Chairman
Cameron Beach, Director
Shirley Breyer Black, Director
Wil Din, Director
Peter Mezey, Director
Tom Nolan, Director
Leah Shahum, Director

FROM: Nathaniel P. Ford, Sr.
Executive Director/CEO

SUBJECT: Revenue Opportunities

At the request of the Board of Directors', we have completed a thorough examination of the financial condition of the San Francisco Municipal Transportation Agency (SFMTA) including the information compiled during the development of the FY 2007-2008 Operating Budget, historical data, and various reports. It is clear that the SFMTA does not have adequate resources to provide the quality service required under Proposition E. The historical, structural deficit[1] is very real and will continue to grow unless we address it together and is the greatest impediment to reaching the Proposition E mandated standards.

The 2006 SPUR Report highlighted the financial imbalance in the first paragraph "*For the last five years, Muni has been able to patch over its structural deficit, primarily via a combination of one-time revenues, belt tightening, fare increases, and service cuts. This year, an improving economy and more one-time windfalls may get Muni through another year, but these short-term solutions do not address Muni's real long-term issue*".

Each day, we are challenged with the impact of not having adequate facilities, vehicles and staff. Some examples of this include our Green LRV maintenance facility, which was built to support 100 vehicles and is currently struggling to maintain 151 vehicles. This clearly impacts rail

[1] Under the PUC, Muni was subsidized by revenues from utilities (e.g. water) and when the system was separated as a stand alone agency, its structural imbalance became more apparent. Proposition E attempted to address this deficit through a general fund allocation and through parking and traffic revenues. However, the general fund allocation amount was established on top of the structural deficit and parking and traffic revenues are not a reliable consistent funding source unlike revenues from utilities. Finally, the levels of service when Proposition E was approved by the voters were significantly lower than the Proposition E goals and the inability of Muni to increase the service levels highlights the continuing lack of resources required to meet the service goals established by Proposition E.

system reliability. Our Central Control and radio communication system is antiquated and hinders daily bus and rail system operations and management. Our fare box infrastructure is past its useful life, and the number of staff assigned to fare box repair and collections is inadequate to efficiently collect and process fares.

While we are very committed to reaching the service standards mandated by Proposition E, our ability to reach these goals is clearly dependent on the identification of additional resources. The 1-California Pilot Project demonstrated that, with adequate staffing levels, vehicles and supporting information systems, service can be improved. We are also concerned that successful implementation of the recommendations of the Transit Effectiveness Project (TEP) will require resources we have yet to identify.

Moreover, during the FY 2007-2008 Operating Budget process, SFMTA reduced its operating expenses by $12.3 million and, in doing so, eliminated all cushions except for the $10 million reserve. Therefore, SFMTA faces the FY 2008-2009 Operating Budget with minimal fund balances, open labor contracts and declining fare revenues.

In response to the Board of Directors' desire to address the structural deficit, we have engaged in an extensive and creative brainstorming session to identify all possible sources of revenue to address the long-standing financial imbalance. This effort was undertaken as an unconstrained academic and technical exercise without any filtering for political acceptability, policy conflicts or likelihood of stakeholder support. Exhibit I includes revenue ideas generated by SPUR as part of their February 2006 report on Muni's structural financial issues and Exhibit II offers additional ideas for the Board's consideration for new revenue options.

Revenue options are categorized into three areas:

- Revenue type (e.g. tax, advertising, fine, fare, fee, etc.)
- Estimated Revenue potential (low <$2 million, medium $2-$10 million, high > $10 million)
- Estimated Range for Implementation (long term = 3 years plus, mid term = 1-2 years, short term = within 1 year)

In general, taxes can be placed on the ballot by the Board of Directors but will require 2/3 voter approval, and all revenue sources greater than $1 million will require approval by the Board of Supervisors. Fare related revenue items must be included during the budgetary process and submitted to the Board of Supervisors as part of the budget. All parking related revenues must be approved by the Board of Supervisors. Various line items will require approval by other entities such as the Board of Equalization (e.g. sales tax), BART (e.g. station related revenues), and Planning Commission and Department (e.g. billboards). Additional analysis will be required on each line item if the Board wishes to explore a source as an option for generating revenues.

We are committed to ensuring financial viability and stability of SFMTA and look forward to working with the Board on this effort. We strongly believe that, with the appropriate level of resources, Muni can become an exemplary transit system which the City can be proud of.

EXHIBIT I: Prior Options from SPUR (MUNI'S BILLION DOLLAR PROBLEM)

	OPTION	REVENUE TYPE	ESTIMATED REVENUE POTENTIAL (LOW <$2 MILLION, MEDIUM $2-$10 MILLION, HIGH > $10 MILLION)	ESTIMATED RANGE (LONG TERM = 3 YEARS PLUS, MID TERM = 1-2 YEARS, SHORT TERM = WITHIN 1 YEAR)	DESCRIPTION
1	*Create a downtown assessment district for transit*	Assessment District	Medium	Long Term	Placing a fee on downtown businesses for the burden they place on the Muni system would be counterproductive to the extent that a downtown assessment discourages development where Muni can most efficiently move people, discourages businesses from locating in downtown (which reduces potential revenue to the city's General Fund), and thereby encourages regional sprawl. However, a citywide transit assessment district, with the fee indexed to Muni's cost-per-trip, should be considered so long as it is structured in such a way that it incentivizes development in relatively dense areas well-served by transit where Muni is most efficient.
2	*Establishing a Transit Assessment District*	Assessment District	Medium	Long Term	Establish a "Transit Assessment District" in order to assess property owners for their share of the cost of providing transit service- special benefit assessment district. Revenues used only to cover the costs of providing transit service to the subject area, and the assessment imposed on each property could not exceed that property's proportional share of the special benefit received. There are six key steps. First, the Board of Supervisors may need to pass implementing procedural legislation. Second, the MTA would need to have an analysis prepared to quantify the cost of the special benefit that Muni services give to the affected property (as contrasted to the general benefit to the City and the public), and break down that cost on a per-parcel basis. Third, the Board of Supervisors would need to pass a resolution of intent to form the district. Fourth, property owners who would be subject to the assessment would have to be mailed a notice of the proposed assessment and a ballot to approve or disapprove establishment of the assessment district. Fifth, the Board of Supervisors would have to hold a public hearing on the proposed district. Finally, if the district were approved by property owners responsible for a majority of the assessment, the Board of Supervisors would adopt legislation creating the district.
3	*Index TIDF based on proximity to primary transit corridors and apply to residential development*	Assessment District	Medium	Long Term	The net transportation impact of development is higher in areas that are more than a ¼ mile away from San Francisco's primary transit network. The transportation impact development fee (TIDF) on new commercial development is currently assessed equally everywhere in the city, but could be revised to increase the fee for development located further away from areas well-served by transit in order to mitigate the greater impacts of such development to the transportation network. At the same time the TIDF is indexed based on proximity to transit service, it could also be applied to residential development (which is currently exempted under the existing TIDF structure).
4	*Automate street cleaning enforcement*	Enforcement	Low	Mid Term	About 14 percent of PCO resources are used to enforce street cleaning. By installing cameras on street sweepers themselves, the enforcement of this violation could be partially automated, freeing PCO resources for enforcement of higher priorities violations that undermine that the safety and efficiency of the transportation syste+E40m.[c]
5	*Enforce rules for pricing of parking downtown*	Enforcement	Medium	Long Term	The City's Planning Code dictates that all downtown commercial parking must be priced to discourage all-day parking and prohibits daily, weekly, and monthly rates.[b] This is an effective way to encourage availability of parking for short-term parkers (e.g. shoppers and visitors) and discourage commuting downtown by car. Few if any off-street parking operators adhere to this requirement, including the city-owned garages, and the Planning Department does not enforce this rule. Besides generating a significant amount of new revenue, enforcing this existing law would serve important congestion management goals.
6	*Improve enforcement of parking tax*	Enforcement	Medium	Long Term	Forty percent of San Francisco's parking tax revenue goes to Muni. Collection of the parking tax has been improved dramatically in recent years, but this revenue estimate assumes that improved enforcement of the parking tax could increase revenues by a modest five percent.[a]
7	*Improve enforcement of parking violations*	Enforcement	Low	Mid Term	Parking Control Officers (PCOs) are currently deployed using beats developed long ago. Rethinking PCO beats and priorities could result in more efficient enforcement. This revenue estimate assumes that rethinking PCO deployment could result in a five percent increase in parking fine revenue.
8	*Adjudicate Fare Evasion - SB 1749 (Migden)*	Fare Evasion	Low	Mid Term	to allow the MTA to adjudicate transit fare evasion and other minor transit infractions. Sponsored by the Mayor and the MTA, this bill would bring greater control to the adjudication process, encouraging improved compliance with fare payment.
9	*Hire more fare inspectors*	Fare Evasion	Low	Short Term	In order to reduce fare evasion, the MTA could hire more proof-of-payment (POP) inspectors. Converting all Muni to POP would have operational benefits, but it is unlikely that the operational cost savings and impact on fare evasion rates (if any) would fully offset the costs of hiring more inspectors.
10	*Implement across-the-board fare increases*	Fare Increase	High	Long Term	One potential revenue source is to increased adult single-ride fares to $1.75 and adult monthly Fast Passes to $60. Because most Muni fare categories were increased twice in the past 3 years (2003 and 2005), across-the-board fare increases in the short-term are not a good option. However, as is done by many other transit agencies (including BART) Muni's current fares should be indexed to inflation in order to prevent erosion of the real value of farebox revenue from year to year.
11	*Increase fines for parking violations*	Fare Increase	Medium	Mid Term	The primary role of parking violations is to serve as a deterrent, not to generate revenue. Many fines for parking violations in San Francisco are already at high enough levels to serve as a deterrent (although spotty enforcement undermines this deterrent effect). However, the MTA should strategically increase fines for parking violations that undermine the safety and efficiency of the transportation system.
12	*Implement a local gas tax*	Gas Tax	High	Long Term	Taxing sales of gasoline in San Francisco County is permitted under the Public Utilities Code. This revenue estimate reflects a $0.01 per gallon tax.[k] SPUR believes that a gas tax should be pursued, but will be much more effective and lucrative at a regional level.

EXHIBIT 1: Prior Options from SPUR (MUNI'S BILLION DOLLAR PROBLEM)

	OPTION	*REVENUE TYPE*	*ESTIMATED REVENUE POTENTIAL (LOW <$2 MILLION, MEDIUM $2-$10 MILLION, HIGH > $10 MILLION)*	*ESTIMATED RANGE (LONG TERM = 3 YEARS PLUS, MID TERM = 1-2 YEARS, SHORT TERM = WITHIN 1 YEAR)*	DESCRIPTION
13	*Add a peak period surcharge to off-street parking*	Impact Fee	Medium	Short Term	Many cities use mechanisms to discourage driving during peak times as a way to manage congestion. Placing a $3.00 surcharge for entering or exiting an off-street parking facility downtown during times of peak congestion (e.g. 7:30 to 9:30 AM and 4:00 to 6:30 PM would be a simple method of implementing peak period congestion pricing compared to the technologically-intensive system recently implemented in London (where drivers pay $14 to drive into downtown during peak travel periods).
14	*Assess a Parking Congestion Impact Fee*	Impact Fee	Medium	Long Term	Every parking space accommodates and facilitates vehicle trips, and these trips have quantifiable financial impacts on Muni. The impact of these vehicle trips on Muni can be captured with an annual Parking Congestion Impact Fee on all off-street parking spaces not subject to the commercial parking tax. An annual fee of $104 (actual fee to be determined by nexus study) could have a net revenu potential of $14 M for Muni every year.[l]
15	*Assess a Vehicle Impact Mitigation Fee*	Impact Fee	High	Long Term	A Vehicle Impact Mitigation Fee would be a surcharge paid at time of annual vehicle registration. Based on the 475,000 vehicles registered in San Francisco, an annual impact fee of $104 (actual fee t be determined by nexus study) could have a net revenue potential of approximately $36 M.[o]
16	*Congestion Management - AB 2444 (Klehs)*	Impact Fee	High	Long Term	would allow a congestion management agencies within the nine county Bay Area to impose up to a $5 vehicle registration fee for congestion management purposes. If approved, would require 2/3 vote of SFCTA and adoption of congestion management plan to implement. Revenues must be used to pay for programs with direct benefit to owners of vehicles paying the fee including roadway improvements, bike/ped improvements, transit capital/operations. It would also allow the Bay Area Air Quality Management District to impose up to a $5 per vehicle surcharge for programs to mitigat the environmental impact of vehicles. MTA staff is currently reviewing this legislation for action.
17	*Congestion Management - SB 1611 (Simitian)*	Impact Fee	High	Mid Term	authorizes the governing board of a congestion management agency or a county board of supervisors in a county without a congestion management to place on the ballot a majority vote measure to impose an annual vehicle registration fee of up to $25 on each motor vehicle registered in the county. Resolution placing fee on the ballot must include finding of fact that projects and programs funded by the fee have a benefit or relationship to persons paying the fee. MTA staff is currently reviewing this legislation for action.
18	*Congestion Management Fee*	Impact Fee	High	Mid Term	MTA may not impose a charge on private cars entering specified downtown areas. Cities have no authority over vehicle traffic except as expressly authorized by the Legislature. (Vehicle Code §21; Save the Sunset Strip Coalition v. City of West Hollywood (2001) 87 Cal.App.4th 1172, 177-1178, citing Rumford v. City of Berkeley (1982) 31 Cal.3d 545, 550. The Vehicle Code explicitly prohibits a local agency from imposing "a tax, permit fee or other charge" for the privilege of using public streets. (Vehicle Code §9400.8). Moreover, even in the absence of that section, charging a fee for use o certain streets would likely make those streets into toll roads as defined in Vehicle Code §611. The state Department of Transportation has exclusive jurisdiction over toll roads. (Streets & Highways Code §§30800 et seq.). Thus, if the MTA were interested in pursuing this option, it would require action by the Legislature and/or coordination with, and approval from, the Department of Transportation. The MTA will cooperate with the San Francisco County Transportation Authority on their study of this concept.
19	*Transit Impact Fee Imposed on Downtown Businesses*	Impact Fee	High	Long Term	The MTA Board could impose a fee on business owners located in the downtown area. Such a fee would need to be justified by a nexus study establishing the benefit provided to business owners by Muni service, and the costs incurred in providing that service (adjusted for any payments that may have been made pursuant to the Transit Impact Development Fee). Imposition of such a fee raises enforcement concerns because delinquent fees could not be collected via liens on real property. The City would have limited leverage against individual business owners. Alternatively, property owners could be required to collect the fee from their tenants, in which case nonpayment could be enforced through lien proceedings. A Transit Impact Fee would require approval by the Board of Supervisors
20	*Vehicle Environmental Impact Fee*	Impact Fee	High	Long Term	The MTA could propose a local vehicle environmental impact fee based on an assessment of the cost to the City of private vehicle use. Currently, no such fee exists. Implementation of such a fee would require a citywide planning process and authorization from the state legislature. It is estimated that this process would take approximately one year for approval and up to six months for implementation through the Department of Motor Vehicles. Any revenue generated through such a fee would not likely be realized until FY08. In addition, it is likely that any fees generated would hav to be shared with the City.
21	*Expand MTA joint development*	Joint Development	High	Long Term	To leverage the value of the MTA's real estate assets, the MTA should continue its joint development efforts generating revenue from ground leases (e.g. selling development rights while maintaining ownership of the property). Joint development can require a long lead-time, but they have the potential to generate significant ongoing revenue.
22	*Increase the Vehicle License Fee*	License Fee	High	Long Term	The Vehicle License Fee (VLF, or "car tax") could be restored to its historical rate of 2% (or increased further) in order to pay for some of the externalities that the operation of these vehicles cause, including delays to Muni. Based on the 475,000 vehicles registered in San Francisco, restoring the VLF to 2% could have a net revenue potential of approximately $60 M.[n]
23	*Vehicle License Fees -AB 799 (Leno)*	License Fee	High	Long Term	Upon voter approval, bill would allow San Francisco to restore Vehicle License Fees to pre-1998 levels, providing a boost of $60 million to the City's general fund. This bill, also sponsored by the Mayor's office, would benefit departments citywide including SFMTA/Muni.
24	*Assess a parcel tax for transit*	Parcel Tax	High	Long Term	Every San Francisco property owner benefits in some way from a first-class Muni service, so the MTA could justify a flat tax on every parcel of real property in San Francisco. However, this revenue proposal is less preferable from a policy perspective because it does not accomplish any congestion management goals.

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25	*Citywide Parcel Tax*	Parcel Tax	High	Long Term	The MTA Board could place a Citywide parcel tax on the ballot for the purpose of supporting Muni improvements, maintenance, and operations. Such a measure would be a special tax and require two-thirds voter approval. Parcel taxes are typically allocated among properties based on a factor such as the size of the parcel, the number of units on the parcel, or the total square feet of improvements on the parcel. A parcel tax may not be imposed based on the value of the property. Such a measure must be submitted to the Department of Elections at least 90 days before an election. If approved by the voters, the tax would go into effect ten days after the Board of Supervisors certified the results of the election. However, it is not clear when the Tax Collector could begin to collect this tax, or at what point revenue generated by the tax could be distributed to the MTA. In addition, the parcel tax would need to provide for a credit for amounts paid under the City's Transit Impact Development Fee. Unless the measure provided otherwise, in order to pass the cost of such an assessment on to tenants of property subject to the City's Residential Rent Stabilization and Arbitration Ordinance
26	*Downtown Parcel Tax Approved by Voters Citywide*	Parcel Tax	High	Long Term	Alternatively, the MTA Board could consider a parcel tax on downtown property. The MTA Board may as an alternative also consider a parcel tax on buildings that could be presumed to have a significant effect on transit use because of their size and use. As with a Citywide parcel tax, the tax would need to provide for a credit for amounts paid under the City's Transit Impact Development Fee. Similarly, unless the measure provided otherwise, in order to pass the cost of such an assessment on to tenants of property subject to the City's Rent Ordinance, a landlord would need to submit a request for an arbitration hearing under §37.8 of the Administrative Code. As with a regular parcel tax, such a measure would be a special tax and require two-thirds voter approval.
27	*Increase commercial parking tax*	Parking Tax	Medium	Long Term	The current commercial parking tax is 25% and generates approximately $50 M per year, with approximately $16 M going to Muni. Under current allocations, increasing the parking tax to 35% would generate approximately $22 M with $4 M going to MTA (or $9 M if the City Charter were changed to strike the 50% parking tax giveback to the General Fund as currently required by Prop E).[h]
28	*Increasing Parking Tax Rate*	Parking Tax	Medium	Long Term	Currently, the City and County of San Francisco levies a 25% parking tax on all parking facilities - 40% of the parking tax revenues is allocated to Muni. In FY2005, the parking tax is expected to yield approximately $21 million in operating revenues to Muni, and approximately $54 million in total revenue for the City. If the City's parking tax were increased to 35%, and parking demand were not reduced significantly as a result, then the total increase in annual revenue would be approximately $21 million at current parking rates. Under the current revenue allocation formula, Muni would receive an additional $8.6 million in annual revenue from the increase. However, under the Charter, an increase in the parking tax would require a reduction in the MTA's General Fund transfer equal t half the amount of the increase. For example, were a parking tax increase to generate $8.6 million in additional revenue, the MTA's General Fund transfer would be reduced by $4.3 million. Any proposal to increase the parking tax with revenues directed to Muni would require two-thirds voter approval. The next scheduled election is in November, 2005. If approved, the parking tax rate increase would become effective ten days after the Board of Supervisors certified the results of the election. A transition period would then be required to implement any necessary administrative char
29	*Expand pricing of on-street residential parking city-wide[l]*	Pricing	Medium	Mid Term	Currently, about 1/3 of the city is covered by an existing Residential Permit Parking (RPP) District, meaning that at least half the city's on-street residential parking supply is completely unpriced. If pricing of on-street residential parking could be expanded citywide at the initial rates of $240 per year ($20 per month), approximately $10 M of new revenue could be generated.[l] As pricing is a more effective way to manage parking demand than time limits, an important benefit of this proposal for motorists is that it will be easier to find a parking spot in their neighborhood.
30	*Institute demand-responsive pricing for on-street short-term parking[e]*	Pricing	Medium	Short Term	In order to make the most efficient use of scarce on-street parking in a way that will better serve neighborhood business districts, reduce congestion caused by circling for parking, and optimize revenue for improving Muni, the MTA should begin pricing parking to achieve 85% occupancy.[f] This could be accomplished by adding more meters where needed, expanding the hours and days of meter operation, and increasing meter rates to fair market rates wherever demand exceeds 85%. Current meter revenue is approximately $21 M per year. Depending on how this proposal is implemented, our analysis estimates that demand-responsive pricing could increase meter revenue by $6 to $30 M. To increase the political acceptability of this proposal, some portion of the increased revenue could be dedicated to pay for improvements in the neighborhoods where the money was generated, while still generating a net revenue increase for Muni.[g]
31	*Vehicle Registration Fee AB 1208 (Yee)*	Registration Fee	High	Mid Term	Bill would impose a vehicle registration fee on vehicles registered in San Francisco for maintenance, operation and construction of local streets and roads. Both DPW and DPT activities would benefit from this measure, sponsored by the Mayor on behalf of the departments
32	*Increase the state sales tax for transit[m]*	Sales Tax	High	Long Term	Doubling the state's sales tax rate for transit (Transit Development Account, or TDA) would generate approximately $30 M annually for Muni, which could be used to fund either operating or capital costs. Since the TDA is a state tax, it would not count against the state cap on local sales taxes, thereby preserving the option for San Francisco to also raise the sales tax at the local level to pay for Muni operations.
33	*Sales Tax*	Sales Tax	High	Long Term	The MTA could place a measure directly on the ballot, which could add a sales tax in the County of San Francisco in support of MTA transportation expenses. Because it would be a special tax for transportation, as opposed to a general tax, it would require two-thirds voter approval. A general tax that was placed on the November 2004 ballot, and which required a simple majority, failed
34	*Sales Tax Increase*	Sales Tax	High	Long Term	San Francisco could raise its sales tax another ¼ percent to pay for Muni operating expenses. Sales taxes are preferred to other broadly applied taxes because many non-residents help to pay them. On the other hand, local sales taxes are also criticized for being regressive.

EXHIBIT I: Prior Options from SPUR (MUNI'S BILLION DOLLAR PROBLEM)

	OPTION	REVENUE TYPE	ESTIMATED REVENUE POTENTIAL (LOW <$2 MILLION, MEDIUM $2-$10 MILLION, HIGH > $10 MILLION)	ESTIMATED RANGE (LONG TERM = 3 YEARS PLUS, MID TERM = 1-2 YEARS, SHORT TERM = WITHIN 1 YEAR)	DESCRIPTION
35	*Sales Tax, Local Ballot- Double State 1/4 - SB 1020 (Migden), AB 2873 (Wolk)*	Sales Tax	High	Long Term	Bill would authorize any county board of supervisors to put a measure on the local ballot to double the state ¼ cent sales tax now dedicated to transit operations. If ultimately enacted and approved by voters, this measure could generate an additional $30 million per year for Muni's operating budget. We have indicated our support for this measure, sponsored by the California Transit Association and will continue to engage in advocacy on this bill, $30 million for SFMTA
36	*Charge fair market rates for parking for City employees and City-funded institutions*	Service Based Fare Increase	Low	Short Term	Currently, much if not most of parking provided to City employees and employees of major City-funded institutions is priced at well below fair market rates. Free or below market-rate parking prices are a taxpayer-funded subsidy that encourages automobile commuting, increases congestion at peak travel periods, and raises Muni's operational costs. Charging fair market rates for this parking would simultaneously generate revenue that could be dedicated to the MTA while simultaneously reducing Muni's costs.
37	*Charge higher fares for premium Muni service*	Service Based Fare Increase	Low	Mid Term	Many transit systems throughout the world charge higher fares for premium services such as express buses.[d] When Muni service improves to a certain level (in terms of speed and reliability) on its streetcar and BRT lines, Muni might be able to charge more for these premium services (though monthly passes and discounted fares would still be valid).

[a] An independent audit by an outside consultant specializing in parking tax would likely be able to identify some additional revenue and ideas for guaranteeing that Muni is gets the optimal revenue from this existing source.

[b] This prohibition for time-specific periods is contained in Sec. 155 (g) of the City's Planning Code: "In order to discourage long-term commuter parking, any off-street parking spaces provided for a structure or use other than residential or hotel in a C-3 District [greater downtown], whether classified as an accessory or conditional use, which are otherwise available for use for long-term parking by downtown workers shall maintain a rate or fee structure for their use such that the rate charge for four hours of parking duration is no more than four times the rate charge for the first hour, and the rate charge for eight or more hours of parking duration is no less than 10 times the rate charge for the first hour. Additionally, no discounted parking rate shall be permitted for weekly, monthly, or similar time-specific periods."

[c] This proposal would require state enabling legislation similar to the state law which allows photo enforcement of red light violations. The MTA Board, Board of Supervisors, and Mayor should immediately begin with San Francisco state legislators and the City's lobbyist to move such enabling legislation forward.

[d] A precedent for this already exists in San Francisco, as Muni currently charges more for a premium service with a $5 cable car fare. This revenue estimate is based on a $2 cash fare for current streetcar and expected Geary BRT ridership.

[e] At or near the same time the MTA begins transitioning prices for on-street short-term parking to rates that maximize efficient use and optimize revenue, the MTA Board, the Mayor, and the Board of Supervisors should take whatever steps necessary to provide the MTA Board with the authority it needs to set on-street meter rates without getting separate approval from the Board of Supervisors. This proposal – which might take the form of a Charter amendment put before voters – could be paired with a guarantee that all meter revenue (after netting out small revenue increments that may in the future be dedicated to pay for local improvements as part of a parking benefit districts concept) would be dedicated to Muni. This would give the MTA greater control over on-street parking revenue and parking management policy and provide voters a guarantee that meter revenue would be used to improve Muni.

[f] Public-rights-of-way are one of the City's most valuable resources, part of the transportation system, our open space network, and our commons. The City has historically undervalued this scarce public asset by leaving much on-street parking free and unregulated; when on-street parking is priced, rates often appear to be based on a political calculus rather than analysis of what an appropriate price might be to optimize revenue and efficiently manage this limited public good.

[g] The Transportation Authority is currently funding a study of parking management techniques including how San Francisco might implement a program that allows local neighborhoods and commercial districts to retain some increment of increased revenue for on-street pricing to pay for neighborhood improvements or

[h] In order to increase the revenue potential for Muni, at the same time the parking tax is increased, the existing allocations could be revised (either just for the revenue increment or the total revenue amount). Alternately, a Charter amendment could be pursued to rescind the 50% General Fund giveback provision in Prop E. At the same time, closing existing loopholes in the parking tax should also be considered.

[i] Current city law requires that a majority of residents request that a Residential Parking Permit (RPP) district be created on their block. Under current city law, only residents of an area can approve a RPP district. Before expanding pricing for residential parking citywide under the current RPP system, SPUR believes that a comprehensive study of all possible policy options for how demand for on-street residential parking might be better managed should be undertaken by the MTA or BOS. As one alternative, that study should consider transitioning pricing of on-street residential parking from a user-fee based RPP system to an impact fee or metering system in order to better manage parking demand, reduce parking spillover, and optimize revenue. Currently the MTA sets prices for Residential Parking Permits under the constraint of state "cost-of-service" requirements for user fees. In order for the MTA to transition rates charged for on-street parking in residential areas to fair-market prices and/or full social costs, the agency must have a legally-defensible way to develop a more expansive definition of "cost-of-service" to include externalities and opportunity costs. Alternately, the MTA could abandon the current user-fee RPP system for pricing residential parking and move towards an impact fee or metering system. Under an impact fee system, the MTA would authorize a nexus study to determine the full social value of an on-street parking space in San Francisco (market rates plus externalities plus opportunity costs) and then charge an annual impact fee that captures that cost. Exist

[j] Since areas with high demand likely already have permit districts, we used a lower annual fee ($240) than the one proposed for existing districts above ($360). In areas where demand is low, the annual price might be less; in areas where demand was high, the price may be greater.

[k] Implementation of a regional gas tax is a preferable policy, as discussed in the "Possible Regional Revenue Sources" section below. This is because regional gas taxes have the capacity to reduce vehicle trips (by increasing per trip costs), while local gas taxes have a less robust congestion management effect and can often simply create incentives for motorists to purchase gas from adjacent localities.

[l] It is important to note that this proposal is for an impact fee based on a nexus study, not a property tax, although it could be administratively collected as a line item on property tax bills.

[m] Senator Carol Migden has previously introduced a bill to increase the state sales tax for transit. The MTA Board, Board of Supervisors, and Mayor should request Senator Migden to reintroduce such a measure and lobby for its passage.

[n] Assemblyperson Mark Leno has previously introduced a bill (AB 799) to raise the VLF to 2% after approval by the Board of Supervisors and voters, with the revenue going to the General Fund. This bill was passed by the Assembly but was held in Senate Committee. It should be emphasized that the proposal described here is for the revenue from restoring the VLF to 2% to be dedicated to Muni.

[o] Assemblyperson Leland Yee has previously introduced a bill (AB 1208) to assess a flat $5 surcharge on vehicles registered in San Francisco, with the revenue going to street maintenance. AB 1208 was passed by both the Assembly and the Senate last year but vetoed by the Governor. It should be emphasized that the proposal described here is for a nexus study to be conducted to determine the actual cost of vehicle externalities in San Francisco and that some of the revenue from a vehicle impact fee be dedicated to mitigate congestion impacts on Muni. The Bay Area Air Quality Management District already has a regional $4 per vehicle fee to provide funding for air pollution mitigation programs, and San Mateo County has a $4 fee to fund traffic mitigation and water quality programs.

EXHIBIT II: REVENUE GENERATING OPTIONS (Without Constraints)

	OPTION	REVENUE TYPE	ESTIMATED REVENUE POTENTIAL (LOW <$2 MILLION, MEDIUM $2-$10 MILLION, HIGH > $10 MILLION)	ESTIMATED RANGE (LONG TERM = 3 YEARS PLUS, MID TERM = 1-2 YEARS, SHORT TERM = WITHIN 1 YEAR)	DESCRIPTION
1	Letter of Intent Financing	Debt	High	Mid term	Letters of intent financing based on state bonds 1a-1c approved (at least $336 million)
2	Internet fee passed into price of parking card and passes	Fees	Cost offset	Short term	Pass on the $2.75 Internet fee to the price of the parking card (to offset DTIS charge estimated at $1.2 million in FY07)
3	Free goods and services for advertising rights	Service	Cost offset	Mid term	Receive goods and services from business in exchange for advertising (e.g painting of facilities, maintenance of facilities, etc. Can also include city departments work orders)
4	Adopt a shelter/adopt a corner	Service	Cost offset	Mid term	Businesses adopt a corner or shelter in return for free advertising
5	TV and video monitors in buses	Advertising	High	Mid term	TVs placed in bus shelters, buses and rail cars - ads, community information, etc.
6	Free ride day paid by a business	Advertising	High	Mid term	"Ride for free today. Your ride is paid by business X"
7	Naming rights for facilities	Advertising	High	Long term	Naming rights for: rail stations, sales booths, embarcation points
8	Property Tax increment financing	Debt	High	Long term	Any new services should enhance business opportunities to the area. Explore whether SFMTA can share the upside with the Redevelopment Agency or City departments - Third St. /Central Subway
9	Employer tax for transit based on number of employees	Local tax	High	Long term	Employer tax based on number of employees
10	Car tax	Local tax	High	Long term	Requires BOS approval to establish a car tax to support City's transit first policy
11	Taxing gas outlets	Local tax	High	Long term	Requires BOS approval to establish a business tax surcharge to support City's transit first policy
12	Parking stall tax	Local tax	High	Long term	A parking stall tax of $20- $30 per stall for every indoor and outdoor parking space on private property (non residential)
13	Transit oriented development	Development	High	Long term	Housing, retail and office development on MTA owned property (Presidio, West Portal station -etc.) - transfer charge of real estate sales & leverage off 1C bonds
14	Prop K - Redirect 1/2 cent sales tax from TA to MTA to fund operating needs	Local tax	High	Mid term	Redirect 1/2 cent approved sales tax to fund operating costs by going to the voters, funding only capital projects through TA results in significant operating and maintenance funding gaps. Prop B allowed for operating costs but Prop K only allows for capital- voter approval
15	.25% sales tax (amount still available under the cap)	Local tax	High	Mid term	Will require voter approval
16	Vehicle advertising	Advertising	High	Mid term	Advertising on all vehicles current contract expiring next fiscal year
17	Parking garages	Advertising	High	Mid term	Wall/floor/stairwell/elevator ads on parking garages, print ads on the back of garage tickets and transfers
18	Air rights	Advertising	High	Long term	Air rights are a type of development right in real estate. Generally speaking, owning or renting land or a building gives one the right to use and develop the empty space above the property. Identify transit properties that could generate revenues through the sale or lease of "air rights" — space for building — over the sites.
19	Charging for services to other entities	Service	Low	Short term	Charging for consulting services, training for SBE, DBE contract compliance and bidding services, administrative fee for procurement services, etc
20	Expanding TIDF to cover residential units greater than x units	Fees	Low	Long term	TIDF currently excludes housing, nexus study required
21	Reduce number of white zones, meter these areas	Fees	Low	Mid term	Probably ¾ of our white zones are in metered areas. If we have about 1000 white zones, that would be at least 750 meters, say 1500 to account for many zones longer than one space. At $4 per day, that would be $6000 per day x 300 days = $1.8 million in revenue
22	Charge other departments for parking management services (MOU/work order)	Cost offset	Low	Mid term	The Parking Authority manages garages for other city departments who keep the revenues from the garages but do not get charged for management services by the Parking Authority. Entering into MOUs with these agencies for management services would generate revenues for the Parking Authority.
23	Giants and 49er games	Fares	Low	Short term	Fare surcharge for games, add $1.00 to $2.00
24	Special events pricing	Fares	Low	Short term	Fare surcharge for special events (e.g. fleet week) , add $1.00 to $2.00
25	Special location pricing	Fares	Low	Short term	Fare surcharge for special locations (e.g. airport, Treasure Island)
26	Vendor carts	Service	Low	Short term	Vendors for coffee, food and souvenirs at all locations - one vending contract

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27	Charter service	Service	Low	Short term	Establish fees for cable car and bus rentals that cover operational and maintenance costs plus 25% premium
28	Access fee	Service	Low	Mid term	Commercial access to our Powell/Market kiosk (maybe an ATM?)
29	Fare Policy-CPI trigger to fares every two years	Fares	Low	Mid term	Automatic increase to fares every two years by 5%
30	Rental of equipment or use of underutilized equipment	Fees	Low to medium	Mid term	For example, bus washing facilities may be rented out during low utilization period
31	Increase certain parking violations	Fines	Medium	Short term	Street sweeping and block wheels ($40 to $50, $35 to $40 = $3.3 million); top 1 and 5 based on volume of tickets, least likely to result in PCO confrontation
32	Charging for transfers	Fares	Medium	Short term	At a proposed price of $0.25 for transfers, the increased revenue would be about $3 million annually in additional revenue, assuming demand for linked trips requiring transfers of 25-50% of cash and token payers. this would be offset by any increase in theft or unauthorized sales of transfers
33	Regular shuttle services for businesses/hotels to BART stations other areas in the Bay Area	Service	Medium	Mid term	Employers with large numbers of employees in other counties - pay for a regular shuttle service to and from their offices to other locations
34	Donations in exchange for press	Advertising	Medium	Mid term	"Company X contributed $50,000 to SFMTA today....quote from company's CEO"
35	Parking meters extending to weekends and holidays	Fees	Medium	Mid term	Charge for parking meters on weekends and holidays
36	Lease garages to private operators - annual lease payments	Lease	Medium	Mid term	Allows for a shift of capital resources from parking garages to transit
37	Add 50 cents to stadium tickets (stadium admission tax) to encourage public transit to the games	Fees	Medium	Short term	The city imposes a tax for the right or privilege to enter and occupy a seat or space in a stadium for each event, unless specifically excluded from the tax.
38	Add .10% to the property transfer tax	Local tax	Medium	Short term	Real Property Transfer Tax revenues are generated from the transfer of ownership of real property. This tax is applied to the sale price of the property and may be paid by either the buyer or the seller, or the buyer and seller may split the payment. The new rate structure adopted in October 1994 is three-tiered, depending on the value of the transaction. Rates are the same for commercial and residential properties. Value of Transaction Tax Rate >$100 and < or = $250,000 0.50% >$250,000 and < $1,000,000 0.68% = or > $1,000,000 0.75%