

# Budgeting the Region- MTC Budget Workshop



METROPOLITAN  
TRANSPORTATION  
COMMISSION

Date: May 10, 2023

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# Summary of Discussion

- **Economic Backdrop**
- **Key Budget Assumptions**
- **Budget Calendar**



An aerial photograph of San Francisco, California, showing the city skyline, the Golden Gate Bridge, and the surrounding bay. The text "Economic Backdrop" is overlaid in large white letters.

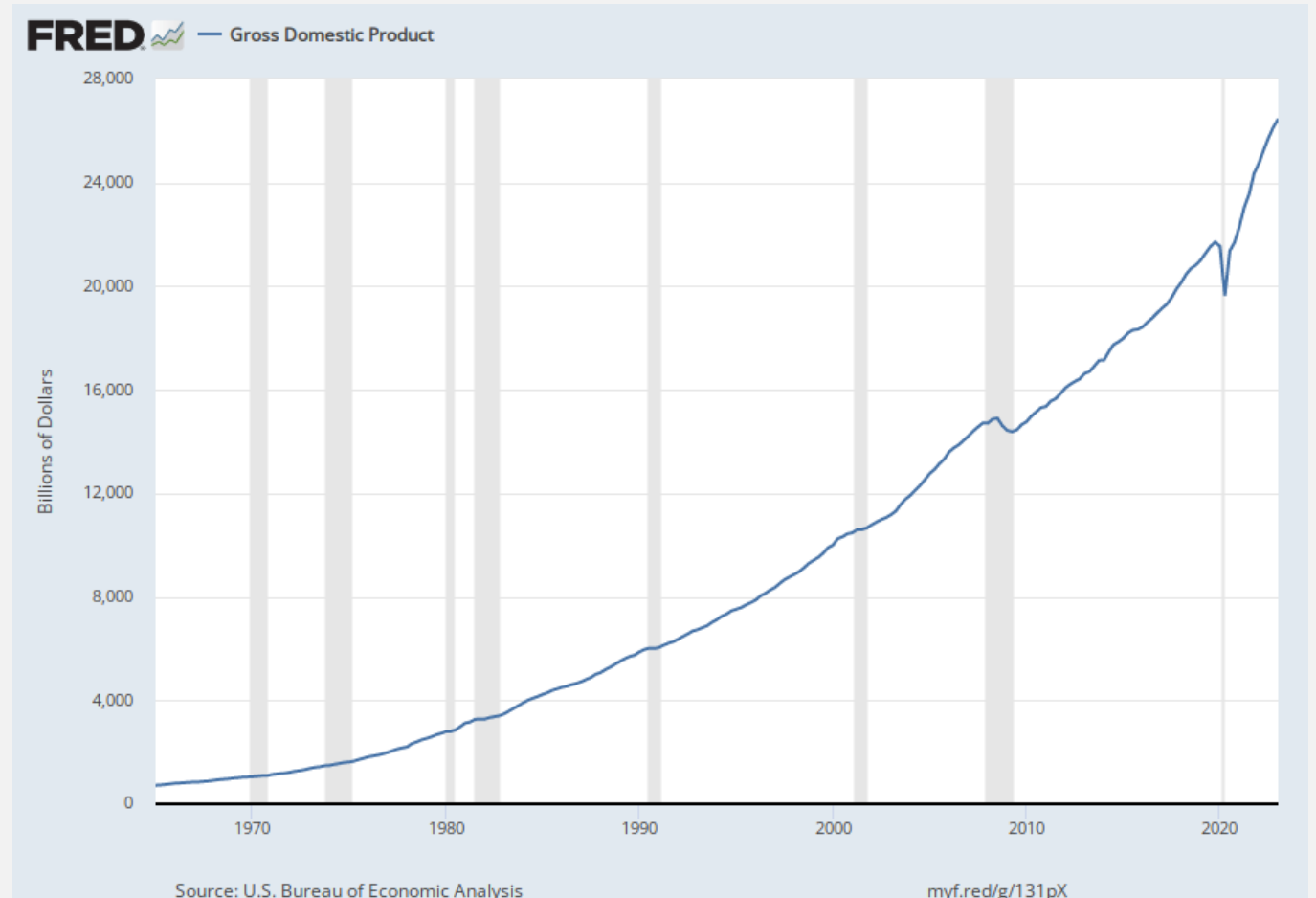
# Economic Backdrop



# National Economy Continues to be Strong

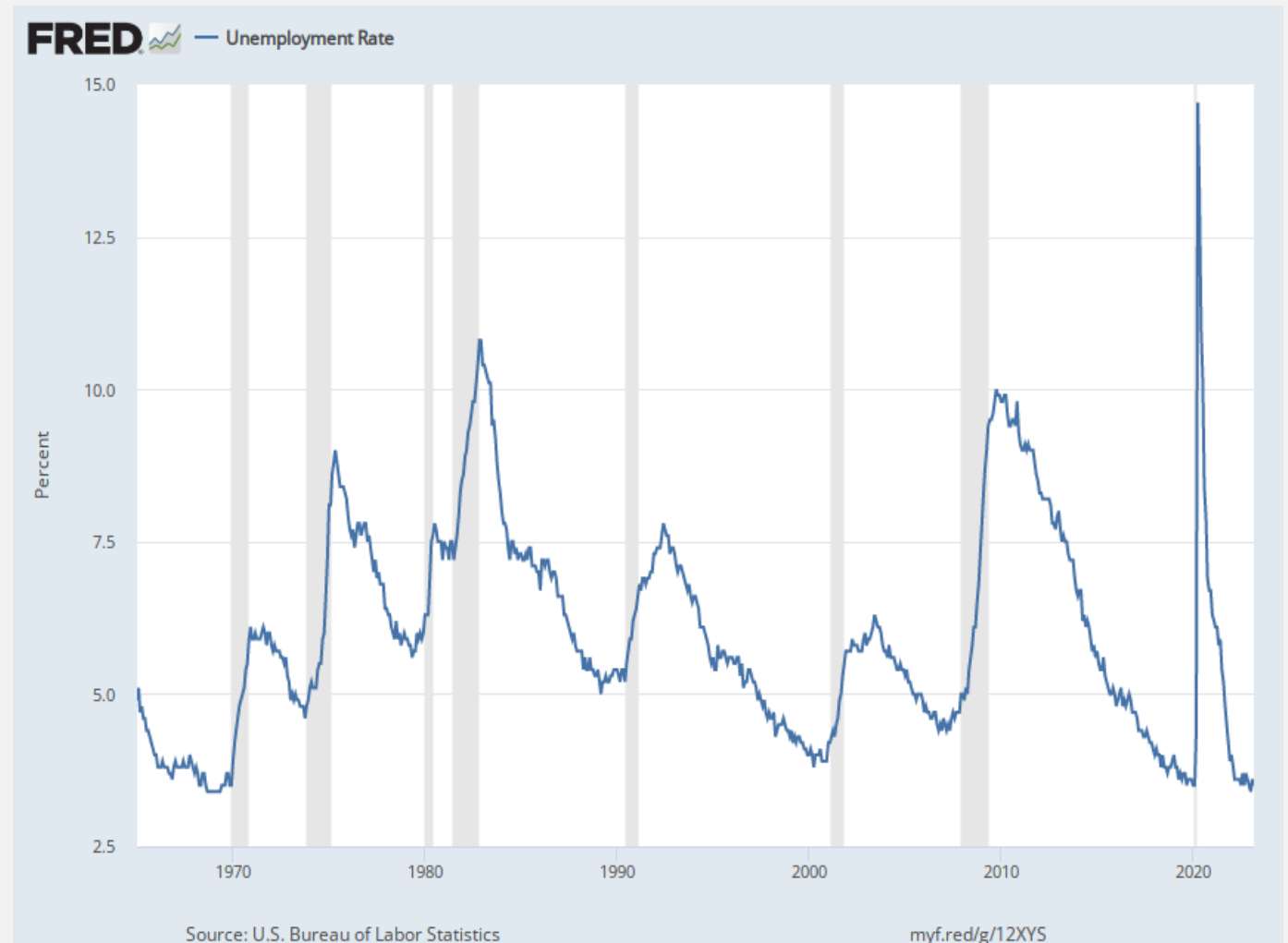
National economy has continued to perform well, with meaningful growth in GDP and low unemployment

There have been economic headwinds (inflation, increased interest rates, regional banking crisis) which have not yet meaningfully stemmed growth



# Unemployment Continues at Historically Low Levels

National unemployment rate may need to increase in order to see material progress on the inflation front





# Bay Area Labor Market

Size of the Bay Area labor force continues to grow, but is still short of pre-pandemic levels

Unemployment climbing, but still at relatively low levels, and well below California as a whole (4.4%)

labor force



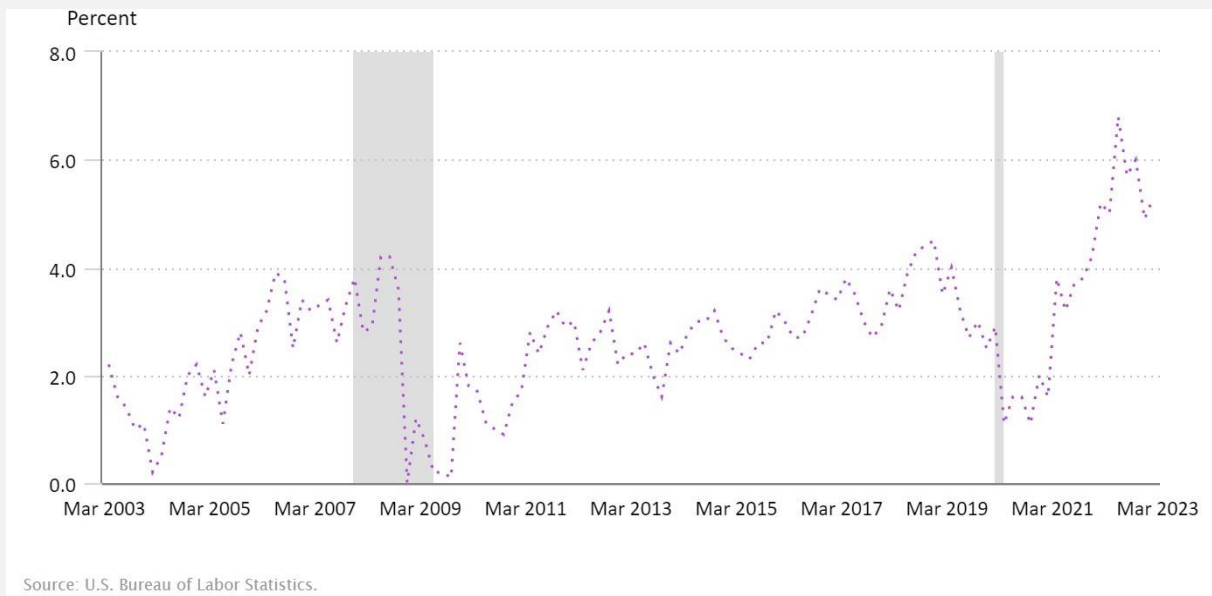
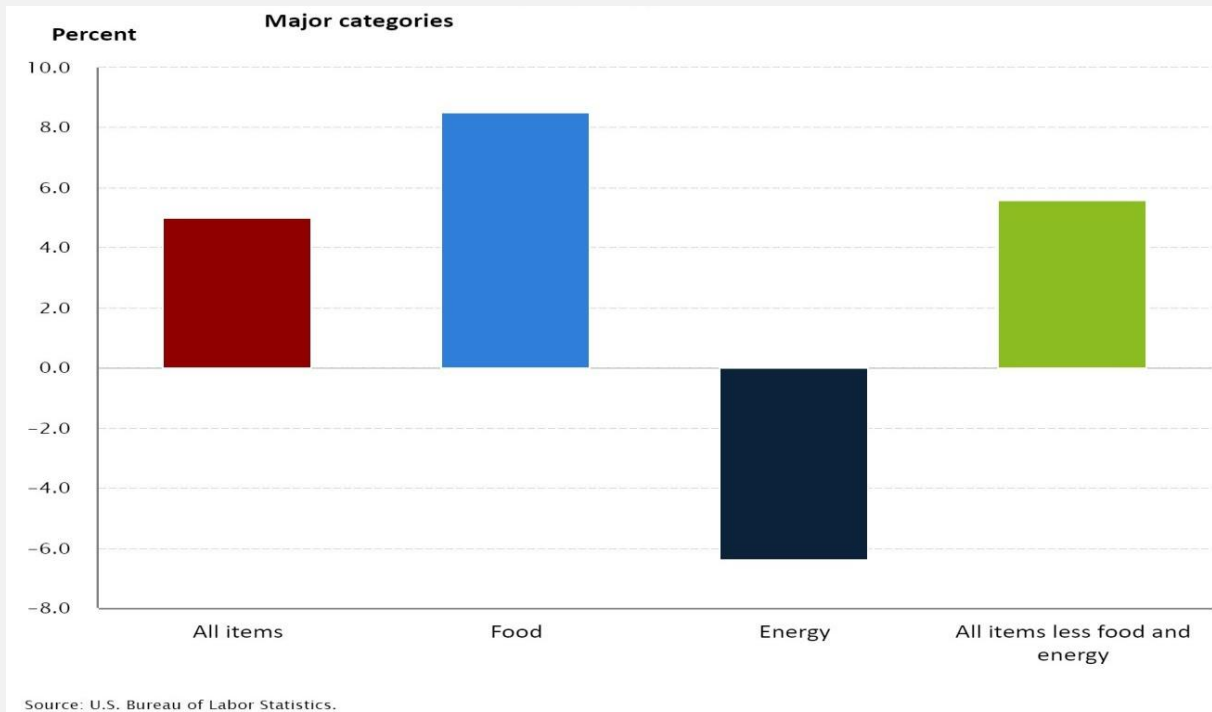
unemployment rate



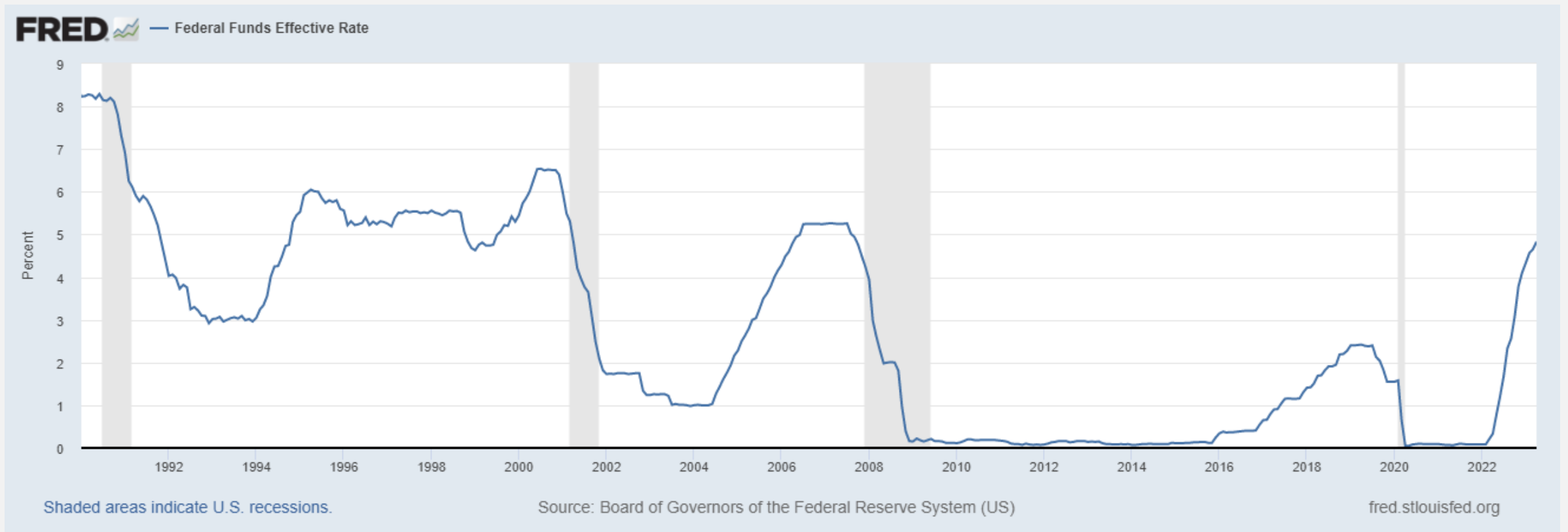
# Inflation is Better, but Continues to be an Issue

Energy was a major driver last year. Levels are still high, but moderating.

Bay Area inflation has dropped notably as well, but is still higher than desirable.



# The Fed Uses Interest Rates to Address Inflation...

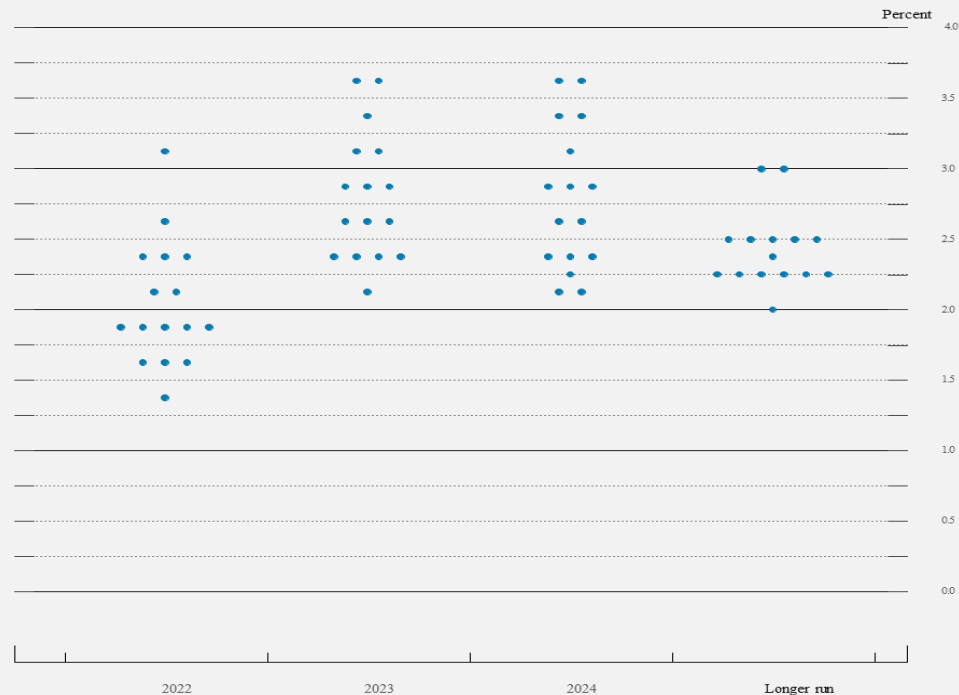




# ...and its Expectations Continue to Change

For release at 2:00 p.m., EDT, March 16, 2022

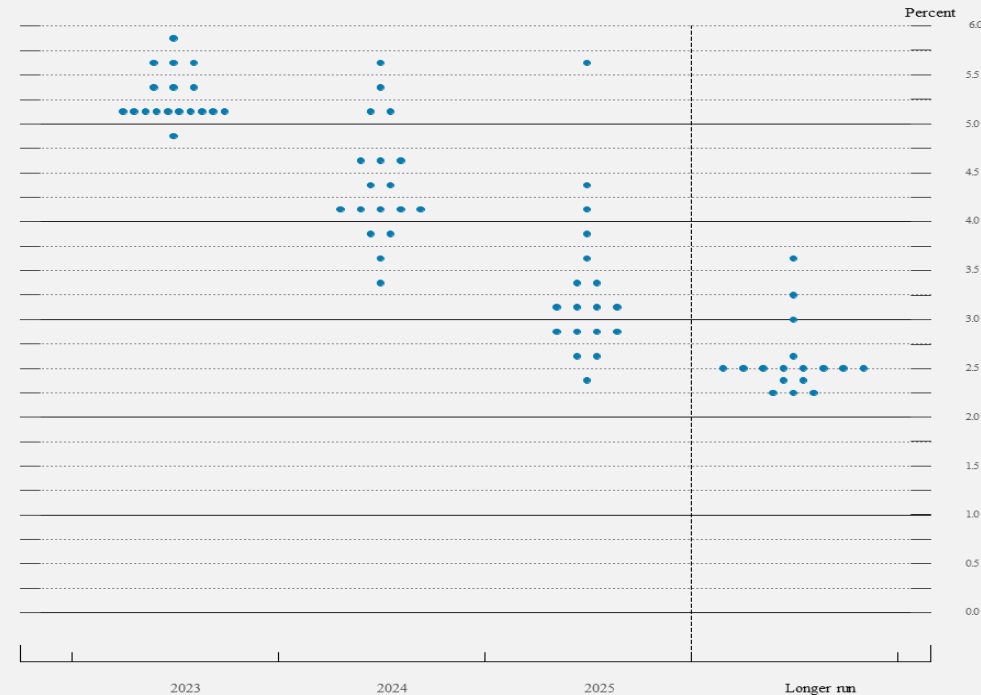
Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Note: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the federal funds rate.

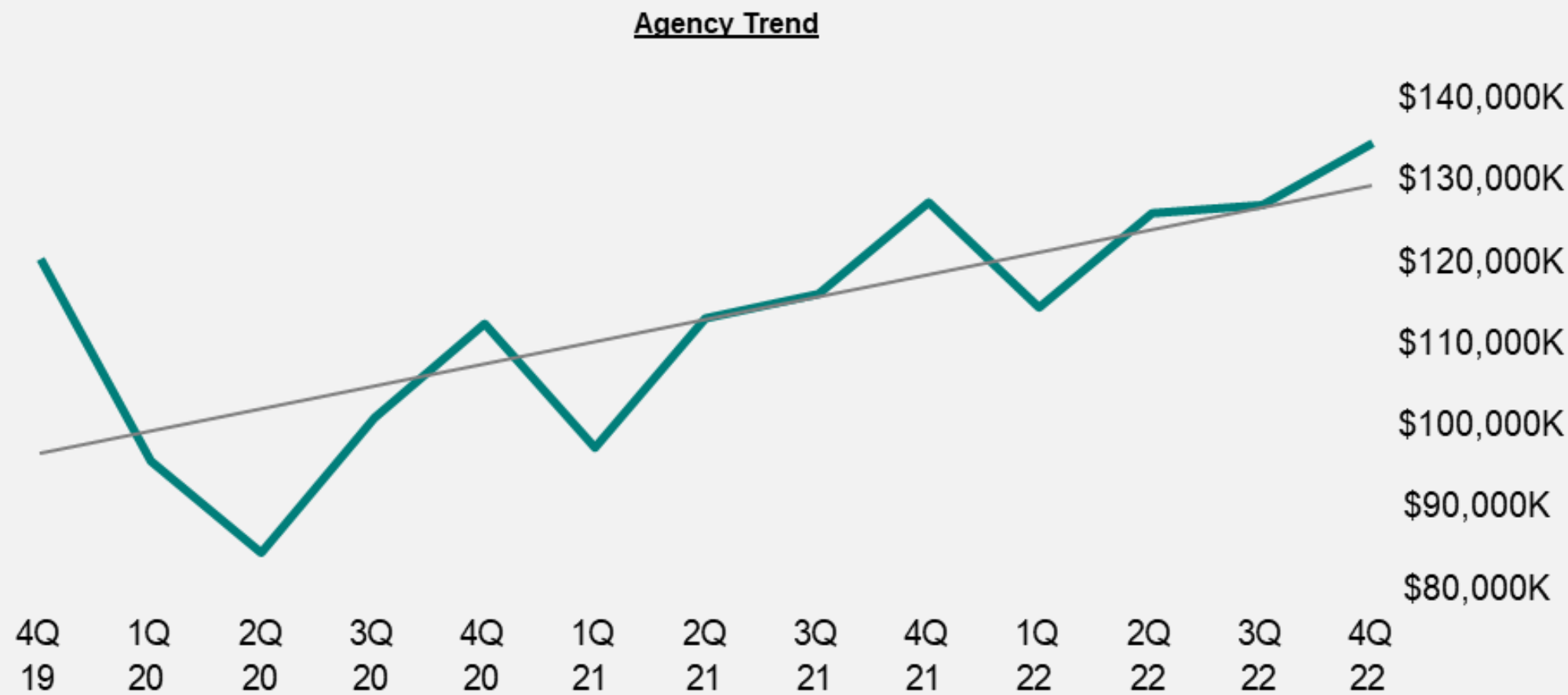
For release at 2:00 p.m., EDT, March 22, 2023

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Note: Each shaded circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the federal funds rate.

# Sales Tax Growth has Been Robust



# Return to Office Improving, but Slowly



## KASTLE BACK TO WORK BAROMETER

Weekly Occupancy Report from Kastle Access Control System Data

5.1.23

### OCCUPANCY OVER TIME - MARCH 4, 2020 TO APRIL 26, 2023



\*On March 22, 2021, Kastle moved from daily to weekly data reporting to provide a more robust and comprehensive picture of office occupancy. We have also recalculated data back to the start of the time series for consistency. This has only a marginal impact on most cities and the national average.

To learn more about KastleSafeSpaces visit: [www.kastle.com/kastlesafespaces/](http://www.kastle.com/kastlesafespaces/)



**Federal Reserve confronts 'contradictory' economy – NBC News**

**Wall Street is Betting the Regional Bank Crisis Isn't Over Yet - Bloomberg**

**A debt default could cause 'severe hardship' for Americans - CNN**

**Exodus: San Jose, Oakland, San Francisco, L.A. all lose population – Mercury News**

**Tech, biotech job cuts mount with fresh burst of Bay Area layoffs – Silicon Valley.com**



An aerial photograph of San Francisco, California, showing the city skyline, the Golden Gate Bridge, and the surrounding bay. The text "Key Budget Assumptions" is overlaid in large white letters.

# Key Budget Assumptions

# FY 2023-24 Budget Assumptions

- **Revenue Budget Assumptions**

- TDA budget projections up by 7% in comparison to FY 2022-23
  - Actuals for FY 2022-23 6% higher than anticipated
- Bridge toll revenue remains at FY 2022-23 levels
- Express lane revenue increases by 5.5%
- Interest earnings at average 2.3%
- Increase in federal and state grant funding is primarily OBAG 3 and REAP 2.0

- **Expenditure Budget Assumptions**

- ~385 Executive Staff
  - 4.5% cost of living adjustment
- Additional work for final draft budget
  - Finalize position requests and projected vacancy savings
  - Update Capital Budgets and Reserves
  - Some grants and related revenue/expense still in process



An aerial photograph of San Francisco, California, featuring the Golden Gate Bridge spanning the Golden Gate Strait. The city skyline is visible in the foreground, and the surrounding bay and hills are shown in the background. The text "Budget Calendar" is overlaid in large white letters.

# Budget Calendar

# FY 2023-24 Budget Calendar

- **May 10th – Budget Workshop**
  - Economic Outlook
  - Budget Assumptions
- **May 24th – Commission Meeting**
  - FY 2023-24 Draft Operating and Capital Budgets
- **Week of June 12th – Committee Meetings (as necessary)**
  - FY 2023-24 Final Operating and Capital Budgets
- **June 28th – Commission Meeting**
  - FY 2023-24 Final Operating and Capital Budgets