



SFMTA

FY26-27 & FY27-28 Draft Budget Balancing Plan

SFMTA Board of Directors

March 17, 2026

Budget Milestones

| Date | Budget Topic |
|------------|--|
| 11/18/2025 | Local Revenue Measure |
| 12/16/2025 | Enterprise Revenue and Fare Policy |
| 1/6/2026 | Efficiencies Update |
| 1/20/2026 | Muni Equity Strategy Overview |
| 2/3/2026 | Board Workshop |
| 2/17/2026 | Capital Budget Update |
| 3/17/2026 | Draft Budget Balancing Plan |
| 3/17/2026 | Muni Equity Strategy Update (4/7 approval) |
| 4/7/2026 | Budget Hearing (Operating & Capital) |
| 4/21/2026 | Budget Approval (Operating & Capital) |

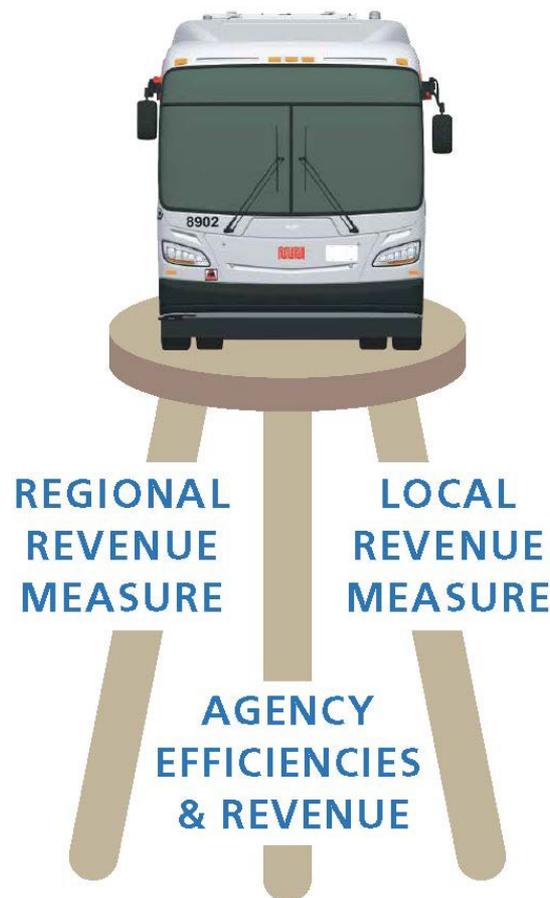
FY26-27 and FY27-28 Budget Plan

Regional Revenue Measure: The Connect Bay Area Act allows San Francisco to pursue a one-cent sales tax increase to maintain Muni. If passed by voters, Muni will receive ~\$155M per year to address the structural deficit.

Local Revenue Measure: As the regional measure will not fully address the structural deficit, a local parcel tax will further reduce the gap. If passed by voters, the tax will generate ~\$150M annually to reduce the deficit and ~\$10M to make marginal service quality improvements.

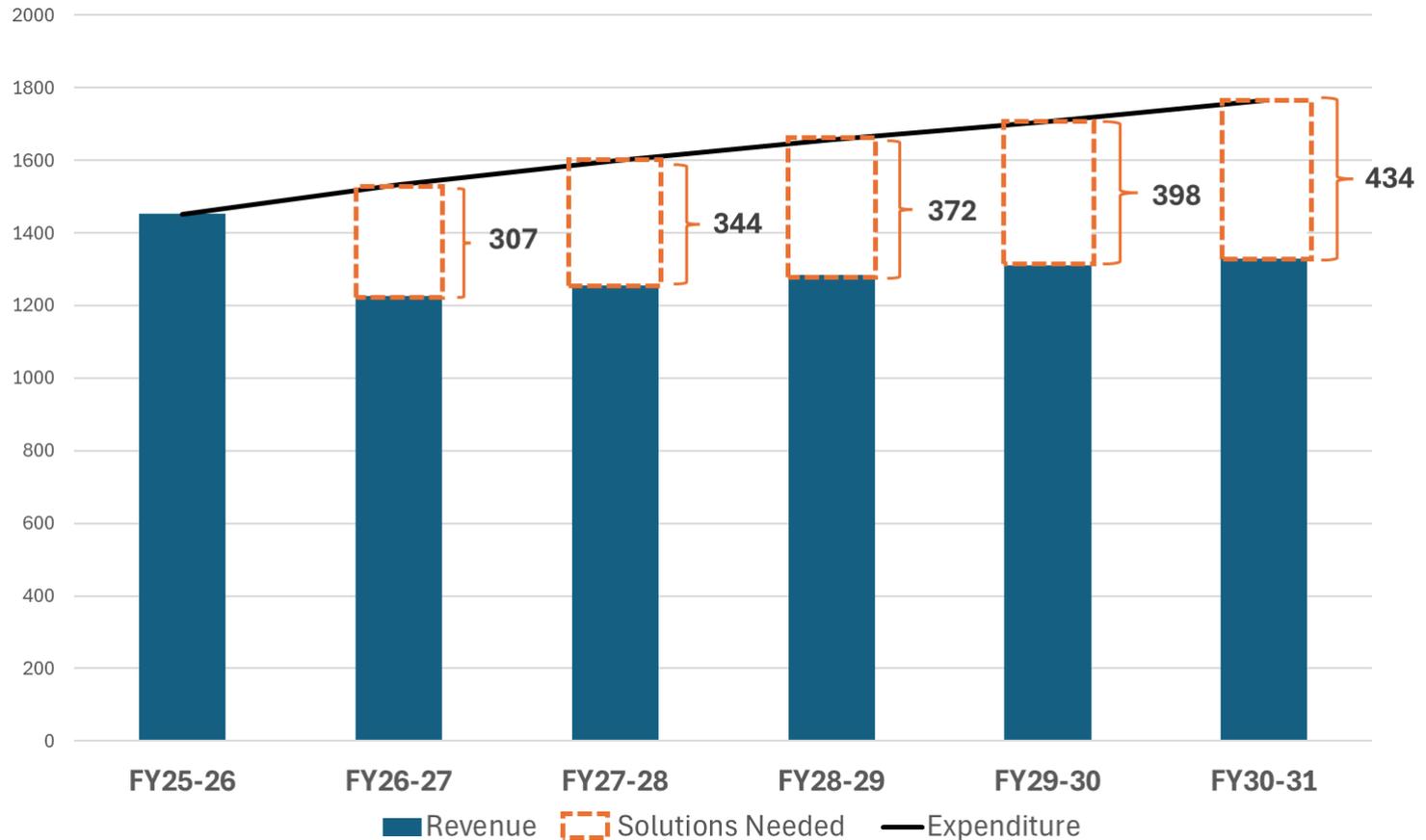
Agency Efficiencies & Revenue: Building an efficiency culture and identifying new enterprise revenues in the out years will close the remaining structural deficit.

In the short-term, one-time sources are needed to close the budget deficit until regional and local revenue measures are implemented.



5-Year Deficit Forecast from July 2025

In July 2025, SFMTA forecast a FY26-27 \$307M deficit that grew over time



New Revenue Sources

Regional Sales Tax:

- If approved by the voters, the SFMTA's share is approximately \$155M per year

Local Parcel Tax:

- If approved by the voters, local parcel tax includes \$150M to address agency deficit and \$10M for service enhancements; administrative costs are also included

State Loan:

- State terms include interest-only payments of \$8M for first two years
- Repayment begin in FY28-29 – approximately \$30M per year for 10 years

| Source | FY26-27 (\$M) | FY27-28 (\$M) |
|--------------------|------------------|------------------|
| Regional Sales Tax | 17 | 155 |
| Local Parcel Tax | 0 | 166 |
| State Loan | 200 | 0 |

Enterprise Revenue Proposals

Revenue policy proposals for transit fares and parking will be reflected in draft budget on April 7

Recommendation

Parking Revenue:

- Increase citation late penalties by 10%
- Increase meter rates \$0.25 in FY27-28
- Increased meter recovery construction/temp no-parking permits
- Pass-through online credit card fees
- Select fine reductions

Tourism Revenue:

- Cable Car Plus – *revised proposals for consideration*

Daily Rider Revenue:

- Eliminate Clipper Discount/Index in FY27-28
- Implement Fare Capping

Feedback on Cable Car Fare Proposal

Board Feedback

- Consider higher price point for Cable Car Plus Pass, which would allow unlimited Muni rides on day of purchase
- Explore options to provide discounts to customers from low-income households (museums as possible model) and/or youth

Community & Cable Car Stakeholder Feedback

- Simplified pass facilitates marketing and promotion
- Change from \$9 single ride option to an all-day pass feels large, especially for families
- Higher pricing could suppress ridership, especially for regular riders and local/regional customers

Cable Car Fare Options

| Fare Option | Add'l FY26-27 Revenue (\$M)* | Add'l FY27-28 Revenue (\$M) |
|--|------------------------------|-----------------------------|
| \$15 Cable Car Plus – <i>original</i> | 1.6 | 3.1 |
| \$12 Single Ride AND \$18 Cable Car Plus (2 youth free)** | 1.1 | 2.2 |
| \$12 Single Ride AND \$18 Cable Car Plus | 1.7 | 3.3 |
| \$18 Cable Car Plus (2 youth free)** | 2.5 | 5.0 |
| \$18 Cable Car Plus | 3.9 | 7.8 |

*Assumes January 2027 implementation

** For passes with free youth, up to two youth 18 and under allowed to ride free per adult w/Cable Car Plus

Stakeholder Feedback

Preferred Option

| Fare Option (\$) | Add'l FY26-27 Revenue (\$M)* | Add'l FY27-28 Revenue (\$M) |
|--|------------------------------|-----------------------------|
| \$12 Single Ride \$18 Cable Car Plus (2 youth free) | 1.1 | 2.2 |

Additional Implementation Details

- January 2027 implementation
- Monthly pass users continue to ride cable car for free
- Gives the SFMTA Board the option to modify fare if ridership decreases by 10% in FY26-27 or FY27-28

Other Revenue Updates

- Positive trends in economic revitalization leading to higher than anticipated general fund revenues (\$30M+ increase per year)
- Positive trends in transit and parking driven by increase in office work, economic revitalization, improved ridership, fare compliance and parking optimization (\$35M per year)
- Negative trends in State Operating Grants; recent forecasts from MTC and the state show further decline (~\$25M decrease per year)

Note: Transit and parking growth is above what was assumed in July 5-year financial projection.

Expenditure Trends

- Controller's Office increased labor expenditure projections \$40M in FY26-27 and \$60M in FY27-28 to reflect increased health care costs for current and retired employees and increased retirement costs
- SFMTA negotiated reductions in services of other departments (\$10M over two years)
- Agency efficiency proposals incorporated to reduce non-personnel spending by \$29M in FY26-27 and \$32M in FY27-28
- Updated select budget line items to reflect recent expenditure trends
- Incorporated interest payments on state loan (est. \$8M per year during interest-only period)

Summary of Efficiency Proposals

| Category | Proposal |
|----------------------------------|---|
| Organizing People | Optimize maintenance yard shifts to reduce premium pay |
| | Scale back work requested of other city departments |
| | Implement further staffing efficiencies – refine operator schedules, cut vacant positions, reclassify senior level vacancies and more |
| Changing Service Delivery | Decommission low utilization ticket vending machines |
| | Defer non-revenue vehicle purchases by reassigning under-utilized vehicles |
| | Upgrade aging infrastructure and vehicles to reduce maintenance work |
| | Continue to design and deliver Muni Forward projects |

Summary of Efficiency Proposals

| Category | Proposal |
|---|--|
| Using Technology | Implement inventory control in paint, sign and meter shops |
| | Upgrade facility cameras and gates to realize security contract efficiencies |
| | Improve double-parking enforcement in transit-only lanes |
| | Retire MuniMobile |
| Negotiating with External Partners | Request savings from contractors on supply contracts |
| Increasing Financial Control, Transparency | Close purchase orders monthly |
| | Close aged, low balance multi-year projects to identify one-time savings |

One-time Sources

One-time sources are necessary to bridge to period when revenue from regional sales and local parcel tax begin to flow and additional Agency efficiencies produce savings.

In addition to the state loan, the available one-time sources include:

- Agency Reserves
- One-time savings (fund balance) from previous cost controls
- Capital funds flex to operations

One-time Sources - Recommendations

- Use State Loan, Agency Reserve and Fund Balance
- Defer shifting capital to operating or allocating to specific capital projects until after November ballot results
- Aim to replace some one-time spending in FY27-28 with new efficiencies. Agency working to develop longer lead-time operational changes to achieve ongoing cost savings.

| Source | FY 26-27 Amount (\$M) | FY 27-28 Amount (\$M) |
|--|-----------------------|-----------------------|
| Estimated need for one-time sources | 274 | 32 |
| • State Loan | 200 | 0 |
| • Agency Reserve | 74 | 0 |
| • Fund Balance | 0 | 32 |
| • Capital Shift | 0 | 0 |

Revenue Budget Forecast, by Category

| Revenue Type | FY 26-27 Amount (\$M) | FY 27-28 Amount (\$M) |
|--------------------|--------------------------|--------------------------|
| General Fund | 593 | 604 |
| Operating Grants | 211 | 214 |
| Parking | 293 | 302 |
| Transit | 135 | 140 |
| Other | 36 | 36 |
| State Loan | 200 | 0 |
| Regional Sales Tax | 17 | 155 |
| Local Parcel Tax | 0 | 166 |
| Operating Reserve | 74 | 0 |
| Fund Balance | 0 | 32 |
| Total | 1,560 | 1,648 |

Source: Draft Budget Balancing Plan March 2026

Expenditure Budget Forecast, by Category

| Expenditure Type | FY 26-27 Amount (\$M) | FY 27-28 Amount (\$M) |
|-------------------------|-----------------------|-----------------------|
| Labor** | 1,021 | 1,094 |
| Non-personnel | 260 | 263 |
| Materials/ Supplies | 113 | 117 |
| Services of Other Depts | 129 | 139 |
| Debt Service* | 36 | 36 |
| Total | 1,560 | 1,648 |

Source: Draft Budget Balancing Plan, March 2026

* Note – Debt Service includes interest on state loan

** Labor includes increases due to decrease in attrition and parcel tax administration

Response to Board Feedback

| Feedback | Response |
|--|--|
| Prioritize using operating reserve, then fund balance | FY26-27 balanced with operating reserve; FY27-28 balanced with fund balance |
| Mixed feedback on flexing capital to support operating | FY26-27 and FY27-28 balanced without use of capital funds; recommend deferring allocation to specific projects until after November ballot results |
| Reduce services of other departments to cut costs | SFMTA reduced services to other depts. \$10M across FY26-27 and FY27-28 and continues to work with Mayor’s budget office and partner agencies to further reduce costs |
| Increase Cable Car Plus above \$15/consider options for youth and equity discounts | Modified per stakeholder and SFMTA Board feedback. Gives SFMTA Board option to modify fare if ridership declines. Some options include free youth. No equity discount proposed at this time. |
| Clarify dates fare increases will begin | Most fare changes would be implemented January 2027; FY27-28 indexing would be implemented January 2028 |

Response to Board Feedback – Future Work

| Feedback | Response |
|--|--|
| Explore further increases to parking meter fees | Additional time needed to understand previous changes; demand-based pricing means many meters set higher than base rate |
| Reduce fine for fare evasion to have closer nexus to parking fines | Options to be discussed with SFMTA Board as part of future fare compliance efforts |
| Provide options for refilling operating reserve | Recommend discussing how to restore (and/or increase) operating reserve after November 2026 ballot results. Options could include building back incrementally in future budget cycles, allocating funds in years that close with a fund balance, etc. Note: Recommend increasing settlement budget to reflect actuals and two-year pause on adding to the litigation reserve |

Next Steps

- Make final line-item budget adjustments
- Incorporate additional SFMTA Board and community feedback
- Perform final budget balancing
- Conduct public hearing and present budget to SFMTA Board for review and approval (April)
- Submit balanced budget to the Mayor on May 1
- Present budget to Board of Supervisors in May. Action or no action by Board of Supervisors in July.

Questions and Discussion

Appendix

Summary of Enterprise Revenue Proposals

Enterprise revenue proposals generate \$8.8 - \$17.5M, annually

| Recommendation | FY 26-27 (\$M) | FY 27-28 (\$M) |
|--|-------------------|-------------------|
| Parking Revenue: <ul style="list-style-type: none"> • Increase citation late penalties by 10% • Increase meter rates \$0.25 in FY27-28 • Increased meter recovery construction/temp no-parking permits • Pass-through on-line credit card fees • Select fine reductions | 3.3 | 8.3 |
| Tourism Revenue: <ul style="list-style-type: none"> • Simplify Cable Car Ticket | 2.3 | 2.8 |
| Daily Rider Revenue: <ul style="list-style-type: none"> • Eliminate Clipper Discount/Index Year 2 • Implement Fare Capping | 3.2 | 6.4 |
| TOTAL | 8.8 | 17.5 |

Summary of Parking Revenue Proposals

Recommendations align fees with common sense and past practice.

| Recommendation | Description | FY 26-27 (\$M) | FY 27-28 (\$M) |
|---|---|----------------|----------------|
| Increase citation late penalties by 10% | Unpaid citations subject to two late penalties and special collections fee. Default policy is to increase \$1 or 2%. Recommendation would increase fees 10%. | 1.5 | 1.5 |
| Increase meter rates \$0.25 in FY27-28 | In Spring 2025, SFMTA implemented a \$0.25/hour rate increase city-wide with no impact to utilization. Recommendation would implement same increase in FY27-28. | 0.0 | 4.4 |
| Increase meter recovery fees for construction and temporary no-parking permits | Fees are charged to offset loss of meter revenue. Recommendation would raise fees over two years consistent with meter rates. | 0.6 | 1.2 |
| Pass-through credit card fees for online citation and parking permit fees | Implement a 2.15% per transaction fee. Customers will be provided with option to pay via e-check at no charge. | 1.7 | 1.7 |
| Reduce select parking violation fines | Reduce fines for violations that do not impact traffic safety, such as curbing wheels | -0.5 | -0.5 |
| Total | | 3.3 | 8.3 |

Reduce Selected Parking Violations

Proposals align fees with common sense.

| Violation | Description | Current Fine (\$) | Proposed Fine (\$) | Decrease (\$) |
|--|--|-------------------|--------------------|---------------|
| Curbing Wheels | Failure to turn wheels when parked on a grade more than 3% | 73.00 | 48.00 | 25.00 |
| Parked Outside the Lines | Failure to park within a marked space at a meter | 76.00 | 48.00 | 28.00 |
| Repairing Vehicle on Street | Using the street as a place to conduct repairs on your car | 108.00 | 48.00 | 60.00 |
| Displaying Permit on Different Vehicle | Incorrectly placing a permit on a non-permitted vehicle | 108.00 | 48.00 | 60.00 |

Additional Options – Cable Car Plus Ticket

Increasing fare above \$15 could generate an additional \$10m a year, but increased rates should be evaluated against risk of suppressing demand.

| Fare Option (\$) | Additional FY26-27 Revenue (\$M)* | Additional FY27-28 Revenue (\$M) |
|------------------|-----------------------------------|----------------------------------|
| 15.00 | 2.3 | 2.8 |
| 16.00 | 3.6 | 4.3 |
| 17.00 | 4.8 | 5.7 |
| 18.00 | 6.0 | 7.1 |
| 19.00 | 7.2 | 8.6 |
| 20.00 | 8.4 | 10.0 |

*Year 1 includes ten months of revenue – assumes effective date September 1