



SFMTA

San Francisco Municipal Transportation Agency

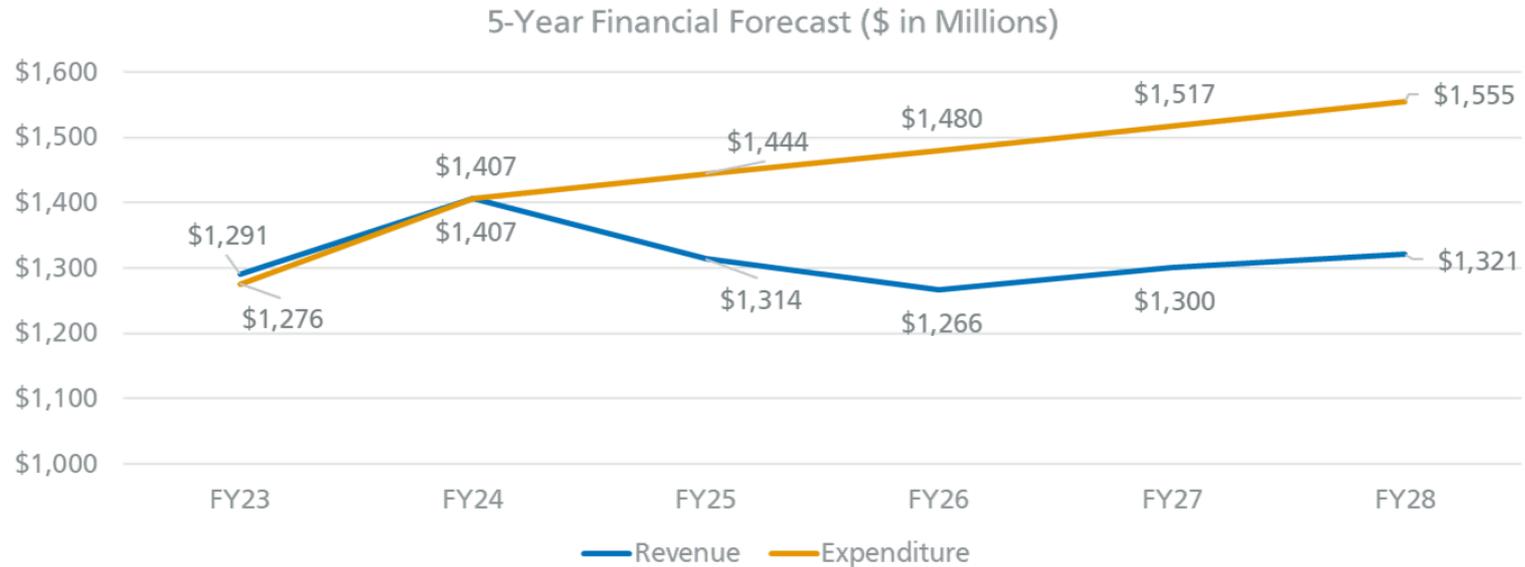
Financial Update

June 6, 2023

**Fiscal Year 2022-23
9-month Financial
Update
and
5-Year Outlook**

Bree Mawhorter
Chief Financial Officer

Financial Update



- At 6 months, we reported growing deficit, \$130M starting in FY 24-25
- At 9 months, long-term financial trends are unchanged, in addition:
 - Slow downtown SF economic recovery continues; SF general fund expectations are lower
 - Current year expenditure remains low due to hiring challenges

Response to Financial Update

Revenue

- **Self Help:** Consider modernized parking plan (details dependent on economic study and public feedback)
- **Advocacy:** Advocate for state gap funding

Expenditure

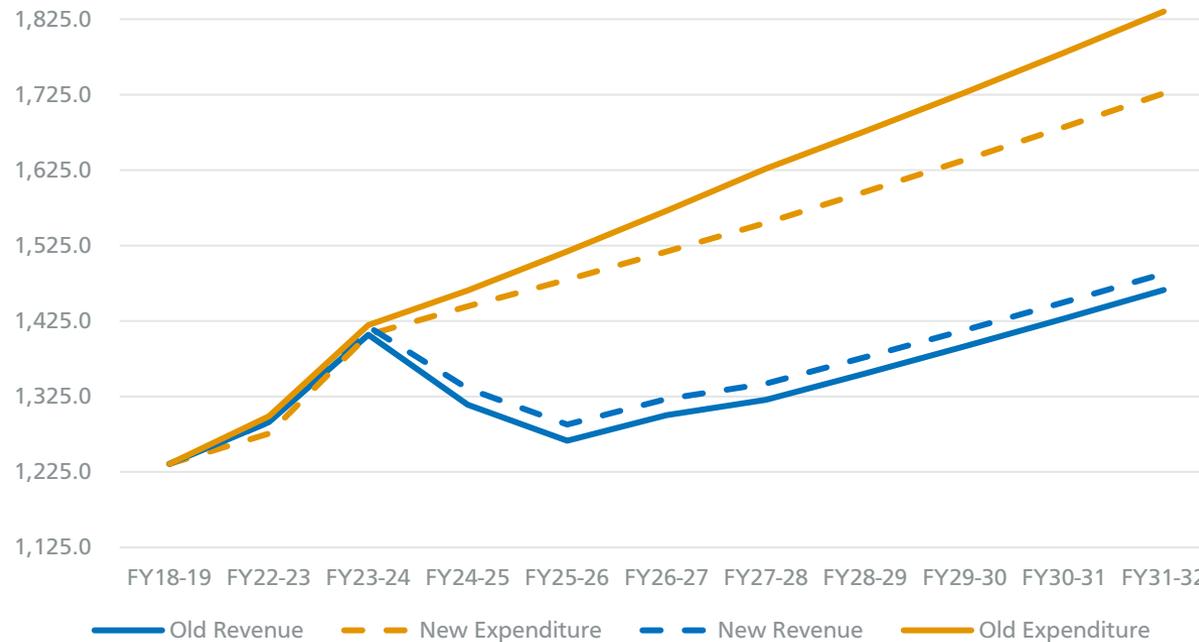
- **Self Help:** Prioritize hiring to identify most critical positions
- **Transit Service:** Postpone planned service restoration

Proposed changes to Muni service plan

- Director of Transit Julie Kirschbaum will cover this in detail in her Muni service planning presentation.
- Moving to a “survival” scenario in the short term.



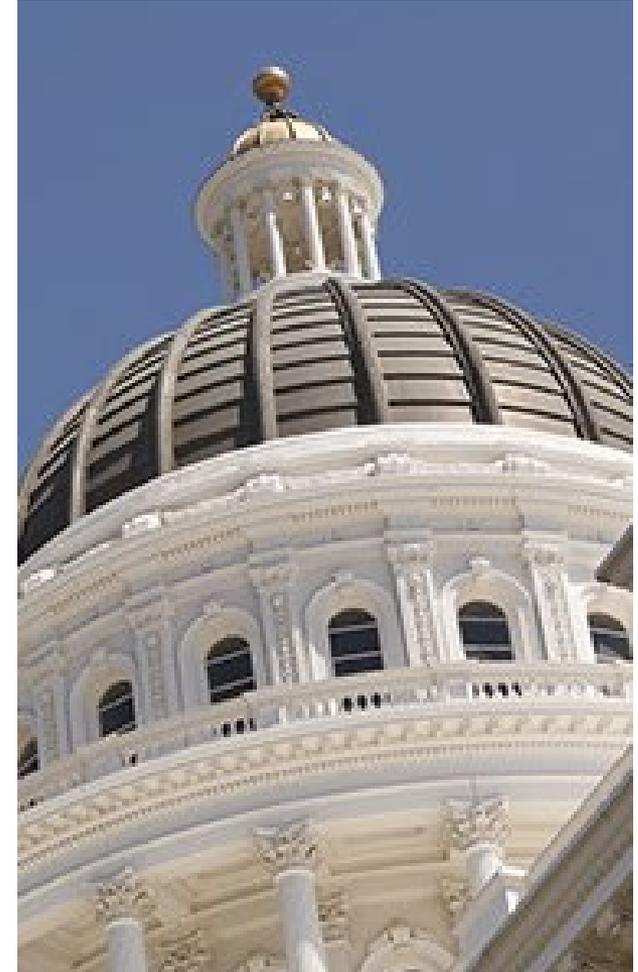
Impact of Response to Financial Update



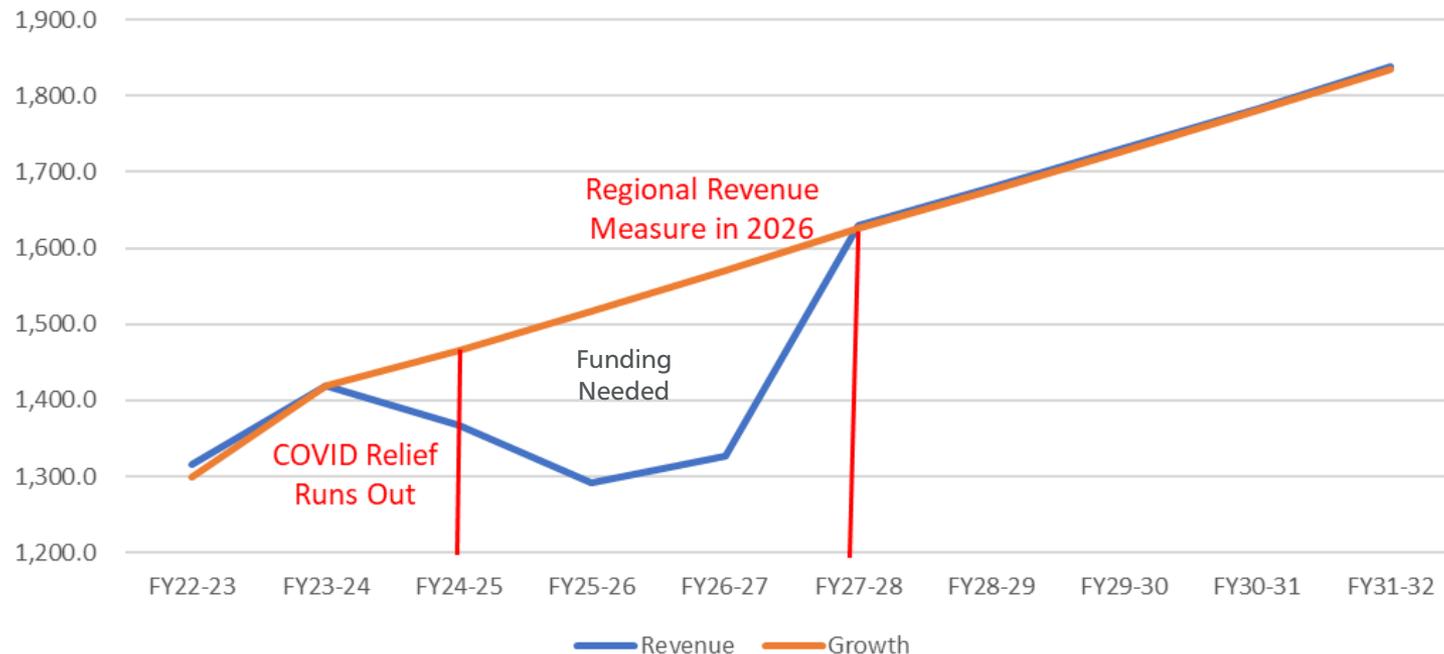
- **Revenue:** Evening and Sunday metering would generate \$15M in net annual revenue, pending economic study
- **Expenditure:** Prioritized hiring and revised transit service plan reduce short-term expenditure
- **Impact:** Higher revenue and lower expenditure reduce FY24-25 deficit by 22% from \$130M to \$101M.

Closing Remaining Fiscal Gap

- **State Bridge Funding**
Needed: \$567M over three years
24-25, 25-26, and 26-27
- **Future Revenues Needed:**
Strategies must generate \$272M
per year starting in 27-28,
escalated by assumed CPI of 3%
 - **Regional Revenue**
Measure: 2026 regional
ballot measure
 - **Other Local Policies**

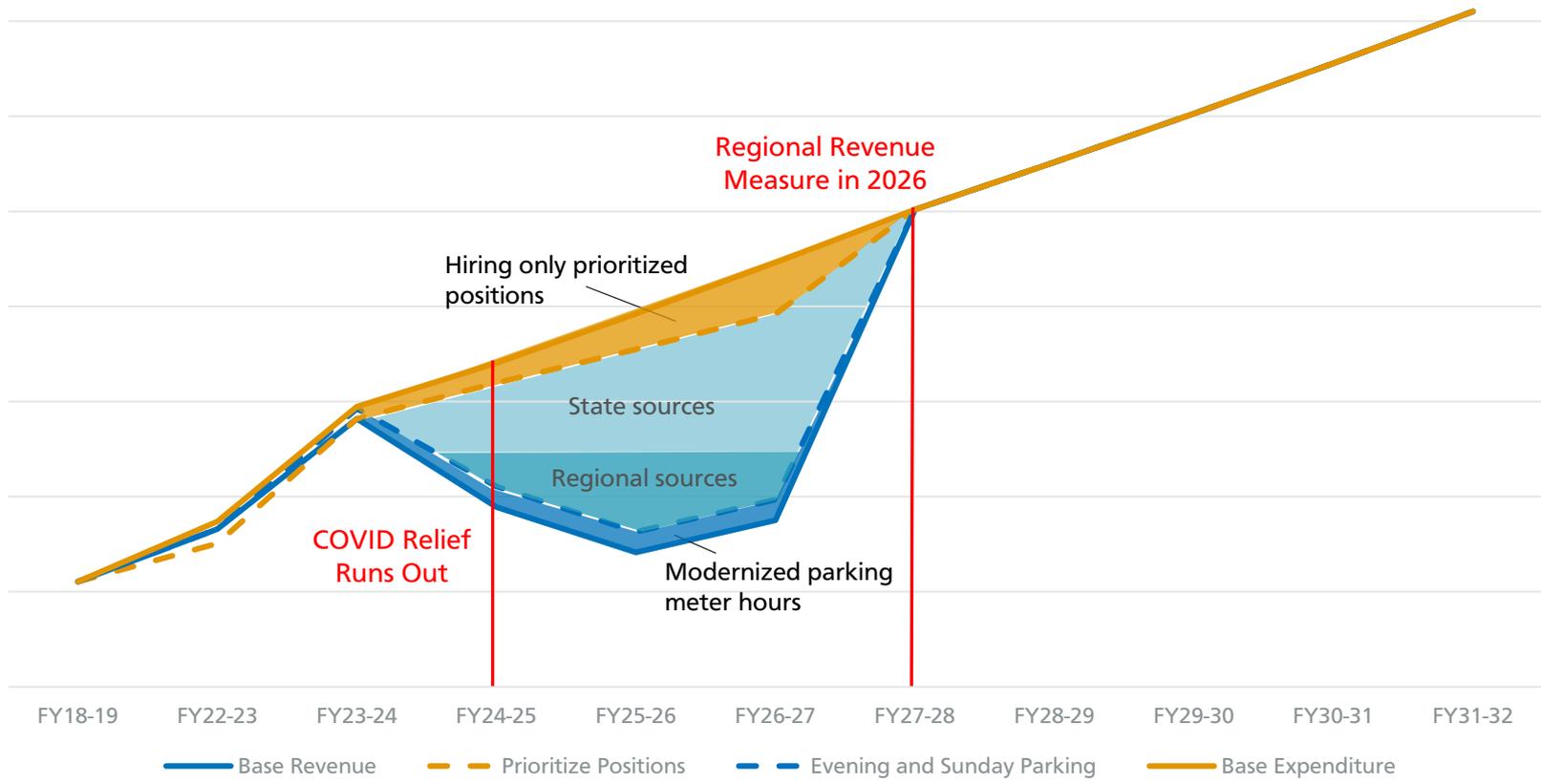


Revised 5-Year Financial Outlook



- State funding need decreased from \$796M over five years to \$567M over three years.
- Reduced need for federal support in FY 23-24 allows use of federal support in FY 24-25, reducing request for state support.
- Anticipates future revenues balance budget in FY 27-28 .

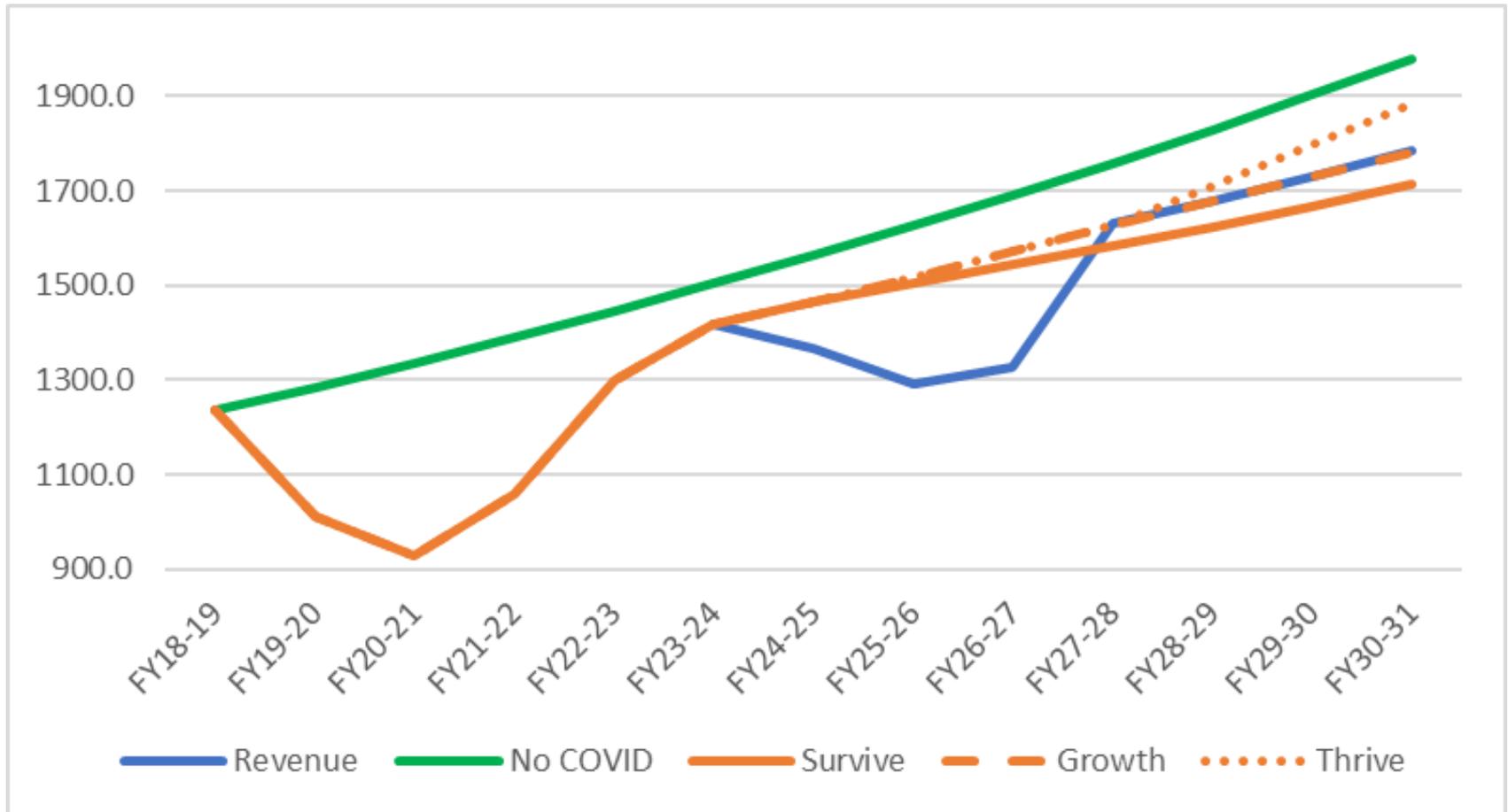
Revised 5-Year Financial Outlook



Two Muni Recovery Scenarios

- **Muni Survival Plan** (through FY 24-25)
 - Based on current level of Muni service
 - Planned service restoration is postponed
 - Includes revenue neutral service changes
- **Post-Survive Scenarios** (begin FY 25-26)
 - **Modest Muni Growth Scenario**
 - Service growth paced with San Francisco economic recovery
 - Increases service by 2% per year starting in FY 25-26 and FY26-27, increasing additional 1% per year FY27-28 onward
 - **Muni Thrive Scenario**
 - Service growth paced to SF climate change, equity, livability goals
 - Increases service by 2% per year in FY 25-26 and FY26-27, increasing additional 5% per year in FY 27-28 onward

Muni Survive, Growth and Thrive Scenarios



Summary: Financial Update

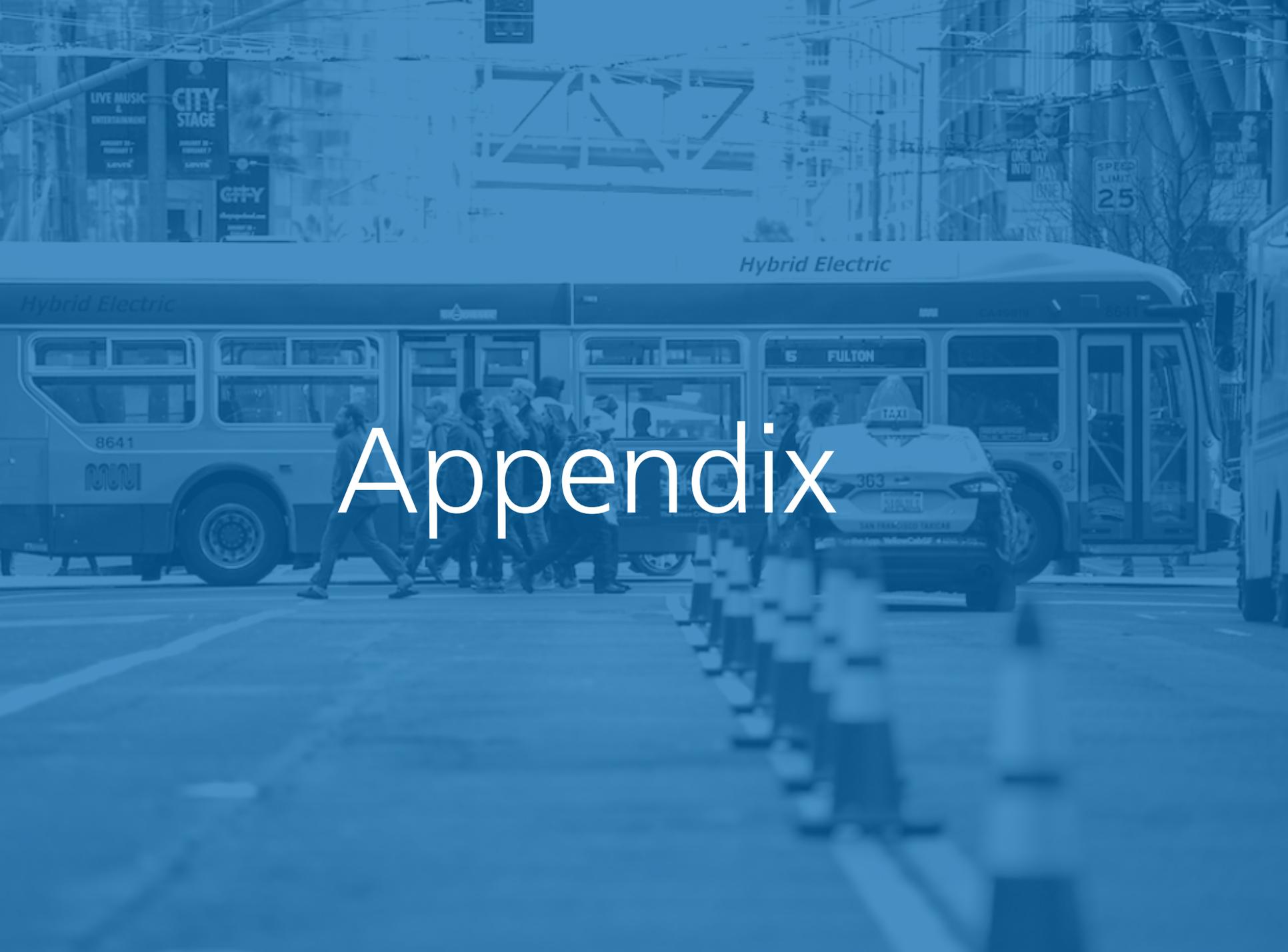
- **Revenue:** Revenues continue to be low, with flat expectations; SF general fund expectations are lower
- **Expenditure:** Expenditures lower than projected due to hiring challenges, but will rise as hiring normalizes and COLA and CPI increase costs
- **Future deficits:** Limited revenue and rising expenditure create large and growing deficits.

Summary: Response to Projected Future Deficits

- **Revenue:** Generate revenue through parking policy changes such as adding evening and Sunday meter hours, pending economic study
- **Service:** Provide Muni service based on ridership levels
- **Limit hiring:** Prioritize hiring to focus on most critical positions

Summary: Response to Projected Future Deficits

- **State bridge funding:** Advocate for state funding to build a bridge to regional revenue measure
- **Regional revenue measure:** Prepare for regional revenue measure in 2026
- **Future revenue:** Identify future revenue sources through additional local actions.



Appendix

FY23 Revenue

Revenue is under-performing across most sources.

Dollars in Millions

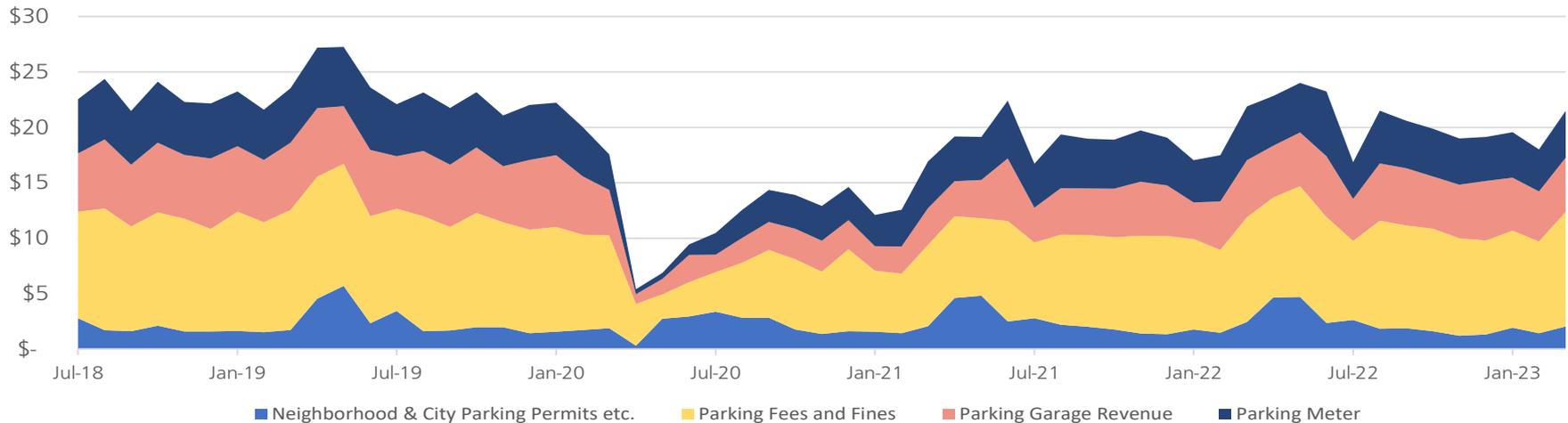
Revenue Type	Revised Budget	Projected Revenue	Roll Forward	Surplus/(Deficit)
General Fund	527.7	528.5	-	0.7
Parking	261.3	242.4	-	(18.9)
Operating Grants	189.1	222.6	-	33.5
Federal Relief	172.5	138.1	(34.5)	-
Transit Fares	112.1	89.4	-	(22.6)
Use of Fund Balances	52.7	52.7	-	-
Other	47.4	41.5	-	(5.8)
Total	1,362.8	1,315.1	(34.5)	(13.2)

- General Fund transfers 7.3M more than original budget, despite General Fund contraction.
- Parking and transit revenues under-performing and flattening.
- Federal relief reflects recoveries to date; no future recoveries anticipated.

FY23 Parking Revenue

Consistent with 6-month, Parking revenue is higher, but growth is slowing.

Parking Revenue by Category (\$ in Millions)



- Parking revenues approaching pre-pandemic levels, FY23 revenues are 86% of FY19 revenues at same point in fiscal year.
- Year-over-year parking revenue growth is flat, FY23 revenues are only 4% higher than FY22 revenues at the same point in the fiscal year.

FY23 Transit Revenue

Consistent with 6-month report, transit revenue is higher, but far below pre-pandemic level and flattening.

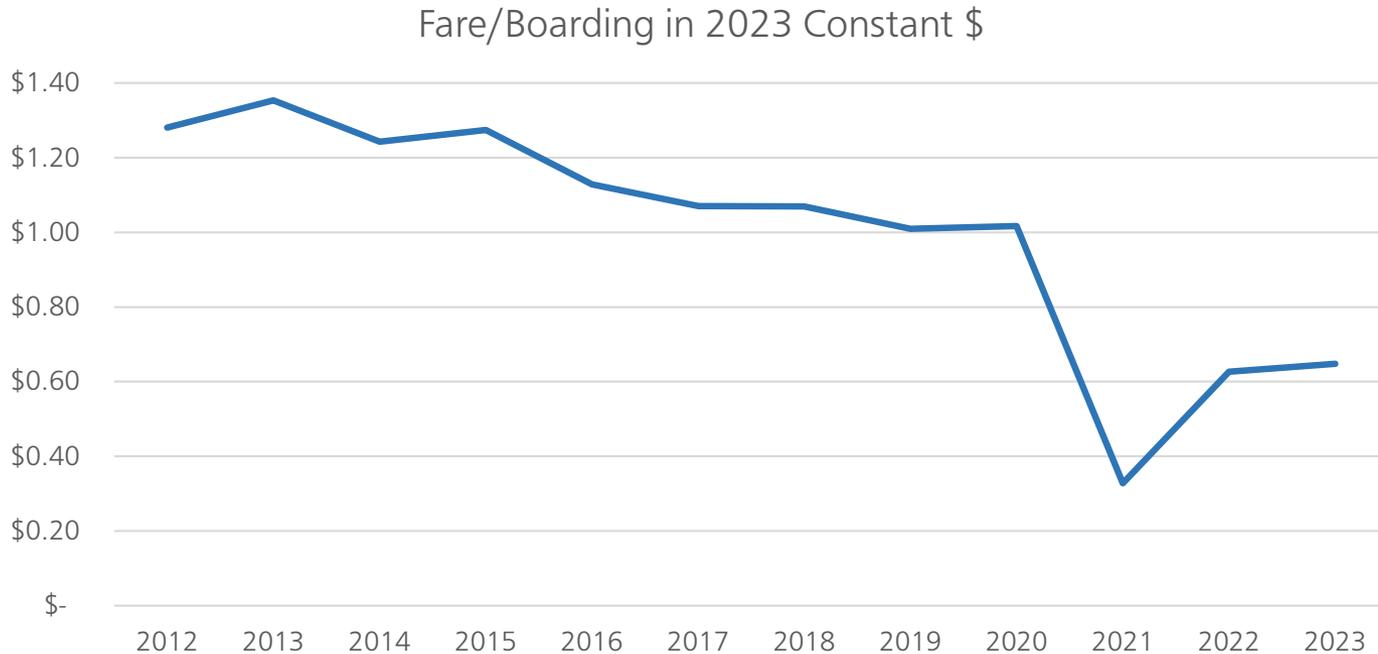
Monthly Transit Fare Revenue (\$ in Millions)



- Transit revenues are 43% of FY19 revenues at same point in the fiscal year.
- Transit revenues are 152% of FY22 revenues at the same point in the fiscal year.
- Transit revenue per ride is \$0.65.

Transit Revenue Per Ride Trendline

Transit revenue per ride is significantly lower post-pandemic.

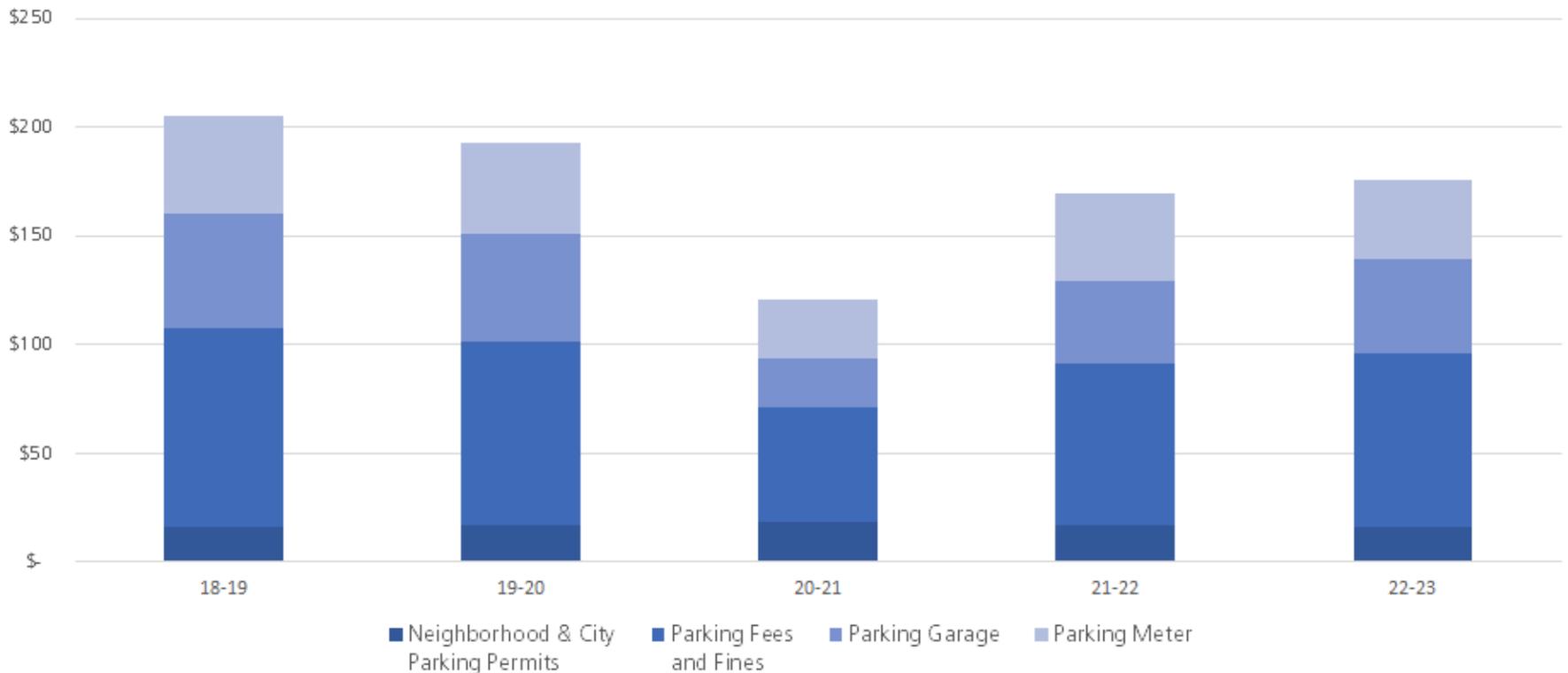


Note – Constant dollars, by nature, will differ from information presented in SFMTA financial disclosures

- When viewed in constant dollars, transit fare revenues per ride produce less revenue over time.
- Lower revenue per rider means the SFMTA is increasingly dependent on outside sources.

Parking revenue by category, FY 2018 - 2019 to FY 2022 - 2023

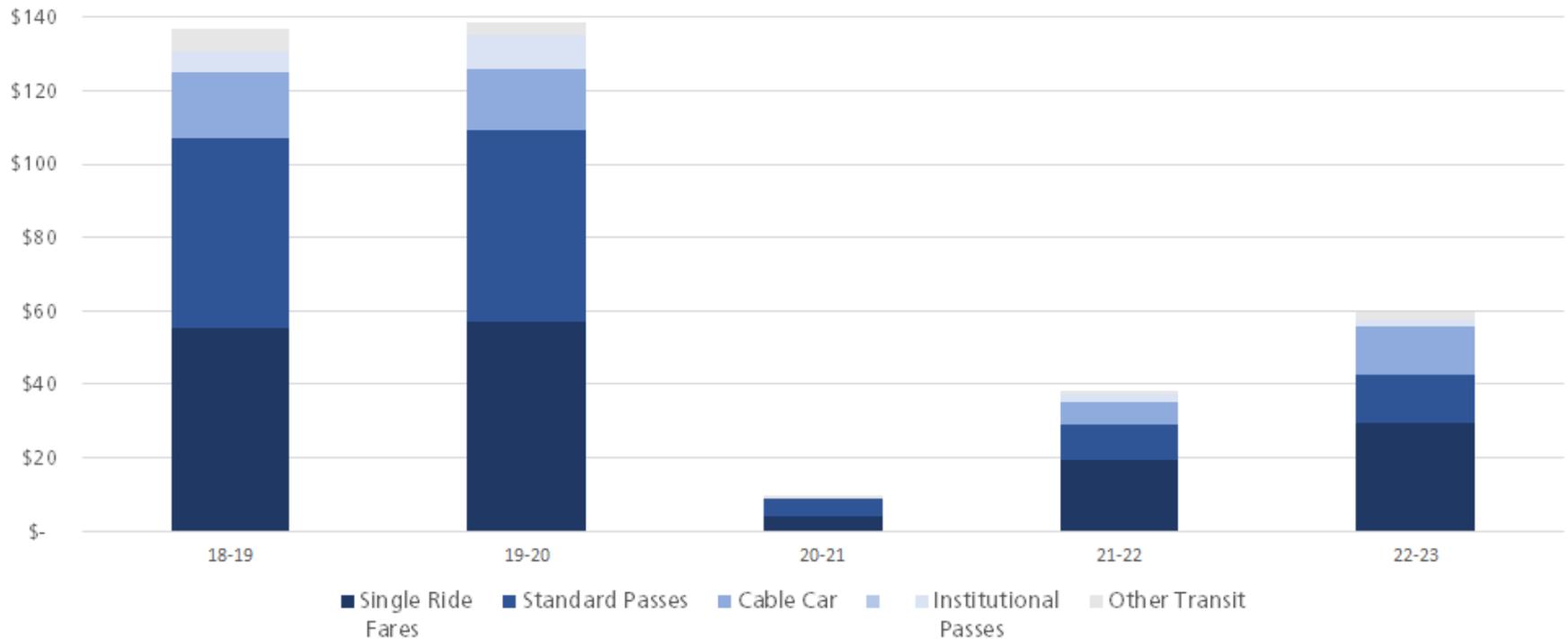
Parking Revenues by Fiscal Year (\$ in Millions)



Fiscal years, by category, July - March

Transit revenue by category, FY 2018 - 2019 to FY 2022 - 2023

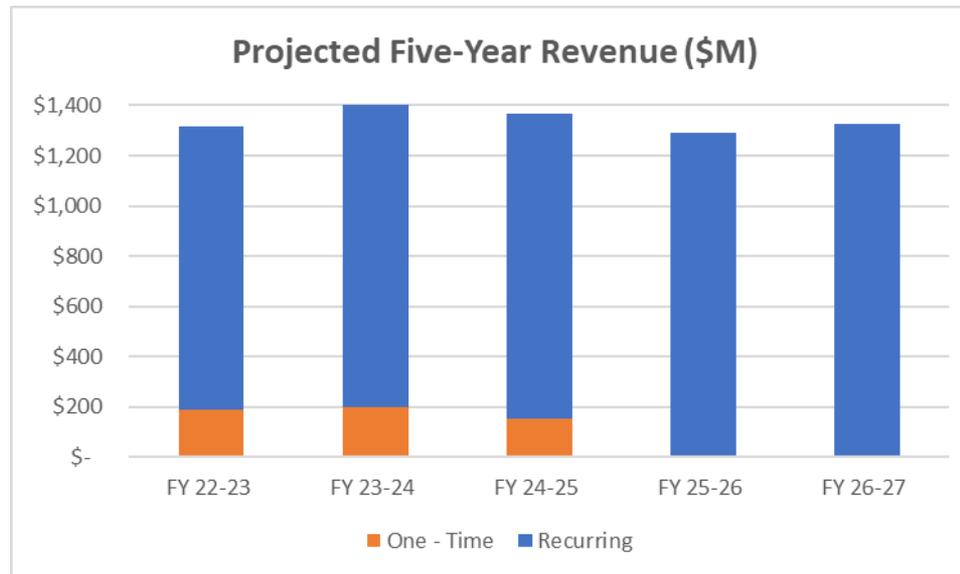
Transit Fares by Fiscal Year (\$ in Millions)



Fiscal years, by category, July - March

Five Year Revenue Projection

Federal relief not replaced by enterprise revenues, resulting in lower total revenue.



- Federal relief is fully expended in FY25.
- Revenues remain flat.
- General Fund, parking and transit revenues assume some recovery, which may not materialize.

FY23 Projected Expenditure

Consistent with 6-month report, hiring challenges produce one-time salary savings.

Dollars in Millions

Expenditure Category	Revised Budget	Projected Expenditure	Surplus/ (Deficit)
Salary & Fringe	1,046.2	879.9	166.3
Overhead and Allocations	(141.0)	(48.9)	(92.0)
Non-Personnel Services	277.0	235.2	41.7
Services Of Other Depts	116.2	112.4	3.8
Materials & Supplies	102.1	83.5	18.6
Debt Service	23.0	23.0	-
Capital Outlay	15.3	15.3	-
Total	1,438.9	1,300.4	138.5

- Expenditure is under budget \$138.5M, 90% of budget.
- Non-personnel services and materials & supplies are under expended, but less impactful due to relative share of budget.
- Hiring challenges generate salary savings, but impede service delivery.

Five Year Expenditure Projection

Expenditure increases over time

Expenditure Type	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
Salary & Fringe	\$ 880	\$ 997	\$ 1,032	\$ 1,059	\$ 1,087	\$ 1,117	\$ 1,146
Overhead Allocations	\$ (49)	\$ (37)	\$ (38)	\$ (39)	\$ (40)	\$ (41)	\$ (42)
Non-Personnel Services	\$ 235	\$ 249	\$ 256	\$ 262	\$ 269	\$ 276	\$ 283
Services of Other Depts	\$ 112	\$ 108	\$ 110	\$ 113	\$ 116	\$ 119	\$ 122
Materials and Supplies	\$ 83	\$ 75	\$ 77	\$ 79	\$ 80	\$ 82	\$ 85
Debt Service	\$ 23	\$ 28	\$ 29	\$ 29	\$ 30	\$ 31	\$ 32
Capital Outlay	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service Enhancement	\$ -	\$ -	\$ -	\$ 14	\$ 29	\$ 44	\$ 52
Transfers to Capital	\$ (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 1,299	\$ 1,420	\$ 1,465	\$ 1,517	\$ 1,571	\$ 1,627	\$ 1,677

- Assuming CPI, operating budget is expected to increase \$159.1M or 12% in the next five years
- Assumes labor increases are equal to CPI, which is conservative given prior year MOU negotiations

Revenue Assumptions

- Transit Fares – Current year assumes we are providing existing service with current staffing. Service increases by 2% in 25-26 and 26-27 plus additional 1% each year starting 27-28
- Fare indexing resumes beginning in FY 2024-25
- Parking – Assumes full implementation of evening and Sunday parking in 24-25, if economic study positive
- Other - Interest income assumes federal reserve estimate of long-term core inflation. General Fund - Assumes CON 9-Month report
- Operating Grants – Assumes status quo

Expenditure Assumptions

FY23

- Salary & Fringe – Assumes 2% month-over-month increase for hiring on top of average 1-9 months PPD
- Overhead - Assumes no additional recovery. Conservative estimate because overhead should increase as hiring increases. Conservative estimate because we don't know if operating or project staff will be hired, so best to assume status quo
- Non-Personnel – Based on historic data, assumes professional service 10-12 months is 55% of 1-9 months and materials and supplies is 45%
- Capital Outlay - Assumes full expenditure because unexpended budget and funds roll into next year
- Debt Service - Assumes full expenditure because debt service is mandated payment
- Services of Other Departments – Assumes full expenditure. Conservative because we can't control how much services departments provide.

FY24

- Assumes re-baselining of service, plus COLA

FY25-FY27

- Assumes CPI from Mayor's Budget instructions for non-labor and 2% for labor