SFMTA

San Francisco Municipal Transportation Agency

Financial Update

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Chief Financial Officer

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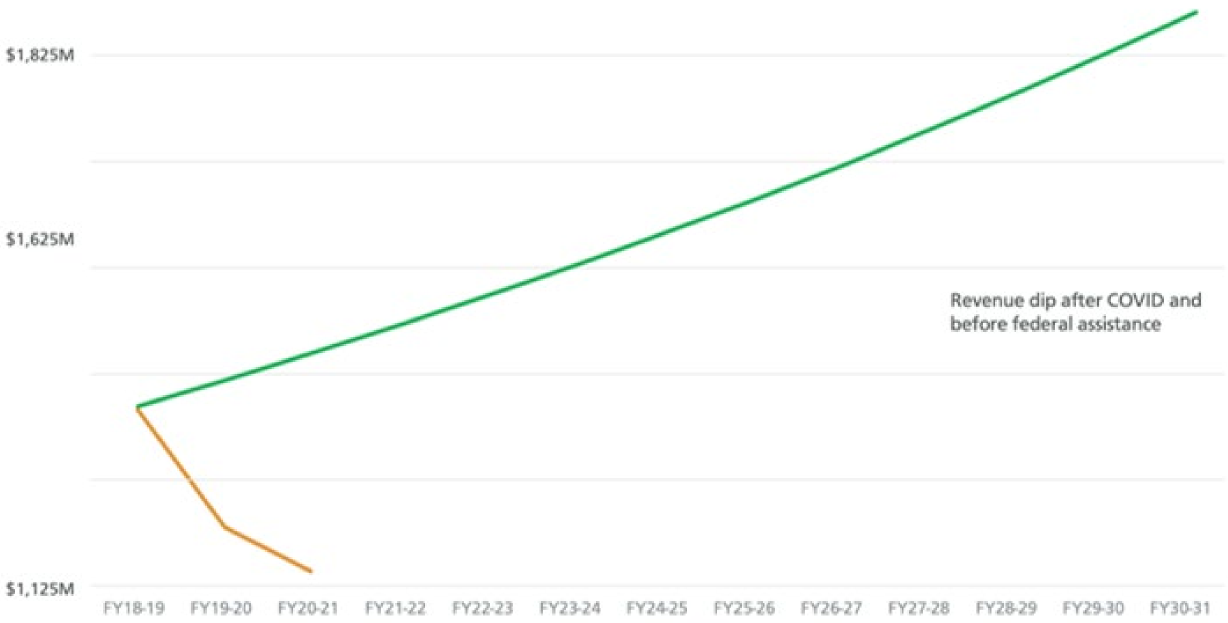
Fiscal Year 2022-2023
in review
and
5-Year Outlook

Financial background

Funding transportation is a challenge. The cost to provide service rises with the cost of living.

Financial background

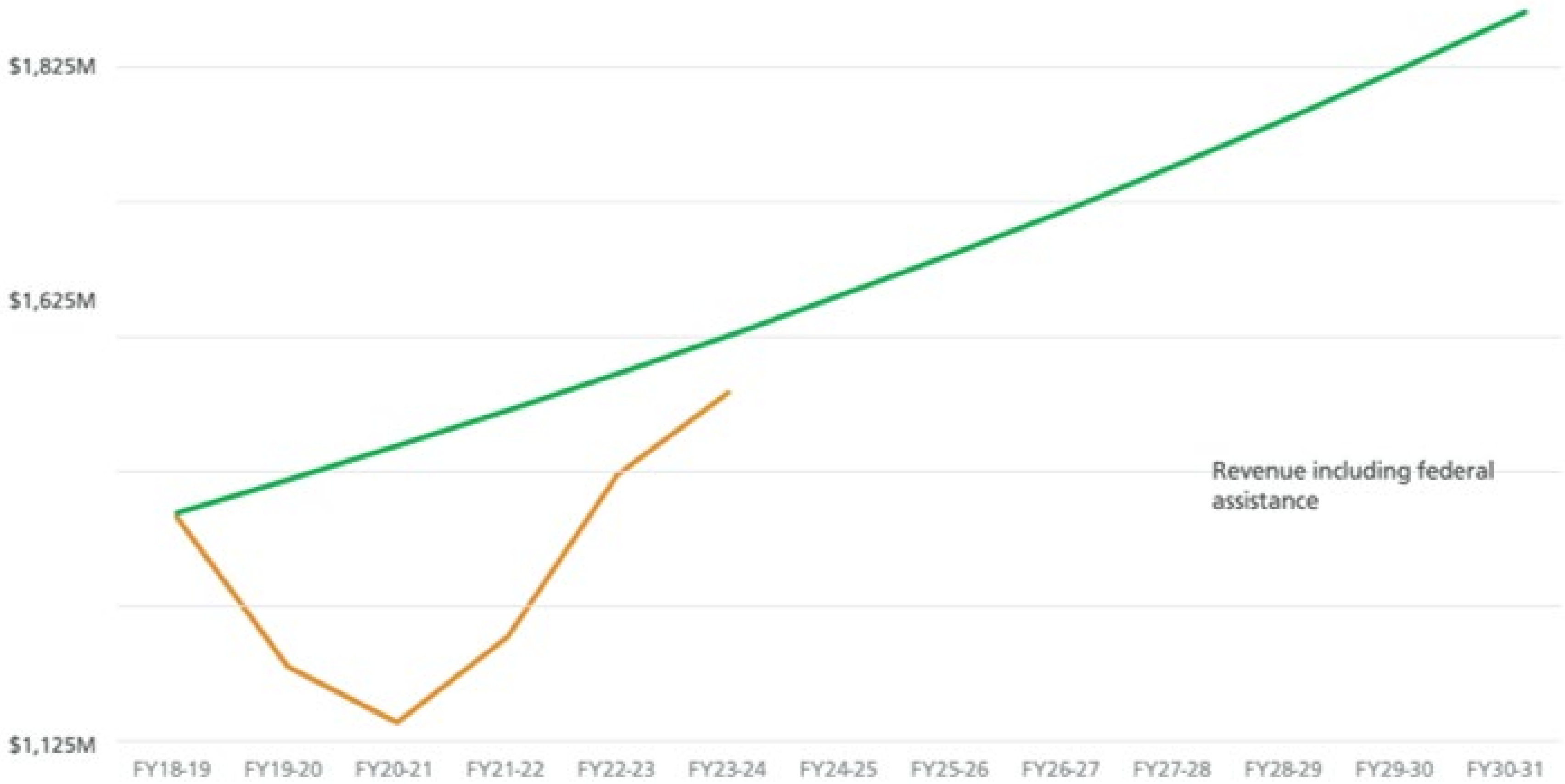
While the cost to provide service increases, transportation system changes such as the advent of ride-hail services, have reduced revenue over time. This revenue decline was exacerbated by the pandemic, which dramatically reduced parking and transit revenue.



In past years, when expenditures exceeded revenue, we balanced the budget by reducing maintenance investments. This decreased Muni reliability and is a budget strategy we want to avoid.

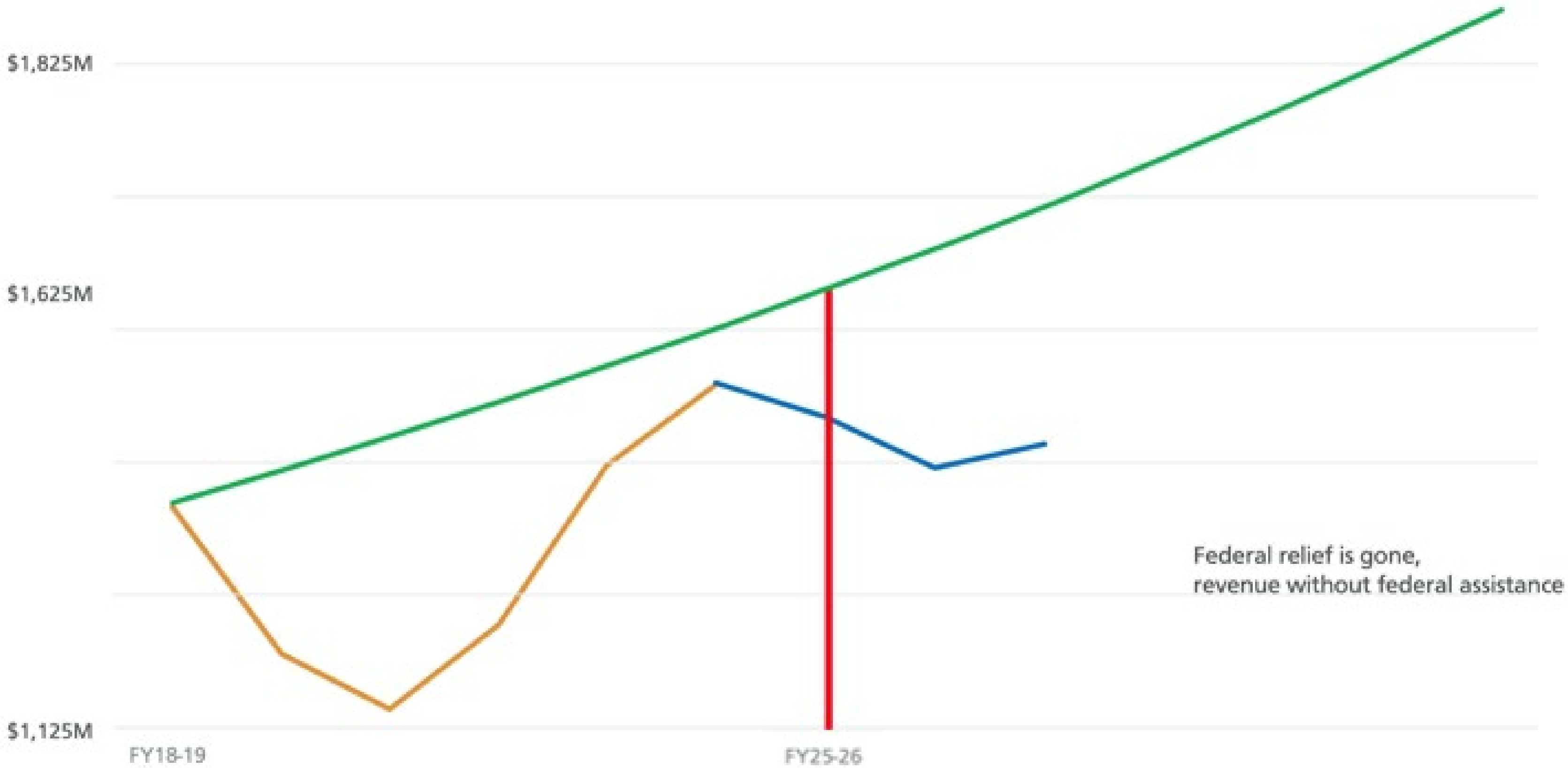
Financial background

Federal relief funding provided short-term relief and allowed the SFMTA to provide more than 80% of pre-COVID service.



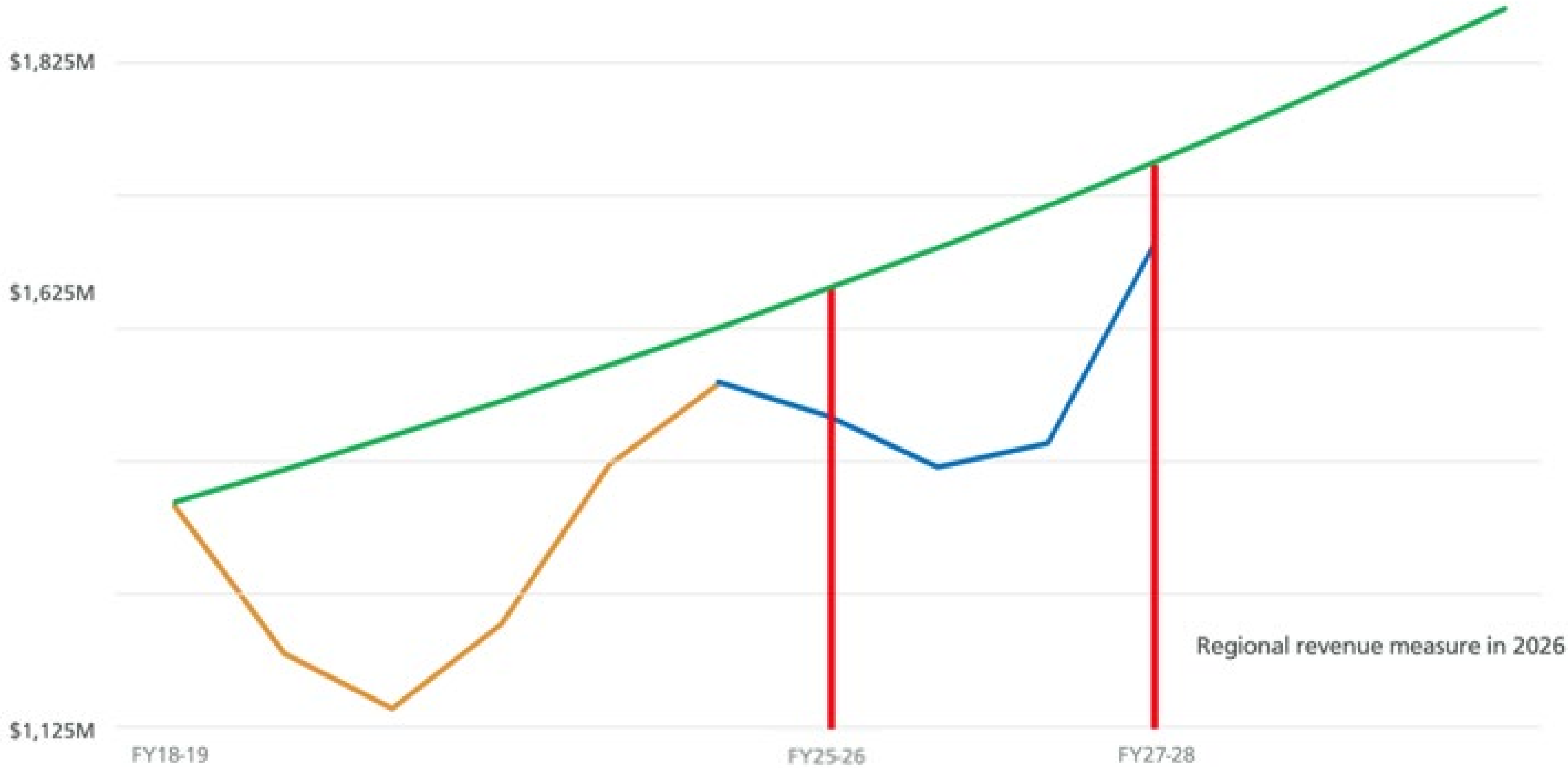
Financial background

Federal relief is a one-time source. Once federal relief is spent, the SFMTA faces increased cost pressure and a lower revenue base.



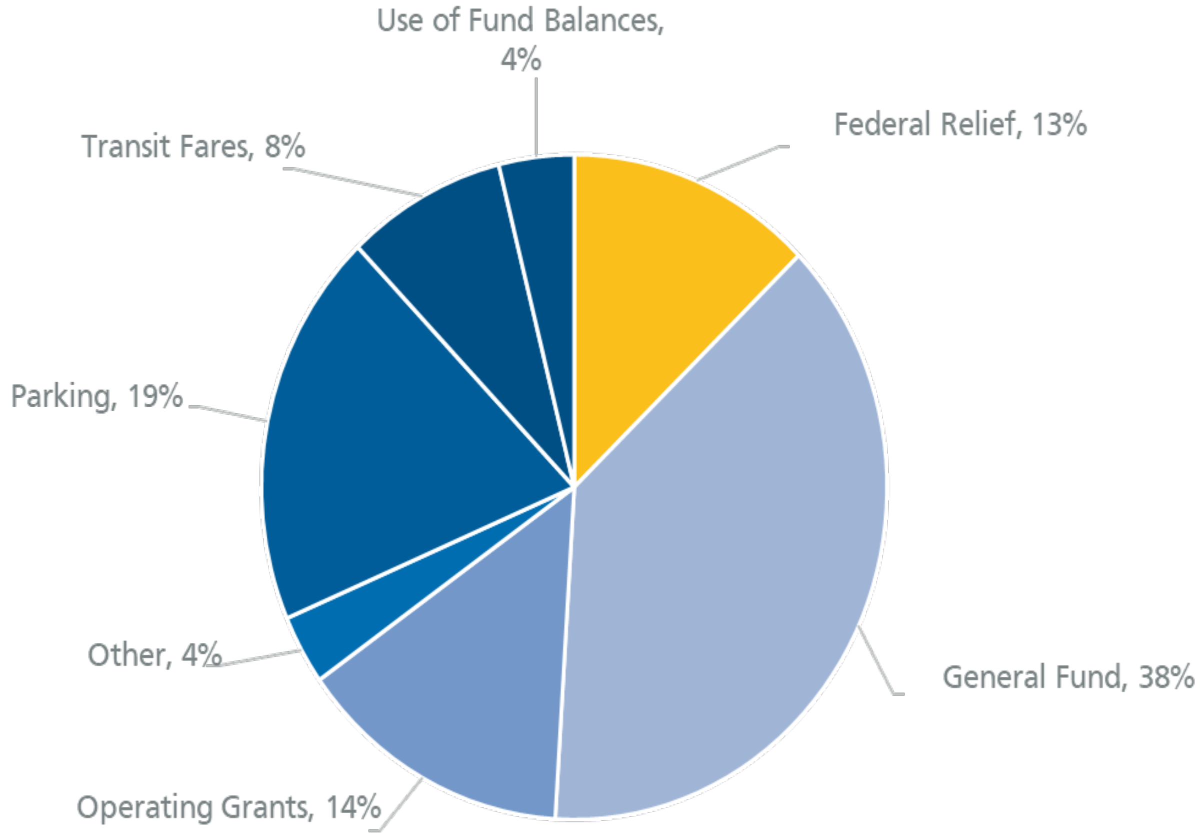
Financial background

A 2026 regional revenue measure provides an opportunity to close the gap, but the SFMTA needs a survival strategy until 2026.



FY22-23 Operating Revenue

The FY22-23 operating budget was primarily funded by the SF General Fund, operating grants and one-time federal relief.



FY 22-23 Operating Revenue: Budget vs Actual

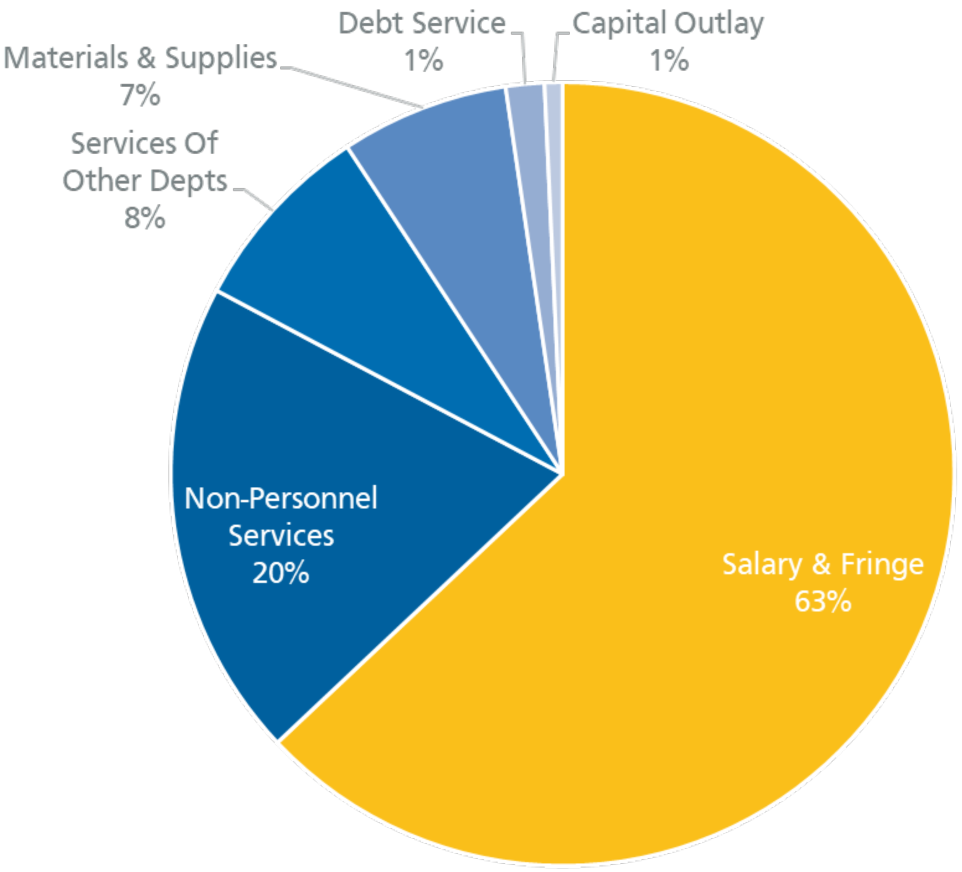
Weakness in transit, other, and parking revenues was offset by strength in operating grants and the SF General Fund, extending the impact of federal relief.

Category	Budget $M	Actual $M	Roll forward $M	Difference $M
Transit Fares	112.1	89.0		-23.1
Operating Grants	189.1	223.5		34.4
Parking	261.3	246.2		-15.1
Other	45.3	32.7		-12.6
SF General Fund	521.3	536.5		15.2
Federal Relief	172.5	138.1	34.4	0.0
Fund Balance	52.7	52.7		0.0
Total	**1,354.3**	**1,318.7**	**34.4**	**-1.2**

Operating grants and SF General Fund support depend on the economic health of the region.

FY 22-23 Operating Expenditure

Staff are SFMTA’s most important resource. 63% of expenses fund labor and 97.25% of positions are non-management.



FY 22-23 Operating Expenses: Budget vs Actual

Lower than projected revenues were offset by lower than projected expenditure.

Category	Budget $M	Actual $M	Difference $M
Salary & Fringe	908.3	822.2	86.1
Non-Personnel Services	247.1	222.7	24.4
Materials & Supplies	74.6	76.2	-1.6
Equipment	0.2	4.3	-4.1
Debt Service	23.0	22.8	0.2
Services of Other Depts	101.1	104.0	-2.9
Intra-fund Transfers	0.0	53.1	-53.1
Total	1,354.3	1,305.3	49.0

Low operating expenditure allowed intra-fund transfers to make long-term investments in equipment and capital projects.

*intra-fund transfers are transfers of operating budget to multi-year and capital projects

FY 22-23 Revenue vs Expenditure

Lower than expected expenditure offset lower than expected revenues, enabling the SFMTA to use $34.4M less federal relief and extending the time before which we would have to cut expenses by reducing service.

Category	With Federal Relief $M	Without Federal Relief $M
Actual Revenue	$1,318.7	$1,180.6
Actual Expenditure	$1,305.3	$1,305.3
Surplus / Deficit	$13.4	-$124.87

Without federal relief, the SFMTA would have had $124.7M deficit, the equivalent of 19 Muni lines.

Federal Relief is now estimated to be fully expended in FY25-26. At that point, the SFMTA cannot afford the current level of service.

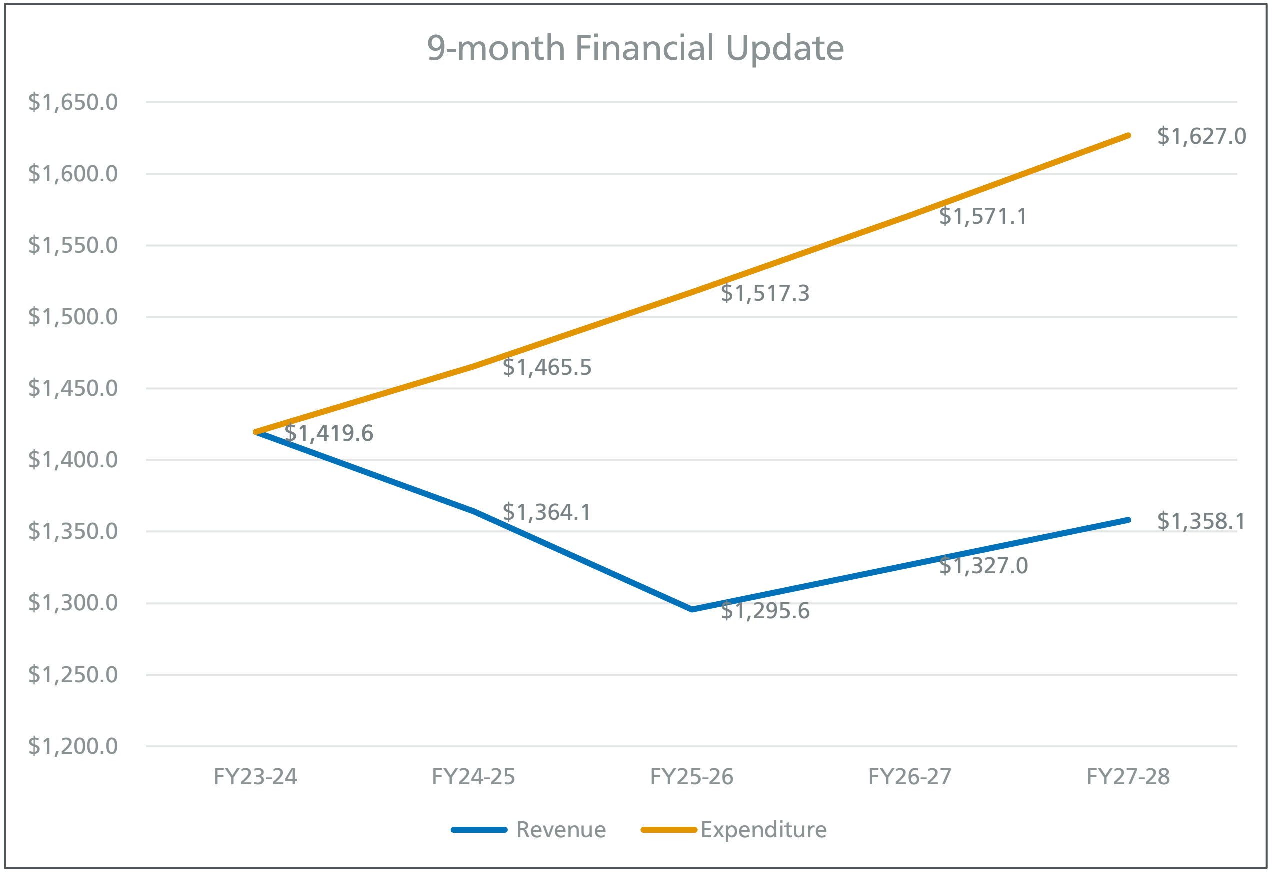
State and Regional Transportation Funding

On Nov. 15, 2023, MTC approved allocation of state and regional transportation funding.

Category	FY23-24 ($M)	FY24-25 ($M)	FY25-26 ($M)
SFMTA allocation of State and Regional Funds	$0	$99	$209

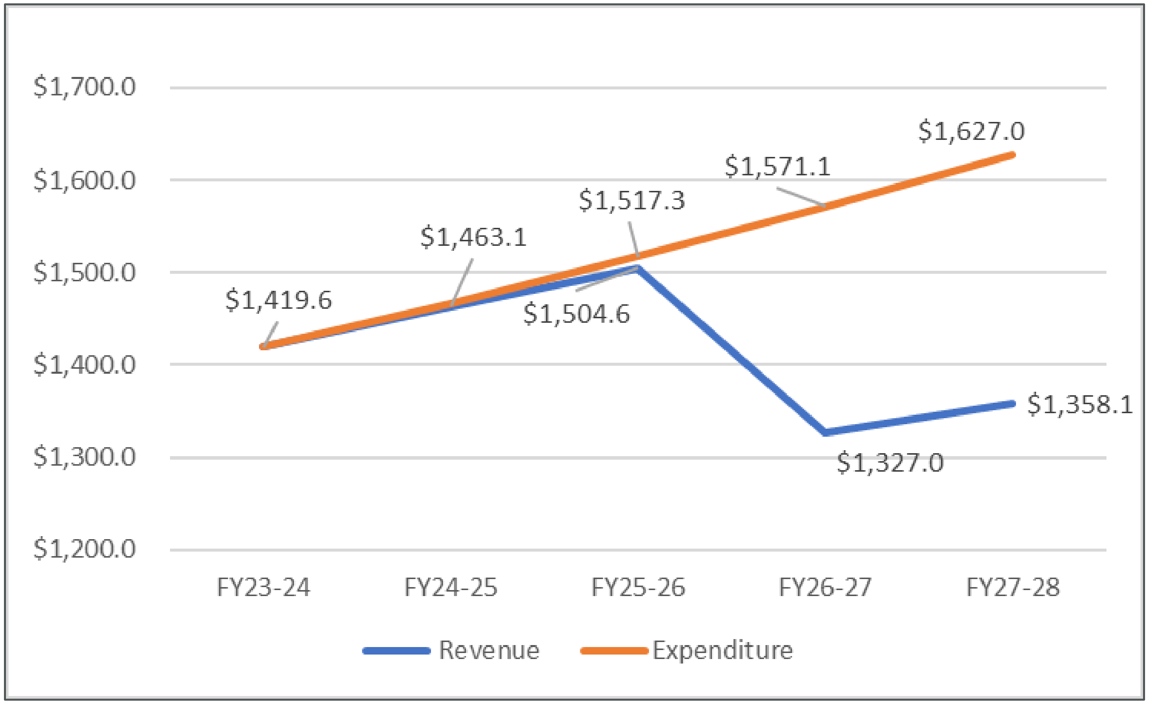
FY22-23 Nine-Month Financial Update

At the 9-month financial update, deficits were projected to begin in FY24-25.



Five-Year Forecast

Assuming continuation of belt-tightening measures, approval of local funding proposals, like fare indexing, and prudent use of federal, state and regional relief, SFMTA can close the budget gap until late FY25-26.



Work remains to close the remainder of the FY25-26 gap, and there is significant future financial risk.

Beginning in FY26-27, annual deficits exceed $240M, which is more than the total cost of the Streets Division.

State and regional relief buys us time to identify new, on-going funding sources and ways of doing business.

Summary

- Without federal relief, the SFMTA can't afford the current level of service.
- Assuming belt-tightening continues, local funding proposals are approved, and pending labor negotiations, federal relief is expended in FY 25-26.
- State and regional revenue give us more time to balance the budget, but they are also one-time funds that will run out.
- We need to act now to identify new, on-going revenue sources or new ways of doing business.

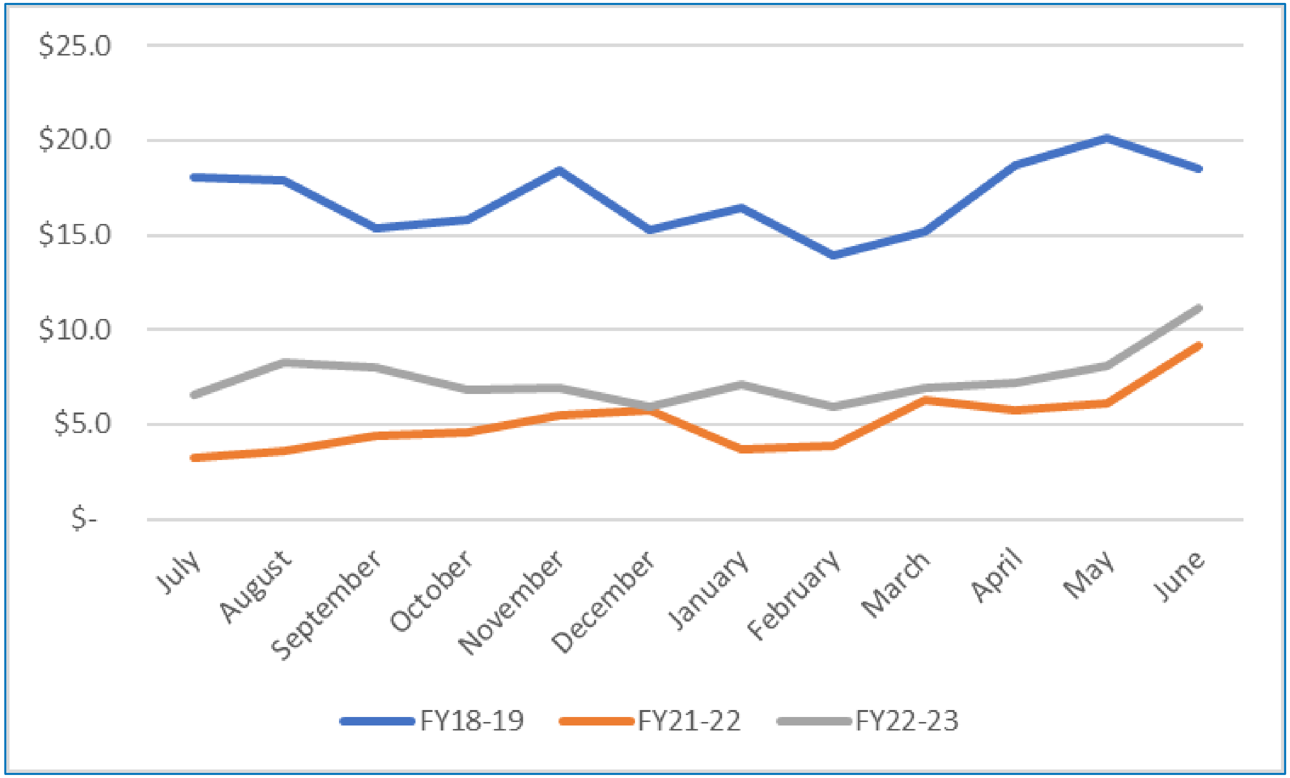
Planned SFMTA Board hearings on FY 2025 & 2026 budget

Date	Topic
Jan. 16, 2024 Hearing	Budget foundation Budget strategy
Jan. 30, 2024 Workshop	City economic overview Revenue options
March 5, 2024 Hearing	Revenue proposals
March 19, 2024 Action	Revenue proposal approval
March 19, 2024 Hearing	Muni equity strategy
April 5, 2024 Hearing	Budget overview
April 16, 2024 Action	Budget approval

Appendix

FY22-23 Transit Revenue Trend ($M)

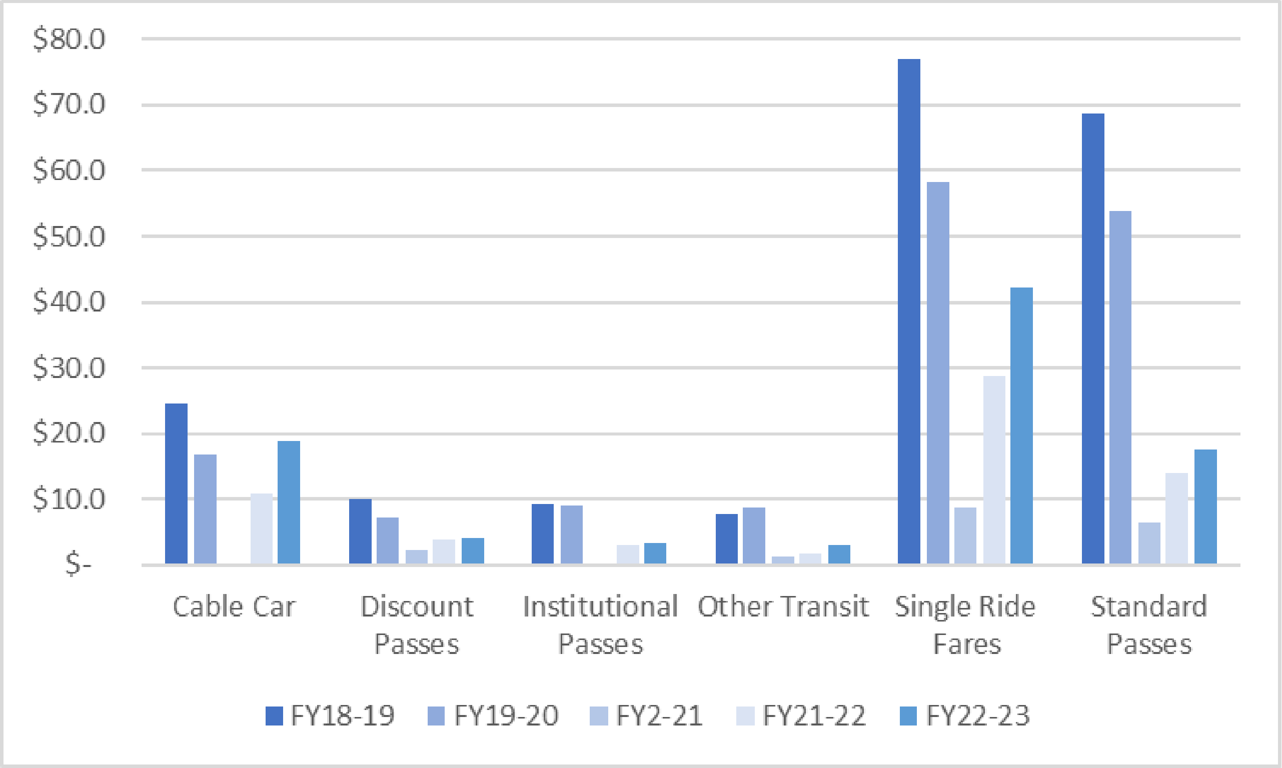
Transit revenue is 56% lower than FY18-19



FY23 monthly trend is normalizing but lacks pre-COVID summer and fall peaks.

FY22-23 Transit Revenue by Category ($M)

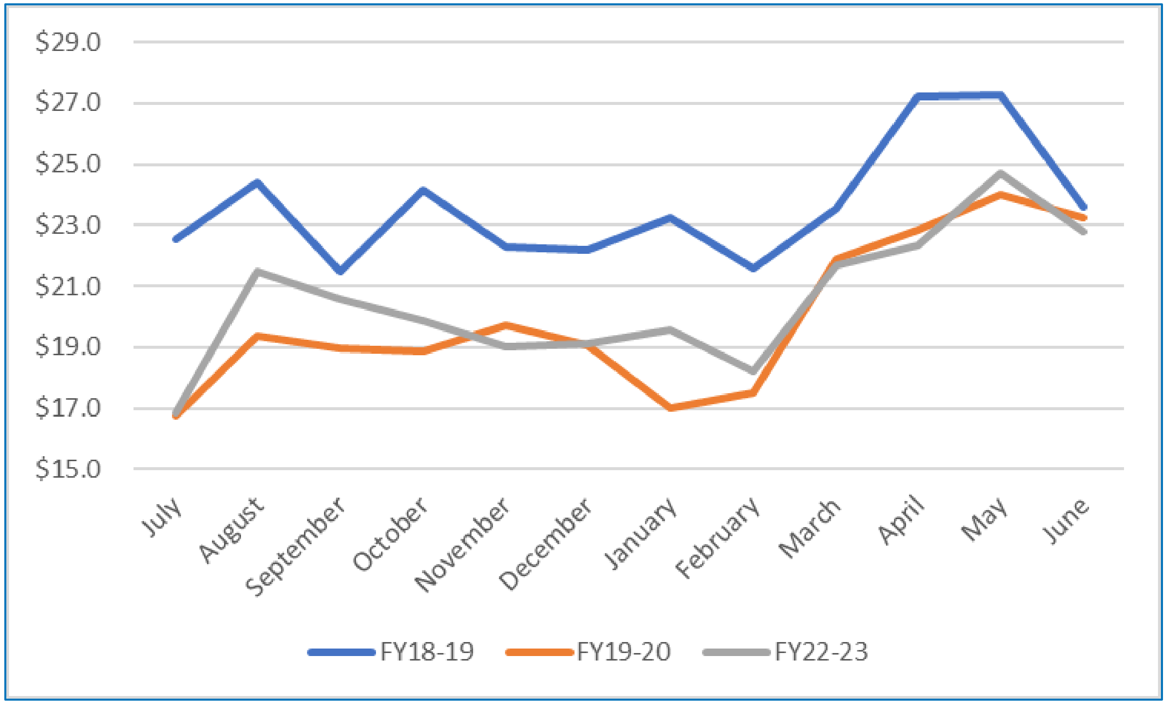
Overall, transit revenue is 55% lower than FY18-19



Consistent with post-COVID commuting patterns, standard passes show the greatest decline (74%), single ride fares show the least decline (45%)

FY22-23 Parking Revenue Trend ($M)

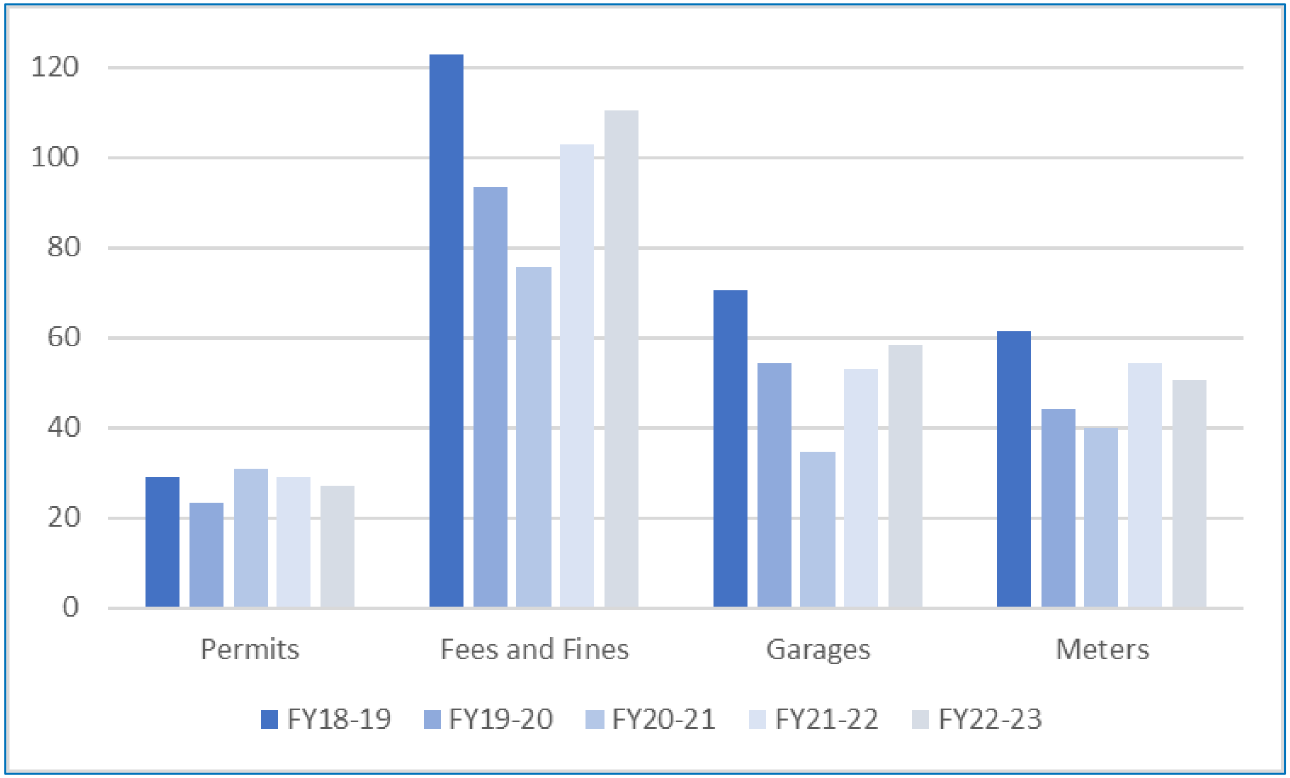
FY23 parking revenue is 12% lower than FY19



FY23 monthly trend is normalizing but lacks pre-COVID summer and fall peaks.

FY 22-23 Parking Revenue by Category ($M)

Overall, FY22-23 parking revenue was 13% lower than FY18-19



Consistent with lower daily population, garages and meter revenue have weakest recovery.

FY 22-23 Revenue Key Takeaways

- Revenue is significantly less than pre-COVID.
- Given SF economic outlook, dependence on general fund is a risk.
- Under-use of one-time federal relief lengthens runway but is a short-term solution.
- Transit and parking revenues are slightly higher than FY21-22 but show limited growth potential.
- Monthly transit and parking revenues are inconsistent with pre-COVID patterns, return to traditional fall and summer patterns could result in future growth.
- Additional revenue sources are needed.

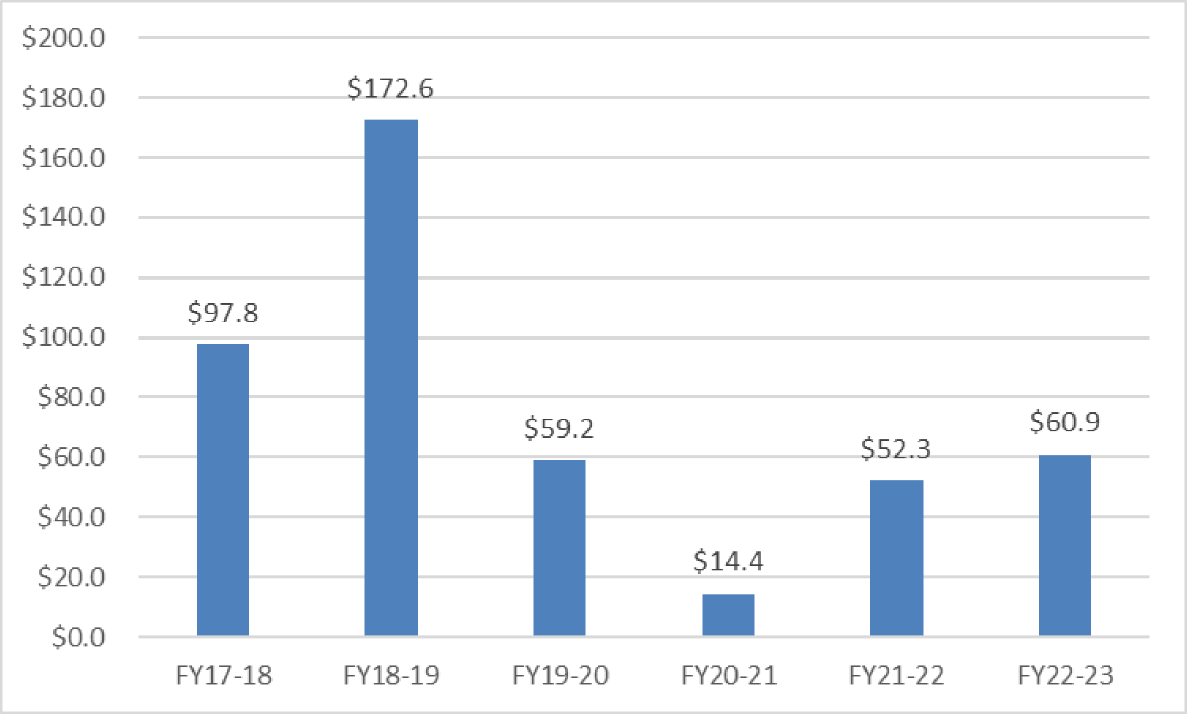
FY22-23 Operating Revenue

The comparison to pre-COVID revenues highlights the SFMTA's increased dependence on non-operating revenues.

Category	FY18-19 Budget	FY22-23 Budget	Difference
General Fund	31%	38%	7%
Operating Grant	15%	14%	-1%
Transit Fares	18%	8%	-10%
Parking	32%	19%	-13%
Other	0%	4%	4%
Use of Fund Balance	3%	4%	1%
Transfers	1%	0%	-1%
Federal Relief	0%	13%	13%

Fund Balance cannot balance the budget

Post-COVID, the SFMTA is facing a more precarious financial position with a smaller financial buffer.



Fund Balance is a one-time source generated when revenue exceeds expenditure or projects close with unspent cash.

Reserve funds cannot balance the budget

Reserves Funds are set aside to offset one-time, known risks and are a sign of financial health.

Reserve Name	Mandate	Purpose	FY22-23 Ending Balance
10% Project Operating Reserve	Reserve Policy	Mitigate unexpected revenue reduction or cost increase	$140.6M
Capital Reserve	NA	Mitigate risk of unexpected project expenditure	$31.5M
Excess Liability Reserve	NA	Fund general liability self-insurance program	$34.7
Debt Service Reserve	Debt Covenants	Pay debt service in the event of insufficient cash flow	$32.9M

Reserves Funds cannot fund ongoing budget expenses.