



Metropolitan Transportation Commission (MTC) Draft FY 2025-26 Operating and Capital Budget

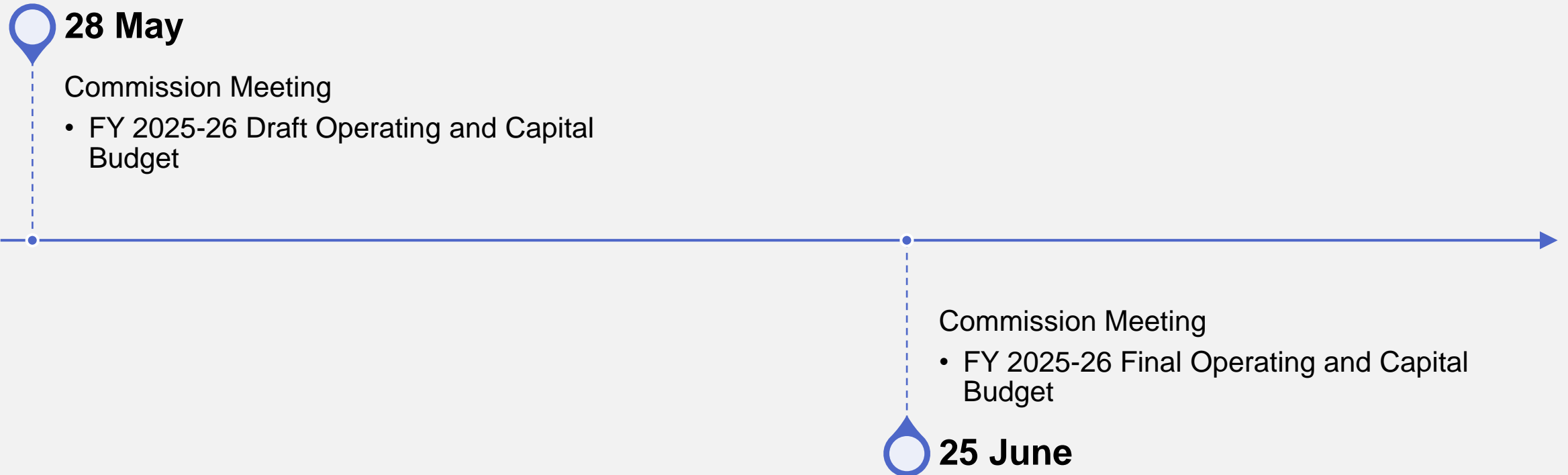


METROPOLITAN
TRANSPORTATION
COMMISSION

Date: May 28, 2025

Presenter: Derek Hansel, CFO

FY 2025-26 Budget Calendar



FY 2025-26 Budget Assumptions

Revenue

- Transportation Development Act (TDA) budget projections down by 3% in comparison to FY 2024-25
- Interest yield 3.47%
- Increase in federal grant funding
- Decrease in state grant funding is primarily Regional Early Action Planning 2.0 carryover projects

Expense

- 426 Full Time Equivalent positions (approved FY 2024-25)
- 3 proposed new positions (FY 2025-26)
- 3% cost of living adjustment
- Additional work for final proposed budget
- Update cost of living adjustment
- Update Indirect Cost Allocation Plan (ICAP) rates
- Reserves schedule

Continuing and New Operating Concerns

MTC budget is developed in the face of challenges and uncertainty including:

- Moderate to high inflation over past five years
- Interest rate uncertainty
- Global trade tensions due to tariffs, inflationary pressures, and materials and labor supply constraints could impact future sales tax growth and availability of state funding
- Funding uncertainty
 - Federal Action Response Team
 - Scenario Planning

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Operating Budget

Operating Revenue Sources

Federal Grants: FTA, Safe Streets

Operating Expense

Salary & Benefits - COLA (3%)
based on negotiated
Memorandum of Understanding

Reserves

Transfer from reserve to fund
capital projects

	FY 2024-25 Approved (thousands)	FY 2025-26 Draft (thousands)	% Change
Revenue			
Federal Grants	\$168,781	\$182,833	8%
State Grants	107,166	68,131	(36%)
Local	38,584	35,733	(7%)
Transfers	6,439	7,882	22%
General Fund	17,223	16,783	(3%)
Other	33,731	38,208	(13%)
Total Revenue	\$371,924	\$349,570	(6%)
Expense			
Salary & Benefits	\$57,864	\$60,871	5%
Computer Services	8,080	8,973	11%
General Operations	5,524	6,353	15%
Contract Services	299,500	268,863	(10%)
Other	1,985	2,086	5%
Total Expense	\$372,953	\$347,147	(7%)
Operating Surplus/(Deficit)	(\$1,029)	\$2,423	335%

FY 2025-26 Staffing

- 426 full time staff (including term-limited positions)
- 3 proposed new positions:
 - 2 ABAG POWER positions to support the increase in members for the program
 - 1 Technology Services and Support position to support 375 Beale Street Operations

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Draft FY 2025-26 Capital Budget

FY 2025-26 Additions:

- \$175,000 File Migration Project
- \$80,000 VMWare Alternative Solution
- \$51,000 Hardware Additions

	FY 2024-25 APPROVED LTD BUDGET (THOUSANDS)	FY 2025-26 DRAFT BUDGET (THOUSANDS)	FY 2025-26 DRAFT LTD BUDGET (THOUSANDS)
Revenue			
Transfer from Operating Reserve	\$20,697	\$306	\$21,003
Transfer from Bay Area Toll Authority	7,540	-	7,540
Transfer from Bay Area Infrastructure Financing Authority	1,140	-	1,140
Total Revenue	\$29,377	\$306	\$29,683
Expense			
Enterprise Systems	\$2,183	-	\$2,183
Infrastructure Systems	1,040	306	1,346
Enterprise Resource Planning Software Replacement	23,654	-	23,654
Systems Transformation	2,500	-	2,500
Total Expense	\$29,377	\$306	\$29,683

Approach to Scenario Planning

- Identify potential risks to MTC and tools that can be utilized to manage against those risks
- Emphasis on flexibility and ability to implement in response to unknown change
- Develop full understanding of steps needed to implement and range of impact of actions

Approach to Scenario Planning – Understanding Risks

- Which funding sources are most at risk (federal discretionary and formula, state, sales tax)
- How is funding used (project specific vs. pass-through) – develop understanding of projects/programs dependent on highest risk funding
- Timing of spend – immediate vs. longer-term impacts
- Legal and regulatory requirements

Approach to Scenario Planning – The Tools

- Conservative budgeting
 - Hard FY 2025-26 decision making, leading to draft budget surplus
 - Projected low vacancy rate
- Project evaluation in light of materialized risks
 - Pause/reprioritize/reallocate funding
- Reconsideration of discretionary spending
- Use of contracting
- Strategic hiring decisions
- Need to understand consequences of decisions

Scenario Planning – Current Efforts

- Budget development intended to provide conservative starting platform
- Continuous monitoring of key funding drivers
- Continued information gathering and analysis
 - Full inventory of grant and revenue streams, with analysis of risk, dependencies, spending deadlines, and eligibility
- Full understanding of contractual commitments in light of potential risks and mitigants
- Development of reserve policies to be proposed to Commission

Clipper FY 2025-26 Draft Operating Budget

- Total draft operating costs decreased from approved FY 2024-25 budget
- Clipper will operate parallel systems until the next generation, or Clipper 2, system reaches the System Completion milestone
- Increase in LCTOP funding for Clipper 2

	FY 2024-25 APPROVED BUDGET (MILLIONS)	FY 2025-26 DRAFT BUDGET (MILLIONS)	CHANGE
Revenue			
Regional Measure 2	\$4.4	\$4.4	0%
State Transit Assistance	8.0	6.6	(17%)
State of Good Repair	5.6	3.1	(46%)
CARES	0.1	0.0	(100%)
Low Carbon Transit Operations Program (LCTOP)	9.7	14.0	44%
Clipper Cards	2.5	0.0	(100%)
Inactive Accounts	0.7	0.0	(100%)
Float Account Interest	10.5	7.1	(32%)
Operators	25.9	17.4	(33%)
Total Revenue	\$68.0	\$52.6	(21%)
Expense			
Staff	2.7	3.8	41%
Operations	65.2	50.5	(23%)
Total Expense	\$68.0	\$54.3	(20%)

Clipper FY 2025-26 Draft Capital Budget

- Total capital costs decreased from approved FY 2024-25 budget by \$3.1 million
- Proposed costs of \$16.9 million to support expected Clipper 2 development, testing, and deployment needs

	FY 2024-25 APPROVED LTD BUDGET (MILLIONS)	FY 2025-26 DRAFT BUDGET (MILLIONS)	FY 2025-26 DRAFT LTD BUDGET (MILLIONS)
Revenue			
Federal	\$311.7	\$0.9	\$312.6
State	119.3	12.3	131.6
Local	69.2	0.2	69.4
General Fund	0.9	0.0	0.9
Transit Operators	12.2	0.2	12.4
Clipper Cards	45.6	3.3	48.9
Inactive Accounts	1.1	0.0	1.1
Float Account Interest	0.0	1.1	1.1
Total Revenue	\$560.0	\$18.0	\$578.0
Expense			
Staff	\$40.6	\$4.0	\$44.6
Equipment	63.6	3.2	66.8
Consultants	455.8	9.7	465.5
Total Expense	\$560.0	\$16.9	\$576.9