



SFMTA

San Francisco Municipal Transportation Agency

FY 24-25 and 25-26 Operating and Capital Budget Update

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Today's presentation covers

- Expenditure reductions
- Additional revenue options requested by Board members
- Discount fare programs
- Fare compliance
- Capital budget update
- Next steps



Operating Budget Update

Operating budget context



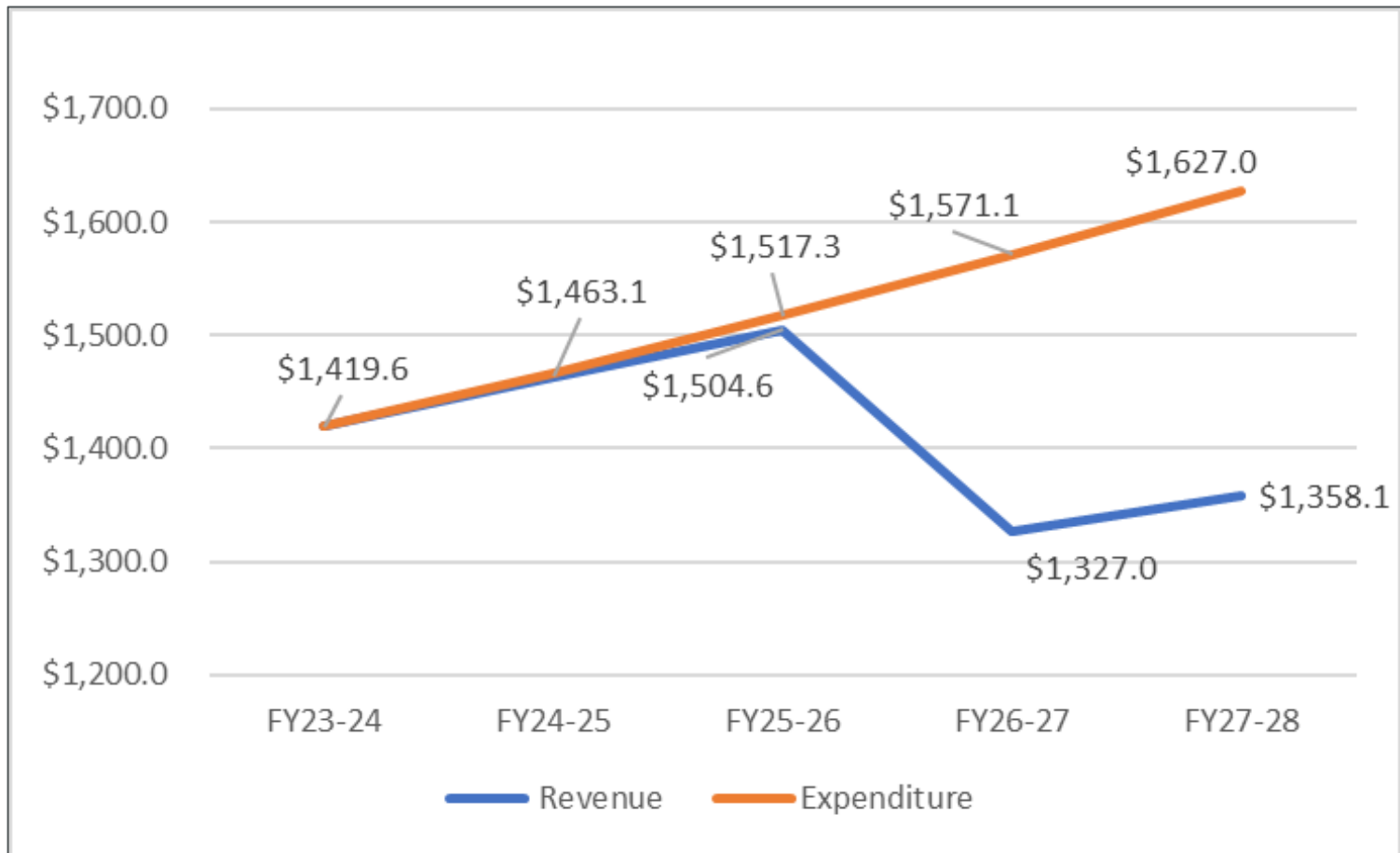
- Revenue continues to be lower than pre-pandemic.
- This compounds existing structural deficit.
- Through belt-tightening measures and limiting Muni service changes to only cost-neutral changes, we've kept our expected FY 25-26 deficit to \$12.7M.
- In FY 26-27 year, when one-time relief funding runs out, the deficit balloons to \$240M.

Uncertain future

- Revenue is uncertain. Revenue proposals are not yet approved.
- The General Fund supports 38% of SFMTA's budget in FY23-24. General fund estimates have not been released.
- May revise of state budget may reduce state operating support.
- Labor accounts for 63% of FY23-24 expenditure. Current labor contracts expire in June 2024 and are being negotiated.

Five-year forecast

Based on FY22-23 financial performance, SFMTA projected \$240M+ annual deficit beginning in FY26-27.



Principles for expenditure reductions

Expenditure proposals should:

- Protect filled positions
- Meet existing contractual requirements
- Protect service delivery
- Focus on efficiency



Expenditure reductions



What we reduced:

- Only implementing **cost-neutral service changes** for Muni.
- Reinvesting Muni travel time savings into additional service
- Consolidated agency functions
- Limited our hiring to key positions. This saved **\$52.8M**.
- Reduced non-labor expenses (such as materials and supplies) by **\$33.7M** in FY24-25 and **\$25.5M** in FY25-26.

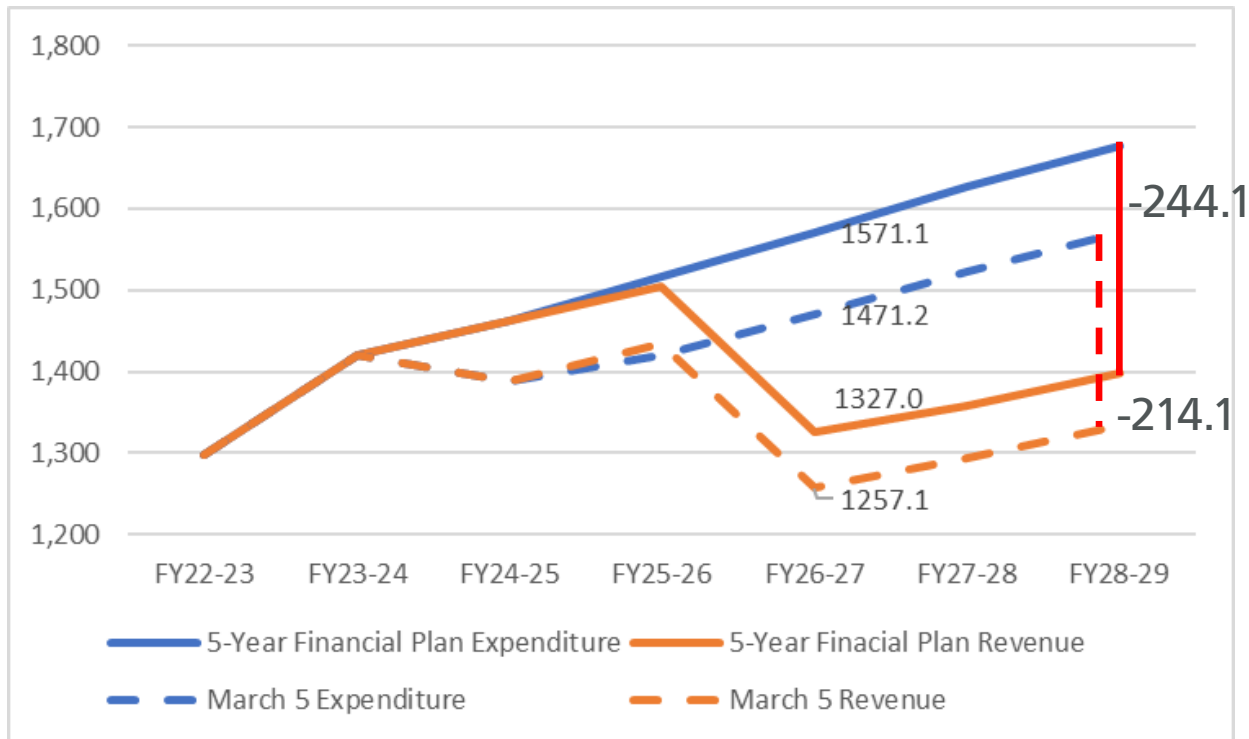
Impact on FY26-27 deficit

Budget discussed March 5 significantly decreases FY26-27 budget deficit from \$244.1M to \$214.1M, a 12% decrease.

Category	FY26-27 5-Year Projection (\$M)	FY26-27 March 5 Budget Update (\$M)	Difference (\$M)	Percent Change (%)
Revenue	1,327.0	1,257.1	69.9	-6%
Expenditure	1,571.1	1,471.2	99.9	-5%
Net	-244.1	-214.1	-30.0	12%

Evolving financial picture

Assuming revenue options close deficit, FY26-27 deficit is \$214.1M, \$30.0M lower (12%).



Expenditure reductions were off-set by revenue reductions. Had revenue remained consistent, FY26-27 deficit would have been reduced to \$144.1M, \$99.9M lower (59%).

Revenue options assumed in base budget

Base budget assumes \$14.6M of revenue from indexing fees, fares and fines, but resulted in a deficit.

Category	FY24-25 Additional Revenue FY25 (\$M)	FY25-26 Additional Revenue (\$M)	2-Year Total (\$M)
Transit Fares	2.4	4.4	6.8
Parking Fines	2.5	2.8	5.3
RPP fees	0.7	1.8	2.5
Total	5.6	9.0	14.6

More than indexing is required to close the budget deficit.

Revenue in prior budget cycles

Parking fines were indexed during the pandemic, but transit fares were not.

	FY 19-20	FY 23-24	Change (\$)	Change (%)
Street Cleaning	83.00	90.00	7.00	8%
RPP Overtime	95.00	102.00	7.00	7%
Meter Overtime (Outside Downtown)	84.00	92.00	8.00	10%
Single-Ride Cash Fare	3.00	3.00	0.00	0%
Clipper	2.50	2.50	0.00	0%

Impact of not indexing transit fares

SFMTA generated \$18.4M less revenue between FY19-20 and FY23-24 due to lack of indexing.

Fiscal Year	Revenue Loss (\$M)	Cumulative Total (\$M)
20-21	0.3	0.3
21-22	2.3	2.6
22-23	7.6	10
23-24	10.8	18.4
24-25	14.4	32.8
25-26	18.4	51.2

Principles for additional revenue

Revenue proposals must:

- Be available starting July 1, 2024
- Be within SFMTA administrative control
- Be distributed across multiple transportation types, so everyone shares the burden
- Increase equity and protect those with the least resources



Demographics by fare product

50% of customers paying cash at the farebox are people with low-incomes compared to 31% paying with Clipper or MuniMobile.

Product (Adult)	Percent BIPOC	Percent Low-Income
Single Ride Fare – Cash	65%	50%
Single Ride Fare – Clipper/ MuniMobile	49%	31%
Monthly Pass	56%	28%
All Products/Ridership	57%	39%

Revenue option #1: Beyond Indexing

As presented at the workshop, going beyond indexing closes budget deficit with small \$0.3M surplus.

Category	Description	Additional 2-Year Revenue (\$M)
Transit Fares	Eliminate \$0.50 Clipper/ Mobile discount – no change to cash fare	5.2
Parking Fines	Increase by 5%	3.7
RPP Fees	Implement inflation indexing + add'l costs	2.9
Taxi Fees	Reinstate taxi fees (excluding drivers) and apply inflation indexing	1.2
Total		13.0
Deficit		-12.7
NET		0.3

Additional revenue options

The Board requested:

- Indexing only
- Reduced Clipper impact
- Reduced ridership impact



Revenue option #2: Indexing only

Indexing only requires in \$7.7M expenditure cuts and increasing single ride cash fare.

Category	Description	Additional 2-Year Revenue (\$M)
Transit Fares	Apply inflation indexing to all fares	0.0*
Parking Fines	Apply inflation indexing	0.0*
RPP Fees	Implement inflation indexing + add'l costs	2.9
Taxi Fees	Reinstate taxi fees (including drivers) and apply inflation indexing	2.1
Total		5.0
Deficit		-12.7
NET		-7.7

*Revenue from indexing already included in base budget - does not generate additional revenue.

Revenue option #3: Reduced Clipper impact

Reducing Clipper discount by \$0.25, requires \$0.5M in expenditure cuts and increasing parking fines by 10%.

Category	Description	Additional 2-Year Revenue (\$M)
Transit Fares	Reduce Clipper discount by \$0.25/no change to cash fare	-2.2
Parking Fines	Increase by 10% each year	10.3
RPP Fees	Implement inflation indexing + add'l costs	2.9
Taxi Fees	Reinstate taxi fees (excluding drivers) and apply inflation indexing	1.2
Total		12.2
Deficit		-12.7
NET		-0.5

Revenue option #4: Reduced ridership impact

Reducing Clipper discount \$0.50 and monthly pass multiplier requires \$0.9M expenditure cuts and increasing parking fines by 8%.

Category	Description	Additional 2-Year Revenue (\$M)
Transit Fares	Eliminate \$0.50 Clipper discount/no change to cash fare/reduce monthly pass multiplier from 32 to 26 single rides	0.3
Parking Fines	Increase by 8% each year	7.4
RPP Fees	Implement inflation indexing + add'l costs	2.9
Taxi Fees	Reinstate taxi fees (excluding drivers) and apply inflation indexing	1.2
Total		11.8
Deficit		-12.7
NET		-0.9

Comparative impact to fares

Revenue options spread impact across fare media differently.

Option	Single ride fare – Cash (\$)	Single ride fare – Clipper & Mobile* (\$)	Adult Monthly Pass (\$)	Lifeline Pass (\$)
Current	3.00	2.50	81.00	40.00
Beyond indexing	3.00/3.00	2.75/3.00	88.00/96.00	44.00/48.00
Index only	3.10/3.25	2.60/2.75	83.00/88.00	41.50/44.00
Reduce impact to Clipper	3.00/3.00	2.60/2.75	83.00/88.00	41.50/44.00
Reduce impact to ridership	3.00/3.00	2.75/3.00	71.50/78.00	35.75/39.00

*Includes paratransit van fares

Comparative impact to parking fines

Historically, ceiling for parking fines has been set at \$108 to ensure proportionality with criminal penalties. Revenue options impact amount of fine and when fines hit ceiling.

Option	Street Cleaning (\$)	Residential Overtime (\$)	Parking Meter Overtime (Outside Downtown) (\$)
Current	90	102	92
Beyond indexing	95/99	107/108	97/101
Index only	93/97	105/108	95/99
Reduce impact to Clipper	99/108	108/108	101/108
Reduce impact to ridership	97/105	108/108	97/101

Comparative impact to deficit

Option	Description	Remaining Deficit (\$M)
Beyond indexing (March 5)	<u>Transit</u> - Eliminate \$0.50 Clipper discount/no change to cash fare <u>Parking</u> – Increase by 5% <u>RPP</u> – Fully cost-recover <u>Taxi</u> – Reinstate and index fees (excluding drivers)	- \$0.3
Index only (New)	<u>Transit</u> – Index all fares <u>Parking</u> – Index all fines <u>RPP</u> – Fully cost-recover <u>Taxi</u> – Reinstate and index fees (including drivers)	\$7.7
Reduce impact to Clipper (New)	<u>Transit</u> – Reduce Clipper Discount by \$0.25/no change to cash fare <u>Parking</u> – Increase by 10% <u>RPP</u> – Fully cost-recover <u>Taxi</u> – Reinstate and index fees (excluding drivers)	\$0.5
Reduce impact to ridership (New)	<u>Transit</u> – Eliminate \$ 0.50 Clipper Discount/no change to cash fare/reduce multiplier for monthly pass from 32 to 26 single rides <u>Parking</u> – Increase by 8% <u>RPP</u> – Fully cost-recover <u>Taxi</u> – Reinstate and index fees (excluding drivers)	\$0.9

Impact of options

Option	Transit	Parking Fines	Taxi
Beyond indexing	<u>Eliminate Clipper discount/no change to cash fare</u> – Equalizes fares for all customers; creates equitable fare structure	<u>Increase by 5% each year</u> - Slight increase above indexing	<u>Reinstate and index fees (excluding drivers)</u> – Reduces barrier to entry and retention of drivers; rideshare companies do not charge driver fees
Index only	<u>Index all fares</u> - Incremental change; continues inequitable fare structure	<u>Index all fines</u> – Incremental change; consistent with past practice	<u>Reinstate and index fees (including drivers)</u> – Reduces competitiveness of taxi industry; rideshare companies do not charge driver fees
Reduce impact to Clipper	<u>Reduce Clipper Discount by \$0.25/no change to cash fare</u> – Reduces impact to Clipper; creates more equitable fare structure	<u>Increase by 10% each year</u> – Disproportionate burden placed on drivers; most fines will reach cap	<u>Reinstate and index fees (excluding drivers)</u> - Reduces barrier to entry and retention of drivers; rideshare companies do not charge driver fees
Reduce impact to ridership	<u>Eliminate Clipper discount/no change to cash fare/reduce monthly pass</u> – Creates equitable fare structure; adjusts monthly pass, potentially increasing ridership; reduces Lifeline pass cost	<u>Increase by 8% each year</u> – Disproportionate burden placed on drivers; most fines will reach cap	<u>Reinstate and index fees (excluding drivers)</u> - Reduces barrier to entry and retention of drivers; rideshare companies do not charge driver fees

Discount Fare Programs

Adult discount program participation

When adjusted for estimated transit ridership, participation rate for combined Lifeline, Clipper START and Access Pass discount programs is 64%.

Active Passes	Estimated Eligible Population	Participation Rate
60,736	129,899	47%

Estimated Transit Users)*	Active Users/ Month**	Adjusted Participation Rate
22,083	14,313	64%

*Eligible total population adjusted by 17% estimated transit ridership (based on U.S. Census Bureau American Community Survey)

**Includes Lifeline, Clipper START, Access Pass users

Discount fare media

SFMTA fare policy provides financial relief for people with low incomes at an estimated annual value of \$24 million.

Fare Media Type	Eligibility	Start Date	Admin Cost (\$M)	Foregone Revenue FY22-23 (\$M)	Total Impact FY22-23 (\$M)
Lifeline Monthly Pass (50% Discount)	Adults at or below 200% of federal poverty	2005	-0.6	-3.7	-4.3
Free Muni for Youth	Youth 18 and under	2013	0.0	-5.4	-5.4
Free Muni for Seniors and People with Disabilities	Seniors/people with disabilities at/or below 100% Bay Area Median Income	2015	-2.0	-11.4	-13.4
Access Pass	Free Muni for those experiencing homelessness	2023	-0.2	0	-0.2
Clipper START	50% single ride fare discount for people at or below 200% federal poverty	2022	N/A	-0.7	-0.7
Total			-2.8	-21.2	-24.0

How we improved access to discount programs

- Eliminated in-person photo requirement allowing for online and by-mail submission of applications.
- Partnered with Human Services Agency to allow SFMTA staff to confirm eligibility through enrollment in other city programs.
- Worked directly with non-profit agencies to auto enroll customers receiving services.
- Used Transit Fare Inspectors to distribute discount program information as part of their regular work.
- Retrofitted a retired paratransit van to distribute information at community events on programs for people with low-incomes.
- Implemented waiver of fare evasion citation with enrollment in discount program.

Plans to build on success in improving access to discount programs

- Designate a City Hall fellow to develop strategy and assess need for on-going resources to increase participation in discount programs including:
 - On-going partnership with Community Based Organizations and Family Resource Centers to coordinate enrollment,
 - On-going partnership with City Departments including Office of Civic Engagement and Immigrant Affairs, Human Services Agency, Homeless Services Agency, Office of Workforce and Economic Development to utilize existing access channels,
 - On-going partnership with SFMTA Office of Racial Equity and Belonging,
 - Utilize equity strategy to target SFMTA efforts,
 - Evaluate past outreach efforts to identify most successful strategies.

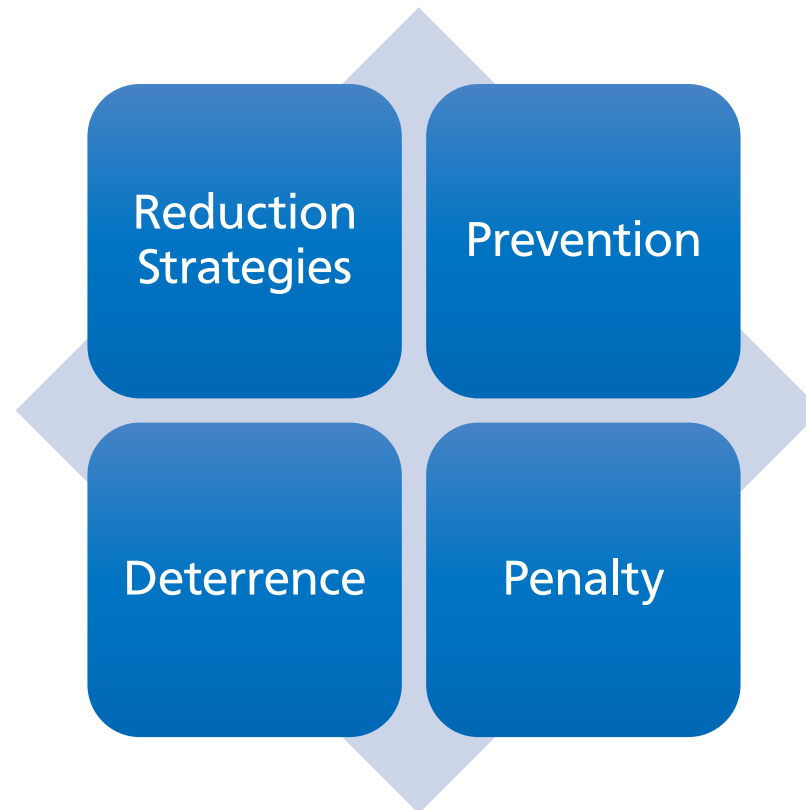
Plans to build on success in improving access to discount programs

- Clipper enhancements:
 - Implement ability to purchase Lifeline pass on Clipper (currently limited to less than 10 in-person locations or MuniMobile)
 - MTC leading regional evaluation of expanded income eligibility
 - Ability to set monthly cap for single ride fares, allowing customers to “pay as they go” and obtain monthly pass benefit when cap is reached

Fare Compliance

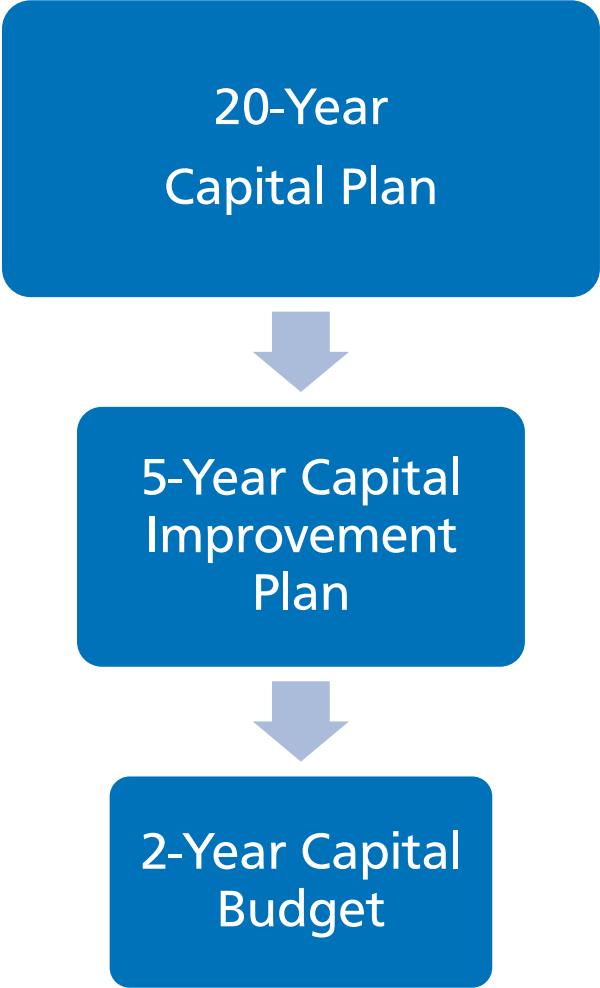
Increasing fare compliance

SFMTA plans to make strategic investments to increase Transit Fare Inspector presence in the system to FY18-19 levels.



Capital Budget Update

Capital planning process



The capital planning process is a multi-year process where decisions are executed over years, or in the case of larger projects, decades.

Capital Plan

- Reflects a financially unconstrained analysis of the SFMTA's capital needs over the next 20 years
- Scores capital needs against criteria that reflect SFMTA's values
- Includes a list of approved projects with project description, timeline, and cost estimate
- Was approved by MTAB November 16, 2021
- Was updated by staff and reviewed by MTAB November 12, 2023



Capital plan criteria

Scores capital needs against criteria that reflect SFMTA's values.

Equity

- Equity
- Accessibility
- Safety
- Inclusivity

Economic Vitality

- Economic Vitality
- Service Quality
- Resiliency

Environmental Stewardship

- Environmental Stewardship
- Livability
- Climate Action

Trust

- Community Trust
- Accountability
- Transparency

5-Year Capital Improvement Plan (CIP) Criteria

Scores projects in the Capital Plan against program specific criteria that reflect SFMTA's values.

- Under Contract
- Tied to Dedicated Funding Source
- Safety and security for public employees
- System reliability or resilience
- Alignment with regional goals, policies, and plans that promote transportation
- Customer Experience
- Increased revenue or reduced cost
- Environmental stewardship
- Equity
- Impact to Other Projects

Discretionary sources

Only 16% of FY25-FY29 CIP revenue sources are discretionary.

Funding Sources	Jurisdiction	Example	Category	FY25-FY29 Revenue (\$M)	Percent
Federal Formula Funds	Federal	FTA 5307	Restricted	\$1,215.5	49%
Competitive Grants	Fed/State/ Regional	Cap & Trade	Restricted	\$447.3	18%
Regional/State Formula Funds	Regional/State	Bridge Tolls	Restricted	\$92.6	4%
Prop B	Local	Proposition B	Discretionary	\$340.1	14%
Developer Fees	Local	TSF	Restricted	\$119.0	5%
Prop L Sales Tax	Local	Sales Tax	Restricted	\$201.4	8%
Revenue Bond	Local	2021 C	Discretionary	\$20.6	1%
Misc.	Local	Ride Hail Tax (TNC)	Discretionary	\$48.2	2%
Operating Funds	Local	N/A	Discretionary	\$0.0	0%
General Obligation Bond	Local	N/A	Discretionary	\$0.0	0%
Total Draft Revenue				\$2,484.7	100%

Draft planned expenditures exceed draft revenues by \$74.0M due to carryforward.

Discretionary source restrictions

Fund Source	Level of Restriction	Restricted By	23-27 CIP (\$M)	25-29 CIP (\$M)	Change (\$M)	Change (%)
Gen. Oblig. Bond	Medium	Enabling Legislation	0.0	0.0	0.0	NA
Revenue Bond	Medium	Enabling Legislation	55.0	20.6	(34.4)	(63%)
Block Grant	Medium	Funder	0.0	11.8	11.8	100%
Micro Misc.	NA	Various	44.1	0.0	(32.3)	(73%)
Prop B	Low	75% Transit 25% Streets	343.4	340.1	(3.3)	(1%)
TNC: Ride Share	Low	100% Streets	53.4	25.0	(28.4)	(53%)
Prop AA: Vehicle Registration	Low	25% Transit 50% Street Repair 25% Ped Safety	7.9	4.6	(3.3)	(42)
Low Carbon Fuel Sales	Medium	Reduce emissions, increase mobility in disadvntgd comm.	4.7	4.8	0.1	2%
Commuter Shuttle	Medium	Ped safety on shuttle routes	2.0	2.0	0.0	NA
Operating Fund	None	NA	46.4	0.0	0.0	NA
TOTAL			557.0	408.9	(148.1)	(27%)

Use of discretionary funds

75% of discretionary funds supports transit projects and 25% support streets projects, consistent with Prop B allocation requirements.

Use	Amount (\$M)	Percent (%)
Fleet	34.5	28
Streets	29.8	24
Transit	16.8	13
Transit Optimization	14.7	12
Fixed Guideway	13.9	11
Facilities	13.2	11
Signals	1.7	1
TOTAL	124.6	100

Discretionary allocation criteria

Discretionary funds are allocated taking into consideration:

- Funding restrictions
- Active projects with existing labor and contract expenses
- Local match to access additional capital revenue
- State of good repair commitment and other regulatory requirements
- Project “ready-ness”
- Grant eligibility and leveraging opportunities
- Community, SFMTA Board of Directors and agency priorities

Impact of changing discretionary allocations

89% of time, changing a discretionary allocation would result in pausing an active project or losing other funding sources.

Impact	Amount (\$)	Percent (%)
Pause Active Project	60.5	49
Loose Funding	49.7	40
Cancel Project	14.3	11
TOTAL	124.5	100

Cancelling active projects could lead to layoffs and cancelling executed contracts.

Budget next steps



- Incorporate updated revenue projections
- Update budget with centrally calculated costs and labor negotiation projections
- Balance budget
- Present draft budget April 2, 2024 including:
 - Safety and security on Muni,
 - Proactive schedule for increasing participation in discount programs prior to fare increases
 - Communications plan for fee, fare, and fine increases.

Board feedback

- What is the preferred revenue option?
- How does indexing play a role in future budgets?
- What additional information is needed prior to voting on the operating and capital budgets?



Appendix

Summary of Board Workshop revenue options

Category	Option	Additional Revenue FY25 (\$M)	Additional Revenue FY26 (\$M)	2-Year Total (\$M)
Transit fares	Suspend inflation indexing	-2.4	-4.4	-6.8
	Implement inflation indexing	-	-	-
	Eliminate Clipper/Mobile discount over two years*	2.1	3.1	5.2
Parking fines	Suspend inflation indexing	-2.5	-2.8	-5.4
	Implement inflation indexing	-	-	-
	Escalate by 5%*	1.8	1.9	3.7
RPP fees	Suspend inflation indexing	-0.7	-1.8	-2.5
	Implement inflation indexing	-	-	-
	Implement inflation indexing + additional costs*	0.7	2.2	2.9
Taxi fees	Reinstate taxi fees and apply inflation indexing*	0.6	0.6	1.2
Total		5.2	7.8	13.0

FY25-FY29 CIP Draft Planned Expenditure is \$2.6B

Program	24-25 (\$M)	25-26 (\$M)	26-27 (\$M)	27-28 (\$M)	28-29 (\$M)	Total (\$M)	Percent
Fleet	\$209.4	\$267.8	\$223.0	\$180.3	\$163.2	\$1,043.8	41%
Transit Fixed Guideway	\$103.8	\$98.8	\$157.3	\$120.0	\$106.9	\$586.7	23%
Transit Optimization	\$21.2	\$62.3	\$119.7	\$30.4	\$64.2	\$297.0	12%
Facilities	\$28.1	\$84.2	\$102.4	\$16.9	\$17.9	\$249.7	10%
Streets	\$42.8	\$51.8	\$36.4	\$41.1	\$49.3	\$221.3	9%
Signals	\$10.8	\$4.9	\$7.7	\$4.4	\$3.4	\$31.3	1%
Communications & IT	\$1.9	\$1.7	\$1.4	\$1.2	\$1.5	\$7.7	<1%
Security	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$5.0	<1%
Parking	-	-	-	\$3.0	\$3.0	\$6.0	<1%
Taxi & Accessible Services	\$0.3	\$0.6	\$0.3	\$0.6	\$0.3	\$2.3	<1%
Agency-wide	\$4.1	\$13.2	\$30.5	\$26.1	\$34.4	\$108.2	4%
Total Draft Planned Expenditure	\$423.4	\$586.3	\$679.7	\$425.0	\$445.1	\$2,559.0	100%

Draft planned expenditures exceed draft revenues by \$74.0M due to carryforward.

Discount program income thresholds

Household Size	1	2	3	4	5	6
Lifeline/ Clipper Start (200% Federal Poverty Level)	\$29,160	\$39,440	\$49,720	\$60,000	\$70,280	\$80,560
Free Muni (100% Bay Area Median Income)	\$108,500	\$115,300	\$129,700	\$144,100	\$155,650	\$167,150

FY23 Citation issuance

Violation	Current Fine (\$)	Issuance	Total (%)
Street cleaning	90.00	520,548	48%
Residential overtime	102.00	100,631	9%
Meter outside of downtown	92.00	98,583	9%
Meter downtown	101.00	44,669	4%
Commercial loading zone	108.00	27,345	3%
Blocking driveway	108.00	22,687	2%
Parking prohibited outside of downtown	108.00	22,276	2%
Parking prohibited downtown	108.00	21,839	2%
Missing/expired registration	209.00	20,024	2%
Failure to curb wheels	63.00	19,944	2%
All other violations	62.00 - 866.00	186,025	17%
TOTAL		1,084,571	