

MTC BUDGET STUDY SESSION

May 11, 2022

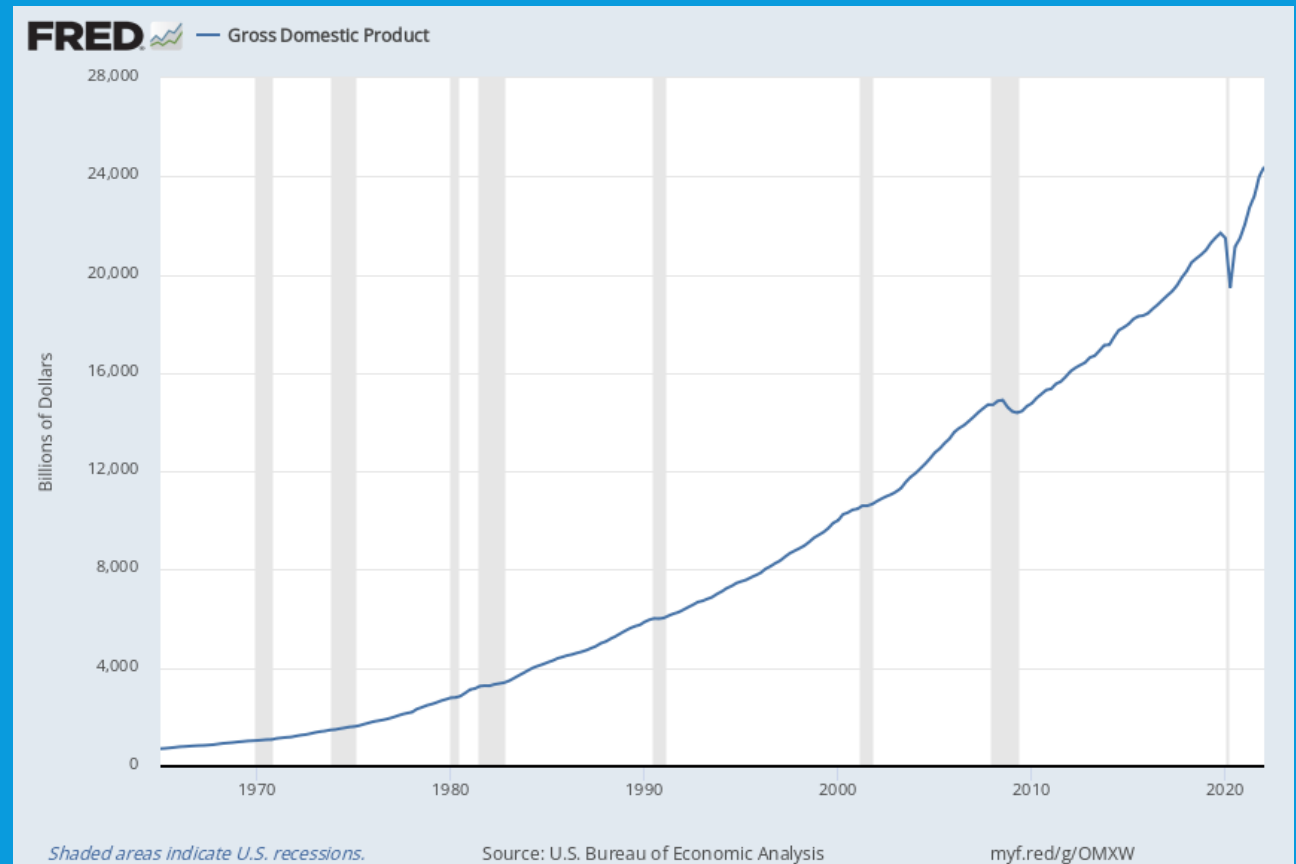
SUMMARY OF DISCUSSION

- Economic Backdrop
- Budget Background
- MTC Budgets
 - MTC
 - BATA
 - SAFE
- JPA Budgets
 - BAIFA
 - BAHA / 375 Beale

ECONOMIC BACKDROP

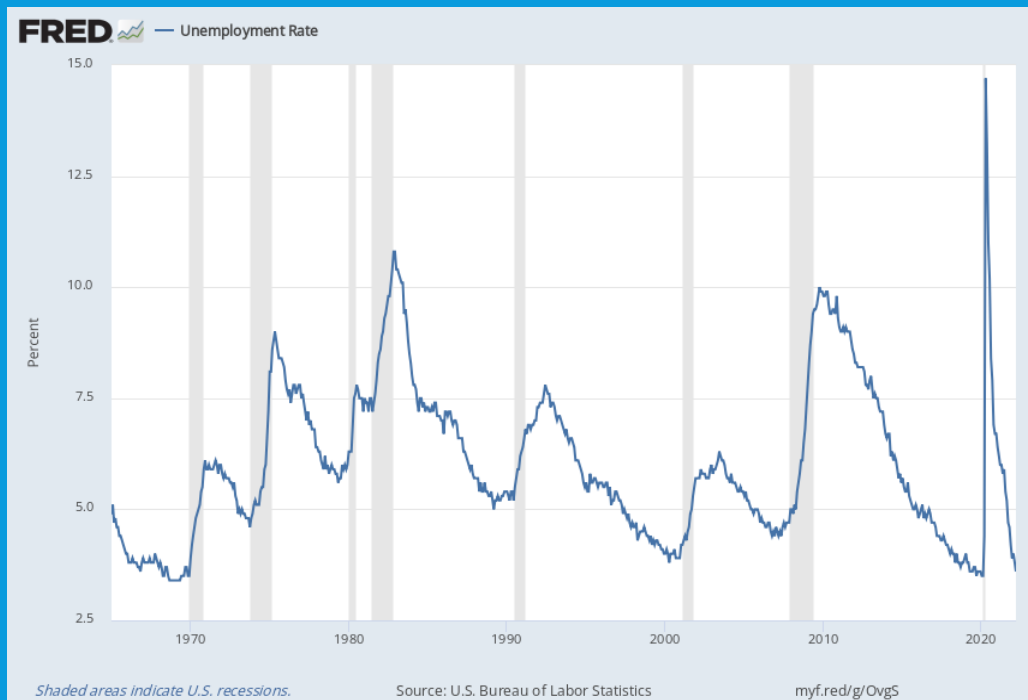
THE NATIONAL ECONOMY IS STRONG

- Since the pandemic related economic “crash” in Spring 2020, the national economy has performed well
- Tremendous amounts of fiscal stimulus from the Federal government (CARES, CRRSAA, ARPA)
- Stimulative monetary policy from the Federal Reserve (near zero interest rates, substantial balance sheet)
- GDP has set new records

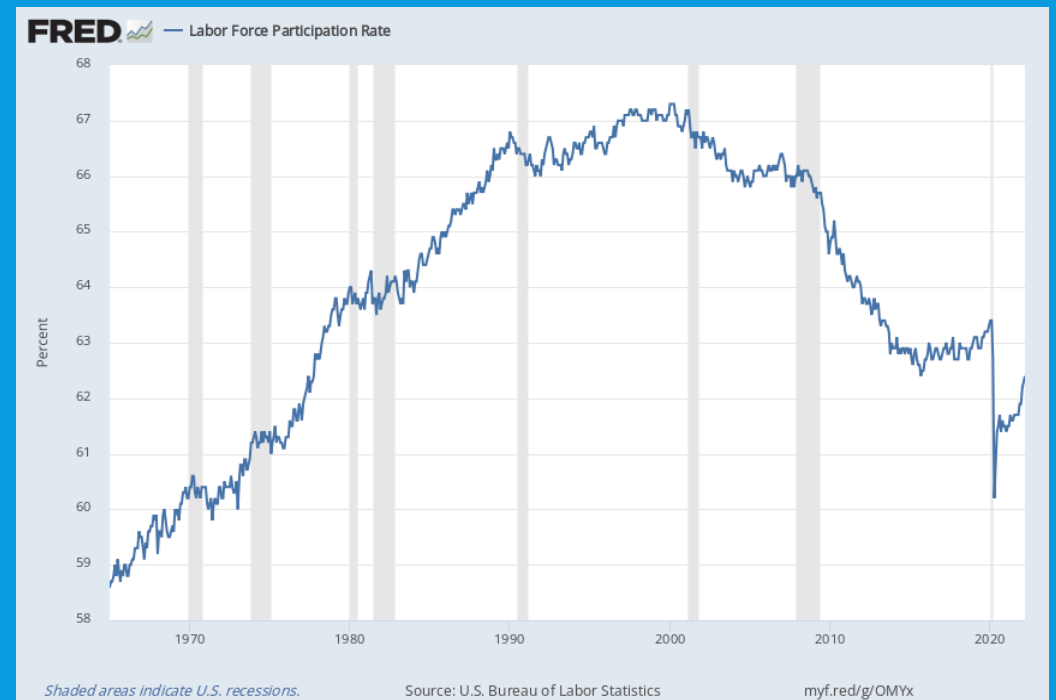


UNEMPLOYMENT IS BETTER, BUT THERE IS MORE TO THE STORY, ...

- Unemployment has fallen to pre-pandemic levels

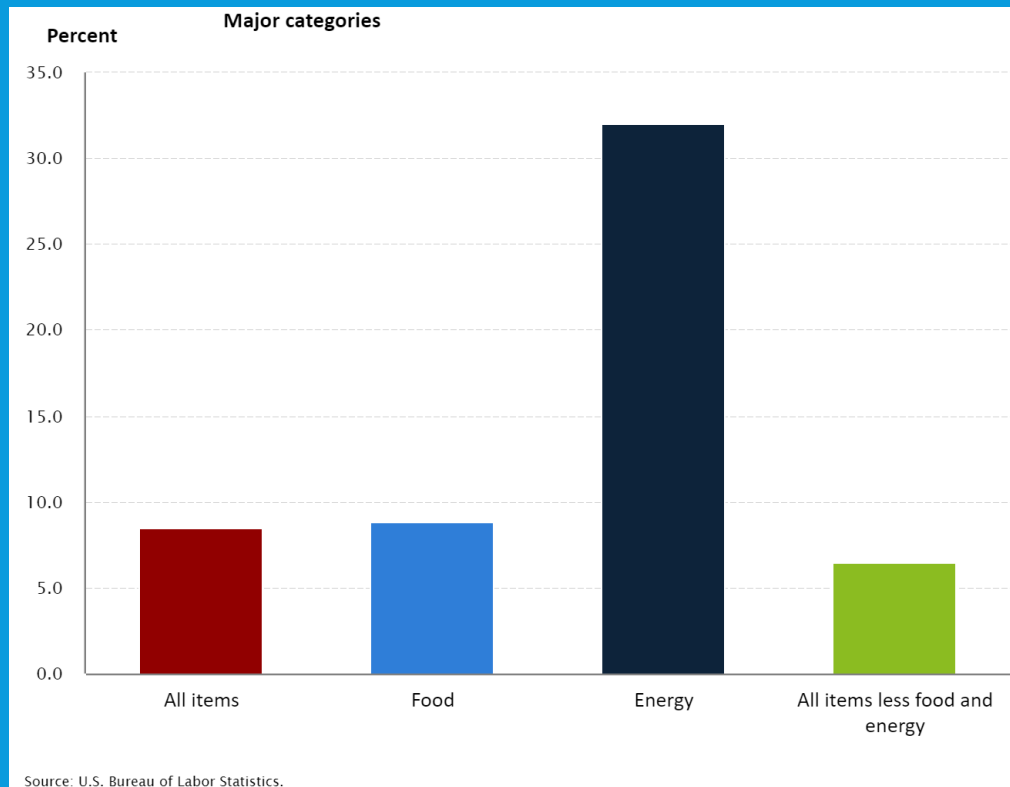


- Labor participation is its lowest since the late 1970s

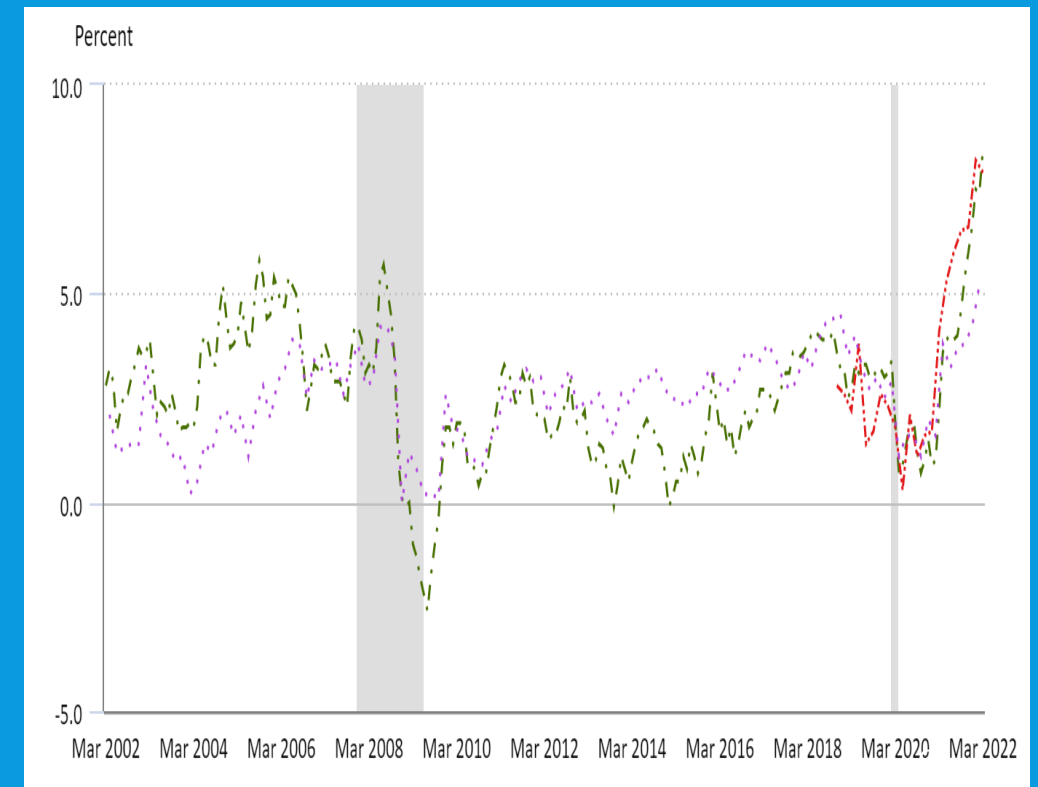


...AND THEN THERE IS INFLATION...

- Inflation rising, driven largely (but not exclusively) by food and energy

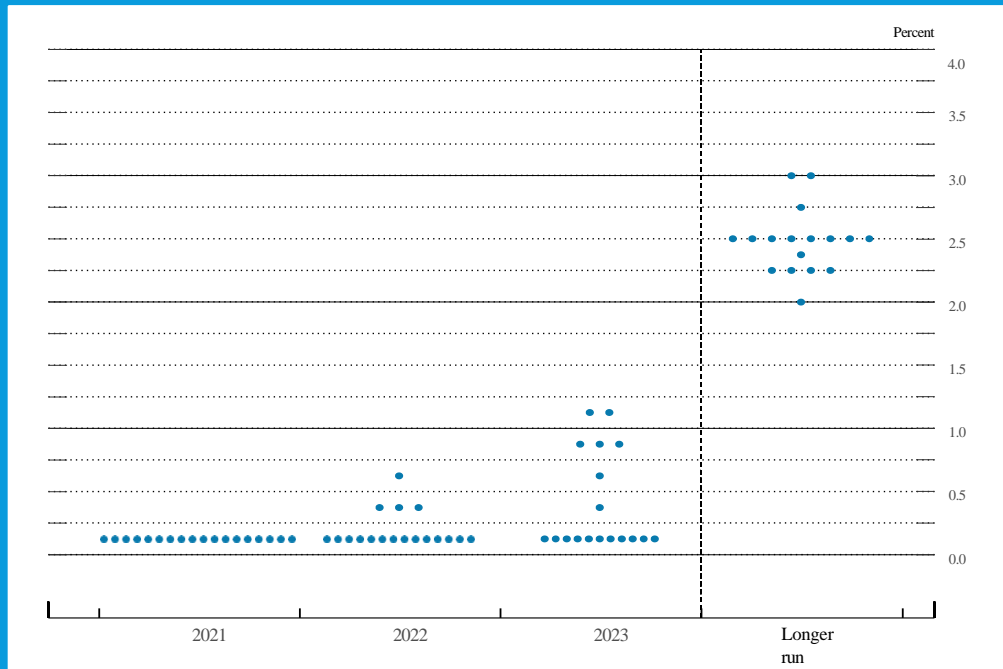


- Bay Area inflation significantly lower than other California metro areas

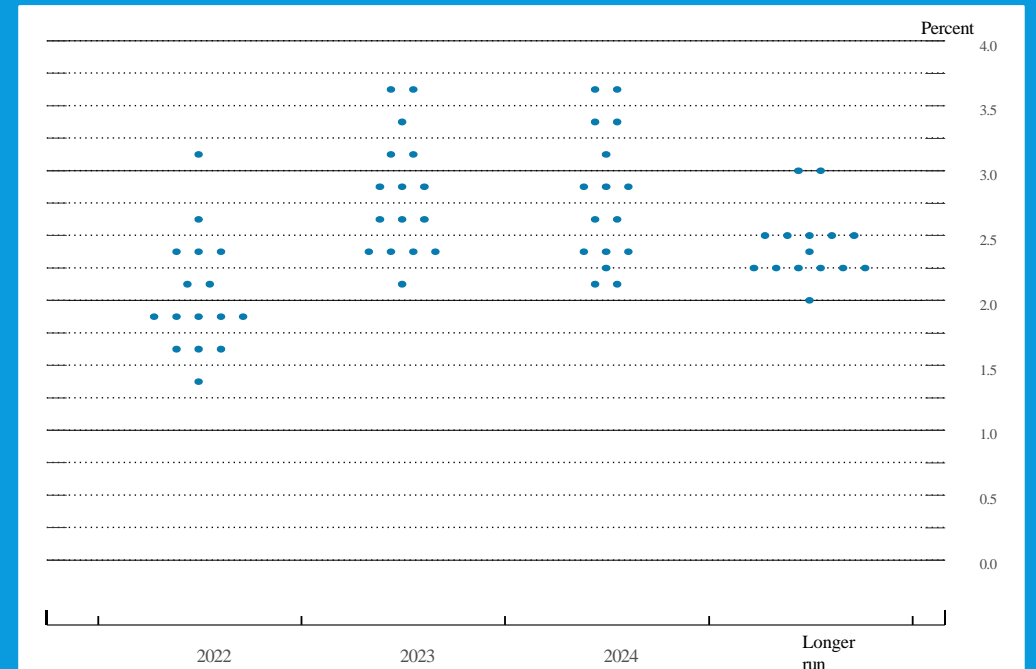


...WHICH THE FEDERAL RESERVE IS TRYING TO ADDRESS

- March 2021 “Dot Plot”

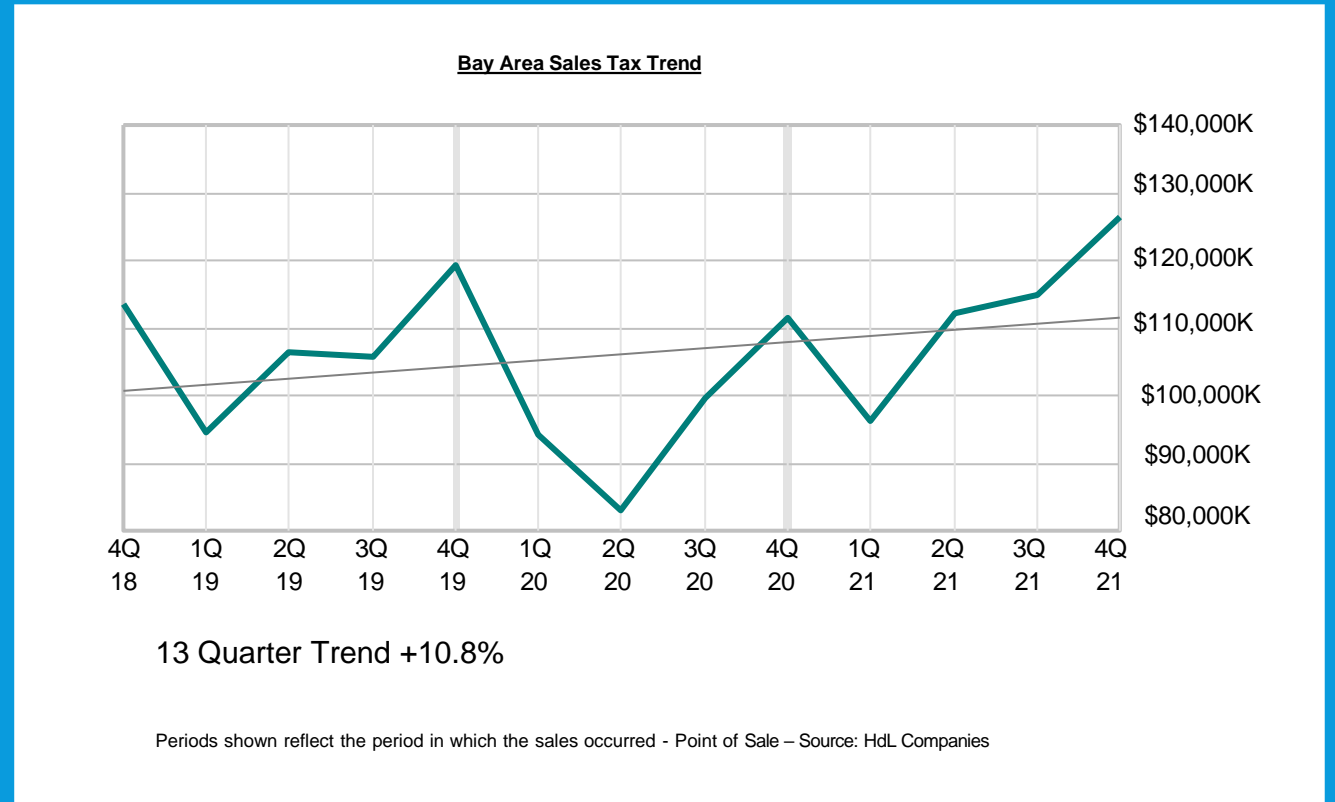


- March 2022 “Dot Plot”



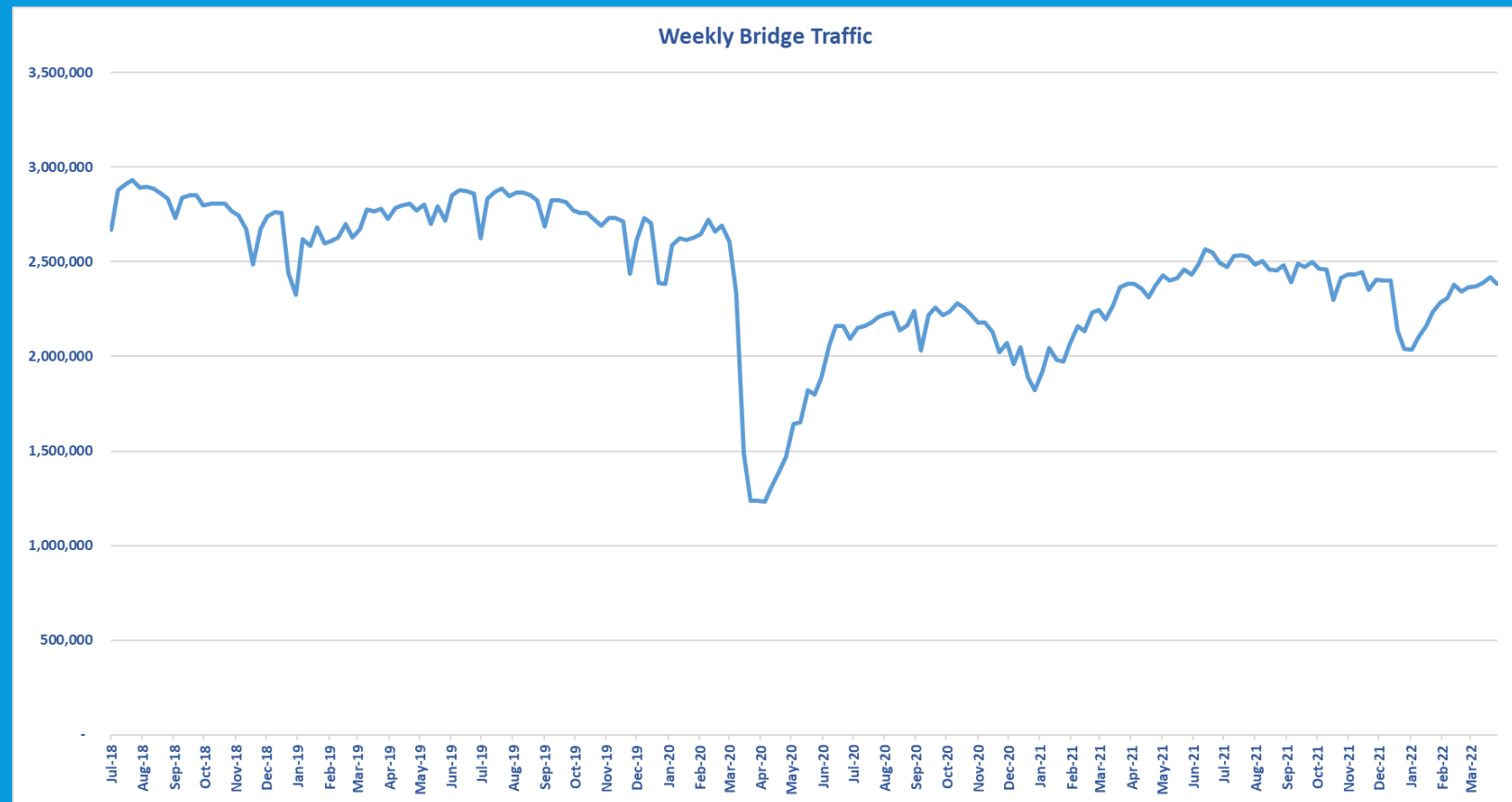
THE REGIONAL ECONOMY HAS LARGELY RECOVERED...

- Drop in sales tax revenue was mild compared to prior recessions, but unevenly distributed
- Pandemic induced recession had disproportionate effects on women and disadvantaged communities



AND TRAFFIC IS GROWING MODESTLY BUT STILL BELOW FY 2019 LEVELS, AND....

- Generally steady throughout 2018, 2019 and early 2020
- Partial recovery in 2020, interrupted by the Delta surge, and partial recovery in 2021, interrupted by the Omicron surge
- Spring 2022 is trending in the right direction but still well below pre-pandemic levels



About a third of San Franciscans see Permanent Remote Work - Bloomberg

San Francisco leads the nation in no one wanting to work in an office, and it's costing the city - SFGate

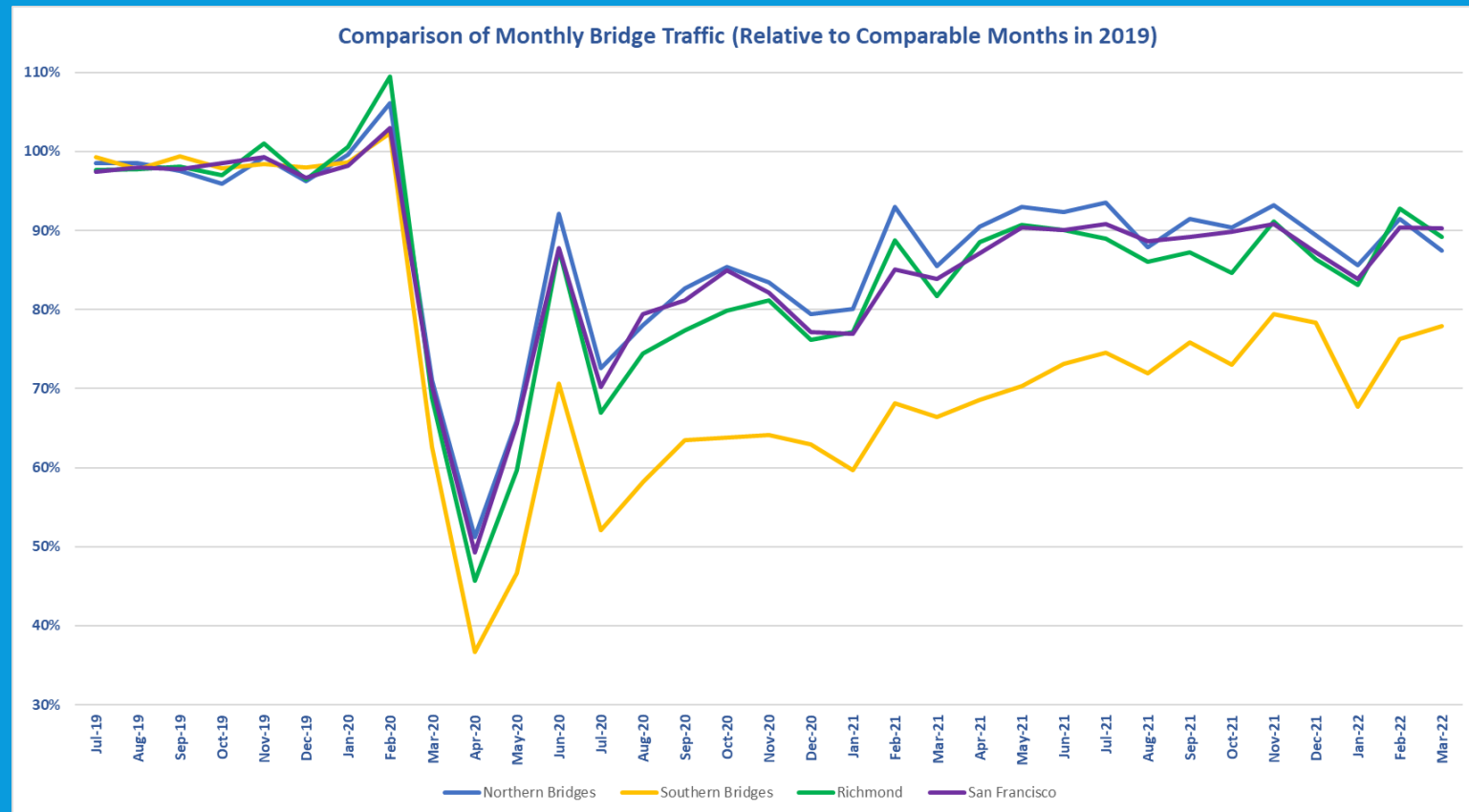
**Google tells employees in Bay Area
...to return to offices in April - CNBC**

**Airbnb will let its employees live
and work anywhere - NPR**

**How Tech Companies are Trying to Woo
Employees Returning to Work – New York Times**

A TALE OF SEVEN BRIDGES

- Pandemic related effects on bridge traffic have demonstrated the value of a system of bridges
- Recovery of traffic has been much more robust on the Bay Bridge and the northern bridges than for the San Mateo – Hayward Bridge and the Dumbarton Bridge



BUDGET BACKGROUND

FY 2023 BUDGET ASSUMPTIONS

- **General Budget Assumptions**

- 302 full time staff
 - 2.8% COLA salary increase
 - 2.5% PERS normal cost increase
 - PERS UL payment \$1.9 million
 - OPEB ADC \$3.2 million
- Revenue
 - No change to grant revenue
 - TDA up 16%
 - Toll revenue up 6%
 - RM3 revenue and transfer to escrow continue as part of adopted budget
 - Express lane revenue continues to recover, and I-880 is performing extremely well

- All funds will maintain substantial operating reserves
- No operational draw from reserves
- No special hiring or expenditure conditions

- **Additional work for final proposed budget**

- Still analyzing and finalizing position requests
- Some grants and related revenue/expense still in process
- Need to balance final proposed budgets

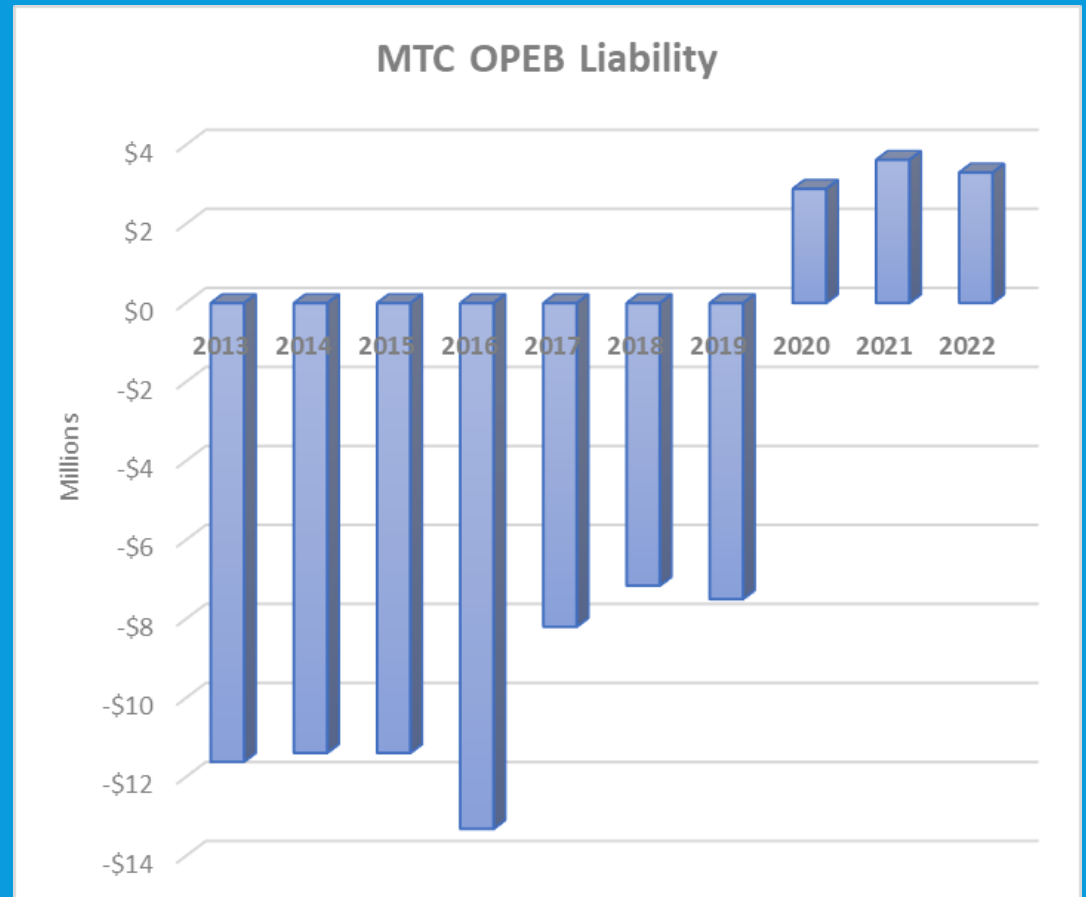
MTC RESERVE HISTORY

- MTC moved to positive net unrestricted balance starting in FY2020.
- Net pension liability has been reduced.
- The goal is to increase the unrestricted reserve to six months operating revenue.

	<u>Actual</u>					<u>Amend. #3</u>	<u>Budget</u>
	<u>FY 16-17</u>	<u>FY 17-18</u>	<u>FY18-19</u>	<u>FY19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>
Fund balance, July 1	\$ 40,369,795	\$ 41,664,790	\$ 46,412,978	\$ 46,028,526	\$ 50,931,350	\$ 57,589,080	\$ 57,039,494
Surplus (deficit)	1,294,995	4,748,188	(384,452)	4,902,824	6,657,730	(549,586)	(1,417,195)
Transfer in from other Funds	0	0	0		0	0	0
Fund balance, June 30	41,664,790	46,412,978	46,028,526	50,931,350	57,589,080	57,039,494	55,622,299
Adjusted balance June 30	41,664,790	46,412,978	46,028,526	50,931,350	57,589,080	57,039,494	55,622,299
Reserve for encumbrance	3,013,964	3,291,429	3,944,445	8,910,984	4,756,400	6,000,000	6,000,000
Benefits/Retirement Reserve	1,515,948	1,362,773	3,158,877	9,547,203	8,434,545	6,000,000	6,000,000
Building - Move Reserve	0	0	0	0	0	0	0
MTC/ABAG Integration	0	0	0	0	0	0	0
Compensated Absences	5,151,294	3,921,386	4,253,618	4,965,167	6,427,839	6,000,000	6,000,000
STA Reserve	49,194	27,196	0	0	0	0	0
Capital Asset	0	0	0	0		624,050	910,000
Liability Contingency Reserve	294,763	123,850	285,120	281,027	124,279	500,000	1,900,000
Fixed Asset Replacement	0	0	0	0	0	0	0
Subtotal reserve, restricted	10,025,163	8,726,634	11,642,061	23,704,381	19,743,063	19,124,050	20,810,000
Net before retirement	31,639,627	37,686,344	34,386,465	27,226,969	37,846,017	37,915,444	34,812,299
Net Pension Liability	36,671,290	29,279,328	39,358,740	22,033,953	20,274,607	18,414,200	18,414,200
OPEB	0	4,763,606	5,059,342	0	(4,561,628)	0	0
Net unrestricted	(5,031,663)	3,643,410	(10,031,617)	5,193,016	22,133,038	19,501,244	16,398,099
Total Adjusted Reserve	\$ 41,664,790	\$ 46,412,978	\$ 46,028,526	\$ 50,931,350	\$ 57,589,080	\$ 57,039,494	\$ 55,622,299

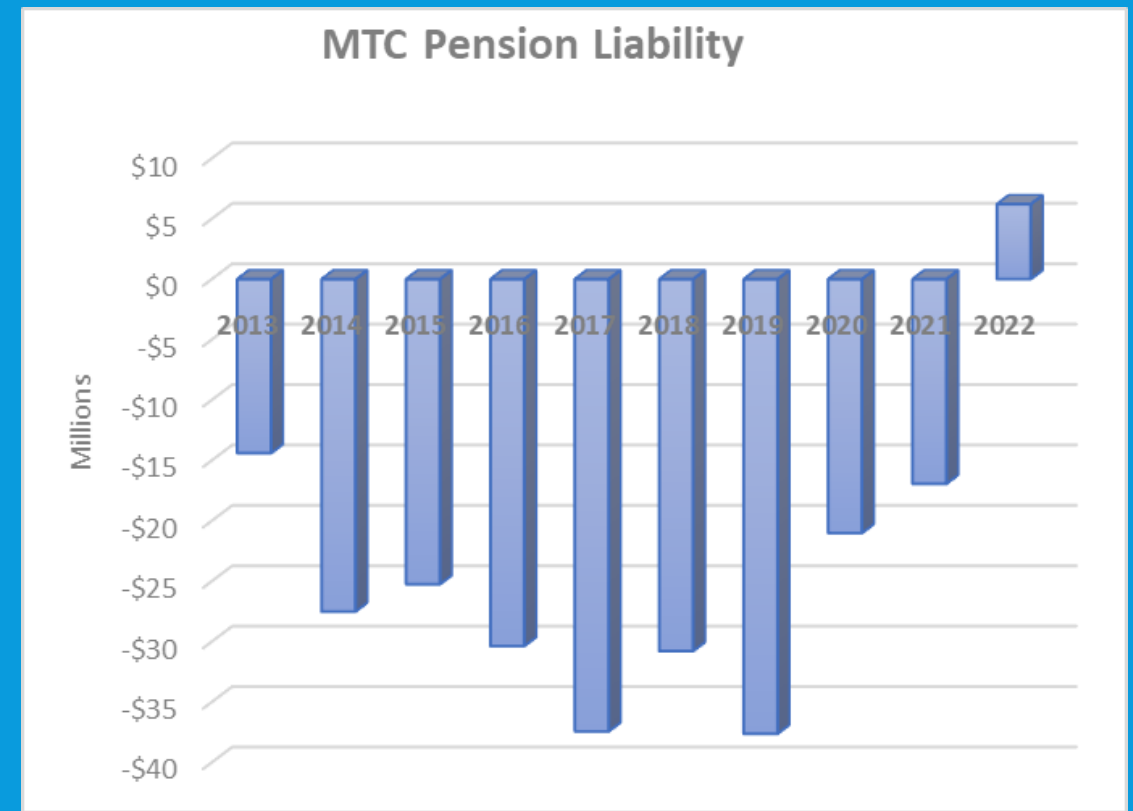
MTC POST- RETIREMENT LIABILITIES (OPEB) ARE FULLY FUNDED

- OPEB
 - Unfunded liability was retired in FY 2020
 - Obligation is now an asset of \$7.0 million
 - Interest on the section 115 trust now exceed retiree medical payments
 - Retiree medical payments are fully funded through the OPEB 115 Trust



UNFUNDED PENSION LIABILITY HAS BEEN ADDRESSED

- PERS
 - Highest UAL liability \$38 million FY 2019
 - MTC restructured starting in FY 2020
 - Restructured plan in FY 2020
 - Saves millions in interest costs
 - Reduces amortization to 12 years or less
 - Lowers annual payment by \$1.3 million
 - MTC made additional prepayments in FY 2021
 - Does not reflect \$3 million transferred to section 115 pension trust
 - Expect to demonstrate a surplus at June 30, 2022



MTC EXPECTS TO MAINTAIN OUR STRONG OPERATING RESERVE STRUCTURE FOR FY 2023

- MTC operating funds have been building cash liquidity positions and have a substantial amount of liquidity in funded reserves
- The proposed FY 2023 budgets will include new designated reserves for BAIFA and BAHA

Fund	Exp. Reserve (2022)	Projected Budget (2023)	Days Cash
MTC	\$57.0 million	\$56.2 million	431
BATA	\$1.06 billion	\$1.06 billion	382
BAIFA	\$71.7 million	\$42.3 million	600
SAFE	\$21.2 million	\$20.8 million	355
BAHA	\$4.7 million	\$5.2 million	103
BAHFA	\$1.5 million	\$1.5 million	

FY 2023 BUDGETS

MTC DRAFT FY 2023 OPERATING BUDGET

- While the MTC Draft Budget has a deficit, the final proposed budget will be balanced
- **Operating Revenue drivers**
 - Federal and State grants (OBAG 3)
 - Projected TDA revenue up 16%
- **Operating Expense drivers**
 - Salary & Benefits - COLA based on current MOU
 - Contractual Services – increases in project funding
- **Work still in progress**
 - Changes in proposed staffing under review
 - Additional grant revenue/expenses
 - Grants that have not been awarded are excluded. Awarded grants will be included in subsequent budget amendments

	FY 2022 Budget (thousands)	FY 2023 Budget (thousands)	Change
Revenue (thousands)			
Federal and State Grants	\$138,386	\$194,259	40%
Local	15,752	4,414	-72%
Transfers	8,543	6,875	-20%
Other	25,767	20,534	-20%
Total Revenue	\$188,448	\$226,081	20%
Expense			
Salary & Benefit	\$48,758	\$44,749	-8%
Gen Operations	2,736	1,946	-29%
Contract Svcs	132,424	172,437	30%
Other	5,080	8,366	65%
Total Expense	\$188,998	\$227,498	20%
Balance (deficit)	\$(550)	\$(1,417)	

OVERHEAD (ALLOCATION OF INDIRECT COSTS)

- **What is “Overhead”?**
 - The cost of most MTC staff is directly allocated to the various agencies and projects based on the work effort of staff
 - Overhead (Administration/indirect costs) is:
 - Expenses that are necessary but not directly attributable to a particular agency/project
 - These include Human Resources, much of Finance, much of IT, etc.
- **How is Overhead Rate Determined?**
 - Budgeted costs are determined for indirect services, plus overcollection or undercollection from prior audited revenues/costs
 - Then applied against total budgeted “base” of staff costs to determine overhead rate for the relevant fiscal year
 - Estimated rate for FY 2023 is 50%
- **Where does Overhead Show up in the Budgets?**
 - For MTC budget, overhead reimbursement from other operations is included in “Other” revenue
 - MTC’s overhead costs that are allocated are included in several expense line items
 - For the other budgets, overhead expense is typically included in transfers, administrative expense and other expense
- **BATA is a special case**
 - BATA overhead is included in its budget as a transfer, and the associated payment to MTC is treated as “Other” revenue
 - The calculation of BATA overhead, however, is based on a percentage of toll revenue, not the calculation previously described
 - This is done in accordance with state law

MTC DRAFT FY 2023 OPERATING BUDGET

CLIPPER OPERATIONS

- Operating costs increase due mostly to Clipper II operations
 - Expansion and modernization of systems
 - Retail/customer services
 - Fare media options
- Clipper II will be Revenue Ready in the next fiscal year
- Clipper will operate parallel systems of Clipper I and Clipper II until late 2024

	FY 2022 Budget (millions)	FY 2023 Budget (millions)	Change
Revenue (thousands)			
RM2	\$4.2	\$5.8	38%
STA	8.0	7.5	-6%
SGR	2.6	10.0	285%
CARES	2.0	0.0	-100%
Clipper Cards	0.0	3.8	N/A
Float Account Interest	0.8	1.8	125%
Operators	13.3	20.5	54%
Total Revenue	\$30.9	\$49.3	60%
Expense			
Staff	\$1.3	\$1.6	23%
Operations	29.6	47.7	61%
Total Expense	\$30.9	\$49.3	60%

MTC DRAFT FY 2023 BUDGET CLIPPER CAPITAL

Clipper I

- Total Budget FY 2023 (LTD) \$239.6 million
- FY 2022 (LTD) \$237.2 million
- Addition FY 2023 \$2.5 million
 - Funded by additional card sales and LCTOP

Clipper II

- Total Budget FY 2023 (LTD) \$248.7 million
- FY 2022 (LTD) \$227.4 million
- Addition FY 2023 \$ 21.3 million
 - Staff \$ 2.9 million
 - Consultants \$18.4 million
 - Funded by SGR, STA, card sales and LCTOP

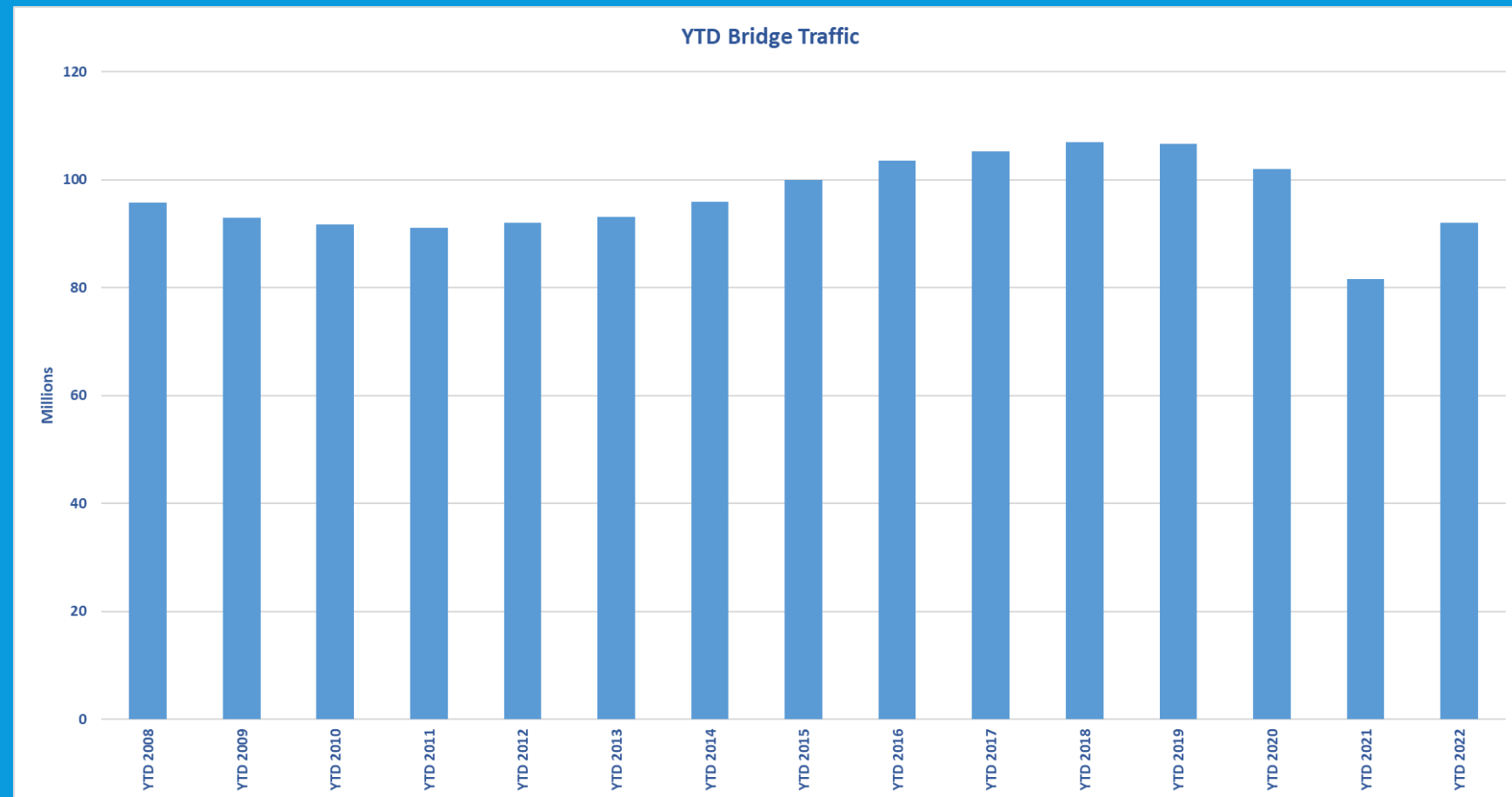
MTC DRAFT FY 2023 BUDGET BAY AREA FORWARD

- Bridge capital projects improving bridge and freeway operations
- Funding for these projects come from a variety of federal, state and local sources
- New projects for FY 2023 (millions):
 - Bay Bridge (2016) \$6.6
 - Bay Bridge (2020) \$18.7
 - FPI – 88o \$1.7
 - FPI – 101 \$2.4
 - Dumbarton \$4.0
 - Napa \$6.2

	FY 2022 (LTD) (thousands)	FY2023 (thousands)	Total (LTD)
Bay Bridge (2016)	\$22,925	\$6,560	\$29,485
Bay Bridge (2020)	22,925	18,709	41,634
RSR	1,102	--	1,102
FPI – 68o	14,000	--	14,000
FPI – 88o	3,065	1,717	4,782
FPI – US 101	3,061	2,406	5,467
Dumbarton Fwd	8,150	4,000	12,150
Napa Fwd	8,262	6,200	14,462
Total	\$83,490	\$39,592	\$123,082

BATA DRAFT FY 2023 OPERATING BUDGET

- FY 2023 Budgeted surplus approximately \$7.5 million
- FY 2023 Budget estimate at 90% of FY 2019 paid traffic
 - 13% increase in toll revenue from recent trends
- Bridge traffic still well below FY 2019 levels
 - January and February were weak, potentially tied to Omicron surge
 - March and April compare with first six-month average
- Operating questions:
 - Cash/liquidity levels
 - Completion of “cash” invoicing backlog
 - Impact of new invoicing system on revenue collection



BATA DRAFT FY 2023 OPERATING BUDGET

- Total proposed operating revenue is \$757* million –
 - Total budgeted revenue \$1,014 million including \$234 million RM3 revenue and BABs subsidy
 - Debt service includes \$70 million prepayment of FY 2022 principal and \$35 million prepayment of FY 2023 principal
 - Other expense includes certain one-time expenses including the refund of violation penalties and the costs associated with DMV holds in FY 2023 related to past due invoices
 - FY 2023 Operating Balance is shown net of one-time expenses

	FY 2022 (millions)	FY 2023 (millions)	Change
Revenue			
Toll*	\$625	\$660	6%
Interest	25	8	-69%
Other	101	112	11%
Total Revenue	\$751	\$780	4%
Expense			
Caltrans Op	7	9	33%
Fastrak Ops	79	82	4%
BATA Direct Costs	40	41	2%
Debt Service *	458	531	16%
RM2 Transit	44	45	1%
Transfers	28	32	14%
Other*	65	33	-50%
Total Operating Expense *	\$721	\$750	4%
Op Balance (deficit)	\$30	\$7	

BATA DRAFT FY 2023 CAPITAL BUDGET

- Proposed capital budget for FY 2023
 - FY 2021 budget \$ 51 million
 - FY 2022 budget \$137 million
 - FY 2023 budget \$157 million
 - 10 year total \$1,211 million (FY22-FY31)
- Increased FY 2023 effort for acceleration of \$52 million SFOBB West Span structural steel painting to manage project cost escalation
- Anticipate returning to Commission for update of ten-year rehabilitation needs as more information is available from asset management efforts

	FY22-31 (Thousands)	FY23 (Thousands)
Capital Operations	\$347,547	\$33,428
Bridge Integrity	270,400	27,250
Paint	300,576	53,500
ETC	261,454	28,121
Other	31,892	15,175
Total	\$1,211,212	\$157,474

SERVICE AUTHORITY FOR FREEWAYS AND EXPRESSWAYS (SAFE) FY 2023 OPERATING BUDGET

- Two Programs
 - Freeway Assist (CallBox)
 - Freeway Service Patrol (FSP – tow trucks)
- Expense – \$21.8 Million
 - Salary & Benefit - reassigned from another fund
 - Consultant Svcs - Increase communications
 - Oper. Contracts - No new tow services
- The minor operating deficit will be covered through fund balance reserves

	FY 2022 (thousands)	FY 2023 (thousands)	Change
Revenue			
DMV/Other	\$6,614	\$6,854	4%
State LAP	7,629	7,971	4%
Road Rep (SB1)	7,200	6,521	-9%
Total Revenue	21,443	21,346	0%
Expense			
Salary & Benefit	1,810	1,456	-20%
General Ops	473	558	18%
Consultant	760	850	12%
Oper. Contracts	18,770	18,904	-2%
Total Expense	21,813	21,768	0%
Balance (deficit)	(\$369)	(\$422)	14%

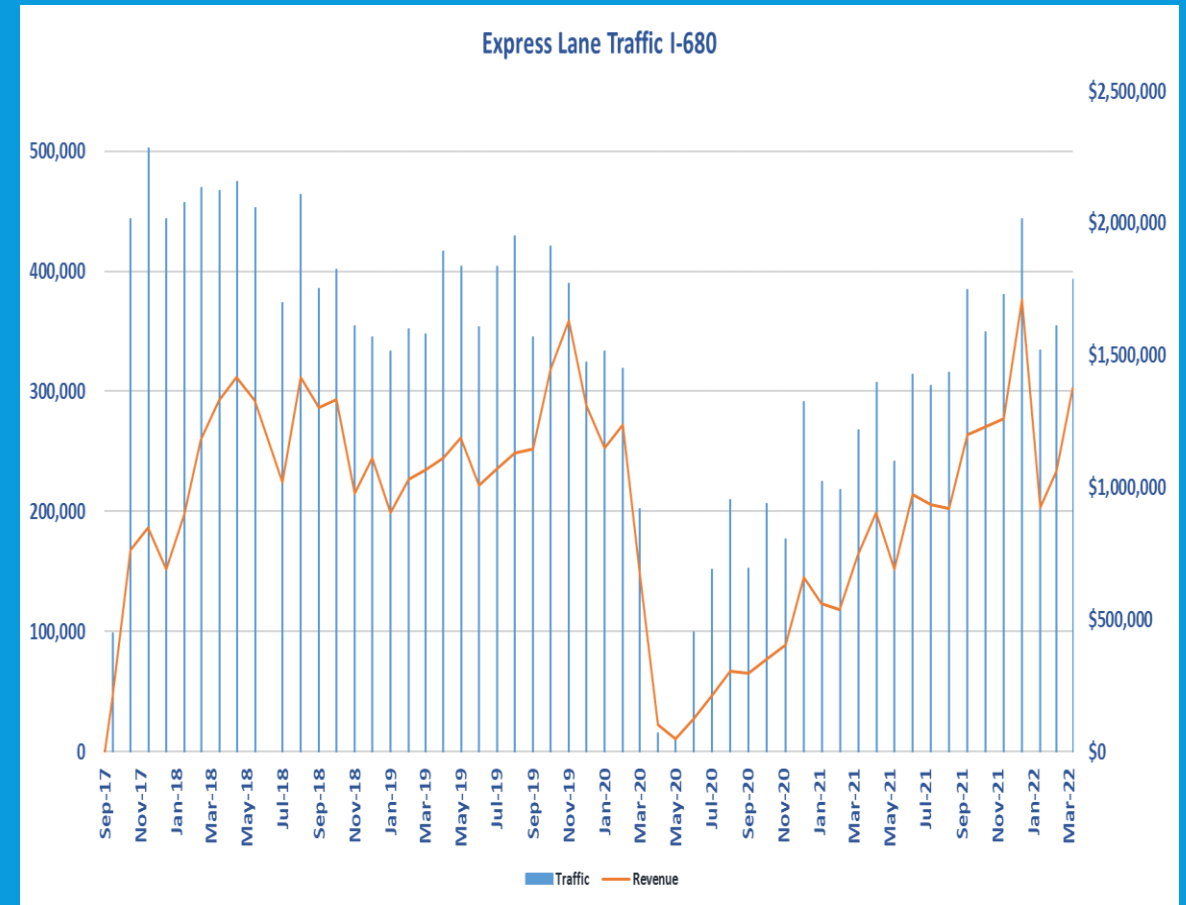
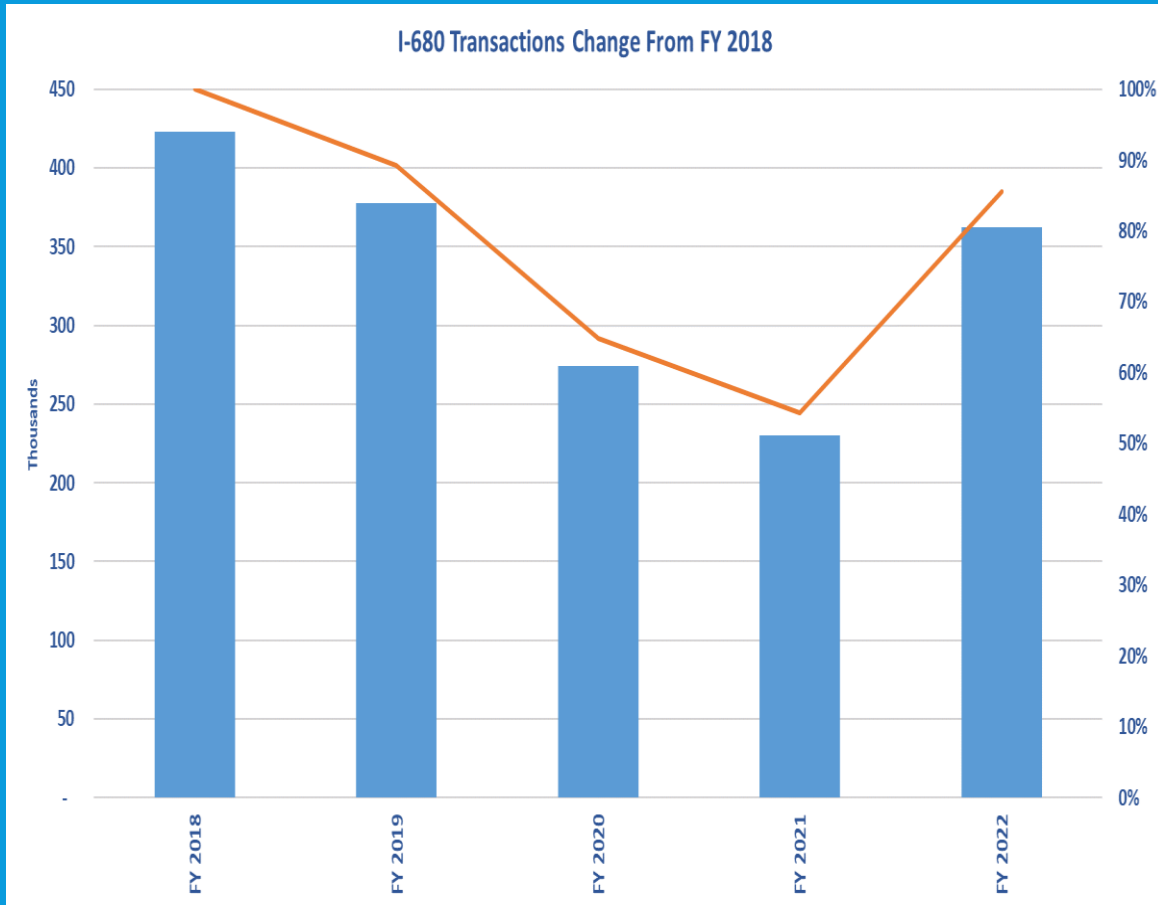
MTC DRAFT FY 2023 BUDGET

SAFE CAPITAL PROGRAM

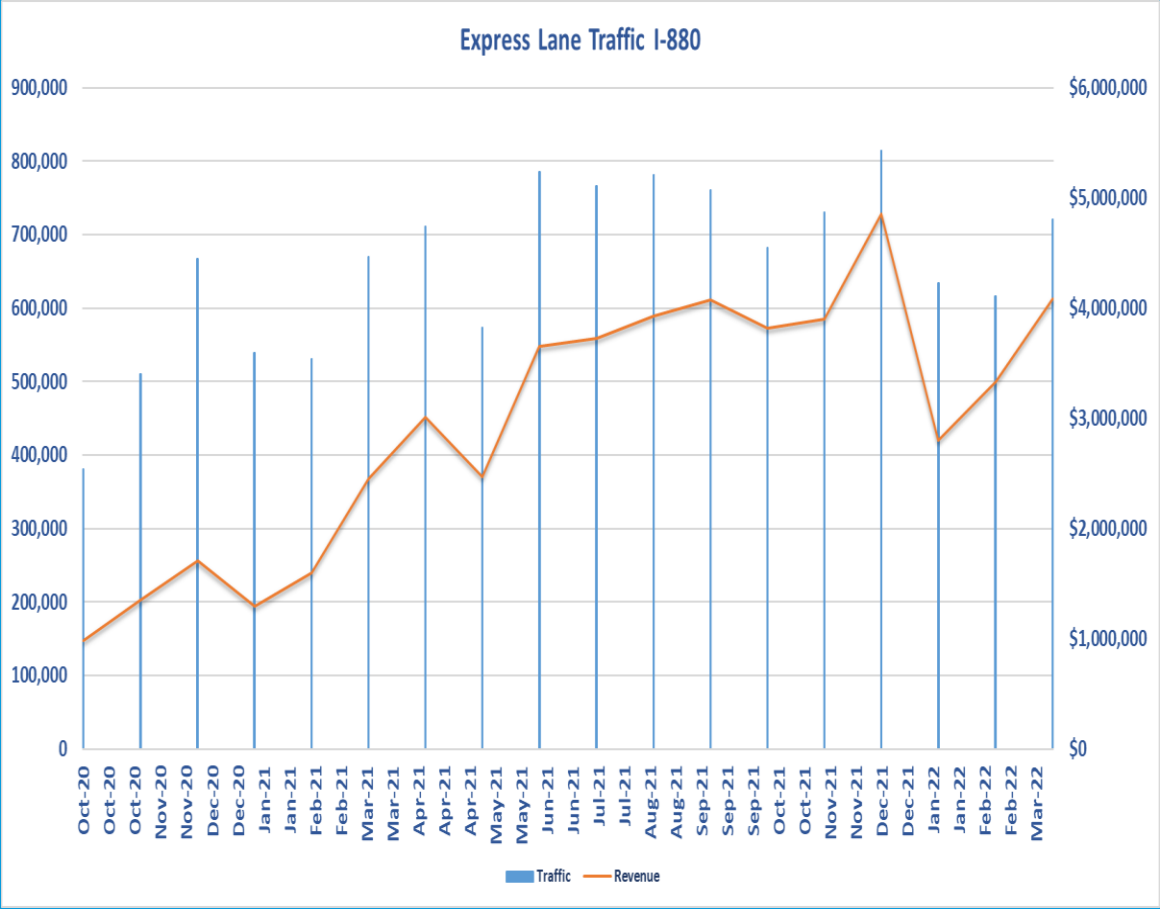
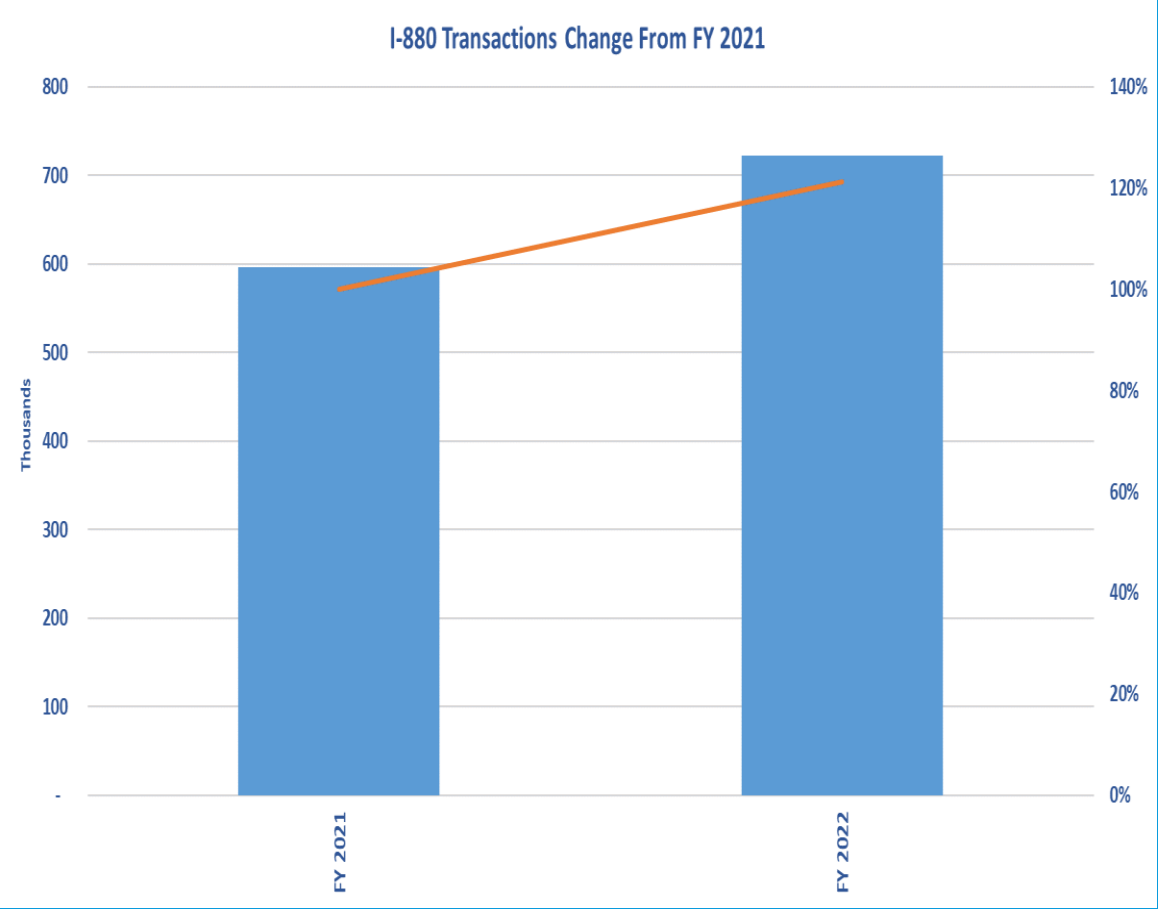
- Total five capital projects \$9 million
- No new projects

	FY 2022 (thousands)	FY 2023 (thousands)	Total (LTD)
FSP Data	\$3,826	--	\$3,826
CBX Site Improvement	2,744	--	2,744
Emergency/Major Incident	1,000	--	1,000
Incident Management	1,000	--	1,000
Connected Bay Area	500	--	500
Total	\$9,070	--	\$9,070

EXPRESS LANES PERFORMANCE (I-680)



EXPRESS LANES PERFORMANCE (I-88o)



BAIFA DRAFT OPERATING BUDGET

- Operating Revenue nearly \$64 million
 - I-880 , I-680, SM 101 ramp up adds \$18 million new revenue
 - Violation revenue assumed to drop
- Operating Expense* \$30.5 million
 - Increased expenses related to increased utilization of BAIFA express lanes and reimbursed expenses associated with SM 101

* Before capital reserve and transfers
- Estimated Operating surplus \$21.7 million
- Surplus transferred to reserves

	FY 2022 (thousands)	FY 2023 (thousands)	Change
Revenue			
I-680	\$8,500	\$11,000	29%
I-880	30,000	45,000	50%
SM 101	2,892	5,537	91%
Violation	4,057	2,000	-51%
Other	305	423	39%
Total Revenue	\$45,754	\$63,959	40%
Expense			
Fastrak O&M	\$7,719	\$8,207	6%
EX Lane O&M	12,647	13,434	6%
Admin	3,617	3,327	-8%
Other	2,892	5,537	91%
Capital Reserve	10,100	10,100	--
Transfer Out	4,895	1,687	-66%
Total Expense*	\$41,870	\$42,292	1%
Ending Balance (deficit)	\$3,883	\$21,668	458%

BAHA DRAFT FY 2023 OPERATING BUDGET

- **Total Revenue \$18.4 million +7%**
 - Assessments
 - Common area expenses paid by three owners
 - Increase covering increased costs of shared services
 - Lease revenue
 - Increase build into leases
 - Other - mainly parking and utility payments
- **Expenses \$15.7 million +14%**
 - Salary & Benefit – agreed MOU increases and additional staffing
 - Other
 - Other contractual services
 - Lease commission
 - Café space project
 - Other expenses
- Capital budget requests will be presented with proposed budget in June

	FY 2022 (thousands)	FY 2023 (thousands)	Change
Revenue			
Assessments	\$6,311	\$7,271	15%
Lease	10,395	10,643	2%
Other	473	485	3%
Total Revenue	\$17,180	\$18,399	7%
Expense			
Salary & Benefit	1,149	1,485	29%
IT Lic. & Maint	1,731	1,692	-2%
Property Mgt	8,977	9,083	1%
Other	1,941	3,480	79%
Total Expense	\$13,799	\$15,740	14%
Balance (before dep)	\$3,381	\$2,659	-21%

BUDGET SCHEDULE

- May 11 –
 - Joint budget study session with Commission
- June 08 –
 - Committee approval(s)
- June 22
 - Final Commission approval