

DATE: December 7, 2004

TO: MTA Board of Directors
Cleopatra Vaughns, Chair
Michael Kasolas, Vice Chair
Shirley Breyer Black, Director
Wil Din, Director
Rev. Dr. James McCray, Jr., Director
Peter Mezey, Director

FROM: Michael T. Burns
Director of Transportation

RE: **Policy Discussion of Potential Actions to Close FY2005 and FY2006
Operating Budget Deficits**

At the MTA Board's October 19th meeting, staff presented the Directors with information on the FY2005 and FY2006 operating budgets for the Municipal Transportation Agency (MTA). Both the Municipal Railway (Muni) and the Department of Parking & Traffic (DPT) are impacted in FY2005 and FY2006 by the failure to achieve voter approval of the tax measures on the November, 2004, ballot. In addition, Muni's expenditures are running higher than budget because the service reductions which were approved as part of the FY2005 budget have not been implemented. Moreover, projections for the FY2006 operating budget show a sizeable anticipated deficit, with costs expected to increase and revenues to remain fairly flat. Contributing to cost increases are significant growth rates for health care costs and employer retirement contributions, and the initiation of light rail service on 3rd Street. On the revenue side, the MTA will not be able to rely on the one-time revenues appropriated in FY2005, such as capital funds allocated to cover operating costs in the current fiscal year.

Staff is reviewing a number of potential actions that could be taken in order to balance the MTA's FY2005 and FY2006 operating budgets. These actions include the introduction of tax measures; increases to Muni fares; increases to parking fines, fees, and rates; the introduction of a local vehicle environmental impact fee; the elimination of payment for use of Muni Fast Passes on BART; and Muni service reductions, discussed further below. In addition, the appendix to this memorandum provides detailed information on the value, process, and timeframe necessary for these actions.

Taxes. Staff is currently evaluating three possible taxes: a parcel tax, a gas tax, and an increase to the parking tax. Each of these would require two-thirds voter approval.

Fares. The MTA last increased Muni fixed route fares in September, 2003, eleven years after the previous fare increase. A fare increase requires review by the Board of Supervisors.

Parking Fines, Fees, and Rates. Parking fines, fees, and rates were last increased in the same period as Muni's fares. Parking garage rates can be adjusted at the sole discretion of the MTA Board of Directors. Parking fine and fee increases, and parking meter rate increases, require action by the Board of Supervisors.

Local Vehicle Environmental Impact Fee. The MTA could propose a local vehicle environmental impact fee based on an assessment of the cost to the City of private vehicle use. Currently, no such fee exists. Implementation of such a fee would require authorization from the state.

Muni Fast Pass on BART. In FY2005 Muni will pay approximately \$9 million to BART to allow the use of the Muni Fast Pass on BART within San Francisco. Terminating or renegotiating this agreement is at the discretion of the MTA Board of Directors.

Muni Service Reductions and Schedule Efficiencies. Although service adjustments including both frequency reductions and scheduling efficiencies were approved as part of the FY2005 budget, no adjustments have been implemented since the minor adjustments made in June 2003. With respect to reductions in service, depending upon the scope and magnitude of the reductions contemplated, changes may be: (1) implemented as a routine part of schedule creation; (2) implemented upon approval of the MTA Board of Directors; or (3) implemented after review by the Board of Supervisors. In addition, some service reductions would require environmental assessment and could require full environmental review unless the MTA Board makes a declaration of fiscal emergency under California Public Resources Code section 21080.32 and California Environmental Quality Act implementing guidelines, Title 14 of the California Code of Regulations section 15285. Scheduling efficiencies (that is, reducing the cost of operation by restructuring operator assignments) do not require action by either the MTA Board or the Board of Supervisors.

In order to assist in identifying an appropriate course of action, this memorandum presents possible policies which the MTA Board of Directors may choose to adopt individually or jointly, and discusses the potential actions relative to those policies. The policies are as follows:

- Policy Option: Take Guidance from "Transit First"
- Policy Option: Align Services with Existing Resources
- Policy Option: Link Increased Fares and Fees for Service to Service Safeguards
- Policy Option: Diversify Revenue Sources
- Policy Option: Seek Solutions with Long-Term Benefits

Take Guidance from “Transit First”

The City first adopted a “Transit First” policy in 1973, with a goal of giving top priority to public transit investments and adopting street capacity and parking policies to discourage increases in automobile traffic. The policy encourages the use of mass transit, particularly within the City. Under this policy, proposals to raise revenues by increasing rates charged for garage parking, meter parking, parking fines and fees and/or a vehicle impact fee would be generally supported. In particular, were the MTA to consider a fare increase for its transit service, the Transit First policy would suggest that a fare increase take place only if accompanied by equivalent increases to the cost of automobile usage (e.g., parking rates). This would help to maintain the “balance” between modes.

Parking and gas tax increases would also appear to be supported under the Transit First policy, in that they are likely to discourage automobile usage. The parcel tax is less directly aligned with the policy.

Free transfers between transit routes within the City are consistent with the Transit First policy; however, the Transit First policy does not specify the extent of those transfers and an argument could be made that Muni is already in compliance with this tenet by virtue of its internal transfer policy.

Since the Transit First policy advocates usage of mass transit, service reductions are less desirable under this policy. However, implementing schedule “efficiencies” (minimizing the cost of service by redistributing the hours that operators work) could be supported under the Transit First policy in that these efficiencies do not reduce the level of service provided to riders. In addition, if true service reductions were pursued to balance the budget, Transit First does provide guidelines as to which routes and types of service should be most carefully safeguarded.

Align Services with Existing Resources

This policy would suggest that the agency focus on expenditure reductions in order to bring revenues and appropriations into balance. With the defeat of the tax measures on the November, 2004, ballot, the citizens of San Francisco may be indicating that they prefer fewer services to higher rates. Under this interpretation of the voters’ intent, the MTA would identify the level of service it is able to provide given existing resources, and would publish schedules in line with those resources. This would help to resolve much of the year-to-year challenge the agency faces in continuing to provide service at levels not sustained by agency revenues. However, the magnitude of service reductions required for this type of action may be too severe to best serve the interests of San Francisco.

Link Increased Fares and Fees for Service to Service Safeguards

While current budget constraints make it infeasible to adopt a policy linking fee increases to service enhancements, the MTA could consider linking fee or fare increases to service safeguards. Under this policy, Muni fare increases would not be accompanied by service reductions, or would be accompanied by only those service reductions considered routine. The policy would not necessarily exclude schedule efficiencies, as these do not impact service levels. The policy could cover any of the revenue initiatives discussed

above. It could be interpreted to mean no change to the use of Muni Fast Pass on BART, unless an argument could be made that safeguarded, existing Muni service is sufficient to serve those passengers currently using BART within San Francisco. A possible concern within this option is that the revenue increases necessary to address the budget shortfalls would be prohibitively high.

Diversify Revenue Sources

This policy focuses attention on the “structural deficit” within the MTA budget – i.e., the elasticity of revenue sources compared to the more fixed nature of cost growth. It seeks to establish additional revenue sources to bring greater balance to the revenue/expenditure relationship. The policy would therefore be supportive of new revenue sources, such as taxes, and in particular taxes that are not closely tied to the economy, such as a parcel tax or a vehicle impact fee. While existing revenues are not highlighted under this policy, neither does the policy preclude advancing those sources. Likewise, expenditure adjustments could be made, as well.

Seek Solutions with Long-Term Benefits

In developing the FY2005 budget, staff recommended the one-time use of capital funds to support operating costs. While this was a necessary action for FY2005, the Board may wish to adopt a policy which emphasizes solutions that provide long-term gains. These could include any structural expenditure changes, such as service reductions, as well as revenue enhancements or the introduction of new, ongoing revenue sources. This has the benefit of addressing the structural imbalance in the agency’s budget.

While each of these policies may be supportable, the Board may determine that some are preferable or that a combination of policies is necessary to address the difficult budgetary situation facing the MTA again in FY2005 and FY2006. Whichever course of action the Board chooses, a significant public process will be required in order for any of the possible actions to be approved and implemented and staff is committed to seeking and incorporating public input into its plan for addressing the agency’s budget concerns. More information on the specific actions currently under staff review is included in the attached appendix.

Appendix

Summary of Potential Options to Close FY05 and FY06 Operating Deficits

Item	Process	Approx. Timeframe	Impacts	Annual Value
Parking Tax Increase	Two-thirds voter approval (ballot measure)	14-16 mos.	Possible reduction in garage usage	\$8m to \$8.6m for 10% increase*
Parcel Tax	Two-thirds voter approval (ballot measure)	16-20 mos.	Possible hardship to some property owners	\$1.8m for \$100 per parcel tax
Gas Tax	Two-thirds voter approval (ballot measure), Board of Supervisors' ordinance, and agreement with State Board of Equalization	14-16 mos.	Possible decrease in gasoline and diesel fuel use or purchase within San Francisco	\$2.0m for \$0.01 per gallon tax
Service Reductions	Ranges from routine schedule adjustments to Board of Supervisors' approval	3-12 mos.	Minor to major, depending on course of action	\$2.5m to \$10m
Schedule Efficiencies	Executive Director approval	3-6 mos.	Varying impacts on platform personnel	\$2.5m to \$10m
Fare Increase	Board of Supervisors' approval	4-9 mos.	Possible loss of ridership	\$6.5m to \$25.8m, depending on magnitude, timing
Garage Rate Increase	MTA Board approval	3 mos.	Possible shift to private garages	\$0.5m to \$1.5m
Parking Fine/Fee Increases	Board of Supervisors' approval	4 mos.	Increase in compliance	\$2m to \$10m*
Parking Meter Rate Increases	Board of Supervisors' approval	4 mos.	Shift to garage use	\$2m to \$4m
Local Vehicle Environmental Impact Fee	State legislative authorization	24 mos.	Possible hardship to some vehicle owners	unknown
Discontinuation of Fast Pass on BART	MTA Board approval, 180 days written notice to BART	6 mos.	Inconvenience to passengers	\$1.7m to \$7.4m, not including additional service costs
TOTAL				\$29.5m to \$81.1m

* Changes to parking fines and fees, and to the parking tax which result in additional revenue are subject to Charter provisions which require that the MTA's General Fund support be reduced by 50% of the value of the increase resulting from such a change. Therefore, for example, while a 10% increase in the parking tax may generate as much as \$8.6 million in additional revenue, the net impact to the MTA would be 50% of that increase, or \$4.3 million.

Appendix: Potential Actions to Close MTA Operating Budget Deficit

This appendix provides detailed information on the dollar value, process, and timeframe for implementation of the following possible actions to close the MTA's FY2005 and/or FY2006 operating budget deficits:

- ❖ Parking Tax Increase
- ❖ Parcel Tax
- ❖ Gas Tax
- ❖ Muni Service Reductions and Scheduling Efficiencies
- ❖ Muni Fare Increase
- ❖ Parking Garage Rate Increases
- ❖ Parking Fine/Fee Increases
- ❖ Parking Meter Rate Increases
- ❖ Local Vehicle Environmental Impact Fee
- ❖ Discontinuation of Fast Pass on BART

Parking Tax

Currently, the City and County of San Francisco levies a 25% parking tax on all parking facilities. Until this year, an amount equal to approximately 40% of the parking tax was allocated to Muni (another 40% goes to the City's General Fund, and 20% to a Senior Citizens Fund). A recent court decision has thrown this allocation into question and it may change in future years.

In FY2005, the parking tax is expected to yield approximately \$21 million in operating revenues to Muni, and approximately \$54 million in total revenue for the City. Revenue changes for Muni depend on the scale of a rate increase. For instance, if the City's parking tax were increased to 35%, and parking demand were not reduced significantly as a result, then the total increase in annual revenue would be approximately \$21 million at current parking rates. Under the current revenue allocation formula, Muni would receive an additional \$8.6 million in annual revenue from the increase. However, under the Charter, an increase in the parking tax would require a reduction in the MTA's General Fund transfer equal to half the amount of the increase. For example, were a parking tax increase to generate \$8.6 million in additional revenue, the MTA's General Fund transfer would be reduced by \$4.3 million.

Any proposal to increase the parking tax with revenues directed to Muni would require two-thirds voter approval. The next scheduled election is in November 2005. If approved, the parking tax rate increase would become effective ten days after the Board of Supervisors certified the results of the election. A transition period would then be required to implement any necessary administrative changes related to collection of the tax. Taking into consideration these process requirements, it is currently estimated that implementation of a parking tax increase would take approximately 15 months; that is, early spring of 2006.

Another option would be to expand the tax to cover facilities where parking is currently provided for free, such as hotels and businesses. The revenue potential from this action is unknown. As

with an increase in the tax rate, expanding the scope of the tax would require two-thirds voter approval.

Parcel Tax

Currently Muni does not receive revenues from special taxes levied on property in the City. (Muni does receive revenue from the Transit Impact Development (TIDF), a one-time charge levied against most non-residential property when it is developed to add or increase non-residential uses.) A parcel tax for the special purpose of supporting Muni improvements, maintenance, and operations would require two-thirds voter approval.

Such a tax could not be an ad valorem tax based on the value of the property. Instead, parcel taxes are typically a flat fee that may be adjusted based on a factor such as the size of the parcel or the number of units on the parcel. Revenue expectations would vary depending on the rate of the tax. For instance, an annual tax of \$100 per parcel (at approximately 18,000 parcels) would result in revenues of \$1.8 million per year.

The MTA Board could place a parcel tax on the ballot. The next scheduled election is in November 2005. As with a parking tax, if approved, the parcel tax would go into effect ten days after the Board of Supervisors certified the results of the election. However, it is not clear when the Tax Collector could begin to collect this tax, and at what point revenue generated from the tax could be distributed to the MTA. Therefore, while revenues from this tax may be received in FY2006, it is possible that a lengthy implementation could result in revenues not being received by the MTA until FY2007.

Local Gas Tax

The state currently levies an excise tax of \$0.18 per gallon of gasoline sold, as well as a sales tax of 6% on fuel sales. The Revenue and Taxation Code authorizes counties to impose an additional tax on motor vehicle fuel sales. Such a tax would require a proposition passed by the Board of Supervisors and approval by two-thirds of the voters. The City would then have to enter into an agreement with the State Board of Equalization for the collection and administration of the tax.

The use of revenues generated by this tax would be limited by Article XIX of the state constitution, which restricts the use of fuel tax revenues to research, planning, construction, maintenance or improvement of: 1) streets and highways; and 2) public mass transit guideways and related facilities. Operating and maintenance costs for mass transit power systems, passenger facilities, vehicles, equipment and services are specifically excluded.

The Public Utilities Code allows local governments to impose a separate \$0.01 per gallon fuel tax following voter approval of a proposition authorizing the tax. Like a tax authorized under the Revenue and Taxation Code, a tax authorized by the Public Utilities Code would require a proposition passed by the Board of Supervisors and approval by two-thirds of the voters. The City would then have to enter into an agreement with the State Board of Equalization for the collection and administration of the tax.

The Public Utilities Code allows revenues from this gas tax to be used for the following broader range of purposes:

- 1) The planning, construction, and maintenance of, and the acquisition of rights-of-ways for, exclusive public mass transit guideways and exclusive bus lanes and related fixed facilities to such guideways and bus lanes.
- 2) The purchase of transit vehicles.
- 3) The payment of principal and interest on voter-approved bonds for purposes specified in (1) or (2) above.

A tax of \$0.01 per gallon would raise approximately \$2.0 million annually from sales of gasoline and diesel fuel, though revenues from a gas tax would fluctuate with the demand for gasoline.

As with the other taxes discussed above, the timeframe for implementation of either of the taxes discussed above would be relatively lengthy. Were a tax to be approved by the voters in November 2005, reaching agreement with the State Board of Equalization for collection and administration of the tax could require some time. It is estimated that implementing a gas tax would require approximately 15 months; that is, early spring of 2006.

Muni Service Reductions and Schedule Efficiencies

The following summarizes options facing the MTA with respect to the implementation of adjustments to Municipal Railway service as part of an overall strategy to close the FY2005 and FY2006 budgetary shortfalls. The discussion is framed in terms of achieving savings of \$5, \$10 and \$15 million on an annualized basis.

A: \$5 Million Savings

At the conclusion of the FY2005 budget process, the MTA was poised to achieve a savings of approximately \$5 million on an annual basis through the implementation of the following measures:

A-1 Basic Schedule Adjustments

An extensive outreach program was conducted by staff in spring 2004, to receive input from the public on a broad range of proposals. Following action by the MTA Board in adopting a budget calling for a \$7 million service reduction in FY2005, the actions listed below were adopted by staff. These constitute managerial action with respect to schedules, and did not require action by the MTA Board. Collectively, they constitute relatively minor adjustments of one or two minutes to the frequency of service, and are justified by current ridership levels, although they would result in minor increases to passenger loads on board Muni vehicles. The following list summarizes the major components of these changes:

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| 1 California | Reduce mid-day frequencies from every 5 to every 6 minutes. |
| 4 Sutter | Reduce peak service from every 10 to every 15 minutes. (2 and 3-lines unchanged.) |

5 Fulton	Reduce afternoon peak service from every 4 to every 5 minutes.
7 Haight	Reduce from 10-12 minutes to 15-minute frequencies all day.
9 San Bruno	No change to service to/from Visitacion Valley and Geneva Avenue. Discontinue supplemental peak period “short-line” trips during peak periods north of 24 th Street.
9X/9AX/9BX Exp.	Increase use of articulated buses, using vehicles displaced from 15 and 38.
14 Mission	Reduce frequencies by 1 minute all day; possibly 2 minutes mid-day.
15 Third	Reduce afternoon peak period frequencies from every 7 to every 8 minutes.
16AX/BX Exp.	Reduce trips to/from Caltrain Station.
21 Hayes	Reduce afternoon peak period service from every 6 to every 7 minutes.
38 Geary	Reduce local frequencies by 1 minute all day. No change to 38L Geary Limited.
41 Union	Reduce afternoon peak period frequencies by 1 or 2 minutes.
F-Mkt & Whvs	No change to regular service. Reduce “shuttle” cars from 3 to 2 on weekdays.
Metro	Adjust layovers. (No change to schedules.)

Estimated annual savings: \$2.5 million
Impacts on passengers: Low (Improvements on 9X/9AX/9BX)
Impacts on platform personnel: Low

A-2 Moderate Schedule Efficiencies

Schedule efficiencies are achieved by distributing the hours that operators work (their “runs”) in a manner that minimizes cost. Runs typically may include, in addition to time spent driving, varying amounts of overtime, standby time, lunch and travel allowances, and other premiums and allowances. Within current contract provisions, runs can be restructured in a way that could increase the total numbers of operators, but reduce average run pay so as to reduce Muni’s overall platform costs, primarily through reducing the amount of overtime built into a run. A moderate improvement in run efficiency has been proposed for implementation in the current fiscal year. (For comparison, a more extreme reduction in overtime could result in theoretical savings as high as \$10 million; the proposed efficiency improvement is more modest in its impacts.)

Estimated annual savings: \$2.5 million
Impacts on passengers: None
Impacts on platform personnel: Moderate

Process and Timing

Everything discussed above has been the subject of extensive public outreach and discussion before the MTA Board in Spring and Summer 2004. These measures do not require formal adoption by the MTA Board, nor do they require declaration of fiscal emergency. In addition, schedules have already been prepared for all the items listed for measure A-1. Nonetheless, the magnitude of changes proposed will require that a General Sign-Up (GSU) be conducted, in which operators can rotate between operating divisions. The earliest implementation date for these changes would likely be February 2005.

Options

While the above measures have been recommended by management for an initial \$5 million savings, the MTA could alternatively adopt various of the measures described below. However, depending on what measures were chosen, the earliest date of implementation could be delayed.

B: \$10 Million Savings

In order to achieve \$10 million in budgetary savings, the MTA could adopt the following measures in addition to those described above. Since cost estimation has not been completed for many of these, we note that ALL of these measures may have to be adopted to achieve a \$10 million savings from service adjustments. (Note that management originally proposed implementing some additional measures such as these to permit necessary *improvements* to 29 Sunset schedules, in conjunction with overall reductions.)

B-1 Additional Schedule Adjustments (within policy headways)

Staff has identified other instances in which Muni service frequencies could be reduced without either causing overcrowding or violating policy headways. (See *Short Range Transit Plan FY2004-2023* (SRTP), page 29 [attached].) The following areas are under investigation:

Various lines	Reduce service in the pre-peak periods to better reflect current utilization: 6-7am, 3:30-5pm.
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Estimated annual savings:	TBD
Impacts on passengers:	Low
Impacts on platform personnel:	Low

B-2 Utilize Articulated Coaches to Improve Efficiencies and Reduce Costs

5 Fulton	Substitute available articulated trolley coaches and reduce frequencies by 1-3 minutes to reduce costs. No reduction in line capacity. (Note: articulated coaches will also be deployed on the 30 Stockton between North Point and Folsom or Townsend at current frequencies.)
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Estimated annual savings: \$650,000-\$800,000
Impacts on passengers: Low
Impacts on platform personnel: Low

B-3 Minor Service Restructuring

Various proposals were considered last Spring for structural changes to Muni lines; i.e., actual changes to the hours or routes operated. The structural changes proposed for consideration include the following, which were all extensively discussed in public outreach last Spring:

- 4 Sutter Discontinue service. Reroute 2 Clement from Euclid to California between Arguello and Presidio Avenue.
- 7 Haight Discontinue service except during weekday peak periods. (6-, 71-lines provide service.)
- 16AX/16BX Exp. Discontinue remaining trips between Market Street and Caltrain Station.
- 82X Express Reduce afternoon service from 5 to 2 trips.

Estimated annual savings: TBD
Impacts on passengers: Low
Impacts on platform personnel: Low

B-4 Reduce service frequencies below current service policy levels

At certain times, particularly at night, Muni vehicles on some lines carry very light loads. The MTA could reduce service on these lines, either by agreeing to operate below policy levels as a response to the current fiscal emergency—or by formally adjusting these policy levels downward.

The following evening service revisions, after about 8pm, are proposed for consideration:

- 10 Townsend Reduce from every 15 minutes to every 30 minutes.
- 12 Folsom Reduce from every 20 minutes to every 30 minutes.
- 18 46th Avenue Reduce from every 20 minutes to every 30 minutes.
- 19 Polk Reduce from every 15 minutes to every 20 minutes.
- 23 Monterey Reduce from every 20 minutes to every 30 minutes.
- 26 Valencia Reduce from every 20 minutes to every 30 minutes.
- 27 Bryant Reduce from every 20 minutes to every 30 minutes.
- 33 Stanyan Reduce from every 20 minutes to every 30 minutes.
- 47 Van Ness Reduce from every 15 minutes to every 20 minutes.
- 48 Quintara-24th Street Reduce from every 20 minutes to every 30 minutes.
- 49 Van Ness-Mission Reduce from every 15 minutes to every 20 minutes.
- 67 Bernal Heights Reduce from every 20 minutes to every 30 minutes.

Estimated annual savings: \$300,000 to \$350,000
Impacts on passengers: Low to moderate
Impacts on platform personnel: Low

B-5 Increase use of part-time operators

Increased use of part-time operators would be an additional way to increase service efficiency with minimal impact on platform personnel. While the number of part-timers could be increased further in the future, staff is currently evaluating what level could be achieved this fiscal year.

Estimated annual savings: TBD

Impacts on passengers: None

Impacts on platform personnel: Low

Process and Timing

Measures B-1, B-2 and B-5 have minimal adverse impacts on passengers, and could therefore require neither formal MTA Board action nor adoption of the fiscal emergency declaration. In addition, measures B-2 and B-5 would remain consistent with the earliest feasible implementation date. Measure B-1 could result in some weeks' additional delay while schedule preparation is completed, depending on how many lines are affected.

Measures B-3 and B-4 would both require MTA approval of the declaration of fiscal emergency to avert time-consuming environmental evaluation. Both would normally also require formal MTA approval, the former as a significant route change and the latter as a revision of policies adopted as part of the Short Range Transit Plan; however, the MTA Board's approval of the FY2005 budget included authorization for the Executive Director to implement the changes described under measure B-3. As with measure B-1, implementation of B-3 could result in some weeks' additional delay while schedule preparation is completed.

Measure B-4 has, however, not been the subject of any previous public discussion. Nonetheless, because the impacts of the specific changes on the riding public are limited, the MTA might undertake a public hearing before the MTA itself, which would be most efficient from a perspective of an expedited implementation period.

Options

Staff has not identified many specific measures beyond those itemized above, but it appears all of the above may need to be implemented to achieve \$10 million in annual savings. The next section identifies some broad areas for potential further reductions, but at a lower level of specificity than those discussed to this point. However, should the MTA Board seek alternatives to the above, the next section outlines the types of options that could be developed.

C. \$15 Million Savings

C-1 Additional Frequency Adjustments (Weekdays, Saturdays, Sundays)

Staff has been able to identify numerous other instances in which service frequencies could be reduced without leading to excessive average loads, sometimes within the existing policy framework, and sometimes by reducing frequencies below current policies. Because they are broad reaching and would, in combination with measure B-4, significantly alter the perception of Muni service, such measures should probably only be adopted in conjunction with a formal change of Municipal Railway service policies. Lines which could be affected by these frequency changes are not itemized here, because under such an approach almost all Muni lines could be affected in one or more time periods. If these are implemented, while average loads would remain at acceptable levels, increases in passenger loads on individual trips could lead to increased occurrences of overcrowding and pass-ups.

Estimated annual savings: Up to \$1.5 to \$2.5 Million (in addition to savings from A and B items)
Impacts on passengers: Low to moderate to major
Impacts on platform personnel: Low to moderate

C-2 Major Service Reductions

These have not yet been formulated in detail at this time. However, one example might be the restructuring of lines 26 and 54 as discussed earlier this year. (Discontinue 26-line south of Glen Park...Extend 54-line from Daly City BART to SF State, replacing this portion of 26-line.)

Alternative reductions could involve curtailment of some or all Owl services, or curtailment of the hours of basic Muni service from 1am to 10pm.

Estimated annual savings: Up to \$5 Million as needed (in addition to savings from A and B items)
Impacts on passengers: Moderate to major
Impacts on platform personnel: Low to moderate

C-3 Major Schedule Efficiencies

While these might take some period of time to implement, further savings could be achieved by more drastic reductions of overtime, resulting in major reductions to annual salaries of most operating personnel.

Estimated annual savings: \$2.5 to \$5 Million (Net savings above A-2)
Impacts on passengers: None
Impacts on platform personnel: Major

Process and Timing

The process for approval of section C measures depends on the detail of the proposals. Any major service reductions that constitute a route abandonment require review by the Board of Supervisors.

Muni Fare Increase

Muni's FY2005 budget for fixed route fares (cash, tokens, and passes) is \$117.8 million. The FY2005 budget for Paratransit fare revenues is \$1.8 million. Muni implemented a fare increase as of September 1, 2003. Fare increases must be approved by the MTA Board of Directors and either approved or allowed to go into effect by the Board of Supervisors. Fare increases may be rejected by the Board of Supervisors by a two-thirds vote.

Depending on the rate and timing of a fare increase, staff estimates that a fare increase could generate between \$6.5 million and \$25.8 million in additional revenue. The table below identifies possible rate increases and the corresponding anticipated revenue.

Fare Type	Current Fare	Alternate Fare (1)	Alternate Fare (2)	Alternate Fare (3)
Adult Cash	\$1.25	\$1.35	\$1.50	\$1.75
Senior/Disabled Cash	\$0.35	\$0.40	\$0.45	\$0.50
Youth Cash	\$0.35	\$0.40	\$0.45	\$0.50
Cable Car Cash	\$3.00	\$4.00	\$4.00	\$5.00
Cable Car Souvenir	\$3.00	\$4.00	\$4.00	\$5.00
Transfers	Free	Free	Free	Free
Fast Pass (adult)	\$45.00	\$50.00	\$54.00	\$63.00
Discount Monthly Pass – Senior, Disabled	\$10.00	\$11.00	\$12.00	\$14.00
Discount Monthly Pass – Youth	\$10.00	\$11.00	\$12.00	\$14.00
Weekly Pass	\$12.00	\$13.00	\$15.00	\$17.00
1 Day Passport	\$9.00	\$10.00	\$11.00	\$13.00
3 Day Passport	\$15.00	\$17.00	\$18.00	\$21.00
7 Day Passport	\$20.00	\$22.00	\$24.00	\$28.00
Class Pass	\$15.00	\$17.00	\$18.00	\$21.00
Tokens	\$10.50	\$11.50	\$13.00	\$15.50
Other (various)	Various	Various	Various	Various
Total Additional Revenue (annual)		\$7,760,170	\$14,034,170	\$25,808,170
Average Percent Rate Increase		14%	24%	45%

A fare increase could be implemented as part of the FY2006 operating budget. Were the MTA to pursue that direction, the earliest a rate increase could be implemented would be September 1,

2005, providing ten months of revenue benefit in FY2006. In order for a fare increase to go into effect, the MTA Board of Directors would have to approve a proposed FY2006 operating budget which included the fare increase. The proposed FY2006 budget would then be submitted to the Mayor and Board of Supervisors. The Board of Supervisors could then approve the proposed budget, reject it by a two-thirds vote (but not modify it), or take no action. If the Board of Supervisors chose to take no action, the budget would be considered in effect. Were the Board of Supervisors to reject the budget, the MTA would be required to resubmit a balanced budget for approval by the Board.

Alternatively, a fare increase could be implemented outside of the FY2006 budget process. A proposal to raise fares during FY2005 would be considered a budget modification and would require action by the Board of Supervisors. As with the overall MTA budget, the Board of Supervisors could disapprove a fare increase by a two-thirds vote; otherwise, the increase would go into effect. The Board of Supervisors' approval process would take approximately three months, and staff would require approximately one month after approval to fully implement the fare increase, for a total timeframe of about four months.

Parking Fine/Fee Increases

The MTA receives all revenue from parking citations collected, except those issued on Port property. According to the California Vehicle Code, any changes to parking fines and related late fees require Board of Supervisor's approval. In some cases, parking fines are already set at the maximum levels permitted by the California Vehicle Code.

Staff estimates that increases to parking fines or fees could generate between \$2 million and \$10 million annually, but half of any increase would be shared with the General Fund by reducing Muni's General Fund support amount in accordance with Charter requirements. Once an increase proposal is put forward, staff estimates it would take four months for legislative approval and implementation.

Over the past four years, the Board of Supervisors has approved two series of parking fine increases, one in January 2001 and the second in May 2003. The January 2001 increase focused on safety-related violations and penalties that focused on moving commercial traffic and preventing congestion. The June 2003 increases were more general and included increases to the most commonly written citations and late fees.

The 2001 fine increases were initially projected to generate \$2 million annually. In FY2003, these increases generated an additional \$1.8 million. In FY2004, the agency collected \$4.9 million from these increases, while the projection for FY2005 is \$4.3 million.

The 2003 fine and fee increases were estimated to generate \$20.3 million, \$9.5 million for the fine amounts and \$10.8 million in late fees. In FY2004, the agency collected the estimated \$9.5 million in fines but only \$5.1 million in late fees, for a total of \$14.6 million. In FY2005, the agency is projected to collect \$9.5 million from fines and \$8.1 in late fees, for a total of \$17.6 million.

Parking Citation Description	Penalty Amount	Date Increase Approved
Street Cleaning	\$35	June 2003
Residential Permit Parking	35	June 2003
Parking Meters	35	June 2003
Parking Meters - Downtown	40	Jan 2002, June 2003
Overtime Parking - Downtown	40	June 2003
Overtime Parking	35	June 2003
Off-Street Parking	35	June 2003
Off-Street Overtime Parking	35	June 2003
No Parking over 72 hours	55	June 2003
Commercial Parking Limited	100	June 2003
No Parking, Commercial Vehicles	100	June 2003
No registration tabs	50	June 2003
Driveway	75	June 2003
Double Parking	55	June 2003
Red Zone	50	January 2002
White Zone	50	January 2002
On Crosswalk	50	January 2002
Sidewalk	100	January 2002, January 2003, August 2004
Fire Hydrant	50	January 2002
Truck Loading Zone	50	January 2002
Yellow Zone - Downtown	50	January 2002
Yellow Zone	50	January 2002
Taxicab Stand	50	January 2002
No Stopping – Downtown	50	January 2002
No Stopping	50	January 2002
First Late Fee	25	June 2003
Second Late Fee	35	June 2003
Misc. Penalties	25	June 2003

Boot Fee

Fee	Av. Boots/Year	Fee
Boot Fee	3,000	\$75

DPT began a traffic boot program in 1991. The placement of a boot, which immobilizes a vehicle, encourages individuals with more than five outstanding parking citations to pay their tickets. Traffic boots allow DPT to immobilize the vehicles immediately rather than wait for a tow truck and risk losing the vehicle. Based on the approval of the MTA Board of Directors, staff increased this fee from \$50 to \$75 effective April 1, 2003. For FY2004, the agency collected a total of \$385,017 in revenue.

Administrative Tow Fee

Fee	Average # of Tows	Fee
Administrative Tow Fee	58,100	\$50

The Traffic Code allows DPT to charge for the administrative costs of towing a vehicle. Based on approval of the MTA Board of Directors, staff increased this fee from \$30 to \$50 effective April 1, 2003. For FY2004, a total of \$2,486,441 in revenue was collected from the administrative tow fee.

Contractor Tow Fee

Fee	Average # of Tows	Fee
Contractor Tow Fee	58,100	\$15.03

This fee is set by the bid of the City tow contractor. This amount was originally set in 1994 when Pick Your Part Auto Wrecking proposed the fee to the City. The City is currently in negotiations with AutoReturn for a long-term towing services agreement, which will increase this fee. Staff currently estimates that the City will collect an additional \$300,000 from this fee once the new agreement is approved.

Curb Painting Fees

Type of Zone	Fee	
	Processing	Painting
New White or Green Zone		
Less than 22 ft	250	115
Between 23-44 ft	500	230
Between 45 and 66 ft	750	345
Greater than 66 ft	1,000	460
Renewal, White or Green Zone		
Less than 22 ft	80	80
Between 23-44 ft	160	160
Between 45 and 66 ft	240	240
Greater than 66 ft	320	320
Red Tips	60	53

DPT offers businesses and private citizens the ability to request the installation of a white loading zone, green 30-minute parking zone, or red tips on the edge of residential driveways to discourage illegal parking. This program is offered on a fee-per-service basis, so the revenues collected need to equal the program costs. Based on approval of the MTA Board of Directors, staff implemented this fee schedule effective April 1, 2003. For FY2004, the Agency collected a total of \$496,112 in revenue from these fees.

Street Closure Fees

Time Period for Filing Fee	Multiple Streets	Block Party
More than 59 days notice	\$225	\$100
30 to 59 days notice	275	150
8 to 29 days notice	325	200
Less than 8 days notice	375	250

DPT charges a fee based on its administrative costs for street closure permits. Permits for events that cover multiple streets are more costly because they require greater planning and coordination. Staff recommended this fee increase based on an analysis of the program’s cost in FY2002. Based on approval of the MTA Board of Directors, staff implemented the fees listed above effective April 1, 2003. For FY2004, the Agency collected a total of \$59,520 in revenue from these fees.

Residential Permit Parking Fees

Fee	# of permits	Fee
Residential – full year	70,500	\$27.00
Residential – six months	14,000	13.50
Temporary		
Visitor		
Commercial		
Teacher		
Vanpool/Carpool		

DPT charges a fee based on its administrative costs for residential parking permits. While many people have urged significant increase in this fee as a matter of policy, the City is legally prohibited from increasing the fee beyond the amount required to recover the costs of the residential permit program. Staff is currently evaluating all of the program costs and may propose a rate increase pending the outcome of the analysis.

Parking Meter Rate Increases

Parking Meter Rates

Meter Rate Areas	# of Meters	Hourly Rate
Rate Area 1 Downtown	2,897	\$2.00
Rate Area 2 Ring Around Downtown	4,178	\$1.50
Rate Area 3 Outlying Commercial Areas	14,308	\$1.00
Rate Area 4 Fisherman’s Wharf	444	\$1.50

According to the California Vehicle Code, the Board of Supervisors is required to approve changes to parking meter rates. For FY2004, the agency collected \$24,107,482 in revenue from parking meters. Staff estimates that changes in operating hours to selected parking meters or

selective increases in the meter rates could generate \$2 million to \$4 million annually and could be implemented within four months.

The Board of Supervisors approved the current meter rates in May 2003. Staff completed the rate conversion between May 22 and June 30, 2003.

Parking Garage Rate Increases

Revenues from parking garages are credited to Muni, DPT, and the Recreation and Parks Department. In FY2003, the agency collected \$20.3 million from parking garages. Since most rate increases were implemented in April, May, or June of 2002, the revenues collected for most of FY2003 did not reflect the higher parking rates. In FY2004, the agency collected \$23.1 million, a 14% increase in revenues from garages. However, projected revenues for FY2005 are currently \$22.6 million, or 2% less than last fiscal year. Staff is currently evaluating the rates and use patterns at each garage to understand which facilities could support a parking fee increase without the risk of a revenue loss. Staff currently estimates that adjustments to garage rates could generate \$0.5 million to \$1.5 million annually and could be implemented within three months of receiving MTA Board approval.

The following table shows every garage that provides revenues to the agency, the implementation date of the last rate increase, the number of spaces, usage information, and net revenues for three fiscal years.

Detailed Garage Information		FY03	FY04	FY05 Projected
5th and Mission				
Number of Spaces	2,585			
Date of Last Rate Increase	May 2002			
# of Transient Users Annually		1,596,998	1,630,141	1,605,954
Av # of Monthly Accts		669	603	578
Parking Fee – 1-2 Hours	4.00			
Cost of each additional hour	2.00			
Monthly Rate	225.00			
Net Revenue		4,650,735	6,329,125	5,817,713
Revenue/Space		1,799	2,448	2,250
Ellis O’Farrell				
Number of Spaces	950			
Date of Last Rate Increase	June 2002			
# of Transient Users Annually		779,159	745,931	746,094
Av # of Monthly Accts		175	203	224
Parking Fee – 1-2 Hours	4.00			
Cost of each additional hour	2.00			
Monthly Rate	260.00			
Net Revenue		338,809	649,117	654,739
Revenue/Space		357	683	689

Detailed Garage Information		FY03	FY04	FY05 Projected
Golden Gateway				
Number of Spaces	1,095			
Date of Last Rate Increase	May 2002			
# of Transient Users Annually		227,188	263,641	270,693
Av # of Monthly Accts		847	765	749
Parking Fee – 1 st Hour	4.00			
Cost of each additional hour	2.00			
Monthly Rate	325.00			
Net Revenue		3,461,256	3,478,301	3,322,044
Revenue/Space		3,160	3,176	3,033
Japan Center				
Number of Spaces	920			
Date of Last Rate Increase	April 2002			
# of Transient Users Annually		559,474	531,291	509,460
Av # of Monthly Accts		671	764	770
Parking Fee – 1 st Hour	1.50			
Cost of each additional hour	1.50			
Monthly Rate	135.00			
Net Revenue		556,737	657,146	751,471
Revenue/Space		605	714	816
Lombard Street				
Number of Spaces	205			
Date of Last Rate Increase	April, 2002			
# of Transient Users Annually		112,680	88,742	78,450
Av # of Monthly Accts		104	105	105
Parking Fee – 1 st Hour	1.50			
Cost of each additional hour	1.50, then 2.00			
Monthly Rate	150.00			
Net Revenue		75,167	70,944	47,272
Revenue/Space		366	346	230
Mission Bartlett				
Number of Spaces	350			
Date of Last Rate Increase	April 2002			
# of Transient Users Annually		133,371	125,305	122,505
Av # of Monthly Accts		225	245	280
Parking Fee – 1 st Hour	1.00			
Cost of each additional hour	1.00, then 1.50			
Monthly Rate	100.00			
Net Revenue		72,695	85,938	71,872
Revenue/Space		208	245	205

Detailed Garage Information		FY03	FY04	FY05 Projected
Moscone				
Number of Spaces	732			
Date of Last Rate Increase	April 2002			
# of Transient Users Annually		175,045	181,652	151,110
Av # of Monthly Accts		288	223	190
Parking Fee – 0-2 hours	4.00			
Cost of each additional hour	2.00			
Monthly Rate	225.00			
Net Revenue		1,216,623	1,189,523	1,043,408
Revenue/Space		1,662	1,621	1,425
North Beach				
Number of Spaces	203			
Date of Last Rate Increase	April, 2002			
# of Transient Users Annually		178,399	185,298	189,246
Av # of Monthly Accts		28	29	38
Parking Fee – 0-1 hour	2.00			
Cost of each additional hour	2.00			
Monthly Rate	325.00			
Net Revenue		450,370	603,270	581,380
Revenue/Space		2,218	2,971	2,864
Performing Arts				
Number of Spaces	598			
Date of Last Rate Increase	April, 2002			
# of Transient Users Annually		143,218	143,868	169,373
Av # of Monthly Accts		323	340	341
Parking Fee – 0- 1 hour	2.00			
Cost of each additional hour	2.00			
Monthly Rate	150.00			
Net Revenue		883,021	795,290	933,356
Revenue/Space		1,393	1,330	1,560
Polk Bush				
Number of Spaces	129			
Date of Last Rate Increase	April, 2002			
# of Transient Users Annually		57,357	52,497	51,459
Av # of Monthly Accts		83	83	80
Parking Fee – 0- 1 hour	1.25			
Cost of each additional hour	1.25, then 1.50			
Monthly Rate	135.00			
Net Revenue		96,739	103,556	78,844
Revenue/Space		749	802	611

Detailed Garage Information		FY03	FY04	FY05 Projected
SFGH				
Number of Spaces	1,701			
Date of Last Rate Increase	Sept. 2002			
# of Transient Users Annually		206,924	212,928	205,335
Av # of Monthly Accts		1,715	1,662	1,608
Parking Fee – 0- 1 hour	1.00			
Cost of each additional hour	1.00, then 1.50			
Monthly Rate	50.00			
Net Revenue		374,008	738,963	734,496
Revenue/Space		219	434	431
St. Mary's Square				
Number of Spaces	639			
Date of Last Rate Increase	May 2002			
# of Transient Users Annually		228,915	218,062	231,567
Av # of Monthly Accts		415	386	437
Parking Fee – 0- 1 hour				
Cost of each additional hour				
Monthly Rate				
Net Revenue		955,101	783,852	945,432
Revenue/Space		1,495	1,227	1,479
Sutter Stockton				
Number of Spaces	1,865			
Date of Last Rate Increase	May 2002			
# of Transient Users Annually		1,528,249	1,441,768	1,431,805
Av # of Monthly Accts		210	191	184
Parking Fee – 0- 2 hour	4.00			
Cost of each additional hour	2.00			
Monthly Rate	350.00			
Net Revenue		5,734,955	6,270,405	6,272,106
Revenue/Space		3,075	3,362	3,363
Vallejo Street				
Number of Spaces	163			
Date of Last Rate Increase	April 2002			
# of Transient Users Annually		134,358	137,713	132,921
Av # of Monthly Accts		14	15	15
Parking Fee – 0- 1 hour	2.00			
Cost of each additional hour	2.00			
Monthly Rate	325.00			
Net Revenue		288,733	342,855	294,868
Revenue/Space		1,771	2,103	1,809

Local Vehicle Environmental Impact Fee

The MTA could propose a local vehicle environmental impact fee based on an assessment of the cost to the City of private vehicle use. To pursue such a fee, the City would need to seek authorization from the state to levy a locally based fee on vehicles registered in San Francisco. At the same time, the City would need to develop a model to assess the environmental costs incurred as a result of locally registered vehicles. Such an impact fee could benefit the MTA by providing a funding source for transit as a more efficient and environmentally-friendly mode of transportation than private vehicles. Revenue from an impact fee might be shared between the MTA and the City. While revenue estimates are still under development, there are approximately 400,000 vehicles registered in San Francisco. Because of the timeline required for state legislation, such a fee would likely take at least two years to implement.

Discontinuation of Fast Pass on BART

Muni reimburses BART for transportation services provided to Muni Fast Pass holders. This practice first began in 1983 when, pursuant to Section 29142.4(a) of the Public Utilities Code of the State of California, Muni and BART agreed to coordinate transit services within San Francisco. Under the Fast Pass Agreement, Muni's adult Fast Pass is valid for transportation between BART stations located within San Francisco. The reimbursement rate has been adjusted several times as BART's fares have increased. Muni currently reimburses BART \$0.87 per ride.

In the past three years, adult Fast Pass holders have taken nearly 10 million trips annually on BART within San Francisco, and Muni has reimbursed BART close to \$9 million in each of those three years. Roughly half of all adult Fast Pass holders use their Fast Pass on BART an average of 20 times per month. A small percentage of adult Fast Pass holders (<7%) use their Fast Pass to make more than 50 trips on BART each month.

In recent years, Muni and BART have discussed extending BART privileges to discount Muni Fast Pass holders. However, the agencies have not resolved the terms of such an agreement.

If the Muni Fast Pass were no longer valid for travel on BART within San Francisco, Muni would eliminate the nearly \$9 million annual payment to BART. This savings would likely be partially offset by a reduction in Fast Pass sales, especially among those riders who use their Fast Pass almost exclusively to ride BART. Muni estimates that lost pass revenues could range from \$1.6 million to \$7.3 million, depending on the number of riders who would no longer buy a monthly adult Fast Pass.

It is also likely that some portion of those riders currently using their Muni Fast Pass on BART would switch to a Muni vehicle, rather than pay the cash fare on BART. Currently, Muni adult Fast Passes account for approximately 35,000 rides per weekday on BART, primarily along the Balboa/Mission corridor. If a large percentage of these riders switched to Muni, it would place an incremental burden on those lines that parallel the BART routes. To the extent that Muni needed to increase service to accommodate the additional ridership, it would further reduce any savings from discontinuing the \$9 million reimbursement to BART. No estimate of the incremental cost of additional service has been calculated at this time.

The Fast Past Agreement is an annual agreement between BART and Muni. The current agreement expires December 31, 2004. The next agreement would become effective January 1, 2005 through December 31, 2005. Muni may terminate the agreement at any time by providing 180 days written notice to BART.