San Francisco Municipal Transportation Agency

Consolidated Budget

IPIC EN
September 20, 2021
Before the pandemic, parking and transit revenues were declining as a share of the overall Muni budget ...
... from 60% of the Muni budget in FY13-14 ...
... to 51% in FY18-19
This has led to increased, unsustainable, reliance on non-enterprise revenue.
Which brings us to FY19-20
Parking and transit revenues were relatively flat in the months leading up to February 2020
But after March 2020, the pandemic cratered both revenue sources.
Parking revenue has partly bounced back
But May 2021 parking revenues were 30% lower than May 2019 levels.
Meanwhile, transit revenues have been much slower to return.
May 2021 transit revenues were 84% lower than May 2019 levels

May 2019: $13.7M

May 2021: $2.2M

84% LOWER
In the near term, federal emergency relief funding will be a necessary stopgap.
But we need to make our federal funding last much longer than other cities
Jumping to 100% pre-pandemic service levels now could have disastrous long-term impacts—on Muni finances and ultimately service
Why?
Because all signs point to a slow recovery for Downtown San Francisco
Office vacancy rates in San Francisco are at “historic highs” and “still rising in Q1”

Source: Jones Lang LaSalle, via SF Office of the Controller
“San Francisco metro area continues to lag comparable metro areas in office attendance”

Source: Kastle Systems, via SF Office of the Controller
More than one-third of all jobs in San Francisco are in sectors that are well-suited to working from home.

San Francisco Jobs by Sector (%)

- Professional, scientific, and technical services: 18%
- Information: 6%
- Finance and insurance: 6%
- Management of companies and enterprises: 3%
- Health care and social assistance: 12%
- Accommodation and food services: 11%
- Educational services: 7%
- Retail trade: 6%
- Administration and support waste management, and remediation: 5%
- Other services (excl public administration): 4%
- Public administration: 4%
- Transportation and warehousing: 4%
- Construction: 3%
- Arts, entertainment, and recreation: 2%
- Real estate and rental leasing: 2%
- Wholesale trade: 2%
- Utilities: 2%
- Manufacturing: 2%

Source: Census LEHD (2018)
The number of people boarding planes at SFO was at “30% pre-pandemic levels as of April”

Source: San Francisco International Airport (SFO), via SF Office of the Controller
Future bookings at the Moscone Center are “significantly below pre-pandemic levels”

Source: SF Travel, via SF Office of the Controller
San Francisco’s hotel recovery is the worst in the nation—30% of pre-pandemic levels as of May 2021

Source: American Hotel & Lodging Association
Visitor spending “will not be back to 2019 levels before 2025”

Outlook for the future

San Francisco Travel expects that the situation will gradually improve moving forward. Overall visitation to the city is forecast to reach 15.3 million in 2021. Overall visitor spending is expected to grow from $2.1 billion in 2020 to $3.5 billion in 2021. Total visitation is anticipated to return to pre-pandemic levels by 2023. Spending will not be back to 2019 levels before 2025 due to a slower recovery of international visitors and average rate in the city.

Source: SF Travel
There are three possibilities as we bring back service, and we are trying to strike the right balance
The three possibilities are: invest too slowly, invest too quickly, or take a sustainable recovery path.
If we invest too slowly in the transit recovery ...

- Invest too slowly
- Invest too quickly

Sustainable recovery path
If we invest too slowly in the transit recovery ...

Not enough transit available

Invest too slowly
If we invest too slowly in the transit recovery ...

Transit doesn’t support the economic recovery

Not enough transit available

Invest too slowly
If we invest too slowly in the transit recovery ...

- Not enough transit available
- Transit doesn’t support the economic recovery
- Invest too slowly
- People stop taking transit: ridership and revenue decline

😊😊
If we invest too slowly in the transit recovery ...

- Transit doesn’t support the economic recovery
- Not enough transit available
- Service cuts
- People stop taking transit: ridership and revenue decline
If we invest too slowly in the transit recovery ...

- Service cuts
- Even less transit available
- Transit doesn’t support the economic recovery
- People stop taking transit: ridership and revenue decline
If we invest too slowly in the transit recovery ...

- Even less transit available
- Service cuts
- Transit doesn’t work for people’s needs
- People stop taking transit: ridership and revenue decline

🙁🙁
If we invest too slowly in the transit recovery …

- Transit doesn’t work for people’s needs
- Even less transit available
- Service cuts
- Even fewer people take transit: ridership and revenue decline further

☹
If we invest too slowly in the transit recovery ...

Even fewer people take transit: ridership and revenue decline further

Even fewer people take transit: ridership and revenue decline further

Transit doesn’t work for people’s needs

Even less transit available

Further service cuts
... we end up in a transit death spiral
If we invest too quickly in the transit recovery ...

- Invest too slowly
- Sustainable recovery path
- Invest too quickly
If we invest too quickly in the transit recovery ...

Service levels go up considerably at first

Invest too quickly 😊😊
If we invest too quickly in the transit recovery ...

Invest too quickly

Service levels go up considerably at first

One-time federal funding runs out before ridership bounces back
If we invest too quickly in the transit recovery ...

- Invest too quickly
- One-time federal funding runs out before ridership bounces back
- Rapid service cuts
- Service levels go up considerably at first

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If we invest too quickly in the transit recovery ...

One-time federal funding runs out before ridership bounces back

Rapid service cuts

Service levels go up considerably at first

People stop taking transit: ridership and revenue decline

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People stop taking transit: ridership and revenue decline

One-time federal funding runs out before ridership bounces back

Rapid service cuts

Service levels go up considerably at first
If we invest too quickly in the transit recovery ...

Transit doesn’t support the economic recovery

People stop taking transit: ridership and revenue decline

One-time federal funding runs out before ridership bounces back

Rapid service cuts

☹
If we invest too quickly in the transit recovery ...
If we invest too quickly in the transit recovery ...

Transit doesn’t support the economic recovery

People stop taking transit: ridership and revenue decline

Even fewer people take transit: ridership and revenue decline further

Further service cuts
... we also end up in a transit death spiral
It’s urgent that we find a sustainable balance

Sustainable recovery path

Invest too slowly

Invest too quickly
What does this mean for the budget?
SFMTA will be **reliant on one-time revenue sources** that will be exhausted by calendar year 2023.
Transit Fares remain well below pre-pandemic rates.
Parking revenue trend from FY 2019 to present.

Parking revenue grew to $19.1M, in line with February 2020 revenues.
Operating/Service: Structural Deficit with Revenue Loss

- SFMTA revenues do not fully recover to pre-pandemic levels until FY 25

<table>
<thead>
<tr>
<th>Operating Budget, $M</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Ongoing (base)</td>
<td>1,013</td>
<td>744</td>
<td>923</td>
<td>1,200</td>
<td>1,281</td>
<td>1,321</td>
</tr>
<tr>
<td>Pandemic Related Revenue Loss</td>
<td>(234)</td>
<td>(515)</td>
<td>(351)</td>
<td>(96)</td>
<td>(28)</td>
<td>56</td>
</tr>
<tr>
<td>Expenditures</td>
<td>1,210</td>
<td>1,124</td>
<td>1,305</td>
<td>1,353</td>
<td>1,403</td>
<td>1,457</td>
</tr>
<tr>
<td>Expenditure Savings/Increases</td>
<td>37</td>
<td>135</td>
<td>(3)</td>
<td>(21)</td>
<td>(22)</td>
<td>(25)</td>
</tr>
<tr>
<td>Revenue Less Expenditures</td>
<td>-</td>
<td>-</td>
<td>(31)</td>
<td>(57)</td>
<td>(94)</td>
<td>(140)</td>
</tr>
</tbody>
</table>
Long term, we have analyzed numerous possible futures and it is time for a call to action.
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 enterprise revenues were in decline, and revenues were generally lower than predicted in 2019. Expenditures generally were matched to the revenue curve.

The COVID-19 pandemic caused a steep drop in revenues, closed in FY 22 and 23 with Federal Relief. When exhausted, the revenue curve will not shift upward until 2025.

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.
Based on public 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
Achieving the vision isn't currently possible because our costs would be much higher than our revenues.

Projected Operating and Capital Funding Gap ($ Billions)

Average annual funding gap over the next 30 years, leading to a cumulative total gap of $47B.

$1.6B

Fiscal Year
This includes a gap in funding for capital investments, like vehicles and infrastructure ...

$674M
Average Annual Capital Funding Gap
To keep the system running smoothly and expand it based on your priorities
We’ve identified some new potential revenue sources, which combined could amount to $149M per year.

- $1.04B/Yr Gap: Implementing SF Vision
- $270M/Yr Gap: Focus on State of Good Repair
- $300M/Yr Gap: Balanced Approach

Potential New Yearly Revenue Sources: $149M
These potential new revenue sources are:

<table>
<thead>
<tr>
<th>Source</th>
<th>Benefits</th>
<th>Short Term $/yr</th>
<th>Long Term $/yr</th>
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<tr>
<td><strong>Transportation Special Tax</strong></td>
<td>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.</td>
<td>$50 m/yr</td>
<td>$60-70/yr</td>
</tr>
<tr>
<td><strong>Parking Tax</strong></td>
<td>Existing San Francisco General Tax with opportunities to reform or modify for transportation infrastructure, transit service and maintenance.</td>
<td>$20 m/yr</td>
<td>Declining</td>
</tr>
<tr>
<td><strong>CCSF General Obligation Bond Program</strong></td>
<td>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.</td>
<td>$40 m/yr</td>
<td>$50 m/yr</td>
</tr>
<tr>
<td><strong>Federal Grants</strong></td>
<td>The current proposed bi-partisan Infrastructure Bill provides opportunities for increased Federal support for up to 5-years for transportation infrastructure and maintenance campaigns.</td>
<td>$35 m/yr</td>
<td>$40 m/yr</td>
</tr>
<tr>
<td><strong>State Grants</strong></td>
<td>The current State budget designates significant additional dollars to transportation available through grants for transportation infrastructure.</td>
<td>$7 m/yr</td>
<td>Unknown</td>
</tr>
<tr>
<td><strong>Development Revenue</strong></td>
<td>Development of SFMTA properties provide significant long-term opportunities to produce revenues that can go directly toward transportation infrastructure, transit service and maintenance.</td>
<td>$5 m/yr</td>
<td>$25-35 m/yr</td>
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</table>
Short term, in the next 5 years here is what we should expect.
The SFMTA 5-Year Capital Improvement Program is a fiscally constrained 5-year program of capital improvement and operational projects.

- An implementation plan for regional, citywide, and agency-wide strategies and policy goals
- Maintains credibility with external funding agencies (eg. MTC, FTA)
Capital/Infrastructure: Structural Deficit Analysis (April 2021 updates)

In the 5-year CIP period, we are addressing 68.5% of the state-of-good repair (SGR) need, leaving a gap of $611.5 million.
FY 2023-27 Capital Improvement Program

FY 2023-27 CIP Summary

- Significant increase in Prop B Population Baseline funds starting in FY24
- Developer fees adjusted down/delayed
- RM3 available starting in FY23
- Assumes no additional revenue bonds
- $153.1M in discretionary funds preliminarily recommended to backfill revenue reductions
- Excludes $653.0M in new potential revenue:
  - $400.0M General Obligation Bond
  - $190.6M Additional Federal Funding
  - $36.0M Additional State Funding
  - $26.4M Special Tax
  - Proposition K Reauthorization (revenues TBD)
## Key CIP Projects

<table>
<thead>
<tr>
<th>Project</th>
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<tr>
<td><strong>5th Street Corridor Improvements</strong></td>
<td>SFMTA is waiting for Public Works to finalize design before starting construction. Muni has not yet confirmed what buses will be running on 5th, but has given Livable Streets the go ahead to construct all islands as they believe either the 19 or the 27 will be using the corridor. 5M continues construction on their site between Mission and Howard, and SFMTA construction of the boarding island on this block will be built only after construction of the sidewalk is complete. Open for Use: 4/1/22</td>
</tr>
<tr>
<td><strong>6th Street Streetscape</strong></td>
<td>NTP hasn’t been issued yet for the construction phase of the project, but the SFPW and SFMTA teams have been gearing up for construction to start in late summer. Merged SFMTA outreach team with Safer Taylor Project team; went door to door and provided flyers notifying establishments of upcoming construction changes; obtained SFPW updates on outreach efforts; updated POETS Plan; submitted task order for D&amp;A consultant partnership. Open for Use: 10/31/23</td>
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<td>Folsom-Howard Streetscape</td>
<td>The Folsom Streetscape Project is nearing completion on improvements that will improve Folsom Street between 2nd and 11th streets. The Howard Streetscape project will begin its design phase will begin in early 2022 and contract bidding is expected to begin in June 2023 so that construction can begin by January 2024. The project is expected to be completed in two years.</td>
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<td><strong>14 Mission: Downtown (11th Street to Spear) Transit Priority Project</strong></td>
<td>The project constructs transit and streetscape improvements to reduce travel times for the 14 Mission on Mission Street between First Street and 11th Street. Preliminary project design and legislation language is completed and the project has gone to the SFMTA Board for legislation approval. Open for Use: 6/30/23</td>
</tr>
<tr>
<td><strong>22 Fillmore: 16th Street Transit Priority Project</strong></td>
<td>Phase 1 construction on 16th Street from Potrero Avenue to 3rd Street was completed in summer 2020. Phase 2 construction will be implemented along 16th Street between Church Street and Potrero Avenue. SFMTA re-packaged the contract for advertisement and is now analyzing the received bids to determine the lowest responsible and responsive bidder. Open for Use: 8/3/23</td>
</tr>
<tr>
<td><strong>27 Bryant: Transit Reliability Project</strong></td>
<td>The project installs up to ten transit bulbs for the 27 Bryant and 31 Balboa in the Tenderloin and through SoMa. Transit signal priority would also be added at approximately 20 intersections. The project is gathering signatures for a 100% design package and anticipates the contract to be advertised in late August or September. Open for Use: 12/31/22</td>
</tr>
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</table>
CIP Projects
SFMTA’s interactive map with current and planned projects with updates.
Link: [https://maps.sfmta.com/tppd/citywide/full/Index.html](https://maps.sfmta.com/tppd/citywide/full/Index.html)
FY 2023-27 Capital Improvement Program Development

Board Workshop: Tuesday, February 1, 2022

1st CAC Meeting: Thursday, February 3, 2022

1st Board Presentation: Tuesday, February 15, 2022

2nd Board Presentation: Tuesday, March 1, 2022

2nd CAC Meeting: Thursday, March 3, 2022

3rd Board Presentation: Tuesday, March 15, 2022

SFMTA Board Adoption: April 5, 2022 (first opportunity)  
April 20, 2022 (second opportunity)

Submit to Mayor: no later than May 1, 2022