

THIS PRINT COVERS CALENDAR ITEM NO.: 11

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Presentation and discussion regarding the Fiscal Year 2019 State of Good Repair Report, update on Capital Revenue Projections and associated impacts due to the COVID-19 Public Health Emergency.



SUMMARY:

- The SFMTA annual State of Good Repair report provides an overview of the Agency’s rehabilitation, replacement needs, levels of investment for its \$14.9 billion in assets outlining the prioritization, planning, and delivery practices related to maintaining San Francisco’s Transportation system in a state of good repair.
- The report for Fiscal Year 2019 shows a \$3.2 billion asset backlog requiring an annual investment of \$632 million over the next 20 years to maintain the system in a state of good repair.
- Upon initial review of the capital funding sources in the SFMTA Fiscal Year 2021–2025 Capital Improvement Program, the SFMTA is projecting a loss of up to \$320 million in capital revenues over the five-year period.

ENCLOSURES:

1. SFMTA Fiscal Year 2019 State of Good Repair Report

APPROVALS:

	DATE
DIRECTOR  _____	August 24, 2020 _____
SECRETARY  _____	August 24, 2020 _____

ASSIGNED SFMTAB CALENDAR DATE: September 1, 2020

PAGE 2.

PURPOSE

Provide an update regarding the Fiscal Year 2019 State of Good Repair Report, update on Capital Revenue Projections and associated impacts due to the COVID-19 Public Health Emergency.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

The proposed project will support the following goals and objectives of the SFMTA Strategic Plan:

Goal 1: Create a safer transportation experience for everyone.

Objective 1.1: Achieve Vision Zero by eliminating all traffic deaths.

Objective 1.2: Improve the safety of the transit system.

Goal 2: Make transit and other sustainable modes of transportation the most attractive and preferred means of travel.

Objective 2.1: Improve transit service.

Objective 2.2: Enhance and expand use of the city's sustainable modes of transportation.

Objective 2.3: Manage congestion and parking demand to support the Transit First Policy.

Goal 3: Improve the quality of life and environment in San Francisco and the region.

Objective 3.1: Use agency programs and policies to advance San Francisco's commitment to equity.

Objective 3.2: Advance policies and decisions in support of sustainable transportation and land use principles.

Objective 3.4: Provide environmental stewardship to improve air quality, enhance resource efficiency, and address climate change.

Objective 3.5: Achieve financial stability for the agency.

This item will support the following Transit First Policy Principles:

1. To ensure quality of life and economic health in San Francisco, the primary objective of the transportation system must be the safe and efficient movement of people and goods.
2. Public transit, including taxis and vanpools, is an economically and environmentally sound alternative to transportation by individual automobiles. Within San Francisco, travel by public transit, by bicycle and on foot must be an attractive alternative to travel by private automobile.
3. Decisions regarding the use of limited public street and sidewalk space shall encourage the use of public rights of way by pedestrians, bicyclists, and public transit, and shall strive to reduce traffic and improve public health and safety.
4. Transit priority improvements, such as designated transit lanes and streets and improved signalization, shall be made to expedite the movement of public transit vehicles (including taxis and vanpools) and to improve pedestrian safety.
5. Bicycling shall be promoted by encouraging safe streets for riding, convenient access to transit, bicycle lanes, and secure bicycle parking.
6. Parking policies for areas well served by public transit shall be designed to encourage travel by public transit and alternative transportation.

PAGE 3.

7. New transportation investment should be allocated to meet the demand for public transit generated by new public and private commercial and residential developments.
8. The ability of the City and County to reduce traffic congestion depends on the adequacy of regional public transportation. The City and County shall promote the use of regional mass transit and the continued development of an integrated, reliable, regional public transportation system.

DESCRIPTION

On April 21, 2020, the SFMTA Board of Directors approved the Fiscal Year 2021-2025 Capital Improvement Program (CIP). The CIP is a financially constrained plan that provides the SFMTA with a financial strategy to deliver projects that keep the transportation system in a state of good repair, improve safety, maximize resources through complete street investments, and improve the reliability of the transit system. The adopted CIP programs included revenues totaling \$2.5 billion.

On June 30, 2020, the SFMTA Board of Directors approved the Fiscal Years 2021 and 2022 Consolidated Budget, including both capital and operating appropriations, for the next two fiscal years. During that presentation the SFMTA Board requested regular updates on the fiscal management of the Agency with regular data by which to evaluate current and future decisions.

This item provides the first fiscal and management update for Fiscal Year 2021 and provides the SFMTA Board with the status of the State of Good Repair of San Francisco's Transportation System and an update on the impact of the COVID-19 Public Health Emergency on capital revenues included in the Fiscal Year 2021-2025 CIP. Once the agency receives a completed full month of data from Fiscal Month 1 (July 2020) of the current fiscal year, that data will be populated into the report with any associated updates to the Agency's financial projections.

Fiscal Year 2019 State of Good Repair Report

The SFMTA Fiscal Year 2019 State of Good Repair report is the seventh consecutive report detailing the condition of SFMTA's \$14.9 billion in capital assets. The analysis for the report begins after each calendar year, when the prior fiscal year is closed, and projects completed in the fiscal year are identified to update the condition of capital assets in the Agency's Capital Asset Inventory. At present the SFMTA has a total of \$12.78 billion in capital replacement and rehabilitation needs over the next 20 years. Deferred investments, meaning the value of assets that are beyond their useful life, is currently measured at \$3.19 billion. This represents the Agency's current backlog. To eliminate the backlog and stay current on future capital infrastructure replacement, the SFMTA will need to invest \$632 million annually in the state of good repair of the transportation system. Over the past ten years, SFMTA has averaged a \$235 million annual state of good repair investment. Continued deferred investment will result in the continued growth of the backlog.

Current investment levels are insufficient to address replacement needs and aging assets; the backlog increases each year and asset conditions are declining. The SFMTA has demonstrated the ability to reverse these trends in focused areas with positive results. However, the overall system continues to

PAGE 4.

decline. Because of the potential impacts to capital revenue sources from COVID-19, it is critical that a higher percentage of capital investments address state of good repair needs than expansion needs when possible.

COVID-19 Impacts to Capital Revenue Sources

As part of the Operating Budget development process, staff developed various revenue scenarios and models for the various sources that support SFMTA operations. At that time a comprehensive review of capital resources that support the Capital Budget and Five-Year CIP had not yet been completed. Since the approval of the Fiscal Year 2021-2025 CIP, staff has completed an initial evaluation of the more than 60 funding sources that comprise the Agency's capital program and budget. This includes updates on federal, state, regional and local funding.

An initial analysis of COVID-19 impacts showed that nearly 80% of all funding sources in the CIP are likely to be impacted by the public health emergency and associated economic downturn. Impacts to capital revenues typically lag behind operating revenues in that other government entities must review their own fiscal status and make policy and appropriation decisions. As an example, the San Francisco County Transportation Authority (SFCTA) is currently evaluating local sales tax impacts, projecting declining revenues, and is working with the SFMTA to reevaluate fund programming commitments and project cashflow needs for sales tax funded projects.

The same analysis is showing that 68% of Two-Year Capital Budget funding sources will be impacted. More stable resources and cash-on-hand is allocated to near-term projects in the Five-Year CIP in the adopted Fiscal Years 2021 and 2022 Capital Budget.

The SFMTA is generally better informed about local revenues (e.g. Proposition K Transportation Sales tax, Proposition D Transportation Network Company fees) based on monthly data from the Controller's Office. Regional bridge tolls will be likely impacted by the potential mode shift driving if concerns regarding public transportation continue. Most recently, a May 2020 State cap-and-trade auction was 95% lower than the last pre-COVID auction likely impacting future grants and other programs funded through this source. The next cap-and-trade auction is on August 18, 2020; the outcome will likely give a truer indicator of the viability of these funds. Federal revenues are assumed to be consistent with pre-COVID levels. However, the federal government has yet to take any significant action on a new transportation authorization bill.

Forecasting the magnitude of the impact and determining the risk to SFMTA's capital fund sources has been difficult due to the unprecedented destabilizing of the economy, changing information, and the cashflow timing of our capital revenue sources and project delivery. Staff will be providing an updated revenue estimate in September, settling on anticipated impacts and reviewing all capital projects with an expectation of technical adjustments to the 2021-2025 CIP in the Fall.

STAKEHOLDER ENGAGEMENT

The development of the proposed Fiscal Year 2021-22 Consolidated Budget and Fiscal Year 2021 –

PAGE 5.

2025 Capital Improvement Program included a public outreach and engagement process. The proposed Consolidated Budget and Capital Improvement Program were reviewed by the SFMTA Citizen's Advisory Council on April 2, 2020. The public outreach and engagement plan included meetings with elected officials, neighborhood groups, community organizations, citizens' advisory councils, and partner agencies. The outreach and engagement process was designed to ensure that SFMTA's stakeholders were fully informed. Their feedback was carefully considered through the budget process.

The SFMTA's continuing commitment to being transparent about the fiscal status of the agency will continue through the development and inclusion of the proposed fiscal and management reports, which will be included and available to the public through SFMTA.com.

ALTERNATIVES CONSIDERED

Various capital projects were considered during the development of the Fiscal Year 2021-2025 CIP, which was based on extensive input over time from the SFMTA Board, the Board of Supervisors, staff, and community stakeholders on desirable project priorities. Staff also received technical guidance on expected funding from local and regional experts. As updates to revenues are finalized, impacts to those projects, their delivery, and timing will be evaluated.

FUNDING IMPACT

The first evaluation of capital revenues shows that the SFMTA has a potential to lose up to \$555 million in revenues supporting the Five-Year Capital Improvement program. However, this reflects the highest level of the current range. The majority of the losses, up to \$295 million (\$147.5 million per year), comes in the first two years, the Capital Budget period, reflecting the full economic impacts of the pandemic on the economy and associated revenues. The remaining \$260 million loss (\$86.7 million per year) occurs in the final three years of the CIP period as the economy begins to recover.

While this reflects the first evaluation of revenues and sources, staff is developing specific updates source by source and the impact to the funding plans to various capital projects. The adopted SFMTA Fiscal Year 2021-2025 Capital Improvement Program included a total \$2.5 billion for 188 projects. Reductions in revenues may impact the total number of projects the SFMTA is able to deliver and/or their timing.

ENVIRONMENTAL REVIEW

The SFMTA Fiscal and Management Update is an informational item. Environmental review is not required.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

None.

PAGE 6.

RECOMMENDATION

The SFMTA Fiscal and Management Update is an informational item.