



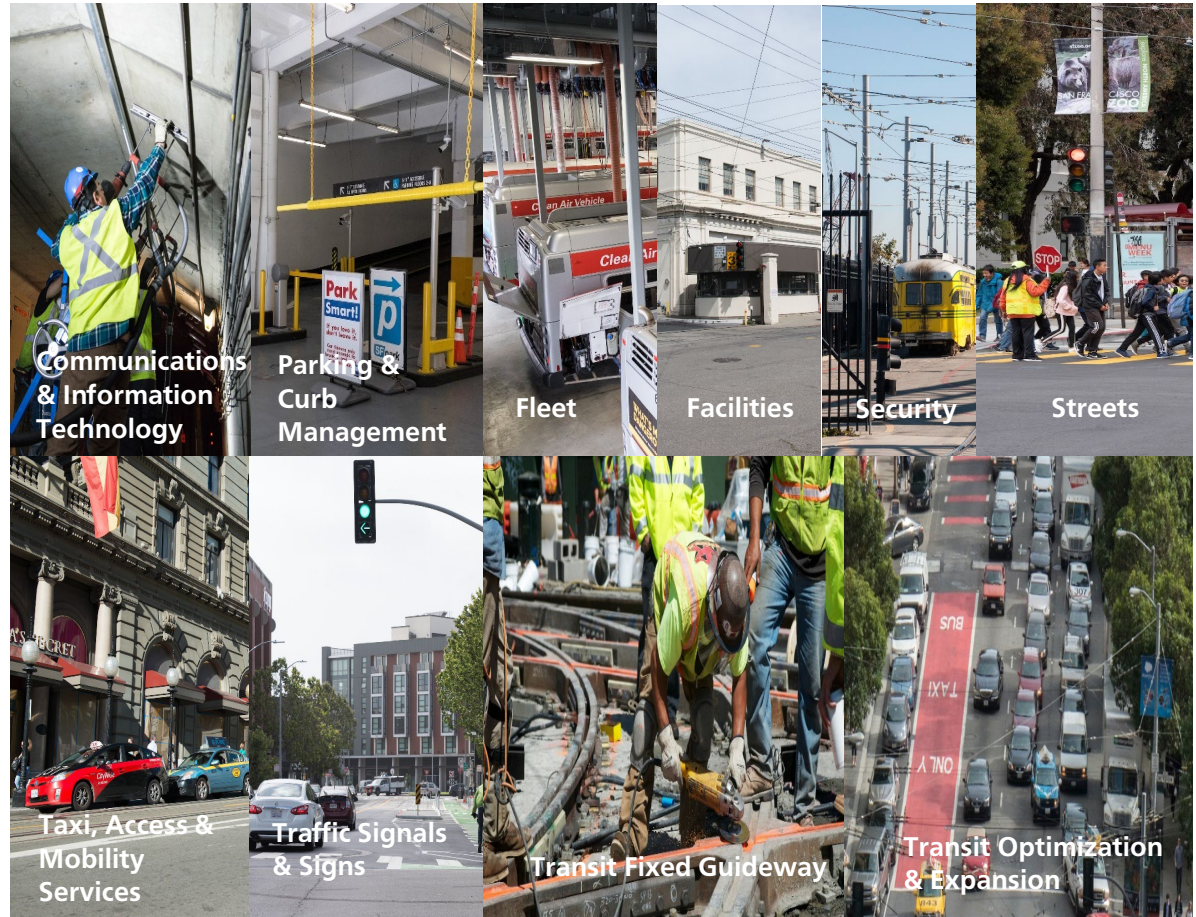
FY27-FY31 Capital Improvement Program Policy Approach

SFMTA Board of Directors
February 17, 2026

Background

The SFMTA Capital Improvement Program (CIP) is a five-year investment plan that is reassessed on a rolling two-year basis.

The CIP describes funding for ten capital programs and other Agencywide investments like non-revenue vehicles.



SFMTA Capital Planning and Programming Process



FY27-FY31 Capital Improvement Program (CIP) Investments

- Total programming for FY27-FY31 CIP is estimated at approximately \$2.3B (10% lower than prior CIP)
- Proposed 2-year capital budget for FY26-27 & FY27-28 is approximately \$1.1B and includes:
 - approx. \$600M planned expenditure in FY26-27
 - approx. \$520M planned expenditure in FY27-28
- SFMTA continues to deliver significant safety and reliability investments through its capital program

CIP Challenges

- FY2027-FY2031 CIP Revenue Estimate is about **\$250M less than prior CIP**, impact varies by program
- Capital priorities may need to be adjusted to **flex one-time funds for two-year operating budget**
- **Grant revenue is uncertain**; SFMTA won some discretionary grants that were not anticipated in previous CIP, but also lost some grants assumed in previous CIP
- Many **project budgets increased** due to scope and/or schedule changes and escalating construction costs
- Estimated **revenue is insufficient to fund all previously approved projects and accommodate new priorities**

CIP Investment Draft Approach

- Ensure **existing contractual obligations** are met
- Identify up to \$40M of additional flexible capital money in FY26-27 and FY27-28 as **one-time flex to operating**
- When shifting funds to operating budget, **protect funding for infrastructure state-of-good repair**, particularly Fixed Guideway
- When full funding is not available, **fund urgent needs by phase** (improves project/grant-readiness)
- **Empower subject matter experts to prioritize needs** – emphasizing safety, regulatory compliance, reliability, equity and reducing maintenance costs

Facilities

Challenges

Insufficient revenue to fund all projects identified in previous CIP

Previous CIP included discretionary grants for Kirkland Yard that did not materialize, and project costs have increased

Opportunities

Potrero and Parking Control Officer (PCO) Building rebuild keep long-standing commitments to staff and support revenue generation and supporting system reliability and safety

SFMTA Board and Board of Supervisors adopted SFMTA's first joint development program; on-going work needed to prioritize and develop projects

Recommended Approach

Prioritize projects that address safety, operational efficiency, and future revenue generation, e.g., fully fund Potrero rebuild and PCO Building and provide seed money for Presidio joint development

Continue to invest in electrification, but at a slower pace e.g., defer Kirkland, reduce scope of Islais Creek and Woods pilots

Prioritize state of good repair by making incremental investments in existing facilities (e.g., HVAC, roofing, restrooms)

Fleet

Challenges

Fleet program is heavily reliant on Federal funding sources that are generally unable to fund midlife overhauls or insufficient to cover the premium cost of purchasing zero-emission vehicles.

Fleet program will face significant funding challenges in future CIPs, as Phase 2 LRV4s need quarterlife component replacements

Opportunities

Previous CIPs made generational investment in completing bus replacement (2024) and LRV4 purchases (2026)

Fleet maintenance is a model for maintaining continuous state of good repair by spreading out procurements and investing in quarter and midlife overhauls.

Recommended Approach

Invest in Fleet to sustain historic gains in reliability; including quarter and midlife overhauls and purchase 18 new battery-electric buses and 450 hybrid-electric buses.

Utilize SFMTA staff to deliver overhauls, maintaining reliability of 702 vehicles, and cancel component rebuilds of historic vehicles while supporting safe daily service

Parking & Curb Management

Challenges

No external funding sources; heavily reliant on most flexible funding sources

Historic under-investment has left revenue generating asset in state of disrepair

Opportunities

Prior CIP funded parking garage elevators, marking the first state of good repair investment in many years

Recommended Approach

Year 3 of CIP directs some parking garage revenue to establish a baseline investment in state of good repair

Signals & Signs

Challenges

Traffic signals are one of SFMTA's most degraded assets

Funding sources dedicated to maintaining traffic signals and signs in state of good repair are extremely limited

Opportunities

Prop L and 2024 GO Bond recognized need for investment in state of good repair and enable significant increase in spending over prior CIP

Recommended Approach

Prioritize investment to maintain traffic signals and signs in state of good repair

Expand definition of capital investment to include activities that extend the useful life of existing assets by five+ years to facilitate investment in state of good repair

Streets

Challenges

Grant requirements prioritize expansion over maintenance, which makes maintaining state of good repair difficult

Streets program depends on discretionary grants for a large part of its funding; which requires special attention to funder priorities

The most flexible funding available to Streets is needed for local match to grants, reducing programmatic flexibility.

Opportunities

Street Safety Initiative & Bike and Roll Plan provide important policy guidance

Successful grant proposals and 2024 GO Bond enable increased spending over last CIP

Recommended Approach

Maintain consistent investment in community driven street safety improvements

Focus safety investments on high injury network

Transit Fixed Guideway

Challenges

CIP program with largest unmet state of good repair need

Train Control Upgrade Project utilizes significant portion of infrastructure formula funds

Opportunities

Train Control Upgrade Project is highest priority and has attracted significant grant funding

Fix-It Week and other proactive maintenance programs extend useful life, must eventually be augmented by significant investments

Recommended Approach

Pursue additional grant funding for Train Control to reduce reliance on infrastructure formula funds and close out-year gap

Fund subway special trackwork through detailed design and pursue future discretionary funding for construction

Protect Fixed Guideway state of good repair when flexing funds from Capital to Operating budget

Proactively deliver incremental investments to maintain structural integrity of Twin Peaks tunnel and expand tunnel inspection program

Fund small, urgent projects, as prioritized by Maintenance-of-Way team

Transit Optimization & Expansion

Challenges

Relies heavily on population-based formula funds, which are among the Agency's most flexible capital sources and therefore most exposed to potential capital-to-operating shifts.

Available revenues are insufficient to meet the full scope of state-of-good-repair and lifecycle investment needs.

Opportunities

Program grows ridership, increases street safety, and generates operating efficiencies

Complete streets approach allows projects to utilize full range of funding sources

Recommended Approach

Prioritize projects with existing financial commitments and local match requirements

Fund expansion projects with grants

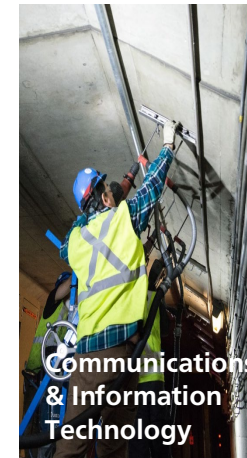
Agencywide

- Includes: Capital investments that support operating functions and/or multiple Capital Improvement Programs
- Challenge: No dedicated funding
- Recommended Approach:
 - Retain funding for BART Joint Maintenance projects in the shared Market Street subway stations
 - Reduce funding to other prior agencywide projects, such as reserves and non-revenue vehicles, as those costs are now reflected by appropriate CIP programs



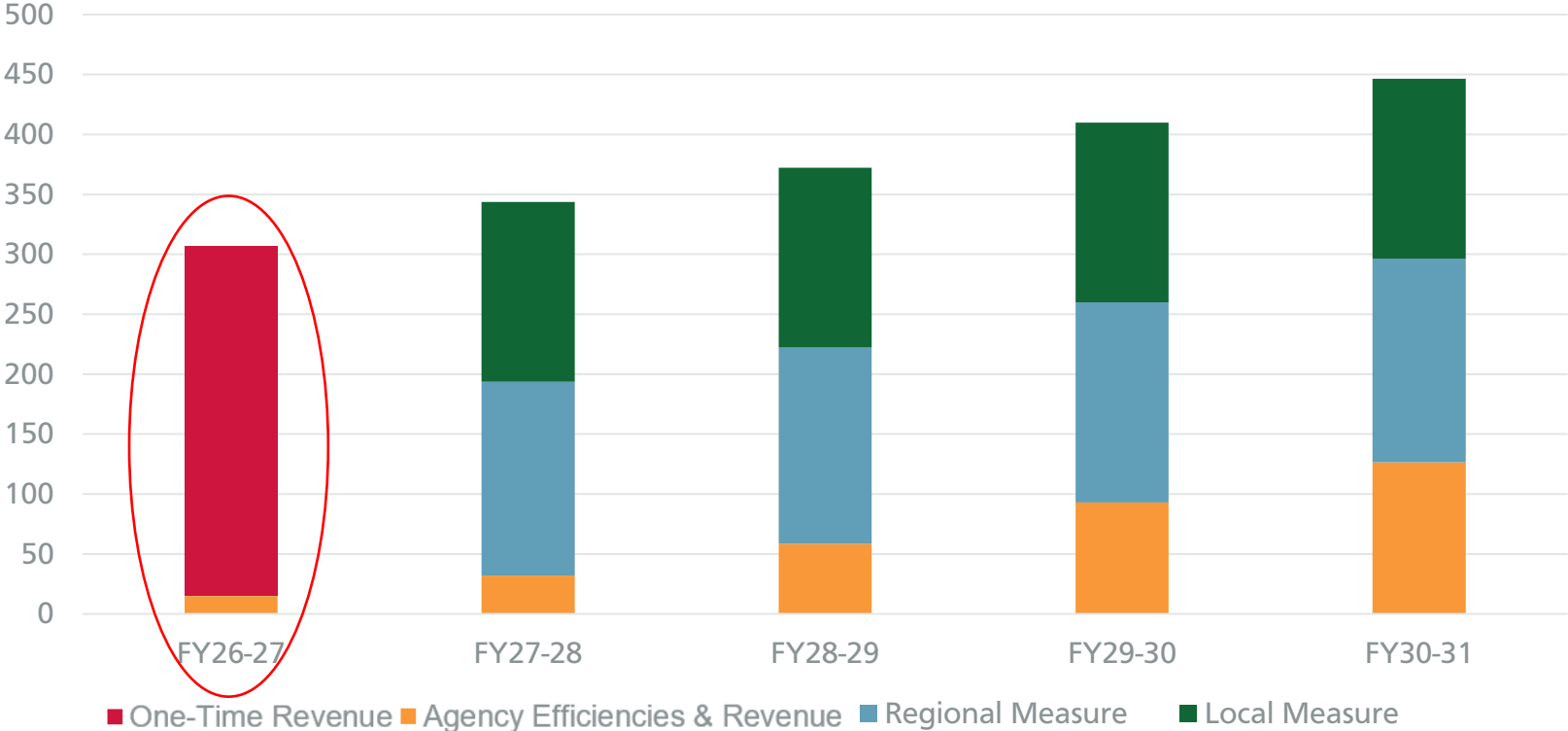
Smaller Programs

- Includes: Comms/IT, Security, and Taxis, Access, & Mobility Services
- Challenge: No dedicated funding, heavily reliant on grants and most flexible sources
- Recommended Approach:
 - Focus on investments that prioritize safety and reduce operating expenses (e.g., security upgrades at our facilities)
 - Pursue grants to maximize available funds
 - Reduce spending compared to previous budget cycles to prioritize flexible funding for transit service and other operating expenses
 - Incorporate Taxis, Access, & Mobility projects into relevant categories



Closing the Deficit

Ongoing agency efficiencies and one-time sources are needed to balance the FY26-27 budget.



One-Time Sources Discussed at Board Workshop

Estimate budget balancing will require \$307M in FY26-27
(note: draft balancing plan will be presented in March)

Options include:

- State loan: Up to \$200M
- Reserves: Recommend \$50-85M, of the \$140M available
- Capital funds flexed to operations: Up to \$40M
- One-time savings from previous cost controls: \$50-85M

Board Feedback to Date

- Concern about deferring capital investments to flex funds to operating budget, and desire to limit flex if needed
- Interest in understanding impact of any flex, such as project deferrals and future costs
- Any flex should be one-time and not an ongoing practice
- Interest in prioritizing state loan and using some portion of Agencywide Reserve; use of Reserve should include policy guidance on how to restore funds over time

Revenue by Program

Capital Improvement Program FY27-FY31
(assumes \$20M flex from capital to operating in FY26-27)

| Program Name (Feb 2026 Working Estimates) | FY27-FY31 (\$M) |
|--|--------------------|
| Agency Wide | \$ 53 |
| Comms/IT | 4.8 |
| Facilities | 138 |
| Fleet | 1,024 |
| Parking and Curb Management | 6.0 |
| Security | 5.3 |
| Signals & Signs | 66 |
| Streets | 242 |
| Taxis, Access & Mobility Services | 0.2 |
| Transit Fixed Guideway | 535 |
| Transit Optimization & Expansion | 238 |
| Total | \$ 2,313 |

Revenue Change by Program

Capital Improvement Program Comparison FY25-FY29 and FY27-FY31

| Program Name | FY25-FY29 (\$M) | FY27-FY31 (\$M) | Change (\$M) | Change (%) |
|-----------------------------------|--------------------|--------------------|-----------------|---------------|
| Agency Wide | \$ 108 | \$ 53 | (\$ 55) | -51.1% |
| Comms/IT | 7.8 | 4.8 | (3.0) | -38.8% |
| Facilities | 250 | 138 | (112) | -44.6% |
| Fleet | 1,044 | 1,024 | (20) | -1.9% |
| Parking and Curb Management | 6.0 | 6.0 | - | 0.0% |
| Security | 5.0 | 5.3 | 0.3 | 6.2% |
| Signals & Signs | 32 | 66 | 34 | 109.4% |
| Streets | 221 | 242 | 21 | 9.3% |
| Taxis, Access & Mobility Services | 2.1 | 0.2 | (1.9) | -89.3% |
| Transit Fixed Guideway | 587 | 535 | (52) | -8.7% |
| Transit Optimization & Expansion | 297 | 238 | (59) | -19.7% |
| Total | \$ 2,559 | \$ 2,313 | (\$ 246) | -9.6% |

Capital Flex Recommendation – Feedback Requested

Based on Board feedback at the workshop, the proposed CIP flexes only \$20M to operating

- Impact of \$20M flex is distributed across CIP programs and projects; does not result in defunding a specific project
- Proposed \$20M flex is <1% of total CIP funding; does not have significant impacts on long-term costs
- Flexing some capital funds reduces burden of refilling reserve

Budget Development Next Steps

- Incorporate state operating and general fund revenue changes, new revenues and efficiencies, and state loan and reserve repayment into draft operating budget
- Present recommendation for operating budget balancing strategy to SFMTA Board in March
- Develop Reserve Policy recommendations to present to SFMTA Board

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 |
| 3/3/2026 | FY25-26 6-month Financial Update |
| 3/17/2026 | Muni Equity Strategy Approval |
| 3/17/2026 | FY26-27 and FY27-28 Draft Budget Balancing Plan |
| 4/7/2026 | Budget Hearing (Operating & Capital) |
| 4/21/2026 | Budget Approval (Operating & Capital) |

Thank you!



Reference Slides

DRAFT Five-Year Plan to Balance Budget

| | FY26-27 Millions | FY27-28 Millions | FY28-29 Millions | FY29-30 Millions | FY30-31 Millions |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Deficit | (307) | (344) | (372) | (398) | (434) |
| Regional & Local Revenue Measures | 17 | 305 | 314 | 322 | 332 |
| Regional | 17 | 155 | 161 | 166 | 173 |
| Local | - | 150 | 153 | 156 | 159 |
| Agency Efficiency and Revenue, & One-time Sources | 290 | 39 | 58 | 76 | 102 |

Note: Deficit total and agency-solution amounts are draft and will be revised based on final revenue forecasts and policy decisions for efficiencies and agency-generated revenues; parcel tax also includes \$10M for service quality improvements, not yet incorporated

One-time Source Tradeoffs

| Source | Benefit | Challenge |
|--|--|--|
| State Loan (~\$200M) | Large enough to prevent service cuts and other major impacts in FY27-28 | Payment obligations increase deficit in future years |
| SFMTA Reserve (\$50-85M) | Designed to be used in our most challenging fiscal times; protects service | Reduces ability to absorb unexpected financial risk (e.g., natural disaster, economic shock, etc); will take many years to rebuild |
| Flex Capital Funds to Operations (up to \$40M) | One-time sources work best to solve one-time problems | Reduces capital investment, leading to increased maintenance costs over time |
| One-time savings from previous cost controls (\$50-85M) | One-time sources work best to solve one-time problems | Reduces ability to absorb unexpected financial risk and to make one-time investments that reduce cost in long-run |

Revenue Changes by Source

| Type | FY25-FY29 CIP Revenue Est. (\$M) | FY27-FY31 CIP Revenue Est. (\$M) | Change Inc/Dec (\$M) |
|-------------------------|----------------------------------|----------------------------------|----------------------|
| Federal | 1,240 | 960 | (280) |
| Local | 730 | 630 | (100) |
| State/Regional | 520 | 510 | (10) |
| Prior-year Carryforward | - | 200 | 200 |
| Total | \$ 2,490 | \$ 2,300 | (\$ 190) |

Note: Prior-year carryforward is estimated funding from FY26 that will be available to be spent in the next CIP. The FY25-FY29 CIP also included carryforward, but it has been distributed across the sources, which are currently not known for the FY26 carryforward since funds are still being expended.

- Some revenue decline associated with shrinking sources, but revenue also reflects LRV4 wrap up
- Funding sources often have restrictions on how funds can be programmed

2024 Healthy, Safe and Vibrant San Francisco GO Bond

- \$390 million GO Bond approved by voters in November 2024
- \$63.9 million included for Street Safety Improvements
- Amount received for projects reduced slightly to account for cost of issuance on bonds

| Project | Location | Bond Amount | First Issuance | Future Issuances |
|-------------------------------------|---------------------------------|---------------------|---------------------|---------------------|
| Howard Streetscape | 4 th to 11th streets | \$4,000,000 | \$0 | \$4,000,000 |
| 5 th Street Streetscape | Market to Townsend | 9,100,000 | 0 | 9,100,000 |
| Contract 35 Signal Modernization | 17 locations citywide | 12,300,000 | 12,300,000 | 0 |
| Central Embarcadero Safety Project | Folsom to Brannan | 7,500,000 | 7,500,000 | 0 |
| 11 th Street Streetscape | Market to Bryant | 11,000,000 | 0 | 11,000,000 |
| Mission Street Pavement Renovation | Duboce to Cesar Chavez | 20,000,000 | 0 | 20,000,000 |
| Total | | \$63,900,000 | \$19,800,000 | \$44,100,000 |

Livable Streets CIP Revenue Comparison by Source

| Fund Source | Total FY25-FY29 | Total FY27-FY31 | Variance | % Change | Notes |
|--|-----------------|-----------------|---------------|----------|---|
| Automated Speed Enforcement | \$ - | \$ 10,600,000 | 10,600,000 | 100.0% | New source |
| Caltrans Active Transportation Program (ATP) | 21,706,286 | 10,716,800 | (10,989,486) | -50.6% | Reduced State revenues |
| State Earmarks | 4,970,000 | - | (4,970,000) | -100.0% | Cannot be projected to a specific project/program, but will be added if/when awarded |
| Caltrans Planning Grants | 3,000,000 | 1,339,710 | (1,660,290) | -55.3% | Reduced State revenues |
| Local Partnership Program (LPP) | - | 14,000,000 | 14,000,000 | 100.0% | New grant |
| Transportation Network Companies (TNC) Tax Revenues | 22,533,980 | 49,500,000 | 26,966,020 | 119.7% | Transportation Authority projections based on Controllers' Office report. |
| Commuter Shuttle Revenue | 2,000,000 | 2,998,573 | 998,573 | 49.9% | Based on higher FY26 revenue |
| Transportation Sustainability Fee (TSF) - Streets | 1,046,249 | - | (1,046,249) | -100.0% | New legislation & lower development make hard to project, will be added if/when awarded |
| BUILD Grant | 10,000,000 | - | (10,000,000) | -100.0% | Replaced by RAISE |
| RAISE Grant | - | 23,000,000 | 23,000,000 | 100.0% | Replaces BUILD |
| General Fund Population Baseline | 53,932,040 | 47,478,342 | (6,453,698) | -12.0% | |
| 2024 GO Bond | - | 19,480,000 | 19,480,000 | 100.0% | Approved Nov 2024 |
| IPIC/Developer Fees | 20,575,685 | - | (20,575,685) | -100.0% | New legislation & lower development make hard to project, will be added if/when awarded |
| OBAG Funds | 10,878,000 | 17,198,000 | 6,320,000 | 58.1% | Anticipated growth in OBAG4 and remaining OBAG3 funds |
| SFCTA Prop L | 47,245,000 | 30,335,638 | (16,909,362) | -35.8% | Lower sales tax revenues and funds advanced into earlier years |
| SFCTA Prop AA | 2,598,915 | 1,589,915 | (1,009,000) | -38.8% | Balance of prior cycle revenues, which were front-loaded; new funds in FY28 |
| Affordable Housing & Sustainable Communities (AHSC) Grants | 8,747,957 | 8,602,196 | (145,761) | -1.7% | Program revenues expected to be flat compared to prior CIP period |
| TDA Article 3 | 2,600,000 | 2,590,000 | (10,000) | -0.4% | Program revenues expected to be flat compared to prior CIP period |
| Transportation Fund for Clean Air (TFCA) | 2,300,000 | 2,530,292 | 230,292 | 10.0% | Reflects annual 2% estimated escalation in program revenues |
| Grand Total | \$ 214,134,112 | \$ 241,959,466 | \$ 27,825,354 | 13.0% | |

Livable Streets CIP Revenue Comparison by Level of Government

| Fund Source | Total FY25-FY29 | Total FY27-FY31 | Variance | % Change |
|-------------|-----------------|-----------------|---------------|----------|
| Federal | \$ 20,878,000 | \$ 40,198,000 | \$ 19,320,000 | 92.5% |
| State | 41,024,243 | 37,248,706 | (3,775,537) | -9.2% |
| Regional | 2,300,000 | 2,530,292 | 230,292 | 10.0% |
| Local | 149,931,869 | 161,982,468 | 12,050,599 | 8.0% |
| Total | \$ 214,134,112 | \$ 241,959,466 | \$ 27,825,354 | 13.0% |

Major Fund Changes in Transit Optimization Funding

Transit Optimization funding was affected by changes in fund administration and shrinking funding pots

| Fund | FY25-29 CIP – Excl. Carryforward (\$M) | FY27-31 CIP Revenue Est (\$M) | Change Inc/Dec | Largest Driver |
|-------------------|--|-------------------------------|----------------|--|
| Prop L | 40 | 57 | +17 | New 5YPP in FY29 makes estimates higher as awards tend to be front loaded |
| OBAG | - | 11 | +11 | New allocation of OBAG to TO |
| UCSF Contribution | - | 10 | +10 | New voluntary contribution by UCSF for work around their new campus |
| Prop B | 27 | 21 | (-6) | Prop B allocations have shifted due to the flex to operating |
| TSF/IPIC | 77 | - | (-77) | Due to legislation changes, IPIC & TSF funds won't be available or estimate able for several years and thus have not been programmed |
| TIRCP | 127 | 111 | (-16) | Part of past TIRCP has already been spent; 2026 estimate is lower than past cycles due to lower pot of State money |
| Other Funds | 31 | 28 | (-3) | Small changes in AHSC, Earmark, Prop AA, and LCTOP TPI |
| Total | \$302 | \$238 | (-\$64) | |