



**April 12, 2018**

**The Honorable Mayor Mark E. Farrell  
City and County of San Francisco San Francisco  
1 Dr. Carlton B. Goodlett Place, Room 200**

**The Honorable Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, CA 94102**

***Subject: Transmittal of the SFMTA Operating and Capital Budgets for FY 2019 and FY 2020, Letter of Credit Substitution to Support the Agency's Commercial Paper Program, A Transfer Of Overpayments and Duplicate Payments for Parking and Transit Violations, and the new SFMTA Strategic Plan***

**Honorable Mayor Farrell and Members of the Board of Supervisors:**

It is a pleasure to present you with the San Francisco Municipal Transportation Agency's Operating and Capital Budgets for fiscal years 2019 and 2020, which the SFMTA Board of Directors approved at its April 3, 2018 Board meeting. Additionally, the Board of Directors also approved the following items, which are also included as part of this transmittal:

- The transfer (escheatment) of overpayments and duplicate payments for parking and transit violations to the General Fund;
- A letter of credit substitution to support the agency's Commercial Paper (CP) Program; and
- The SFMTA Strategic Plan, which defines the purpose of the agency and establishes the goals and objectives that will guide the agency's work for the next two years.

The Proposed FY 2019 and FY 2020 Operating Budget is \$1,214.2 million and \$1,268.0 million respectively and includes funding from the General Fund Population-Based Baseline, Transportation Sustainability Fee (TSF) and Development Impact fees. The TSF projects will be before you in a separate supplemental appropriation. Further information is available at the following links: <https://www.sfmta.com/reports/4-3-18-mtab-item-13-fy19-fy20-operating-budget> and <https://www.sfmta.com/reports/4-3-18-mtab-item-12-capital-budget>.

### **Operating Budget**

The FY 2019 and 2020 Budget was developed to align with the agency's recently adopted Strategic Plan Goals (see more below). The SFMTA Budget also honors other policy guidance, including the City's Transit First Policy, Vision Zero, and Climate Action Strategy, and the Muni Service Equity Strategy.

The SFMTA FY 2019 and 2020 Operating Budget continues the Agency's commitment to meeting affordability goals by extending the Free Muni for Low and Moderate Income Youth, Seniors, and People with Disabilities program and making strategic investments in transit programs to support

new light rail vehicle services and increased bus maintenance needs. The Budget also amends fares to incentivize transit ridership (outside of the SFMTA Board-approved indexing policy) and provides additional financial and operational support for the taxi community.

The Operating Budget includes the following major items:

- Muni fares:
  - Continuation of Free Muni for Low and Moderate Income Youth, Seniors and Disabled Riders (in baseline);
  - Changes to fares to encourage ridership and prepayment including a new day pass, a 25 cent increase in the single ride cash fare differential, fare differential in the Visitor passports between prepayment and on site purchase, discount for bulk purchases, expansion of the institutional pass and adoption of a new low income single ride fare on Clipper (subject to MTC approval and implementation);
- Additional Transit Service and Support:
  - support of the Muni Service Equity Strategy, additional information available at: <https://www.sfmta.com/reports/3-20-18-mtab-item-12-equity-strategy>;
  - putting new lightrail vehicles into service;
  - opening the Islais Creek bus maintenance facility;
  - starting Central Subway operations;
  - investing in workforce development and training;
- Additional Reduced Fees for the Taxi Program;
- Internal reductions to the base budget;
- State Senate Bill 1 revenues; and
- Use of Reserve Funds to support one-time operating expenditures, such as equipment and facility projects.

## **Involving the Public**

Public participation is a fundamental to the SFMTA's commitment to serve the residents and businesses of San Francisco. Over the past three months, agency staff undertook an extensive public outreach campaign to solicit feedback from stakeholder groups and the public. The feedback received during the process helped shape the agency's budget priorities and provided valuable input to the proposed fare and service changes. Detail about the outreach events are available at the links above.

We noticed all public meetings in multiple languages and included information on how to request free language assistance. We placed advertisements publicizing the hearings in city newspapers, including in prominent Chinese, Spanish and Russian newspapers. And we made multilingual information available through the SFMTA website. In addition, we distributed information through press releases, e-mail blasts, and through SFMTA/Muni's social media accounts.

Charter Section 8A.106 provides that the SFMTA shall submit to the Mayor and Board of Supervisors a two-year budget by May 1 of every even year, which we have done after extensive public hearings and with the recommendations of the Citizens' Advisory Council.

### **Growth in the Operating Budget**

The City Charter charges the SFMTA with implementing San Francisco's Transit First Policy. Additionally, the SFMTA also plays a significant role in implementing the city's Climate Action Strategy.

To meet those goals, the SFMTA has been taking proactive steps to promote transit ridership by improving and expanding Muni service. Other city departments, recognizing the need for new housing and job centers to be served by transit, have been working in conjunction with the SFMTA to apply Transit First principles to land use and development projects as well.

In order to support the agency's growing service, maintenance and training needs, the FY 2019-20 budget proposes 277 net new full-time employees (FTEs) in the second fiscal year of the FY 2019-20 Budget. They are necessary for the agency and City to meet the service demand, and therefore represent an important and necessary investment in the city's future. The growth in staffing is due mainly to the following four programs:

#### **Central Subway Service**

The Central Subway is scheduled to start operations at the end of 2019, halfway through the second year of this two-year budget, which will necessitate additional staffing for three new underground subway stations and a surface platform station as well as additional transit operators. Upon opening, the T-Line is expected to be the agency's largest in terms of ridership. Because of the new infrastructure and related service, the Central Subway will require 66 additional FTEs.

The federal grant agreement for the Central Subway includes a requirement that Muni increase its rail fleet by 24 cars (on top of the 149 currently in service). To meet that requirement, the SFMTA initiated a railcar procurement process in 2013. The first 24 cars are scheduled to be in service this year.

#### **Expanded Muni Metro Rail Service**

In light of the agency's mode shift and climate change goals, and to meet increased demand based on population and job growth, the SFMTA included in the procurement (and subsequently exercised) an option for an additional 40 vehicles with the enthusiastic support of Mayor Lee and the Board of Supervisors.

These additional 40 cars will also enter service by the end of next year and an additional four cars will support arena service. These vehicles will help address current crowding and latent demand. They will also position Muni to accommodate near-term demand as job growth continues at record pace and housing construction increases.

While this additional capacity is vitally important, operating and maintaining Muni's growing fleet will also require additional staff. In total, the scheduled expansion of Muni service will require an additional 152 FTEs.

### **Bus Operations and Maintenance Facility to Support Bus Service Increase**

The Transit Effectiveness Project was a once-in-a-generation review of Muni transit service, initiated in 2007 and completed in 2014. It recommended, among other changes, a near-term increase in Muni service by 12 percent, most of which has been implemented as part of the Muni Forward initiative.

Development agreements negotiated by the Office of Economic and Workforce Development, (e.g., Park Merced, CPMC, Pier 70) the Redevelopment Agency, now the Office of Community Investment and Infrastructure (e.g., Candlestick/Hunters Point Shipyard), the Port (e.g., Mission Rock), TIDA (Treasure Island), and area plans approved by the Planning Department (e.g., Eastern Neighborhoods, Market/Octavia), committed the city to providing more Muni service.

To meet these obligations, the SFMTA planned accordingly and made significant investments in new rolling stock. By the end of 2019, Muni will have increased its bus fleet by roughly 80 buses (an increase of nearly ten percent) and replaced some 40-foot buses with 60-foot buses, to add additional capacity and enhance operational efficiency.

While large buses are more efficient, they also have more components, like extra sets of wheels and doors that require maintenance. In anticipation of this fleet growth, the agency constructed a new bus maintenance facility at Islais Creek. The first phase was opened in 2015 and the facility is scheduled to be fully operational this summer to adequately and properly maintain the fleet. The staffing for the new Islais Creek facility will require 78 FTEs.

### **Workforce of the Future**

As the SFMTA continues to modernize its fleet and infrastructure, consistent with the City's Capital Plan, the agency has identified a need for enhanced training and retraining of its workforce.

While this is particularly pressing for our maintenance staff, it also applies to our operations staff as San Francisco's streets grow increasingly complex. Muni Operators will benefit from enhanced safety training as part of our Vision Zero efforts. The agency is also facing an aging workforce. Many of its skilled craft functions will require additional bandwidth to train the next generation of craftspeople. To that end, the SFMTA requires 23 FTEs to support enhanced training for over 3,000 frontline transit staff members.

### **Non-Revenue Fleet Maintenance**

Finally, the agency needs to augment staffing of its non-revenue fleet with four new FTEs. This stems from the transfer of responsibilities, which are currently being handled by Central Shops, to the SFMTA as a result of their relocation to a smaller space.

### **Capital Budget**

The SFMTA's FY 2019 and 2020 Capital Budget is \$514 million \$631 million respectively and funds projects in 10 capital program areas to address infrastructure needs related to transit reliability, street safety, state of good repair, facilities, taxi, system safety, and accessibility.

On August 15, 2017, the SFMTA Board of Directors approved the agency's 20-Year Capital Plan for FY 2017 through FY 2036. The Capital Plan represents the agency's fiscally unconstrained capital needs for the next 20 years and serves as the basis for developing the fiscally constrained five-year Capital Improvement Program (CIP). The first two years of the CIP comprise the two-year Capital Budget. Given limited funding availability, the SFMTA prioritizes capital projects that can be advanced during each two-year budget cycle.

These projects continue to reflect the SFMTA Board of Directors' adopted policies and plans, including: the SFMTA Strategic Plan, the City's Transit First and Vision Zero policies as well as the Climate Action Strategy, Pedestrian Strategy, Bicycle Strategy and the City and County of San Francisco's Adopted Area Plans and County Transportation Plan. Complete project scope and funding plans will be reflected in the SFMTA FY 2019-2023 CIP currently under development.

Each project proposal included in the five-year CIP is scrutinized from a variety of perspectives before it is included in the CIP. SFMTA staff identify projects based on input from the following:

- The community, received at various meetings during the year.
- The SFMTA Board of Directors, San Francisco Board of Supervisors (or the Board sitting as the Transportation Authority Board), and other commissions and advisory committees.
- SFMTA Board or other City-approved plans for growth, improvements, and rehabilitation.
- The SFMTA Board's adopted 20-Year Capital Plan and criteria for selecting priority needs to advance policy goals.
- Staff-identified projects based on critical need due to safety issues or to comply with new mandates.

The Capital Budget includes \$20 million in FY 2019 and \$35 million in FY 2020 contingent on voter approval of a June 2018 Regional Measure 3 ballot initiative to raise bridge tolls on State-owned bridges in the Bay Area. Additionally, the Capital budget assumes \$37 million in FY 2020 contingent on voter approval of a possible November 2018 San Francisco ballot initiative for new transportation funding as recommended by the Transportation 2045 Task Force.

### **Escheatment of Unclaimed Funds**

California Government Code Sections 50050, 50053, and 50055 authorize the City Treasurer to transfer unclaimed funds to the City Treasury after required notice is posted following approval by the Board of Supervisors. The SFMTA has identified approximately \$4 million in unclaimed citation payments that are eligible for transfer to the General Fund. We are requesting the required Board of Supervisors approval to escheat these funds to the City's General Fund. Additional information is available at this link: <https://www.sfmta.com/reports/4-3-18-mtab-item-103-escheatment-claims>.

### **Commercial Paper Substitution**

The SFMTA CP Program was established in 2003 to finance, on an interim basis, the costs of transportation capital projects. The SFMTA is seeking to substitute a lower cost Letter of Credit and seeking the Board of Supervisor's concurrent of this substitution. Additional information is available at this link: <https://www.sfmta.com/reports/3-20-18-mtab-item-11-commercial-paper>.

**Strategic Plan**

The SFMTA employs a Strategic Plan to define the vision, mission, and values of the agency and to establish the goals and objectives that will guide its work for the next two years. The SFMTA Strategic Plan also outlines performance metrics and targets by which the agency’s success will be measured. Detailed information is available at: <https://www.sfmta.com/reports/4-3-18-mtab-item-11-sfmta-strategic-plan>.

The SFMTA adopted the last strategic plan in 2012. Since then, San Francisco and the Bay Area region have seen significant changes that have impacted the city’s transportation system and the overall mobility of its residents, workers, and visitors.

The objectives outlined in the Strategic Plan guide the agency’s planning efforts, the prioritization of capital programs and projects and the development of the ten-year Operating Financial Plan and five-year Capital Improvement Program (CIP). The CIP and the Financial Plan, in turn, inform the development of the two-year operating and capital budgets, respectively..

At the end of every two-year budget cycle, the agency will conduct a comprehensive assessment of its progress towards achieving its stated goals and objectives. At that time, the agency will assess and update the strategic plan elements to address changes in the city and in the needs of the residents, workers and visitors that use the transportation system.

**Changes from the Current Strategic Plan**

Both the vision and mission of the San Francisco Municipal Transportation Agency have been simplified and now emphasize the purpose and work of one, integrated transportation agency.

<b>Element</b>	<b>FY 2013-2018 Strategic Plan</b>	<b>2018 SFMTA Strategic Plan</b>
<b>Vision</b>	San Francisco: great city, excellent transportation choices.	Excellent transportation choices for San Francisco.
<b>Mission</b>	We work together to plan, build, operate, regulate, and maintain the transportation network, with our partners, to connect communities.	We connect San Francisco through a safe, equitable, and sustainable transportation system.
<b>Goal 1</b>	Create a safer transportation experience for everyone.	Create a safer transportation experience for everyone.
<b>Goal 2</b>	Make transit, walking, bicycling, taxi, ridesharing and carsharing the preferred means of travel.	Make transit and other sustainable modes of transportation the most attractive and preferred means of travel.
<b>Goal 3</b>	Improve the environment and quality of life in San Francisco.	Improve the quality of life and environment in San Francisco and for the region.
<b>Goal 4</b>	Create a workplace that delivers outstanding service.	Create a workplace that delivers outstanding service.

## **Involving Stakeholders**

In an effort to make the development of this Strategic Plan a collaborative and inclusive process, the strategic planning team led a series of surveys, workshops, and interviews. Over the last 18 months, stakeholder groups, including the SFMTA Board of Directors, the SFMTA Executive Team, the Citizens' Advisory Council, office-based and customer-facing staff and key external stakeholders had an opportunity to comment on the Strategic Plan, identify major challenges and issues and vet the draft plan elements as they were developed.

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We are excited and optimistic with the opportunity these budgets and our revised strategic plan bring. I welcome the opportunity to brief any of you on any part of this at any time.

In the mean time, please don't hesitate to contact me should you have any questions or concerns, or desire additional information. Detailed legislative information packets will be provided shortly to your offices separately. I look forward to working with you to complete the budget process.

**Sincerely,**

**Edward D. Reiskin**  
**Director of Transportation**

