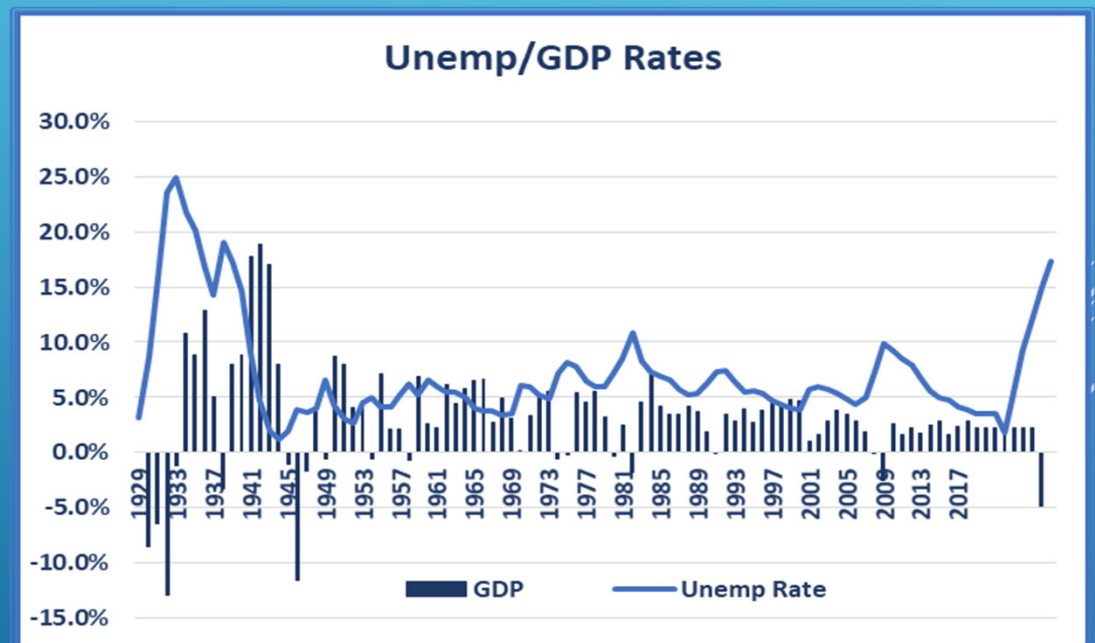


# **MTC FY 2020-21 PROPOSED OPERATING AND CAPITAL BUDGETS**

**June 10, 2020**

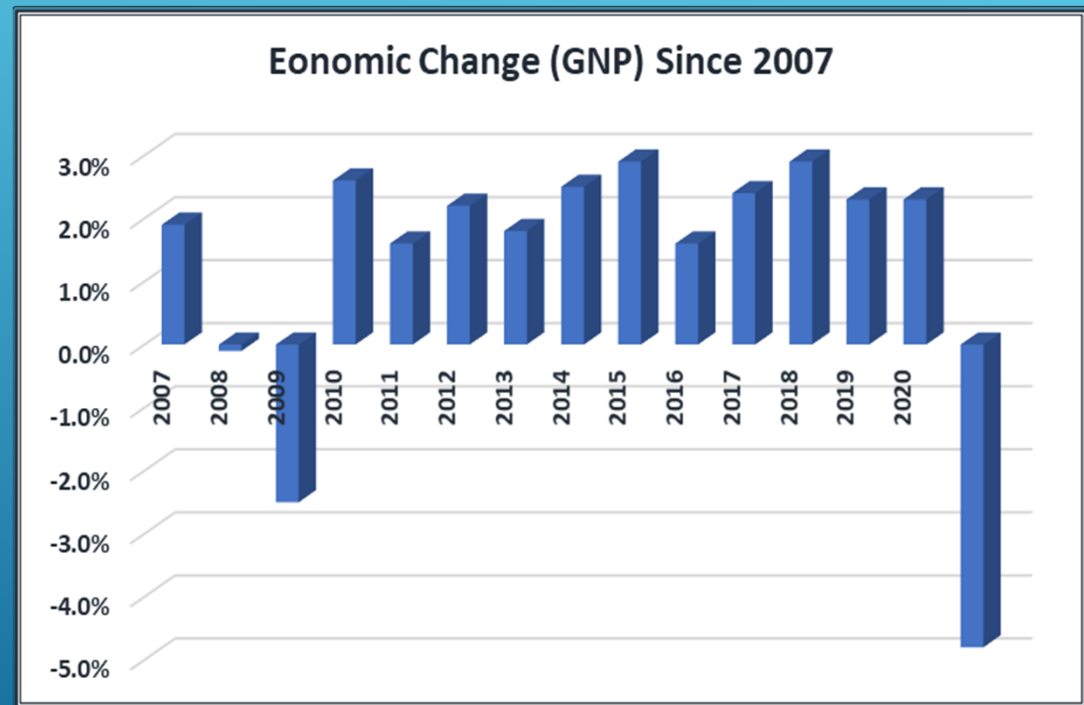
# THE ENTIRE ECONOMY HAS CHANGED SINCE APPROVAL OF THE FY 2019-20 BUDGET

- ▶ Longest economic expansion on record ended in March 2020
  - ▶ July 2009 – February 2020
- ▶ US economy entered a recession starting Q1 2020
- ▶ Over 38 million unemployment applications filed in just 10 weeks
- ▶ Question now is what type of recovery to expect



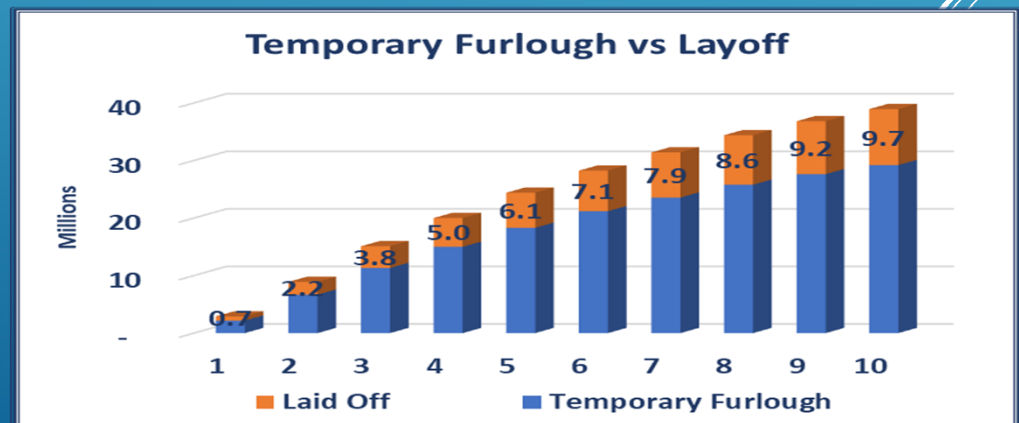
# THE ONLY ECONOMIC COMPARISON MAY BE THE “GREAT DEPRESSION”

- ▶ 2010 – 2020 GNP grew 25.1%
- ▶ GNP fell 5% in Q1 2020
- ▶ Projected drop for Q2 - 25% +
- ▶ Q1 2020 drop wiped out nearly three years of growth
- ▶ Q2 2020 drop could -
  - ▶ Wipe out all post recession economic growth
  - ▶ Exceed Great Depression (25%)
- ▶ How long will the recession last?
  - ▶ 2008 economic “recovery” did not start until 2010



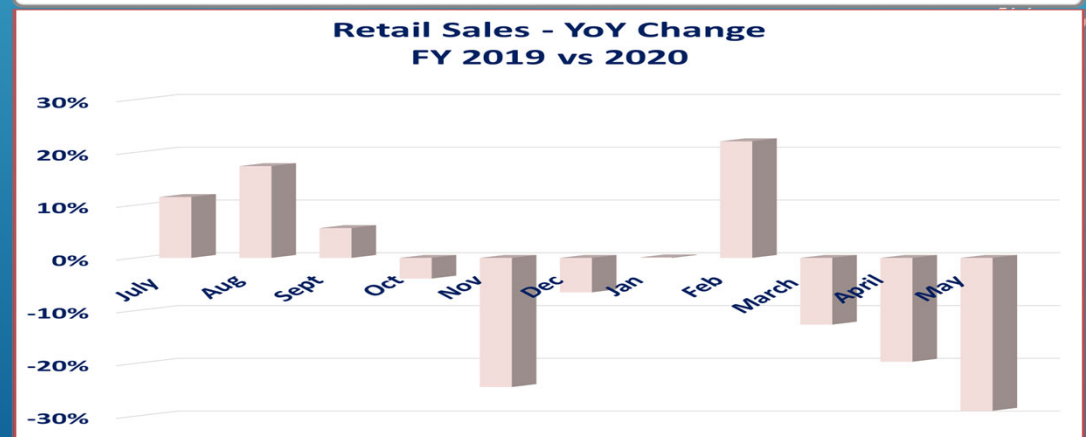
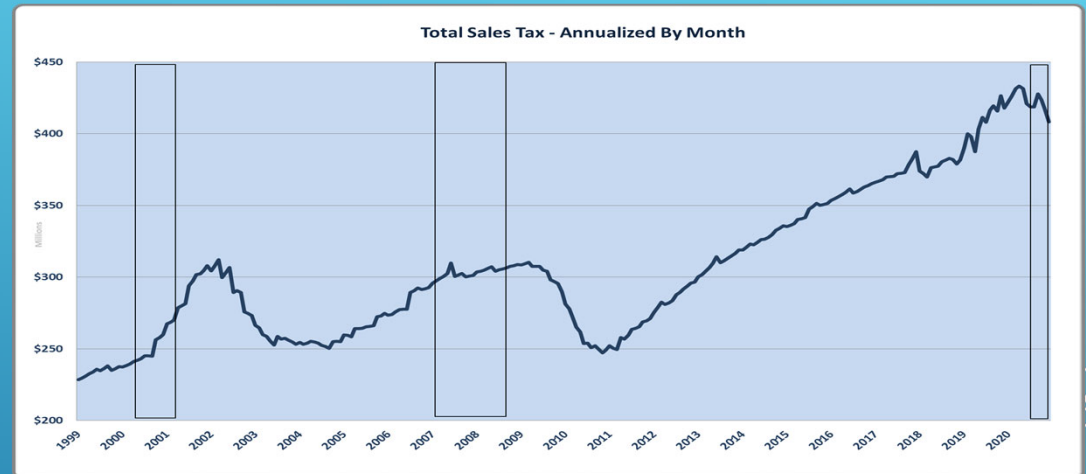
# IN 10 WEEKS THE US ECONOMY HAS DROPPED OVER 38 MILLION JOBS

- ▶ Three previous unemployment peaks
  - ▶ 1932 25.0%
  - ▶ 1982 10.3%
  - ▶ 2008 10.0%
- ▶ Over 38 million 1<sup>st</sup> time unemployment claims - last 10 weeks
  - ▶ January 2020 3.5%
  - ▶ April 2020 17.8%
  - ▶ May 2020 22.0%
- ▶ 75% of recent unemployed consider themselves on temporary “furlough”
- ▶ Furloughed employees expect to be recalled at any time
- ▶ Remaining 25% still represents nearly 10 million unemployed



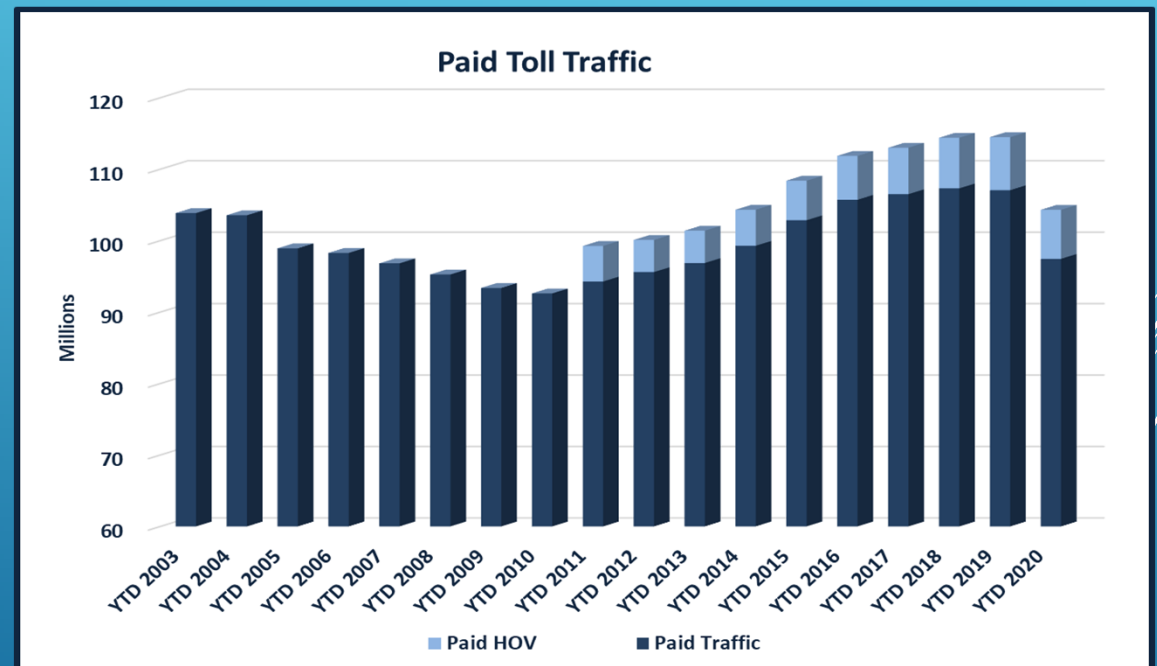
# CLEAR GAUGE OF LOCAL ECONOMY – CHANGE IN RETAIL SALES

- ▶ Retail sales have fallen 3.4% since March
- ▶ Cumulative Retail sales trends –
  - ▶ February + 1.8% \$5.0 million
  - ▶ March .4% \$1.1 million
  - ▶ April - 1.6% - \$5.6 million
  - ▶ May - 3.4% - \$14.1 million
- ▶ Year over year change – by month
  - ▶ February + 22%
  - ▶ March - 13%
  - ▶ April - 20%
  - ▶ May - 29%
- ▶ No current estimate for impact of payment extensions
- ▶ Prior recovery periods
  - ▶ 2001 6 years
  - ▶ 2008 4 years



# BRIDGE TOLL TRAFFIC

- ▶ Between 2008-2010, BATA lost over 1 million paid trips annually
- ▶ Paid (non-HOV) traffic did not recover pre-recession levels (115 million paid) until 2012
- ▶ YTD paid traffic is down 10 million vehicles through April
  - ▶ FY 2019 YTD 114 million
  - ▶ FY 2020 YTD 104 million



# MTC IS RELATIVELY WELL POSITIONED TO DEAL WITH THE IMMEDIATE ECONOMIC CRISIS

- ▶ All MTC operating funds have been building cash liquidity positions since the Great Recession (2008)
- ▶ All MTC operating funds have a minimum of 6 months liquidity in cash in funded reserves
- ▶ Even at projected FY 2021 revenue levels all funds could maintain full operations for over a year

Fund	Net Equity (2020)	Budget (2020)	Days Cash
MTC	\$41 million	\$78 million	192
BATA	\$1 billion	\$633 million	577
SAFE	\$14 million	\$21 million	243

**MTC FY 2020-21  
PROPOSED OPERATING AND  
CAPITAL BUDGETS**

**MTC RESOLUTION 4422**



# GENERAL BUDGET STRATEGY

- ▶ No economic “miracle” in FY 2020-21
- ▶ “Zero Base” discretionary expenses
- ▶ No new positions
- ▶ No layoffs/furloughs
- ▶ Cash flow management
  - ▶ Control contracts – minimize negative cash flow on grants
  - ▶ Control hiring
    - ▶ Honor Existing recruitments
    - ▶ Fill essential positions
    - ▶ Prioritize grant and other outside funded positions
    - ▶ Maintain “core” of 10 vacancies to manage cash flow
- ▶ With proper cash flow management MTC may ultimately avoid reserve draw

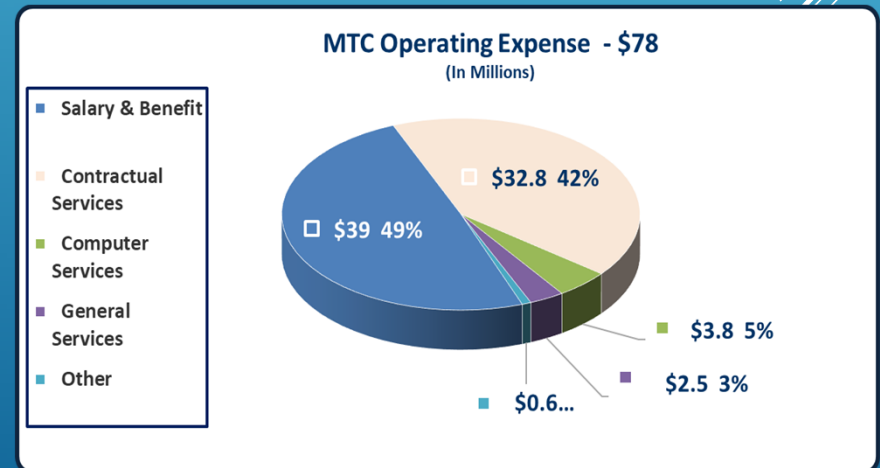
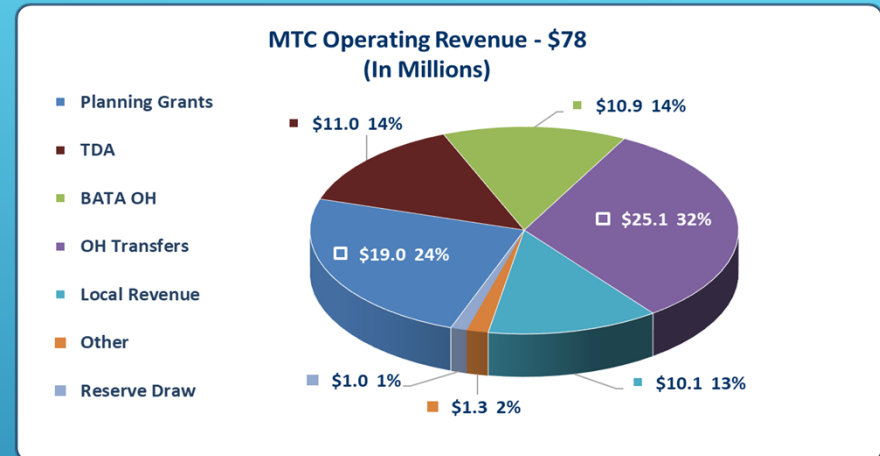
# GENERAL BUDGET ASSUMPTIONS

## ▶ Expense

- ▶ 300 full time staff – reduced vacancies
  - ▶ 2 regular staff
  - ▶ 3 “project based” limited term
- ▶ 2.8% contracted COLA increase
- ▶ 2.5% PERS normal cost increase
- ▶ \$2.5 million PERS UAAL payment
- ▶ \$2.3 million OPEB normal cost payment

## ▶ Revenue

- ▶ Improvement but no general economic recovery in FY 2020-21
  - ▶ TDA (sales tax) down 25% from FY 2020
  - ▶ BATA toll revenue transfers down 25%
  - ▶ RM3 revenue remains in escrow
  - ▶ \$1 million reserve transfer
- ▶ No immediate economic impact on budgeted grant revenue



# PROPOSED FY 2020-21 MTC OPERATING BUDGET

- ▶ FY 2020 budget deficit is \$5.1 million
- ▶ FY 2021 Budget deficit has been reduced from \$5.0 million to under \$1 million
  - ▶ \$2 million in expense cuts including
    - ▶ Vacant positions cuts
    - ▶ 2.5 positions now grant funded
    - ▶ \$1.2 million pension expense reduction
  - ▶ \$2 million in new revenue sources
    - ▶ \$1 million one-time grant revenue
    - ▶ \$1.0 million refund of OPEB reimbursement
- ▶ The remaining deficit impact can be mitigated through cash flow management

	FY 2019-20 Budget Amendment No. 3	FY 2019-20 Budget Amendment No. 4	FY 2020-21 Draft Budget	Inc./Dec	Change \$ Inc./Dec
General Planning Revenue	\$ 32,764,504	\$ 29,547,807	\$ 30,002,076	2%	\$ 454,269
Other MTC Revenue	\$ 1,336,377	\$ 1,336,377	\$ 1,280,500	-4%	\$ (55,877)
Transfers from other Funds	\$ 43,527,671	\$ 41,430,677	\$ 35,975,973	-13%	\$ (5,454,704)
Local Revenue Grants	\$ 5,847,864	\$ 5,847,864	\$ 10,123,636	73%	\$ 4,275,772
<b>Total Operating Revenue</b>	<b>\$83,476,416</b>	<b>\$78,162,725</b>	<b>\$77,382,185</b>	<b>-1%</b>	<b>\$ (780,540)</b>
<b>Total Operating Expense</b>	<b>\$83,277,872</b>	<b>\$83,277,872</b>	<b>\$78,350,776</b>	<b>-6%</b>	<b>\$ (4,927,096)</b>
<b>Operating Surplus (Shortfall)</b>	<b>\$198,546</b>	<b>(\$5,115,145)</b>	<b>(\$968,591)</b>	<b>-81%</b>	<b>\$ 4,146,554</b>

# FY 2020-21 OPERATING REVENUE

- ▶ Total proposed revenue \$77.4 million down \$6 million from the original FY 2019-20 budget<sup>†\*</sup>
- ▶ Revenue breakdown:
  - ▶ General Planning \$30 million  
Down \$2.7 million, 8%
  - ▶ Interfund transfers \$36.0 million  
Down \$7.6 million
  - ▶ Local grants \$10.1 million  
New \$5.2 million LCTOP grant
  - ▶ Other revenue \$1.3 million
  - ▶ \$ 1 million reserve transfer

	FY 2019-20 Budget Amendment No. 3	FY 2019-20 Budget Amendment No. 4	FY 2020-21 Draft Budget	Change % Inc./Dec)	Change \$ Inc./Dec)
Subtotal: General Planning Revenue	\$ 32,764,504	\$ 29,547,807	\$ 30,002,076	2%	\$ 454,269
TDA (Planning/Administrative)	\$ 14,616,697	\$ 11,400,000	\$ 10,962,523	-4%	\$ (437,477)
Subtotal: Transfers from other funds	\$ 43,527,671	\$ 41,430,677	\$ 35,975,973	-13%	\$ (5,454,704)
Subtotal: Local Revenue Grants	\$ 5,847,864	\$ 5,847,864	\$ 10,123,636	73%	\$ 4,275,772
Subtotal: MTC Other Revenue	\$ 1,336,377	\$ 1,336,377	\$ 1,280,500	-4%	\$ (55,877)
<b>Total Current Year Revenue</b>	<b>\$ 83,476,416</b>	<b>\$ 78,162,725</b>	<b>\$ 77,382,185</b>	<b>-1%</b>	<b>\$ (780,540)</b>

<sup>†</sup>measured from adopted FY 2020 budget – amendment 3

# FY 2020-21 OPERATING EXPENSE

- ▶ Total proposed operating expense FY 2020-21 down \$5 million, 6%
- ▶ Salaries & Benefits \$38.7 million
  - ▶ Down \$3.6 million, 9%
  - ▶ Vacant position reductions
  - ▶ Savings from PERS & OPEB restructuring
  - ▶ Includes \$2.5 million increase in contract salary and PERS increases
- ▶ General Operations \$2.5 million
  - ▶ Down \$855,000, 26%
- ▶ Contract services \$32.8 million
- ▶ Even with the budget reduction we expect to maintain contract and hiring discipline to minimize the potential further revenue reduction

	FY 2019-20 Budget Amendment No. 4	FY 2020-21 Draft Budget	Change % Inc./(Dec)	Change \$ Inc./(Dec)
I. Salaries and Benefits	\$ 42,321,426	\$ 38,696,024	-9%	\$ (3,625,402)
MTC Staff - Regular	\$ 41,504,347	\$ 38,044,265	-8%	\$ (3,460,082)
Temporary Staff	\$ 765,881	\$ 509,672	-33%	\$ (256,209)
Hourly /Interns	\$ 51,198	\$ 142,087	178%	\$ 90,889
II. Travel and Training	\$ 590,419	\$ 432,500	-27%	\$ (157,919)
III. Printing, Repro. & Graphics	\$ 137,700	\$ 50,000	-64%	\$ (87,700)
IV. Computer Services	\$ 3,506,550	\$ 3,756,238	7%	\$ 249,688
V. Commissioner Expense	\$ 150,000	\$ 150,000	0%	\$ -
VI. Advisory Committees	\$ 15,000	\$ 15,000	0%	\$ -
VII. General Operations	\$ 3,310,988	\$ 2,455,999	-26%	\$ (854,989)
<b>Subtotal of Op Exp Before Contractual Service</b>	<b>\$ 50,032,083</b>	<b>\$ 45,555,761</b>	<b>-9%</b>	<b>\$ (4,476,322)</b>
IX. Contractual Services	\$ 33,245,789	\$ 32,795,015	-1%	\$ (450,774)
<b>Total Operating Expense</b>	<b>\$83,277,872</b>	<b>\$78,350,776</b>	<b>-6%</b>	<b>\$ (4,927,096)</b>

# FY 2020-21 MTC CAPITAL PROJECTS

- ▶ Bay Area Forward \$34.2 million
- ▶ Revenue – various grant/funding
  - ▶ STP/CMAQ \$13.4 million
  - ▶ RM2 \$11.2 million
  - ▶ Other local \$7.4 million
  - ▶ Other \$2.2 million
- ▶ Expenses include
  - ▶ \$4.6 million West Grand Bus / HOV extension
  - ▶ \$9.4 million FPI I 80 preliminary engineering
  - ▶ \$6.4 million FPI implementation I 580
- ▶ Annual Equip replacement \$816,000
  - ▶ \$566,000 for computer replacements
  - ▶ \$250,000 for new employee computer purchase loan

## BAY AREA FORWARD PROJECT

<b>Total Revenue</b>	<b>\$ 54,256,682</b>	<b>\$ 34,151,448</b>
<b>Expense</b>		
<b>Staff</b>	<b>\$1,411,811</b>	<b>\$ 1,162,652</b>
<b>Consultants</b>		
Design Alternative Assessments/Corridor Studies	\$ 2,000,000	\$ 2,500,000
Dumbarton Forward Bike & Ped Improve/P&R Others	\$ -	\$ 1,500,000
Vehicle Occupancy Enforcement Program	\$ 1,000,000	\$ 400,000
Napa Forward	\$ 1,100,000	\$ 1,790,000
Bay Bridge Forward West Grand Bus/ HOV Lane Extension	\$ 11,526,112	\$ 4,645,000
Bay Bridge Forward ICM/Sterling Stret/Other	\$ 6,100,000	\$ 1,700,000
SR 37 Interim project/Richmond-San Rafael Access Improvements	\$ 652,151	\$ -
SR Interim Project & Early Ecological Enhancement	\$ 225,000	\$ -
RSR Forward Bike & Ped Improve/Other	\$ -	\$ 795,000
Freeway Performance Impl. US 101	\$ 3,000,000	\$ 1,000,000
Freeway Performance Prelim Eng/Impl - I-80	\$ -	\$ 9,425,000
Freeway Performance Impl. I-580	\$ 2,500,000	\$ 6,375,000
Freeway Performance Impl. SR-37 / Other	\$ 1,000,000	\$ 1,000,000
Performance Monitoring & Tools	\$ 450,000	\$ -
Freeway Performance Impl I-880	\$ 2,750,000	\$ 1,858,796
FY 2018-19 C/O	\$ 20,541,608	\$ -
<b>Total Expense</b>	<b>\$ 54,256,682</b>	<b>\$ 34,151,448</b>

# FY 2020-21 MTC GRANT BUDGET

- ▶ **Total grant budget**     **\$300 million**
  - ▶ FY 2019-20             **\$266 million**
  - ▶ FY 2020-21            **\$ 34 million**
  - ▶ LTD expenses           **\$157 million**
  - ▶ Active balance         **\$143 million**
- ▶ **Expenses**
  - ▶ Existing projects       **43**
  - ▶ New projects            **15**
  - ▶ Staff                      **\$10 million**
  - ▶ Contract services      **\$66 million**
  - ▶ Remaining balance     **\$67 million**

	Grant	Balance	New Grant	Staff Budget	Consultant	Balance
	Award	thru FY 2020	FY 2020-21	FY 2020-21	Budget	FY 2020-21
STP Grants	\$ 182,396,000	\$ 84,559,405	\$ 19,862,000	\$ 7,771,328	\$ 41,941,236	\$ 54,708,841
CMAQ Grants	\$ 45,987,411	\$ 17,508,719	\$ 10,875,000	\$ 292,249	\$ 20,626,953	\$ 7,464,517
FTA GRANTS	\$ 27,569,770	\$ 613,095	\$ 208,687	\$ 208,687	\$ -	\$ 613,095
State and Local Grants	\$ 9,715,342	\$ 6,277,457	\$ 2,875,000	\$ 1,655,014	\$ 3,454,766	\$ 4,042,677
<b>Total Federal Grants Budget</b>	<b>\$ 265,668,523</b>	<b>\$ 108,958,676</b>	<b>\$ 33,820,687</b>	<b>\$ 9,927,278</b>	<b>\$ 66,022,955</b>	<b>\$ 66,829,130</b>

# CLIPPER OPERATING

- **Clipper I revenue \$35.6 million**

- Revenue down 11%
- CARES revenue (new) \$5.9 million \*
- STA down \$4 million
- Operators payment down \$4.4 million

- **CI Expense \$35.6 million**

- Expenses down 11%
- Contractor costs (98% of budget) down 3%

- **Clipper II \$2 million**

- First time operating budget
- 57% of revenue from transit operators
- 82% of expenses are contract operations

Clipper 1 Operating:	FY 2019-20 Budget Amendment No. 3	FY 2020-21 Draft Budget	
<b>Revenue:</b>			
RM2	\$ 3,469,614	\$ 3,800,000	10%
STA	\$ 9,747,119	\$ 5,800,000	-40%
CARES	\$ -	\$ 5,900,000	N/A
Inactive Accounts	\$ 2,960,359	\$ 391,414	-87%
Float Account Interest	\$ -	\$ 300,000	0%
Transit Operators	\$ 23,773,381	\$ 19,385,000	-18%
<b>Total clipper operating Revenue</b>	<b>\$ 39,950,473</b>	<b>\$ 35,576,414</b>	<b>-11%</b>
<b>Expenses:</b>			
Staff cost	\$ 1,152,346	\$ 796,414	-31%
Travel & Other General Ops.	\$ 93,233	\$ 80,000	-14%
Promotion/Outreach/Fare Inc.	\$ 3,000,000	\$ -	-100%
Clipper Operations	\$ 35,704,894	\$ 34,700,000	-3%
<b>Total clipper operating Expense</b>	<b>\$ 39,950,473</b>	<b>\$ 35,576,414</b>	<b>-11%</b>
<b>Clipper 2 Operating:</b>			
	<b>FY 2019-20 Budget Amendment No. 3</b>	<b>FY 2020-21 Draft Budget</b>	
<b>Revenue:</b>			
SGR	\$ -	\$ 863,149	N/A
Transit Operators	\$ -	\$ 1,124,500	N/A
<b>Total clipper 2 Operating Revenue</b>	<b>\$ -</b>	<b>\$ 1,987,649</b>	<b>N/A</b>
<b>Expenses:</b>			
Staff cost	\$ -	\$ 363,149	N/A
Clipper 2 Operations	\$ -	\$ 1,624,500	N/A
<b>Total clipper 2 Operating Revenue</b>	<b>\$ -</b>	<b>\$ 1,987,649</b>	<b>N/A</b>

\* Pending approval



# CLIPPER CAPITAL

- Clipper I \$237 million
- Addition sources \$6.5 million
  - Card sales \$5.0 million
  - Operators \$1.5 million
  - Expenses to staff \$1.1 million
  - Card purchases
- Clipper II - \$229 million
  - Additional sources \$10.1 million
  - Staff costs \$3.0 million
  - Consultants \$10 million
  - \$3 million contingency draw
  - Contingency balance \$19.5 million

	Thru FY 2019-20 LTD Budget	FY 2020-21 Draft Budget
<b>Total Clipper 1 Capital Budget</b>	<b>\$ 230,409,357</b>	<b>\$ 6,500,000</b>
<b>Clipper 2 Capital:</b>	<b>Thru FY2019-20 LTD Budget</b>	<b>FY 2020-21 Draft Budget</b>
<b>Revenue:</b>		
STP	\$ 4,569,554	\$ -
FTA	\$ 10,078,133	\$ -
Toll Bridge	\$ 23,000,000	\$ -
OBAG 2	\$ 34,000,000	\$ -
Prop 1B/LCTOP	\$ 4,000,000	\$ -
FTA Funds	\$ 22,684,772	\$ -
FTA Funds shifted from C1 to C2	\$ 13,140,784	\$ -
CMAQ Funds shifted from C1 to C2	\$ 2,034,320	\$ -
STP Funds shifted from C1 to C2	\$ 5,747,333	\$ -
Transit Operators Funds shifted C1 to C2	\$ 4,077,563	\$ -
Projected FTA/FHWA Funds	\$ 88,000,000	\$ -
Golden Gate Pass through	\$ 5,000,000	\$ -
BATA	\$ 260,000	\$ -
Inactive Cards	\$ -	\$ 135,000
State of Good Repair	\$ -	\$ 9,931,304
STA	\$ 2,410,841	\$ -
<b>Total Clipper 2 Revenue</b>	<b>\$ 219,003,300</b>	<b>\$ 10,066,304</b>
<b>Expense:</b>		
Staff Costs	\$ 8,914,278	\$ 2,954,189
Equipment	\$ 7,591,903	\$ -
Consultants	\$ 175,776,496	\$ 10,066,304
Sales Taxes	\$ 4,250,000	\$ -
Contingency	\$ 22,470,623	\$ (2,954,189)
<b>Total Clipper 2 Expense</b>	<b>\$ 219,003,300</b>	<b>\$ 10,066,304</b>

# MTC BUDGET - CONCLUSION

- ▶ MTC is still financially sound
- ▶ MTC reserve going into FY 2020-21 \$41 million
  - ▶ 53% of total operating budget
  - ▶ 192 days operating
- ▶ 50 % of MTC revenue is grant revenue not impacted by recession
- ▶ RM 3 revenue is still in escrow
- ▶ Net equity balance positive \$2 million
  - ▶ FY 2019-20 - \$19 million
  - ▶ FY 2020-21 + \$2 million
- ▶ Pension liability has been reduced 55%
- ▶ MTC will still have a structural deficit in the future
  - ▶ \$1.0 million in one-time revenue
  - ▶ \$2.5 million S&B growth
  - ▶ S&B will grow faster than revenue

MTC Fund Balance							
	Actual					Budget	Budget
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY18-19	FY 19-20	FY 20-21
Fund balance, July 1	\$ 34,175,123	\$ 36,676,996	\$ 40,369,795	\$ 41,664,790	\$ 46,412,978	\$ 46,028,526	\$ 40,913,381
Surplus (deficit)	2,501,873	3,692,799	1,294,995	4,748,188	(384,452)	(5,115,145)	(968,591)
Transfer in from other Funds	-	-	-	-	-	-	-
Fund balance, June 30	36,676,996	40,369,795	41,664,790	46,412,978	46,028,526	40,913,381	39,944,790
Adjusted balance June 30	36,676,996	40,369,795	41,664,789	46,412,978	46,028,526	40,913,381	39,944,790
Reserve for encumbrance	2,725,781	4,885,700	3,013,964	3,291,429	3,944,446	4,000,000	4,000,000
Benefits/Retirement Reserve	1,500,308	1,468,652	1,515,948	1,362,773	3,158,877	6,000,000	6,000,000
Compensated Absences	4,347,801	4,842,422	5,151,294	3,921,386	4,253,618	5,500,000	6,000,000
STA Reserve	511,807	158,050	49,194	27,196	-	500,000	-
Capital Reserve	-	-	-	-	-	130,000	816,000
Liability Contingency Reserve	234,040	964,580	294,763	123,850	285,120	-	700,000
Subtotal reserve, restricted	9,319,737	12,319,404	10,025,163	8,726,634	11,642,061	16,130,000	17,516,000
Net before retirement	27,357,259	28,050,391	31,639,626	37,686,344	34,386,465	24,783,381	22,428,790
Net Pension Liability	16,010,789	18,286,012	22,572,445	24,420,309	19,889,459	36,671,000	20,350,300
OPEB	-	-	-	4,763,606	5,059,342	7,100,000	(123,000)
Net unrestricted	11,346,470	9,764,379	9,067,181	8,502,429	9,437,664	(18,987,619)	2,201,490
Total Adjusted Reserve	\$ 36,676,996	\$ 40,369,795	\$ 41,664,790	\$ 46,412,978	\$ 46,028,526	\$ 40,913,381	\$ 39,944,790
Unrestricted	31%	24%	22%	18%	21%	-46%	6%
Restricted	69%	76%	78%	82%	79%	146%	94%
Total Fund balance	100%	100%	100%	100%	100%	100%	100%