

Budget Study Session  
MTC SAFE BATA  
BAHA BAIFA

May 10, 2017

# Purpose: Preview the FY 2017 - 18 Agency Budget

- **Operating Components:**

- BATA – Toll operation, collection and maintenance, Rehab, ELN construction
- MTC – Administration, Planning, Grants
- Clipper – Regional fare collection program
- SAFE – Freeway Service Patrol, Callboxes
- BAHA – JPA for construction/operation 375 Beale Street offices
- BAIFA – JPA for operation and maintenance of Express Lane Network

- **Contract Operations:**

- ABAG – Regional grants, housing analysis, Bay Restoration, Estuary Program
- ABAG Risk Management – JPA pools for public liability (PLAN) and Workers Compensation (SHARP)
- ABAG POWER – JPA for aggregating natural gas contracts and building retrofit grants
- ABAG FAN – JPA conduit financing authority

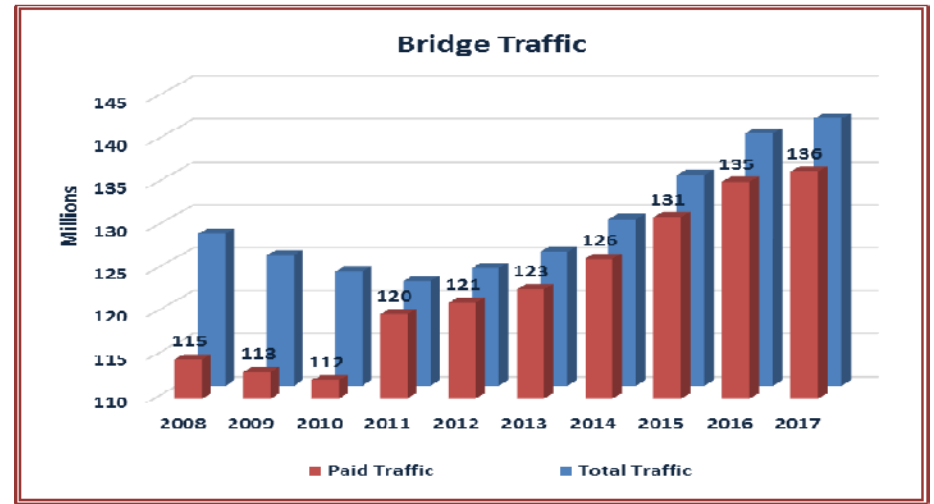
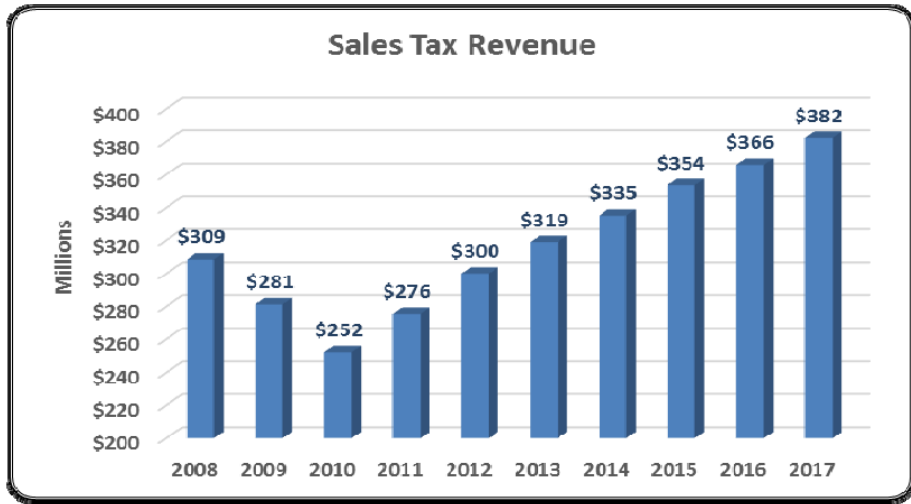
- **Final MTC budgets will be presented in June**

- **ABAG is incorporated into this draft**

# Regional Economy Remains Strong

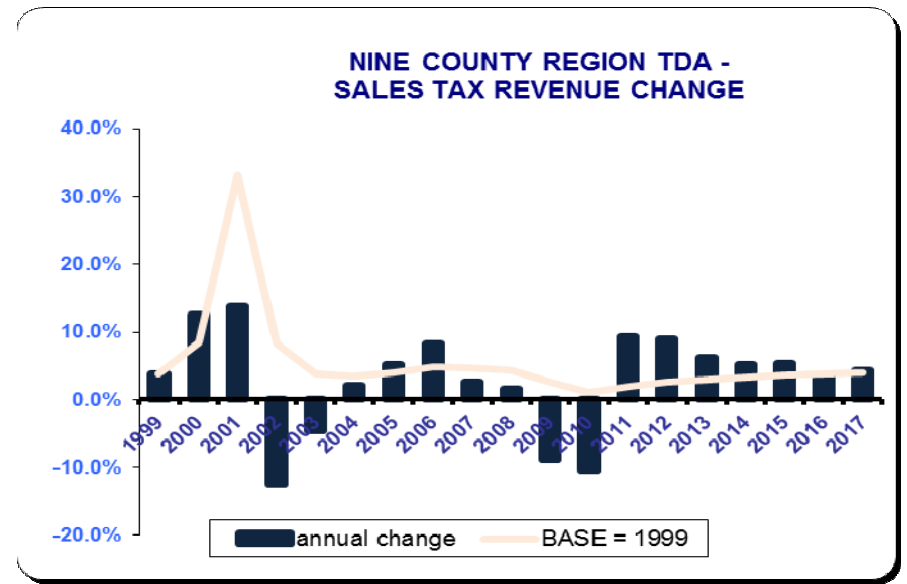
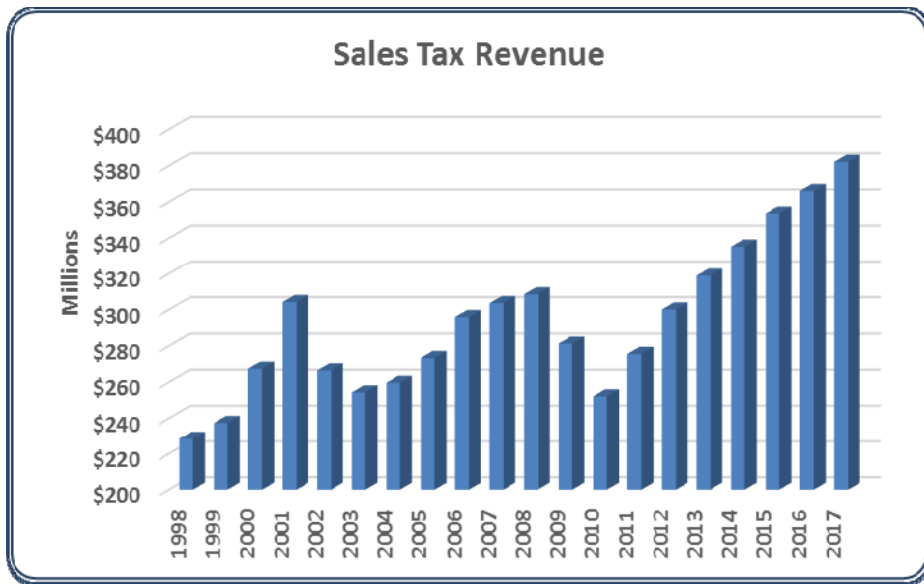
- **FY 2017 - 18 is expected to be the 8<sup>th</sup> consecutive year of growth**

- Sales tax up 52% since 2010
- Paid toll traffic up 21% since 2010



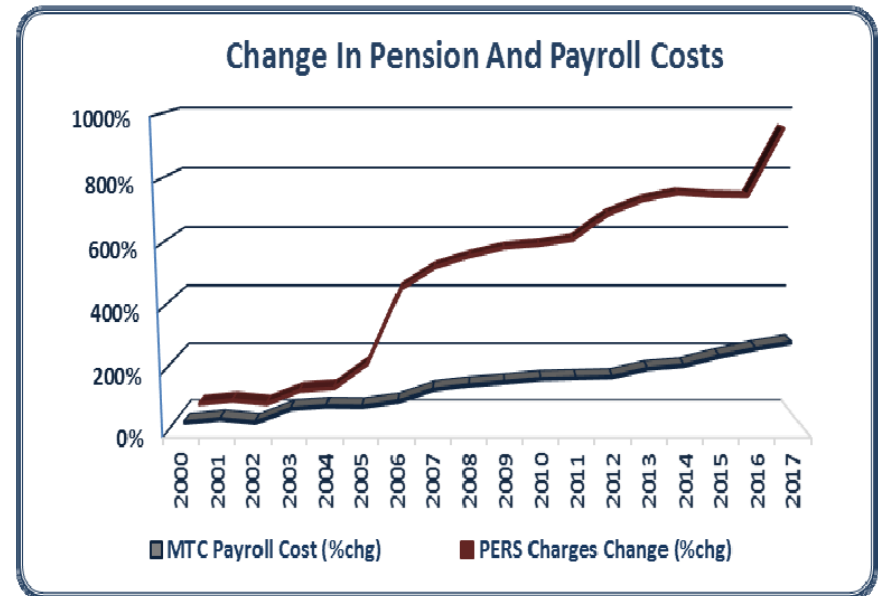
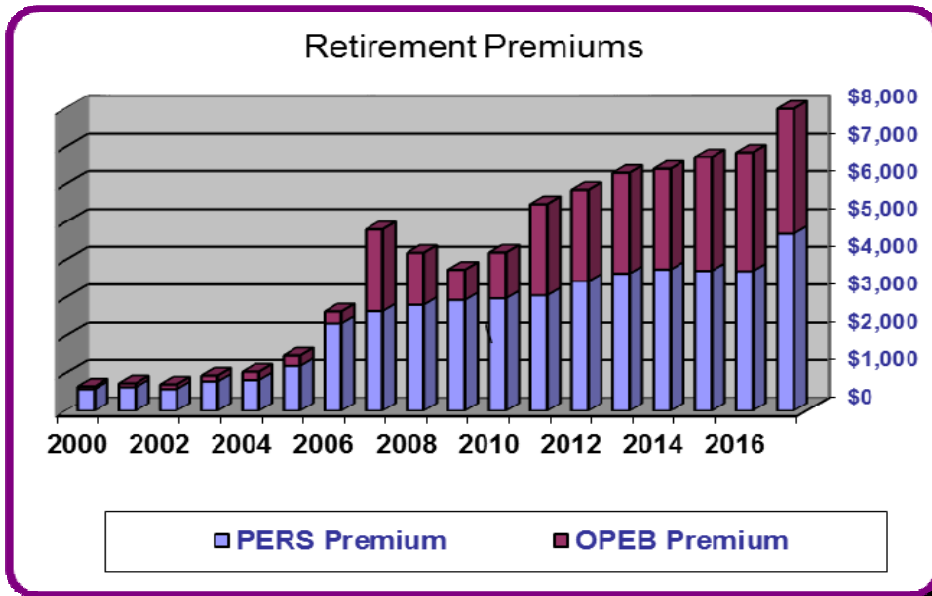
# Can The Economy Continue To Grow

- Two recessions since 2000 – about every 7-8 years



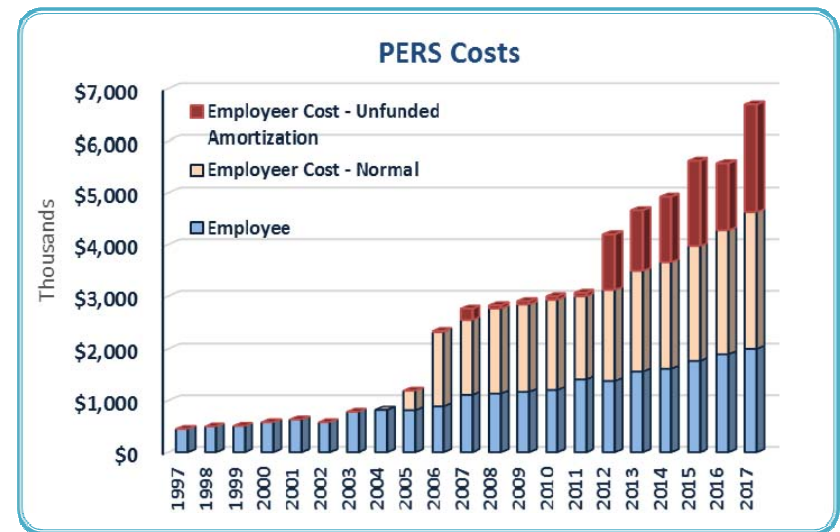
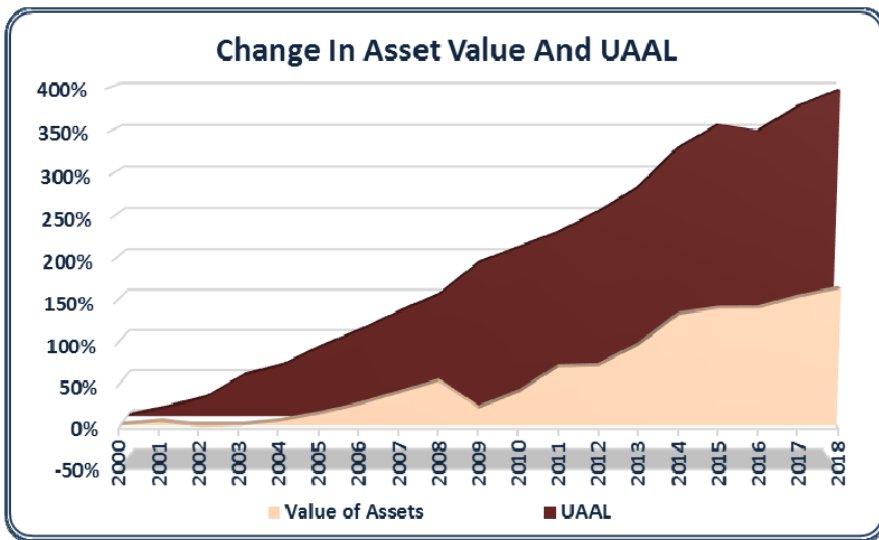
# Retirement Benefit Costs

- Annual premium costs continue to rise
- PERS funding costs have risen 5 times faster than MTC payroll costs



# Retirement Costs – Revenue Can Not Keep Up

- PERS liabilities have grown twice asset levels
- PERS changes have led to significant growth in employer costs



# OPEB Stable But Changing

- **MTC has stabilized the OPEB liability**
  - Actuarial Accrued Liability (AAL) \$35.8
  - Market Value of Assets (MVA) (26.5)
  - Unfunded Actuarial Accrued Liability (UAAL) (\$ 9.3)
  - FY 2017 Funded Ratio 74%
- **Funded ratio increased from 53% to 74% since 2012**
- **MARA UAAL estimate @ 7.5% = \$2.2 million**
  - @ 4.5% MTC rate UAAL = \$3.7 million
- **FY 2018 UAAL approximately \$13 million**
  - 2018 funded ratio drops to 67%
- **Annual cost estimate \$550,000**

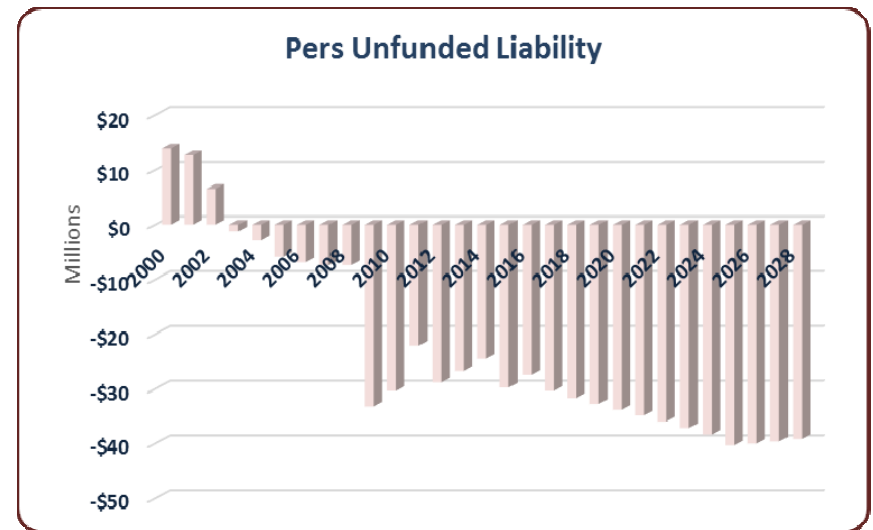
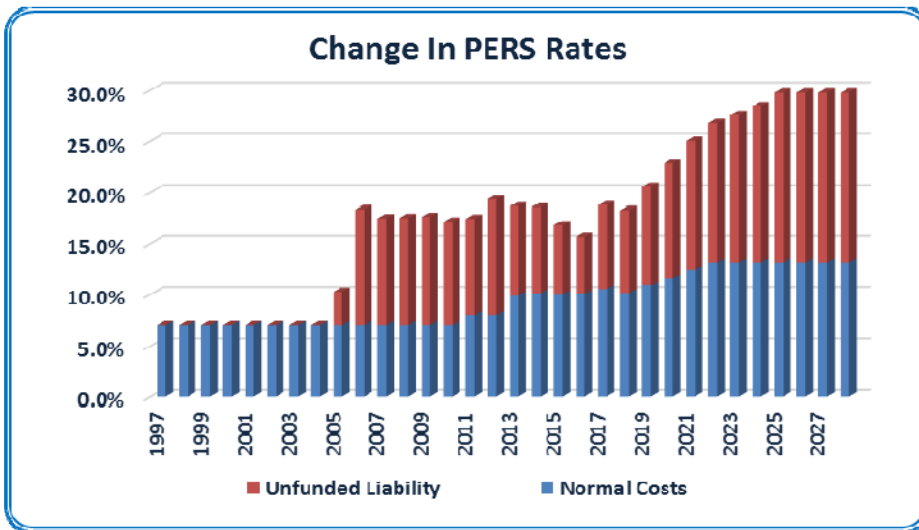
OPEB	MTC	MTC	ABAG – MARA*	Total
	2017	2018	2018	2018
Discount	4.5%	4.5%	4.5%	4.5%
MVA	\$22,580,000	\$26,520,000	\$0	\$26,520,000
AAL	<u>(35,790,000)</u>	<u>(35,790,000)</u>	(3,665,000)	(39,455,000)
UAAL	(13,210,000)	(9,270,000)	(3,665,000)	(12,935,000)
Funded Ratio	63%	74%	N/A	67%
*2016 Milliman estimate				

# Retirement Costs – PERS Costs ARE Going UP

- **CalPERS Rate Changes**

- Discount rate will drop from 7.5% to 7.00%
- Unfunded liability will increase up to 40%
- Unfunded liability will grow from \$30 million to \$44 million by FY 2026
- Annual costs will grow from \$5 million to \$11 million by FY 2026

- **Changes will be phased in through FY 2021**





# All Operating Funds Maintain Operating Reserves

- **MTC operating funds have budget goal of six months expenses in funded reserves**
- **Reserves provide**
  - Operating cash flow
    - Grant funding
    - Project funding
  - Contingency for economic uncertainty
  - Provision for one time expense

## BATA - \$1b

- **6 months operating costs** **\$363 M**
- Self Insurance **\$580 M**
- Rehab Reserve (2 years) **\$120 M**
- O&M Reserve (2 years) **\$150 M**
- Emergency **\$ 50 M**
- Variable Rate Contingency **\$100 M**
- **Status: All accounts fully funded**

## MTC - \$40 M

- **6 months operating costs** **\$27 M**
- Funded Reserve
  - Total **\$40.0 M**
  - Unrestricted **\$ 9.0 M**

## SAFE - \$11 M

- **6 months operating costs** **- \$7.0 M**
- Funded reserve (unrestricted) **- \$6.5 M**

# Agency-Wide Revenue / Expense History

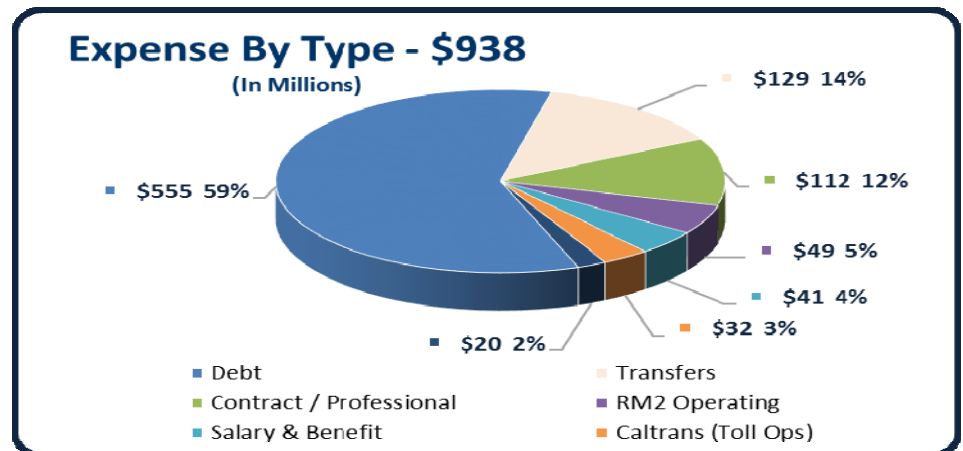
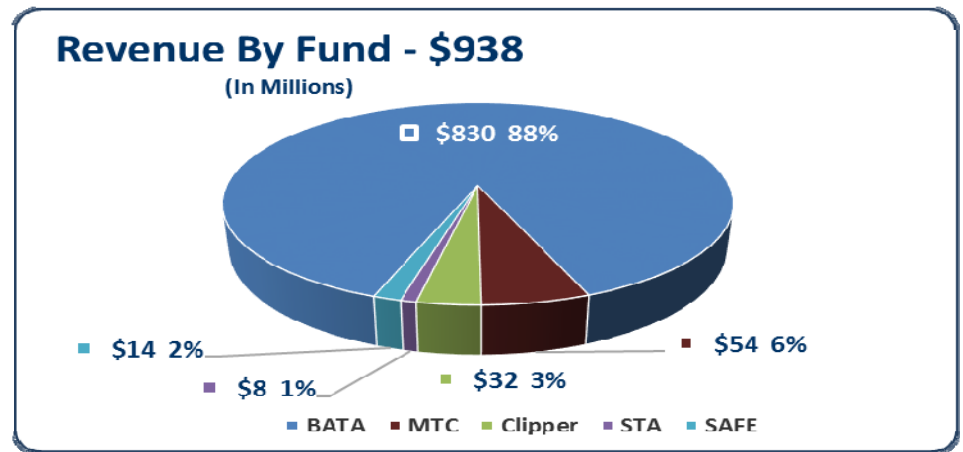
- **Average last 5 years:**
  - Revenue - \$990 million
  - Expense - \$851 million
- **Budget Assumptions:**
  - FY 2017/18 should be another good year for all operating funds
  - No residual effects of the recession
  - Full time staffing
    - FY 2017 - MTC 232
    - FY 2018 - MTC 230
    - ABAG  $\frac{60}{290}$
  - All positions top-of-range
  - Full funding all PERS/OPEB costs
  - Sales tax (TDA) + 6.0%
  - Toll traffic / revenue + 2.5%
  - No change in federal funding
- **ABAG consolidation raises financial issues for MTC**

Revenue	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Budget	FY 2017-18 Budget
BATA	\$1,159,845,342	\$806,441,967	\$831,047,573	\$809,588,891	\$830,254,891
MTC	37,173,685	39,486,502	44,290,518	48,758,276	53,869,512
SAFE	14,224,905	14,367,432	13,584,828	14,907,500	14,209,000
CLIPPER	28,441,491	29,574,231	29,665,332	33,218,990	32,686,673
STA	<u>23,556,889</u>	<u>17,858,636</u>	<u>11,744,692</u>	<u>6,864,199</u>	<u>7,598,638</u>
<b>Total:</b>	<b>\$1,263,242,312</b>	<b>\$907,728,768</b>	<b>\$930,332,943</b>	<b>\$913,337,856</b>	<b>\$938,318,714</b>

Expense	FY 2013-14 Actual	FY 2014-15 Actual	FY 2015-16 Actual	FY 2016-17 Budget	FY 2017-18 Budget
Salaries & Benefits	\$27,548,091	28,936,625	\$30,209,886	\$35,594,028	\$40,926,995
Contracts	90,083,371	91,027,425	95,348,158	109,974,338	111,546,206
Debt	457,551,583	454,409,635	446,346,107	520,041,669	555,054,663
Transfers	284,160,461	70,630,990	44,043,431	146,255,544	128,860,258
RM2 Op	40,257,467	39,818,510	36,003,474	48,750,000	48,750,000
Caltrans - TC	28,465,973	30,132,728	30,753,155	33,021,000	32,121,000
Other	<u>32,510,337</u>	<u>25,213,210</u>	<u>20,272,006</u>	<u>17,286,709</u>	<u>21,173,937</u>
<b>Total:</b>	<b>\$960,577,283</b>	<b>\$740,169,123</b>	<b>\$702,976,217</b>	<b>\$910,923,288</b>	<b>\$938,433,059</b>

# FY 2017/18 Revenue / Expense

- **Total budget for FY 2017/18 \$938 million**
- **BATA is the largest fund**
  - \$830 million - 88% of all revenue
  - Toll revenue - \$727 million (77%)
- **Largest expenses**
  - BATA – debt service \$555 million (59%)
  - Transfers - \$129 million (14%)
    - MTC administrative fee
    - Project transfers RM2, Clipper, BAHA
  - Contract - \$112 million (12%)
    - MTC grant support
    - FasTrak / Clipper customer service centers
  - Salaries / Benefits - \$41 million (4%)
  - Caltrans toll ops - \$32 million (3%)



# MTC

## Estimated Budget Will Have Operating Deficit

- **Another good year on revenue side**

- Sales Tax up
- BATA transfers up
- Overhead (grant) reimbursement up
- Increased dependence on transfers (overhead)

- **Expenses related to ABAG Consolidation**

- Salary & Benefit + \$6.2 M
- MTC funding (\$3.9 M)
- Admin Services + \$1.8 M
- Contracts + \$ 2.0 M
- ABAG transfers –
  - Grants \$2.9 million
  - Overhead \$1.5 million
  - Member dues (net) \$782,000

- **Other absorbed expenses**

- OPEB costs for MARA employees
- PERS increases for normal costs
- Start up technology costs

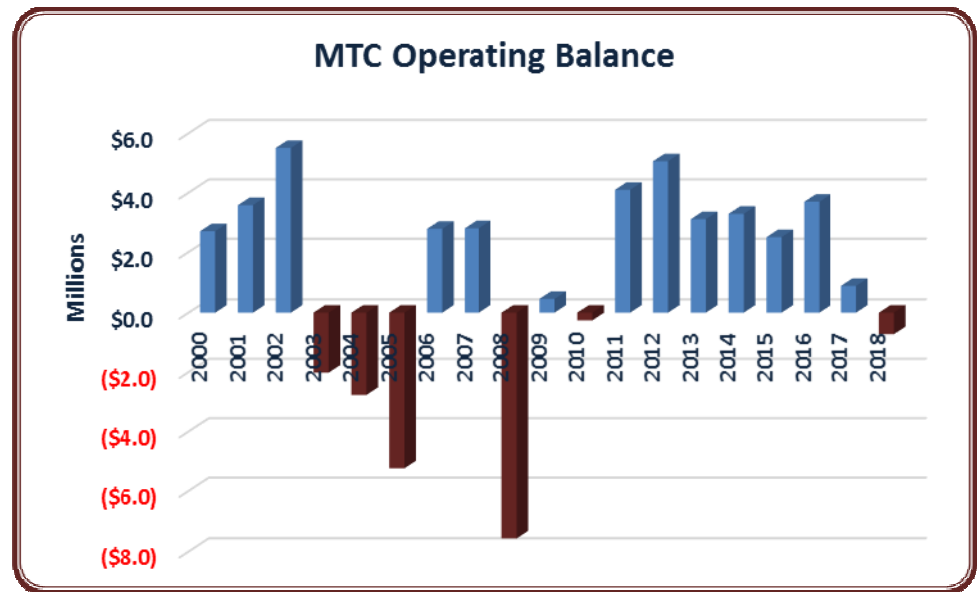
- **Other unanswered questions**

- Impact on PERS liability and costs
- Impact on OPEB liability
- Capacity of enterprises/grant programs to sustain costs

	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Budget	Budget
<b>Operating Revenue</b>					
Sales Tax (TDA)	11,734,631	12,373,863	12,812,330	12,500,000	\$ 13,250,000
Federal Planning	9,190,974	10,803,679	9,841,225	13,396,270	11,352,749
Other Grants	2,554,209	3,567,852	6,135,367	3,415,412	4,122,792
Interest	14,890	7,151	84,482	20,000	30,000
Other	518,753	539,528	521,600	1,187,933	1,158,059
OH transfers (BATA)	6,938,340	7,247,839	7,470,382	7,297,531	7,494,251
<b>Total General Revenue</b>	<b>30,951,797</b>	<b>34,539,912</b>	<b>36,865,386</b>	<b>37,817,146</b>	<b>\$ 37,407,851</b>
<b>Operating Costs</b>					
Salaries and benefits	19,394,149	21,728,999	22,529,721	23,251,740	28,920,733
Operating contracts	10,710,143	12,625,562	14,667,810	19,740,531	16,022,340
Admin Services	2,497,946	1,627,451	2,005,665	2,838,624	4,371,600
Capital Outlay	496,115	179,984	638,584	2,004,500	2,504,807
Other	788,452	784,174	591,705	621,401	905,619
Project expenses	-	-	-	-	2,068,166
<b>Total Operating Expense</b>	<b>33,886,805</b>	<b>36,946,170</b>	<b>40,433,485</b>	<b>48,456,796</b>	<b>\$ 54,793,265</b>
<b>Operating Balance</b>	<b>(2,935,008)</b>	<b>(2,406,258)</b>	<b>(3,568,099)</b>	<b>(10,639,650)</b>	<b>(17,385,414)</b>
<b>Transfers</b>					
Transfers In	6,221,887	4,946,590	7,425,133	10,941,130	16,661,661
Transfers (Out)	-	(38,459)	(164,235)	-	-
<b>Net Transfers In/(Out)</b>	<b>\$6,221,887</b>	<b>\$4,908,131</b>	<b>\$7,260,898</b>	<b>\$10,941,130</b>	<b>\$16,661,661</b>
<b>Year End Balance</b>	<b>\$3,286,879</b>	<b>\$2,501,873</b>	<b>\$3,692,799</b>	<b>\$301,480</b>	<b>(\$723,753)</b>

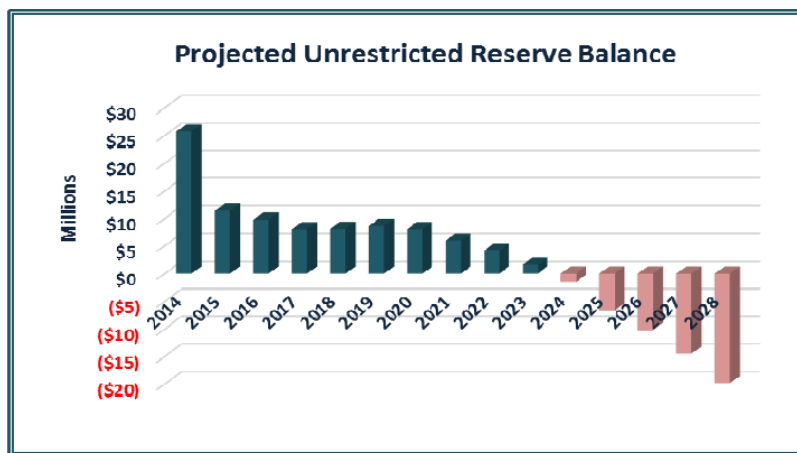
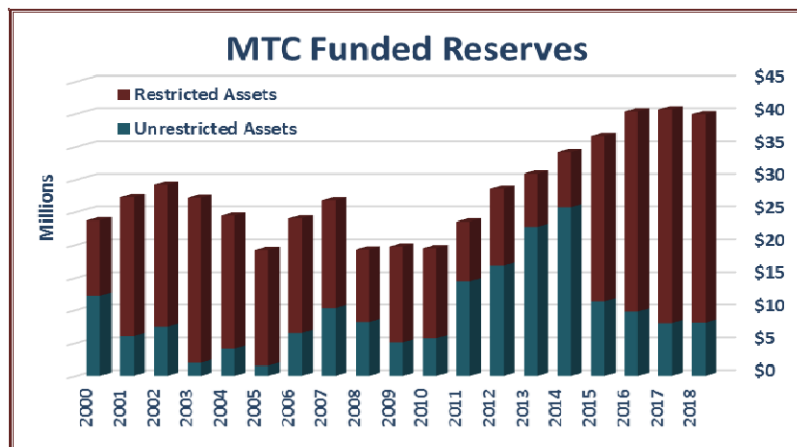
# MTC

- **MTC finances have recovered from the recession**
- **Future projections are clouded by**
  - Continued economic expansion
  - Federal funding
  - PERS rate adjustments
  - ABAG consolidation
    - OPEB Adjustment for former MARA employees
    - Ability of enterprises and grants to support overhead
- **Without Corrections the FY 2017/18 deficit will become structural**



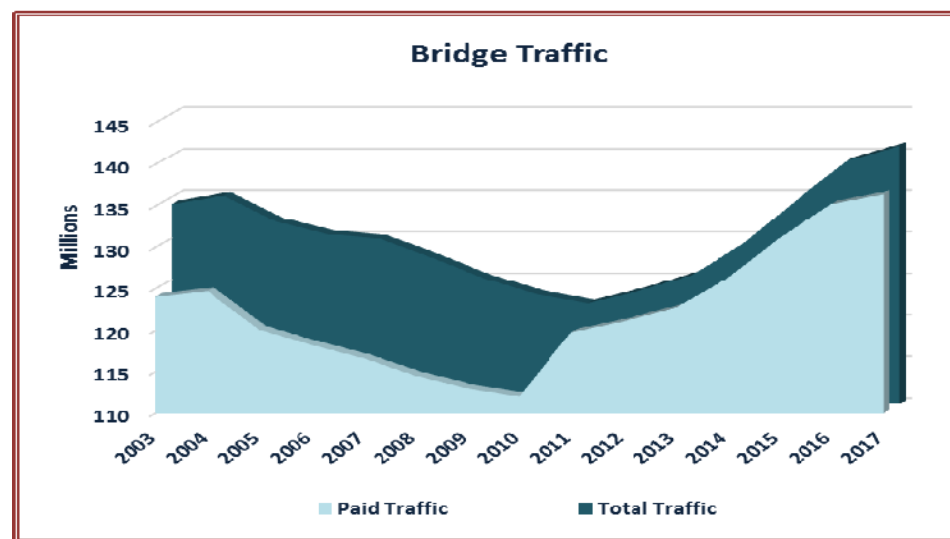
# MTC Reserve Balances

- MTC reserve balance are critical to operations
  - Cash flow
  - Grant / project timing
  - Contingency against uncertainties
  - GASB 68 pension restrictions
  - PERS increases
- MTC has budget goal of 6 months operating reserve
- Addition of GASB 68 pension restriction severely reduces “unrestricted” balance
- Even assuming no growth in contract or project costs estimated retirement costs will have significant financial impact



# BATA

- **BATA is coming off another good year**
  - Paid traffic is up
  - Overall revenue is up
  - \$1 billion reserves fully funded
- **BATA has recovered from 12% traffic drop from 2004 – 2010**
- **BATA has never had an operating deficit**



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Summary</b>												
Revenue	271,805,725	331,135,151	524,759,090	607,820,112	525,704,419	508,370,303	699,648,703	726,275,694	744,178,927	778,136,292	798,261,568	831,453,065
Operating Expense	(54,371,890)	(64,208,706)	(76,658,284)	(74,394,299)	(73,230,578)	(77,703,003)	(82,869,313)	(82,372,382)	(92,765,984)	(107,181,738)	(107,506,716)	(88,144,437)
Debt Service Costs	(54,675,000)	(73,492,620)	(149,683,850)	(179,179,610)	(267,858,797)	(290,769,521)	(477,158,211)	(495,372,100)	(485,205,688)	(510,323,936)	(591,412,594)	(446,346,108)
Transfers	(33,058,527)	451,251,631	(50,784,865)	(53,904,028)	(53,894,108)	(53,778,754)	(48,841,021)	(48,061,688)	(49,625,692)	(48,026,525)	(49,015,474)	(48,105,816)
<b>Ending Balance</b>	<b>129,700,308</b>	<b>644,685,456</b>	<b>247,632,091</b>	<b>300,342,175</b>	<b>130,720,936</b>	<b>86,119,025</b>	<b>90,780,158</b>	<b>100,469,523</b>	<b>116,581,563</b>	<b>112,604,092</b>	<b>50,326,784</b>	<b>248,856,704</b>

# BATA

- **Operating costs remain balanced for FY 2017/18**
- **Revenue up slightly**
- **Expenses up nearly 6.0%**
  - Admin + \$10 million debt rollover costs
  - Debt service + \$24 million additional 2017 debt issuance
- **Provision for capital costs**
  - Rehab program \$65 million
  - Other projects \$49 million

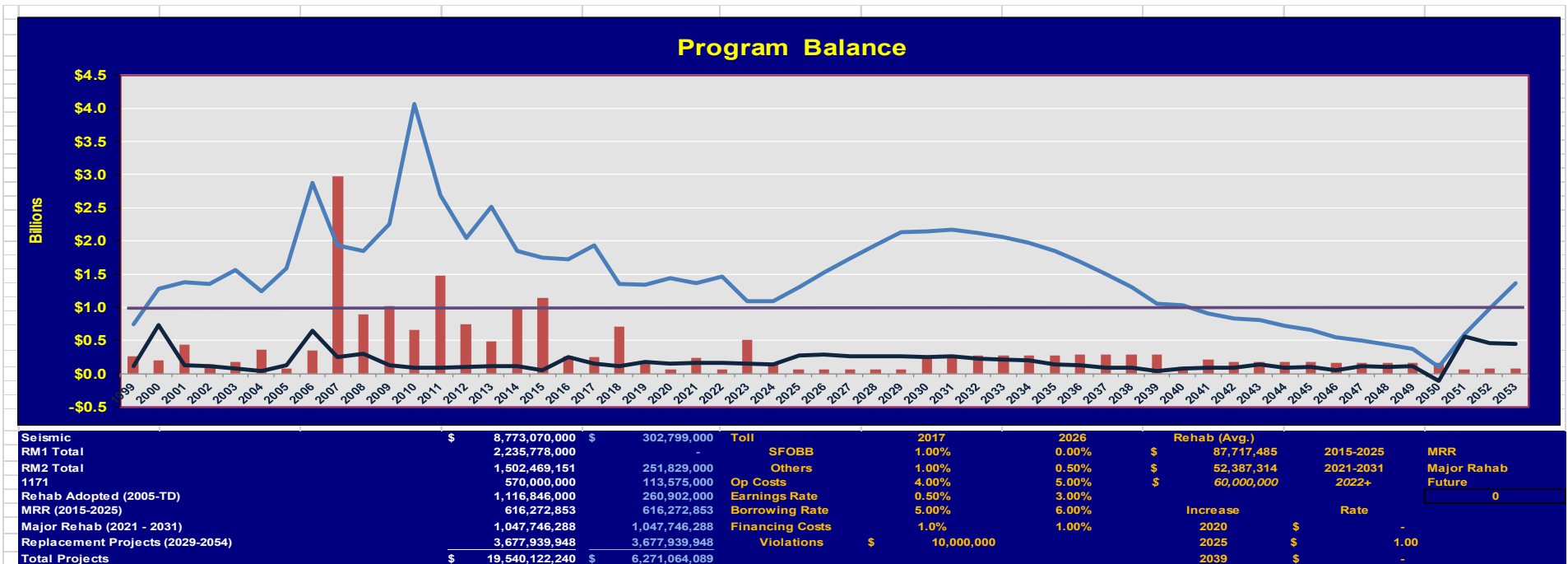
	FY 2016/17 BUDGET	FY 2017/18 BUDGET	CHANGE	%
Revenue				
Tolls	\$709,352,538	\$727,425,100	\$18,072,562	2.5%
Violation	10,000,000	10,000,000	-	-
Interest	10,400,000	12,000,000	1,600,000	15.4%
Reimbursement	8,481,000	9,551,000	1,070,000	12.6%
Rebate	<u>71,355,353</u>	<u>71,278,791</u>	<u>(76,562)</u>	-1.0%
<b>Total Revenue</b>	<b>\$809,588,891</b>	<b>\$830,254,891</b>	<b>\$20,666,000</b>	<b>2.6%</b>
Expense*				
Caltrans	\$31,421,000	\$31,600,000	\$179,000	.60%
Fastrak	44,685,306	47,644,500	2,959,194	6.6%
Administration	22,562,671	33,136,970	10,547,299	46.6%
Transfers - MTC	18,790,159	17,187,635	(1,602,524)	-8.6%
Transfers – RM2	45,000,000	45,000,000	-	-
Debt Service	<u>516,410,069</u>	<u>540,542,163</u>	<u>24,132,094</u>	<u>4.7%</u>
<b>Total Expense</b>	<b>\$678,869,205</b>	<b>\$715,111,268</b>	<b>\$36,242,063</b>	<b>5.3%</b>
Transfer to Capital	\$130,719,686	\$115,143,623	(\$15,576,063)	-11.9%

\*excluding depreciation



# BATA

- BATA Long range projections remain solid
- Active projects over \$14 billion 94% funded
- BATA still has \$1.0 billion in active projects
- Paygo projects will exceed \$600 million next 10 years
- Operating costs fairly stable
- Electronic + cash collection stressing operating costs
- No operating or capital induced toll increase until 2025



Seismic	\$ 8,773,070,000	\$ 302,799,000	Toll	2017	2026	Rehab (Avg.)		
RM1 Total	2,235,778,000	-	SFOBB	1.00%	0.00%	\$ 87,717,485	2015-2025	MRR
RM2 Total	1,502,469,151	251,829,000	Others	1.00%	0.50%	\$ 52,387,314	2021-2031	Major Rehab
1171	570,000,000	113,575,000	Op Costs	4.00%	5.00%	\$ 60,000,000	2022+	Future
Rehab Adopted (2005-TD)	1,116,846,000	260,902,000	Earnings Rate	0.50%	3.00%			0
MRR (2015-2025)	616,272,853	616,272,853	Borrowing Rate	5.00%	6.00%		Increase	Rate
Major Rehab (2021 - 2031)	1,047,746,288	1,047,746,288	Financing Costs	1.0%	1.00%		2020	\$ -
Replacement Projects (2029-2054)	3,677,939,948	3,677,939,948	Violations	\$ 10,000,000			2025	\$ 1.00
Total Projects	\$ 19,540,122,240	\$ 6,271,064,089					2039	\$ -



# SAFE

## SAFE continues to operate with a balanced budget

- Revenue has been consistent
- Towing services increase with services and fuel
- Transfers include \$6.6 million transfer to SAFE Capital Program in 2015/16
- Added funding for capital reserve

	2014/15 Actual	2015/16 Actual	2016/17 Budget	2017/18 Budget
Operating Revenue	\$14,367,432	\$13,584,328	\$14,907,500	\$14,209,000
Operating Expense				
Salary & Benefit	796,413	894,821	996,758	762,701
FSP Towing	8,269,889	7,240,168	8,780,000	9,475,000
General Admin.	341,657	447,151	1,078,900	1,014,891
Contract Services	779,289	446,138	609,354	545,000
Transfer/Other	<u>1,884,097</u>	<u>8,772,686</u>	<u>1,319,700</u>	<u>1,502,000</u>
Total Operating Exp.	\$12,071,345	\$17,750,964	\$12,784,712	\$13,299,592
Operating Balance	\$2,296,087	\$4,166,636	\$2,122,788	\$909,408

# BAHA Operations

- **FY 2017/18 first full operating year**
- **Lease revenue increases to \$8 million**
  - Only 1<sup>st</sup> floor corner space not developed
- **Contract services reflect**
  - Addition of security staff
  - Additional day porter staff
- **Net before depreciation up \$2.4 million**



	Budget 2016/17	Budget 2017/18	Change	%
Operating Revenue				
Assessment - SSO	\$1,456,146	\$1,655,699	\$199,553	14%
Common Area	3,018,838	3,627,775	608,937	20%
Lease	5,564,578	8,006,770	2,442,192	44%
Reimbursement	<u>153,207</u>	<u>301,063</u>	<u>147,856</u>	97%
Total Op Revenue	\$10,192,769	\$13,591,307	\$3,398,538	33%
Operating Expense				
Operating	\$3,444,939	\$3,794,772	\$349,833	10%
Contract Mgmt.	<u>5,249,417</u>	<u>5,901,341</u>	<u>651,924</u>	12%
Total Operating	\$8,694,356	\$9,696,113	\$1,001,757	12%
Net Before Dep.	\$1,498,413	\$3,895,194	\$2,396,781	160%

# BAHA Capital – Building

- **Building Development**

- Budget is 99% complete
- Balance \$3 million completely encumbered

- **Commercial Development**

- Most TI work is done
- Budget 54% expended
- \$11.1 million paid
- \$9.4 million encumbered to be paid
- \$1.6 million remain for other improvements and marketing & 1<sup>st</sup> floor



	Budget LTD FY 2017-18		Budget LTD FY 2017-18
Building		Commercial	
Revenue	\$271,026,818	Revenue	\$22,139,154
Uses		Rutheford	\$1,235,930
Building Purchase	\$93,000,000	Xerox	110,975
Development	137,814,167	TJ Degenkolb	2,287,410
Contingency	18,824,538	Twilio	10,175,417
FF&E	15,000,000	ADA's Cafe	455,000
Staff & Other	<u>6,388,113</u>	BCDC	5,080,000
Total Uses	\$271,026,818	CUBIC	494,000
LTD Expenses	<u>(267,936,769)</u>	Other	<u>675,000</u>
		Total	\$20,513,732
<b>Project Balance</b>	<b>\$3,090,049</b>	<b>Remaining</b>	<b>\$9,386,220</b>



## BAIFA - Operating

- **BAIFA's first year of Express Lane operation to begin in 2017 for I680**
- **Revenue projection \$8.5 million**
  - Toll revenue \$5.2 million
- **Expenses \$8.5 million**
  - Fastrak Operation Expense \$1.8 million
  - Operation and Maintenance \$3.8 million
  - Backhaul O&M \$1 million
  - Administration \$1.9 million
- **Operating expenses capitalized through capital project transfer**

	FY 2017/18 BUDGET
Revenue	
Tolls	\$5,200,000
Violation	500,000
Transfer in from Capital	<u>2,835,313</u>
<b>Total Revenue</b>	<b>\$8,535,313</b>
Expense	
Fastrak Operation	\$1,800,000
Operations and Maintenance	3,837,000
Backhaul Operations	1,029,000
Administration	<u>1,869,313</u>
<b>Total Expense</b>	<b>\$8,535,313</b>