

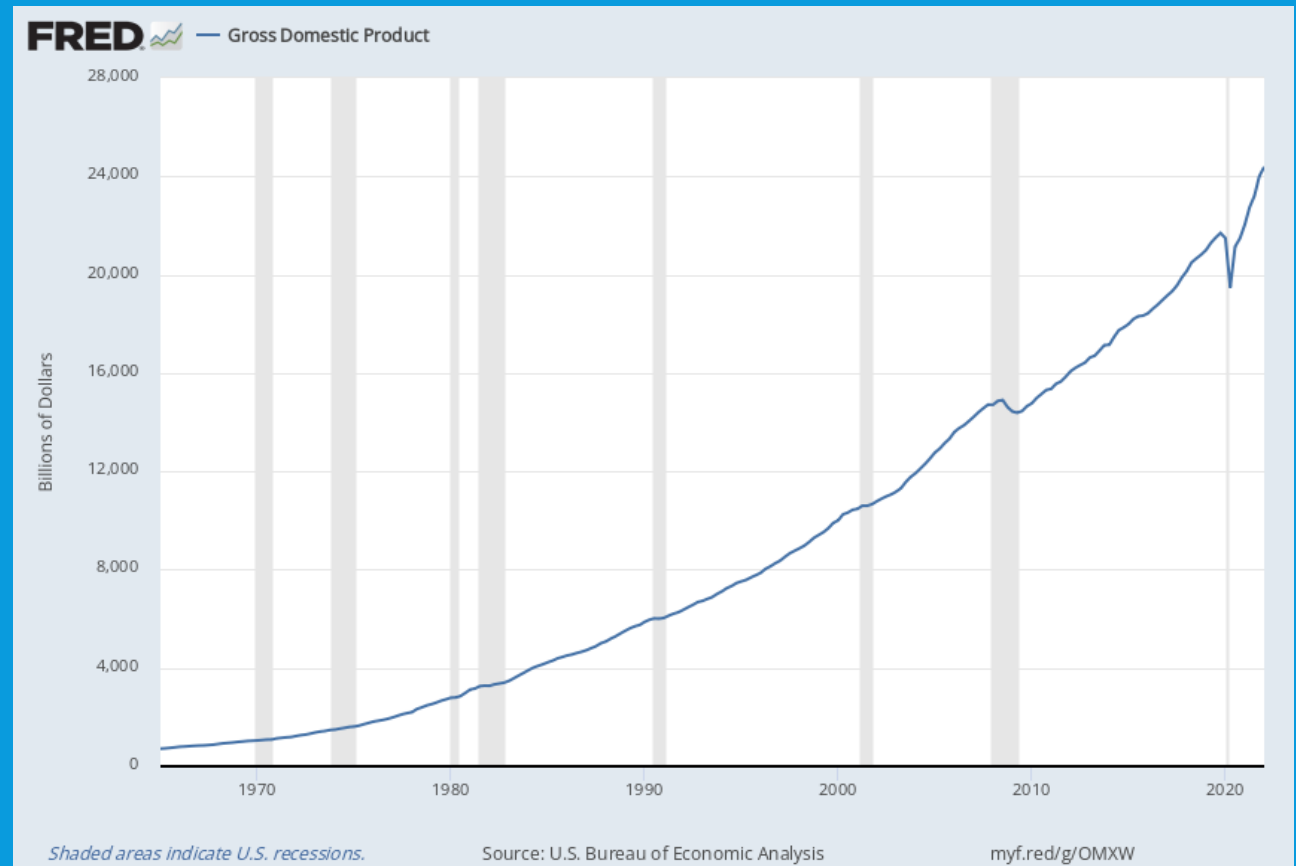
**MTC BUDGET FY 2022-23
OPERATING & CAPITAL BUDGET
MTC RESOLUTION NO. 4517**

June 8, 2022

ECONOMIC BACKDROP

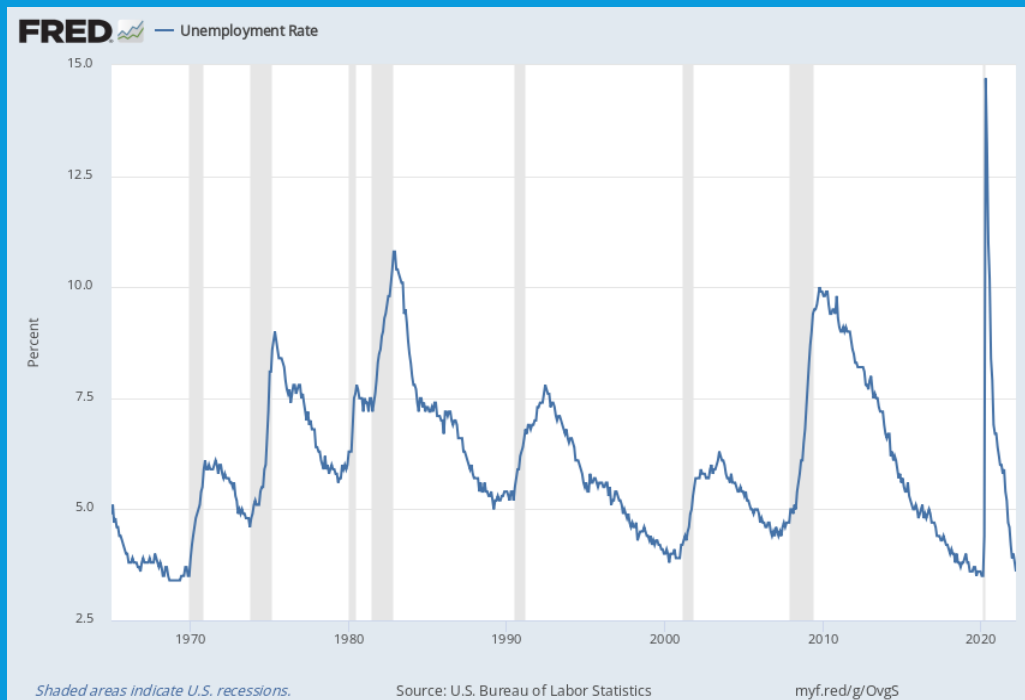
THE NATIONAL ECONOMY IS STRONG

- 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

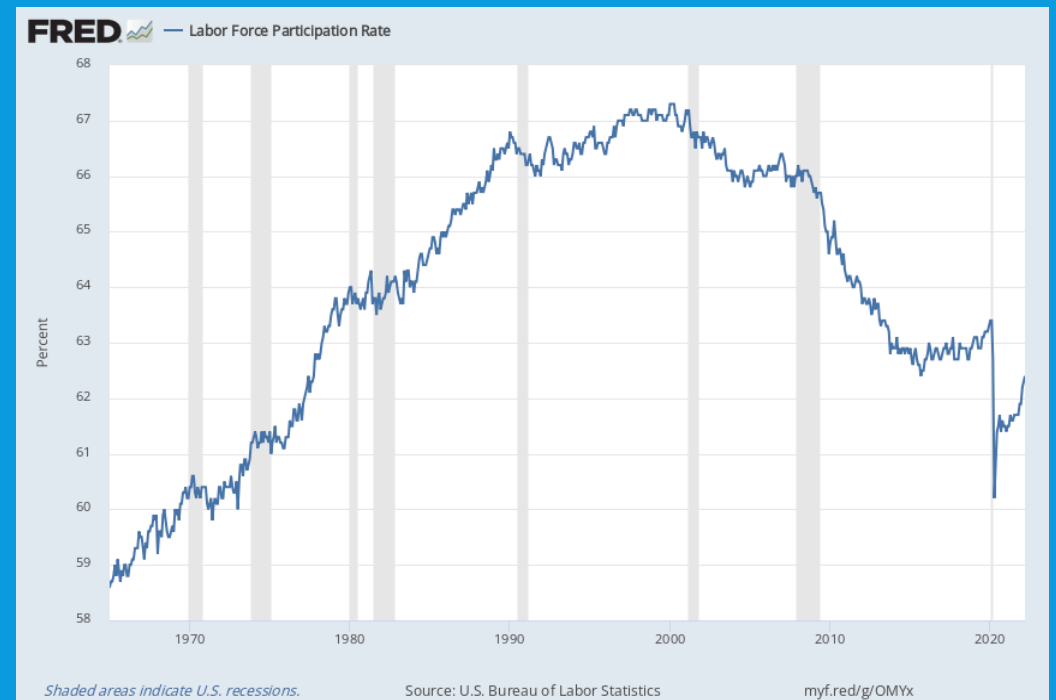


UNEMPLOYMENT PICTURE

- Unemployment has fallen to pre-pandemic levels

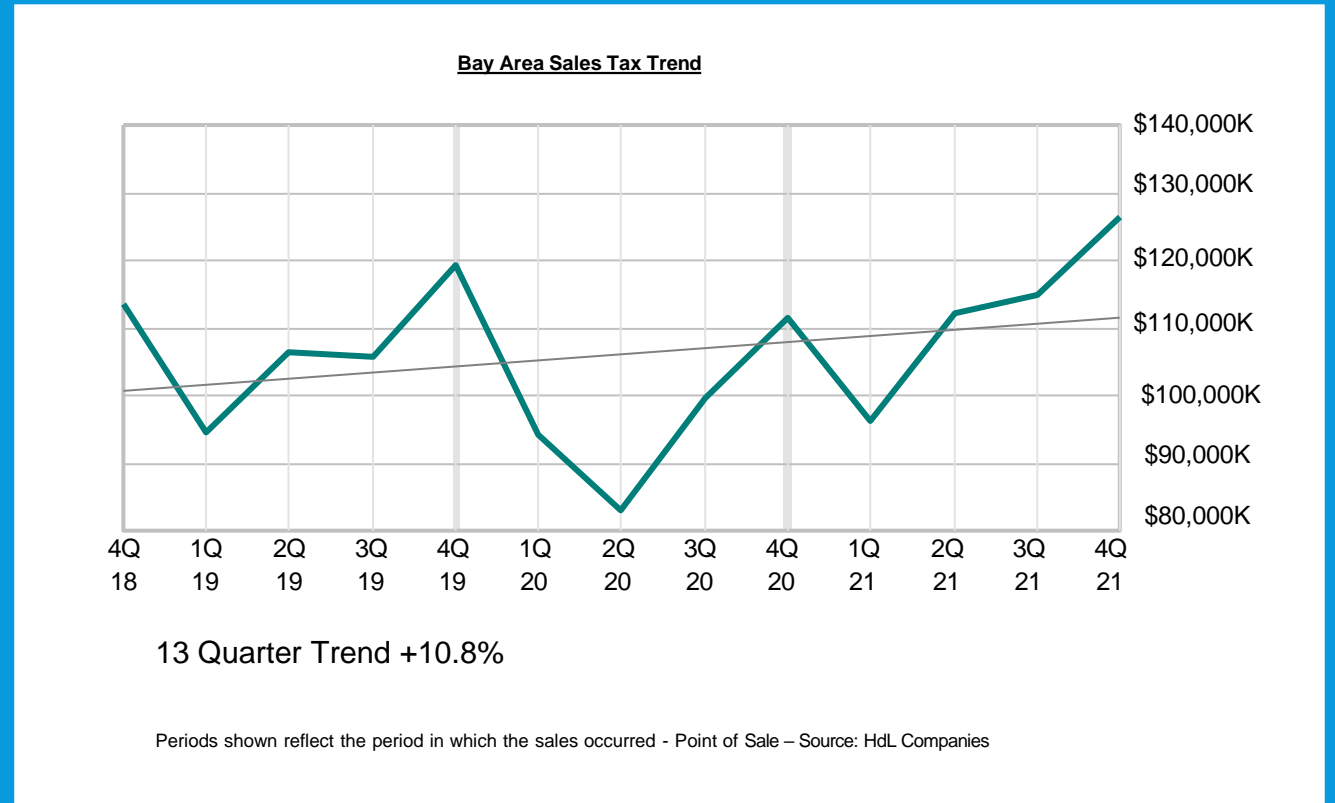


- Labor participation is its lowest since the late 1970s



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



FISCAL YEAR 2022-23 BUDGETS

FY 2023 BUDGET ASSUMPTIONS

- **General Budget Assumptions**
 - 356 full time staff (including term-limited positions)
 - 4.2% COLA salary increase
 - PERS UL payment \$2.0 million
 - OPEB ADC \$3.6 million
- **Revenue**
 - TDA up 16%
 - New grant funding covers incremental staff costs, including attributable overhead
- **Budget results in summary:**
 - All funds will maintain substantial operating reserves
 - No operational draw from reserves
 - No special hiring or expenditure conditions
 - Need to maintain financial discipline in order to appropriately react to changing economic conditions

FY 2023 STAFFING

- 356 full time staff (including term-limited positions)
- 29 new budgeted positions
 - Six replace positions previously filled on long-term “temporary” basis
 - One “add” creates two six-month term limited positions
 - One is term-limited, funded by BAAQMD
- Added FTEs address critical needs
 - Shore up core agency-wide support (HR, Finance, IT, Public Affairs)
 - Supports expanded Commission priority activities (e.g., Blue Ribbon, climate)
 - Reinforces operating enterprise commitments (BATA, FASTrak, Express Lanes)

Positions	FY 2022	FY 2023 Additions	Total
MTC	248	19	267
BATA	74	9.75	83.75
SAFE	5	0.25	5.25
Total	327	29	356

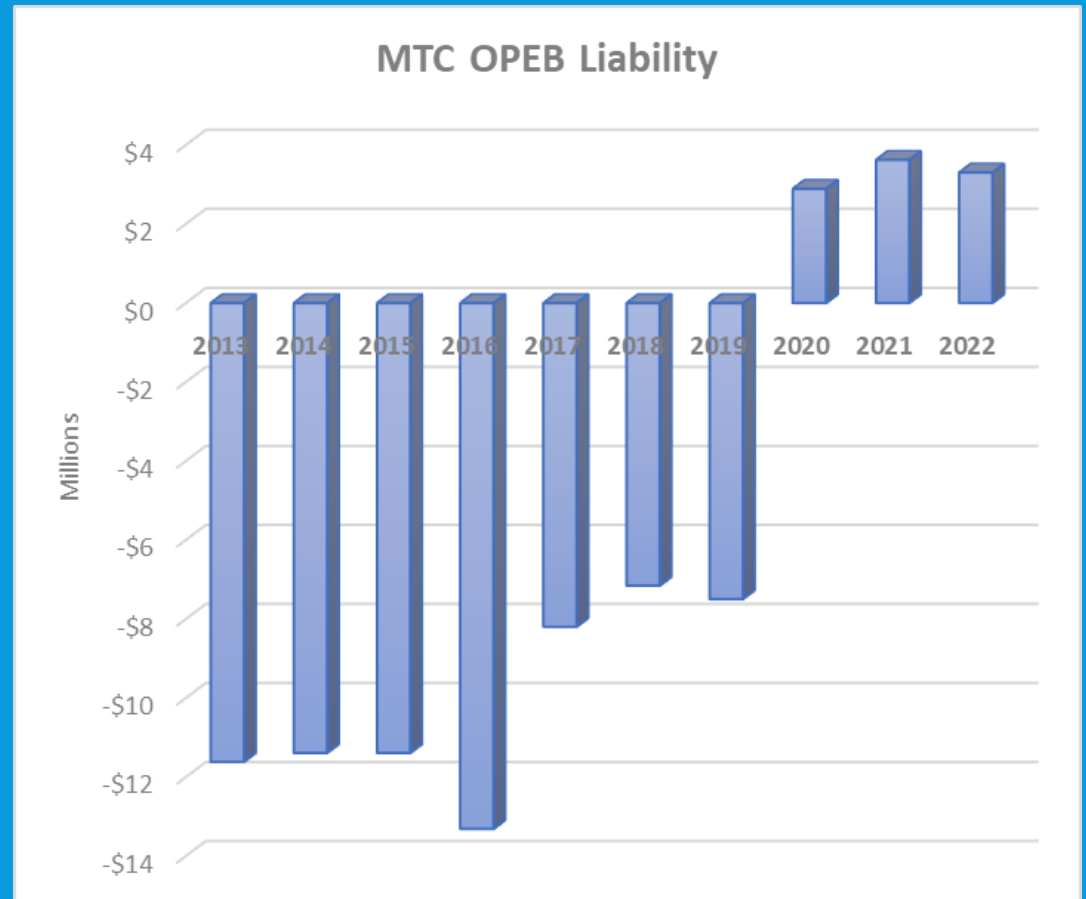
MTC RESERVE HISTORY

- MTC moved to positive net unrestricted balance starting in FY2020.
- Net pension liability has been reduced.
- The goal is to maintain total fund balance equal to six months operating revenue, and to increase net unrestricted reserves

	<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)	535,033
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	57,574,527
Adjusted balance June 30	41,664,790	46,412,978	46,028,526	50,931,350	57,589,080	57,039,494	57,574,527
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	36,764,527
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	18,350,327
Total Adjusted Reserve	\$ 41,664,790	\$ 46,412,978	\$ 46,028,526	\$ 50,931,350	\$ 57,589,080	\$ 57,039,494	\$ 57,574,527

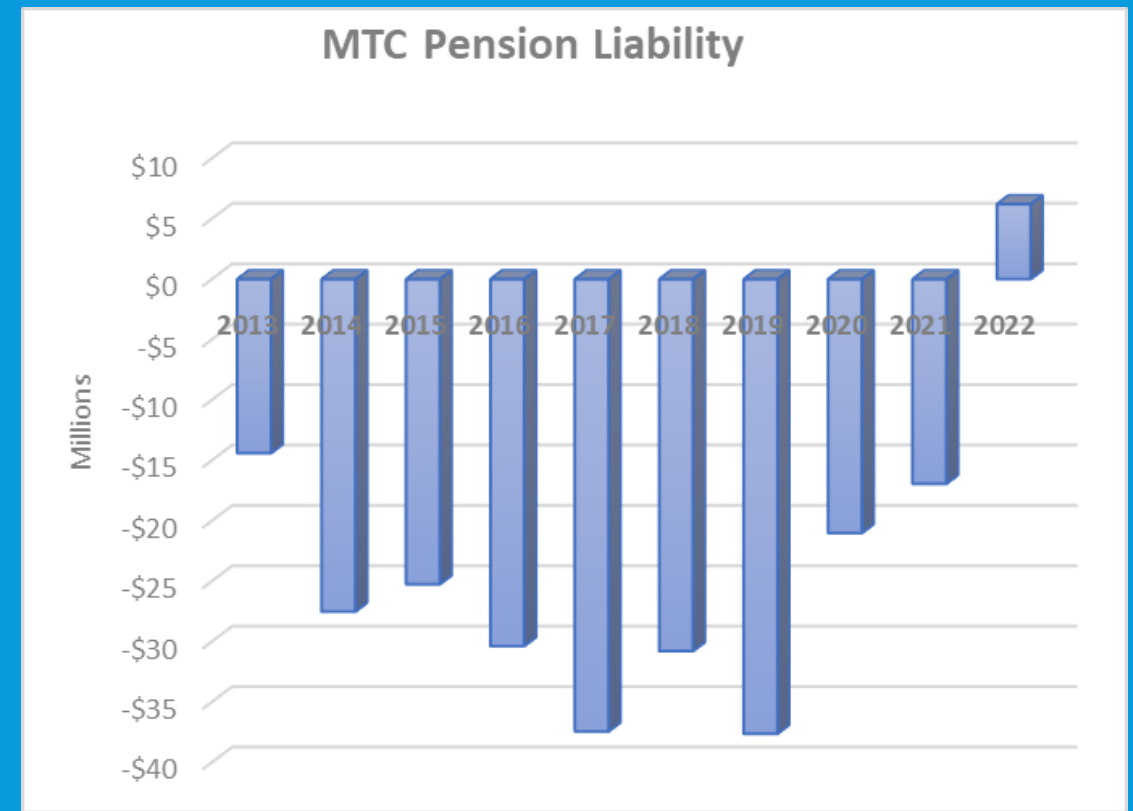
MTC POST- RETIREMENT LIABILITIES (OPEB) ARE FULLY FUNDED

- 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



CONTINUING AND NEW OPERATING CONCERNS

- Salary & benefit costs continue to grow faster than “Core” revenue available for such costs
- Commission initiatives and project growth creates growing dependence of transfers and additional grant revenue – meanwhile, MTC has to “cash flow” receipt of grants and sometimes has challenges recovering overhead
- Non-project staff operates under a significant “capacity deficit” – capacity necessary to fully serve project requirements
- While current economic conditions are strong, there are real recessionary pressures – meanwhile bridge traffic (and consequent transfers from BATA) remain depressed

MTC DRAFT FY 2023 OPERATING BUDGET

- Final Proposed Budget is Balanced without the use of reserves
- Operating Revenue drivers
 - Federal and State grants (OBAG 3)
 - Projected TDA revenue up 16%
- Operating Expense drivers
 - New Positions
 - Salary & Benefits - COLA based on negotiated MOU
 - Contractual Services – increases in project funding
- 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	\$138,574	\$221,778	60%
Local	15,752	4,956	-68%
Transfers	8,543	6,654	-22%
Other	25,580	23,995	-6%
Total Revenue	\$188,448	\$257,383	37%
Expense			
Salary & Benefit	\$48,758	\$44,951	-8%
Gen Operations	2,736	4,033	47%
Contract Svcs	132,424	200,920	52%
Other	5,080	6,944	37%
Total Expense	\$188,998	\$256,848	36%
Balance (deficit)	\$(550)	\$535	

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	\$5.7	\$5.8	38%
STA	6.5	7.5	-6%
SGR	2.3	10.0	285%
CARES	4.7	0.0	-100%
Clipper Cards	0.0	3.8	N/A
Float Account Interest	0.8	1.8	125%
Operators	13.2	20.5	54%
Total Revenue	\$33.2	\$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) \$33.1
 - Richmond – San Rafael \$0.1
 - FPI – 880 \$4.0
 - 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	33,117	56,042
RSR	1,102	100	1,202
FPI – 680	14,000	--	14,000
FPI – 880	3,065	3,956	7,022
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	\$83,491	\$56,340	\$139,831

RESOLUTION NO.4517

- **Sets parameters for administration of the FY 2022 Budget**

- Authorizes adjustments within the approved budget
- All increases to the budget must have Commission approval
- Delegates approval of contract and other services to Administration Committee
- Establishes the total authorized fulltime positions which cannot be exceeded without Commission approval

- **Establishes reserve designations**

- | | |
|--|---------|
| ▪ Encumbrance | \$6M |
| ▪ Benefits | \$6M |
| ▪ Compensated absence | \$6M |
| ▪ Capital | \$0.6M |
| ▪ Liability | \$0.5M |
| ▪ Unfunded pension | \$15.7M |
| ▪ OPEB | -- |
| ▪ No use of the designated reserve funds is authorized except through the FY 2022 Budget or with the express authorization of the Commission | |

BUDGET SCHEDULE

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