SFMTA

San Francisco Municipal Transportation Agency

Financial Update

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Chief Financial Officer

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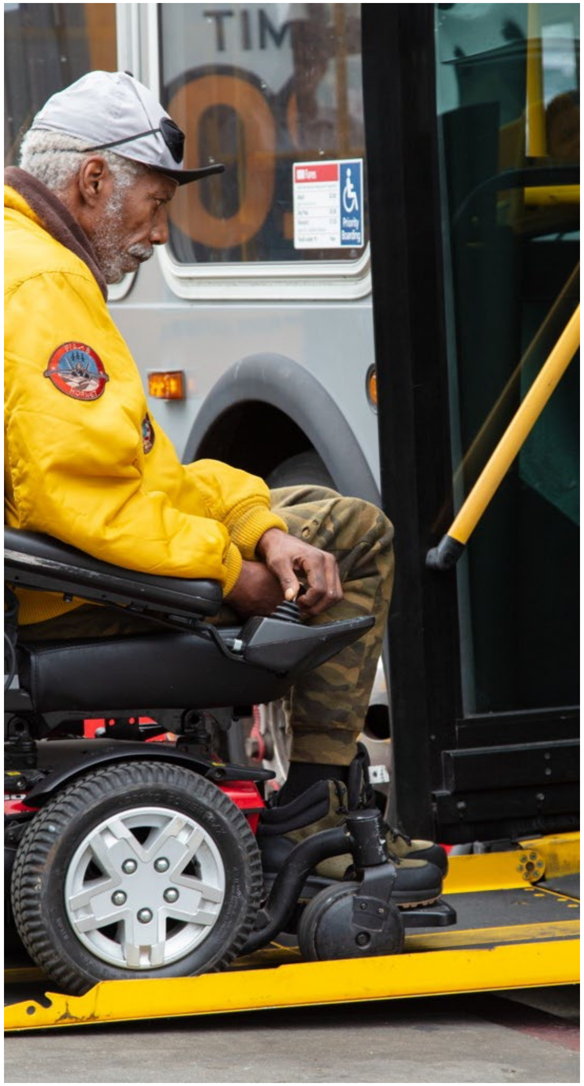
Agenda

1. Financial Trends
2. FY23-24 Year-End Close
3. FY24-25 and FY25-26 Final Budget
4. Five-Year Deficit Projections
5. Closing the Deficit

Financial Trends

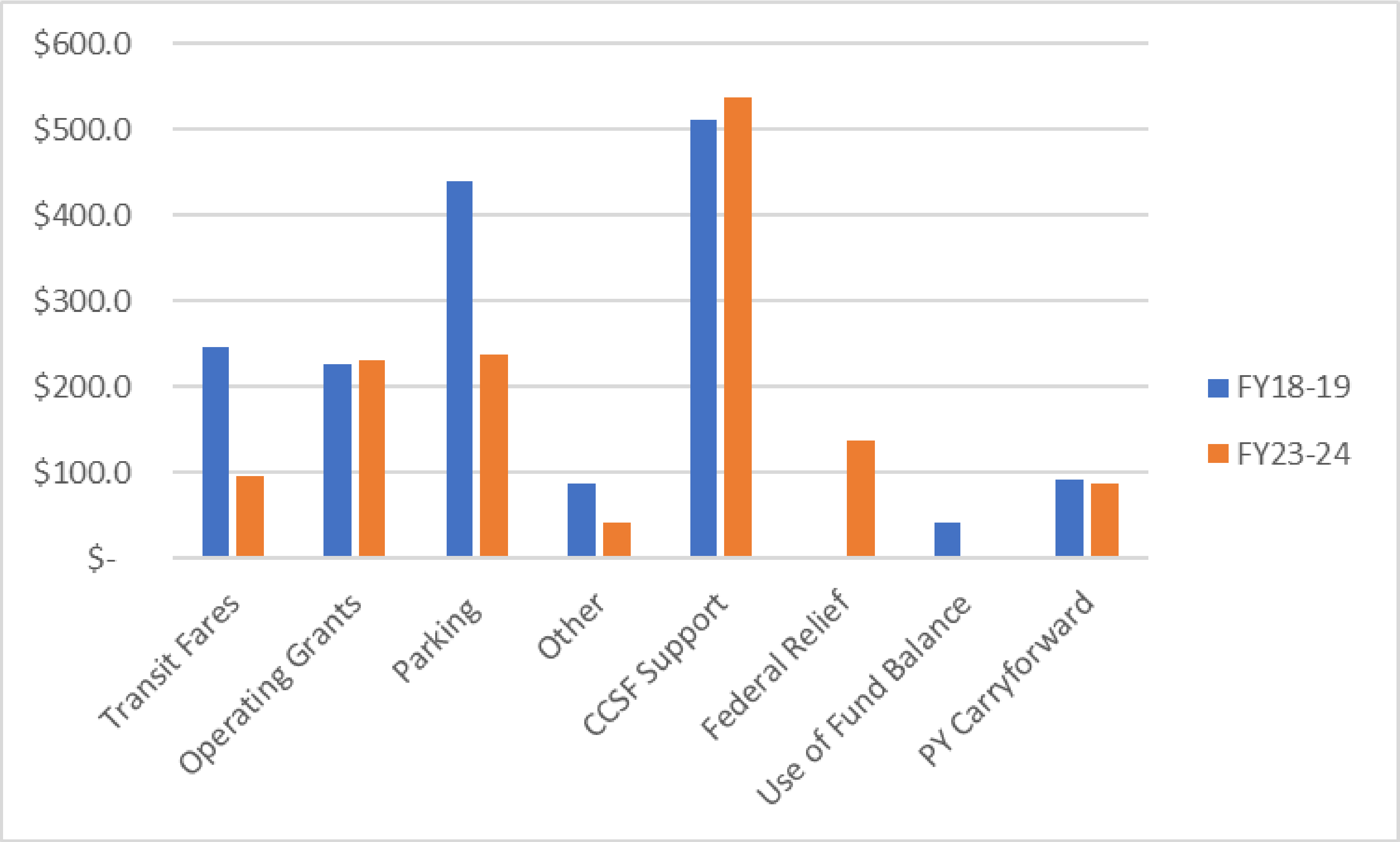
Financial Trends



- Revenues are lower than pre-pandemic across the board:
  - Transit revenue down
  - Parking revenue down
  - General Fund growth slower than prior decade.
- Federal, state, & regional relief will be cut in FY26-27.
- In response, we reduced expenditure in our control
- Revenues grow slower than inflation

Revenue Trends: Lower Revenue

Adjusted for inflation, SFMTA revenues are $275M or 16% less than pre-pandemic.



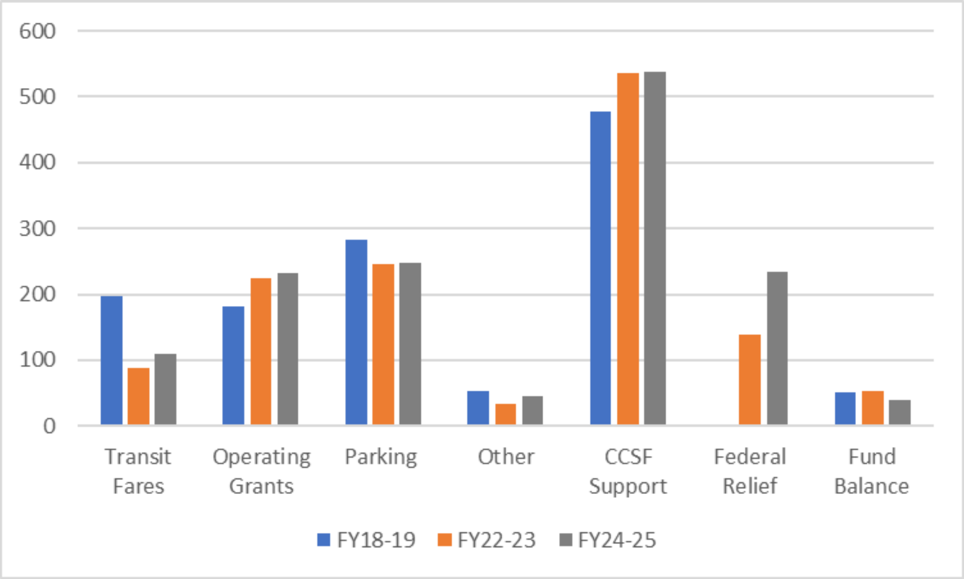
Revenue Trends: Additional Revenue Sources are Being Impacted

Enterprise revenue decreased dramatically during the pandemic due to changing travel patterns:

- Transit fares
- Parking fees and fines

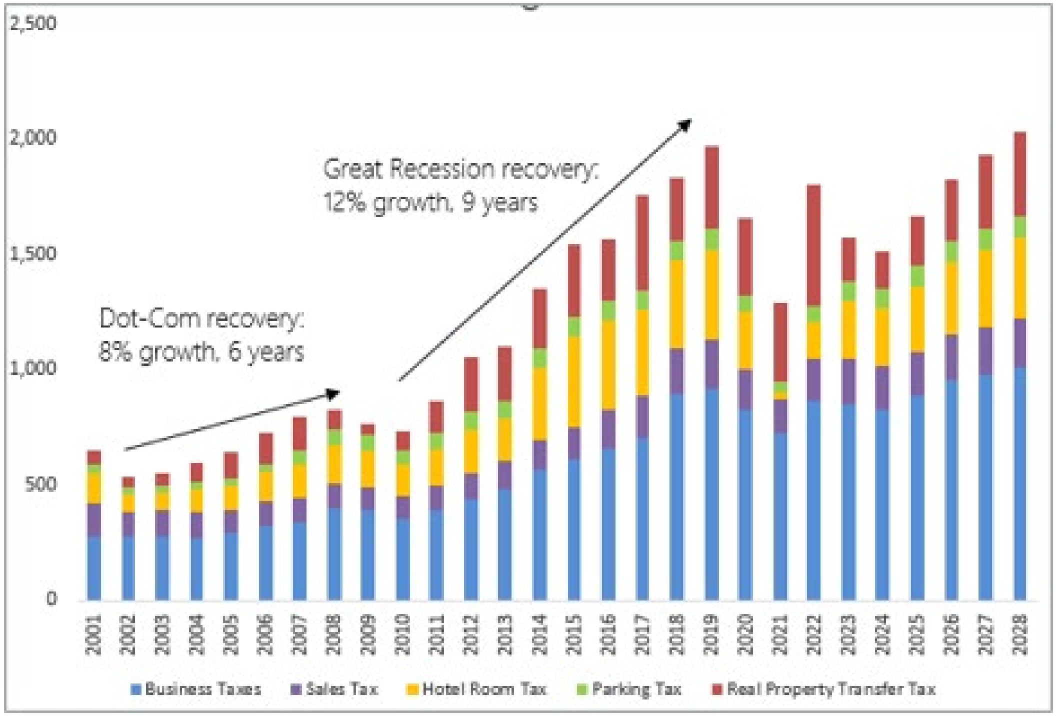
Additional revenue sources are decreasing now due to post-pandemic economic conditions:

- General Fund



Revenue Trends: Slow General Fund Growth

15 years of General Fund revenue growth of 8% to 12% is replaced by projected 3% growth, dramatically decreasing revenue growth built into assumptions about SFMTA's long-term financial health.



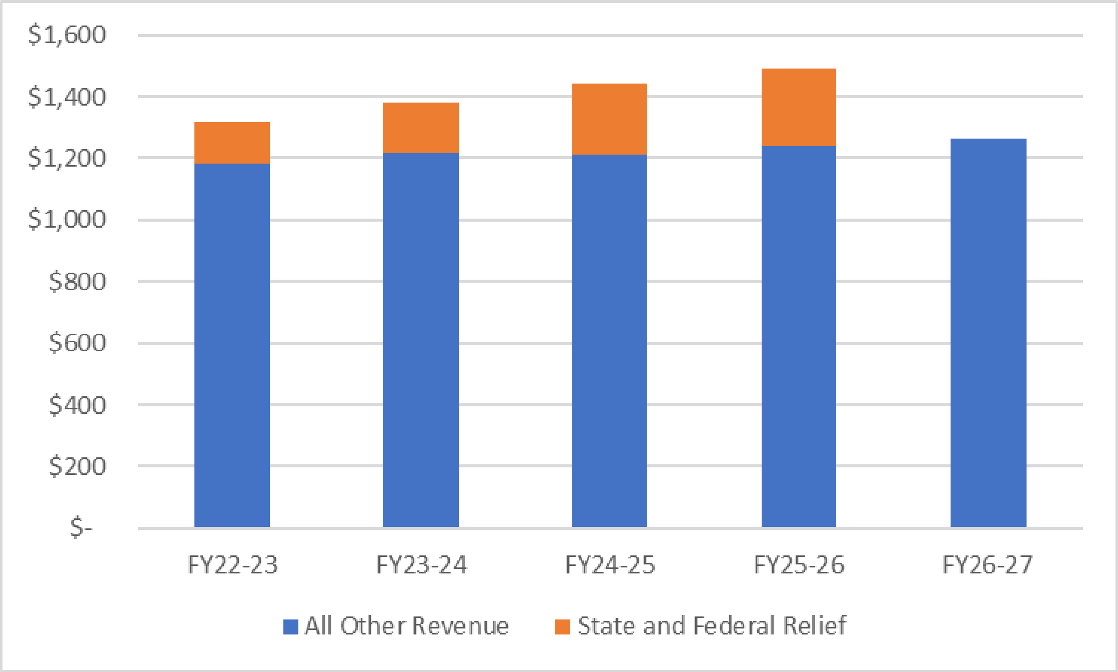
As General Fund is 39% of SFMTA revenue, performance of the General Fund is the most significant driver of lower SFMTA revenue.

Revenue Trends: Weak Economic Drivers

- Tourism down
- Conventions down
- Population down
- Economic recovery slower than expected
- More work from home = fewer trips on Muni, less downtown parking

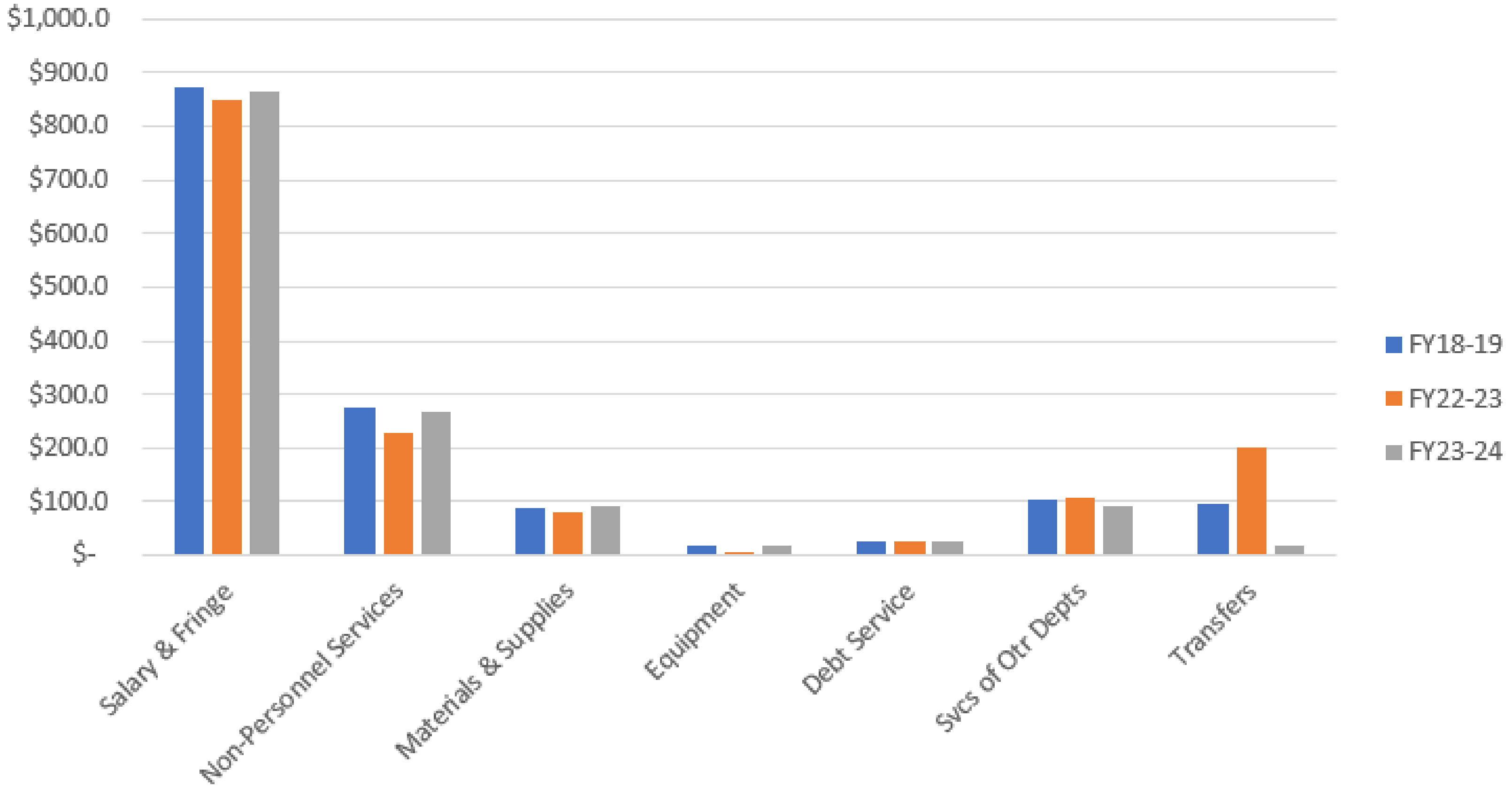
Revenue Trends: State and Federal Relief Cut

Balancing the budget since the pandemic has only been possible due to one-time regional, state and federal relief, is being cut in FY26-27.



Expenditure Trends

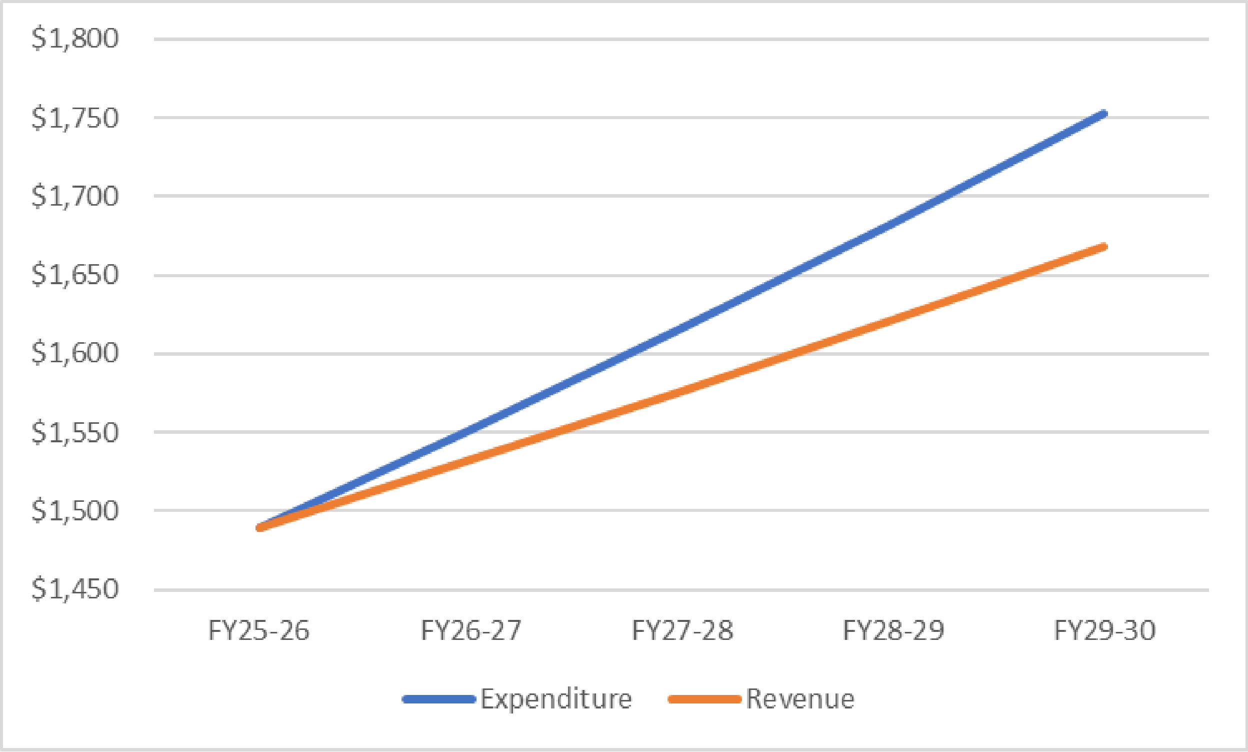
When adjusted for inflation, SFMTA spent $95M or 6% less than pre-pandemic.



Expenditure on capital, multi-year projects and transfers to reserve make-up $76M of difference, indicating a decrease in long-term investment and financial planning.

Expenditure Trends: Projected expenditure growth exceeds projected revenue growth

Projected expenditure growth of 4% due to inflation and COLA exceeds projected revenue growth of 3%.



Mismatch between expenditure and revenue growth rates turns a balanced budget into a growing deficit, even when the number of FTE and other expenditure types is unchanged.

Revenue growth is slower than inflation and a federal, state, and regional relief is cut in FY26-27

FY23-24 Year-End Close

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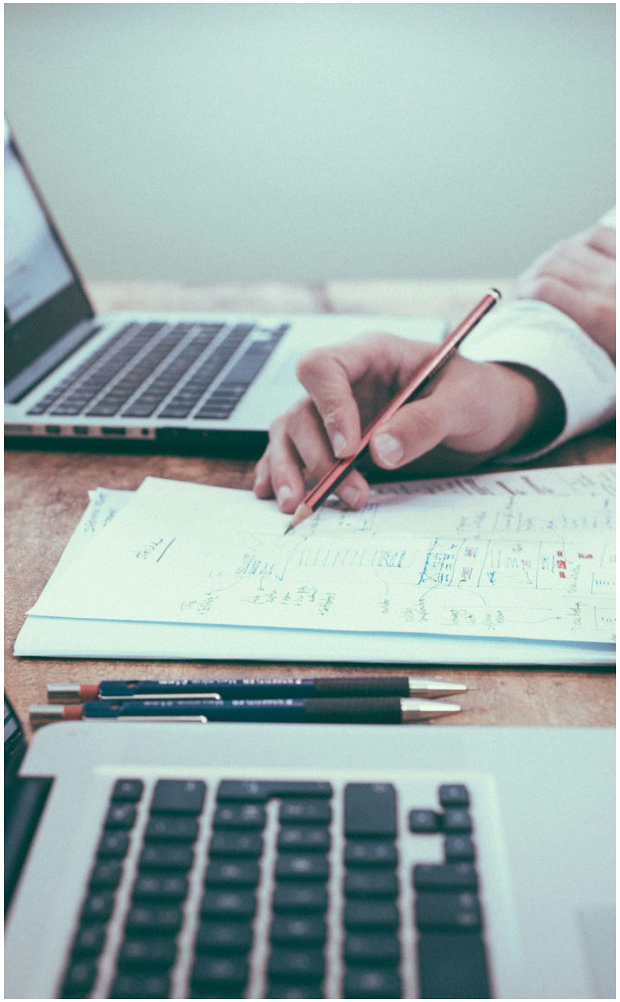
FY23-24 revenues were lower, and expenditures were higher than projected. Total negative impact: $46M.

Description	Amount ($M)
General Fund transfers less due to local economy	-5
State operating grants less due to low state sales tax	-3
Interest earnings less due to negative interest charge	-4
Non-labor expenditure higher than projected (legal settlements, insurance, equipment, and equipment maintenance)	-27
Work order expenditure higher than expected (Legal, Reproduction, Central Shops, Power)	-7
Total Impact	**-46**

Source: General Fund transfers, March 2024 Joint Report. FM13 BvA August 6, 2024.

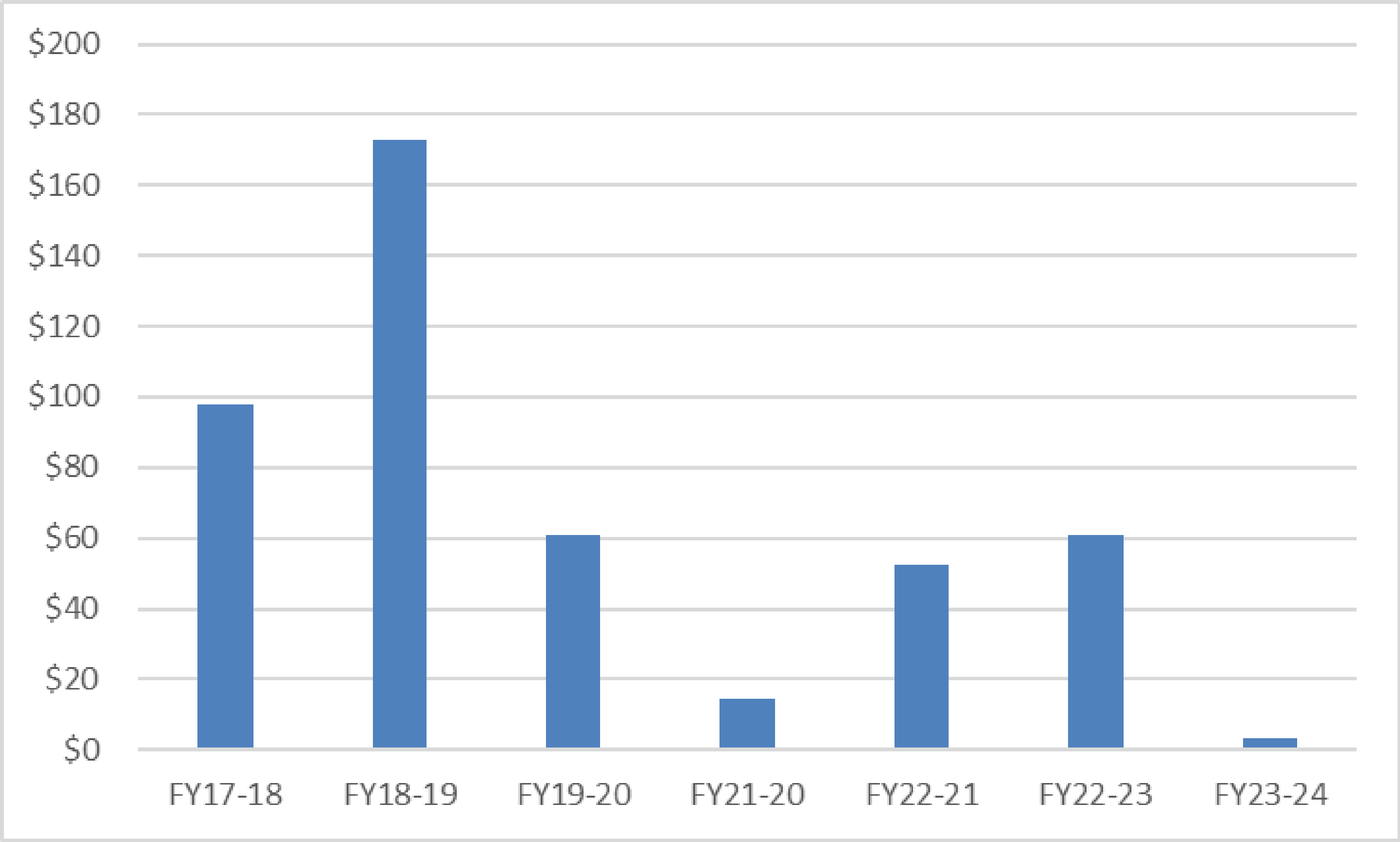
Why and what now?

- Previously, unexpected expenditures in SFMTA budgets were paid for with salary savings. Now that we've made our hiring process more efficient, there is little to no salary savings.
- To prevent unexpected expenditures in future years, we are implementing monthly budget monitoring with each SFMTA division.

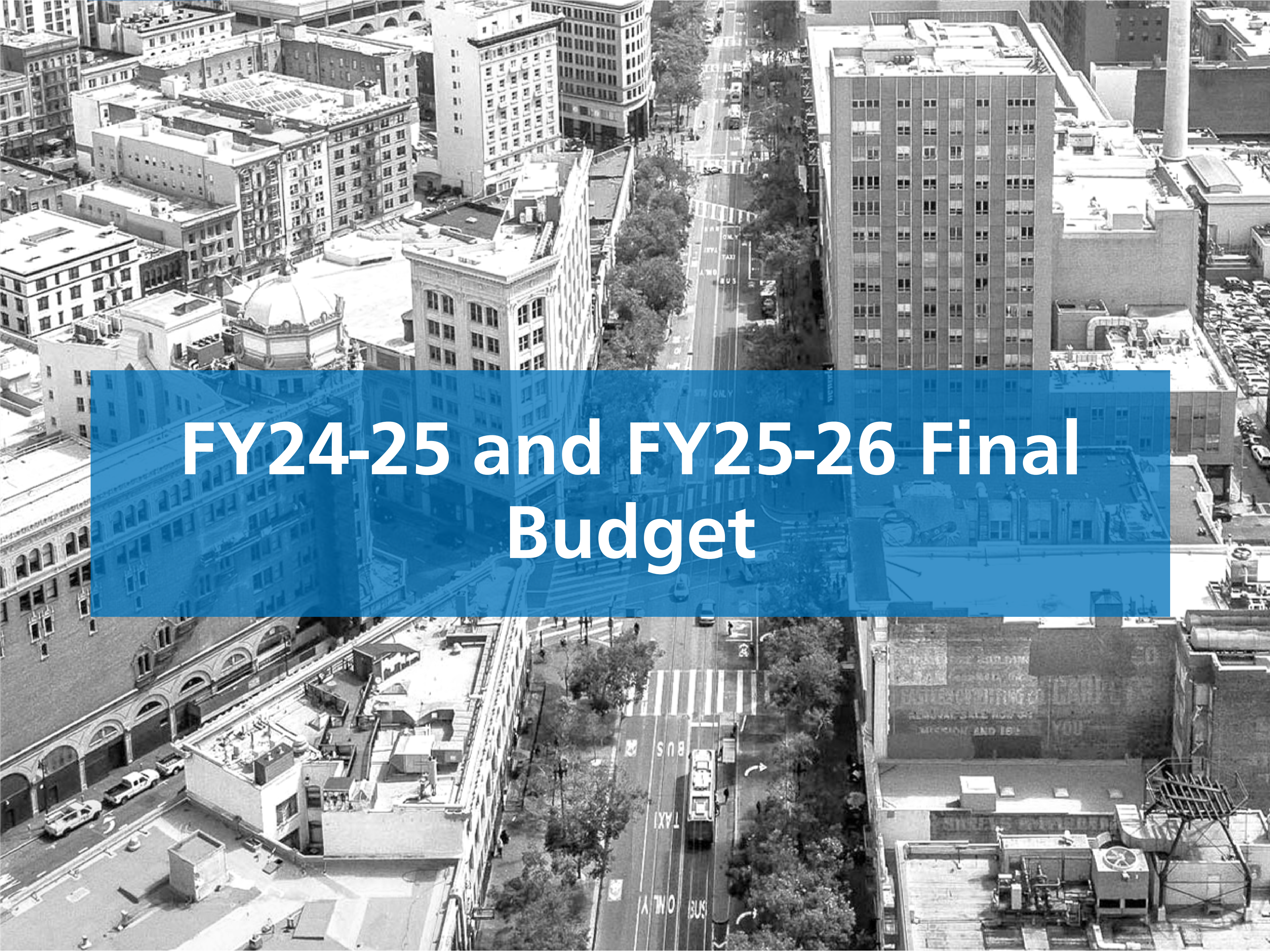


Impact: Low Fund Balance

SFMTA will end the year with a significantly lower fund balance than it started, making SFMTA less financially secure.



Closing FY 23-24 required use of resources set aside for FY 24-25 and FY 25-26.



FY24-25 and FY25-26 Final Budget

FY24-25 and FY25-26 Final Budget

Balancing FY24-25 and FY25-26 budgets included hard choices

- Limited hiring by putting $52.8M in vacant positions on budget hold
- Limited non-labor spending by increasing only by inflation, no new spending
- $12.7 million in fare, fee and fine increases, impacting 100% of sources exclusively under SFMTA control
- No additional Muni service, despite growing ridership; only cost-neutral service changes.
- New investments included only revenue generating positions: 36 transit fare inspectors

FY24-25 and FY25-26 Final Budget

We became more efficient

- When adjusted for inflation, **SFMTA spent $95M or 6% less than pre-pandemic.**
- Years of **efficiency improvements** include:
  - Reinvest Muni travel time savings into additional service
  - Improvements to project delivery
  - Consolidation of agency functions

FY24-25 and FY25-26 Final Budget

After SFMTA Board passed budget, revenue went down* and expenditure went up. To balance the budget, we:

- **Will reduce hiring**
- **Defunded one-time investments:**
  - Non-revenue vehicles
  - Capital projects
  - Misc. professional services, and materials and supplies

We still have a budget gap in FY 25-26 and need to take action.

*NOTE: SFMTA submits balanced budget by May 1, before CCSF closes out its fiscal year.

Why and what now?

- Revenue was lower due to revenue trends.
- Expenditure was higher due to labor negotiations.
- Muni Funding Working Group will provide guidance

Even with the hard choices and efficiency improvements , our 5-year financial outlook included large deficits starting in FY26-27 and growing over time.

Five-Year Deficit Projections

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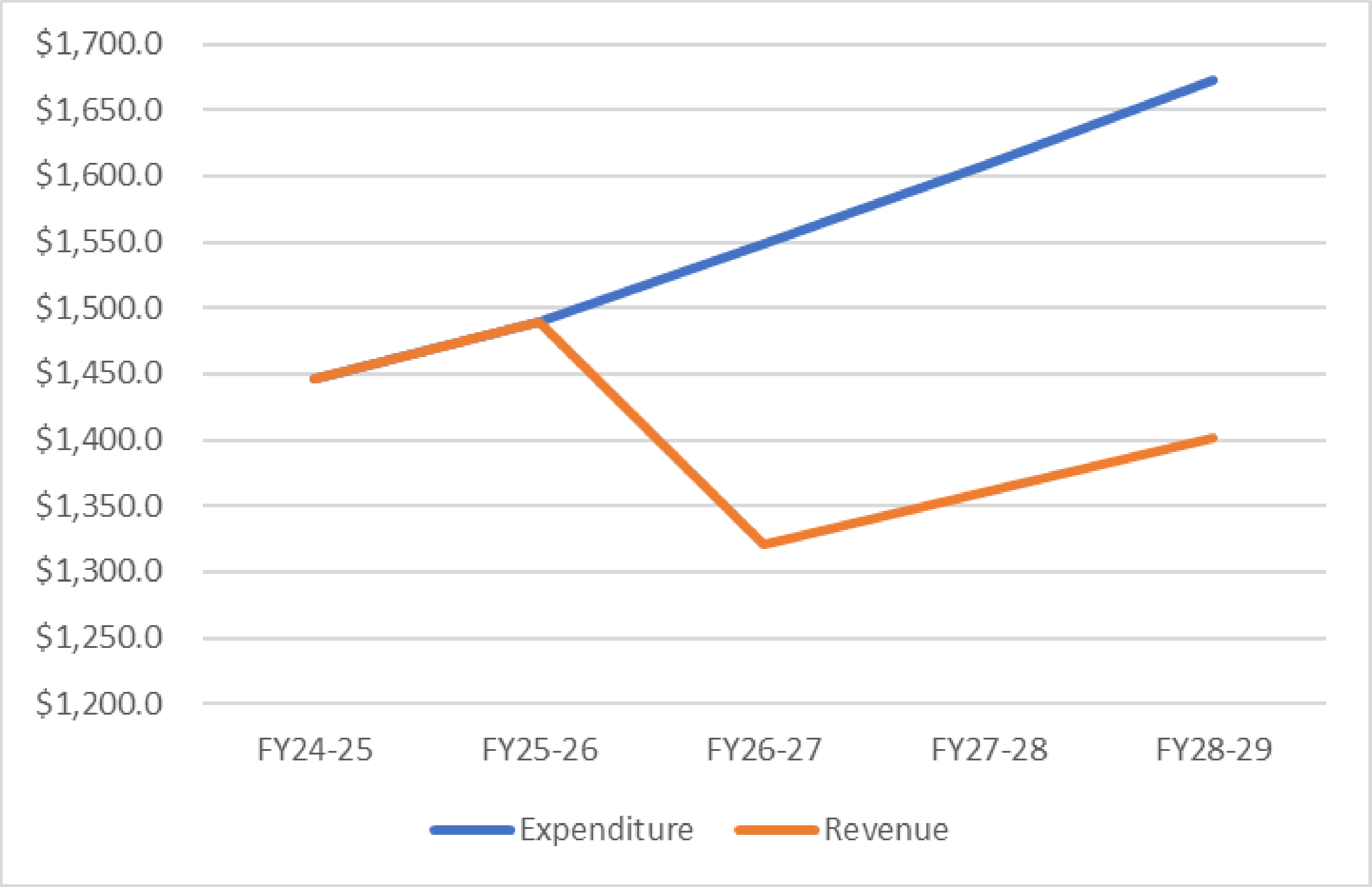
Projected FY26-27 deficit ranges from $239M to $322M, depending on assumptions:

- Economic health of San Francisco and State of California
- Use of flexible funds that can be used for operating or capital
- Development of additional revenue sources
- Policy choices about how much service to provide
- Policy choices about implementing efficiency measures, like transit only lanes, that could make service less expensive
- Generation of fund balance by collecting more revenue or expending less than projected

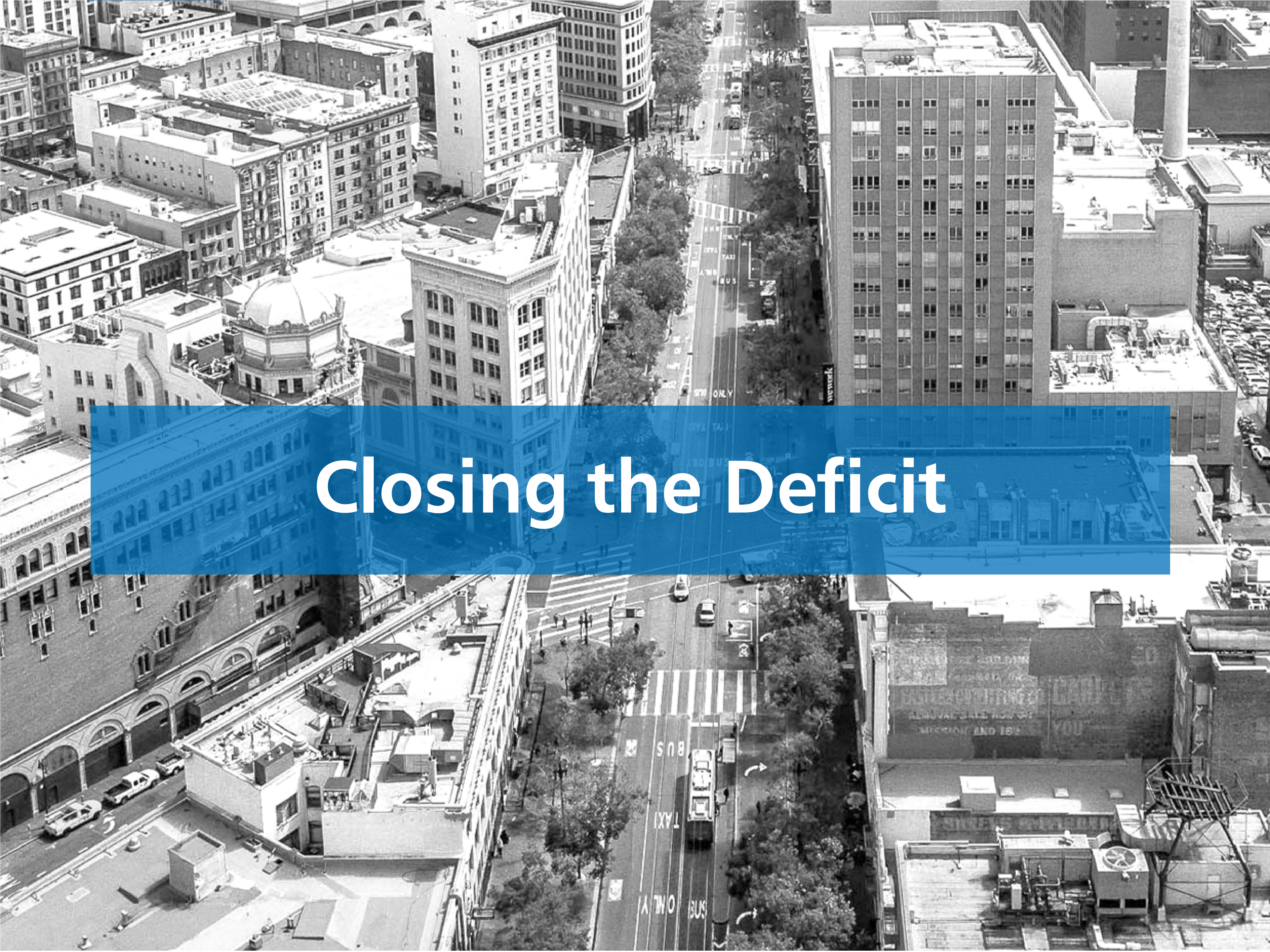
Five-Year Deficit Projections

Deficits begin in FY26-27 when federal, state and regional transit relief is cut and will range from $239M to $322M.



Uncertainty suggests we should think about deficit as a range of possible outcomes based on economic conditions and policy choices.

Closing the Deficit



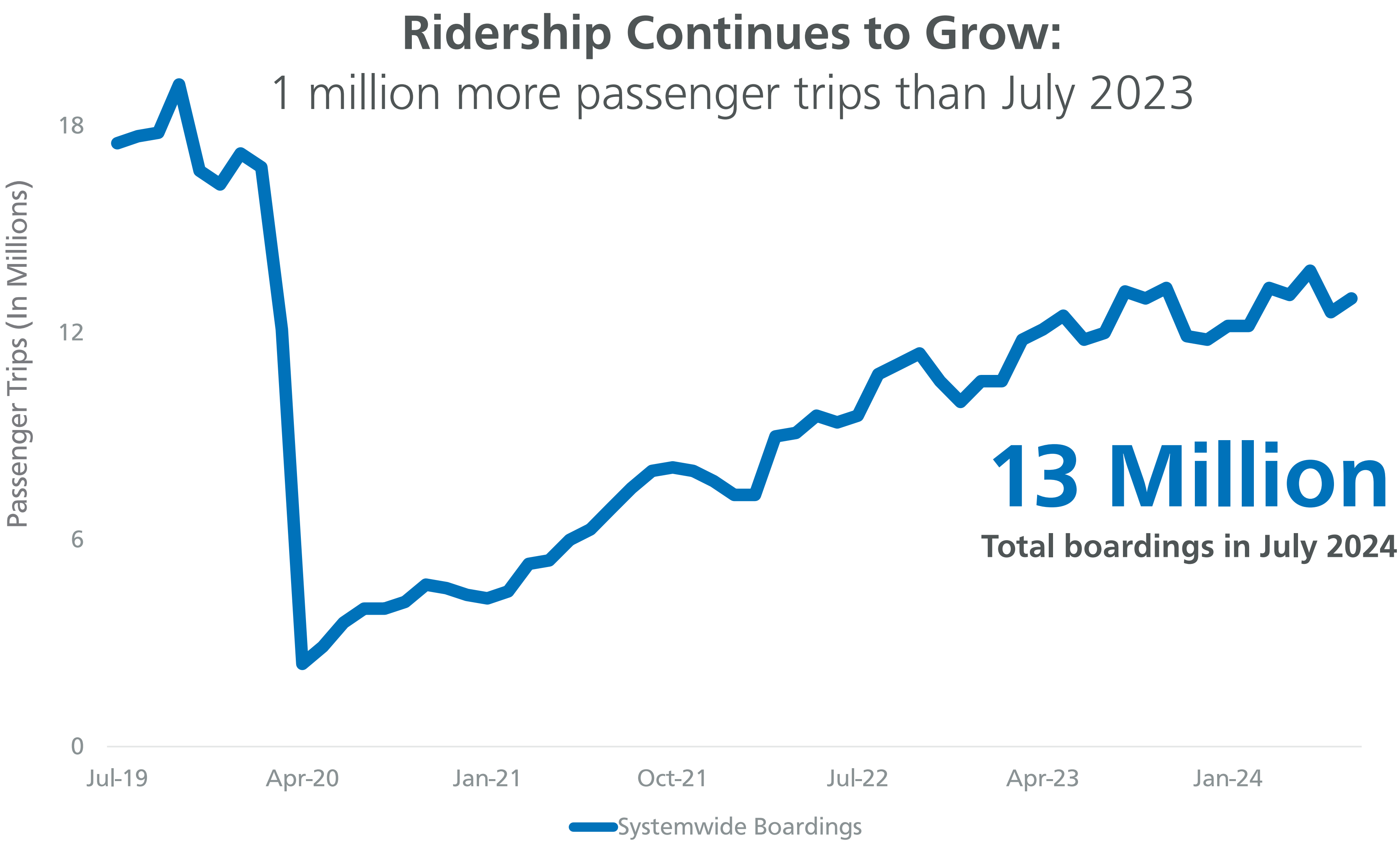
Strategies to Close Deficit

- Increase **ridership** by making Muni fast, frequent, reliable, clean, and safe
- Increase **fare compliance** by adding Transit Fare Inspectors
- Raise revenue through a **regional revenue measure**
- Convene **Muni Funding Working Group,** at direction of Controller and Director of Transportation, to discuss all possible options

Ridership: Reliability

- Muni is more reliable than ever
- Muni achieved **historic levels of service reliability** through new and improved strategies.
- We've cut moderate subway delays to just a quarter of 2019 levels this year, and long delays are down over 65%.

Ridership: July Total Passenger Trips



Note: Excludes cable car and streetcar.

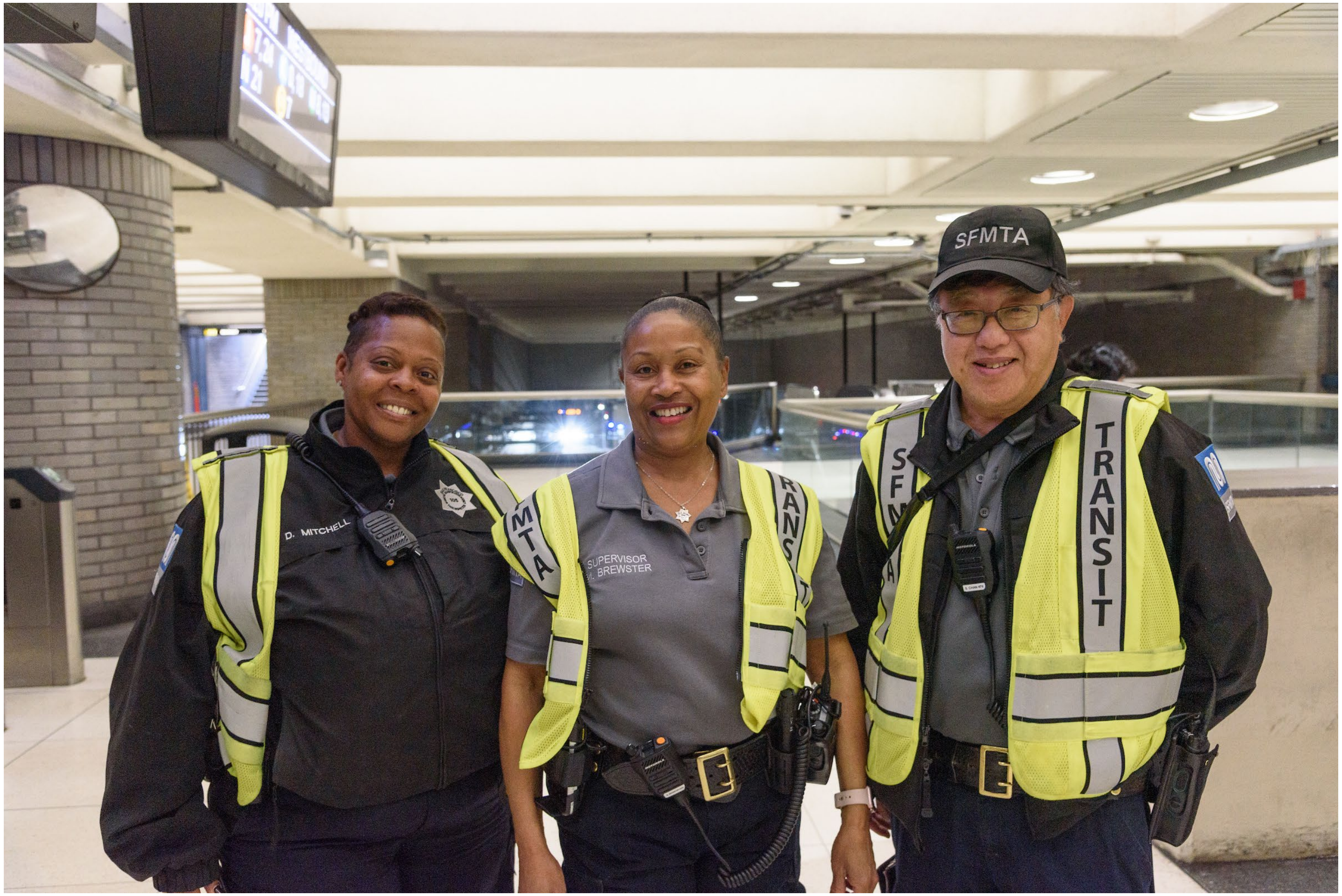
Fare Compliance

Plans to increase fare compliance

- Education campaign launches in September
  - Earned media, paid media, social media, podcast, car cards, meetings with CBOs, other
- Marketing campaign in development
  - Research-based messaging to drive fare compliance
  - Comprehensive multi-channel marketing campaign
- Ease of payment work ongoing
  - Clipper 2.0 (delayed)
  - Including Muni ride in pricing of tickets to sports events, music festivals
- Discount fare promotion ongoing
  - City Fellow application was not successful
  - Staff work with City Departments and CBOs is ongoing

Fare Compliance

Hiring 36 additional Transit Fare Inspectors



Regional Revenue Measure

- SF economic recovery depends on strong regional transit network
- This includes Muni, BART, Caltrain and others
- 75% of all transit trips in the Bay Area start or end in San Francisco
- Bay Area was unable to come to consensus on SB 1031
- Continuing to work collaboratively with MTC and other counties on new regional revenue measure for Nov. 2026 ballot

Muni Funding Working Group

- **Convened by the Controller's Office and Director of Transportation**

- **Similar in structure and process to previous successful working groups** (T2030, T2045, Muni Reliability Working Group)

- **Membership:**
    - SFMTA Board
    - SFCTA/Board of Supervisors
    - Labor
    - Business
    - Community-based organizations and advocates
    - Transit experts

Muni Funding Working Group

Scope

Recommend:

- Efficiency improvements
- New revenue
- Service and program cuts necessary to balance the budget.
- Service enhancements that have the potential to increase revenue, including direct improvements and addressing deferred maintenance issues

Summary

- Our financial situation has been made worse by economic forces that are out of our control.
- We’ve been forced to spend some of our fund balance sooner than we’d anticipated.
- We’ve used pandemic relief funds wisely, but regional, state and federal funds are being cut.
- We need to develop solutions now, while there’s still time to act
- Projected FY26-27 deficit ranges from $239M-$322M, depending on economic outcomes and policy choices.
- We need local sources of funding.
- Muni Funding Working Group will be charged with recommending solutions.
- We’re fighting for our workforce and we’re fighting for the services San Franciscans depend on.