



SFMTA

San Francisco Municipal Transportation Agency

Budget Process and Strategy

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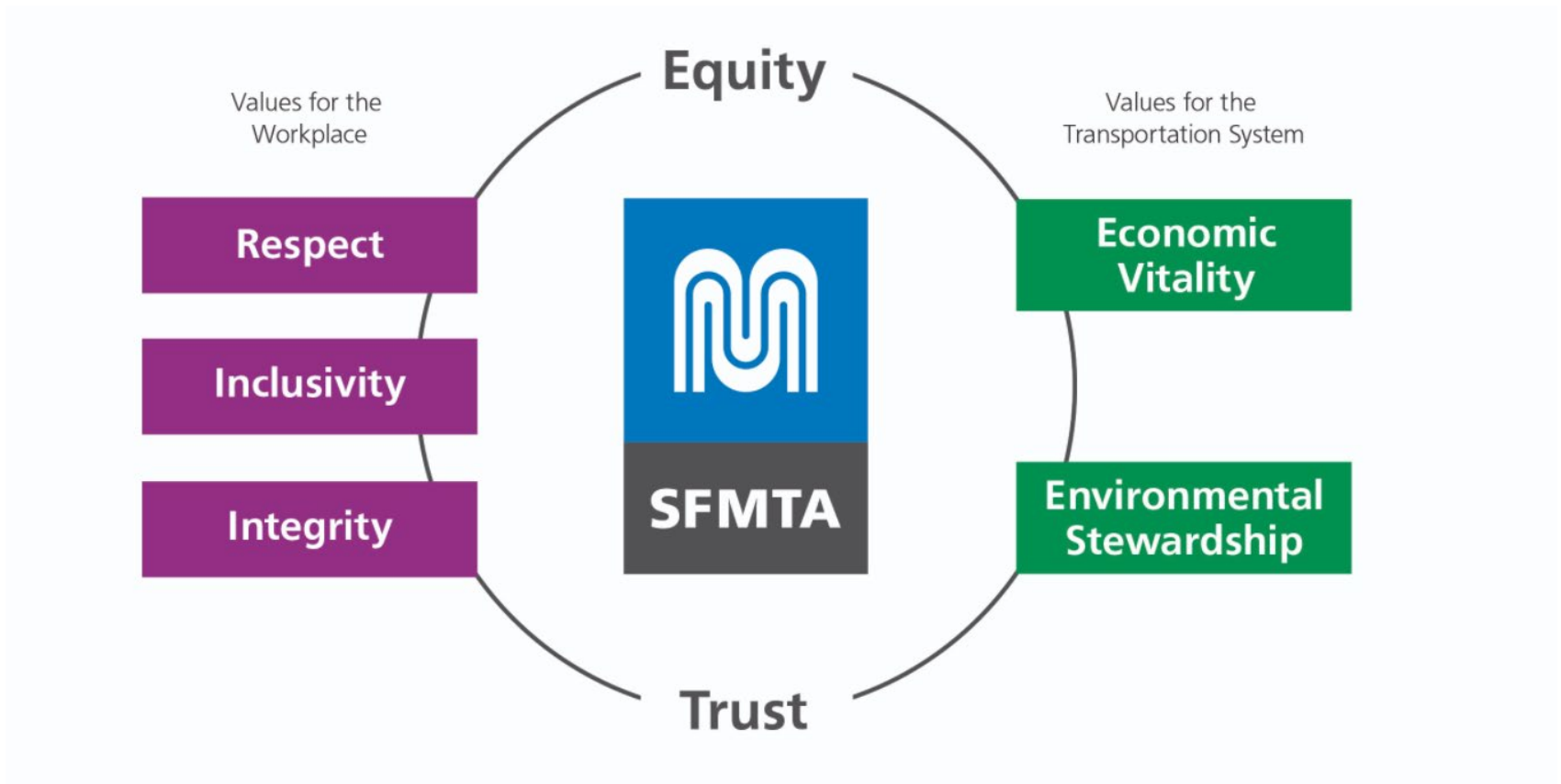
January 16, 2023

SFMTA Budget Process

2-Year Consolidated Budget
5-Year Capital Improvement Program

SFMTA values

The budget reflects our values.



SFMTA budget components

The SFMTA Budget has a 2-year operating and capital component

Budget Type	FY 2023 – 2024 Amount
Operating	\$1.473 million
Capital	\$395 million

- Operating budget funds daily operations like transit service, traffic control, parking management, and community outreach.
- Capital budget funds construction projects such as track maintenance and traffic calming infrastructure, as well as capital assets like trains, buses, and traffic signals.

Budget timeline

Summer/Fall	Fall	January	Feb/March/April
Estimate revenue Update 5- Year Financial Outlook	Develop base operating budget Allocate CIP revenues	MTA Board Workshop Public outreach begins	Public outreach continues Budget Hearings Budget Action
	June	July	August
Submit balanced budget to Mayor May 1	Mayor submits budget to Board of Supervisors Board of Supervisors reviews budget	Action or no action by Board of Supervisors	Mayor signs budget

Budget requirements

Two-Year Consolidated Budget

- Due to the Mayor by May 1, 2024.
- Covers FY 2025 and FY 2026
- Requires:
 - 2-Year Operating Budget
 - 2-Year Capital Budget
 - Budget Resolution
 - Fees, Fares and Fines Policy, including
 - Title VI analysis to ensure equity

SFMTA Board hearings on FY 2025 & 2026 budget

Date	Topic
Jan. 16, 2024 Hearing	Budget process & strategy
Jan. 30, 2024 Workshop	Transit fare options Parking fines and fees options Budget options & tradeoffs discussion Budget policy direction
March 5, 2024 Hearing	Operating revenue proposals Capital Improvement Plan update, options
March 19, 2024 Action	Revenue proposal approval Capital Improvement Program proposal
April 2, 2024 Hearing	Budget overview
April 16, 2024 Action	Budget approval

Public outreach plans

- Meetings scheduled with SFMTA Citizen Advisory Council.
- Meetings scheduled with San Francisco Youth Commission and SFMTA Youth Advisory Council.
- Two citywide meetings being organized: one virtual, one in-person
- Meetings to be scheduled with community-based organizations, merchant groups and others to gather their feedback.
- Budget trade-off activity in development.



5-Year Capital Improvement Program (CIP)

After the Board Workshop, we will continue work on operating and capital budgets. First capital budget presentation to Board of Directors on March 5.

20-Year Capital Plan

Capital Plan estimates 20-year need

Funding Agencies

Provide guidelines for how dollars may be spent

5-Year Capital Improvement Program

CIP matches projected capital revenues with projects in the Capital Plan

2-Year Capital Budget

Revenue, funding plans, capital programs, capital projects, phases

FY24-25 & FY25-26

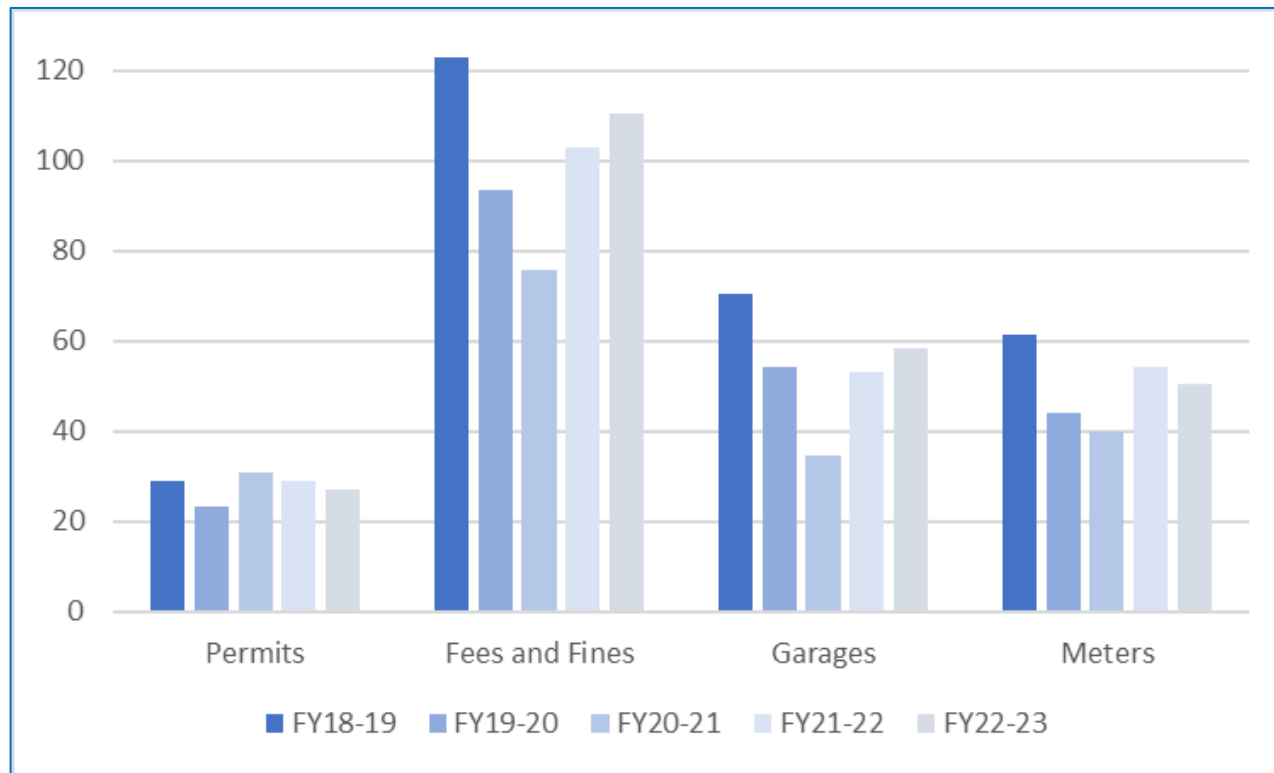
Budget Strategy

Financial context

- Revenue is lower than pre-pandemic.
- FY22-23 expenditure exceeded SFMTA enterprise revenue; spending level was dependent on federal relief.
- One-time federal, state and regional transit relief expire in FY25-26.
- One-time fund balance is insufficient to close the gap.
- Key budget drivers are uncertain.

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

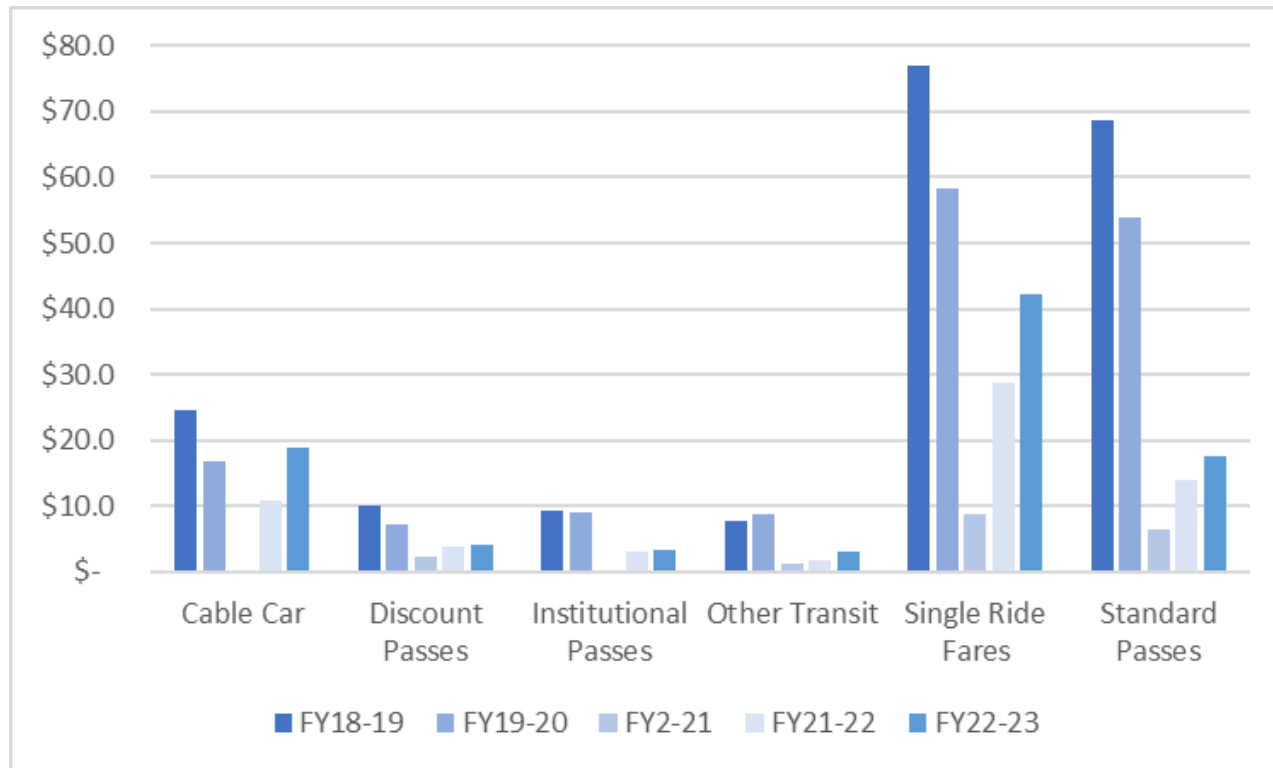
Overall, FY22-23 parking revenue was 12% lower than FY18-19



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

FY22-23 Transit Revenue by Category (\$M)

Overall, transit revenue is 56% lower than FY18-19



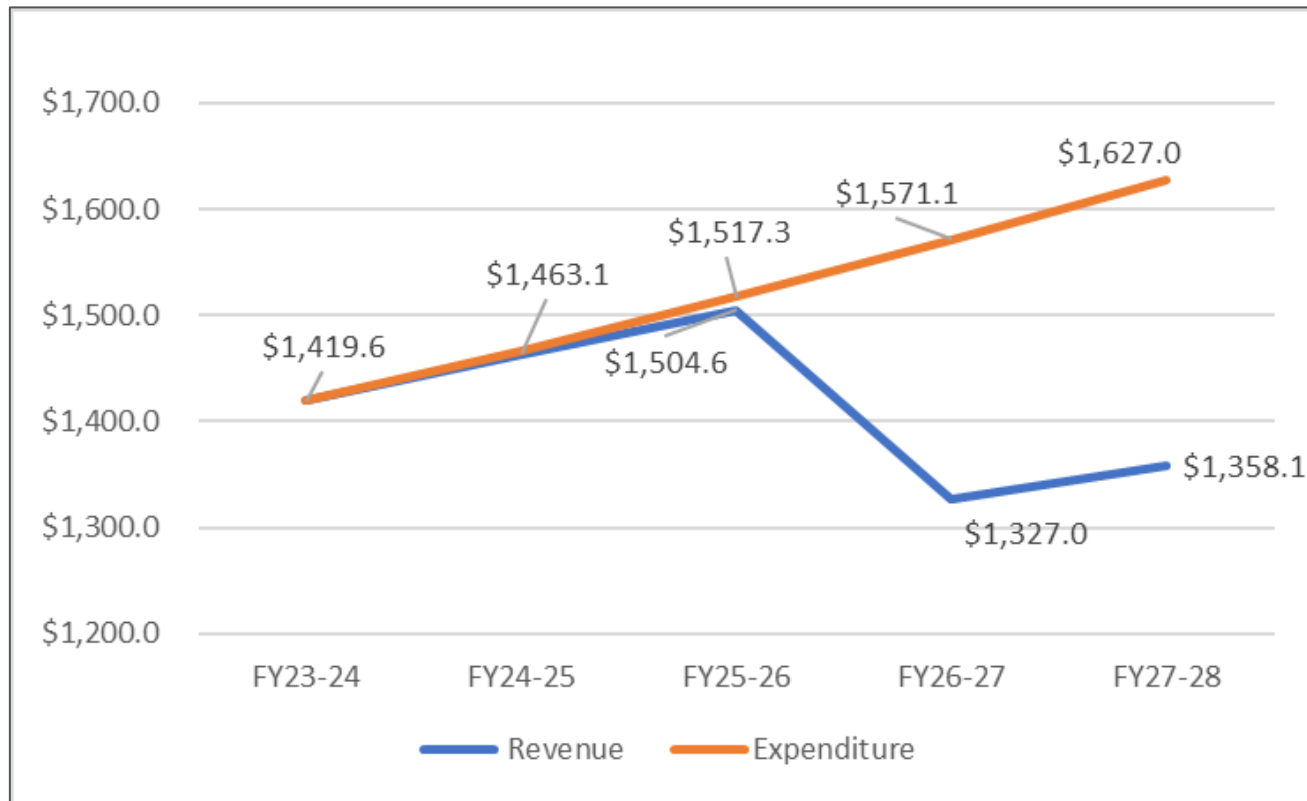
Consistent with post-COVID commuting patterns, standard passes show the greatest decline (74%), single ride fares show the least decline (45%)

Steps taken to reduce expenditures

- In FY22-23 we put 349 FTE, valuing \$52.8 M, on budget hold.
- FY24-25 & FY25-26 budget instructions include reduction in non-labor expenditure of \$33.7M in FY24-25 and \$25.5M in FY25-26.
- Survive scenario allows only cost neutral Muni service changes.
- Years of efficiency improvements include
 - Muni Forward Service savings reinvested.
 - Process modernization and improvements to project delivery.

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, and pending the outcome of labor negotiations, SFMTA can close the budget gap until late FY25-26.



The Future is Uncertain

- 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
- Regional revenue measure polling numbers are weak and the size of need (\$240M) exceeds prior regional revenue measures. For example, currently local sales tax expected to generate \$54M in FY23-24, far below the amount needed to close the projected gap.
- Labor accounts for 63% of FY23-24 expenditure. Current labor contracts expire in June 2024 and are being negotiated in Spring 2024.

Current Budget Strategy

- Focus on revenues available July 1, 2024 to close FY25-26 gap.
- Control expenditure: implement only cost neutral service changes – “survive strategy”
- Stretch one-time sources like federal, state and regional transportation relief
- Focus on FY24-25 and FY25-26 but manage toward solving projected deficits.

The Board Workshop is an opportunity for Board members to provide input on the budget strategy and articulate their budget priorities.

Input requested at Board Workshop

- **Priorities:** What are Board members' top priorities that should guide the development of the budget?
- **Policy direction:** When and under what circumstances do we use the reserve? What policy direction should SFMTA pursue, should funding become available?
- **Revenue options:** Which options for generating new revenue should be pursued? Revenue must be available beginning July 1, 2024.
- **Expenditure options:** Options are limited because of limited revenue. Any additional expenditures will require taking funds away from another SFMTA program. Board priorities will guide discussion of expenditures.

Next Steps

- Prepare 2-year capital budget and 5-year Capital Improvement Program.
- Finalize revenue projections.
- Align expenditure to forecasted revenue.
- Complete Muni Service Equity Strategy, which will guide allocation of Muni service resources.
- Explain agency fiscal needs and clarify trade-offs through community outreach.
- Understand Board priorities through Board Workshop on January 30, 2023.

Summary:

Current strategy to achieve a balanced 2-year operating budget for FY 25 and FY 26 is to identify new revenue sources that can be available on July 1, 2024 and make only cost neutral changes to expenditures.