SFMTA

Community Advisory Committee

Financial Update

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Chief Financial Officer

September 25, 2024 - Item 9

Financial Trends

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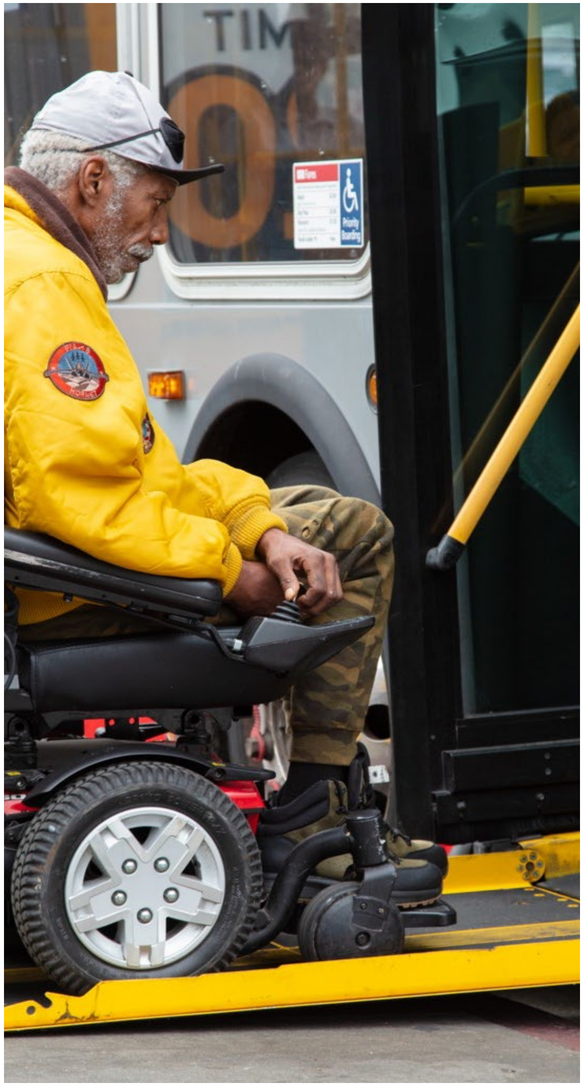
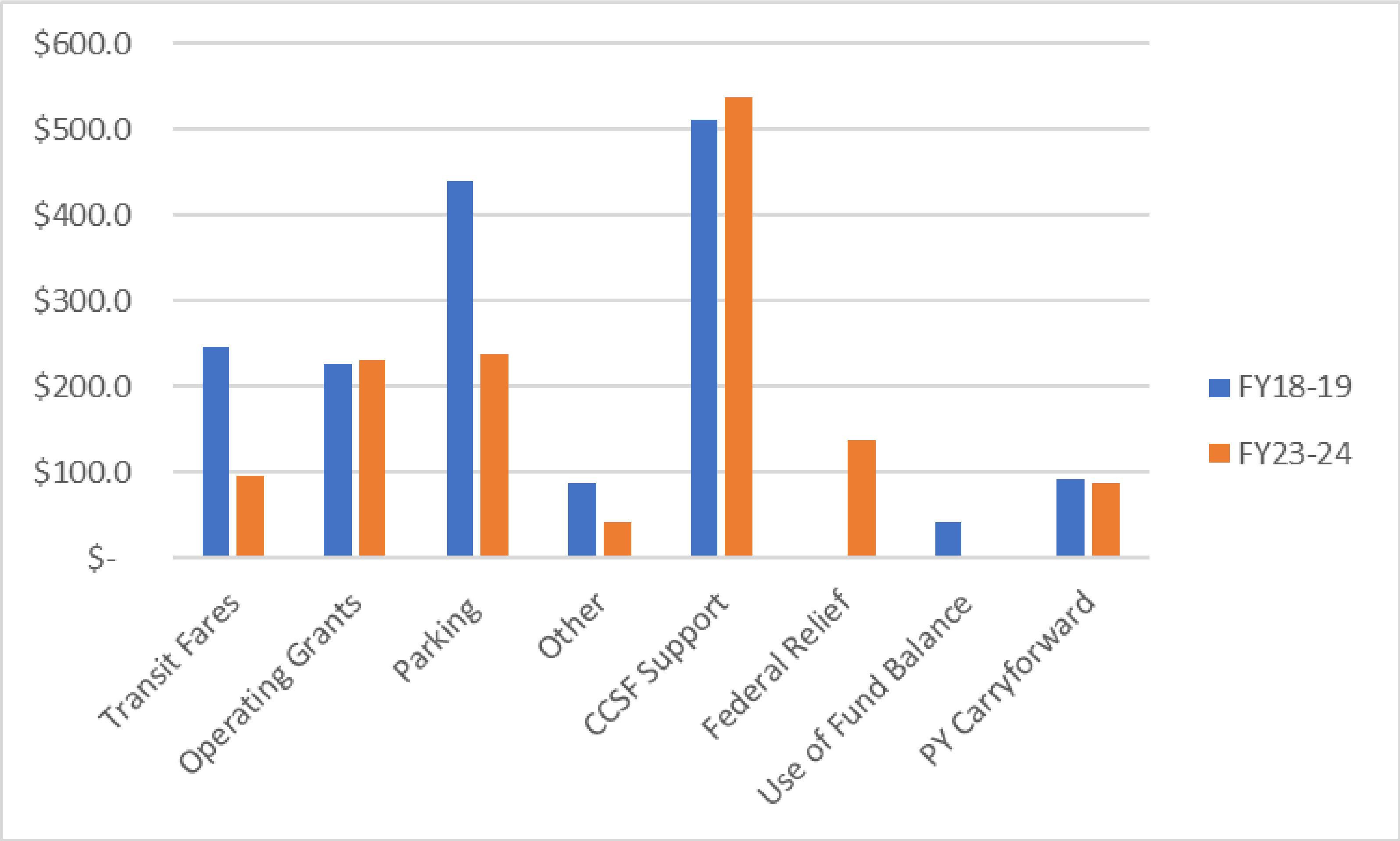


- Revenues are lower than pre-pandemic across the board:
    - Transit revenue down
    - Parking revenue down
    - General Fund growth slower than prior decade.
- Federal, state, & regional relief end in FY26-27.
- In response, we reduced expenditures in our control
- Revenues grow slower than inflation

Revenue Trends: Lower Revenue

Adjusted for inflation, SFMTA revenues are $275M or 16% less than pre-pandemic.



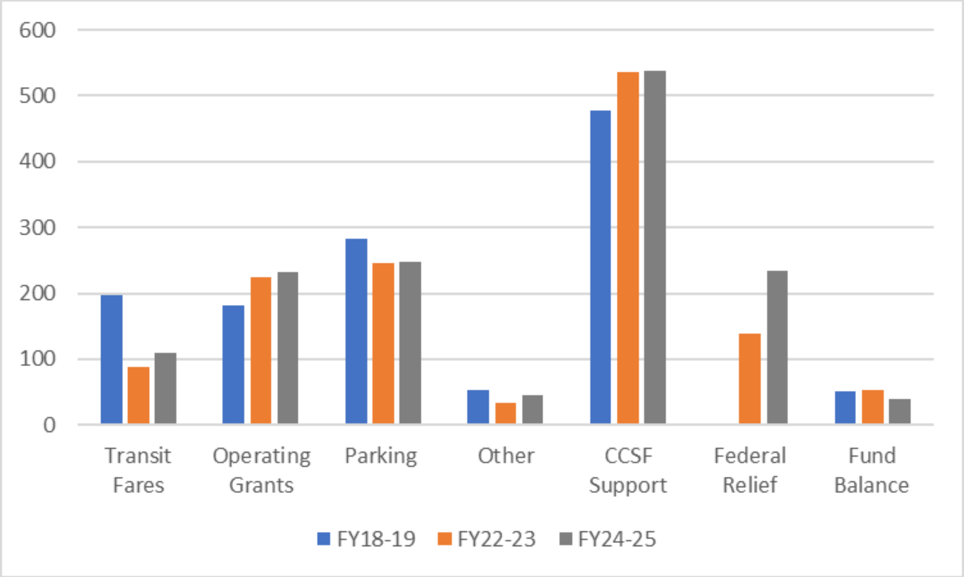
Revenue Trends: Additional Revenue Sources are Being Impacted

Enterprise revenue decreased dramatically during the pandemic due to changing travel patterns:

- Transit fares
- Parking fees and fines

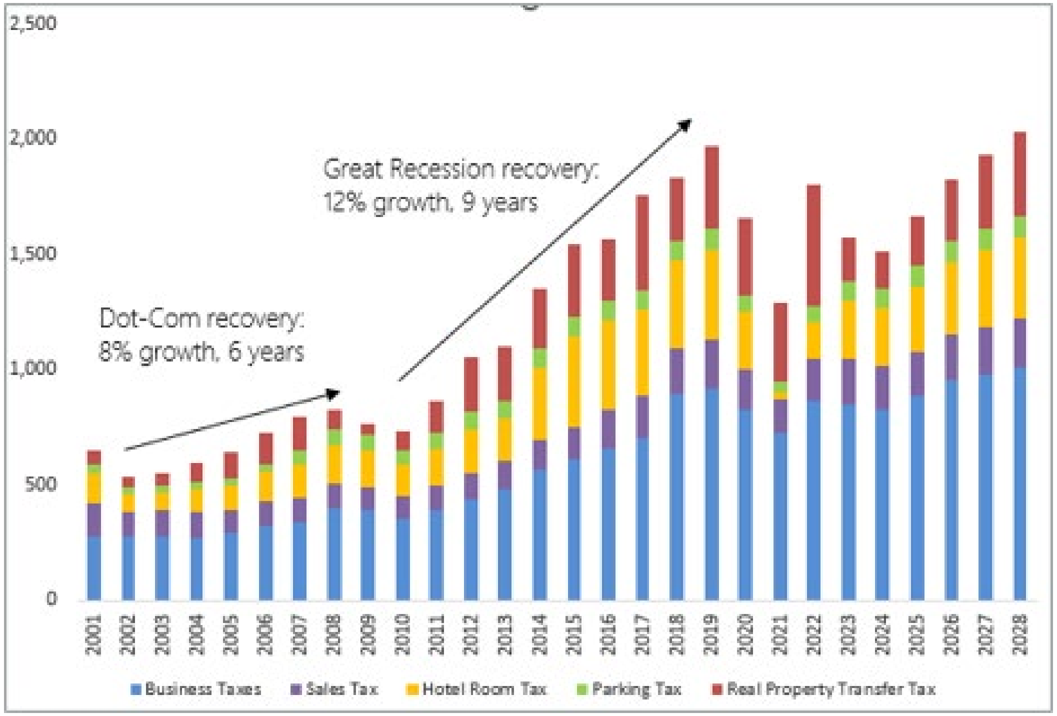
Additional revenue sources are increasing more slowly due to post-pandemic economic conditions:

- General Fund



Revenue Trends: Slow General Fund Growth

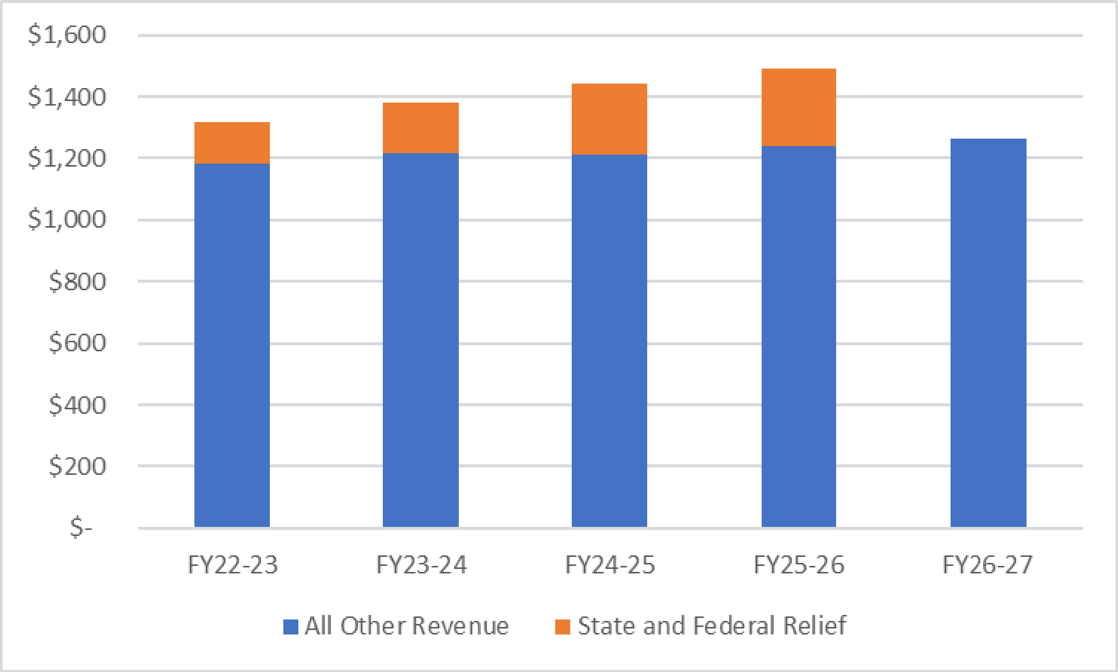
15 years of General Fund revenue growth of 8% to 12% is replaced by projected 3% growth, dramatically decreasing revenue growth built into assumptions about SFMTA's long-term financial health.



As General Fund is 39% of SFMTA revenue, performance of the General Fund is the most significant driver of lower SFMTA revenue.

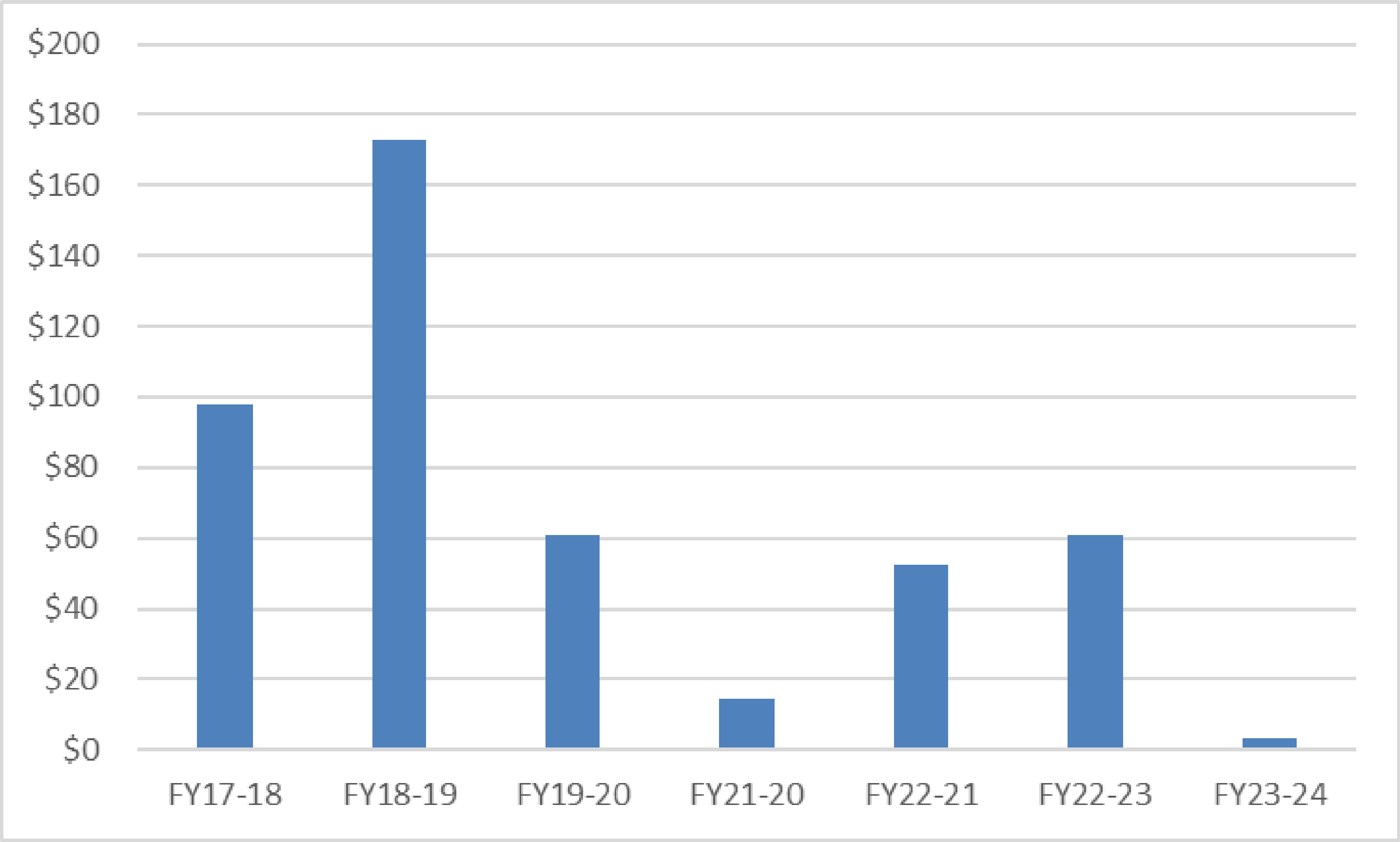
Revenue Trends: State and Federal Relief Ends

Balancing the budget since the pandemic has only been possible due to one-time regional, state and federal relief, which will be expended in FY26-27.



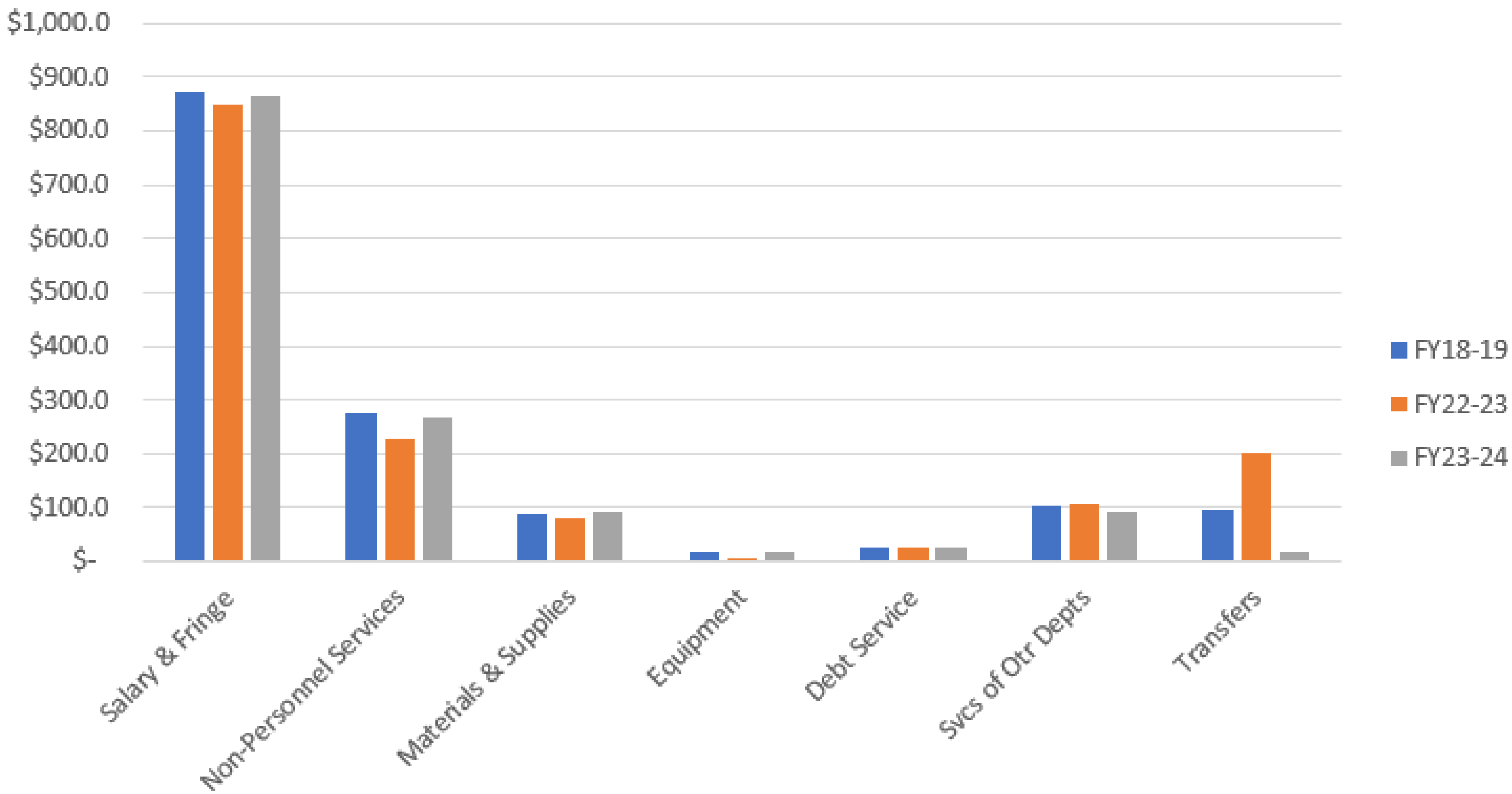
Revenue Trend: Low Fund Balance

SFMTA will end the year with a significantly lower fund balance than it started, making SFMTA less financially secure.



Expenditure Trends

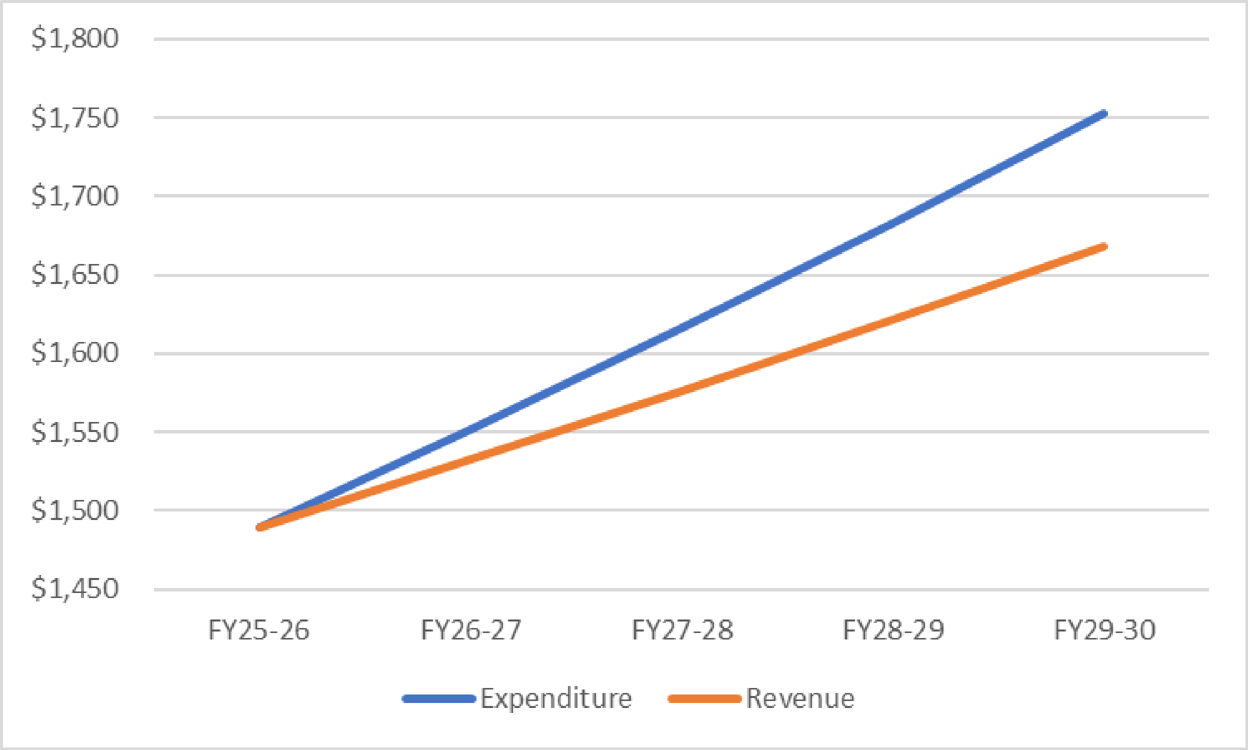
When adjusted for inflation, SFMTA spent $95M or 6% less than pre-pandemic.



Expenditure on capital, multi-year projects and transfers to reserve make-up $76M of difference, indicating a decrease in long-term investment and financial planning.

Expenditure Trends: Projected expenditure growth exceeds projected revenue growth

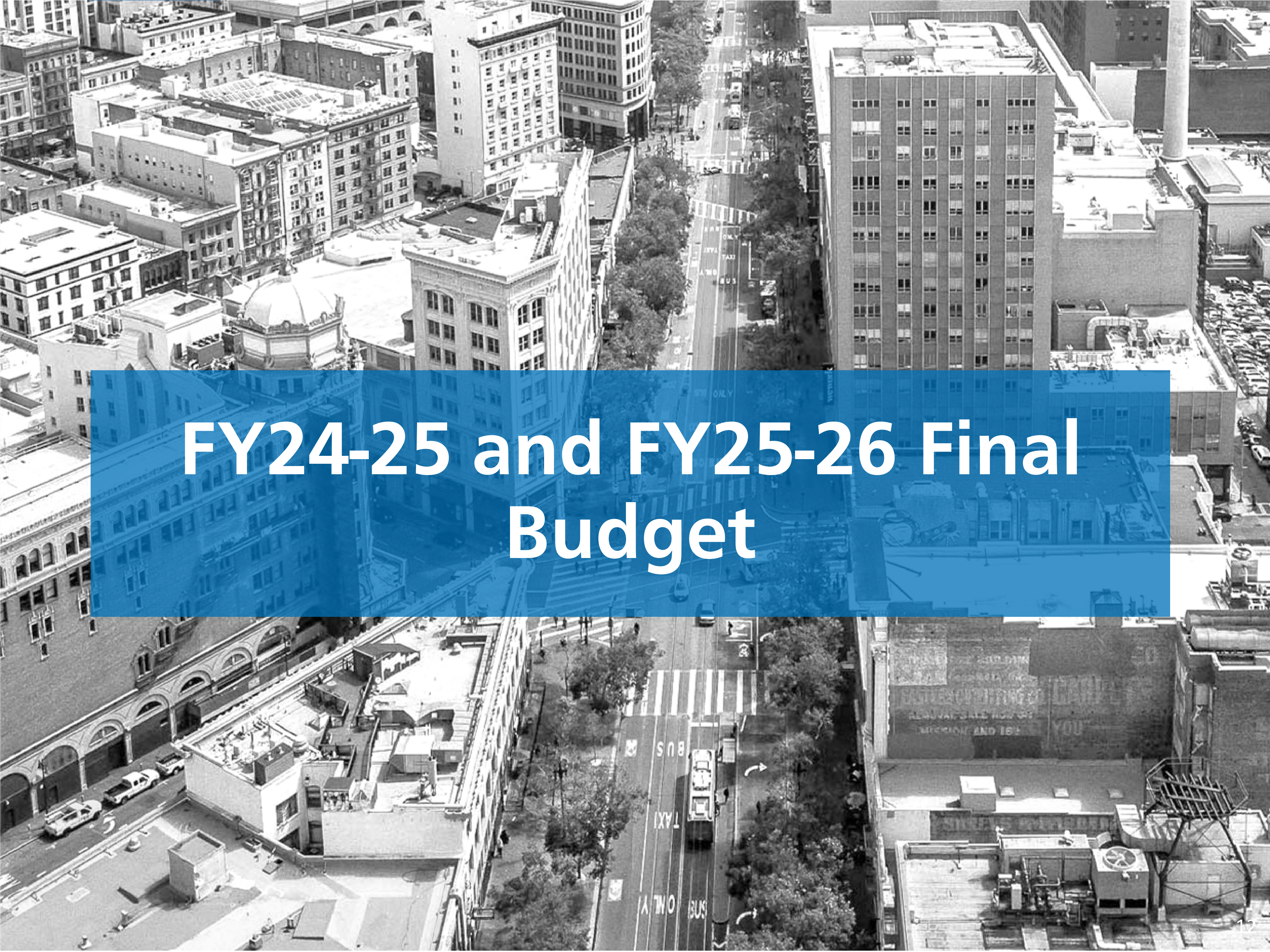
Projected expenditure growth of 4% due to inflation and COLA exceeds projected revenue growth of 3%.



Mismatch between expenditure and revenue growth rates turns a balanced budget into a growing deficit, even when the number of FTE and other expenditure types is unchanged.

Revenue growth is slower than inflation and federal, state, and regional relief is fully expended in FY26-27

FY24-25 and FY25-26 Final Budget



FY24-25 and FY25-26 Final Budget

Balancing FY24-25 and FY25-26 budgets included hard choices

- Limited hiring by putting $52.8M in vacant positions on budget hold
- Limited non-labor spending by increasing only by inflation, no new spending
- $12.7 million in fare, fee and fine increases, impacting 100% of sources exclusively under SFMTA control
- No additional Muni service, despite growing ridership; only cost-neutral service changes.

FY24-25 and FY25-26 Final Budget

After SFMTA Board passed budget, revenue went down* and expenditure went up. To balance the budget, we:

- **Will reduce hiring**
- **Defunded one-time investments:**
  - Non-revenue vehicles
  - Capital projects
  - Misc. professional services, and materials and supplies

We still have a budget gap in FY 25-26 and need to take action.

*NOTE: SFMTA submits balanced budget by **May 1, before** CCSF closes out its fiscal year.

Changes to the SFMTA budget due to the City budget cycle worsen our financial picture and necessitate action.

Five-Year Deficit Projections

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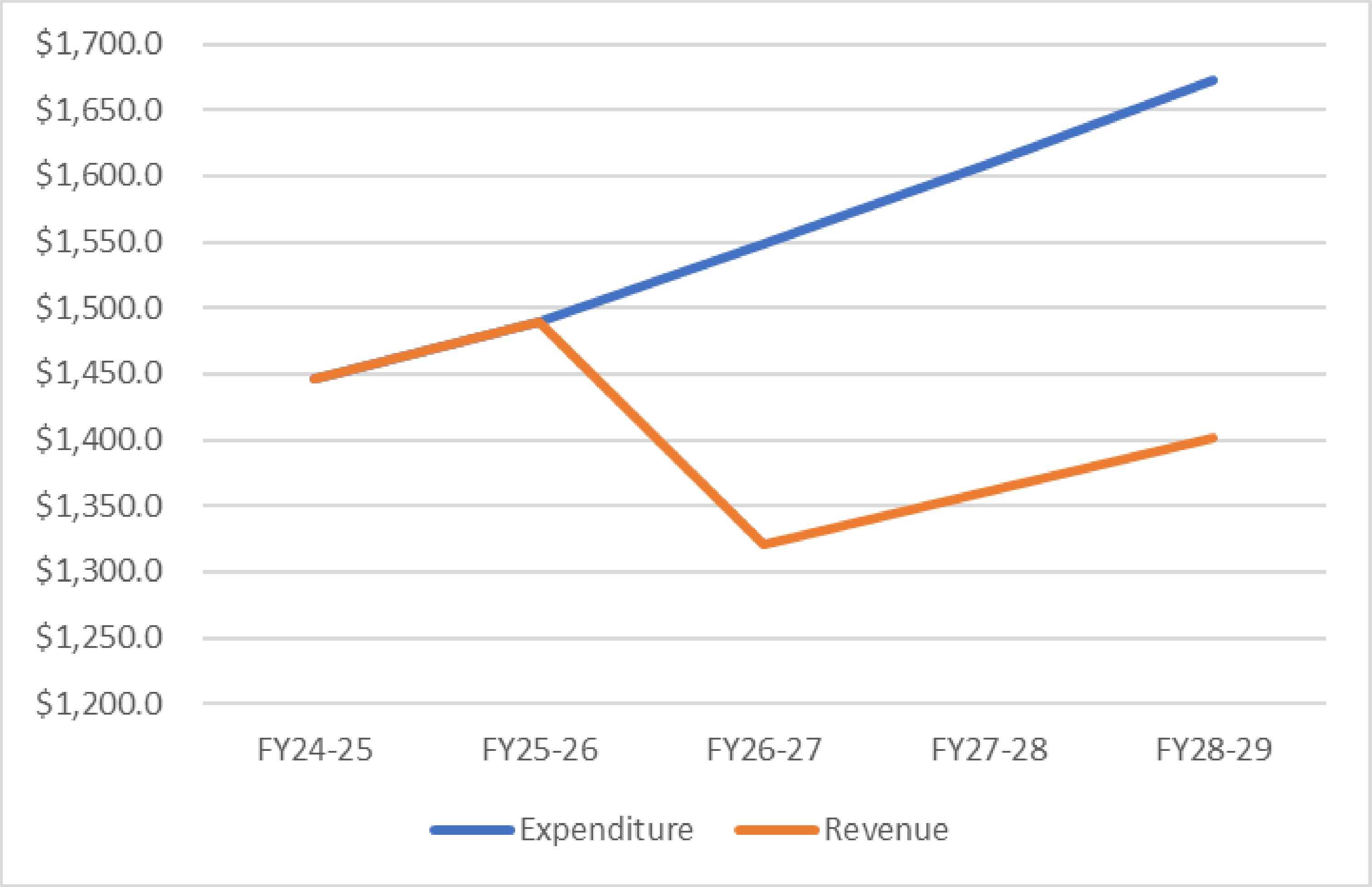
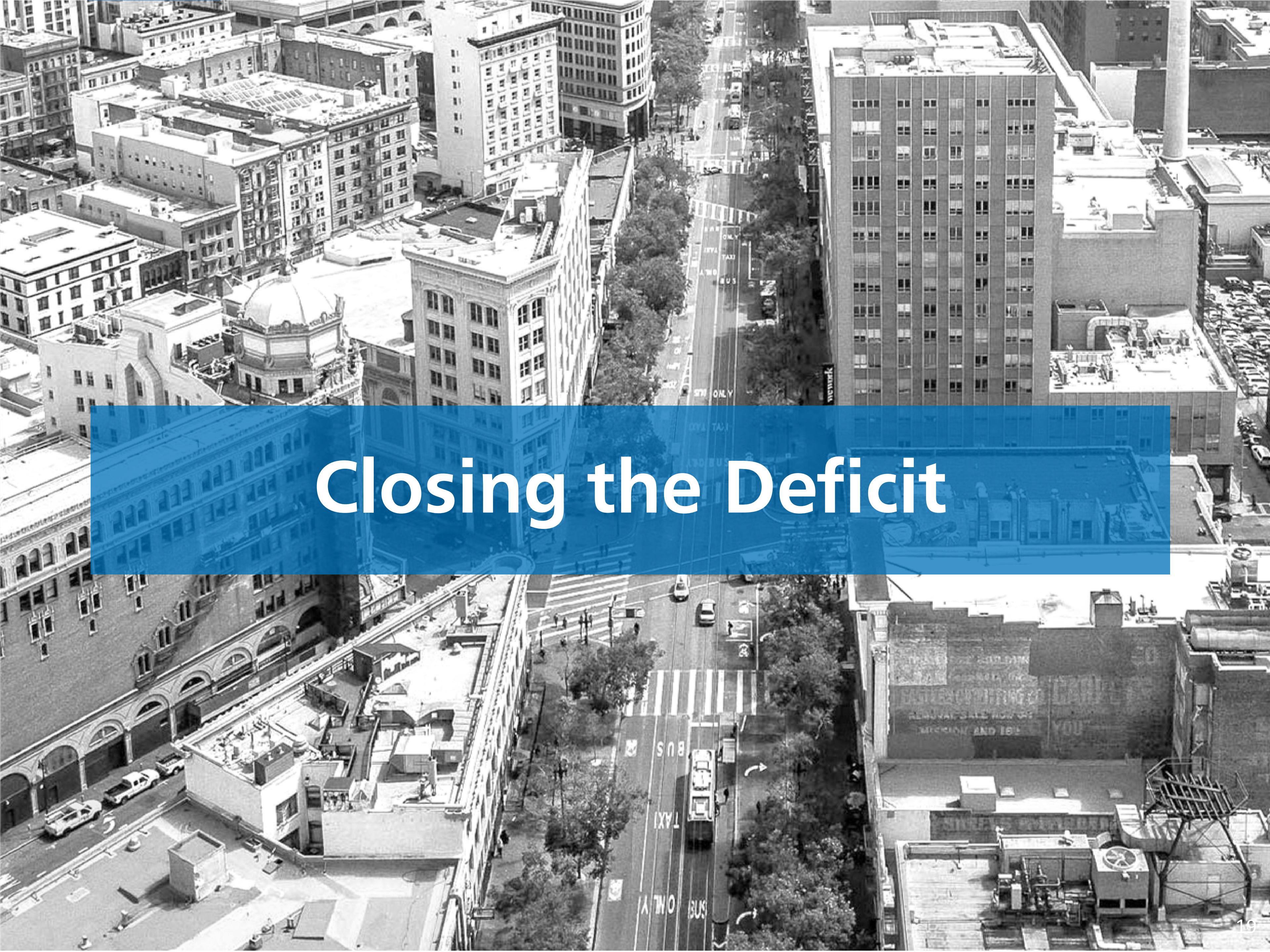
Projected FY26-27 deficit ranges from $239M to $322M, depending on assumptions:

- Economic health of San Francisco and State of California
- Use of flexible funds that can be used for operating or capital
- Development of additional revenue sources
- Policy choices about how much service to provide
- Policy choices about implementing efficiency measures, like transit only lanes, that could make service less expensive
- Generation of fund balance by collecting more revenue or expending less than projected

Five-Year Deficit Projections

Deficits begin in FY26-27 when federal, state and regional transit relief is cut and will range from $239M to $322M.





Closing the Deficit

Strategies to Close Deficit

- Increase **ridership** by making Muni fast, frequent, reliable, clean, and safe
- Increase **fare compliance** by adding Transit Fare Inspectors
- Raise revenue through a **regional revenue measure**
- Convene **Muni Funding Working Group,** at direction of Controller and Director of Transportation, to discuss all possible options

Increasing Ridership: Reliability

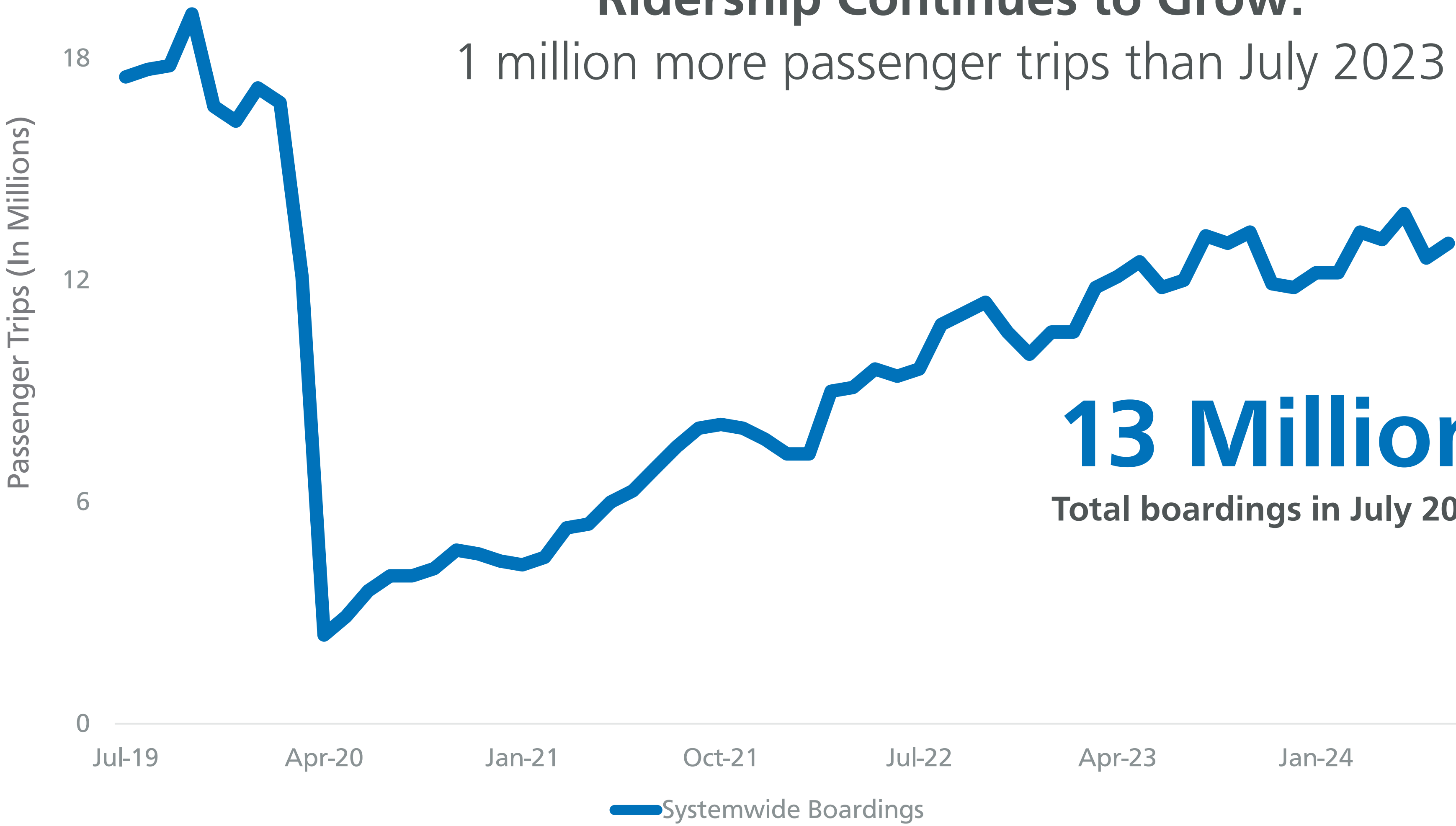
- Muni is more reliable than ever
- Muni achieved **historic levels of service reliability** through new and improved strategies.
- Moderate subway delays are down 65% - 95%, compared to 2019
- Major subway delays are down 70% - 85%, compared to 2019

Subway delays measured on monthly basis

Increasing Ridership

Ridership Continues to Grow:

1 million more passenger trips than July 2023



13 Million

Total boardings in July 2024

Note: Excludes cable car and streetcar.

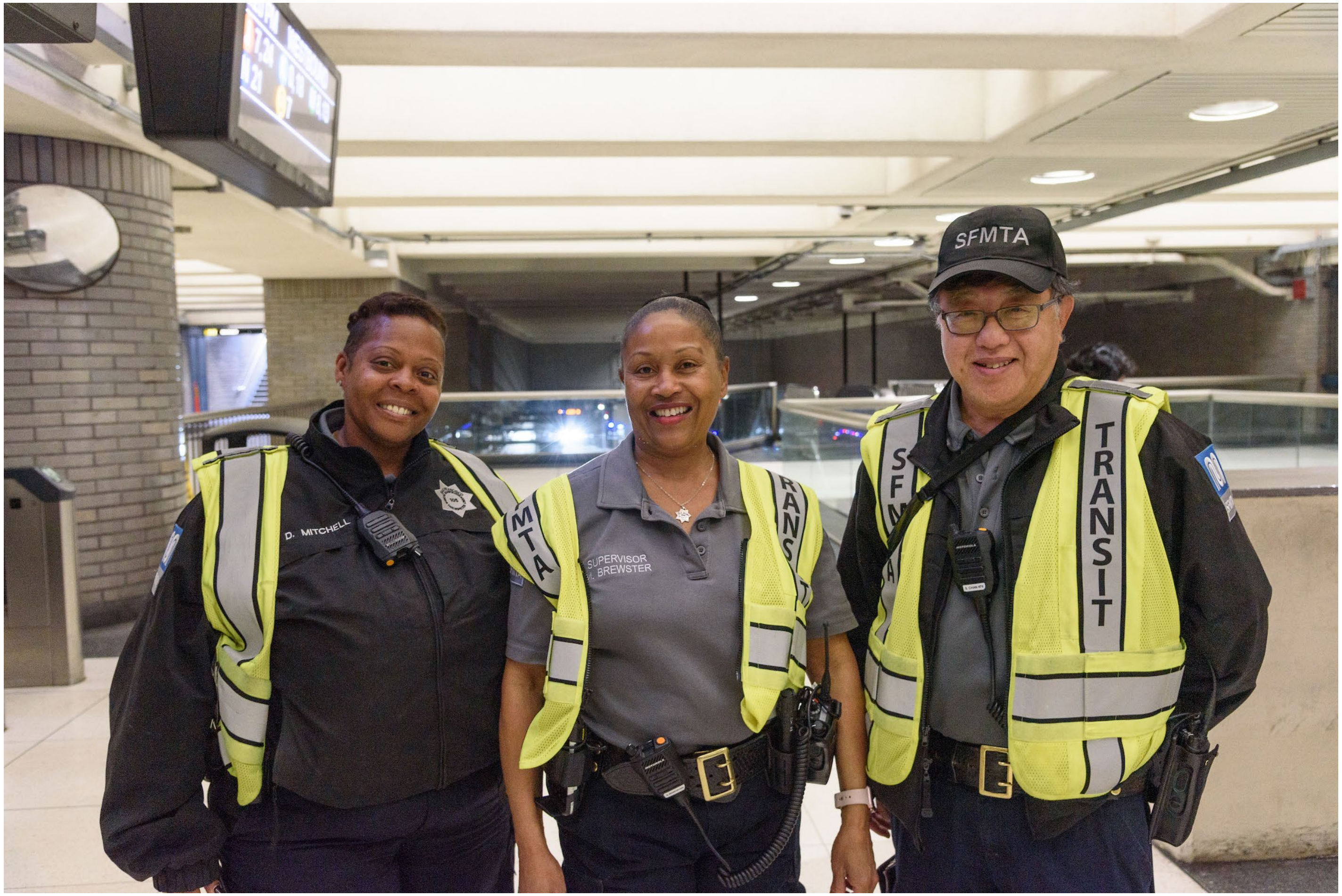
Fare Compliance

Plans to increase fare compliance

- Education campaign launches in September
  - Earned media, paid media, social media, podcast, car cards, meetings with CBOs, other
- Marketing campaign in development
  - Research-based messaging to drive fare compliance
  - Comprehensive multi-channel marketing campaign
- Ease of payment work ongoing
  - Clipper 2.0 (delayed)
  - Including Muni ride in pricing of tickets to sports events, music festivals
- Discount fare promotion ongoing
  - City Fellow application was not successful
  - Staff work with City Departments and CBOs is ongoing

Fare Compliance

Hiring 36 additional Transit Fare Inspectors



Regional Revenue Measure

Continuing to work collaboratively with MTC and other counties on new regional revenue measure for Nov. 2026 ballot.

SFMTA priorities for regional measure:

•**Approach the funding crisis as a regional problem**, not as the problem of a few Bay Area transit agencies. We should have all tools on the table.

•**Invest in and sustain high-quality transit service** to ensure that Bay Area transit operators can meet the needs of San Franciscans and other Bay Area residents who depend on public transit to live their daily lives. Equity is essential.

•**Improvements we've made to make Muni fast, frequent, reliable, safe and clean will be eroded if we're forced to shift capital funds** that are supposed to be invested in maintenance to operations. We must prevent that from happening to us or any other transit agency in our region. We need a sustainable source of operating funds.

Muni Funding Working Group

- **Convened by the Controller's Office and Director of Transportation**

- **Similar in structure and process to previous successful working groups:** T2030, T2045, Muni Reliability Working Group

- **Membership includes diverse stakeholders:** SFMTA Board, SFCTA/Board of Supervisors, labor, business, community-based organizations and advocates, transit experts

- **Scope is to review and recommend a suite of options to eliminate SFMTA deficit:** efficiency improvements, service cuts, revenue enhancements, and service enhancements.

Summary

- Our financial situation has been made worse by economic forces that are out of our control, including working from home and the health of the city and state economy.
- We've used pandemic relief funds wisely, but regional, state and federal funds are fully expended in FY26-27.
- We need to develop solutions now, while there's still time to act
- Projected FY26-27 deficit ranges from $239M-$322M, depending on economic outcomes and policy choices.
- The size of the problem is so large, multiple solutions are needed. Muni Funding Working Group is charged with recommending solutions.
- We're fighting for our workforce and we're fighting for the services San Franciscans depend on.