



SFMTA

San Francisco Municipal Transportation Agency

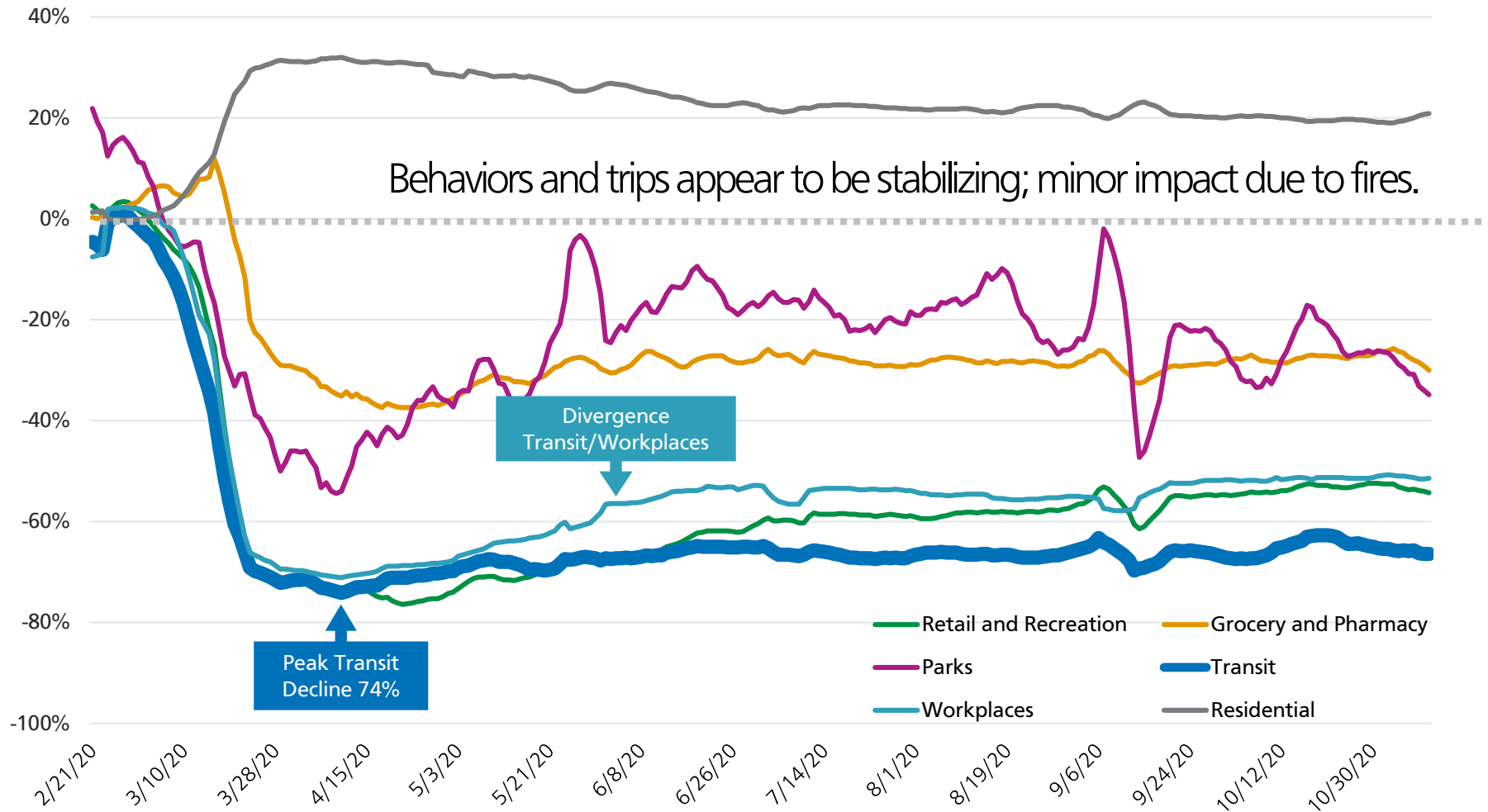
Fiscal and Management Update

SFMTA Board of Directors
December 1, 2020

Introduction

- Data is indicating that modal use and choice is settling allowing a better sense of where revenue and expenditures stand.
- Updated FY 2021 deficit is \$68 million, and first estimate of FY 2022 deficit is \$168 million.
- A budget plan was approved by the MTA Board in April 2020 anticipating continuing revenue and expenditure uncertainty; many elements of this plan have been implemented, resulting in \$118 million in savings in FY 21.
- Updated risk analyses as well as the impact of further federal relief have been evaluated in the overall fiscal picture.
- Expenditure savings will not fully mitigate revenue losses; revenues are now unlikely to recover in time, service and workforce reductions likely necessary in FY 22, in FY 21 in the worst case.
- The key strategy going forward is to take action that continue to buy the SFMTA time to see recovery in revenues.

Google COVID-19 Community Mobility Reports – Destinations within San Francisco

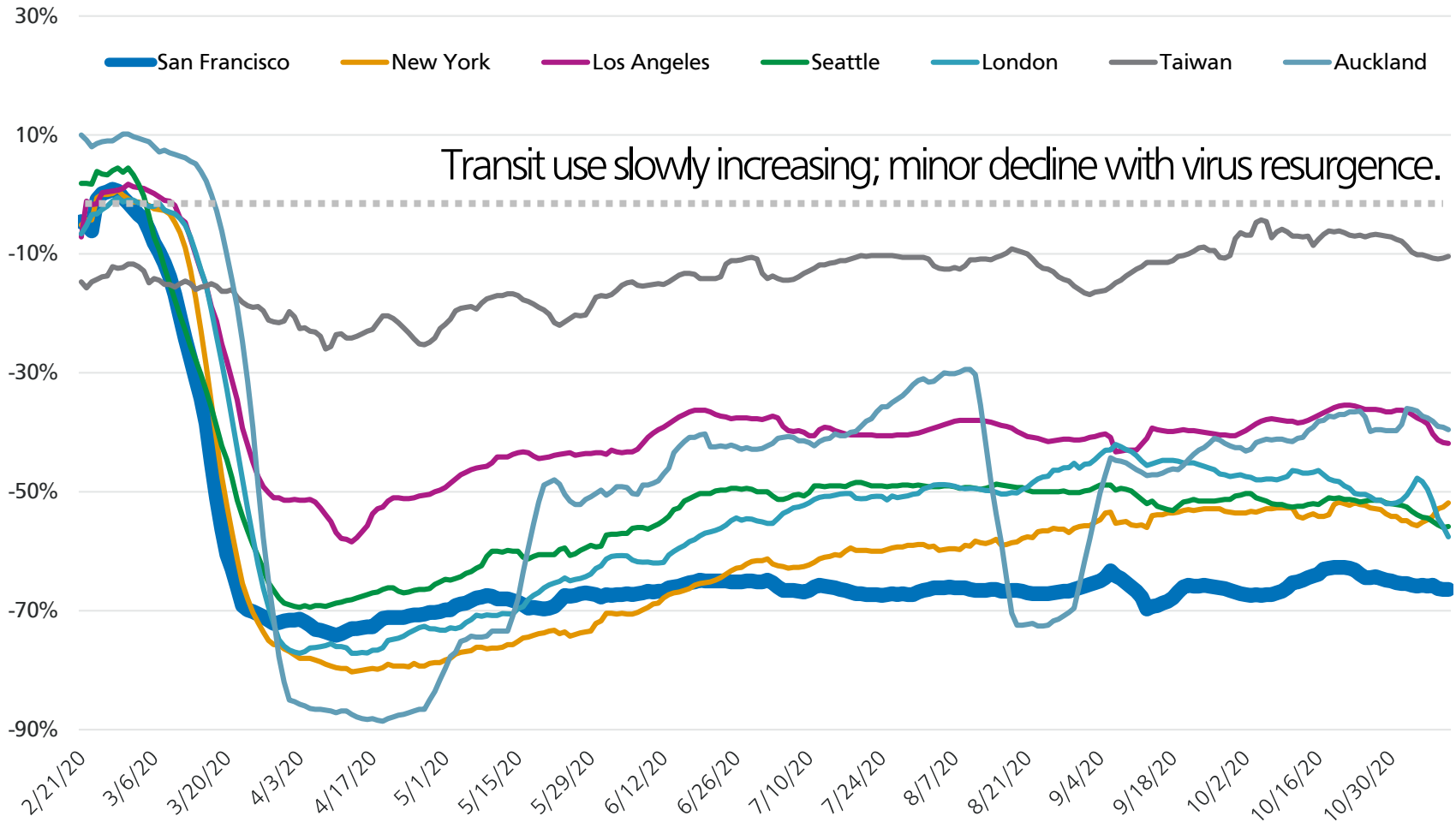


Source: Google LLC "Google COVID-19 Community Mobility Reports".

<https://www.google.com/covid19/mobility/> Accessed: November 13, 2020.

The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020. Data is a rolling 7-day average versus the baseline.

Google COVID-19 Community Mobility Reports - Transit Comparison/Global Cities

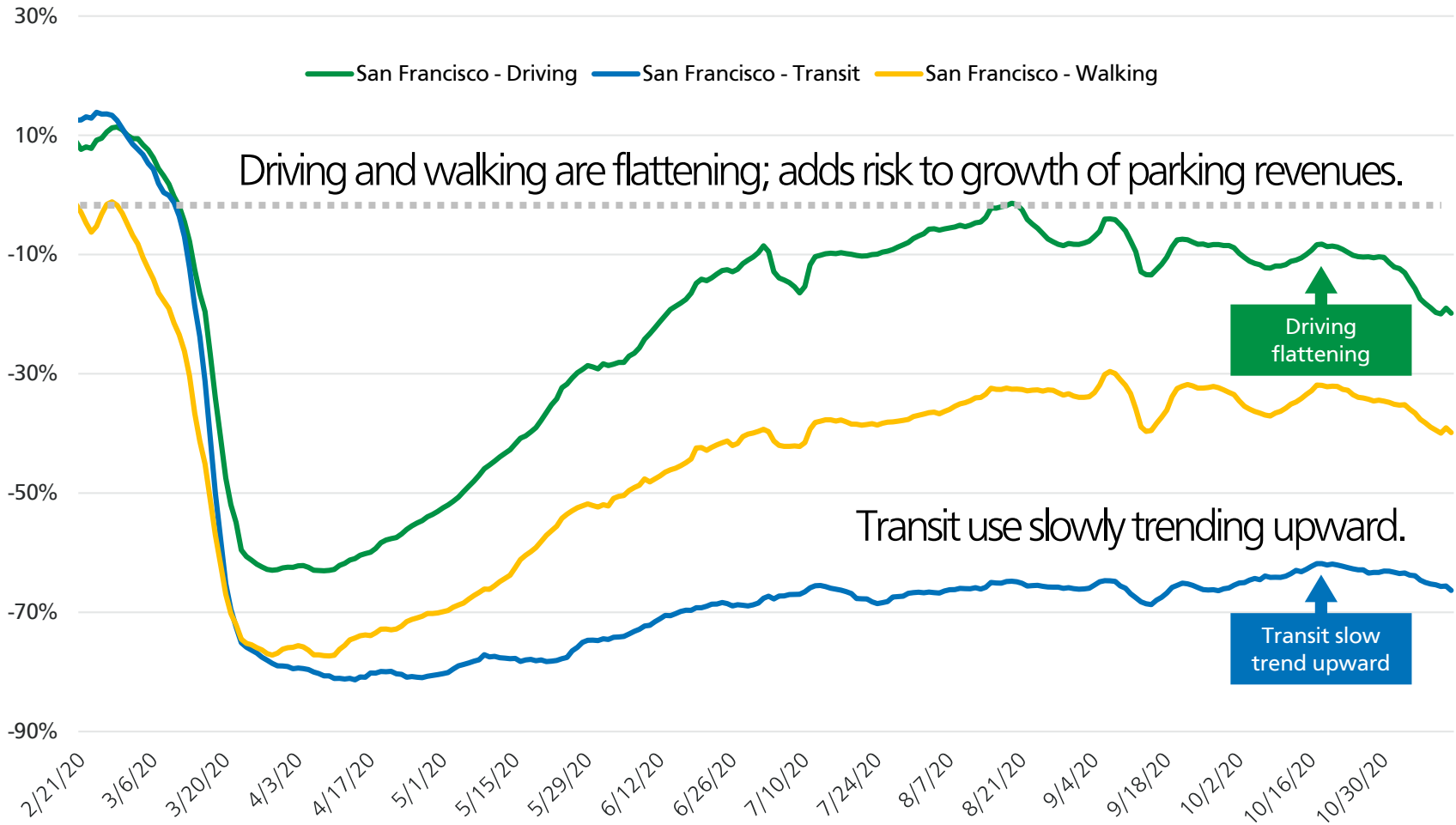


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Apple COVID-19 Mobility Trends - San Francisco All Modes/Choice



Source: Apple "Mobility Trends Reports".

<https://www.apple.com/covid19/mobility>

The baseline is as of January 13, 2020. Data is a rolling 7-day average versus the baseline.

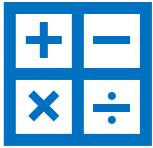
Data Insights



Revenues currently down 12.7% for the fiscal year. Revenue growth generally in Q1 is slowing and may be flattening. Need to therefore assume additional risk in FY 21 and higher deficit in fiscal year 2022.



One-time sources exhausted by FY 22. As recovery slows the deficit in FY 22 proportionately gets higher. Revenues are unlikely to recover to close all deficits. Service and workforce reductions likely in FY 22.



Structural deficit existed prior to the pandemic. Costs were growing faster than revenues prior to the COVID-19 pandemic. Associated economic impacts exacerbated pre-existing structural problems.



The best strategy now is to use remaining tools to buy time. Significant unknowns still exist; however the most prudent actions are to balance the use of remaining budgetary tools (including reserves) to buy time for revenues to recover.

Fiscal Status by Fiscal Year

As mobility and economic data settle, new trends are forming which allow projections in FY 21 and FY 22. Additional expenditure reductions in FY 21 of \$30.5 million and use of rainy-day reserves of \$37.5 million are required. The FY 22 projected deficit likely results in service reductions and layoffs.

FY 2020	Revenue Loss (\$234 m)	Expenditure Savings \$37 m	Net Deficit (Projected) \$0 m	Revenue losses due to economic shock; \$197 m of CARES applied.
FY 2021	Revenue Loss (Projected) (\$186 m)	Expenditure Savings (Projected) \$118 m	Net Deficit (Projected) (\$68 m)	Expenditure controls; hiring freeze; overtime management; \$177 m of CARES applied.
FY 2022	Revenue Loss (Projected) (\$187 m)	Expenditure Savings (Projected) \$19 m	Net Deficit (Projected) (\$168 m)	Revenue growth from FY 21 results in deficit; high end deficit up to \$222 m. Eliminates MTAB reserve in FY 22.

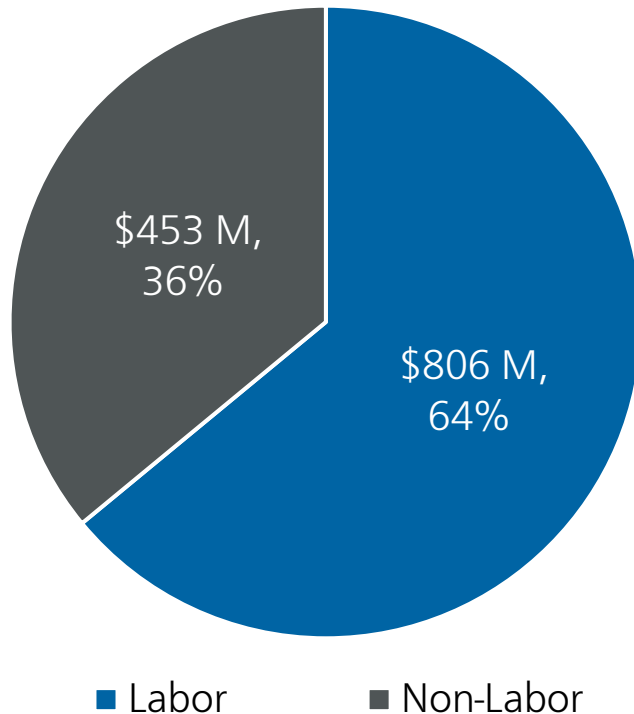
Monthly Financial Data & Projections Available at:
<https://www.sfmta.com/budgetdashboards>

FY 2021 Expenditure Savings

The SFMTA is currently projecting a total savings of \$118 m in FY 2021. The majority of the savings have been in non-labor costs. Additional savings outside of labor will be continuingly difficult.

FY 21 Savings Estimate = \$118 m

FY 2020-21 Operating Budget



Non-Labor	Non-Labor Savings (Projected) (\$68 m*) (\$17 m) in Materials & Supplies	% of Other Non-Labor 15% 23% of Materials & Supplies
	Labor	Labor Savings (Projected) (\$50 m) % of Labor 6%

*Includes the Board Reserve at \$16 m

Fiscal Management Strategy (as approved in April 2020)

The SFMTA Board as part of the adoption of the FY 2021 and FY 2022 budget approved a [budget plan](#) allowing for changing economic conditions.

FY 21 Savings Estimate = \$118 m

1

Eliminate
MTAB
Reserve

FY 21
**savings
of \$16 m**

FY 22
**savings
of \$19 m**

2

Overtime
Controls

Overtime
projected
to be 53%
less than
FY 19 and
**48% less
than FY
20 (\$37
m)**

3

Hiring
Freeze

Hiring freeze
for all but
**mission
critical
positions**
resulting in
**\$13 m
savings**

4

Contract
Expenditure
Controls

Strict review
in place, **total
savings at
\$51 m** e.g.
faregate
maint. (\$5 m),
fuel and
lubricants
(\$6 m)

5

Capitalize
Operating
Costs

Working
toward
shifting labor
costs to
maintenance
campaigns
e.g. midlife
overhaul
program

6

Use of
Rainy-Day
Reserve

Current
assumption is
**use of 30%
or \$37.5
million in FY
21, est.**
\$91.5 m
available in FY
22

7

Workforce
Reductions
(Layoffs)

If deficits
exceed
reserves,
layoffs may
be required.

Financial Insights



April 2020 Board action included a budget management plan. To date \$118 million savings projected. Most tools have been used to mitigate revenue losses. Must assume risks and workforce reduction.



Non-Labor budget savings (reductions) nearing 20%. Non-Labor savings at \$68 million or 15% of budget; this includes materials and supplies reduction of 23%. Additional savings will be increasingly difficult.



Currently no additional federal relief assumed. FY 2021 included \$177 m in CARES Act funds to mitigate revenue losses, this will not exist in FY 22 and revenue growth now cannot exceed this loss.



Revenues will not grow in time to make up for CARES and other losses, service and workforce reductions likely necessary. Projected deficit FY 2022 is between \$91.5 - \$222 million. With all budgetary tools used, the only option is service and workforce reductions.

Risk Analysis

While the fiscal picture becomes clear with monthly fiscal data and stabilizing mobility data, *the SFMTA must continue to assume a high level of risk*, due to continuing levels of uncertainty.

The total risk over the 2-year budget period, after savings and use of the rainy-day reserve, is estimated at \$154.5 m to \$284.5 m.

Fiscal Year 2021

\$68.0 m deficit

\$37.5 m rainy-day reserve

\$30.5 m savings TBD

\$80.0 m revenue risk

\$30.5 m - \$110.5 m risk

- \$118 m savings realized; over time finding additional non-labor savings will be difficult
- Revenues appear to be flattening; second shut down not assumed in budget projection

Fiscal Year 2022

\$168.0 m deficit

\$ 44.0 m rainy-day reserve

\$ 32.5 m savings TBD

\$ 54.0 m revenue risk

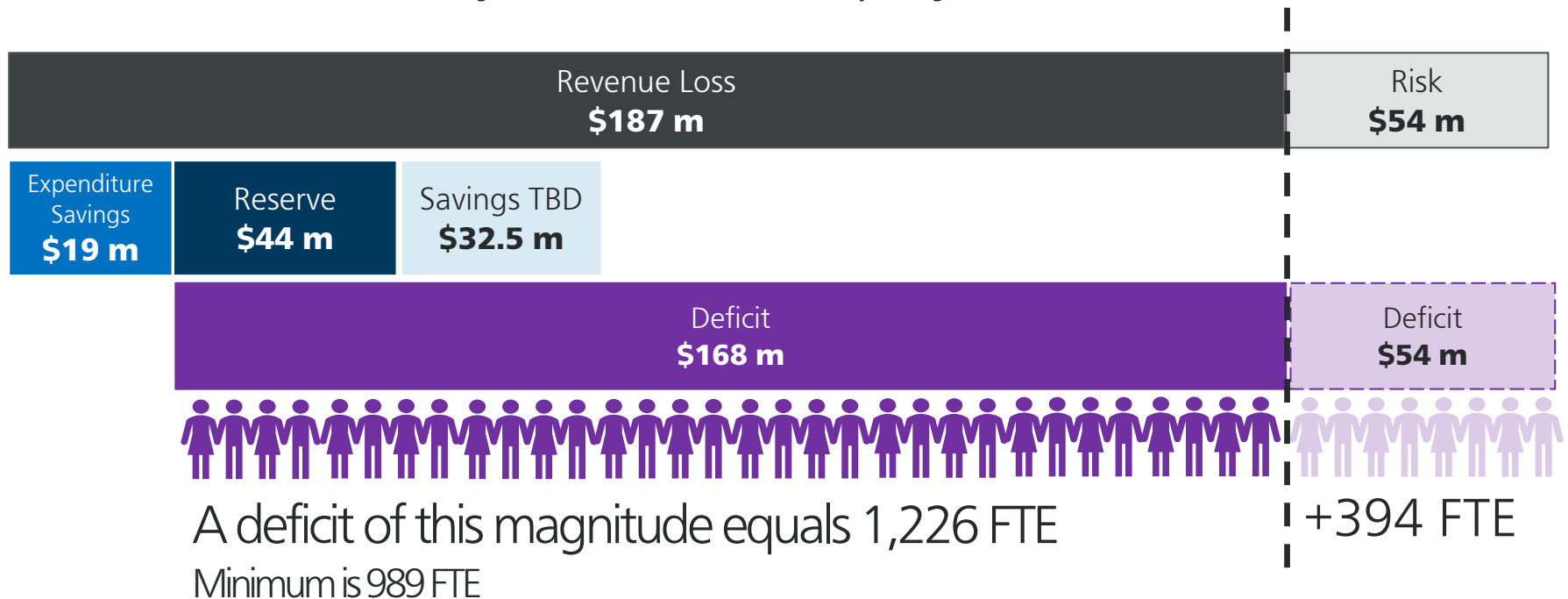
\$124.0 - \$178.0 m risk

- Strong fiscal management should result in similar savings to FY 21, est. \$32.5 m
- As revenues in FY 21 flatten, gaps grow between revenue and expense in FY 22

Risk Management – Scenarios FY 2022

Various scenarios have been analyzed assuming the best case and worst cases in terms of revenue losses and expenditures. Analysis indicates now that service and workforce reduction is likely.

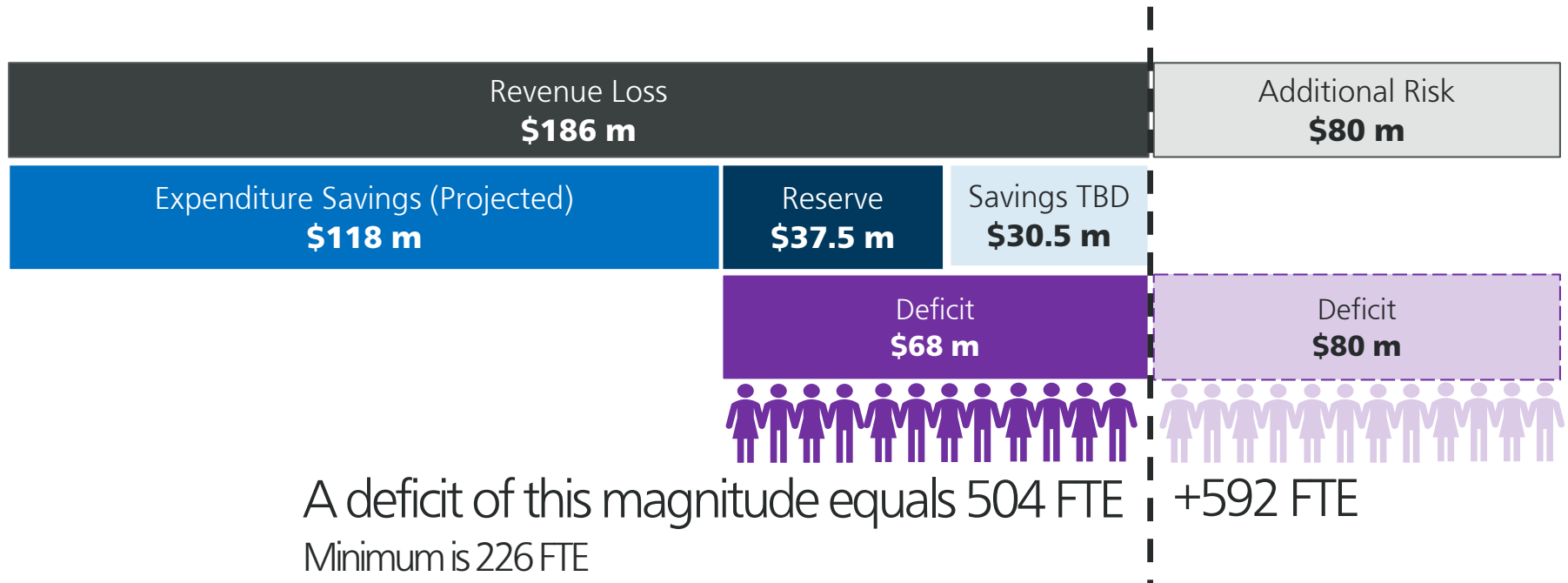
Forecasts show layoffs of 989 – 1,226 FTE or up to 22% of the workforce necessary to close FY 22 projected deficit.



Risk Management – Scenarios FY 2021

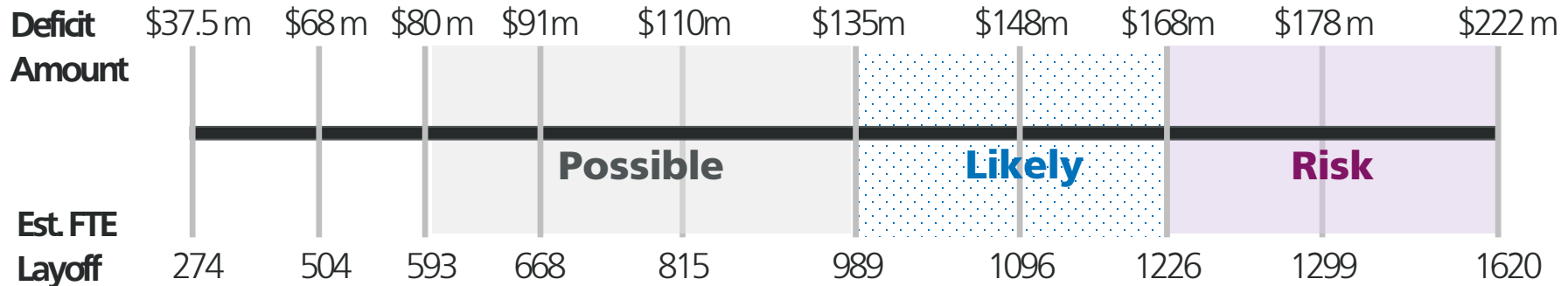
Various scenarios have been analyzed assuming the best case and worst cases in terms of revenue losses and expenditures. Analysis indicates now that workforce reduction is likely.

Forecast shows current projected deficit could exceed existing reserves, discussions regarding labor reductions now necessary.



Risk Management – FY 21 and FY 22 Possible Scenarios

Various scenarios have been analyzed assuming the best case and worst cases in terms of revenue losses and expenditures. Analysis indicates now that workforce reduction is likely.



FY 21

Best Case

\$148.5
Savings
\$37.5
Reserve

Min.
Loss
\$118 m
Savings
\$37.5 m
Reserve

Max
Loss
\$118 m
Savings
\$68 m
Reserve

Max
Loss
\$118 m
Savings
\$37.5 m
Reserve

Max
Loss
\$118
Savings
No
Reserve

FY 22

Min
Loss
\$51.5 m
Savings
\$44.5m
Reserve

Min
Loss
\$19 m
Savings
\$44.5m
Reserve

Min
Loss
\$19 m
Savings
No
Reserve

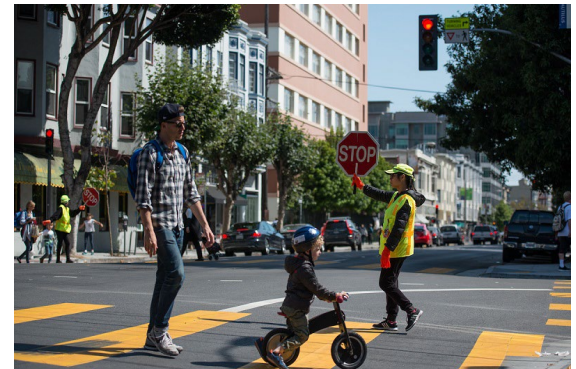
Max
Loss
\$19 m
Savings
\$44.5 M
Reserve

Worst Case
\$19 m
Savings
No
Reserve

Risk Management – FY 21 and FY 22 Service Impacts

Increasing deficits and reductions in workforce will impact the many services the SFMTA provides to the public. It will also hinder the SFMTA's ability to support the economic recovery.

Over the next weeks and months the SFMTA will analyze service reduction options and their impacts in a transparent way.



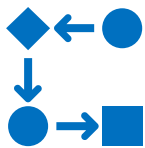
Risk Analysis Insights



Revenue losses now make it impossible to not assume service reduction and layoffs. Too many risk scenarios point to deficits that cannot be closed without a workforce reduction.



Current likely layoffs are in a range of 989 – 1226 FTE or 18% - 22% of the workforce. Maximum savings in are $\frac{1}{4}$ per FTE in FY 21, and 1 per FTE in FY 22. Service reduction discussion should occur soon.



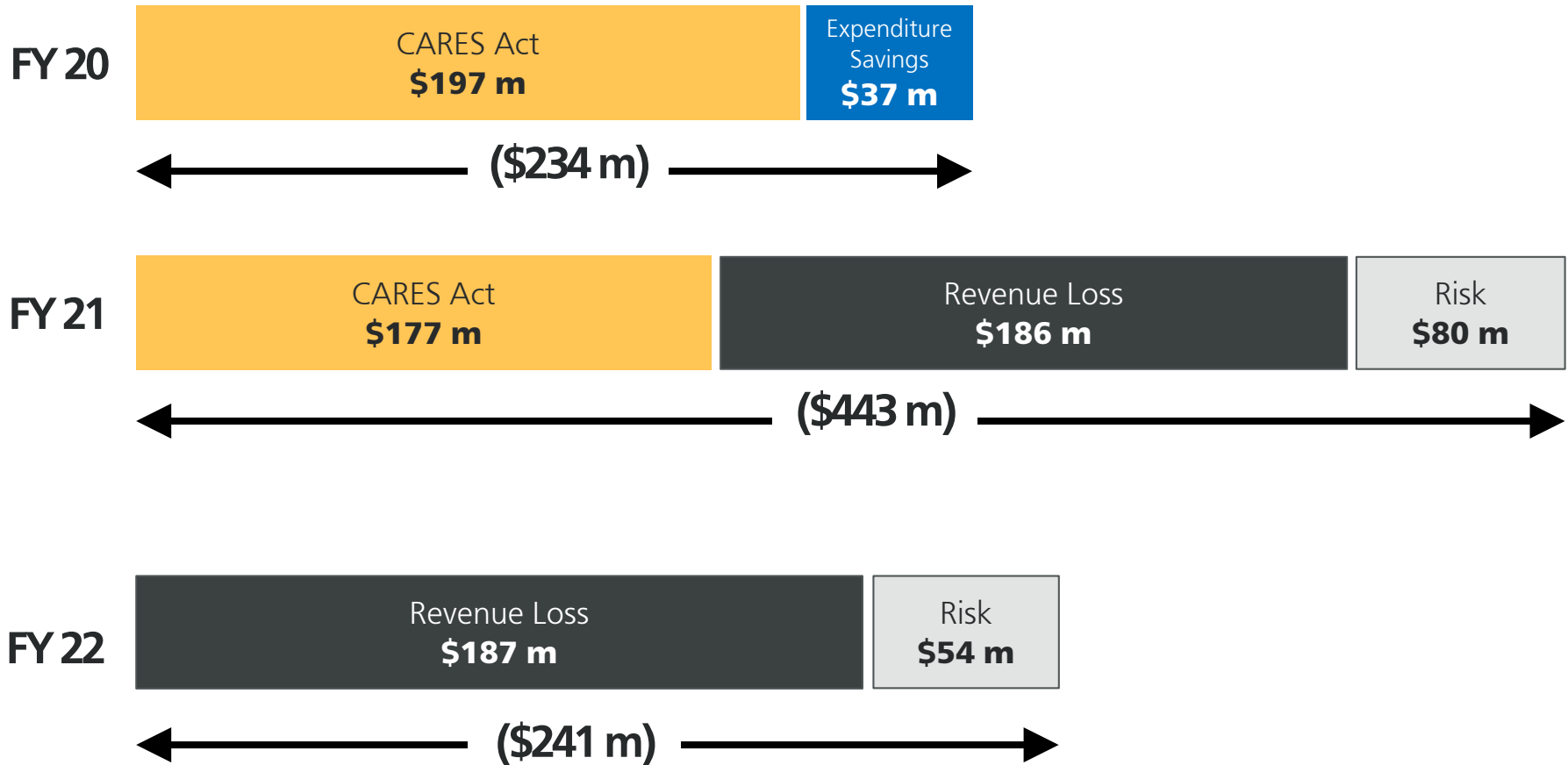
Numerous scenarios remain. Discussion regarding use of reserves will be important; recommendation is still to use no more than 30% in FY 21 and 35% in FY 22. The best strategy is to buy time. Federal relief unknown.



CARES bought the SFMTA a significant amount of time. Had the SFMTA now received CARES, more drastic measures would have been necessary, service reductions and layoffs would have already occurred. The \$177 m in FY 21 bought a significant amount of time.

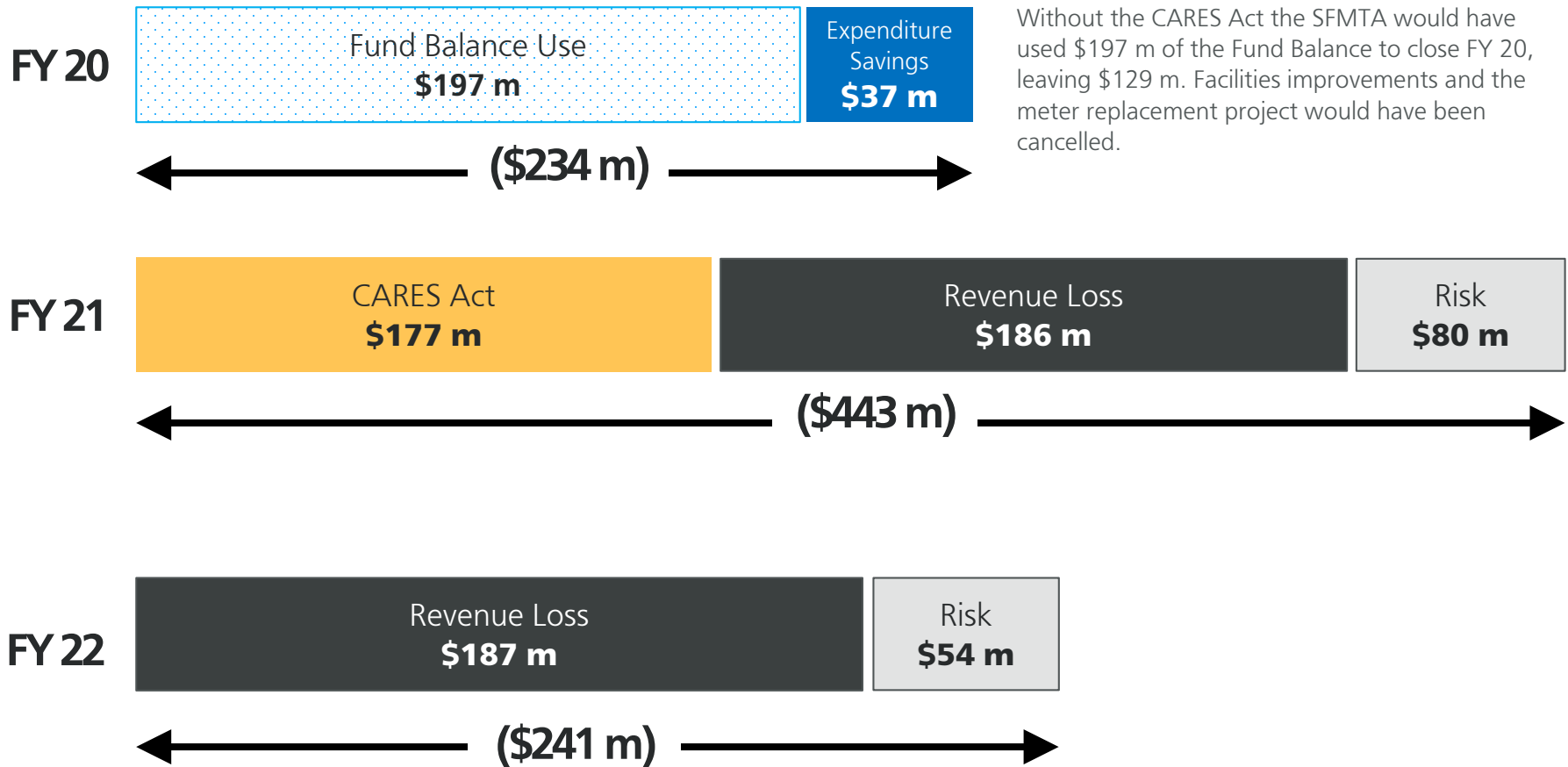
Federal Relief – CARES and Beyond

The Coronavirus Aid, Relief, and Economic Security (CARES) Act funded \$25 billion in transit relief. The Bay Area received \$1.3 billion and of that amount the SFMTA received 29.3%, \$373.8 million. Without CARES revenue losses at their highest could be up to \$900 million through FY 22.



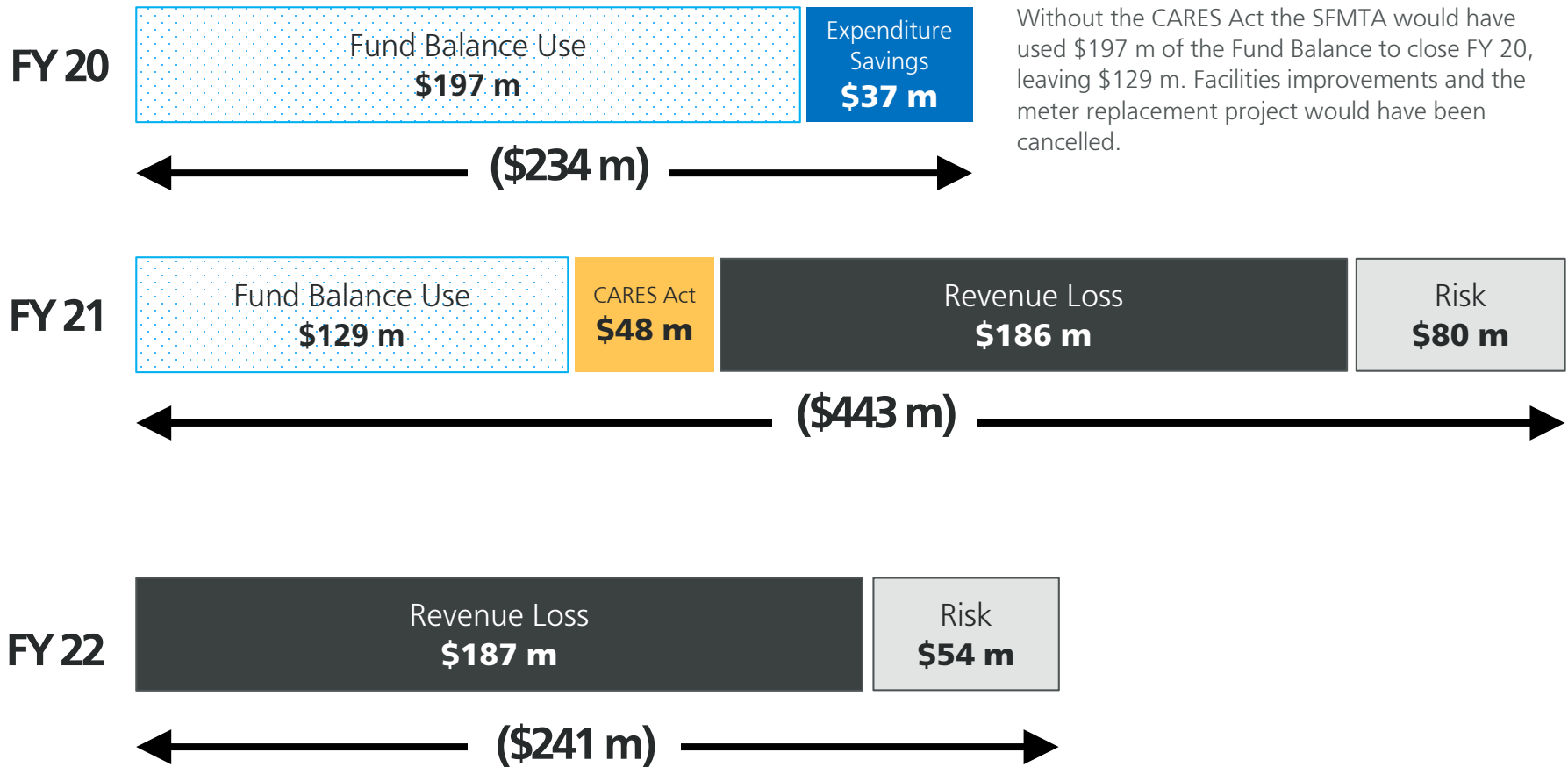
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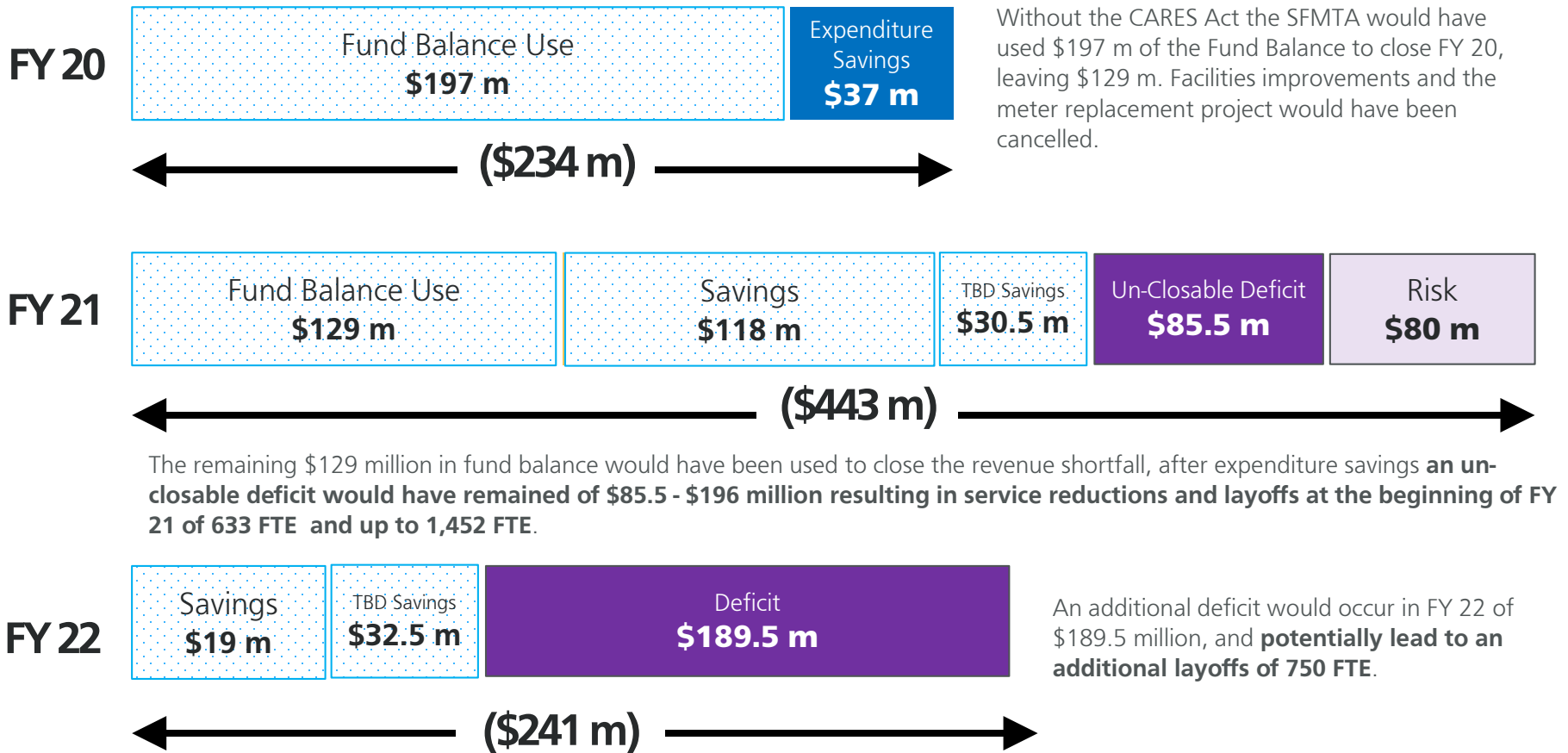
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Federal Relief – CARES and Beyond

The proposed Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act to date has included the highest amount of federal relief for the transit industry at \$32 billion. No bill has yet to pass Congress with additional relief beyond CARES.

Possible ranges for additional Federal Relief

Low	Medium	High
\$239 m	\$359 m	\$478 m

Revenue losses range from \$369 million to \$503 million.

Ranges for Revenue Loss

FY 2021	Revenue Loss (Projected) (\$186 m)	Additional Risks (\$80 m)	Projected Total (\$266 m)
FY 2022	Revenue Loss (Projected) (\$187 m)	Additional Risks (\$54 m)	Projected Total (\$241 m)

Estimated federal relief may reduce the impact of these losses in both fiscal year 2021 and 2022. In the worst-case scenario, the SFMTA would have to save or reduce expenditures \$268 m over 2-years. In the best-case scenario, the SFMTA would avoid further reductions.

Key Programmatic Priorities – Short Term

The SFMTA has several planned programs to create service stability and revenue certainty. Advancing these programs supports the agency's ability to minimize layoffs and cut less.

Priority Programs

- Implementation of new **transit fare compliance** program and return to all door boarding for facilitate fare collection
- Develop post-vaccine **marketing program to promote confidence in the Muni System** and increase ridership
- Continue phased roll-out as well as outreach with merchants and the faith community of **extended parking hours** and **Sunday parking enforcement** hours on commercial corridors

Key Programmatic Priorities – Long Term

Transportation 2050: Sustainable Transportation Funding (Preliminary Programs)



**\$350 m
General
Obligation Bond**



**\$70 m/Annual
Community
Facilities District**



**Prop K
Transportation
Sales Tax
Reauthorization**

\$250 million SFMTA Facilities

- Projects such as Potrero Yard Modernization Project; facility renewals consistent with Facilities Condition Assessments

\$60 million Better Transit

- Project such as Better Market Street Phase II: F-Loop; other major Muni Forward Projects; investments consistent with the Muni Reliability Working Group Recommendations

\$40 million Safer Streets

- Projects related to advancing the city's Vision Zero Goal; major street reconstruction projects

\$70 - 120 million initial estimate; reviewing legislative process now, drafting potential fee structures

Focus on **core maintenance/system vulnerabilities/SGR needs**:

- Capital Maintenance **Track**
- Capital Maintenance **OHL**
- Capital Maintenance **Signals**
- Capital Maintenance **Facilities**

Sustainable/Equitable Transit – core service (fill structural operational gap), Muni Equity Strategy Funding.

Revolving/regular revenue bond program allowing for large upfront capital investments

Current ½ sales tax raises approximately \$90 – 100 million annually.

No tax increase currently proposed.

Multiple Prop K programs are running out of money; a new expenditure plan allows emerging priorities through financing

Congestion Pricing (2024)

Focus MWG Service + Service Equity Strategy

Consider: VLF (date TBD)

\$50 m/Annual

Next Steps – 90-days

Over the next 90-days the SFMTA Board will have several presentations and discussions ending in the 2021 SFMTA Board Workshop, at which time critical conversations and policy guidance will help shape the next 12 -18 months.

- | | |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| 12/1/2020: | Fiscal and Management Update |
| 12/15/2020: | Revenue Bond Program |
| 1/5/2021: | 5-Year Capital Improvement Program
2-Year Capital Budget/Revenue Update
Advertising & Small Business Update |
| 1/19/2020 | Building Progress/Development Update |
| 2/2 +2/3/2021: | MTA Board Workshop (tentative schedule) |

Monthly Financial Data & Projections Available at:

<https://www.sfmta.com/budgetdashboards>



Thank you.



Appendix:

FY 2019-20 Year-End Financials (Revenue)

Revenue Category	FY 19-20 Op. Budget	FY 19-20 Actual*	Surplus/ (Shortfall)
Transit Fares	\$212.9	\$154.1	(\$58.8)
Operating Grants	\$168.2	\$377.0	\$208.8
Parking Fees, Citations & Tax in-lieu	\$353.2	\$270.0	(\$82.8)
Taxi Services	\$2.5	\$1.2	(\$1.2)
Advertising	\$24.3	\$21.6	(\$2.7)
Rental	\$2.7	\$3.1	\$0.4
Interest	\$4.6	\$12.1	\$7.5
Miscellaneous	\$6.3	\$4.0	(\$2.3)
City Baseline and Other Support	\$367.5	\$367.5	\$0.0
Prior Year Encumbrances Carried Forward	\$56.5	\$56.5	\$0.0
Use of (Addition to) Fund Balance	\$65.7	(\$39.7)	(\$105.4)
Total	\$1,264.3	\$1,227.7	(\$36.6)

FY 2019-20 Year-End Financials (Expenditures)

Revenue Category	FY 19-20 Op. Budget	FY 19-20 Actual*	Surplus/ (Shortfall)
Salaries & Benefits	\$736.9	\$742.6	(\$5.7)
Contracts & Other Services	\$187.9	\$175.8	\$12.1
Services of Other Departments	\$97.1	\$86.4	\$10.7
Materials & Supplies	\$87.5	\$83.9	\$3.6
Judgments, Claims & Workers Comp	\$42.7	\$34.0	\$8.7
Equipment & Maintenance	\$30.3	\$26.2	\$4.1
Rent & Building	\$13.5	\$12.9	\$0.6
Reserve	\$6.6	\$0.0	\$6.6
Taxes, Licenses & Permits	\$29.1	\$33.2	(\$4.1)
Offset to Capital Projects	\$32.7	\$32.7	\$0.0
Total	\$1,264.3	\$1,227.7	\$36.6

FY 2020-21 Revenue (as of November 2020)

Revenue Category, \$M	FY 21 Adopted Budget	FY 21 FM 1-Jul to FM 4-Oct	FY 21 Projected Total	FY 21 Projected Surplus (Shortfall)
General Fund Transfers	\$328	\$82	\$305	(\$23)
Parking & Traffic Fees and Fines	\$269	\$51	\$218	(\$51)
CARES Act	\$177	\$128	\$177	\$0
Operating Grants	\$166	\$21	\$166	\$0
Transit Fares	\$140	\$4	\$43	(\$97)
Parking Tax In-Lieu	\$48	\$14	\$33	(\$14)
Other <small>(advertising, interest, misc. fees, recoveries)</small>	\$38	\$3	\$38	\$0
Fund Balance	\$30	\$0	\$30	\$0
Prop B Population Baseline	\$30	\$8	\$30	\$0
Developer Fees	\$26	\$0	\$26	\$0
Prop D Congestion (TNC) Tax	\$7	\$3	\$7	\$0
Taxi Services	\$0	(\$0)	\$0	\$0
Total Operating Sources	\$1,259	\$312	\$1,073	(\$186)

FY 2020-21 Expenditures (as of November 2020)

Expenditure Category, \$M	FY 21 Adopted Budget	FY 21 FM 1-Jul to FM 4-Oct	FY 21 Projected Total	FY 21 Projected Surplus (Shortfall)
Salaries & Benefits	\$842	\$256	\$792	\$50
Contracts & Other Services	\$183	\$25	\$153	\$30
Services of Other Departments	\$85	\$8	\$85	\$0
Materials & Supplies	\$74	\$19	\$57	\$17
Judgments, Claims & Workers Comp	\$42	\$10	\$37	\$5
Equipment, Rent & Maintenance	\$30	\$6	\$30	\$0
Debt Service	\$23	\$8	\$23	\$0
Reserve	\$16	\$0	\$0	\$16
Offset to Capital Projects	(\$36)	(\$11)	(\$36)	\$0
Total Operating Expenditures	\$1,259	\$320	\$1,141	\$118

FY 2021-22 Revenue

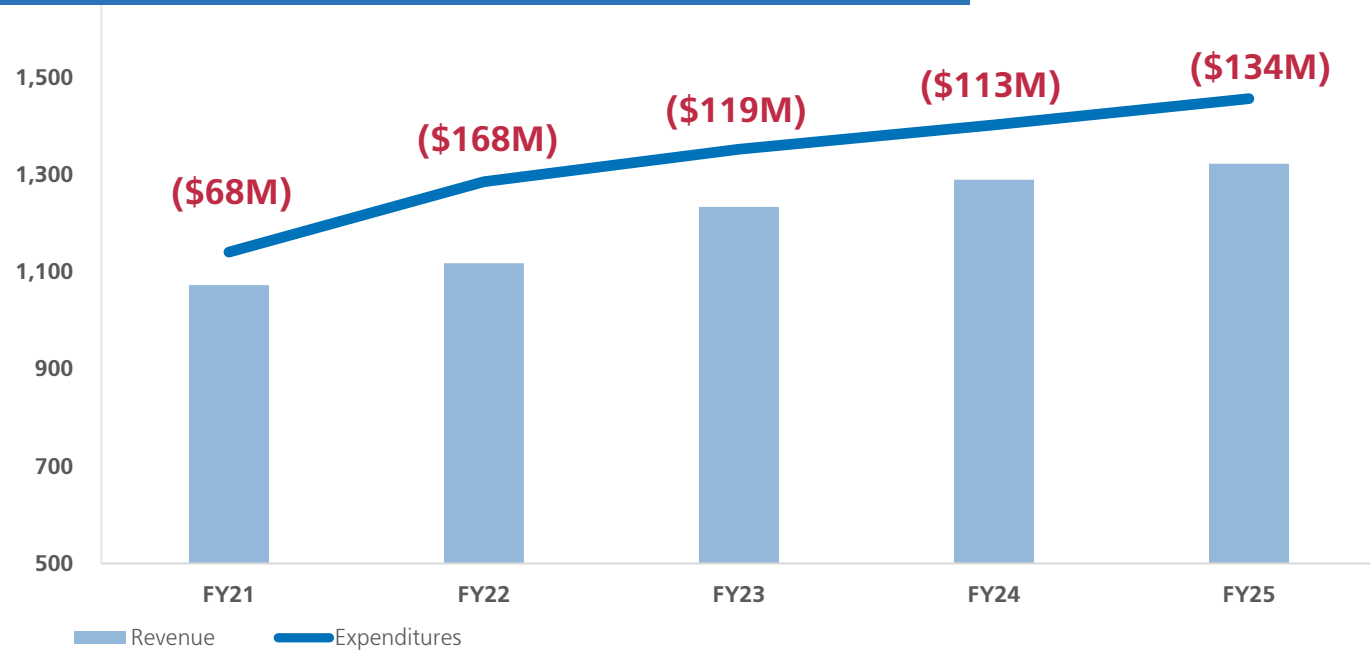
Revenue Category, \$M	FY 22 Adopted Budget	FY 21 Projected Total	FY 22 Projected Surplus (Shortfall)
General Fund Transfers	\$375	\$364	(\$11)
Parking & Traffic Fees and Fines	\$311	259	(\$52)
Operating Grants	\$194	\$185	(\$9)
Transit Fares	\$189	\$98	(\$92)
Parking Tax In-Lieu	\$68	\$48	(\$20)
Other <small>(advertising, interest, misc. fees, recoveries)</small>	\$46	\$42	\$4
Fund Balance	\$39	\$39	\$0
Prop B Population Baseline	\$30	\$30	\$0
Developer Fees	\$45	\$45	\$0
Prop D Congestion (TNC) Tax	\$9	\$9	\$0
Taxi Services	\$0	\$0	\$0
Total Operating Sources	\$1,305	\$1,118	(\$187)

FY 2021-22 Expenditures

Expenditure Category, \$M	FY 22 Adopted Budget	FY 22 Projected Total	FY 22 Projected Surplus (Shortfall)
Salaries & Benefits	\$838	\$838	\$0
Contracts & Other Services	\$183	\$183	\$0
Services of Other Departments	\$89	\$89	\$0
Materials & Supplies	\$74	\$74	\$0
Judgments, Claims & Workers Comp	\$42	\$42	\$0
Equipment, Rent & Maintenance	\$31	\$31	\$0
Taxes, Licenses & Permits	\$30	\$30	\$0
Reserve	\$19	\$0	\$19
Total Operating Expenditures	\$1,305	\$1,286	\$19

Structural Deficit

12/1/20 – SFMTA 5-Year Forecast



Operating Budget, \$M	FY21	FY22	FY23	FY24	FY25
Revenue Ongoing	1,073	1,118	1,234	1,290	1,323
Expenditures	1,141	1,286	1,353	1,403	1,457
Revenue Less Expenditures	(68)	(168)	(119)	(113)	(134)