



**SFMTA**

San Francisco Municipal Transportation Agency

# Financial Update for the SFCTA

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February 25, 2025

Item 10

# A well-functioning Muni is critical to the Bay Area's economic recovery

- Muni supports the climate, equity and economic recovery goals of the entire region
- Muni carries over half of Bay Area transit riders
- Over 60% of all regional transit trips start or end in San Francisco
- Almost half of all Bay Area interagency transit transfers are to or from Muni

**“If we don’t have a solvent transit agency, we will never have economic recovery.” – Ted Egan, San Francisco’s Chief Economist**





# Investments in Muni service quality are paying off



TRANSIT INFRASTRUCTURE



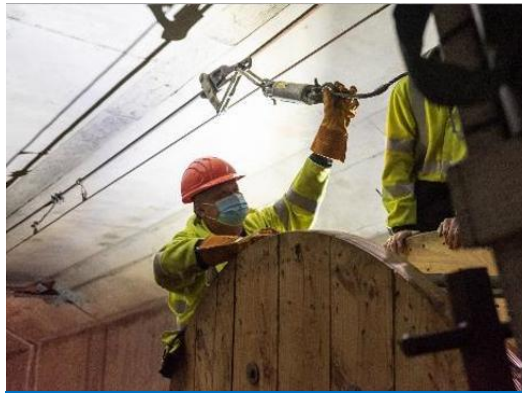
SAFETY



CUSTOMER INFORMATION



CLEANLINESS



MAINTENANCE



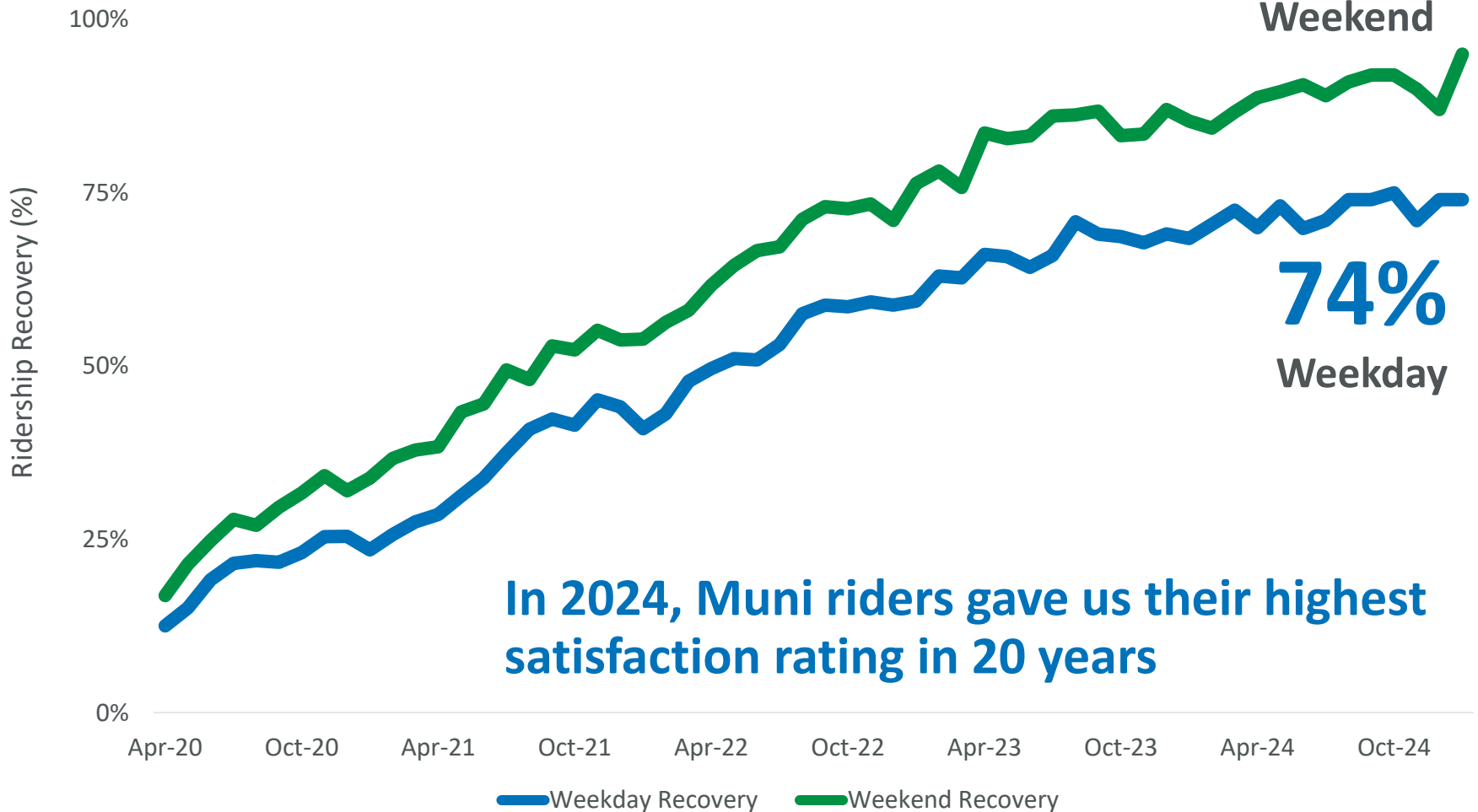
EMPLOYEE MENTORING

# January Muni Ridership Recovery

479,000 average weekday boardings

95%

Weekend

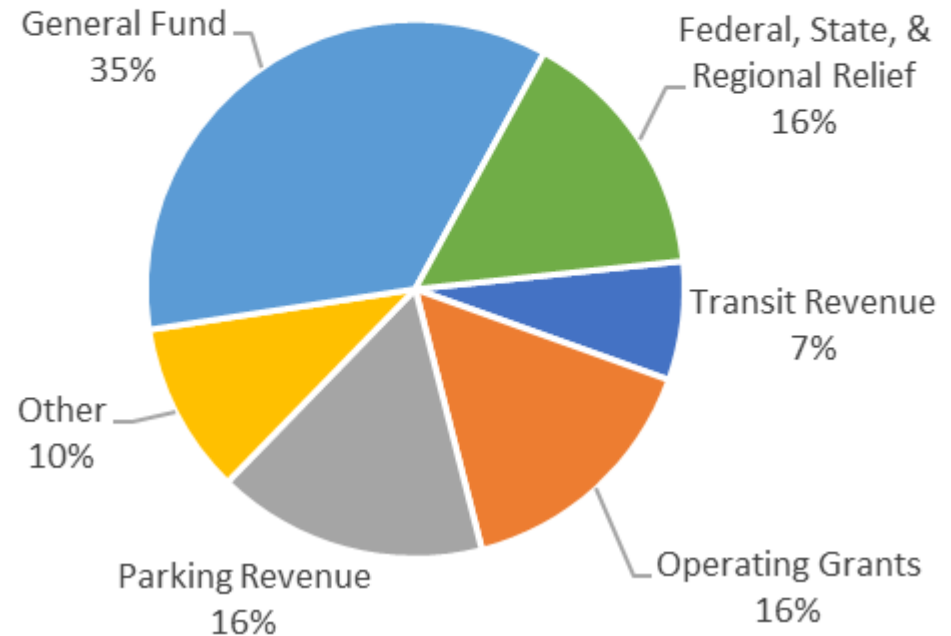


Note: Excludes cable car and streetcar. Recovery baselined against average daily boardings from the same month in calendar year 2019.

# SFMTA FY24-25 Budgeted Revenue

The operating budget is funded by the SF General Fund and “enterprise revenues” (transit fares and parking revenue). Since the pandemic, the SFMTA has relied on one-time federal and state government relief to balance the budget.

FY24-25 Revised Budget  
as of October 31, 2024



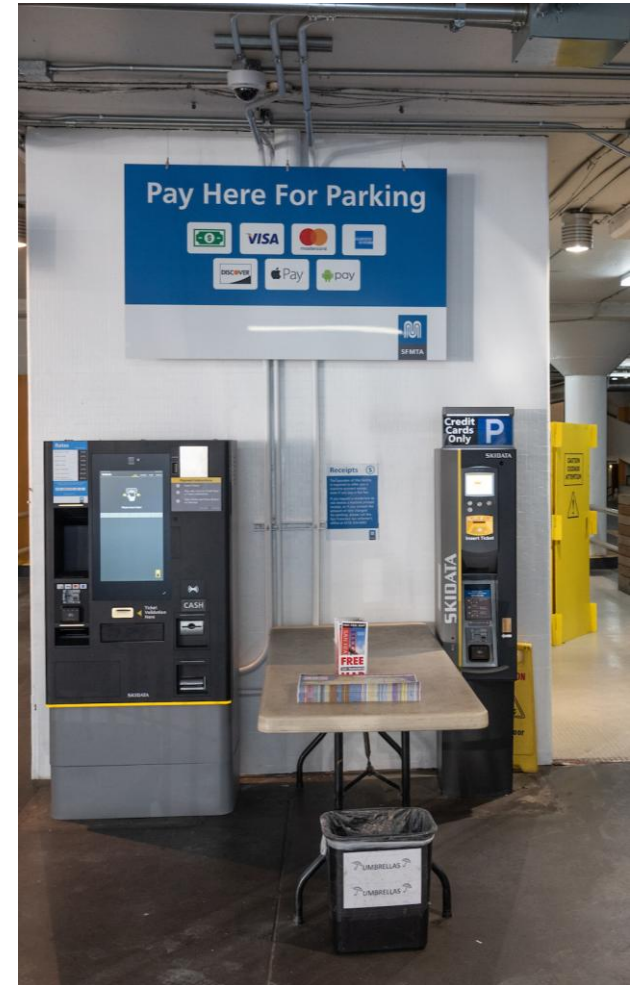
# Financial Trends



- Revenues are lower than pre-pandemic across the board:
  - Transit use is down
  - Parking use is down
  - General Fund growth is slower than prior decade
- Federal, state and regional relief run out in summer 2026.
- In response, we reduced spending and cut services but established funding sources grow slower than inflation.

# FY24-25 Financial Update Summary

- Revenue is slightly lower than budgeted, primarily because of lower-than-expected parking revenue and lower-than-expected operating grants.
- Expenditure actuals are generally consistent with budget, due to active spending control and limited hiring.
- Revenue uncertainty and possibility of unexpected costs require strong internal controls.



# FY24-25 Revenue Actuals

Revenue actuals are less than budgeted due to lower-than-expected operating grant and parking revenue.

Category	FY24-25 Revised Budget (\$M)	FY24-25 Projected Actuals (\$M)	FY24-25 Difference (\$M)
Transit Fares	109	107	-2
Operating Grants	236	229	-7
Parking	247	245	-2
Other	156	154	-2
CCSF Support	543	543	0
Federal, State & Regional Relief	234	234	0
<b>Revenue Total</b>	<b>1,525</b>	<b>1,512</b>	<b>-13</b>

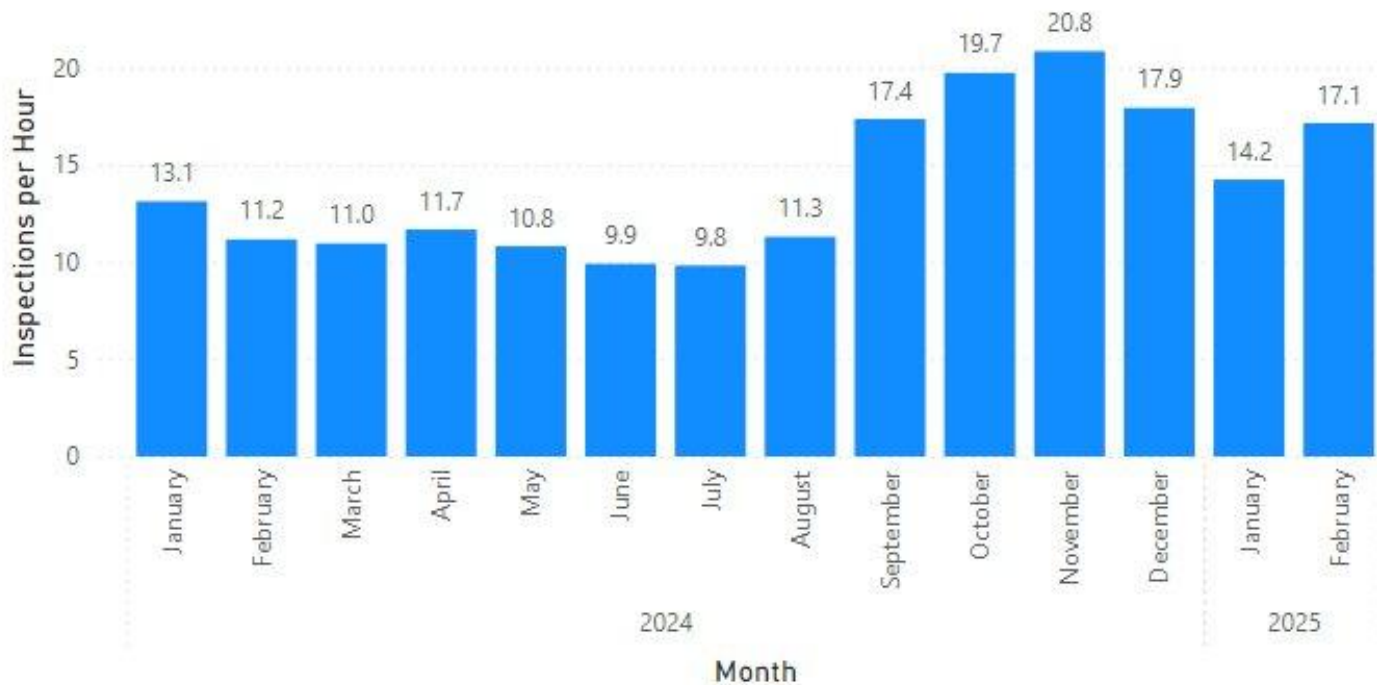
As of January 6, 2025 – based on 6-month report



# FY24-25 Transit Revenue

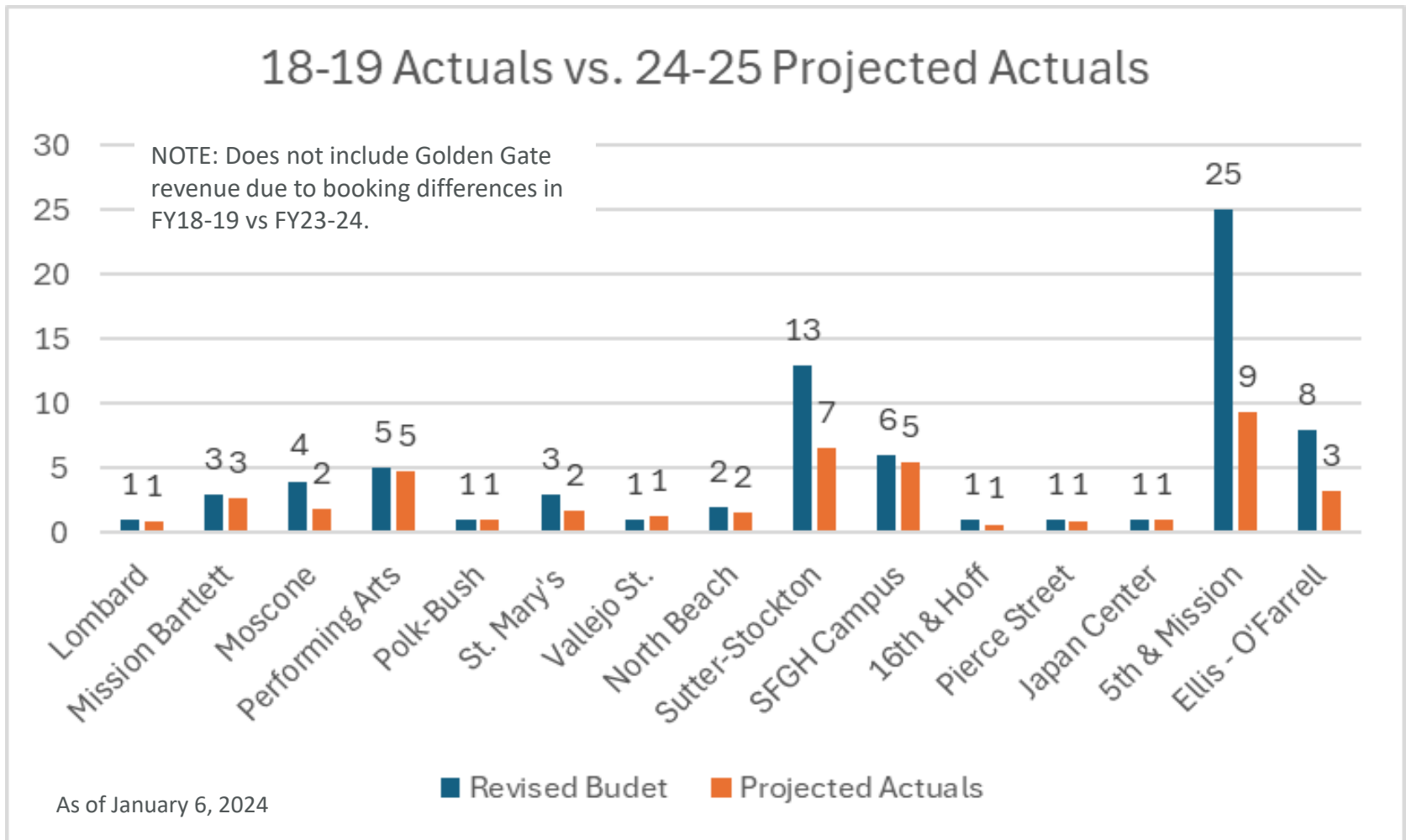
Starting in August, Transit Fare Inspectors doubled their productivity and performed over 60,00 inspections in Oct., the highest total for one month on record. In Dec. and Jan., numbers were lower because we were training new fare inspectors. Feb. is on track for a record number of total inspections.

Inspections per Hour Inspecting by Month



# FY24-25 Garage Revenue

Downtown garages are significantly under-performing: Sutter-Stockton, 5th & Mission and Ellis-O'Farrell



# FY24-25 Expenditure Actuals

Expenditure actuals are generally consistent with budget due to active expenditure management. However, freezing hiring and reducing other expenditure reduces the SFMTA’s ability to deliver services.

Category	FY24-25 Revised Budget (\$M)	FY24-25 Projected Actuals (\$M)	FY24-25 Difference (\$M)
Salary & Fringe	912	886	26
Non-Personnel Svc	303	316	-13
Materials & Supplies	120	132	-12
Capital Outlay & Transfers	43	40	3
Debt Service	28	28	0
Svc of Other Dept.	119	114	5
<b>Total</b>	<b>1,525</b>	<b>1,516</b>	<b>9</b>

Revised budget as of January 6, 2025

# Expenditure Control

## The SFMTA is actively managing expenditure by:

- Defunded 295 FTE positions in FY24-25 budget (160 more defunded positions than FY23-24 budget)
- Slowed hiring starting July 1, 2024, and froze non-essential hiring October 1, 2024
- Implemented quarterly planning for purchase of materials, supplies and professional services
- Reviewing work orders for financial consistency with operational needs, devolving review to Project Managers for tighter expenditure control, and restructuring certain work orders to facilitate charging to capital projects



# Managing Through Financial Uncertainty

- General Fund uncertainty - City's six-month report emphasizes significant financial instability
  - Citywide hiring freeze
  - Departments that are not safety critical instructed to reduce expenditures 15%
  - Future reductions in General Fund revenue likely
- Other revenue sources, including state and federal funds also expected to fluctuate
- Finance team is continuously forecasting and financial planning to manage risk

# Our budget challenges



**FY25-26 Budget: ~\$50 million need**

- This budget shortfall starts in July.

**FY26-27 Budget: ~\$320 million need**

- This deficit starts when federal and state one-time relief funding are exhausted by June 2026.

# FY25-26 Budget Gap

- Due to declining resources, FY25-26 planned service levels exceed resources by \$50M.
- SFMTA identified solutions with smaller trade-offs for \$35M and asked our Board of Directors for guidance on how to close the remaining \$15M of the gap, which requires harder trade-offs.
- On Feb 4 and 18, the Board considered these options:
  - Cutting Muni service
  - Cutting agencywide programs and projects
  - Spending agency reserves



# FY25-26 Solutions

To close the \$50M gap, the SFMTA identified \$35M of solutions with smaller trade-offs but needs guidance on the remaining options, which require harder trade-offs.

Description	Amount (\$M)
Allocate transit Population Baseline increase to operations (from General Fund)	9.5
Redirect 25% of paint and sign shop employees to capital priorities and fund with increase in streets Population Baseline(from General Fund)	2.5
Optimize existing parking solutions: fill PCO vacancies and optimize enforcement, increase cost of contractor permits, meter and garage rates, minimum times at meters	18.0
Decrease existing professional service expenditures	5.0
<b>Total</b>	<b>35</b>



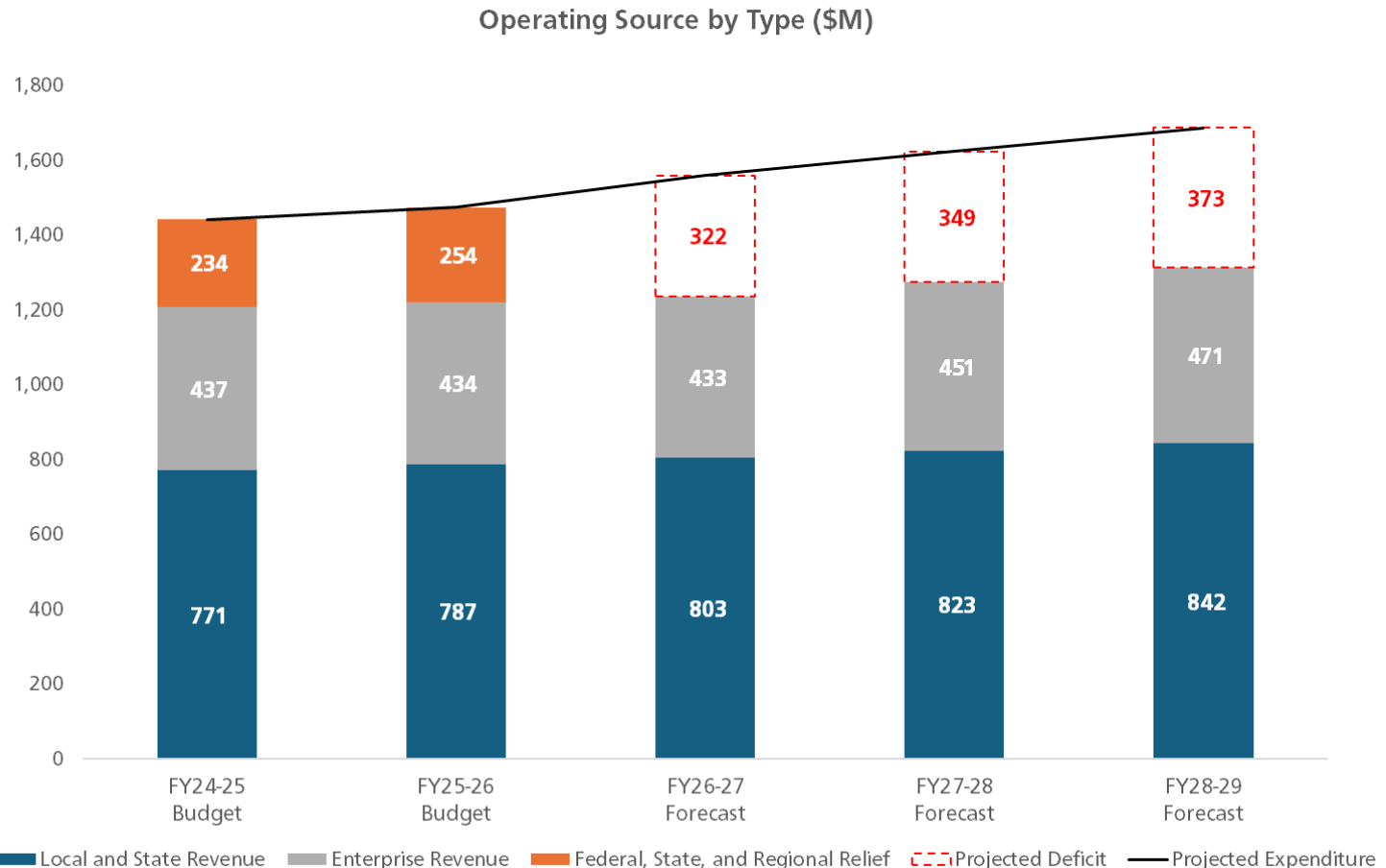
# FY25-26 Solutions

At the next SFMTA Board meeting on March 4, directors will consider two scenarios for the additional \$15M needed to close the budget gap.

Description	Amount (\$M)
<b>Option 1</b> ~\$7.8M in agencywide program and project cuts + ~\$7.2M in Muni service cuts this summer.	15
<b>Option 2</b> ~\$7.8M in agencywide program and project cuts + spending ~\$7.2M from agency reserves	15
<b>Note:</b> Agencywide program and project cuts could include cancelling vintage historic rebuild and delaying phase 2 midlife bus overhaul, among other cuts.	

# FY26-27 Deficit

FY26-27 deficit is \$322M, growing over time with the pace of COLA and inflation.



# SFMTA Budget Strategy

- **Reduce expenses:** hiring slowdown, surgical reduction of Muni service
- **Increase revenue:** Increase ridership and fare compliance
- **Stretch one-time sources** like federal, state and regional transportation relief
- **Muni Funding Working Group** to gain local consensus
- Pursue **regional revenue measure** for Nov. 2026 with regional and state partners



# Muni Funding Working Group

To build consensus around solutions to address the SFMTA's funding gap, the SFMTA and San Francisco Controller's Office convened the [Muni Funding Working Group](#) in September.

- Includes representatives from Mayor's Office, Board of Supervisors, Controller's Office, SFMTA Board of Directors, business, labor, community advocates. The group will consider options in these categories:



**Efficiency Improvements:** streamline systems and processes to decrease operating costs.



**Service Cuts:** reduce service to decrease operating costs.



**Funding Enhancements:** increase fees, revenue, or taxes to increase overall revenue.



**Service Enhancements:** enhance services to win voter support for new revenue.



# Closing the Transportation Funding Gap



Closing the funding gap is going to take a package that includes a variety of funding options.

- No single source of new funding is large enough to close the gap.
- The package will likely need to include more efficiency improvements and service/program cuts.
- We will need to come together and make compromises to sustain vital transportation services for the community.

# What's on the horizon?

- **Polling:** The Metropolitan Transportation Commission has conducted regional polling that will inform possible state authorization for a regional funding measure. The SFMTA will work with SFCTA to prepare local polling questions for March.
- **Muni Funding Working Group:** In March we will develop solution packages for consideration by the SFMTA Board in April. We will preview solution packages with SFMTA Board and SFCTA Board.
- **FY25-26 budget decisions:** At its March and April meetings, the SFMTA Board will review detailed options for closing the FY25-26 budget gap and make a final decision on budget cuts, including possible Muni service cuts.

Thank you! Questions?

