05. Capital Sources

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For details about the policies that govern the planning for the Pay-Go Program, the General Obligation Bond Program, and the General Fund Debt Program, as well as general policies for the Plan overall, please refer to the Introduction.

Overview

San Francisco uses a variety of funding sources to implement the broad array of building and infrastructure projects planned each year. These include the San Francisco General Fund, publicly issued debt, federal and state grants, and other local funding sources. These funds have been used for countless facilities, parks, streetscapes, and transportation initiatives.

Pay-As-You-Go Program

Over the 10-year timeframe of this Capital Plan, the primary source of revenue to fund our ongoing annual needs, or Pay-As-You-Go Program (Pay-Go), is the San Francisco General Fund. The General Fund is comprised of various taxes collected by the City, which include property, sales, business, and hotel taxes. It serves as the primary funding stream for on-going programs and services for the entire city. As infrastructure underpins these programs and services, it is appropriate for the General Fund set-aside funds to insure buildings, streets, parks, and related infrastructure are in a state of good repair throughout their useful life. It is also worth noting that all San Francisco residents, businesses, and visitors benefit from investments in local infrastructure.

Improvements paid through the Pay-Go Program tend to be smaller in scale than programs that require debt financing over a multi-year period. By using the Pay-Go Program for short-term improvements, the City is less reliant on debt financing and ultimately spends less to deliver those projects.

San Francisco has long sought a permanent source to support Street Repaving, the largest line item in the Pay-Go Program. A 2016 sales tax measure that would have accomplished this goal failed at the ballot. Soon thereafter, the State of California passed Senate Bill 1 (SB1), the Road Repair and Accountability Act of 2017, discussed further in the Recent Ballot Measures section below. Street Repaving is one of the eligible uses for SB1 funds.

Capital Planning Fund

The Capital Planning Fund supports critical project development and pre-bond planning outside the regular General Fund budget. This investment in planning helps increase public confidence and the likelihood that these projects will be delivered on time and on budget. The advance work helps improve cost estimation reliability and refine project delivery methods.

Historically, the General Fund supported pre-bond critical project development on the condition that once bonds for that project were issued, the General Fund would be reimbursed. This Plan assumes that bond reimbursements will flow into the Capital Planning Fund and be used for future project development. The Capital Planning Fund may be used for planning projects that are funded through sources other than bonds, but those funds are not reimbursable.

Capital Planning Funds support the next planned bond programs and will be appropriated through the annual budget process.

Caption Text

Debt Programs

Many of San Francisco's capital improvements are funded with voter-approved General Obligation Bonds (G.O. Bonds), General Fund debt called Certificates of Participation (COPs), or revenue bonds.

Issuing debt is a typical method for financing capital enhancements with long useful lives and high upfront costs, which the City would not be able to cover through the Pay-Go Program. The use of debt also spreads the financial burden of paying for facilities between current residents and future generations who will also benefit from the projects. In the context of the COVID-19 pandemic, it is important to acknowledge the meaningful role that debt can play in San Francisco's economic recovery, as documented in the Economic Recovery Task Force Report (see summary in Building our Future chapter). More so than in past Capital Plans, the debt programs are programmed with an eye towards local economic stimulus and building a more resilient, equitable San Francisco as part of the City's recovery from the pandemic.

Health and Recovery Bond 2020

In November 2020, voters approved the Health and Recovery Bond, a multi-service area bond that will address some of San Francisco's most urgent needs: addressing the twin challenges of mental health and homelessness; and investing in large, shovel-ready parks and street infrastructure projects that will serve as an engine for growth and create local jobs that will help jumpstart San Francisco's economy. This $487.5 million bond provides $207 million to invest in permanent supportive housing, shelters and facilities that deliver services to people struggling with mental health and substance use disorders; $239 million for capital needs in the City's park system, including citywide parks like Golden Gate Park, Lake Merced, and McLaren Park, neighborhood parks like Buchanan Mall, Gene Friend Recreation Center, Herz Playground, and India Basin, community gardens, and trails; $41.5 million to address public right of way and public spaces, including street resurfacing, ADA curb ramp construction and maintenance, and repair and maintenance of street structures like the Third Street Bridge and Filbert Street Steps.

General Obligation Bonds

G.O. Bonds are backed by the City's property tax revenue and are repaid directly out of property taxes through a fund held by the Treasurer's Office.

The Plan structures the G.O. Bond schedule around the notion of rotating bond programs across areas of capital need, although the City's debt capacity, election schedules, and capital needs also inform these levels. This approach was established in the original Capital Plan and has been maintained ever since.

Priority areas of need for capital improvements include Earthquake Safety & Emergency Response, Parks & Open Space, Transportation, Public Health, and the Waterfront. As part of incorporating Affordable Housing into the Capital Plan, there is also the first advance-planned bond in that area. The Plan occasionally recommends bonds outside these categories if there is a

TABLE 5.1

G.O. Bond Program (Dollars in Millions)		
Election Date	**Bond Program**	**Amount**
Jun 2022	Transportation	400
Nov 2023	Public Health	187
Nov 2024	Affordable Housing	160
Nov 2026	Waterfront Safety	130
Nov 2027	Earthquake Safety & Emergency Response	217
Nov 2028	Parks and Open Space	151
Nov 2031	Public Health	TBD
Total		**1,245**

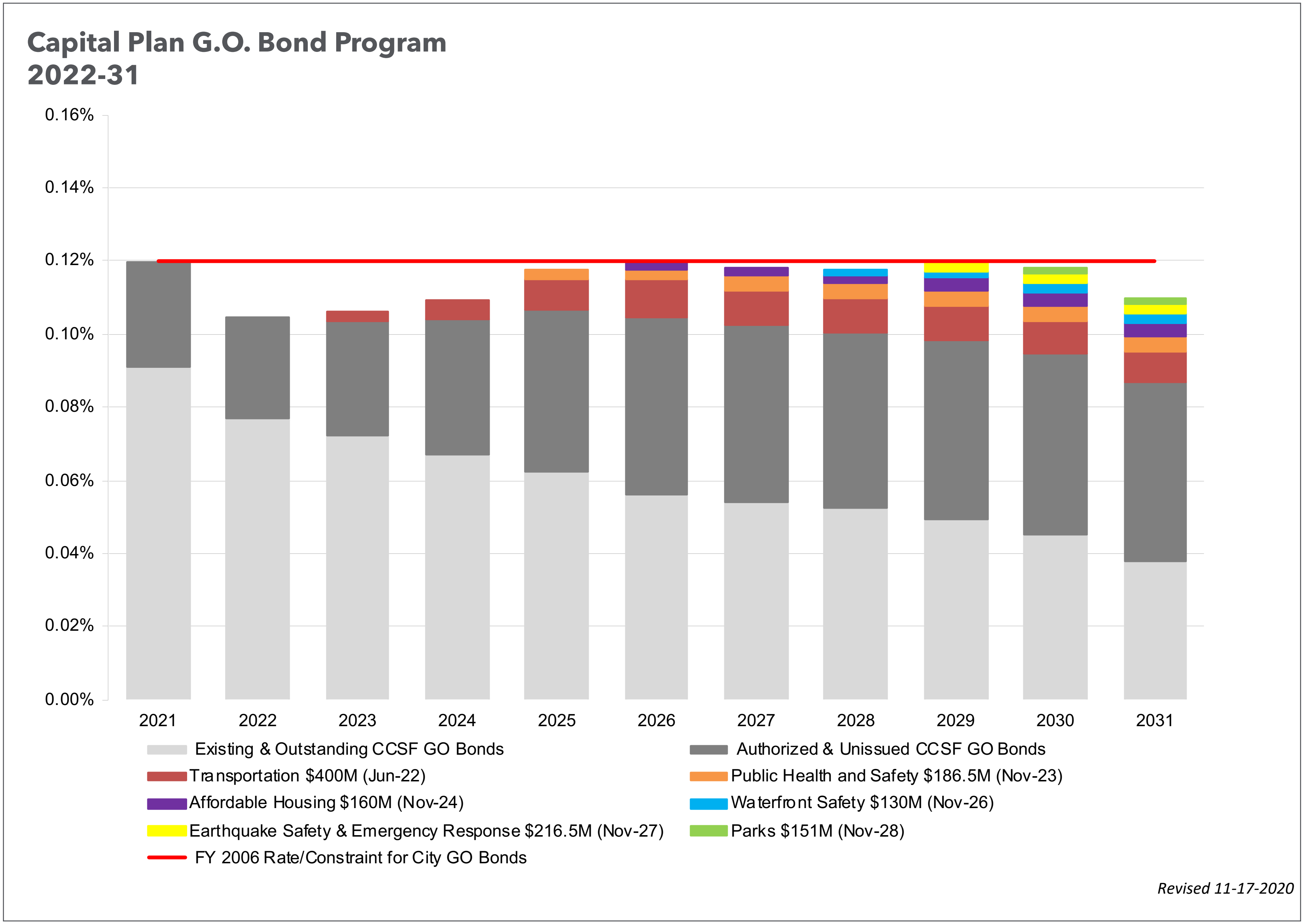
demonstrated capital need that the City would otherwise not be able to afford. **Table 5.1** lays out the planned G.O. Bond schedule for upcoming elections.

Chart 5.1 illustrates the impact on the local tax rate of issued, expected, and planned G.O. Bond debt. The red line represents the property tax limit policy established in 2006 that sets the annual level of bond debt repayment. The space between the red line and the bars on the chart illustrates the projected capacity for bond debt for each year. All amounts attributed to future bonds are estimates and may need to be adjusted to account for new federal and state laws, programmatic changes, site acquisition, alternate delivery methods, changing rates of construction cost escalation, and/or newly emerged City needs.

The G.O. Bond program's capacity is largely driven by changes in assessed value and associated property tax revenues within the city. The recent economic boom increased assessed value growth over the past several years, but that growth is expected to slow now due to the COVID-19 crisis. While the passage of recent bonds is a sign of the effectiveness of the capital planning process, it also impacts the available bond capacity going forward. The passage of three large bonds totaling $1.7 billion since 2019 means there is considerably less capacity for this 10-year capital planning cycle compared to previous ones. For more information on the G.O. Bond policies and past bonds, please see the **Introduction chapter**.

In addition to this program, external agencies may also issue G.O. Bonds. For example, City College passed a $845 million bond in FY2020, and SFUSD has plans for a $1 billion bond on the November 2022 ballot.

CHART 5.1


Capital Plan G.O. Bond Program
2022-31
0.16%
0.14%
0.12%
0.10%
0.08%
0.06%
0.04%
0.02%
0.00%
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
Existing & Outstanding CCSF GO Bonds
Authorized & Unissued CCSF GO Bonds
Transportation $400M (Jun-22)
Public Health and Safety $186.5M (Nov-23)
Affordable Housing $160M (Nov-24)
Waterfront Safety $130M (Nov-26)
Earthquake Safety & Emergency Response $216.5M (Nov-27)
Parks $151M (Nov-28)
FY 2006 Rate/Constraint for City GO Bonds
Revised 11-17-2020

Certificates of Participation

Certificates of Participation (COPs) are backed by a physical asset in the City's capital portfolio and supported through annual General Fund appropriations or revenue that would otherwise flow to the General Fund. The City utilizes COPs to leverage the General Fund to finance capital projects and acquisitions. Funding from COPs is planned to support basic City responsibilities such as relocating City staff from seismically deficient buildings.

Table 5.2 shows the Capital Plan's COP Program for the next ten years. This Program includes two years of issuances for critical repairs totaling $111 million, as well as two years of issuances for street resurfacing totaling $60 million. Together, these four issuances help mitigate cuts to the Pay-Go Program due to the recession. In addition, this program also includes two years of issuances for recovery stimulus totaling $125 million. These issuances will support projects that serve as local economic stimulus and help build a more resilient and equitable San Francisco as part of the city's recovery from the COVID-19 pandemic. **Chart 5.2** shows the planned COP Program against the policy constraint for General Fund debt not to exceed 3.25% of General Fund Discretionary Revenue, represented by the red horizontal line. The black line depicts the annual lease costs related to the Hall of Justice Administrative Exit efforts approved in 2018, which are also counted against this Program's constraint.

The bottom portions of the columns represent debt service commitments for previously issued and authorized but unissued COPs, including the debt issued for the Moscone Center, the War Memorial Veterans Building, and the Animal Care & Control Shelter replacement. New obligations are represented in discrete colors, beginning in FY2022. As with the G.O. Bond Program, all amounts attributed to future COP-funded programs are estimates and may need to be adjusted in future plans to account for new federal and state laws, programmatic changes, site acquisition, alternate delivery methods, changing rates of construction cost escalation, and/or newly emerged City needs.

TABLE 5.2

COP Program
(Dollars in Millions)

Fiscal Year of Issuance	Project	Amount
FY2022	Critical Repairs	61
FY2022	Recovery Stimulus	50
FY2023	Relocation of HSA Headquarters	70
FY2023	Critical Repairs	50
FY2023	Recovery Stimulus	75
FY2023	Street Resurfacing	30
FY2024	Street Resurfacing	30
FY2025	HOJ Consolidation Project	367
FY2031	Public Works Yard Consolidation	32
Total		**$765**

CHART 5.2

Capital Plan General Fund Debt Program FY2022-31

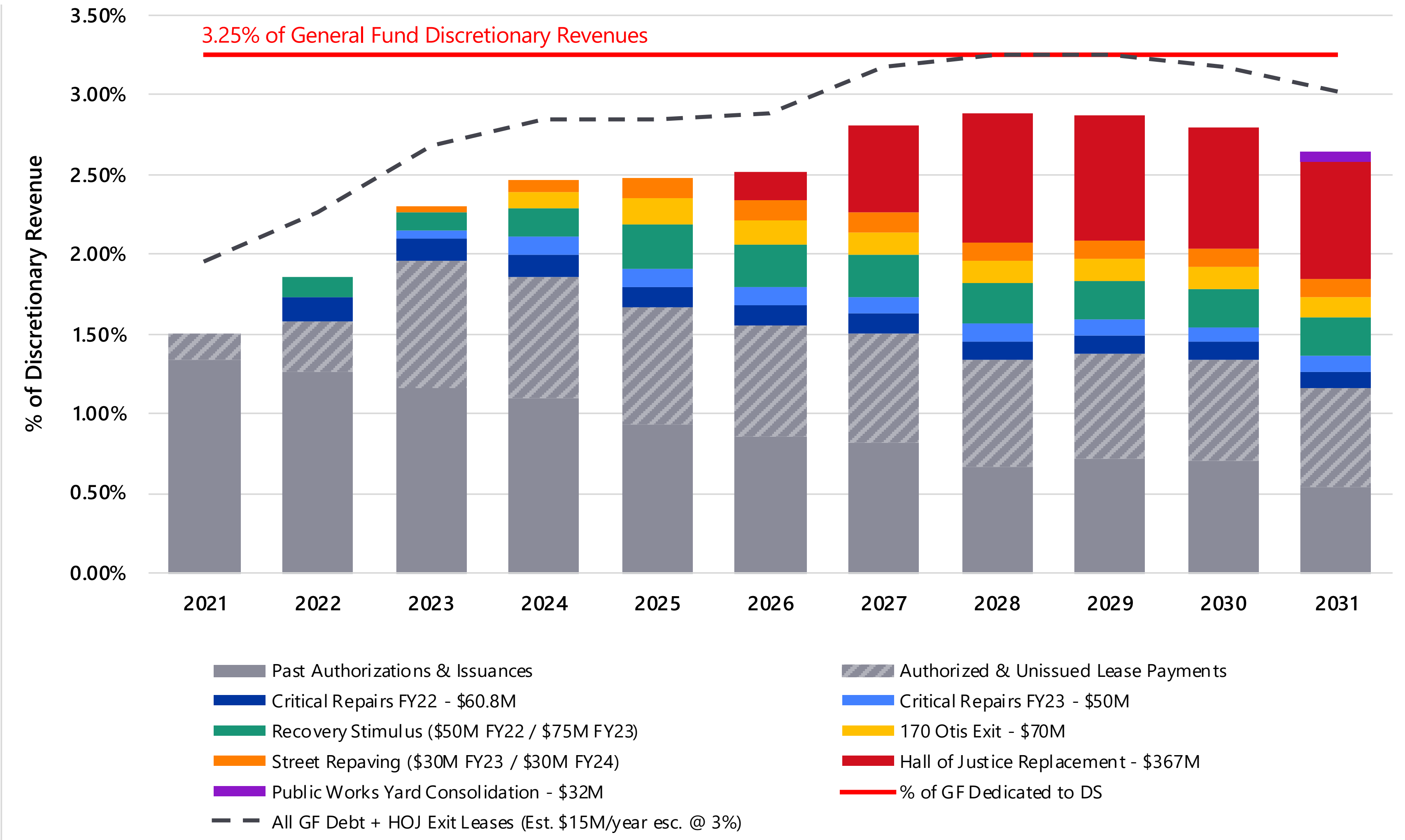


TABLE 5.3

Planned Revenue Bond Issuances FY2022-31
(Dollars in Millions)

Agency	FY22-26	FY27-31	Total
PUC	4,366	2,465	6,831
Airport	1,189	-	1,189
Total	**5,555**	**2,465**	**8,020**

Revenue Bonds

Revenue bonds are a type of debt that is repaid from department or other revenue streams. Revenue bonds are typically used by the City's enterprise departments (SFMTA, Port, SFPUC, and SFO), which generate their own revenues from fees paid by users of services provided by those agencies. This type of debt is repaid solely by users of those projects and therefore does not require payments from the General Fund. Examples of projects funded by revenue bonds are the SFPUC's Water Systems Improvement Program and the Airport's Terminal Renovation Program.

Table 5.3 shows the currently planned amount of revenue bonds to be issued over the 10-year term of this Plan. All revenue bond issuances are subject to change based on market conditions and cash flow needs of the associated projects.

Caption Text

Caption Text

Development Impact Fees

San Francisco must expand its infrastructure to manage the impacts of a growing population as more residents utilize transportation networks, streets, parks, utilities, and other public assets. A large proportion of this new growth is concentrated in a few specific areas, which include Eastern Neighborhoods, Market & Octavia, Visitacion Valley, Balboa Park, Rincon Hill, Transit Center, and most recently approved, Central SoMa. The City established development impact fees, which are paid by developers, to fund the services that are required by new residents of these areas. The City's Planning Department has created specific Area Plans to focus new capital investments in those neighborhoods.

Development impact fees for the Plan Areas are programmed by the City's Interagency Plan Implementation Committee (IPIC), which is chaired by the Planning Department. Each year, IPIC develops an expenditure plan for projects to be funded by impact fees with input from each Plan Area's respective Citizen Advisory Committee. Funding for the expenditure plan is appropriated through the capital budget process each year. While impact fees are collected by the Planning Department, funds are transferred to the departments implementing those projects, such as Public Works, Recreation and Parks, or SFMTA.

TABLE 5.4

Ten-Year Area Plan Development Impact Fee Projections
(Dollars in Millions)

Program Area	Impact Fees FY2022-2031
Complete Streets	224
Open Space	142
Transit	137
Childcare	31
Program Administration	25
Total	**558**

The City estimates it will raise approximately $558.2 million in Plan Area impact fees over the next 10 years. **Table 5.4** shows that estimate by program area. Not adopted at the time of publication but raised in the Economic Recovery Task Force was the possibility of reviving the impact fee deferral program, which San Francisco offered during the last recession.

Whenever they are received, the revenues projected from fees, though significant, are insufficient to cover all of the growth-related needs of the Plan Areas. The City will continue to seek opportunities to leverage these impact fees and identify complementary funding.

There are also impact development fees that apply to building projects citywide. Of these, the most relevant for capital is the Transportation Sustainability Fee (TSF), which replaced the Transit Impact Development Fee (TIDF) in 2015. The TSF Expenditure Program agreed to at that time assigned 63% of TSF revenue to transit capital maintenance, 30% to Muni transit service improvements, 3% to complete streets (bicycle and pedestrian infrastructure in this context), 2% to regional transit improvements, and 2% to program administration. The Planning Department prepares annual TSF revenue projections, and the Mayor's Office determines the budget and projects to be funded to regional transit providers, including BART. Approximately $380 million is projected in TSF revenue from FY2022-30, plus about $20 million more in that timeframe from grandfathered TIDF projects.

Special Finance Districts

San Francisco has adopted numerous special financing districts in order to finance infrastructure improvements benefiting the public in newly developing areas of the City, such as Transbay and Mission Rock. Projects that may be financed by revenues from special finance districts include, but are not limited to streets, water and sewer systems, libraries, parks, and public safety facilities.

Authorized under the City's Special Tax Financing Law, Community Facilities Districts (CFD) (also known as Mello-Roos Districts) assess a special tax lien against taxable property within a district to fund capital projects and/or ongoing operations and maintenance costs. These districts are typically established either by a two-thirds vote of property owners or registered voters within the district and by approval of the Board of Supervisors.

Infrastructure Finance Districts (IFD), which are authorized under the California State Government Code, allow municipalities to fund improvements within the IFD geographic boundary.

IFDs capture increases in property tax revenue stemming from growth in assessed value as a result of new development and uses that revenue to finance infrastructure projects and improvements.

Each district has as a unique implementing agency (or agencies) responsible for the formation process

TABLE 5.5

Planned and Existing Special Finance Districts
(Dollars in Millions)

District Name	Implementing Agency	Type of District	(New Cap Plan)
Transbay	TJPA/City	CFD	Existing
Treasure Island	TIDA	CFD & IRFD	Existing
Central SOMA	SF Planning	CFD	Existing
The Hub	SF Planning	TBD	Planned
Pier 70	Port	CFD & IFD	Existing
Pier 70 Historic Core	Port	CFD & IFD	Planned
Hoedown Yard	Port	IRFD/CFD	Existing/Planned
Mission Rock	Port	CFD & IFD	Existing
India Basin	City	CFD	Planned
Hunters Point	OCII	CFD	Existing
Mission Bay	OCII	CFD	Existing
Potrero Power Station	City	CFD	Planned
Balboa Reservoir	City	CFD	Planned

and plan of finance for the use of the special taxes and/or tax increment.

Table 5.5 provides an overview of many of the planned and existing Special Finance Districts in San Francisco.

Recent Ballot Measures

Senate Bill 1 (SB1)

SB1, the Road Repair and Accountability Act of 2017, is a landmark transportation investment package that increased funding for transportation infrastructure across California by $54 billion over 10 years. SB1 investments, funded by a combination of gas taxes and vehicle registration fees, are split equally between state-maintained transportation infrastructure and local transportation priorities including local streets, transit, and pedestrian and bicycle projects.

SB1 provides San Francisco with over $60 million per year in formula-based funds that are used to repave and maintain our roads as part of the Pay-Go Program, maintain and upgrade our rail infrastructure, and increase Muni service on our city's most crowded lines. In addition, regional transit providers like BART, Caltrain, and the San Francisco Bay Ferry will receive over $25 million per year for much-needed improvements including escalator upgrades, hiring more police officers and station cleaners, improving safety and reliability, and enhancing ferry service.

Regional Measure 3 (RM3)

RM3 was passed by voters on the June 2018 ballot in the nine-county San Francisco Bay Area to build major roadway and public transit improvements with increased tolls on all Bay Area toll bridges except the Golden Gate Bridge. RM3 would implement toll increases of one dollar in 2019, one dollar in 2022, and one dollar in 2025. The revenue would be used to finance a $4.5 billion slate of highway and transit capital improvements along with $60 million annually to provide new bus and ferry service in congested bridge corridors and improved regional connectivity at the future Transbay Terminal. A legal challenge filed against the measure was recently rejected by the California Supreme Court.

Gross Receipts Tax for Homelessness

In November 2018 San Francisco voters approved Proposition C, a business tax measure to fund homelessness services. The measure applies a tax of 0.175% to 0.69% on gross receipts for businesses with over $50 million in gross annual receipts, or 1.5% of payroll expenses for certain businesses with over $1 billion in gross annual receipts and administrative offices in San Francisco.

The San Francisco Controller estimated that tax revenues under Proposition C would total between $300 million and $350 million annually. Tax revenues from Proposition C will be allocated to permanent housing, mental health services for homelessness individuals, homelessness preventions, and short-term shelters. Though the expected use for Prop C funds is primarily services, costs for shelter construction, supportive housing, or capital costs that could help end homelessness are eligible uses for this source.

Hotel Tax for Arts and Culture

In November 2018, San Francisco voters approved Proposition E, which allocates 1.5% of the base hotel tax to arts and cultural purposes through the Hotel Room Tax Fund. Proposition E provides a set-aside for various arts and cultural services including grants and a cultural equity endowment. Arts-related capital projects such as those at the City's cultural centers are an eligible use from this source at a baseline level of approximately $1 million. The Controller's Office anticipates a far lower allocation from this measure in FY2022 than anticipated in the last Capital Plan due to the COVID-19 pandemic and the associated shock to the hospitality sector.

Homelessness Prevention Housing Bonds Measure

In November 2018 California voters approved Proposition 2, authorizing the state to bond against revenue from the so-called "millionaire's tax" for homelessness prevention housing for persons in need of mental health services. San Francisco has a longstanding need for homelessness prevention housing and mental health services and facilities, and a full spending plan for these revenues is under development.

Measure RR

In November 2020, Bay Area County voters approved Measure RR. The measure applies a 0.125% sales tax on transactions in San Francisco, San Mateo, and Santa Clara counties for 30-years.

The tax will fund an approximately $108 million annual set-aside to support Caltrain operations, maintenance and capital projects, and establish an affordability program to expand access to Caltrain services to passengers of all income levels.

Other Sources

The City has several sources of funding for capital projects that are derived from specific sources and designated for specific purposes. For example, the Marina Yacht Harbor Fund receives revenues generated by users of the Yacht Harbor and applies them to projects such as sediment remediation and security and lighting systems. The Open Space Fund sets aside funds from annual property tax revenues, outside private sources, and Recreation and Parks Department revenues, and applies those funds to open space expenditures. In the first year of the Capital Plan, these

TABLE 5.6

Other Capital Funds and FY2022 Funding Amount
(Dollars in Millions)

Fund Name	
Road Maintenance and Rehabilitation Fund	24.5
Special Gas Tax Street Improvement Fund	5.4
Road Fund	2.9
Other Special Revenue Fund	2.9
Marina Yacht Harbor Fund	2.2
Open Space Fund	2.2
Library Fund	2.0
Golf Fund	0.4
SF General Hospital	2.5
Other Special Revenue Fund	2.1
Road Fund	1.7
Golf Fund	0.4
Grand Total	**42.6**

funds are expected to provide nearly $43 million, as shown in **Table 5.6**. These figures are pulled from Year 2 of the most recently completed budget cycle.

In addition, the City may also sell Transferable Development Rights (TDRs) for historic preservation and capital improvement projects at certain facilities. TDRs are unused development rights from historical and architecturally significant buildings, such as City Hall, which can be transferred, through sale, to a developer in order to increase that developer's allowable gross floor area on their property.

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