SFMTA

San Francisco Municipal Transportation Agency

Financial Update

June 6, 2023

Fiscal Year 2022-23
9-month Financial Update
and
5-Year Outlook

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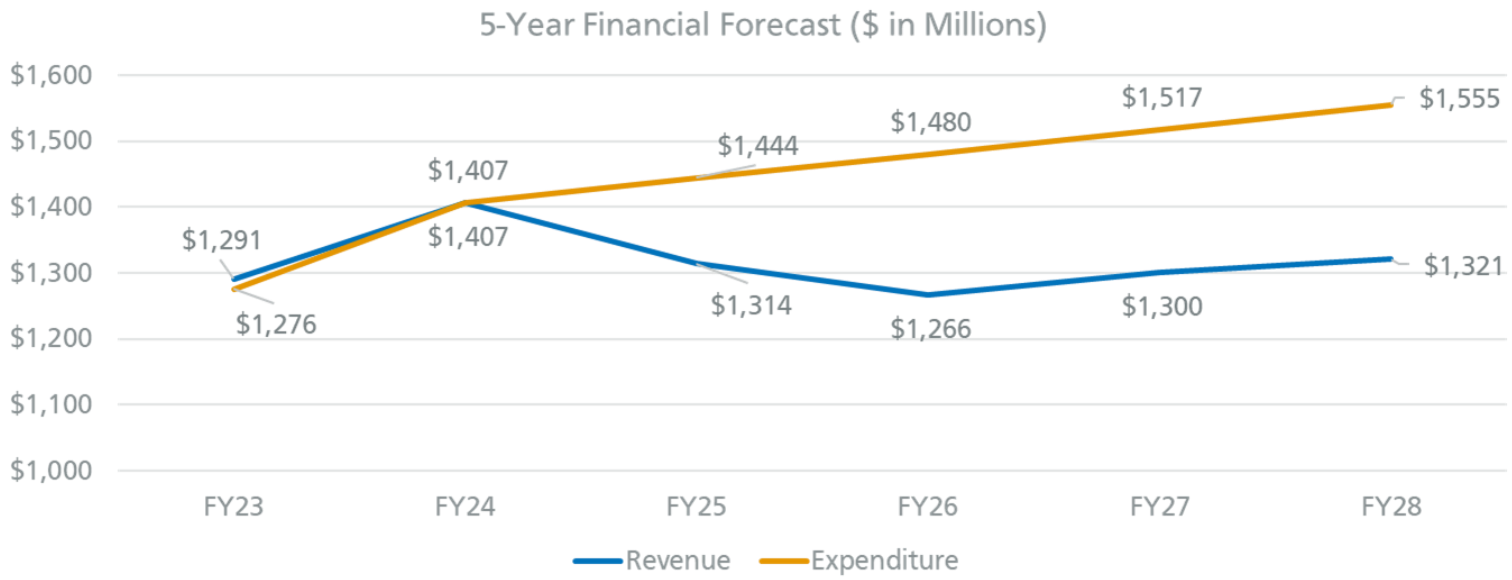
Chief Financial Officer

Financial Update



- At 6 months, we reported growing deficit, $130M starting in FY 24-25
- At 9 months, long-term financial trends are unchanged, in addition:
  - Slow downtown SF economic recovery continues; SF general fund expectations are lower
  - Current year expenditure remains low due to hiring challenges

Response to Financial Update

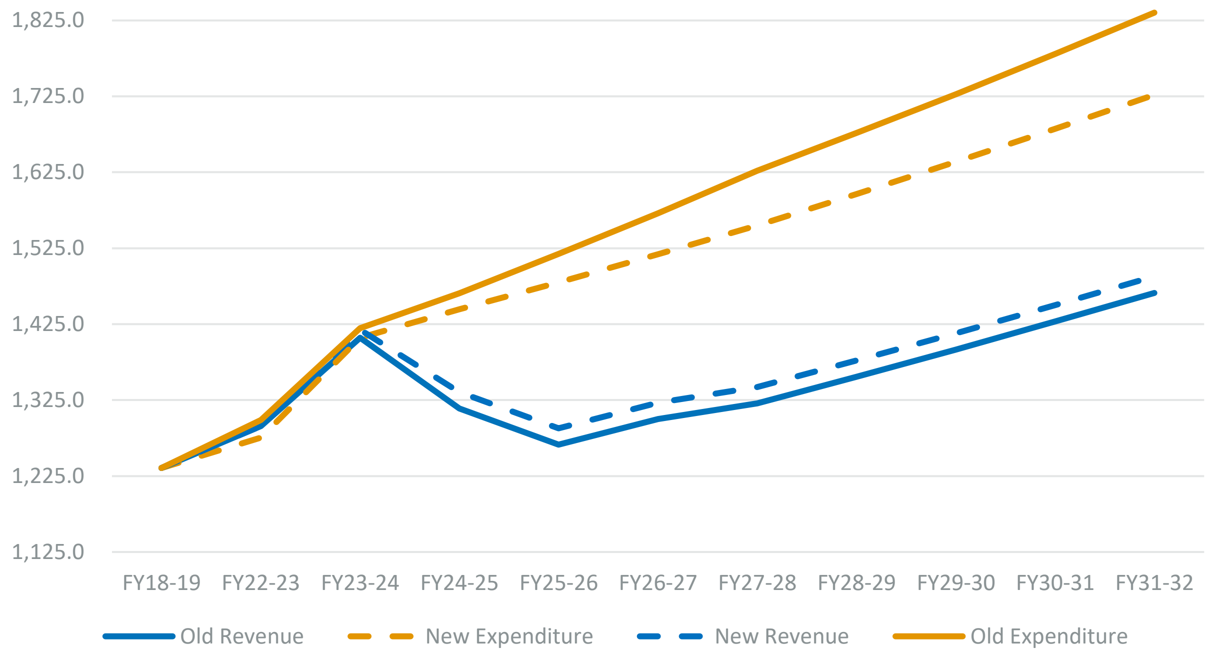
Revenue

- **Self Help**: Re-initiate plans for evening and Sunday metering, estimated start late 2023
- **Advocacy**: Advocate for state gap funding

Expenditure

- **Self Help:** Prioritize hiring to identify most critical positions
- **Transit Service:** Provide survive service level, postpone planned service restoration, make only cost neutral changes that reduce crowding

Impact of Response to Financial Update



- **Revenue:** Evening and Sunday metering generates $15M in net annual revenue, starting in FY24-25
- **Expenditure:** Prioritized hiring and revised transit service plan reduce short-term expenditure
- **Impact:** Higher revenue and lower expenditure reduce FY24-25 deficit by 22% from $130M to $101M.

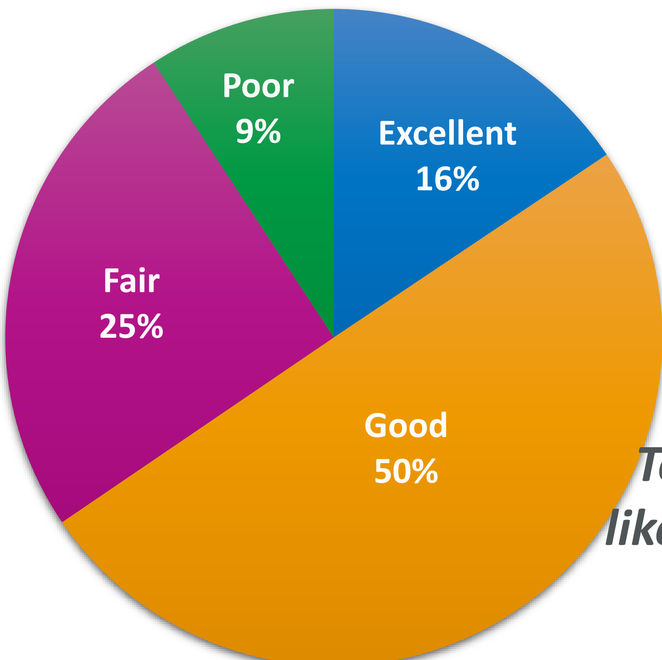
Focus on Quality

Bringing riders back by improving

- **Cleanliness:** Cleaner stops, stations, and vehicles
- **Safety:** Additional staffing
- **Reliability:** Modified staffing patterns reduce missed runs, leading to fewer delays and service gaps

Impact of Quality Focus

Overall, how would you rate Muni's service?



Source: 2023 SFMTA Ridership Survey

66% of Muni riders rate service as good or excellent, +9% from 2021

— 2023 SFMTA Ridership Survey

Muni at highest rating since 2013

— The City Survey, 2023

Top 5 North American cities for riders most likely to recommend their public transit system to a friend

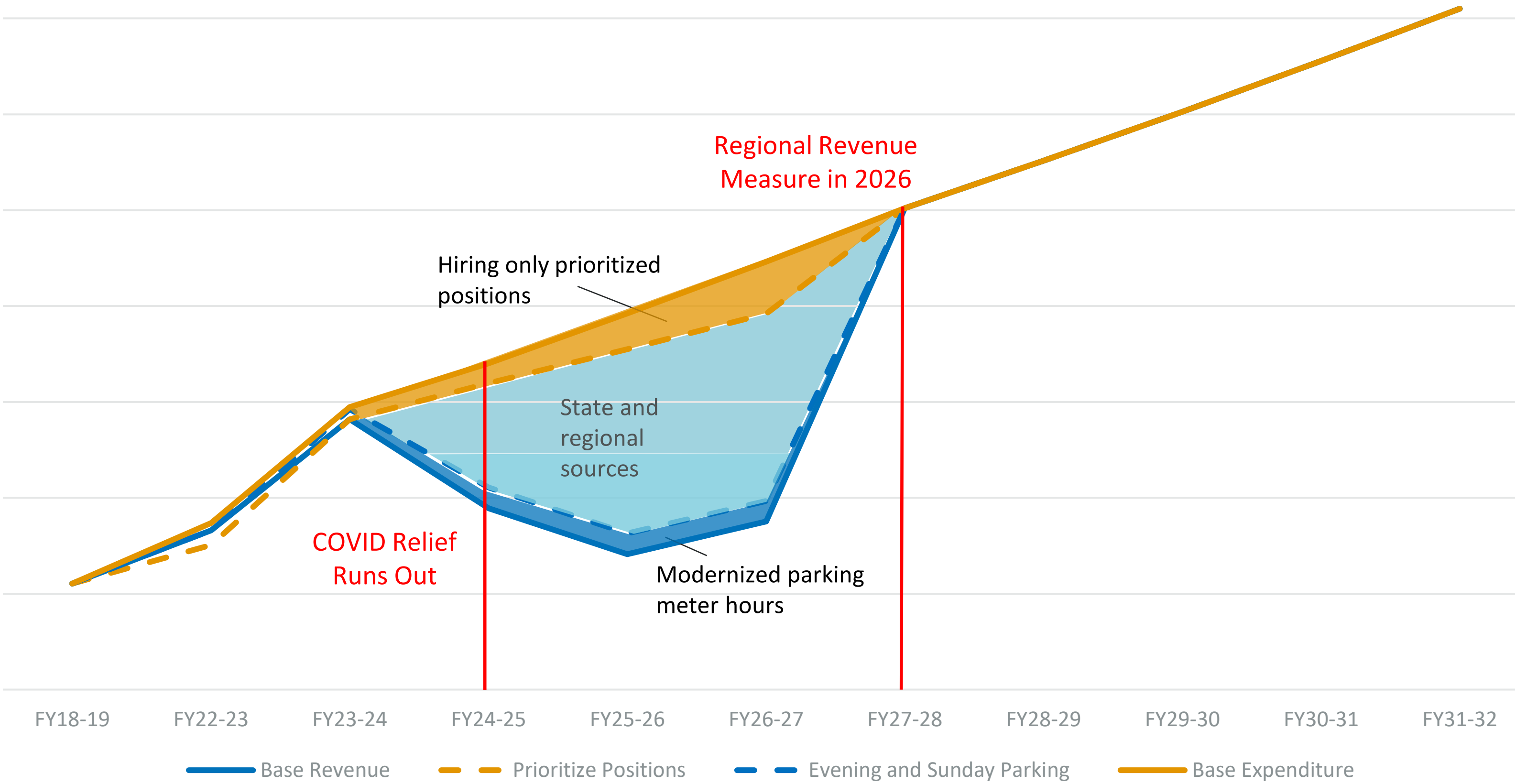
— Transit App's North America Transit Rider Happiness Benchmarking Survey

Closing Remaining Fiscal Gap

- **State Bridge Funding Needed:** $567M over three years 24-25, 25-26, and 26-27
- **Future Revenues Needed:** Strategies must generate $272M per year starting in 27-28, escalated by assumed CPI of 3%
    - **Regional Revenue Measure:** 2026 regional ballot measure
    - **Other Local Policies**

Revised 5-Year Financial Outlook

- State funding need decreased to $567M over three years.
- Reduced need for federal decreases request for state support.
- Anticipates future revenues balance budget in FY 27-28 .



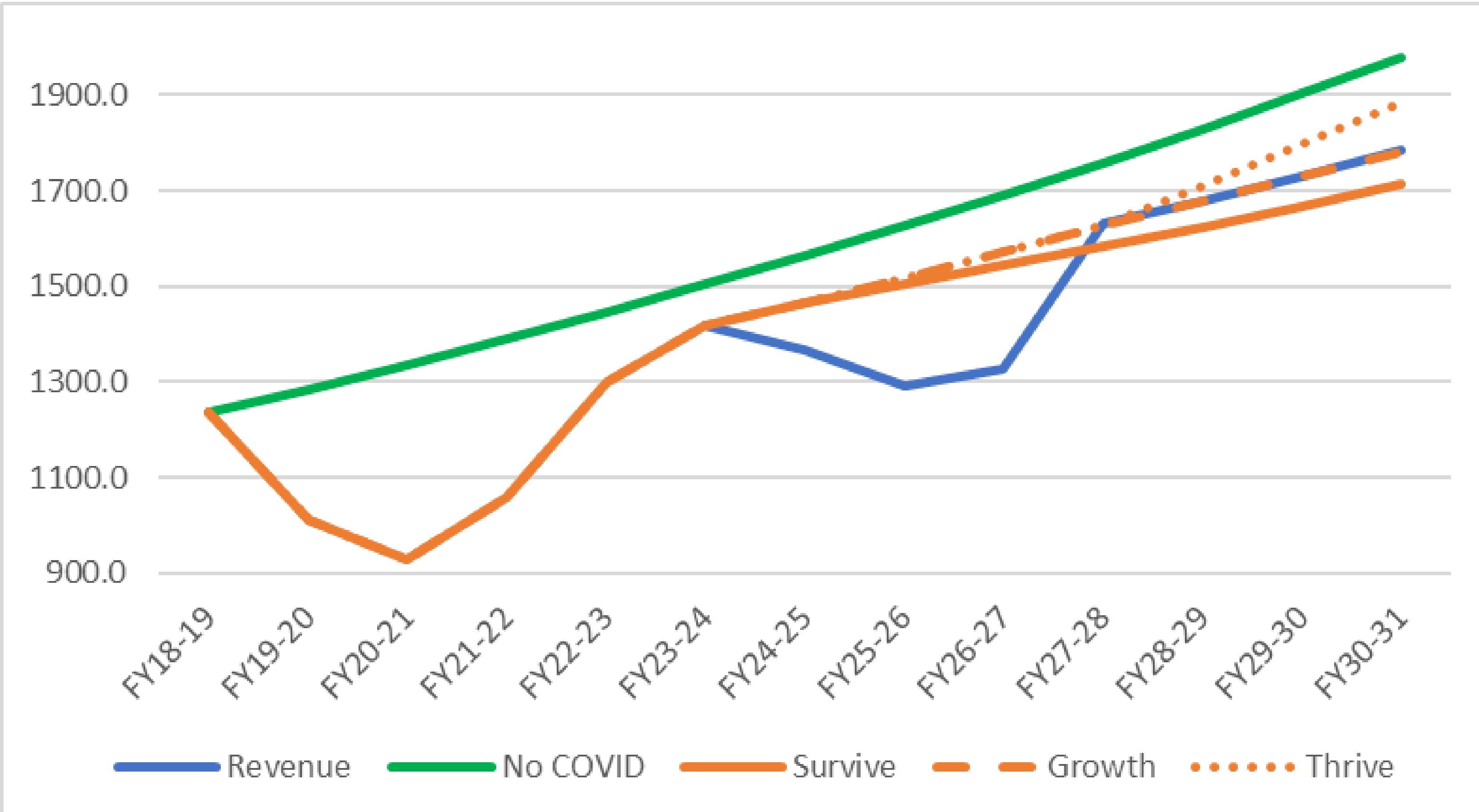
Two Muni Recovery Scenarios

- **Muni Survival Plan** (through FY 24-25)
  - Based on current level of Muni service
  - Planned service restoration is postponed
  - Includes revenue neutral service changes
- **Post-Survive Scenarios** (begin FY 25-26)

  Modest Muni Growth Scenario
  - Service growth paced with San Francisco economic recovery
  - Increases service by 2% per year starting in FY 25-26 and FY26-27, increasing additional 1% per year FY27-28 onward

  Muni Thrive Scenario
  - Service growth paced to SF climate change, equity, livability goals
  - Increases service by 2% per year in FY 25-26 and FY26-27, increasing additional 5% per year in FY 27-28 onward

Muni Survive, Growth and Thrive Scenarios



Summary: Financial Update

- **Revenue:** Revenues continue to be low, with flat expectations; SF general fund expectations are lower

- **Expenditure**: Expenditures lower than projected due to hiring challenges, but will rise as hiring normalizes and COLA and CPI increase costs

- **Future deficits:** Limited revenue and rising expenditure create large and growing deficits.

Summary: Response to Projected Future Deficits

- **Revenue:** Generate revenue through parking policy changes such as adding evening and Sunday meter hours

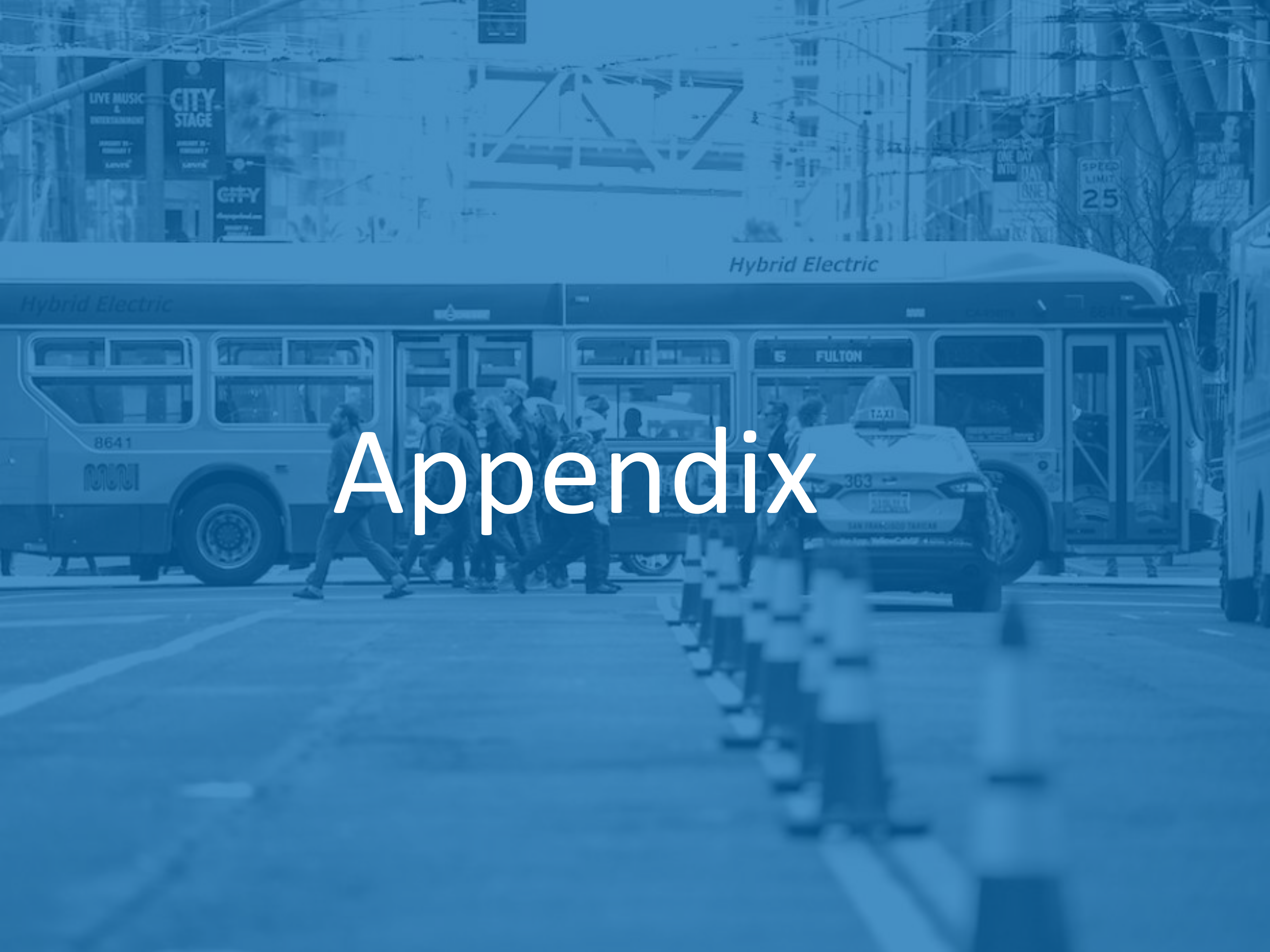
- **Service:** Provide Muni service based on ridership levels

- **Limit hiring:** Prioritize hiring to focus on most critical positions

Summary: Response to Projected Future Deficits

- **State bridge funding:** Advocate for state funding to build a bridge to regional revenue measure
- **Regional revenue measure:** Prepare for regional revenue measure in 2026
- **Future revenue:** Identify future revenue sources through additional local actions.

Appendix


LIVE MUSIC & ENTERTAINMENT
CITY STAGE
SPEED LIMIT 25
Hybrid Electric
Hybrid Electric
5 FULTON
8641
TAXI
363

FY23 Revenue

Revenue is under-performing across most sources.

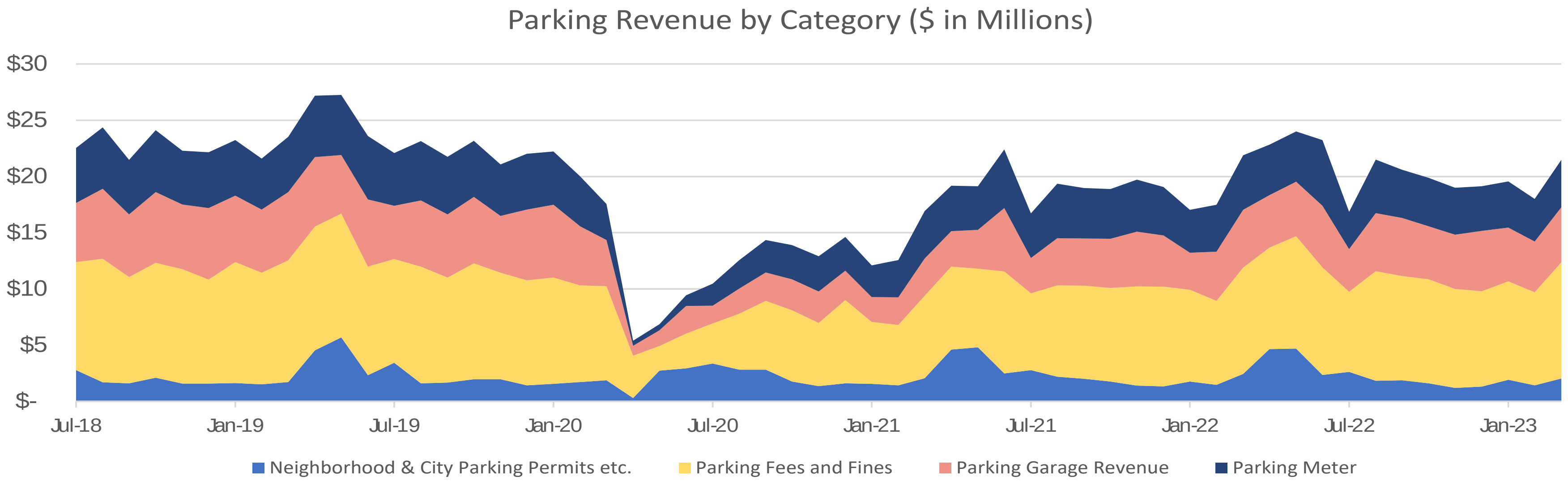
Dollars in Millions

Revenue Type	Revised Budget	Projected Revenue	Roll Forward	Surplus/ (Deficit)
General Fund	527.7	528.5	-	0.7
Parking	261.3	242.4	-	(18.9)
Operating Grants	189.1	222.6	-	33.5
Federal Relief	172.5	138.1	(34.5)	-
Transit Fares	112.1	89.4	-	(22.6)
Use of Fund Balances	52.7	52.7	-	-
Other	47.4	41.5	-	(5.8)
Total	**1,362.8**	**1,315.1**	**(34.5)**	**(13.2)**

- General Fund transfers 7.3M more than original budget, despite General Fund contraction.
- Parking and transit revenues under-performing and flattening.
- Federal relief reflects recoveries to date; no future recoveries anticipated.

FY23 Parking Revenue

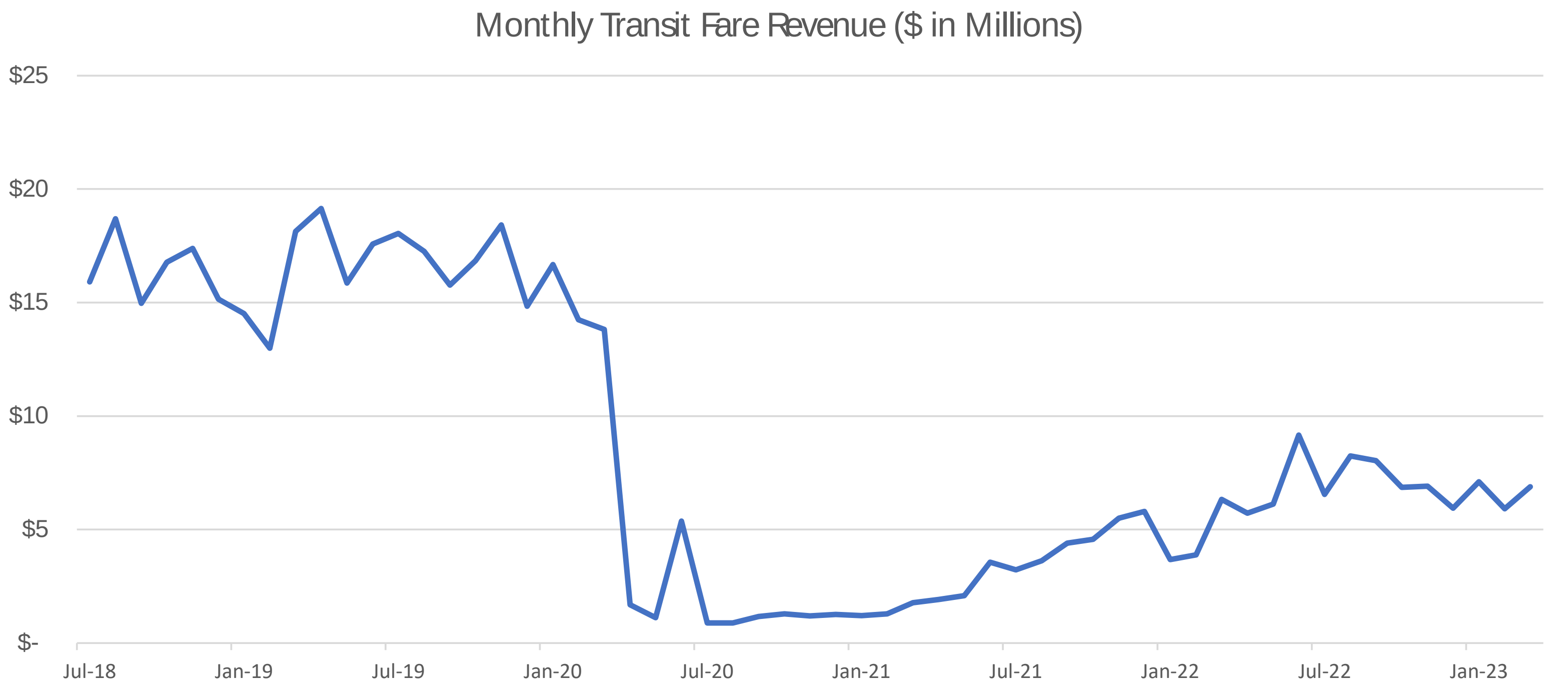
Consistent with 6-month, Parking revenue is higher, but growth is slowing.



- Parking revenues approaching pre-pandemic levels, FY23 revenues are 86% of FY19 revenues at same point in fiscal year.
- Year-over-year parking revenue growth is flat, FY23 revenues are only 4% higher than FY22 revenues at the same point in the fiscal year.

FY23 Transit Revenue

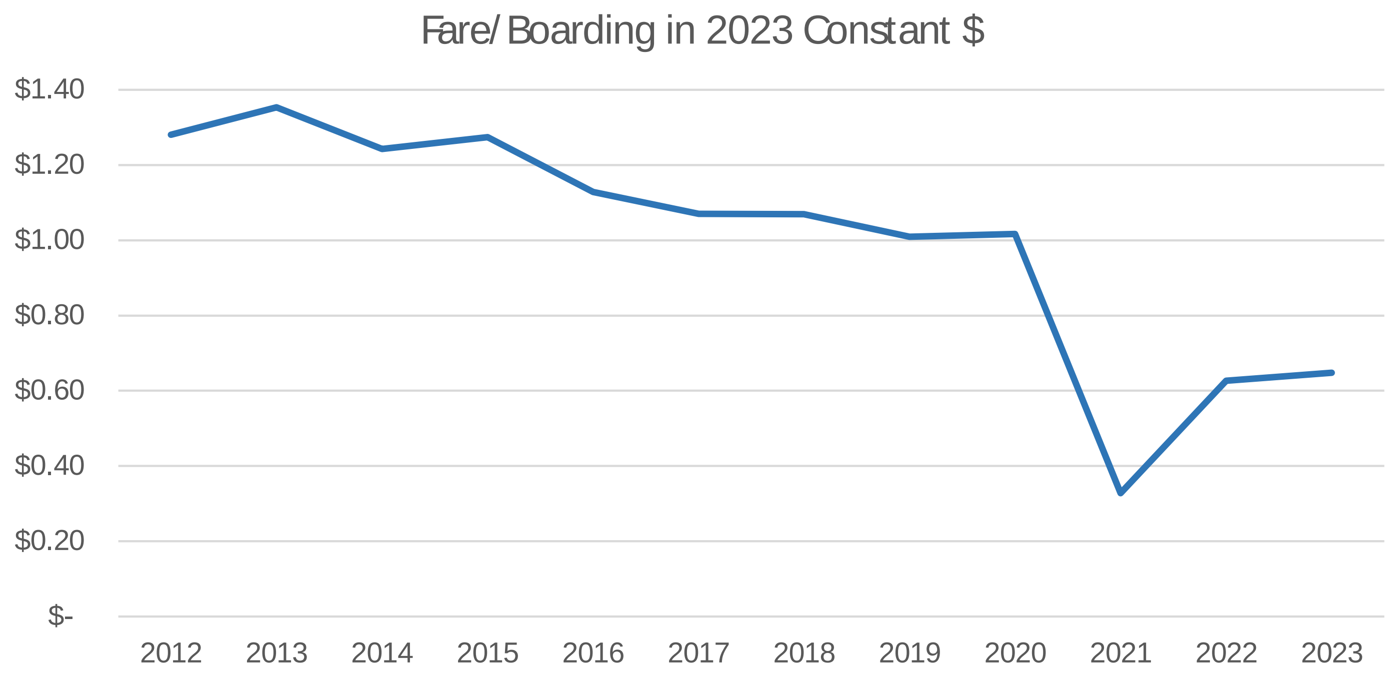
Consistent with 6-month report, transit revenue is higher, but far below pre-pandemic level and flattening.



- Transit revenues are 43% of FY19 revenues at same point in the fiscal year.
- Transit revenues are 152% of FY22 revenues at the same point in the fiscal year.
- Transit revenue per ride is $0.65.

Transit Revenue Per Ride Trendline

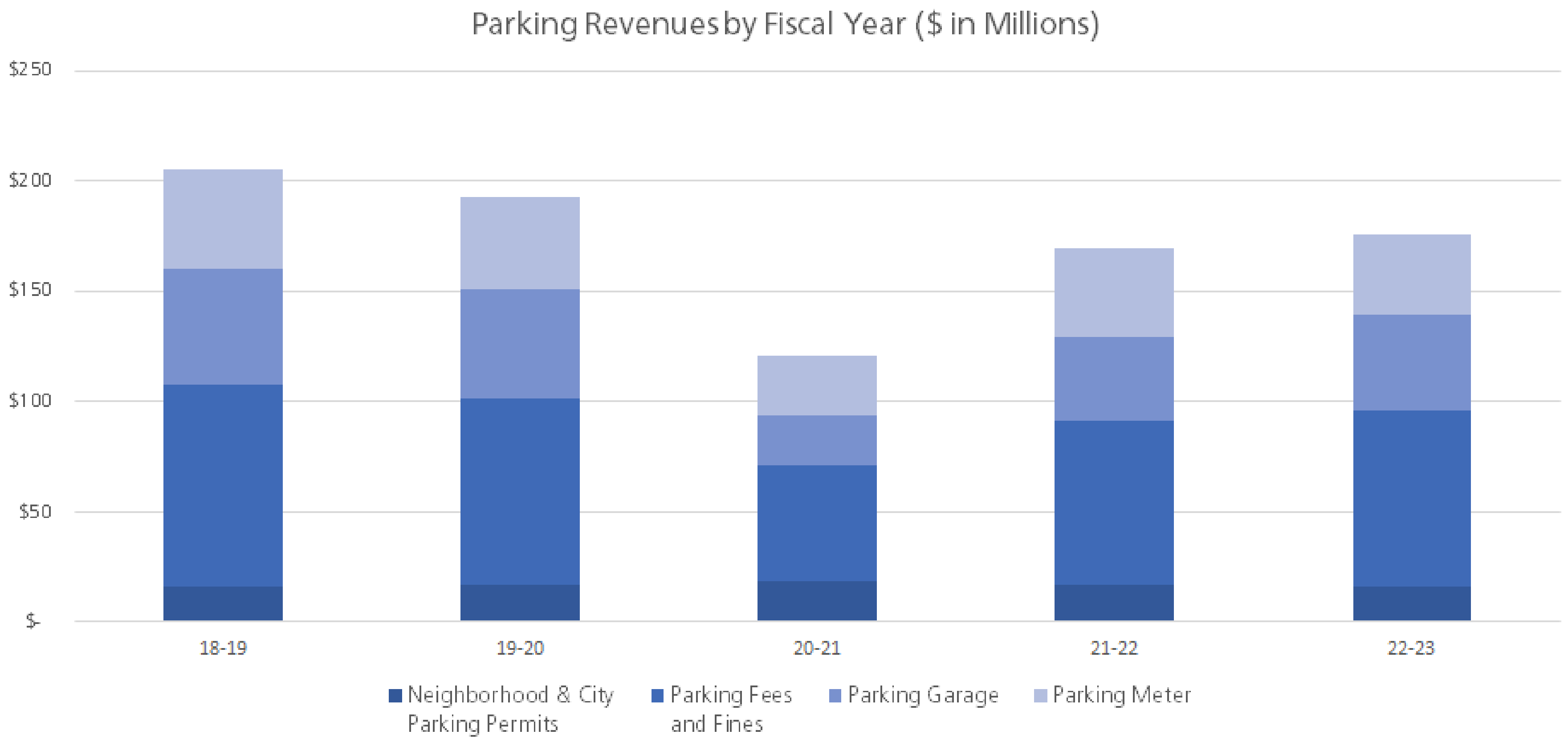
Transit revenue per ride is significantly lower post-pandemic.



Note – Constant dollars, by nature, will differ from information presented in SFMTA financial disclosures

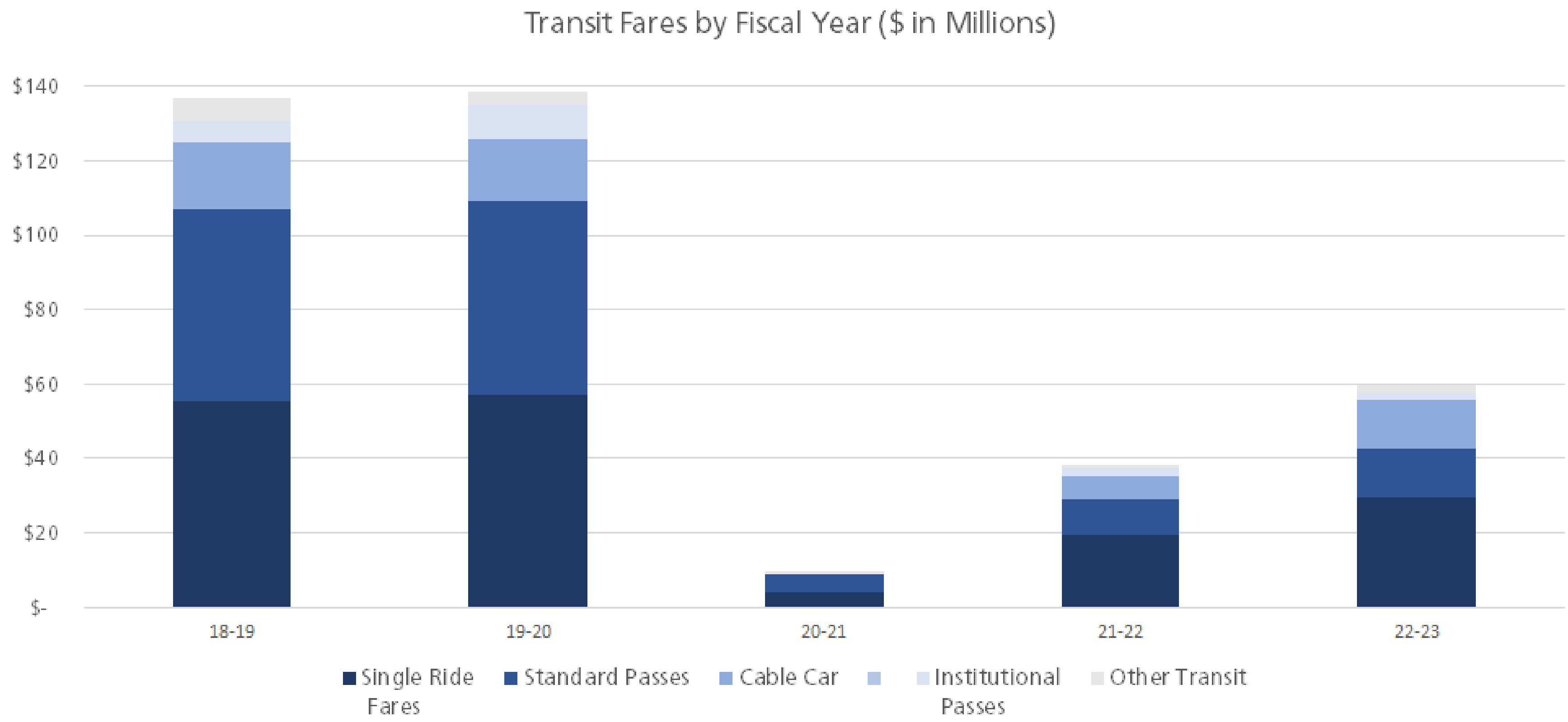
- When viewed in constant dollars, transit fare revenues per ride produce less revenue over time.
- Lower revenue per rider means the SFMTA is increasingly dependent on outside sources.

Parking revenue by category, FY 2018 - 2019 to FY 2022 - 2023



Fiscal years, by category, July - March

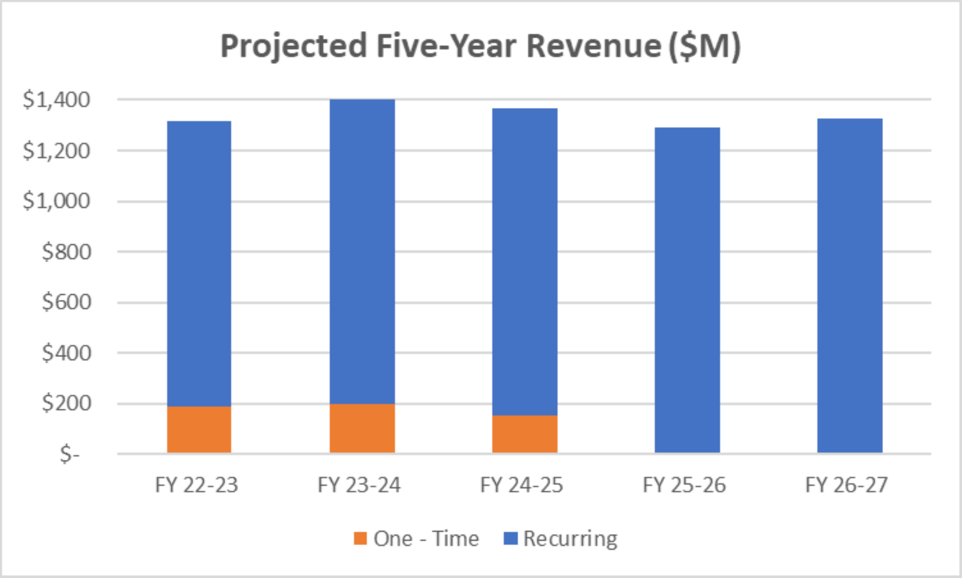
Transit revenue by category, FY 2018 - 2019 to FY 2022 - 2023



Fiscal years, by category, July - March

Five Year Revenue Projection

Federal relief not replaced by enterprise revenues, resulting in lower total revenue.



- Federal relief is fully expended in FY25.
- Revenues remain flat.
- General Fund, parking and transit revenues assume some recovery, which may not materialize.

FY23 Projected Expenditure

Consistent with 6-month report, hiring challenges produce one-time salary savings.

Dollars in Millions

Expenditure Category	Revised Budget	Projected Expenditure	Surplus/ (Deficit)
Salary & Fringe	1,046.2	879.9	166.3
Overhead and Allocations	(141.0)	(48.9)	(92.0)
Non-Personnel Services	277.0	235.2	41.7
Services Of Other Depts	116.2	112.4	3.8
Materials & Supplies	102.1	83.5	18.6
Debt Service	23.0	23.0	-
Capital Outlay	15.3	15.3	-
Total	**1,438.9**	**1,300.4**	**138.5**

- Expenditure is under budget $138.5M, 90% of budget.
- Non-personnel services and materials & supplies are under expended, but less impactful due to relative share of budget.
- Hiring challenges generate salary savings, but impede service delivery.

Five Year Expenditure Projection

Expenditure increases over time

Expenditure Type	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
Salary & Fringe	$ 880	$ 997	$ 1,032	$ 1,059	$ 1,087	$ 1,117	$ 1,146
Overhead Allocations	$ (49)	$ (37)	$ (38)	$ (39)	$ (40)	$ (41)	$ (42)
Non-Personnel Services	$ 235	$ 249	$ 256	$ 262	$ 269	$ 276	$ 283
Services of Other Depts	$ 112	$ 108	$ 110	$ 113	$ 116	$ 119	$ 122
Materials and Supplies	$ 83	$ 75	$ 77	$ 79	$ 80	$ 82	$ 85
Debt Service	$ 23	$ 28	$ 29	$ 29	$ 30	$ 31	$ 32
Capital Outlay	$ 15	$ -	$ -	$ -	$ -	$ -	$ -
Service Enhancement	$ -	$ -	$ -	$ 14	$ 29	$ 44	$ 52
Transfers to Capital	$ (2)	$ -	$ -	$ -	$ -	$ -	$ -
Total	**$ 1,299**	**$ 1,420**	**$ 1,465**	**$ 1,517**	**$ 1,571**	**$ 1,627**	**$ 1,677**

- Assuming CPI, operating budget is expected to increase $159.1M or 12% in the next five years
- Assumes labor increases are equal to CPI, which is conservative given prior year MOU negotiations

Revenue Assumptions

- Transit Fares – Current year assumes we are providing existing service with current staffing. Service increases by 2% in 25-26 and 26-27 plus additional 1% each year starting 27-28
- Fare indexing resumes beginning in FY 2024-25
- Parking – Assumes full implementation of evening and Sunday parking in 24-25, no additional scenarios assumed
- Other - Interest income assumes federal reserve estimate of long-term core inflation. General Fund - Assumes CON 9-Month report
- Operating Grants – Assumes status quo

Expenditure Assumptions

FY23

- Salary & Fringe – Assumes 2% month-over-month increase for hiring on top of average 1-9 months PPD
- Overhead - Assumes no additional recovery. Conservative estimate because overhead should increase as hiring increases. Conservative estimate because we don't know if operating or project staff will be hired, so best to assume status quo
- Non-Personnel – Based on historic data, assumes professional service 10-12 months is 55% of 1-9 months and materials and supplies is 45%
- Capital Outlay - Assumes full expenditure because unexpended budget and funds roll into next year
- Debt Service - Assumes full expenditure because debt service is mandated payment
- Services of Other Departments – Assumes full expenditure. Conservative because we can’t control how much services departments provide.

FY24

- Assumes re-baselining of service, plus COLA

FY25-FY27

- Assumes CPI from Mayor’s Budget instructions for non-labor and 2% for labor