SFMTA

FY 2023 & 2024 Consolidated Budget

FY 2023 – 2027 Capital Improvement Program

Opportunities and Risks

Board of Directors
Annual Workshop
February 2, 2022

Decisions today, will have significant impacts in the short and long term.

San Francisco’s transportation system needs investment in people, capital and service.

Critical investments now will impact how the SFMTA emerges from the COVID-19 pandemic. Uncertainty poses risk; however, no action or investment equally will pose challenges in the short and long term.

We will start with the long-term to understand the impact of short-term decisions – especially with the budget.

Things are changing every quarter.
New data is coming in – making
resiliency to change an important objective.

The next 2-year budget cycle will continue to challenge the SFMTA, as the operating environment changes and the financial picture on a rolling and regular basis.

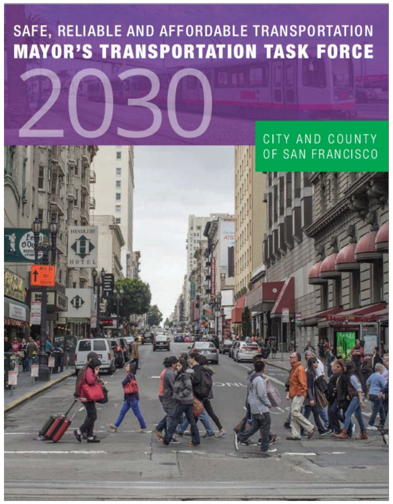
San Francisco

TRANSPORTATION 2050

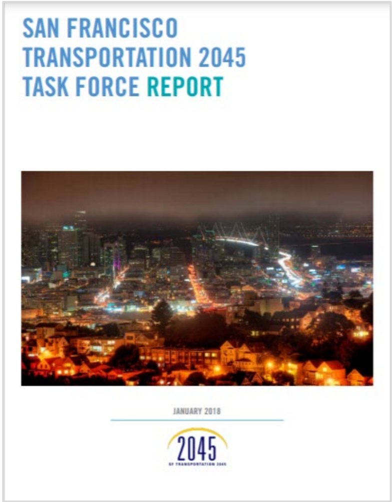
Update – January 2022

Long-Range Financial Analysis

Transportation 2050 (T2050) builds upon the work done by the two prior Transportation Task Forces.



2013



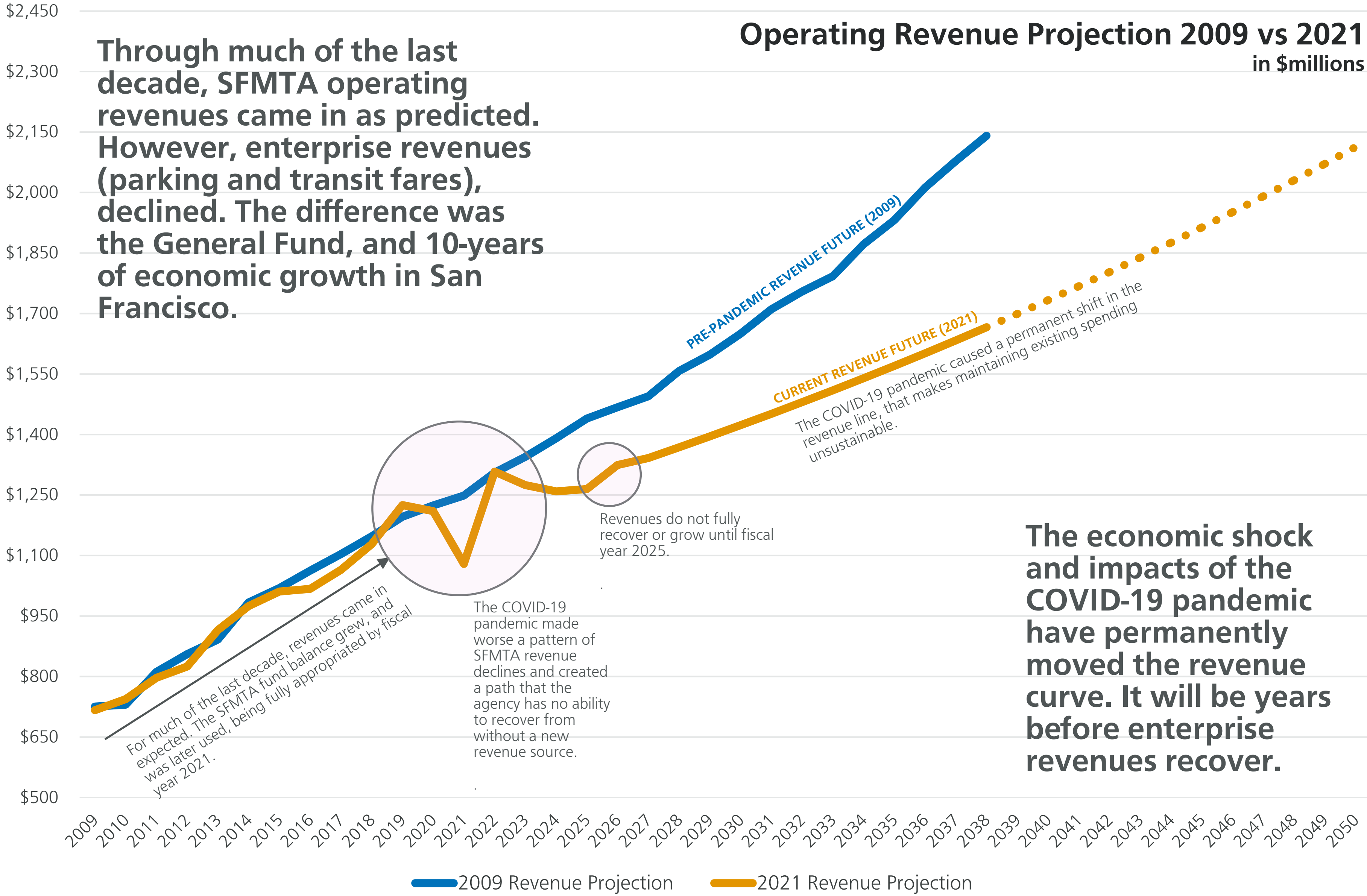
2018

Reference: [Transportation 2030 Report]
Reference: [Transportation 2045 Report]

Operating Revenue Projection 2009 vs 2021

in $millions

Through much of the last decade, SFMTA operating revenues came in as predicted. However, enterprise revenues (parking and transit fares), declined. The difference was the General Fund, and 10-years of economic growth in San Francisco.

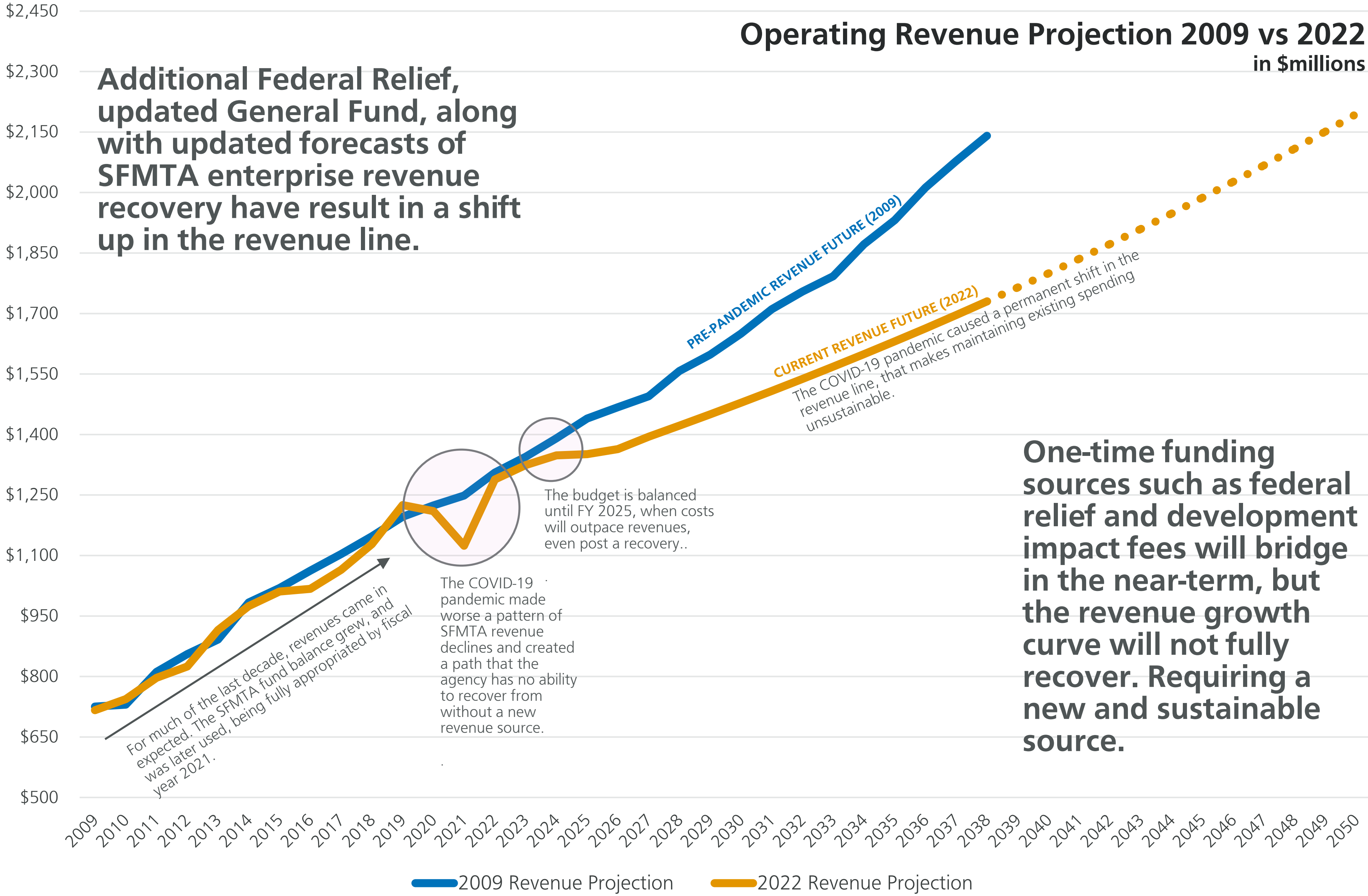


The economic shock and impacts of the COVID-19 pandemic have permanently moved the revenue curve. It will be years before enterprise revenues recover.

Operating Revenue Projection 2009 vs 2022

in $millions

Additional Federal Relief, updated General Fund, along with updated forecasts of SFMTA enterprise revenue recovery have result in a shift up in the revenue line.

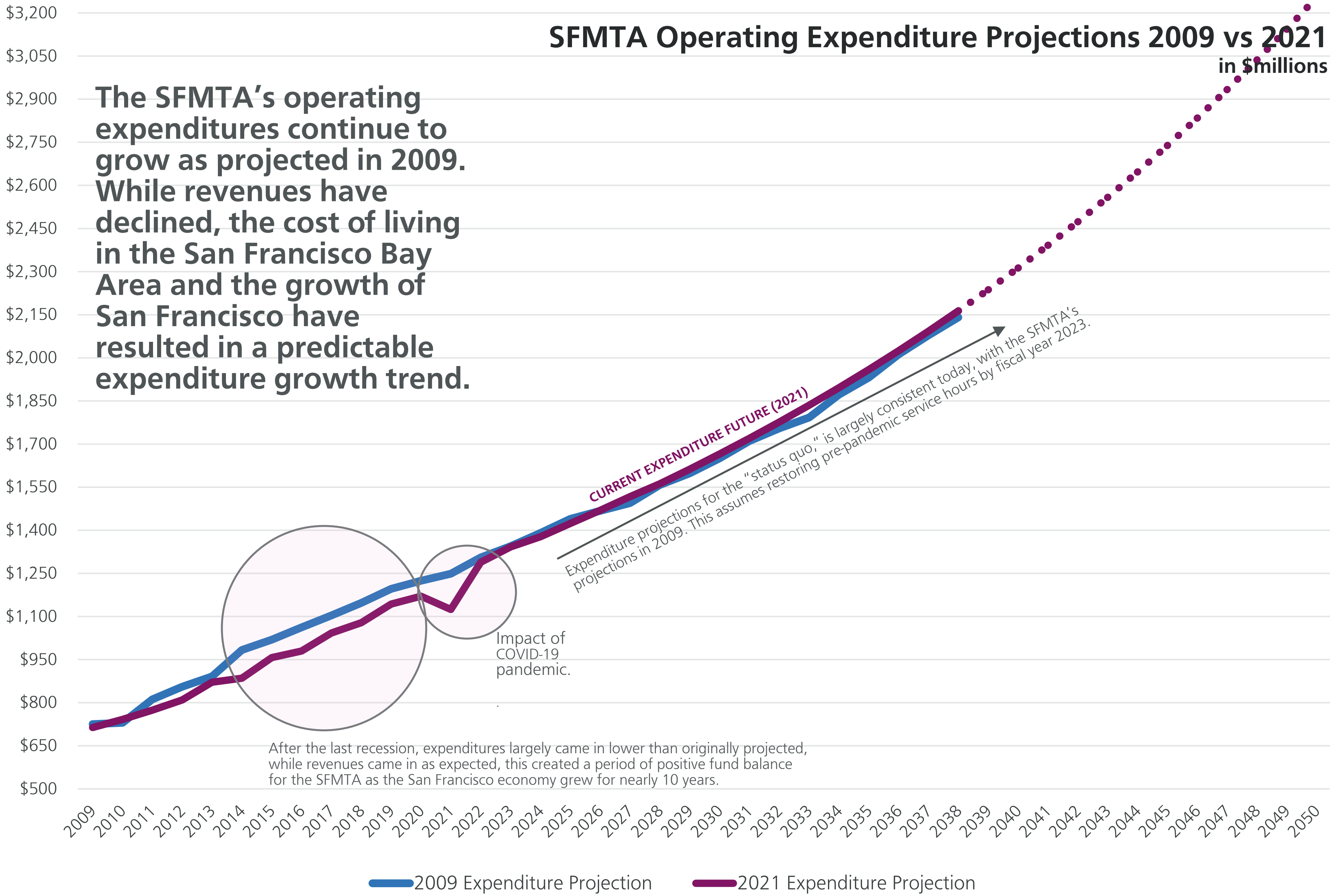


One-time funding sources such as federal relief and development impact fees will bridge in the near-term, but the revenue growth curve will not fully recover. Requiring a new and sustainable source.

SFMTA Operating Expenditure Projections 2009 vs 2021

in $millions

The SFMTA's operating expenditures continue to grow as projected in 2009. While revenues have declined, the cost of living in the San Francisco Bay Area and the growth of San Francisco have resulted in a predictable expenditure growth trend.



SFMTA Operating Expenditure Projections 2009 vs 2022
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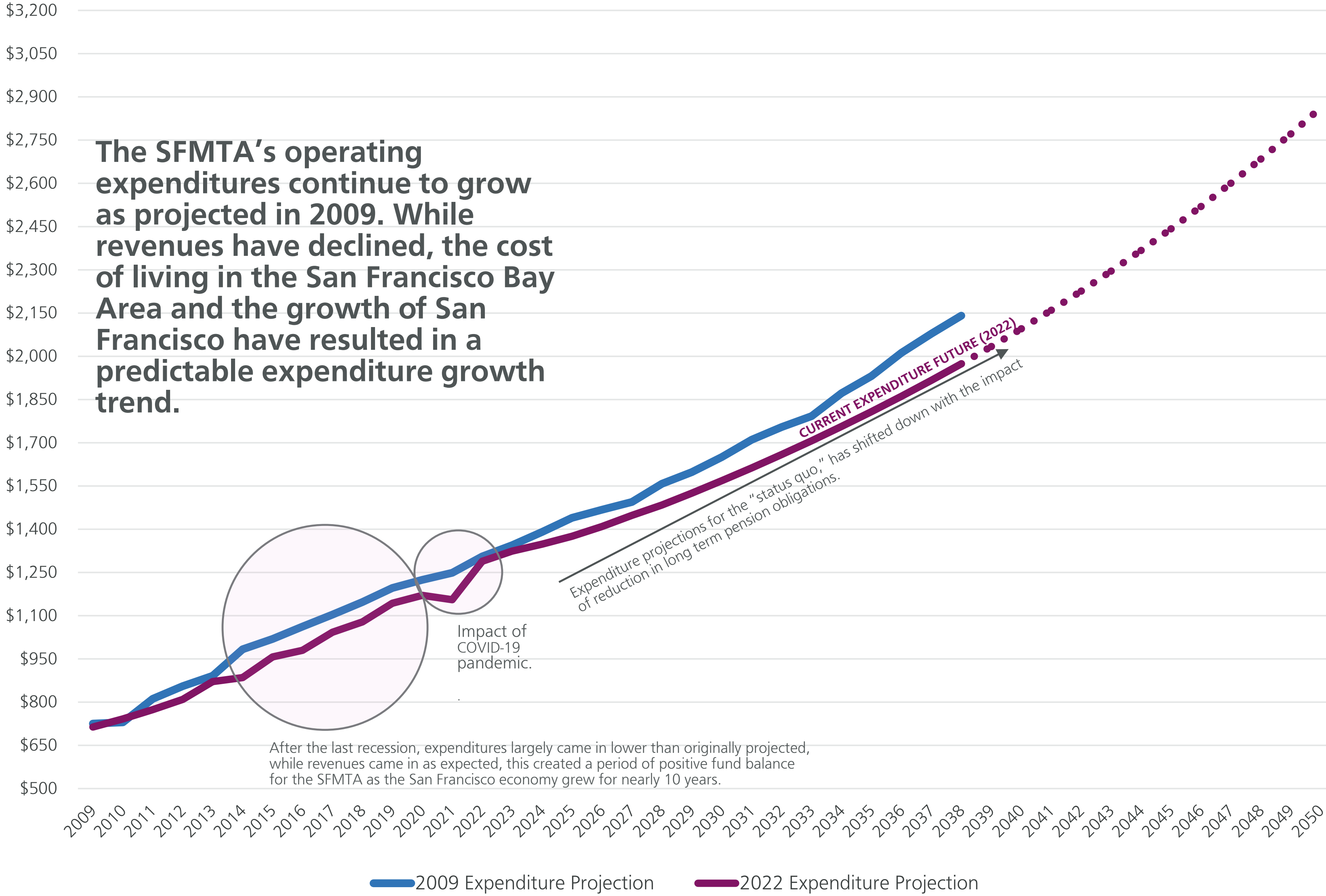
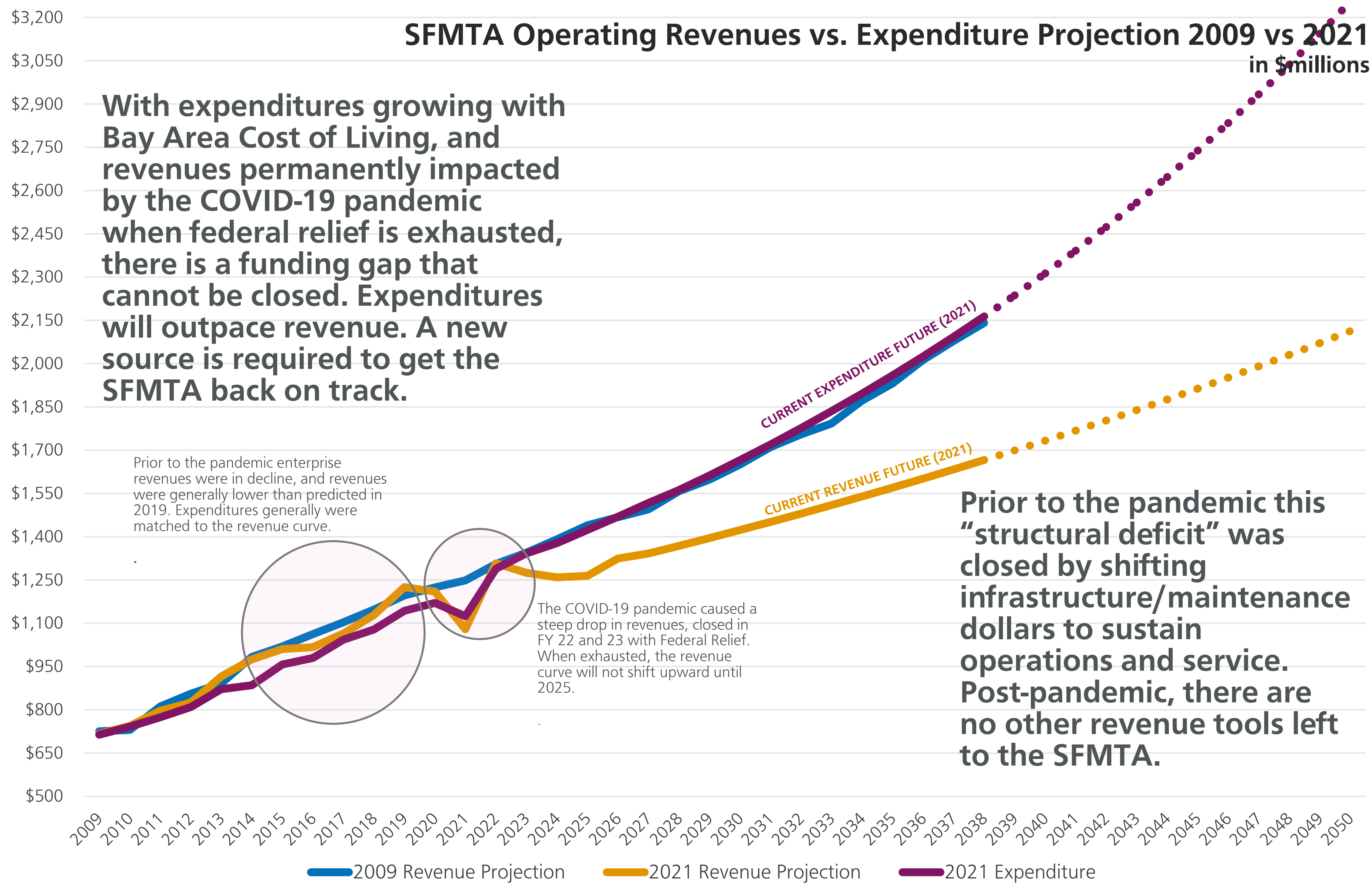


SFMTA Operating Revenues vs. Expenditure Projection 2009 vs 2021

With expenditures growing with Bay Area Cost of Living, and revenues permanently impacted by the COVID-19 pandemic when federal relief is exhausted, there is a funding gap that cannot be closed. Expenditures will outpace revenue. A new source is required to get the SFMTA back on track.

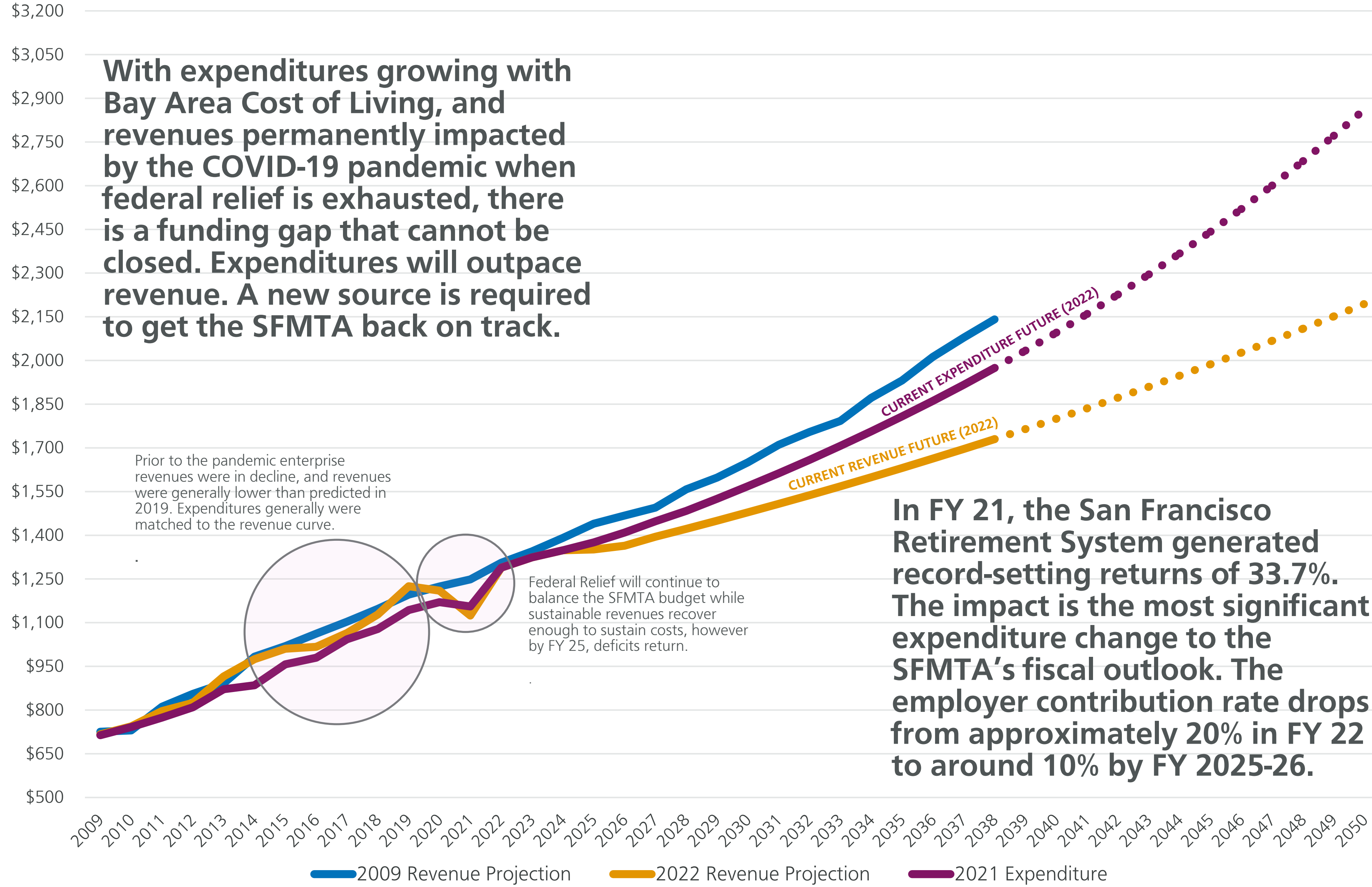


Prior to the pandemic this "structural deficit" was closed by shifting infrastructure/maintenance dollars to sustain operations and service. Post-pandemic, there are no other revenue tools left to the SFMTA.

SFMTA Operating Revenues vs. Expenditure Projection 2009 vs 2022

in $millions

With expenditures growing with Bay Area Cost of Living, and revenues permanently impacted by the COVID-19 pandemic when federal relief is exhausted, there is a funding gap that cannot be closed. Expenditures will outpace revenue. A new source is required to get the SFMTA back on track.



In FY 21, the San Francisco Retirement System generated record-setting returns of 33.7%. The impact is the most significant expenditure change to the SFMTA's fiscal outlook. The employer contribution rate drops from approximately 20% in FY 22 to around 10% by FY 2025-26.

Here are your priorities … and their cost over 30-years to 2050

INVESTING EQUITABLY

- **Fast and Convenient Transit**
- **More Repairs and Maintenance**
- **Improving Safety and Access**

$111.3B

What the vision will require us to spend over 30-years

$63.4B

We will spend over the next 30-years

57% funded

($47.8B)

T2050 Funding Gap
Cumulative total over 30-years

43% funding gap

Here are your priorities ... and their cost over 30-years to 2050

INVESTING EQUITABLY

- Fast and Convenient Transit
- More Repairs and Maintenance
- Improving Safety and Access

$106.2B

What the vision will require us to spend over 30-years

($5.1B)

$67.1B

We will spend over the next 30-years

63% funded

+6.3%

($39.0B)

T2050 Funding Gap
Cumulative total over 30-years

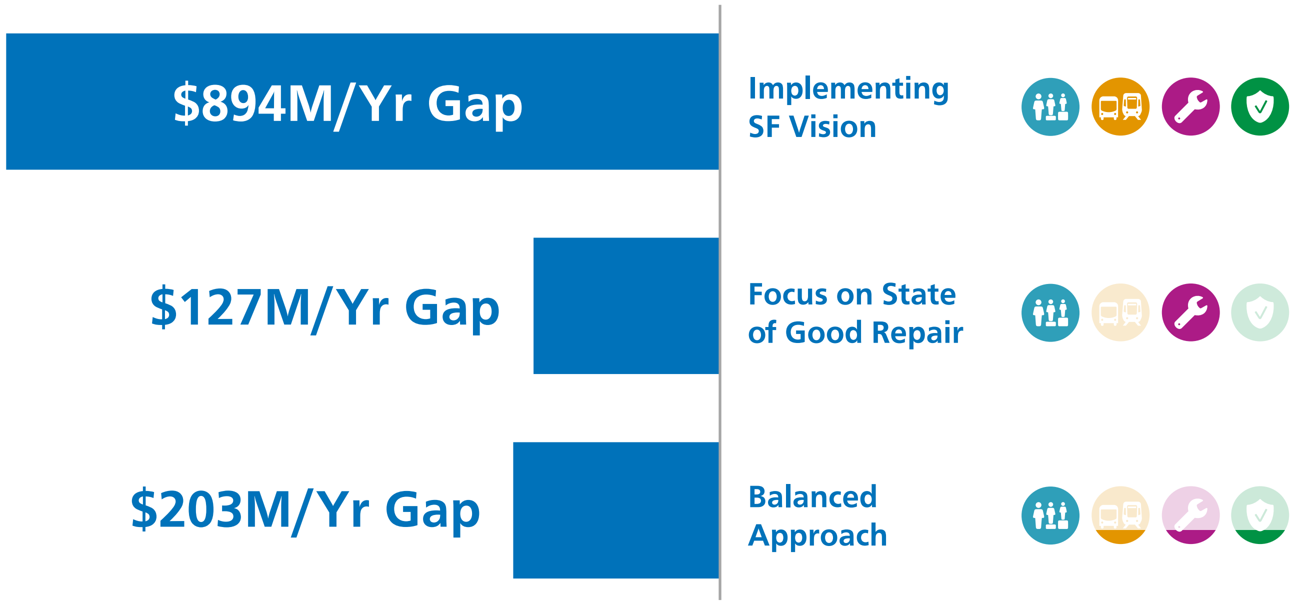
37% funding gap

+$8.8B

Based on community priorities, we have created three potential futures.

System in a state of good repair; maintenance done on-time; pre-pandemic service; 20% service increase; 5-minute network implemented; streets are safer and accessible to all.	**Implementing SF Vision**
System in a state of good repair. Maintenance and asset replacement done on-time. Return to pre-pandemic service in 2023. System is not expanded.	**Focus on State of Good Repair**
A mixture of core infrastructure, enhancements and expansion. Return to pre-pandemic service in 2023. Infrastructure replacement backlog does not grow.	**Balanced Approach**

We have updated our annual requirements over 30-years which are reflected below to achieve this vision new revenues are required



These potential new revenue sources are:

Source	Benefits	Short Term $/yr	Long Term $/yr
Transportation Special Tax	Dedicated tax for transportation, providing a predictable stable source for transit service and maintenance. May be bonded against for near-term capital infrastructure investment, reducing long term maintenance.	**$50** m/yr	**$60-70** m/yr
Parking Tax	Increase existing San Francisco Parking Tax with opportunities to reform or modify for transportation infrastructure, transit service and maintenance.	**$20** m/yr	**Declining**
☑ **CCSF General Obligation Bond Program**	The SFMTA as part of the City GO Bond Program has allowed for critical infrastructure investment, safety improvements and transit reliability investments – reducing the cost of operations and long-term maintenance.	**$40** m/yr	**$50** m/yr
☑ **Federal Grants**	The current proposed bi-partisan Infrastructure Bill provides opportunities for increased Federal support for up to 5-years for transportation infrastructure and maintenance campaigns.	**$35** m/yr	**$40** m/yr
State Grants	The current State budget designates significant additional dollars to transportation available through grants for transportation infrastructure.	**$7** m/yr	**Unknown**
Development Revenue	Development of SFMTA properties provide significant long-term opportunities to produce revenues that can go directly toward transportation infrastructure, transit service and maintenance.	**$5** m/yr	**$25-35** m/yr

With these potential new sources, we can fund just over 2/3 of our vision for San Francisco over 30-years.

INVESTING EQUITABLY

- **Fast and Convenient Transit**
- **More Repairs and Maintenance**
- **Improving Safety and Access**

$106.2B

What the vision will require us to spend over 30-years

$73.0B

We will spend over the next 30-years

69% funded with new funding sources

($33.1B)

T2050 Funding Gap
Cumulative total over 30-years

31% funding gap

And over 2/3rd of the vision… over 10 years

INVESTING EQUITABLY

- **Fast and Convenient Transit**
- **More Repairs and Maintenance**
- **Improving Safety and Access**

$27.2B

What the vision will require us to spend over 10-years

$19.6B

We will spend over the next 10-years (all sources).

72% funded with new funding sources

($7.7B)

T2050 Funding Gap
Cumulative total over 10-years

28% funding gap

Budget & CIP Outlook

FY 2023 & 2024 Consolidated Budget
FY 2023 – 2027 Capital Improvement Program

The SFMTA before, during and after the pandemic faces financial challenges.

Our long-term financial objectives include:

Financial Sustainability
(on-going revenues for ongoing costs)

Economic Resiliency
(limited impacts due economic disruption)

Service Demand
The public expects more than simply the restoration of service – better system

Capital Funds Declining
The 5-Year CIP revenues decline each budget cycle

Infrastructure Needs
Capital infrastructure replacement backlog continues to grow ~ over $3 billion

Potential for Downturn
Revenues may not recover as projected.

Structural Deficit
Labor and other operating costs rising faster than fare/parking revenues

Operating Budget Overview

With four quarters of data since widespread vaccines were available, there has been growth in revenue, however not at the pace required to backfill the use of one-time funds.

Transit Fares
Grown-Month over Month
Most growth was in Cable Car & Institutional Passes

FY 2023 Baseline 230% Growth

FY 23
12.5%
Federal Relief

Parking Revenues Flat
Parking Revenue generally flat since March 2022.

FY 2023 Baseline 6% Growth

FY 24
7.7%
Federal Relief

Operating Budget Overview

Agency finances have yet to fully recover and are not expected to do so during the upcoming 2-Year Operating Budget period 18 – 24 months. That and significant unknowns, such as pace of recovery require a **resilient budget design**.

Manage to the Pace of Recovery
Prepare based on optimism but have stopgaps in place.

Work toward restoration of full Agency Operations
Service restoration, street management, agency internal ops.

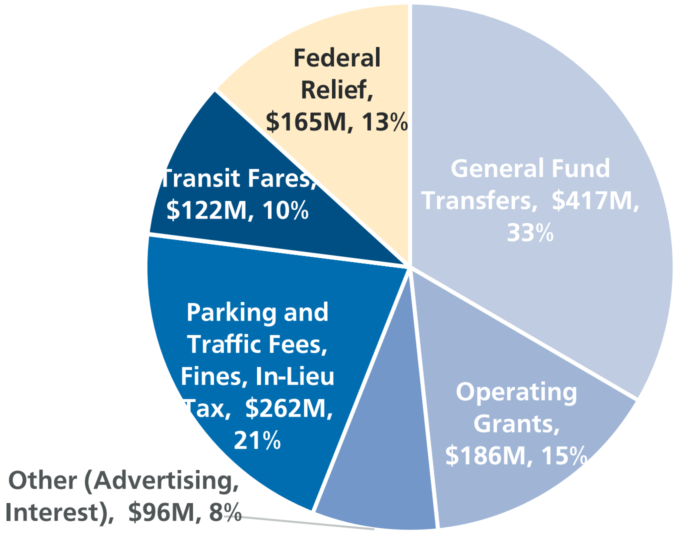
Consider what is not known.
Impact of inflation and new labor contracts.

Operating Budget Base

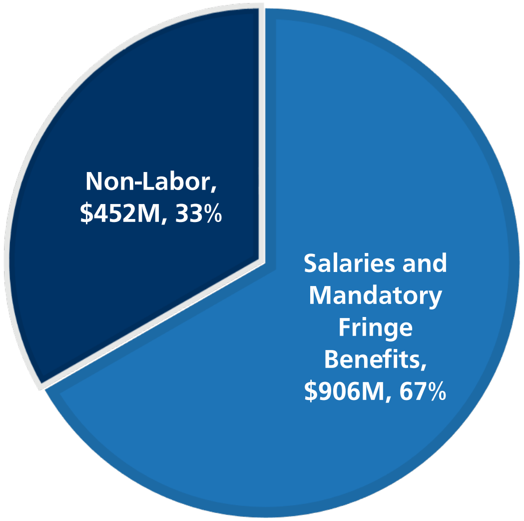
Item	FY 23, $M	FY 24, $M
Revenue – Projection	1,323	1,348
Expenditures – Base	1,323	1,348
Base Operating Gap	**(0)**	**(0)**

* Assumes no use of one-time revenues

FY 23 Operating Budget
Revenue Projection



FY 23 Base
Operating Budget Expenditures



Operating Budget FY 2023 & FY 2024 Baseline

EXPENDITURES (USES)	FY23 Projected	FY24 Projected
Salary & Fringe	906,205,986	914,482,609
Overhead & Allocations	(35,797,588)	(36,810,659)
Professional Services	256,543,965	263,804,159
Materials & Supplies	76,448,280	78,611,767
Capital Outlay	4,131,188	4,248,101
Debt Service	23,046,100	27,928,477
Workorders	93,401,111	96,044,362
Expenditures	**1,323,979,043**	**1,348,308,815**

REVENUES (SOURCES)	FY23 Projected	FY24 Projected
City Population-based Baseline - Operating Support	30,000,000	30,000,000
Federal Relief	165,542,866	103,326,408
General Fund Transfers	417,730,000	448,160,000
General Fund Transfers (MBTIF)	7,600,000	7,800,000
Operating Grants	186,094,788	189,754,714
Other (advertising, Interest, misc fees, recovery)	49,967,931	51,601,932
Parking & Traffic Fees & Fines	262,482,877	278,222,485
Parking Tax In-Lieu	64,150,000	66,040,000
Proposition D Traffic Congest Mitigation Tax	8,198,958	10,346,447
Taxi Services	200,000	200,000
Transit Development Fees - Operating Support	10,000,000	10,000,000
Transit Fares	122,011,622	152,856,830
Revenue	**1,323,979,043**	**1,348,308,815**

The **revenue base** was completed in partnership with the City Controller includes the following before adjustments:

Included:

- **$418 million in City General Fund Transfers:** this figure represents 32% of projected operating revenues in FY23, increasing to $448 million and 33% in FY24
- **115%** growth in Transit Fare Revenues, an increase of $65 million from FY 2022; a further increase of $31 million in FY24
- **$10 million Transit Fares** from the Automatic Indexing Implementation Plan (AIIP) in FY23, $12 million in FY24
- **6% growth in Parking Revenues** an increase of $15 million from FY 2022; a further increase of $16 million in FY24
- **$166 million in Federal Relief:** this figure represents 13% of projected operating revenues in FY23; decreasing to $103 million and 8% of revenues in FY24

Excluded

- **$15.8 million from Extended Meter Hours (Sunday and Evenings)**

The **expenditure base** was completed in partnership with the City Controller includes the following before adjustments:

Included:

- **Salary and Benefits** projects salary increases equal to the change in CPI using Moody's SF Metropolitan Statistical Area CPI as well as reductions in pension contributions starting in FY 24. Same formula will apply to **City Workorders**.
- **Funding levels to return to baseline of agency operations** positions and non-labor budgets that were frozen in the prior 2-years due to pandemic revenue losses are restored.
- **Makes permanent $3 million for HR Division** for enhanced and expanded hiring, and employee relations

Excluded

- **$0 wage increase for all labor contracts**
- **$0 for additional fringe costs for all labor contracts**
- **$0 Augmentation Requests from Divisions (pending MTAB Discussion)**

The Capital Improvement Program (CIP) is a fiscally-constrained 5-year investment plan for delivery of transportation capital projects.

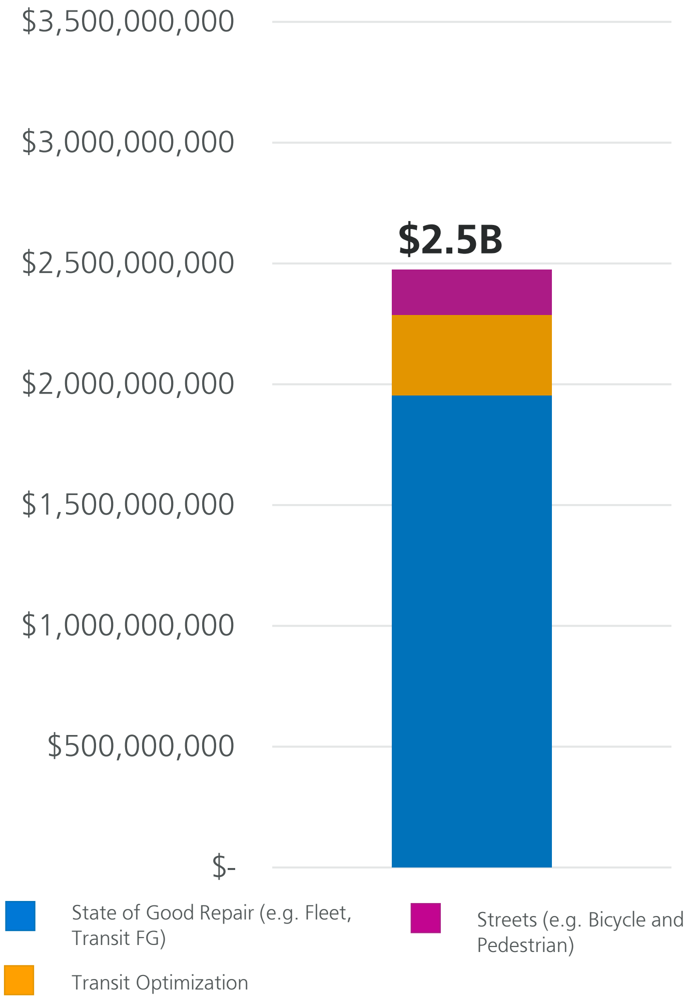
It serves as an implementation plan for regional, citywide, and agency- wide strategies and policy goals:

- SFMTA Strategic Plan
- SFMTA 20-Year Capital Plan
- Street Safety/Vision Zero
- Muni Forward
- Fleet Plan
- Building Progress Program
- State of Good Repair
- Bicycle and Pedestrian Strategies
- Plan Bay Area
- SF General Plan
- Neighborhood & Area Plans
- SFCTA Transportation Plan

20-Year Capital Plan
"What and Why"
Policy Priorities

5-Year CIP
"How and When"
Fiscal Constraints

Baseline FY23-27 CIP



225 Projects
$2.5 Billion Investment

- FY 2023 – 2027 Capital Improvement Program “balancing” in progress
- Current project funding needs exceed revenues; will consider cashflow management and project phasing options
- Several large projects:
  - LRV4 Replacement Phase
  - Vehicle Mid-Life Overhauls
  - Central Subway Closeout
  - Computer Based Train Control
  - Potrero Yard Modernization
  - Potrero Modernization
- Planning for contingency needs (risk analysis)

FY 2023 – 2027 Capital Improvement Program Baseline

	Capital Budget					5-Year CIP
Program	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**	**Total (Current)**
Fleet	170.47	151.90	199.23	419.59	237.40	1,178.59
Transit Optimization	53.37	30.13	96.95	53.56	100.39	334.40
Transit Fixed Guideway	78.72	54.96	126.16	144.30	83.38	487.53
Streets	53.21	39.84	35.92	21.55	35.64	186.16
Facility	24.03	49.32	51.86	9.00	24.40	158.62
Signals	33.03	17.01	19.15	14.95	6.54	90.69
Communications & IT	0.53	2.79	2.20	1.70	2.80	10.02
Parking	0	0	0	0	0	0
Security	1.93	1.93	1.93	1.93	1.93	9.69
Taxi	0.65	0.35	0.73	0.001	0.52	2.27
Total	**415.97**	**348.25**	**534.13**	**666.60**	**493.02**	**2,457.97**

Opportunities & Risks

Risk Analysis – Operating & Capital
5-Year Financial Plan

With so much uncertainty, we prepared a risk analysis – and included opportunities to remove risks.

We don’t have all the data now, but we can make reasonable assumptions about possible futures. We need to choose one we think may be true and plan for optimism but have clear plans to mitigate risks if they were to be realized.

Risk Analysis Summary

2-Year Consolidated Budget

Supplemental Federal Relief **$45 m - $100 m**	Inflation/Increased Costs **($20 m)**
Optimistic Fare Recovery **$20 m**	No Fare Program Changes **($12 m)**
Extended Meter Hours **$16 m**	Slower City Recovery **($28 m)**
Optimistic Parking Recovery **$6 m**	Slower Parking Recovery **($4 m)**

5-Year Capital Improvement Program (CIP)

GO Bond Passes **$400 m**	Planned Project Needs **($581 m)**

SFMTA revenues have not fully recovered, however modest recovery is assumed. The total risk range is Risk ranges from the baseline are from ($18 – 62 m) in FY 23 and ($22 – 53 m) in FY 24.

Inflation/Increased Costs ($20 m)

Increased material supply costs (i.e. fuel), contract costs and other inflation sensitive costs could increase base expenditures.

No Fare Program Changes ($12 m)

Baseline Budget assumes Automatic Indexing and implementation of the Equity Clipper Fare Program adopted as part of the prior budget process. No change would result in revenue decline.

Slower City Recovery ($28 m)

Slower recovery of the city overall, especially daytime population and tourism would slow M-o-M revenue growth resulting in reduced revenues within the FY.

Slower Parking Recovery ($4 m)

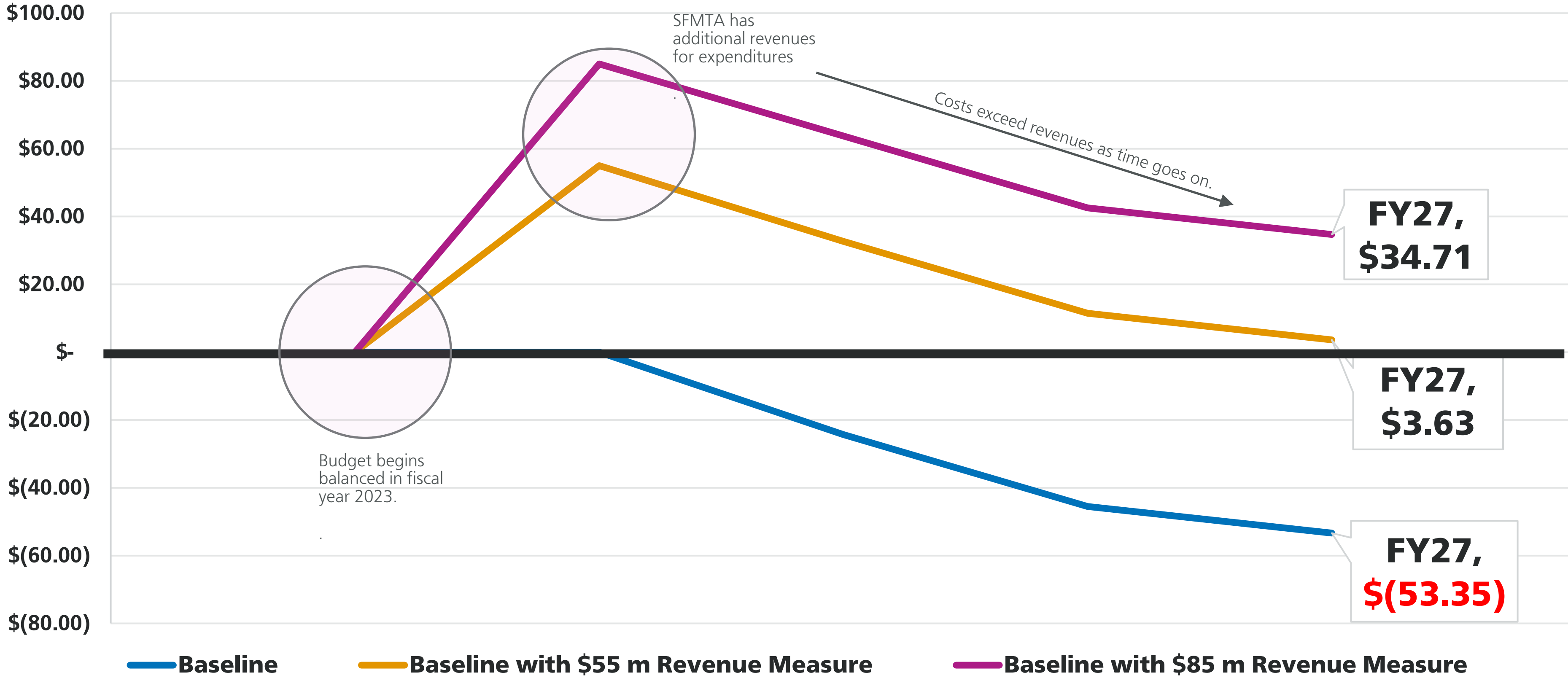
Parking revenues have generally recovered, however there are indications that we may see no further growth.

There are, however, some opportunities for additional revenues to emerge during the budget cycle. The best opportunity is supplemental federal relief, estimated at $46 million.

Revenue Source	FY23 Projected	FY24 Projected
Competitive ARP Federal Relief Hoping for FTA decision by March 2022	46.0	250.0
Fares (85% recovery in FY23) Fares could come in at the optimistic level	29.9	20.4
Evening/Sunday Meters* Full Implementation could occur	15.8	15.8
Rapid Parking Recovery Parking fees and fines could come in at the optimistic level	6.1	16.4
TOTAL OPPORTUNITIES	**97.8**	**302.6**

Scenario 1: Baseline Budget

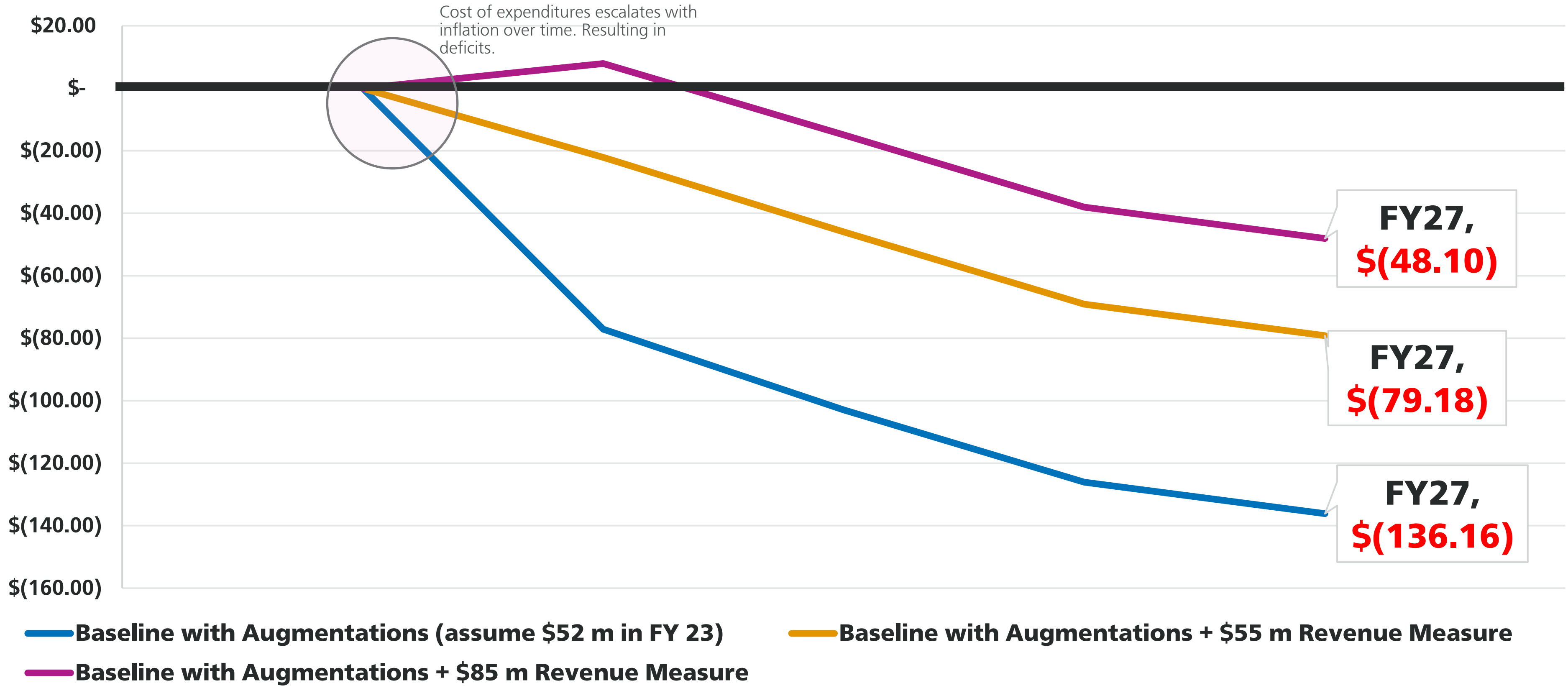
This scenario models the baseline budget with no expenditure augmentations and projected jointly with the SFMTA and the San Francisco Controller's Office. Revenues come in as expected.



Scenario also assumes new sources of revenues if they were to begin some time during fiscal year 2023. The result is the projected deficit at the end of the 5-year financial plan or fiscal year 2027.

Scenario 2: Baseline Budget with Expenditure Augmentations

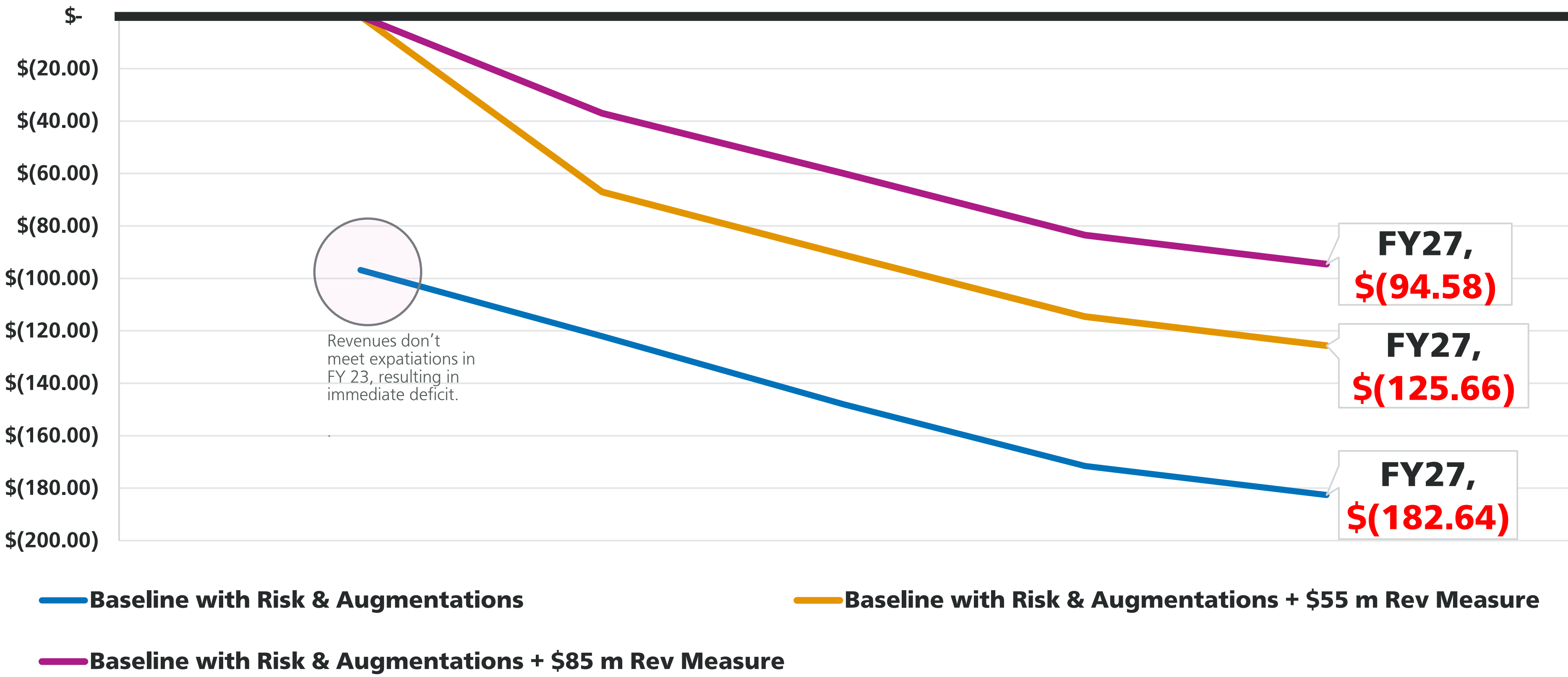
This scenario models the baseline budget with $52 million in additional expenditures beyond the baseline beginning in FY 2023. Revenues come in as expected.



Scenario also assumes new sources of revenues if they were to begin some time during fiscal year 2023. The result is the projected deficit at the end of the 5-year financial plan or fiscal year 2027.

Scenario 3: Baseline Budget with Revenue Risk & Expenditure Augmentation

This scenario models the baseline budget in which revenues do not come in at the levels projected at the baseline with an additional $52 million in annual expenditures.



Scenario also assumes new sources of revenues if they were to begin some time during fiscal year 2023. The result is the projected deficit at the end of the 5-year financial plan or fiscal year 2027.

CIP revenues have been in steady decline at a time where project requirements for initiatives in the pipeline or underactive construction require additional cash/funding or cashflow. Risk ranges from the baseline CIP are ($143 - $581 m).

Development Impact Fees	Development impact fees have come in significantly below forecasts; Prop B capital dollars were used to close existing project budgets with shortfalls; significantly impact the agency's ability to manage cashflow.
Sales Tax	All major Transit Categories are nearly exhausted; except for Guideways in Prop K. This also limits the agency's ability to manage changes in cashflow.
Project Cost Increases	COVID-delays, higher bids, and change orders are resulting in cost and cash requirements beyond contingency.
Shifting Proposition B from Operating to Capital	A permanent shift of $30 m per year reduces capital revenues 5-year period of $150 m that existed in prior years and CIP programs.

The current capital project risks include the following.

- Central Subway contract and project closing costs (est. $35 m – 45 m).
- Major street corridor projects ready for competitive grants or other possible sources ($19 – 21 m).
- Regional Measure 3 funds are still stuck in the courts this could result in a cashflow problem for critical fleet and facilities project including: LRV 4, Muni Metro East Expansion, etc. ($140 m)
- Potrero Yard Modernization Project is a “pay-go” project, funding is secured through design, but construction funds will be needed in the 5-year CIP window ($190 - $200 m)
- Facility renovations have always been funded by operating funds, as no secure federal or regional source exists other than SB 1 State of Good Repair dollars ($150 m)
- The current 5-year CIP currently has little in contingency, a minimum of 2% is typically recommended.

The SFMTA has prepared numerous shovel ready projects, that simply need cash/revenue.
The **General Obligation Bond** is the best opportunity to fund these projects. ($400 million)

In addition, the **Reathorization of the current transportation sales tax** would infuse capital dollars that have been exhausted for facilities, guideways and the Muni Fleet.
(est. $140 million)

Next Steps

Budget Schedule
Requests for Report Backs

The Board Workshop begins the public process to develop the SFMTA budget for the next 2-years.

- The Board Workshop is an opportunity to ask questions, get clarify and solicit data and report backs on proposals, informing the entire process.
- **February** Public Outreach and Budget "listening sessions" will occur; we will report back on what we hear
- **February** report backs
  - CIP Development, Prioritization and Advocacy Strategy
  - Building Progress Program + Potrero Yard Development
  - Board Workshop Follow-ups
- **March** public hearings on Fares, Fees and Fines
- **Late-March** we will provide a budget that revises the baseline, after 6-month financial review
- **April** final budget & 5-Year CIP modifications and adoption.

LIVE MUSIC & ENTERTAINMENT
CITY STAGE
Hybrid Electric
Hybrid Electric
8641
5 FULTON
TAXI
SPEED LIMIT 25

Thank you.