

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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May 7, 2021

TO: Budget and Appropriations Committee

FROM: Budget and Legislative Analyst



SUBJECT: May 12, 2021 Budget and Appropriations Committee Meeting

TABLE OF CONTENTS

Item	File	Page
1	21-0453 Appropriation - COVID Contingency Reserve - Municipal Transportation Agency - Free Muni Pilot Program - \$9,300,000 - FY2020-2021	1

<p>Item 1 File 21-0453</p>	<p>Department: Municipal Transportation Agency</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$9.3 million from COVID Response and Economic Loss Reserve to the General City Responsibility to fund a free Muni pilot program July 2021 – September 2021. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The proposed free Muni pilot program is in response to the substantial decrease in use of Muni services during the pandemic. The purpose of the proposed appropriation would be to fund a Free Muni pilot from July 2021 to September 2021, during which fares would not be collected on Muni. • According to SFMTA staff, the Agency projects \$9.3 million in fixed-route fare revenue for the first quarter of FY 2021-22 (July 2021 through September 2021), though fixed-route fare collection may be as high as \$10.7 million for that period, based on the recent uptick in ridership during March 2021. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • As noted above, the proposed ordinance would appropriate \$9.3 million from COVID Response and Economic Loss Reserve to the General City Responsibility to be transferred to SFMTA to fund a Free Muni pilot. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The COVID Response and Economic Loss Reserve has a fund balance of \$505.1 million. If the proposed ordinance is approved, the reserve would have a fund balance of \$495.8 million. • A Muni fare reduction would require a budget amendment that is approved by the SFMTA Board of Directors, after which it would need to be approved by the Board of Supervisors. • Federal Americans with Disabilities Act (ADA) regulations require that certain paratransit services also be free during a free Muni pilot, including SF Access, Group Van, and Intercounty paratransit. The proposed appropriation would not cover those costs, which are estimated to be \$191,229 in lost revenue plus an additional \$1.8 million in service delivery costs. The estimate assumes increased use of SF Access, which would be free, as well as decreased use of Paratransit Taxi, which is a similar service but would not be required to be free under the Federal ADA rules. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

Use of Muni transit services has decreased substantially during the pandemic. According to an April 20, 2021 staff presentation to the Municipal Transportation Agency (SFMTA) Board of Directors, average weekday ridership declined from approximately 704,000 in February 2019 to 200,000 in March 2021, causing a corresponding decrease in fare revenue. According to SFMTA staff, the Agency projects \$9.3 million in fixed-route fare revenue for the first quarter of FY 2021-22 (July 2021 through September 2021), though fixed-route fare collection may be as high as \$10.7 million for that period, based on the recent uptick in ridership during March 2021.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$9.3 million from the COVID Response and Economic Loss Reserve to the General City Responsibility to fund a free Muni pilot program July 2021 – September 2021. According to the sponsor’s office, the purpose of the appropriation is to backfill the decrease in fare revenue during July 2021 through September 2021 resulting from a free Muni pilot program, during which fares would not be collected on Muni.

FISCAL IMPACT

As noted above, the proposed ordinance would appropriate \$9.3 million from the COVID Loss and Economic Response Reserve to the General City Responsibility to fund a free Muni pilot program July 2021 – September 2021.

POLICY CONSIDERATION

The COVID Response and Economic Loss Reserve

Section 32 of the Annual Appropriation Ordinance for FY 2020-21 and FY 2021-22 established the COVID Response and Economic Loss Reserve of \$507 million, funded by the General Fund. During the current fiscal year, the Board of Supervisors approved an appropriation of \$1.9 million to support food and restaurant businesses in Chinatown (File 21-0014), leaving a balance of approximately \$505.1 million for this reserve. If the proposed ordinance is approved, the reserve would have a fund balance \$495.8 million.

The proposed ordinance would provide for a General Fund transfer to SFMTA in excess of the amount required by the City Charter.

Implementation Considerations

Section 8A.108 of the City Charter states that any Muni fare changes require approval by the Board of Supervisors through an amendment to the SFMTA budget. To accomplish a fare change, SFMTA staff would need to submit a budget amendment for approval by the SFMTA Board of Directors, to be considered at a public hearing of that body. If the fare change is approved by the SFMTA Board of Directors, it would then be submitted to the Board of Supervisors for consideration, who, under Section 8A.106 of the City Charter may approve or disapprove of the SFMTA budget. If the Board of Supervisors takes no action, the SFMTA budget amendment is deemed approved after thirty days.

The SFMTA recently amended its budget to eliminate Muni fares for passengers traveling to get vaccinated against COVID-19 between March 16, 2021 and September 16, 2021. SFMTA communicated the associated budget amendment to the Board of Supervisors on March 17, 2021 and the budget amendment became effective thirty days later, as the Board of Supervisors took no related action.

Paratransit

According to Mr. Samuel Thomas, SFMTA Manager of Analysis and Controls, if the SFMTA implements a free Muni pilot, federal Americans with Disabilities Act (ADA) regulations require the Agency to also make ADA paratransit van services free as well, including during a fare change pilot. If the SFMTA were not able to meet the ADA service requirements, federal funding could be put at risk and SFMTA would risk liability for not meeting ADA service requirements. The paratransit services that would also have to be free are the SF Access service, Group Van service, and Intercounty service.

Based on the SFMTA's projected ridership of those three programs for June 2021, the estimated cost of free Paratransit during the July 2021 – September 2021 pilot period would be \$2,061,834 (\$191,229 in lost fare revenue and \$1,845,979 in additional van service costs). This includes an assumed 50% increase in SF Access use, and a 25% mode shift from Paratransit Taxi, which would not be free during the pilot under ADA rules, to SF Access, which, as noted above, would be free under a free fare pilot. These additional costs would not be covered by the proposed ordinance.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.