



**SFMTA**

San Francisco Municipal Transportation Agency

# February 2025 Financial Update

Bree Mawhorter, Chief Financial Officer

# Agenda

1. FY24-25 Financial Update
2. FY25-26 Outlook
3. FY26-27 Budget Planning



# FY24-25 Financial Update

Continued revenue decreases have worsened financial position relative to October. Actions taken in October to freeze hiring will address projected deficit.

Category	Revised Budget (\$M)	Projected Actuals (\$M)	Difference (\$M)
Revenue	1,525	1,512	-13
Expenditure	1,525	1,516	9
<b>Surplus/Deficit</b>	<b>0</b>	<b>-4</b>	<b>-4</b>

As of January 6, 2025

# FY24-25 Revenue Actuals

Consistent with October report, revenue actuals are less than budgeted due to lower-than-expected operating grant and parking revenue.

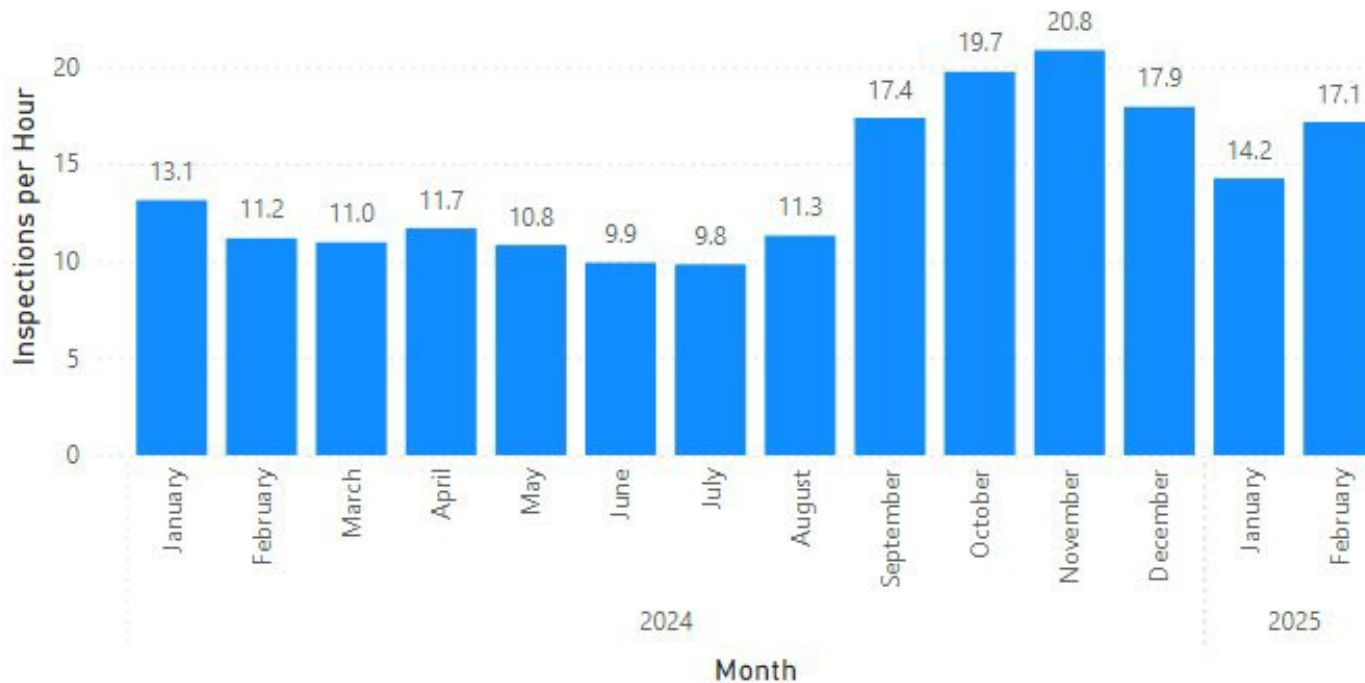
Category	FY24-25 Revised Budget (\$M)	FY24-25 Projected Actuals (\$M)	FY24-25 Difference (\$M)
Transit Fares	109	107	-2
Operating Grants	236	229	-7
Parking	247	245	-2
Other	156	154	-2
CCSF Support	543	543	0
Federal, State & Regional Relief	234	234	0
<b>Revenue Total</b>	<b>1,525</b>	<b>1,512</b>	<b>-13</b>

As of January 6, 2025

# FY24-25 Transit Revenue

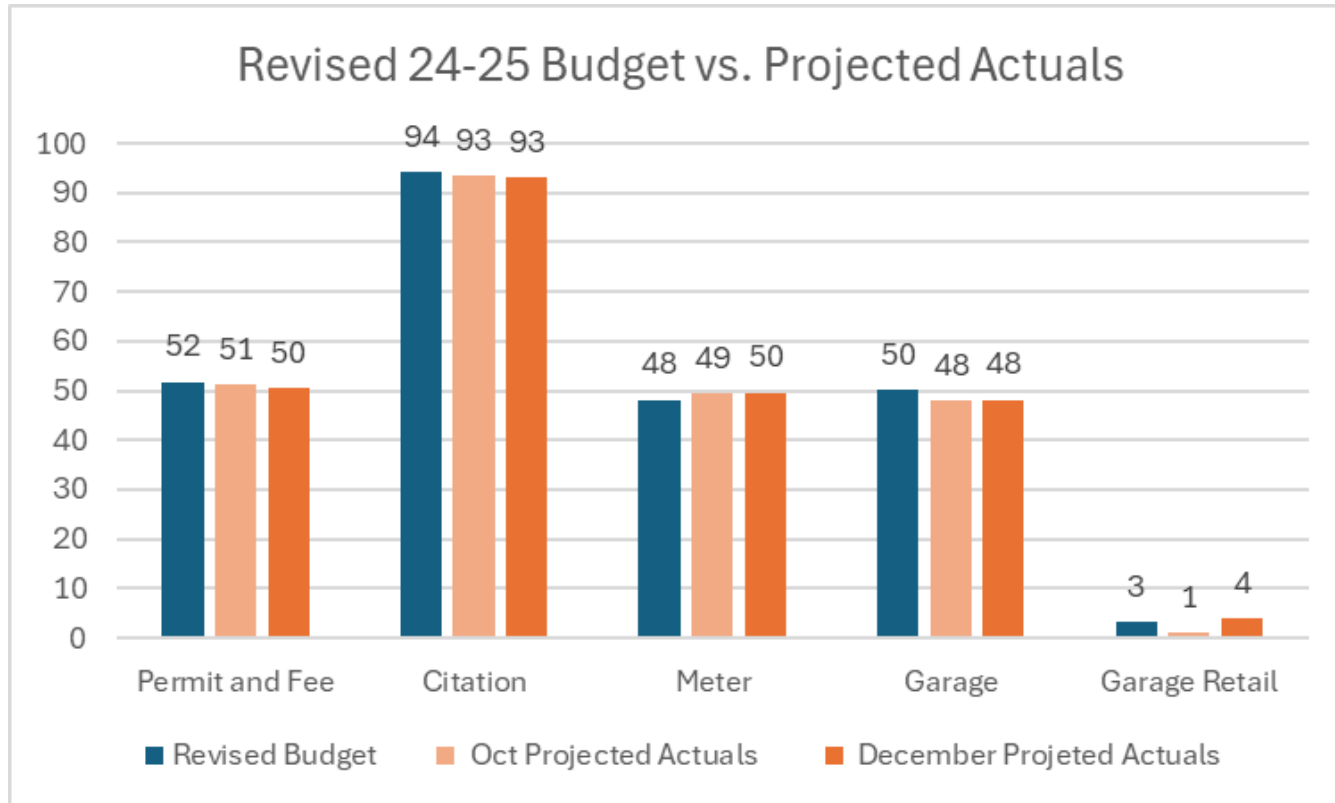
Starting in August, Transit Fare Inspectors doubled their productivity and performed over 60,00 inspections in Oct., the highest total for one month on record. In Dec. and Jan., numbers were lower because we were training new fare inspectors. Feb. is on track for a record number of total inspections.

Inspections per Hour Inspecting by Month



# FY24-25 Parking Revenues

Parking revenues are below budget, but improved since October, primarily due to increased rent from commercial spaces in garages.

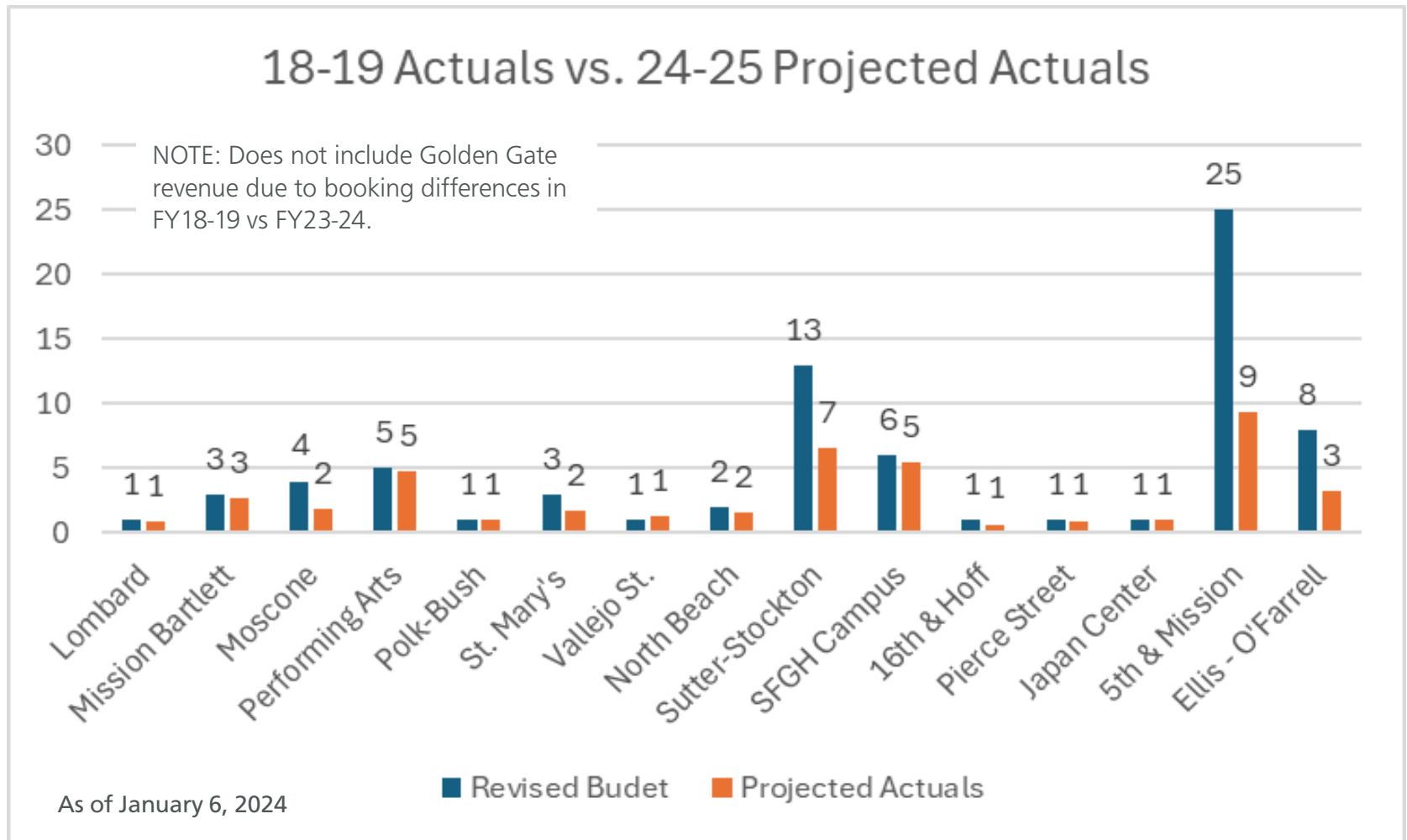


As of January 6, 2024

SFMTA rents space in some garages to small businesses. The rent is based on the sales of those businesses. When the businesses generate more revenue, rent goes up.

# FY24-25 Garage Revenue

Consistent with October, downtown garages are significantly underperforming: Sutter-Stockton, 5th & Mission and Ellis-O'Farrell



# FY24-25 Expenditure Actuals

Expenditure actuals are generally consistent with budget due to active expenditure management. However, freezing hiring and reducing other expenditure reduces the SFMTA's ability to deliver services.

Category	FY24-25 Revised Budget (\$M)	FY24-25 Projected Actuals (\$M)	FY24-25 Difference (\$M)
Salary & Fringe	912	886	26
Non-Personnel Svc	303	316	-13
Materials & Supplies	120	132	-12
Capital Outlay & Transfers	43	40	3
Debt Service	28	28	0
Svc of Other Dept.	119	114	5
<b>Total</b>	<b>1,525</b>	<b>1,516</b>	<b>9</b>

Revised budget as of January 6, 2025



# Expenditure Control

## The SFMTA is actively managing expenditure by:

- Defunded 295 FTE positions in FY24-25 budget (160 more defunded positions than FY23-24 budget)
- Slowed hiring starting July 1, 2024, and froze non-essential hiring October 1, 2024.
- Implemented quarterly planning for purchase of materials, supplies, and professional services.
- Reviewing work orders for financial consistency with operational needs, devolving review to Project Managers for tighter expenditure control, and restructuring certain work orders to facilitate charging to capital projects.

# Managing Through Financial Uncertainty

- General Fund uncertainty - City's six-month report emphasizes significant financial instability
  - Citywide hiring freeze
  - Departments that are not safety critical instructed to reduce expenditures 15%
  - Future reductions in General Fund revenue likely
- Other revenue sources, including state and federal funds also expected to fluctuate
- Finance team is continuously forecasting and financial planning to manage risk

# FY24-25 Financial Update Summary

- Revenue is slightly lower than budgeted, primarily because of lower-than-expected parking revenue and lower-than-expected operating grants.
- Expenditure actuals are generally consistent with budget, due to active spending control and limited hiring.
- Revenue uncertainty and possibility of unexpected costs require strong internal controls.



# FY25-26 Outlook

Due to declining resources, FY25-26 planned service levels exceed resources by \$50M.

Description	Amount (\$M)
Multi-year General Fund reductions (Dec 2022-June 2023) reflected as mandatory vacancies	-10
Dec 2024 General Fund reductions to FY25-26 budget reported in Five Year Financial Update	-10
Federal relief used to close FY23-24 but allocated to FY25-26 budget	-30
<b>Total</b>	<b>-50</b>

Note: Federal Relief reflects relief applied to FY23-24

# Multi-Year General Fund Reductions

**\$16M in General Fund reductions over multiple budget cycles have been offset by mandatory vacancies.**

- Budgets assume some salary savings due to the time between separation and backfill.
- SFMTA's budget has high assumption of vacancy savings, in part to absorb unexpected COVID-related revenue cuts.
- With limited resources, SFMTA prioritized hiring transit operators and revenue-generating positions.
- SFMTA held non-operator positions, like track and overhead line workers, vacant to continue to hire operators and maintain service schedules.
- SFMTA is at a tipping point, where further deferred hiring could lead to unreliable service and compromise trust.
- To maintain service quality, SFMTA is pursuing options, like service cuts, to increase non-operator hiring.

# December 2024 General Fund Reductions

General Fund projections reported in December 2024 reduce FY25-26 resources by \$10M

Description	FY25-26 Final Budget July 2024 (\$M)	FY25-26 General Fund Projections December 2024 (\$M)	Difference (\$M)
Population Baseline – operations only	16	16	0
Muni Baseline	331	324	-7
Parking Baseline	118	115	-3
80% Parking Tax	71	71	0
<b>Total</b>	<b>536</b>	<b>526</b>	<b>-10</b>

# Federal Relief

Closing FY23-24 required using \$30M federal relief programmed to FY24-25

Description	Expenditure (\$M)	Revenue (\$M)
Non-labor expenditure higher than projected (legal settlements, insurance, equipment, equipment maintenance)	-32	
Workorder expenditure higher than projected (legal, reproduction, auto repair, power)	-18	
General Fund and state operating grant revenue higher than expected		20
Federal relief funding used earlier than planned		30
<b>Total</b>	<b>-50</b>	<b>50</b>

Note: Federal Relief reflects relief applied to FY23-24

# Our budget challenges



**FY25-26 Budget: ~\$50 million need**

This budget shortfall starts in July.

**FY26-27 Budget: ~\$320 million need**

This deficit starts when federal and state one-time relief funding are exhausted by June 2026.



# FY25-26 Solutions

To close the \$50M gap, the SFMTA identified \$35M of solutions with smaller trade-offs but needs guidance on the remaining options, which require harder trade-offs.

Description	Amount (\$M)
Allocate transit Population Baseline increase to operations (from General Fund)	9.5
Redirect 25% of paint and sign shop employees to capital priorities and fund with increase in streets Population Baseline(from General Fund)	2.5
Optimize existing parking solutions: fill PCO vacancies and optimize enforcement, increase cost of contractor permits, meter and garage rates, minimum times at meters	18.0
Decrease existing professional service expenditures	5.0
<b>Total</b>	<b>35</b>

# FY25-26 Solutions

There are multiple options to close the \$15M gap. Each option has different trade-offs.

Description	Amount (\$M)
Option 1: Summer service cuts	15
Option 2: Agencywide program and project cuts	15
Option 3: Spend agency reserves	15

# FY25-26 Solutions – Option 1



**SFMTA**

## Muni Service Cut Proposals for Summer 2025

February 4, 2025  
SFMTA Board of Directors

# FY25-26 Solutions – Option 2

## Option 2: Agencywide Program and Project Cuts

Description	Amount (\$M)
Cancel vintage historic rebuild and delay phase 2 midlife bus overhaul	4.0
Reduce maintenance at joint BART/Muni stations*	3.6
Cancel Safety Equity Initiative bus stop lighting program	1.3
Reduce tow subsidies	3.2
Eliminate school crossing guard program or find alternate funding source	2.9
<b>Total</b>	<b>15.0</b>

\*Note: This cost saving would need to be negotiated with BART. Current budget \$9.1M

# FY25-26 Solutions – Option 3

- Spending \$15M of reserve funds will reduce available safety net from \$141M to \$126M
- Reducing reserve in a period of financial instability and large FY26-27 deficit increases risk

**We have heard citywide concerns about affordability and strong community opposition to extending parking meter hours in the evening and on Sunday, so we are not presenting a scenario that would raise \$15 million by doing that.**

# FY25-26 Solutions

Description	Savings Type	Negatively Impacted Stakeholders
Summer service cuts	Ongoing	Transit riders
Agencywide program and project cuts	Ongoing and one-time	School children, people whose car has been towed, transit riders
Spend agency reserves	One-time	Varies, reduces ability to absorb future financial risk

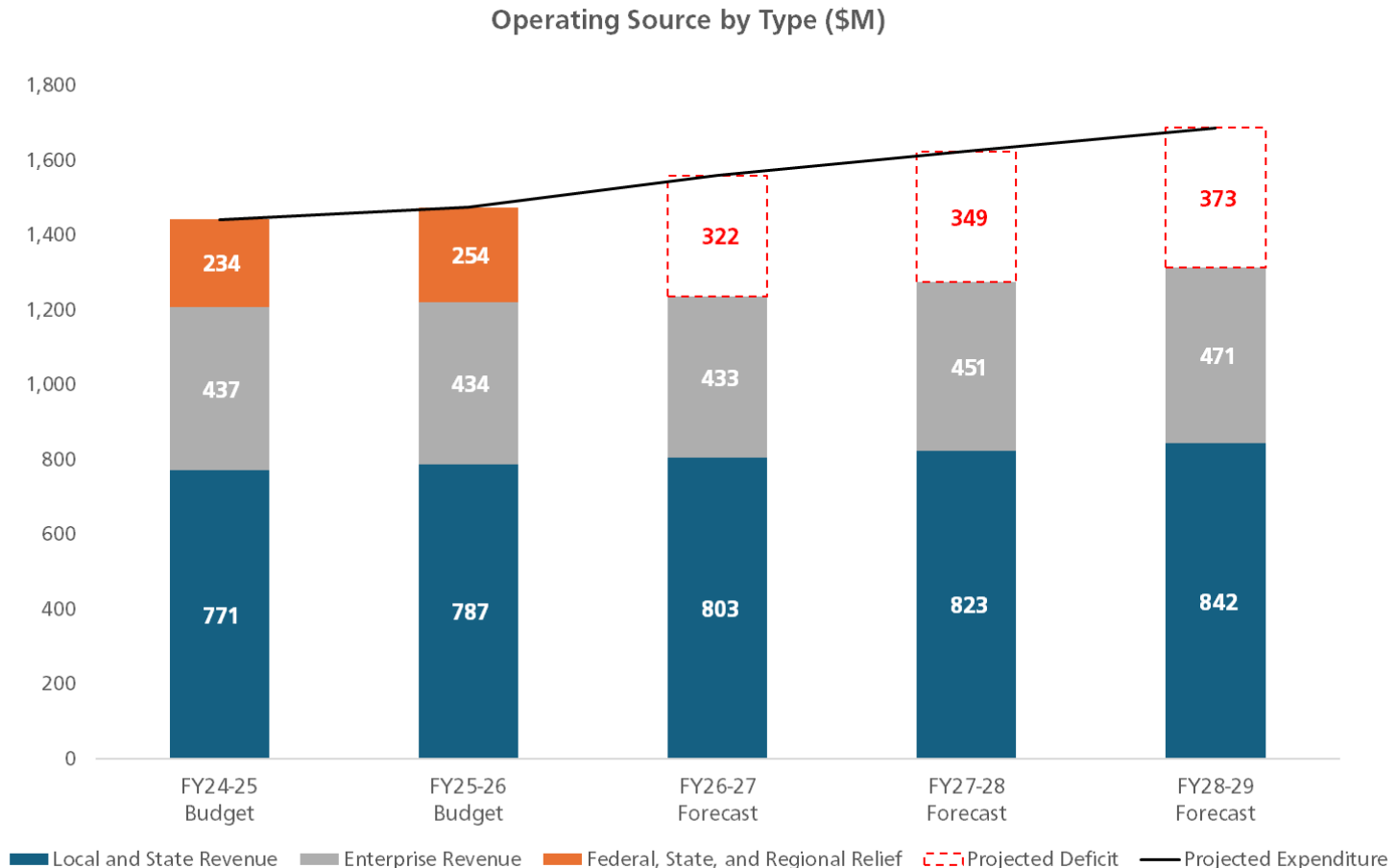
# FY25-26 Outlook Summary

- Due to declining resources, FY25-26 planned service levels exceed resources by \$50M.
- SFMTA identified solutions with smaller trade-offs for \$35M, but needs guidance on the remaining options, which require harder trade-offs.
- Options to close the remaining \$15M gap:
  - Cut Muni service
  - Cut agencywide programs and projects
  - Spend agency reserves



# FY26-27 Deficit

FY26-27 deficit is \$322M, growing over time with the pace of COLA and inflation.



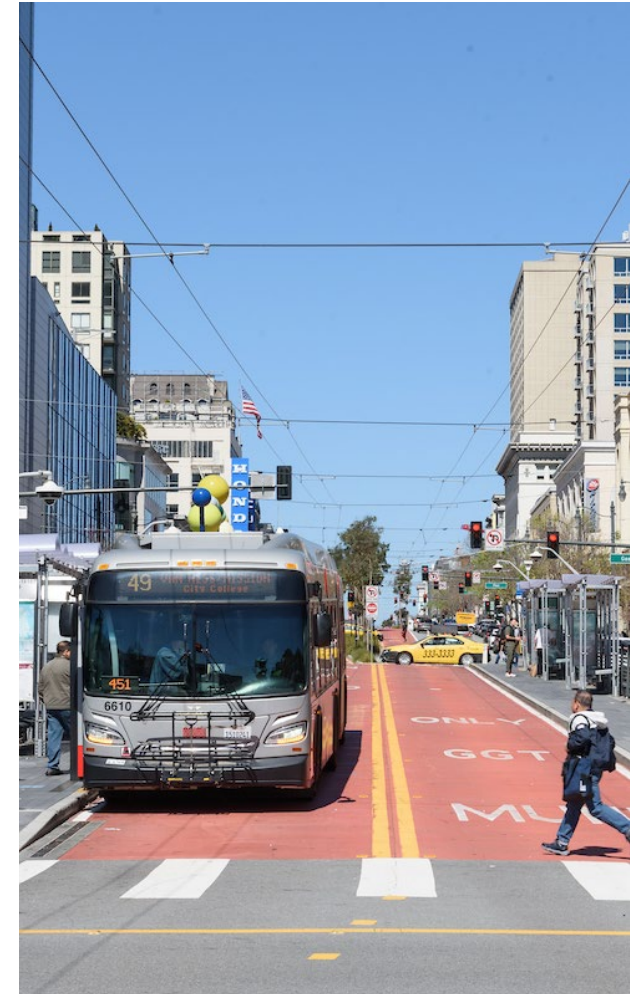
# Plan to Close FY26-27 Deficit

## Convene Muni Funding Working Group

- ✓ Efficiency improvements
- ✓ Service cuts
- ✓ Revenue enhancements
- ✓ Service enhancements
- Discuss funding packages – March 2025
- Controller's Report – March 2025

## Support Regional Revenue Measure

- ✓ Authorizing legislation introduced - January 2025
- ✓ Polling conducted - February 2025
- Regional consensus building underway



# Next Steps

- Feb 18: Initial Board discussion on short-term funding options
- Mar 4: Review of community feedback on service cut proposals and final Board decision on funding options
- Mar 18: Detailed review of parking optimization and final decision on service cuts (if relevant)
- April 1: Title VI approval of service cuts (if relevant) and other funding related Board actions



Thank you! Questions?

