

# MTC BUDGET STUDY SESSION

May 12, 2021

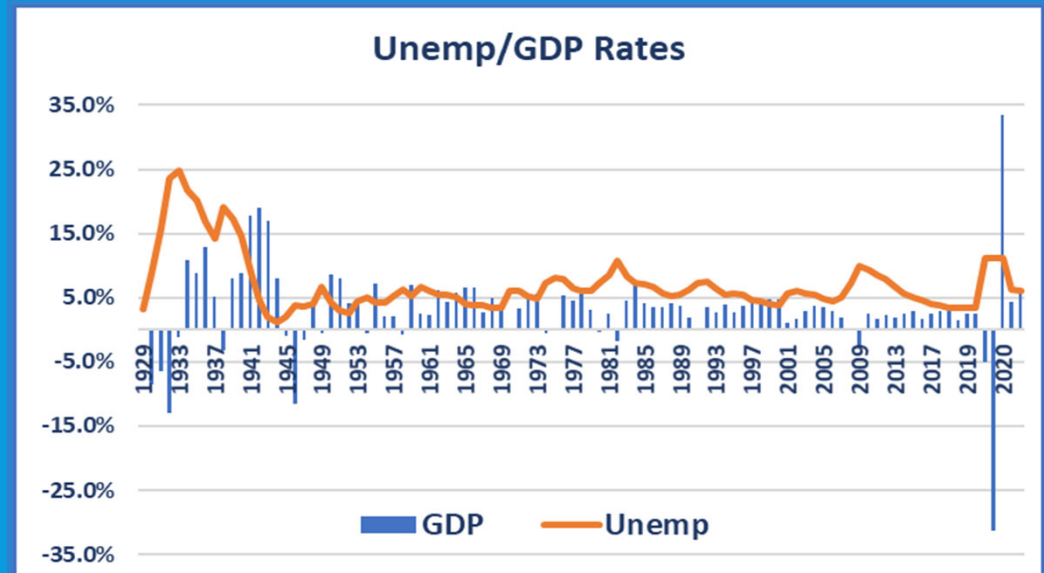
# SUMMARY OF DISCUSSION

- Major Changes to economy
- Budget expectations
- MTC Budgets
  - MTC
  - BATA
  - SAFE
- JPA Budgets
  - BAIFA
  - BAHA / 375 Beale

BACKGROUND

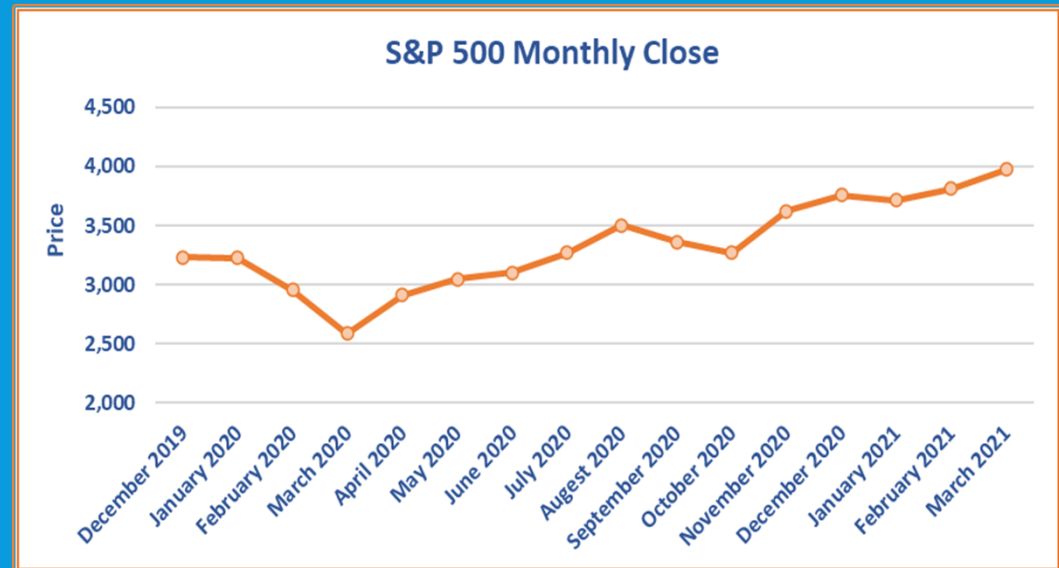
# THE ENTIRE ECONOMY HAS BEEN DOWN AND UP SINCE APPROVAL OF THE FY 2021 BUDGET

- The longest economic expansion on record ended February 2020 (July 2009 – Feb 2020)
- US economy suffered its greatest single drop ever
  - GDP fell 29% from 1929-1933
  - GDP fell 36% in the first half of 2020
- GDP already recovered 2020 losses
  - 3<sup>rd</sup> quarter 2020 GDP jumped 34%
  - 4<sup>th</sup> quarter 2020 GDP increased 4.3%
  - 1<sup>st</sup> quarter 2021 GDP 6.4%



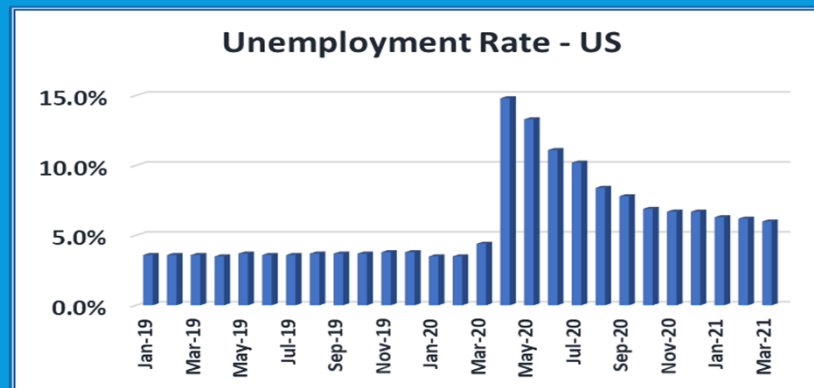
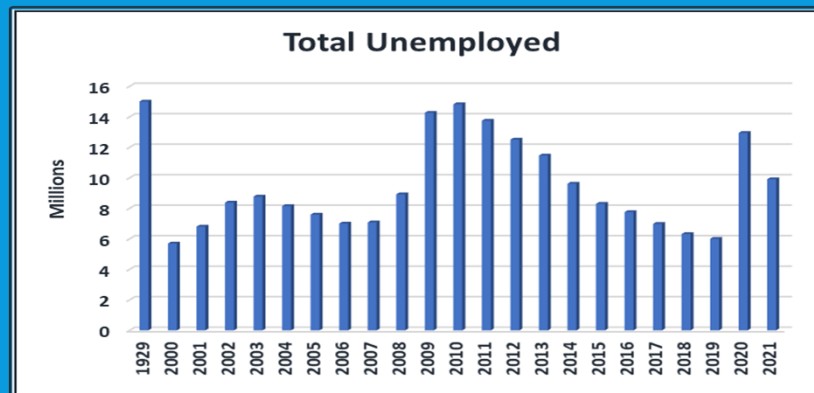
# THE EQUITY MARKET HAS RECOVERED FROM ITS 2020 LOSS

- S&P 500
  - Pre-pandemic high 3,200
  - March 2020 close 2,584 (-19%)
  - Recovered 3,271 (July 2020)
  - April close 4,151
- S&P up 31% since December 2019
  - Up 62% since low in March 2020



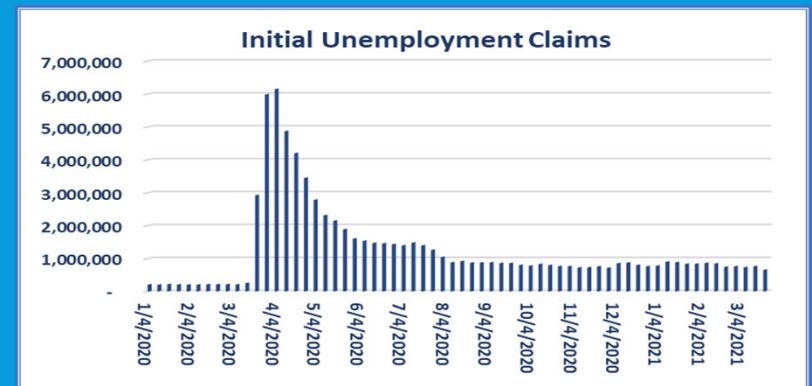
# UNEMPLOYMENT REMAINS IN RECESSION TERRITORY

- Unemployment remains nearly 10 million
- Unemployment rate spiked near 15%
- Rate already down to 6%
- Total unemployed still 63% above 2019
- Unemployment rate still 70% higher than the “pre-pandemic” level



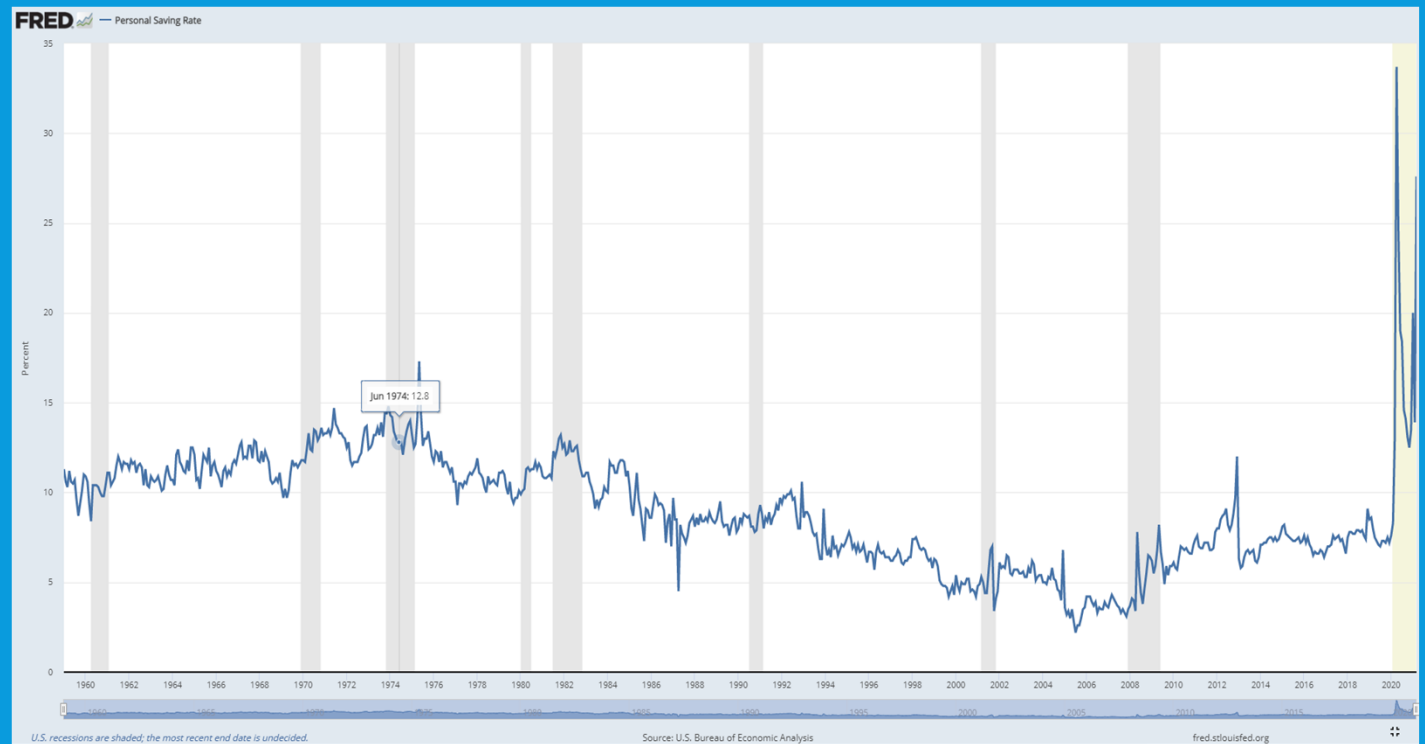
# UNEMPLOYMENT MOVING IN THE RIGHT DIRECTION

- Initial unemployment claims are below 1 million in weekly new claims
  - Latest April number 576,000
  - Down 25% from prior week
- US full time positions – 151 million
  - Added 817,000 positions in 2021
  - 4.4 million (3%) above 2008 level
  - Still 8.0 million (5%) below 2020
- Mix of signals
  - National 6.0%
  - State 8.3%
  - Local 6.0%



# PERSONAL SAVINGS RATE

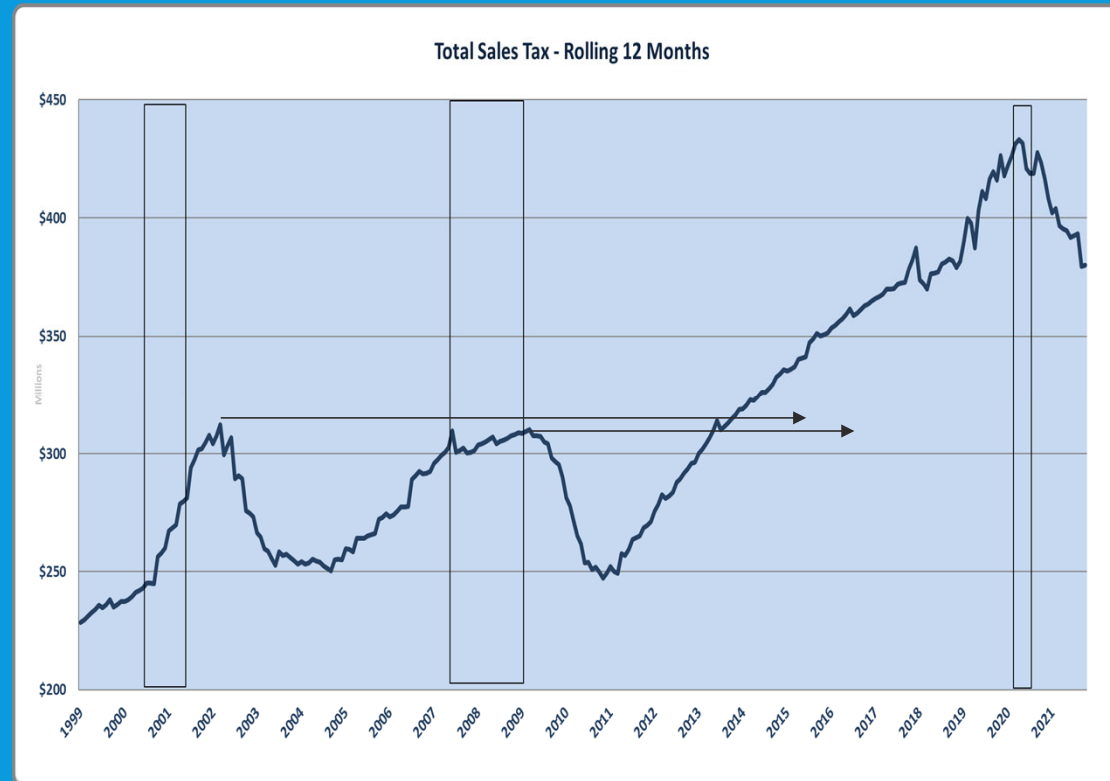
- Personal savings rates move in inverse to economy ... up during economic contraction, down in economic expansion
- Previous high 1975
  - 1975 17.3%
  - 2000 4.2%
  - 2021 7.0%
  - 2008 3.4%
  - 2009 6.0%
  - Jan 2020 7.5%
  - April 2020 33.7%
  - May 2020 24.7%
  - Nov 2020 13.1%
  - Current 27.6%
- Current level indicates considerable expansion of personal disposable income





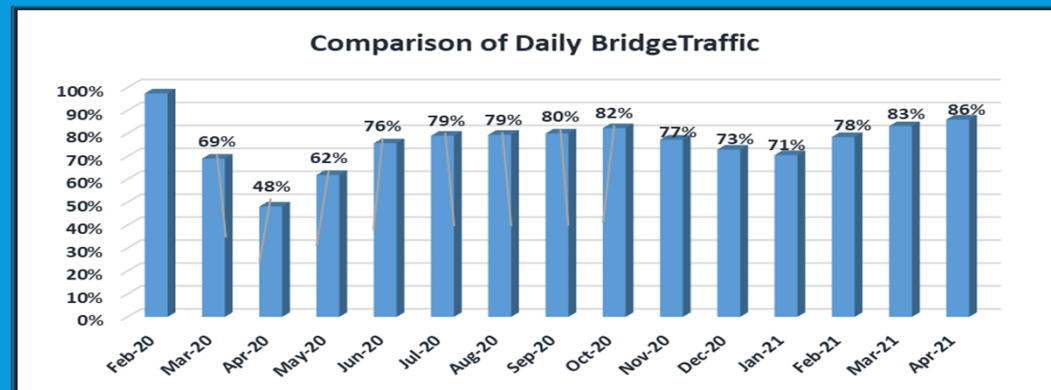
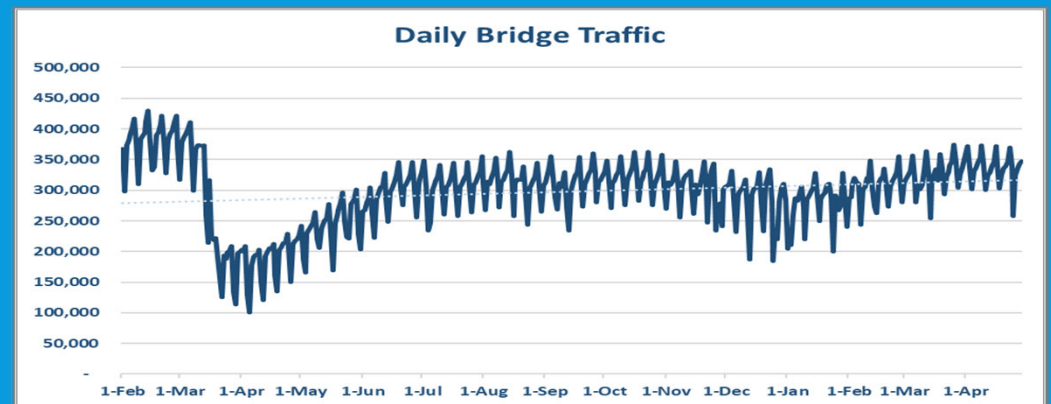
## REGIONAL ECONOMY IS STILL RECOVERING

- Current recession is mild compared to past recessions
  - 2001 - drop \$50 million (16 %)
  - 2008 - drop \$57 million (18 %)
  - 2020 - drop \$24 million (6 %)



# TRAFFIC IS STABLE BUT STILL BELOW FY 2019 LEVEL

- FY 2021 total bridge traffic will be approximately 80% of FY 2019
- Daily traffic now averages 337,000 vehicles – up 79% from April 2020
- Since January 2020 average daily traffic has increased 22%



# LOCAL ECONOMY RECOVERING BUT UNEVEN

- Five counties have recovered to FY 2020 levels
- Three counties have recovered to FY 2019 levels
- Excluding San Francisco – region is down just 1.1%
- Adjusted Revenue:
  - 2019 \$314 million
  - 2020 \$310 million
  - 2021 \$311 million

				FY 2021 - FY 2020		FY 2021 - FY 2019	
	FY 2019	FY 2020	FY 2021	Over/(under)	%	Over/(under)	%
<b>Alameda</b>	\$ 76,906,569	\$ 73,686,273	\$ 71,086,545	\$ (2,599,728)	-3.5%	(\$5,820,024)	-7.6%
<b>Contra Costa</b>	38,844,761	38,522,454	40,477,458	1,955,005	5.1%	1,632,697	4.2%
<b>Marin</b>	11,979,876	11,611,428	11,719,026	107,598	0.9%	(260,850)	-2.2%
<b>Napa</b>	8,032,320	7,902,898	7,253,881	(649,017)	-8.2%	(778,439)	-9.7%
<b>San Francisco</b>	44,761,461	43,924,335	27,746,395	(16,177,939)	-36.8%	(17,015,065)	-38.0%
<b>San Mateo</b>	38,834,785	38,964,232	35,762,542	(3,201,690)	-8.2%	(3,072,243)	-7.9%
<b>Santa Clara</b>	100,249,328	99,697,283	104,039,482	4,342,199	4.4%	3,790,154	3.8%
<b>Solano</b>	17,395,771	17,727,693	18,574,422	846,729	4.8%	1,178,651	6.8%
<b>Sonoma</b>	22,051,475	21,461,493	21,941,038	479,545	2.2%	(110,437)	-0.5%
<b>Total</b>	\$ 359,056,346	\$ 353,498,089	\$ 338,600,789	\$ (14,897,300)	-4.2%	(\$20,455,556)	-5.7%

# FY 2022 BUDGET ASSUMPTIONS

- **General Budget assumptions**
  - 303 full time staff
    - 2.8% contracted salary increase
    - 2.5% PERS normal cost increase
    - PERS UL payment \$2.6 million
    - OPEB ARC \$3.6 million
  - Revenue
    - No change to grant revenue
    - TDA up 29%
    - Toll revenue up 22%
    - **RM3 revenue and transfer to escrow now part of adopted budget**
    - Express lane revenue continues to recover
- All funds will maintain 6 months operating reserve
- No operational draw from reserves
- No special hiring or expenditure conditions
- **Additional work for final proposed budget**
  - Still working on position requests
  - Some grants and related revenue/expense still in process
  - Need to balance final proposed budgets

# FY 2021 FINANCIAL MANAGEMENT

- The goal of the FY 2021 budget was to minimize the impact of the **\$1.7 million** budgeted deficit expense controls
- Through March we have managed to remain above the June 30, 2020 cash balance
- Cash balances
  - FY June 30, 2019 \$31.6 million
  - FY June 30, 2020 \$38.6 million
  - September, 2020 \$47.2 million
  - December, 2020 \$41.3 million
  - March, 2021 \$40.1 million

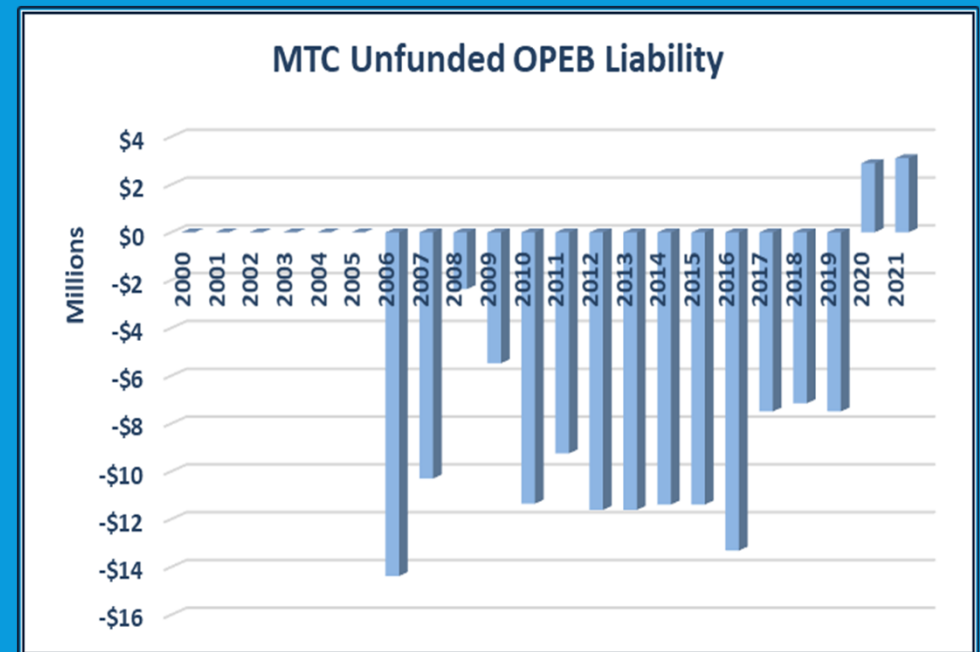
# MTC RESERVE HISTORY

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

	<u>Actual</u>					<u>Budget</u>	<u>Budget</u>
	<u>FY 15-16</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>
Fund balance, July 1	\$36,676,996	\$ 40,369,795	\$ 41,664,790	\$ 46,412,978	\$ 46,028,526	\$ 50,931,350	\$ 49,196,599
Surplus (deficit)	144,714	1,294,995	4,748,188	(384,452)	4,902,824	(1,734,751)	(314,675)
Transfer in from other Funds		0	0			0	0
Fund balance, June 30	36,821,710	41,664,790	46,412,978	46,028,526	50,931,350	49,196,599	48,881,924
Adjusted balance June 30	36,821,710	41,664,790	46,412,978	46,028,526	50,931,350	49,196,599	48,881,924
Reserve for encumbrance	4,000,000	3,013,964	3,291,429	3,944,446	8,910,984	4,000,000	6,000,000
Benefits/Retirement Reserve	2,000,000	1,515,948	1,362,773	3,158,877	9,547,203	6,000,000	6,000,000
Building - Move Reserve	1,000,000	0	0	0	0	0	0
MTC/ABAG Integration	275,000	0	0	0	0	0	0
Compensated Absences	4,500,000	5,151,294	3,921,386	4,253,618	4,965,167	6,000,000	6,000,000
STA Reserve	2,500,000	49,194	27,196	0	0	0	0
Capital Asset	0	0	0	0	0	816,000	624,050
Liability Contingency Reserve	1,250,000	294,763	123,850	285,120	281,027	700,000	500,000
Fixed Asset Replacement	1,569,108	0	0	0	0	0	0
Subtotal reserve, restricted	17,094,108	10,025,163	8,726,634	11,642,061	23,704,381	17,516,000	19,124,050
Net before retirement	19,727,602	31,639,627	37,686,344	34,386,465	27,226,969	31,680,599	29,757,874
Net Pension Liability	16,010,789	36,671,290	29,279,328	39,358,740	22,033,953	21,014,200	18,414,200
OPEB		0	4,763,606	5,059,342	0	(123,000)	0
Net unrestricted	3,716,813	(5,031,663)	3,643,410	(10,031,617)	5,193,016	10,789,399	11,343,674
Total Adjusted Reserve	\$ 36,821,710	\$ 41,664,790	\$ 46,412,978	\$ 46,028,526	\$ 50,931,350	\$ 49,196,599	\$ 48,881,924

## TOTAL MTC UNFUNDED POST- RETIREMENT LIABILITIES ARE DOWN 60% SINCE FY 2019

- OPEB
  - Unfunded liability was retired in FY 2020
  - Obligation is now an asset of \$3.0 million
  - Interest on the section 115 trust now exceed retiree medical payments
  - Retiree medical payments are fully funded through the OPEB 115 Trust

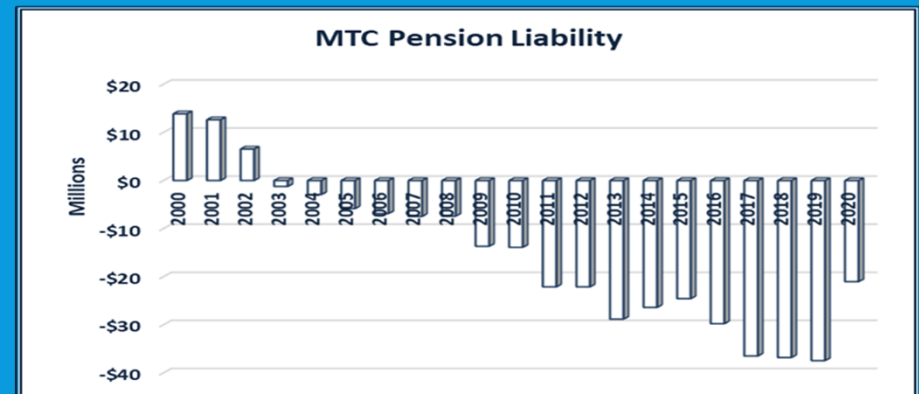


# UNFUNDED PENSION LIABILITY IS DOWN 43% SINCE FY 2019

## • 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
- No way to predict how actual returns will impact future values

	6/30/2018	6/30/2019	6/30/2020
UAL	\$ 30,780,949	\$ 37,624,911	\$ 21,014,200
Interest	<u>22,787,907</u>	<u>28,309,581</u>	<u>9,613,125</u>
Total	\$ 53,568,856	\$ 65,934,492	\$ 30,627,325
Peak Pmt	\$ 3,551,361	\$ 3,906,324	\$ 2,653,121
Term	25	25	12





## MTC EXPECTS TO MAINTAIN OUR OPERATING RESERVE STRUCTURE FOR FY 2022

- 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
- The proposed FY 2022 budgets will include new designated reserves for BAIFA and BAHA

Fund	Reserve (2021)	Budget (2022)	Days Cash
MTC	\$49.2 million	\$48.9 million	210
BATA	\$1 billion	\$1 billion	570
SAFE	\$12.2 million	\$11.8 million	200

# FY 2022 BUDGETS

# MTC DRAFT FY 2022 OPERATING BUDGET

- The MTC Draft Budget has a slight deficit
- **Operating Revenue \$85.0 million**
  - Planning revenue
    - Increase in TDA \$3.1 million
  - Transfers
    - Drop in project transfers – CARES, SAFE, STA & Exchange
- **Operating Expense \$85.3 million**
  - Salary & Benefits - Negotiated MOU costs
  - Contractual Services – Reduction in project funding
- **Work still in progress**
  - Changes in proposed staffing under review
  - Additional grant revenue/expenses
  - Final proposed budget will be balanced

	FY 2021 Budget (thousands)	FY 2022 Budget (thousands)	Change
Revenue (thousands)			
Planning	\$29,874	\$34,150	14%
Transfers	48,735	40,413	-17%
Local	10,124	9,281	-8%
Other	1,380	1,119	-19%
<b>Total Revenue</b>	<b>90,113</b>	<b>\$84,963</b>	<b>-6%</b>
Expense			
Salary & Benefit	38,896	41,419	6%
Gen Operations	2,456	2,686	9%
Contract Svcs	46,092	36,109	-22%
Other	4,404	5,064	15%
<b>Total Expense</b>	<b>91,848</b>	<b>85,278</b>	<b>-7%</b>
<b>Balance (deficit)</b>	<b>(\$1,753)</b>	<b>(\$315)</b>	<b>-82%</b>

# MTC DRAFT FY 2022 GRANT BUDGET

- |  |                  |
|--|------------------|
| ▪ MTC will add nearly \$20 million in FY 2022 grant projects |                  |
| ▪ Active (2021)  | 60 \$291 million |
| ▪ New  | 5 \$ 20 million  |
| ▪ New projects:  |                  |
| ▪ Blue Ribbon  | \$ 5.0 million   |
| ▪ I-88o Communications Upgrade                               | \$ 1.8 million   |
| ▪ Dumbarton Forward & Ped Imp                                | \$ 2.0 million   |
| ▪ Climate Initiatives  | \$10.9 million   |
| ▪ Federal Work Zone Data Exchange (FWDZ)                     | \$ 0.2 million   |
| ▪ FY 2022 balance  | \$129 million    |

# MTC DRAFT FY 2022 OPERATING BUDGET

## CLIPPER OPERATIONS

- Proposed FY 2022 Operating Budget
  - Total revenue \$30.9 million
    - RM2 \$4.2 million
    - STA \$8.0 million
    - SGR \$2.6 million
    - CARES \$2.0 million
    - Interest \$0.8 million
    - Operators \$13.3 million
  - Operating cost \$30.9 million
    - Staff \$ 1.3 million
    - Operations \$29.6 million
  - Estimated FY 2022 operating costs down nearly \$10 million with continuing impact of pandemic on transportation

# MTC DRAFT FY 2022 BUDGET CLIPPER CAPITAL

## Clipper I

- Total Budget FY 2022 (LTD)      \$237 million
- FY 2021 (LTD)      \$235 million
- Addition FY 2022      \$2.0 million  
additional card sales

## Clipper II

- Total Budget FY 2022 (LTD)      \$226 million
- FY 2021 (LTD)      \$206 million
- Addition FY 2022      \$ 19.8 million
- Staff      \$ 2.9 million
- Consultants      \$28.9 million
- Contingency use      -\$12.0 million
- Contingency balance will be \$7.5 million  
after FY 2022 transfer

# MTC DRAFT FY 2022 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 2022 (millions):
  - RSR \$1.1
  - Bay Bridge (2020) \$5.0
  - Dumbarton \$7.2
  - Napa \$0.2

	FY 2021 (LTD) (thousands)	FY2022 (thousands)	Total (LTD)
Bay Bridge (2016)	\$22,875	\$50	\$22,925
Bay Bridge (2020)	10,975	4,950	15,925
RSR	--	1,102	1,102
FPI – 68o	14,000	--	14,000
FPI – 88o	3,004	61	3,065
FPI – US 101	3,000	61	3,061
Dumbarton Fwd	1,000	7,150	8,150
Napa Fwd	1,000	162	1,162
Total	\$55,854	\$13,537	\$69,392

# MTC DRAFT FY 2022 OPERATING BUDGET

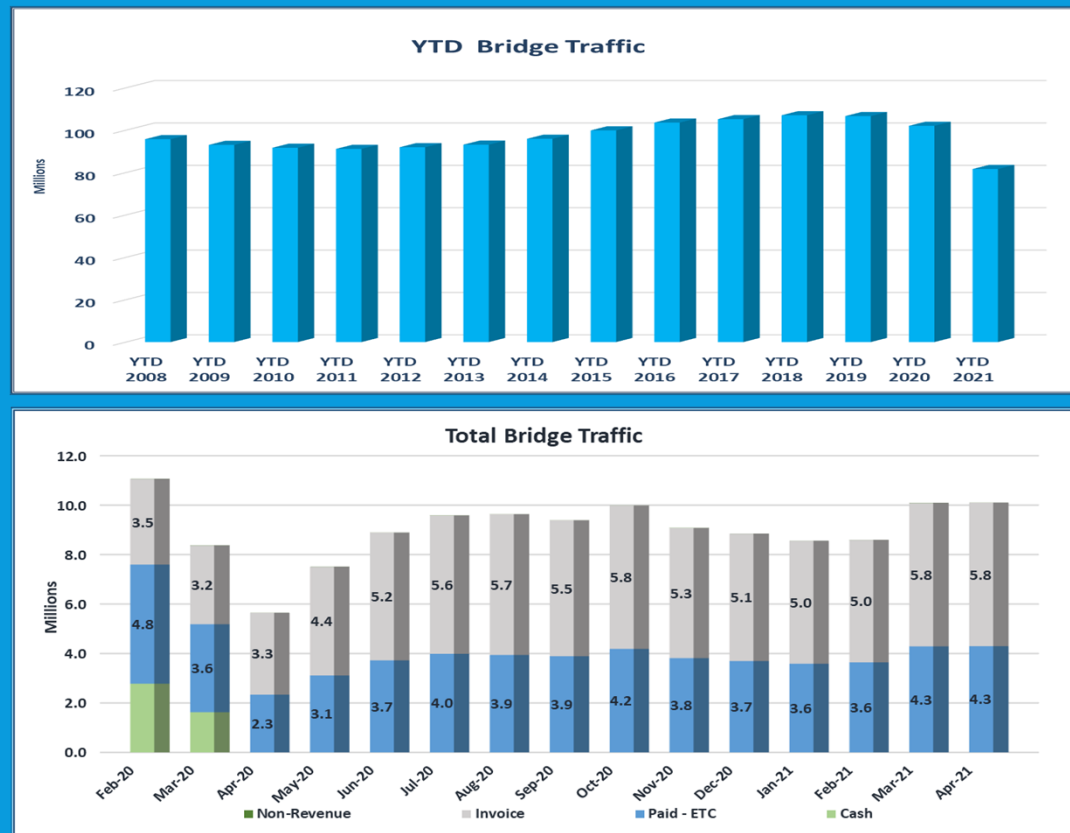
## MTC EXCHANGE FUND

- The Exchange Fund distributes funds exchanged with other agencies for regional projects
  - Balance FY 2021                      \$25.6 million
  - FY 2022 funding
    - TAM                                      \$ 75.7 million
    - STA                                      \$ 65.0 million
  - Total project funding              \$166.3 million



# BATA DRAFT FY 2022 OPERATING BUDGET

- FY 2022 Budgeted surplus approximately \$90 million
- FY 2022 Budget estimate at 90% of FY 2019 paid traffic
  - 28% increase in toll traffic
- Bridge traffic still 80% of FY 2019 traffic
  - Last two months traffic exceeded 10 million per month – first time since February, 2020
  - May and June should be stronger
- Operating questions:
  - Cash/liquidity levels
  - Completion of “cash” invoicing backlog
  - Impact of new invoicing system on revenue collection



# BATA DRAFT FY 2022 OPERATING BUDGET

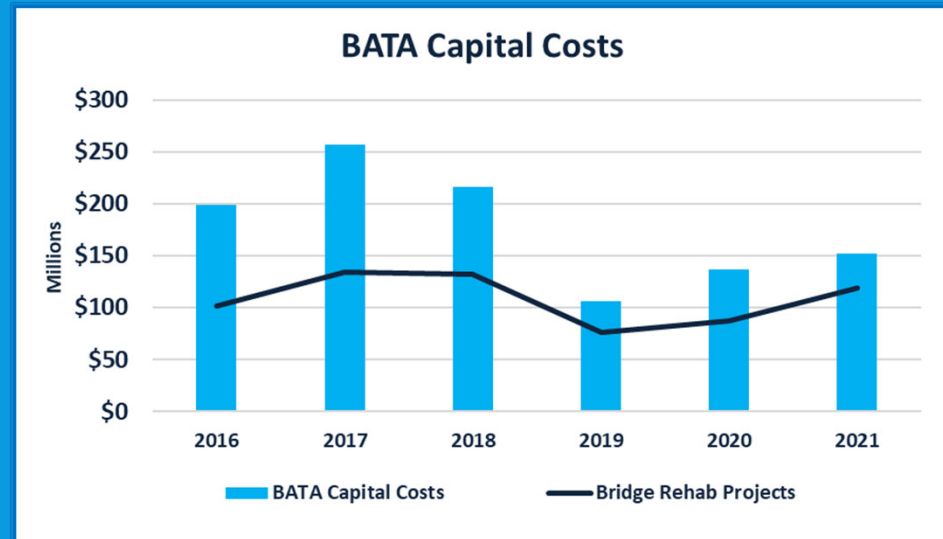
- Total proposed operating revenue is \$757\* million –
- Total budgeted revenue \$932 million including \$175 million RM3 revenue offset by transfer to RM3 escrow where funds will be held until released
- Proposed paid toll revenue up 22%
- Other revenue mainly other operator reimbursements and change with traffic
- Caltrans/Fastrak change reflects change from cash collection to ETC
- Debt service includes \$70 million prepayment of FY 2022 principal
- Transfers
  - RM2 operating and administration transfers increase with traffic

	FY 2021 (millions)	FY 2022 (millions)	Change
Revenue			
Toll*	\$514	\$625*	22%
Interest	93	91	-2%
Other	26	41	58%
<b>Total Revenue</b>	<b>633</b>	<b>757</b>	<b>20%</b>
Expense			
Caltrans Op	31	7	-77%
Fastrak Ops	57	79	39%
BATA Admin	35	38	9%
Debt Svc	440	458	4%
RM2 Transit	35	44	26%
Transfers	21	26	24%
Other	13	15	15%
<b>Total Expense</b>	<b>\$632</b>	<b>\$667</b>	<b>6%</b>
<b>Op Balance (deficit)</b>	<b>\$1</b>	<b>\$90</b>	<b>8,900%</b>

# BATA DRAFT FY 2022 BUDGET

## CAPITAL PROJECTS

- BATA has a current capital program balance of \$654 million\*
  - RM2 \$ 87 million
  - Bridge Rehab \$340 million
  - 1171 (RM1) \$ 81 million
  - CCCG \$146 million
  - excluding \$345 million ELN
- BATA capital funding – last 5 years
  - Total capital program \$1,065 million
  - Bridge rehab costs \$ 650 million
- Capital projects require significant cashflow –



# BATA DRAFT FY 2022 CAPITAL BUDGET

## PROPOSED BUDGET FOR FY 2022 \$137 MILLION

- Proposed capital budget for FY 2022
  - FY 2021 budget \$ 51 million
  - FY 2022 budget \$137 million
  - 10 year total \$1,210 million
  - 10 year average \$121 million

	FY 22-31 totals by group
Capital Operations	\$347,547,000
Bridge Integrity	\$270,400,000
Paint	\$300,576,311
ETC	\$261,454,000
Other	\$17,702,000
savings/overruns/in construction	\$14,189,811

# SURFACE AUTHORITY FOR FREEWAYS AND EXPRESSWAYS (SAFE) FY 2022 OPERATING BUDGET

- Two Programs
  - Freeway Assist (CallBox)
  - Freeway Service Patrol (FSP – tow trucks)
- Expense – \$21.6 Million
  - Salary & Benefit - reassigned from another fund
  - Consultant Svcs - Increase communications
  - Op Contracts - No new tow services
- Capital Transfer
  - Transfer to SAFE capital \$1,500 (million)
- The minor operating deficit will be covered through fund balance reserve of \$11.8 million

	FY 2021 (thousands)	FY 2022 (thousands)	Change
Revenue			
DMV/Other	\$6,442	\$6,614	3%
State LAP	7,200	\$7,629	6%
Road Rep (SB1)	7,425	7,000	-6%
<b>Total Revenue</b>	<b>21,067</b>	<b>21,243</b>	<b>1%</b>
Expense			
Salary & Benefit	861	1,226	42%
General Ops	974	1,070	10%
Consultant	625	760	22%
Op Contracts	18,970	18,570	-2%
<b>Total Expense</b>	<b>21,430</b>	<b>21,626</b>	<b>1%</b>
<b>Balance (deficit)</b>	<b>(\$363)</b>	<b>(\$383)</b>	<b>6%</b>

# MTC DRAFT FY 2022 BUDGET

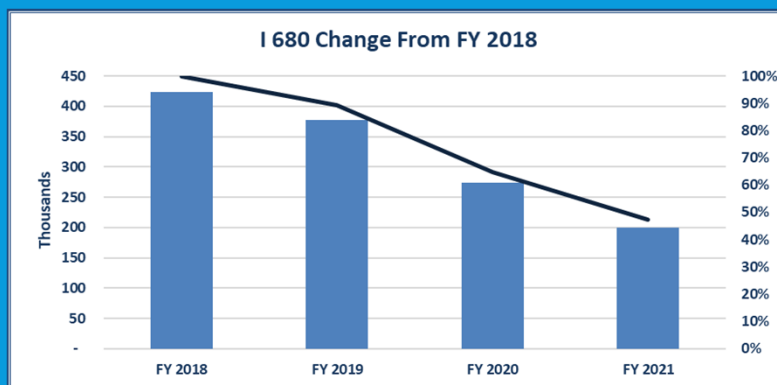
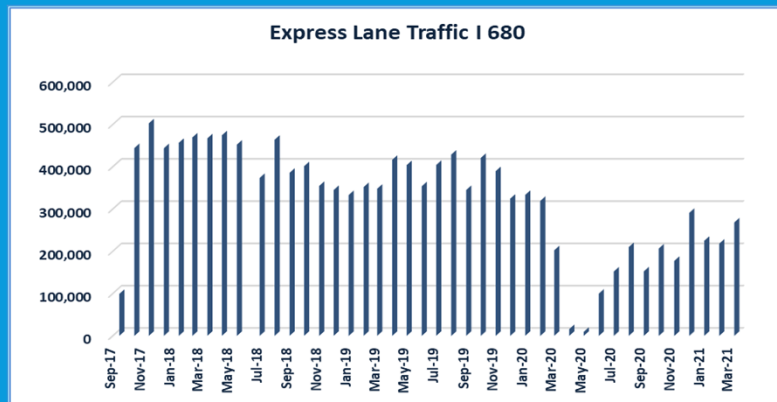
## SAFE CAPITAL PROGRAM

- Total five capital projects \$9 million
- Two new projects
  - Incident management
  - Connected Bay Area

	FY 2021 (thousands)	FY 2022 (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	\$7,571	\$1,500	\$9,070

# BAIFA DRAFT OPERATING BUDGET

- The I-680 Express Lane stopped collecting tolls and violations in March 2020 and restarted in June 2020.
- Monthly average traffic is down from FY 2018 when the lane opened
  - I-680 has a budgeted operating deficit for FY 2021 \$2.8 million
  - Budgeted operating deficit for FY 2022 \$2.4 million
- I-680 has over \$15 million in cash reserve to manage until traffic recovers
- I-880 has opened with strong traffic counts
  - Average 550,000 monthly trips



# BAIFA DRAFT OPERATING BUDGET

- Operating Revenue \$30.7 million
  - New I-88o adds \$19 million new revenue
  - Continued drop in I-68o traffic
  - Violation processing restored FY 2021 plus addition of I-88o
  - "Other" includes US -101 monitoring reimbursement of \$2.5 million
- Operating Expense\* \$25.1 million
  - Increased expenses related to new I-88o express lanes

\* Before depreciation
- Estimated Operating surplus \$5.5 million
- Surplus transferred to reserves
  - Operating equal to 1 year operating revenue
  - Capital repair/replacement

	FY 2021 (thousands)	FY 2022 (thousands)	Change
Revenue			
I-68o	\$6,944	\$4,735	-32%
I-88o	--	19,154	100%
Violation	850	4,057	377%
Other	329	2,788	747%
<b>Total Revenue</b>	<b>8,123</b>	<b>30,734</b>	<b>278%</b>
Expense			
Fastrak O&M	2,565	7,719	201%
EX Lane O&M	4,851	11,307	133%
Admin	3,496	3,617	3%
Other	--	2,483	100%
<b>Total Expense*</b>	<b>10,912</b>	<b>25,126</b>	<b>130%</b>
<b>Ending Balance (deficit)</b>	<b>(\$2,789)</b>	<b>\$5,608</b>	<b>-301%</b>



# BAHA DRAFT FY 2022 OPERATING BUDGET

- **Total Revenue**    **\$17.1 million +3.5%**
  - Assessments
    - Common area expenses paid by three owners
    - Increase covering restored operating hours
  - Lease revenue
    - Increase build into leases
  - Other - mainly parking and utility payments
- **Expenses**                    **\$13.7 million +8.5%**
  - **Salary & Benefit – agreed MOU increases**
  - **IT license**
    - **System upgrades / new Temazcal space**
- Cash flow gain of \$3.4 million (before depreciation) transferred as follows (millions):
 

	<u>\$3.9</u>	<u>\$3.4</u>
• Operating Reserve	\$1.9	\$1.2
• Capital Reserve	\$1.0	\$1.1
• BATA repayment	\$1.0	\$1.1

	FY 2021 (thousands)	FY 2022 (thousands)	Change
Revenue			
Assessments	\$5,816	\$6,297	8%
Lease	10,162	10,396	2%
Other	606	473	-22%
<b>Total Revenue</b>	<b>16,584</b>	<b>17,166</b>	<b>4%</b>
Expense			
Salary & Benefit	1,126	1,149	2%
IT lic & Maint	1,172	1,731	48%
Property Mgt	8,517	8,946	5%
Other	1,873	1,941	4%
<b>Total Expense</b>	<b>12,688</b>	<b>13,767</b>	<b>9%</b>
<b>Balance (before dep)</b>	<b>\$3,896</b>	<b>\$3,399</b>	<b>-13%</b>

## BUDGET SCHEDULE

- May 12 –
  - Joint budget study session with Commission
- June 09 –
  - Committee approval(s)
- June 23
  - Final Commission approval