05. Capital Sources

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 ensure buildings, streets, parks, and related infrastructure are in a state of good repair throughout their useful life. 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.

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 to support the next planned bond programs will be appropriated through the annual budget process.

Image Caption

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.

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 a bond in that area. The Plan occasionally recommends bonds outside these categories if there is a 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

TABLE 5.1

G.O. Bond Program

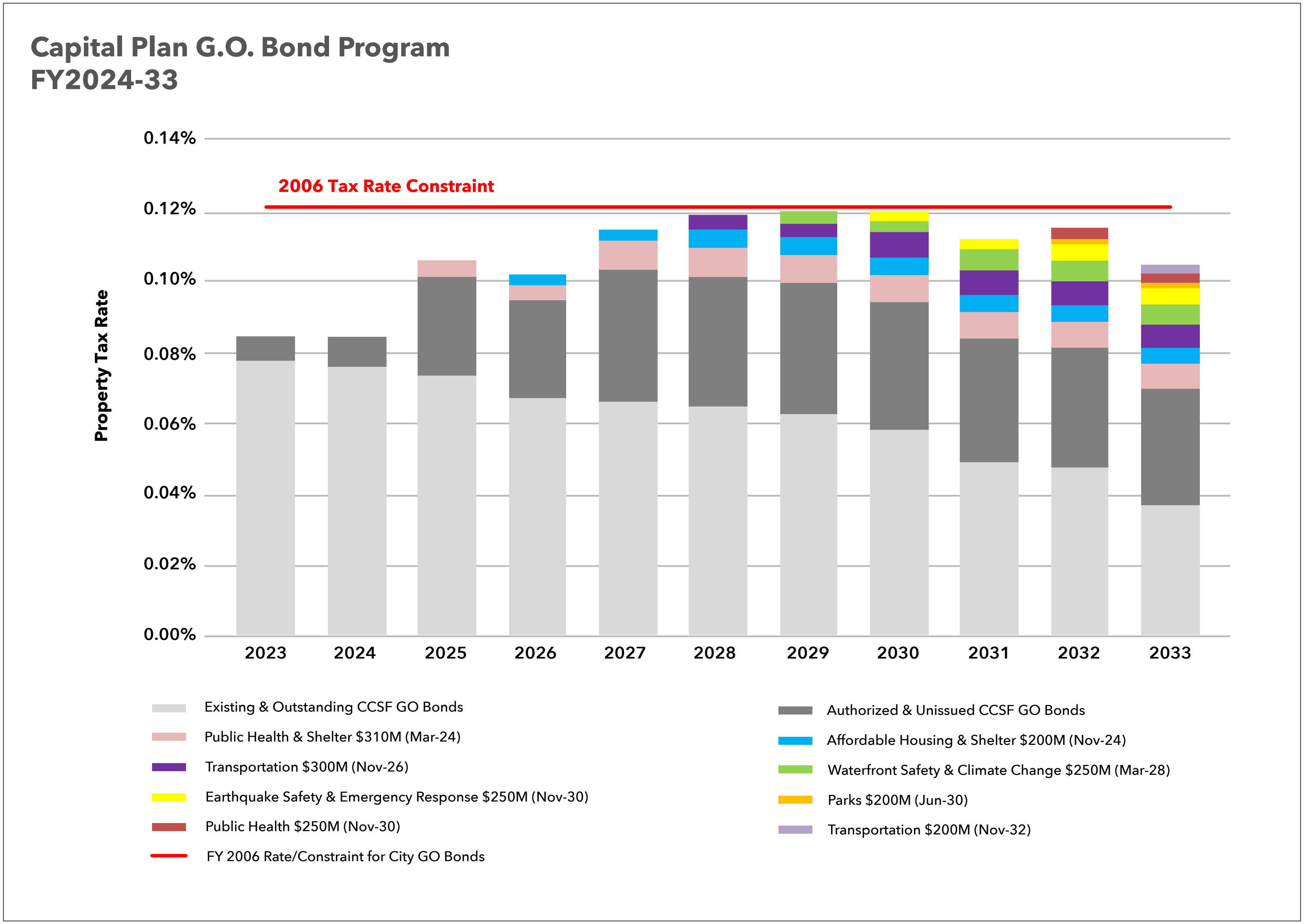
(Dollars in Millions)

Election Date	Bond Program	Amount
Mar 2024	Public Health & Shelter	310
Nov 2024	Affordable Housing & Shelter	200
Nov 2026	Transportation	300
Mar 2028	Waterfront and Climate Safety	250
Nov 2028	Earthquake Safety & Emergency Response	310
Jun 2030	Parks and Open Space	200
Nov 2030	Public Health	250
Nov 2032	Waterfront and Climate Safety	200
Total		**2,020**

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. 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 four bonds for a total of $2.14 billion since 2018 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.

CHART 5.1


Capital Plan G.O. Bond Program
FY2024-33
0.14%
0.12%
0.10%
0.08%
0.06%
0.04%
0.02%
0.00%
2006 Tax Rate Constraint
Property Tax Rate
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
Existing & Outstanding CCSF GO Bonds
Authorized & Unissued CCSF GO Bonds
Public Health & Shelter $310M (Mar-24)
Affordable Housing & Shelter $200M (Nov-24)
Transportation $300M (Nov-26)
Waterfront Safety & Climate Change $250M (Mar-28)
Earthquake Safety & Emergency Response $250M (Nov-30)
Parks $200M (Jun-30)
Public Health $250M (Nov-30)
Transportation $200M (Nov-32)
FY 2006 Rate/Constraint for City GO Bonds

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, and one issuance for street resurfacing, to mitigate cuts to the Pay-Go Program due to COVID-19.

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.

TABLE 5.2

COP Program
(Dollars in Millions)

Fiscal Year of Issuance	Project	Amount
FY2024	Relocation of HSA Headquarters	70
FY2024	Critical Repairs / Recession Allowance	30
FY2024	Street Resurfacing	30
FY2025	Critical Repairs / Recession Allowance	30
FY2027	HOJ Replacement	167
FY2030	HOJ Replacement	200
Total		**527**

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 FY2024. 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.

CHART 5.2

Capital Plan General Fund Debt Program FY2024-33

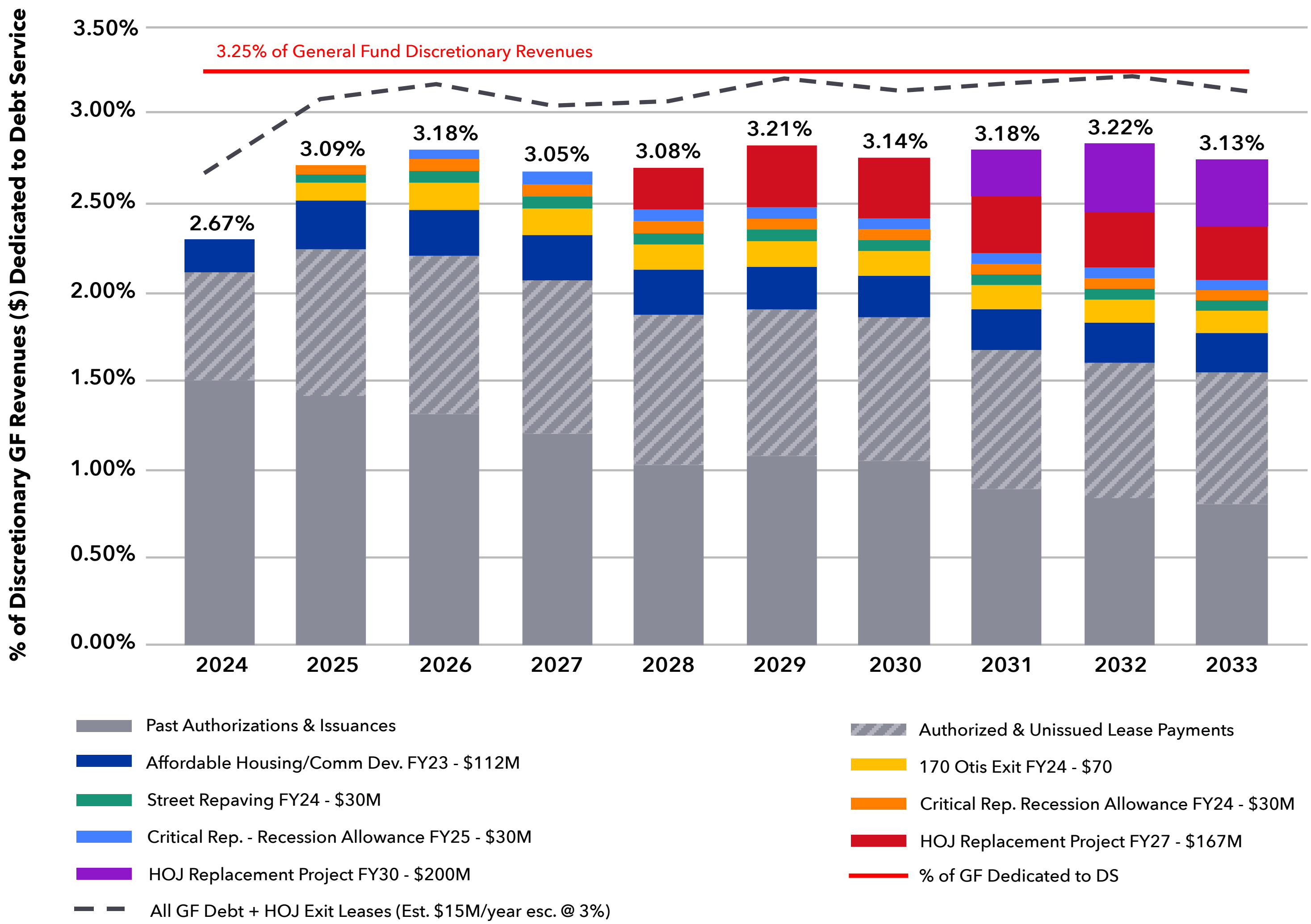


TABLE 5.3

Planned Revenue Bond Issuances FY2024-33
(Dollars in Millions)

Agency	FY24-28	FY29-33	Total
SFPUC	5,289	1,258	6,546
Airport	669	1,060	1,729
Total	**5,958**	**2,318**	**8,276**

Image Caption

Image Caption

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.

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, South of Market, and Transit Center. 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.

The City estimates it will raise approximately $543.8 million in Plan Area impact fees over the next 10 years. Table 5.4 shows that estimate by program area.

Although the revenues projected from impact fees are significant, they 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.

TABLE 5.4

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

Program Area	Impact Fees FY2024-2033
Complete Streets	150.9
Open Space	144.8
Transit	200.1
Childcare	27.6
Program Administration	20.4
Total	**543.8**

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.

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

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 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.

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.

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.

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 funds are expected to provide nearly $27 million, as shown in Table 5.6. These figures are pulled from Year 2 of the most recently completed budget cycle.

TABLE 5.6

Other Capital Funds and FY2024 Funding Amount
(Dollars in Millions)

Fund Name	
Marina Yacht Harbor Fund	2.1
Open Space Fund	3.9
Library Preservation Fund	20.8
Botanical Garden Fund	0.3
Total	**27.1**

2500+

SFHA
Managed Affordable Housing Units

700+
HOPE SF Units Complete

10,000
Affordable Units Produced or Preserved between 2014-2020

UP TO 8,000
New Housing Units at Treasure Island/Yerba Buena Island Development Project

13,304

MOHCD AND OCII
Affordable Units in Pipeline