

Budgeting the Region – MTC Budget Workshop



METROPOLITAN
TRANSPORTATION
COMMISSION

April 22, 2026

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Chief Financial Officer



Summary of Discussion

- ▶ Economic Backdrop
- ▶ Key Budget Assumptions
- ▶ Budget Calendar



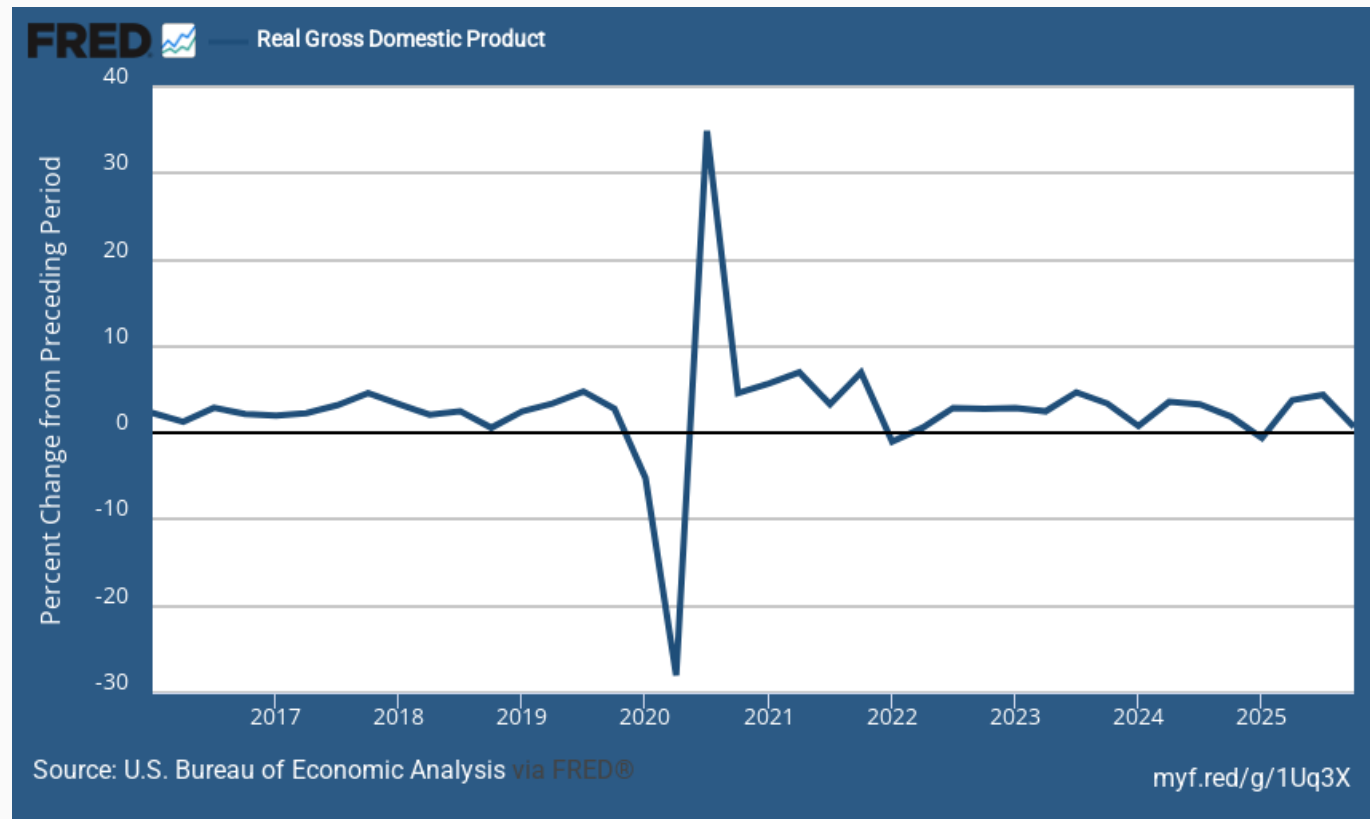
The background features a dark blue and teal color palette with abstract patterns of light blue and white. It includes a candlestick chart with several blue bars, some with white highlights, and a series of dashed white lines forming a circular or orbital path. The overall aesthetic is technical and data-driven.

Economic Backdrop

U.S Economic Growth Has Moderated Over Time

The U.S. economy has continued to expand in recent years, though growth has moderated from post-pandemic highs.

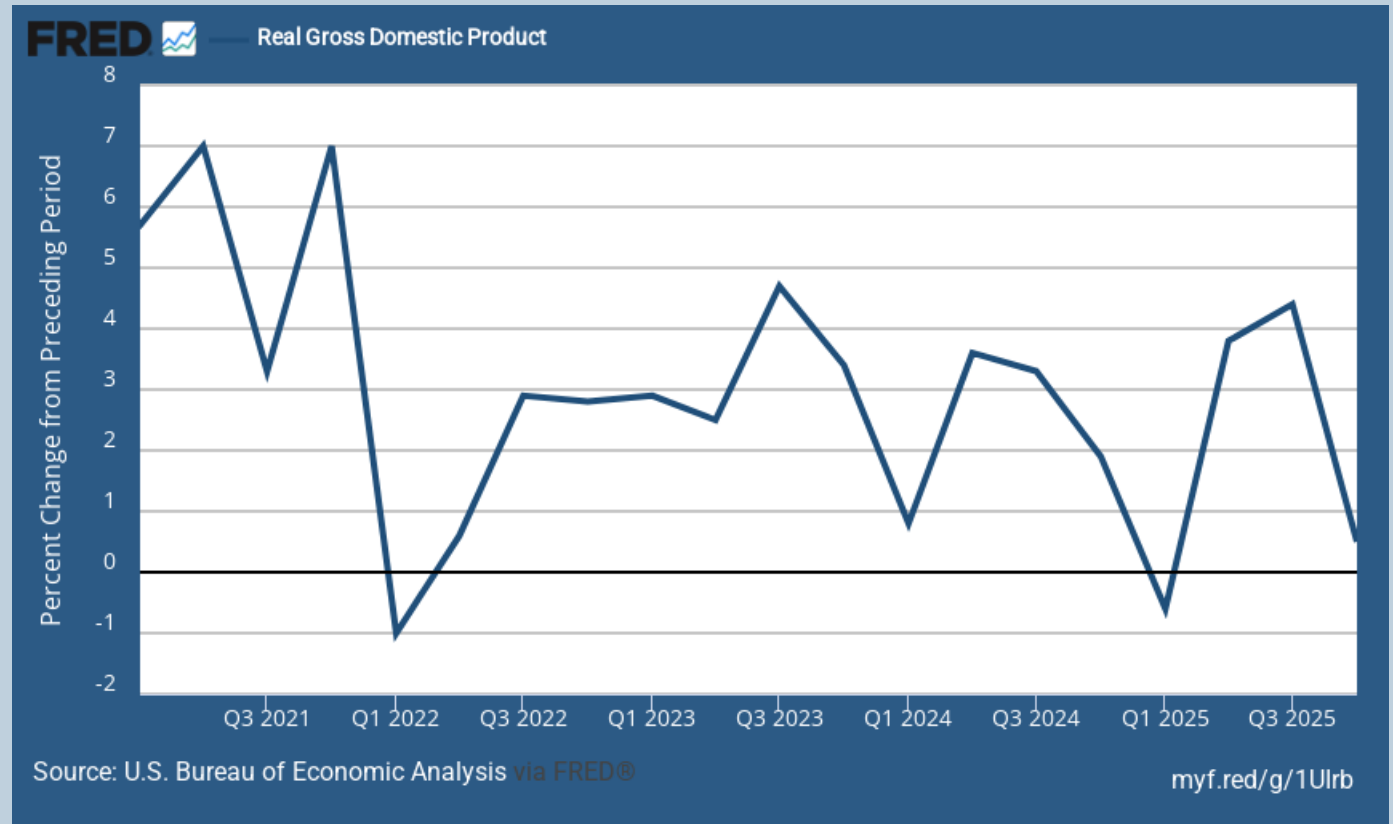
Real gross domestic product (GDP) growth slowed toward the end of 2025, reflecting easing economic momentum, while consumer spending and business investment continue to support overall growth.



Economic Growth Has Slowed in Recent Years

Following the post-pandemic rebound, economic growth has shown increased variability and a slowing trend in recent quarters.

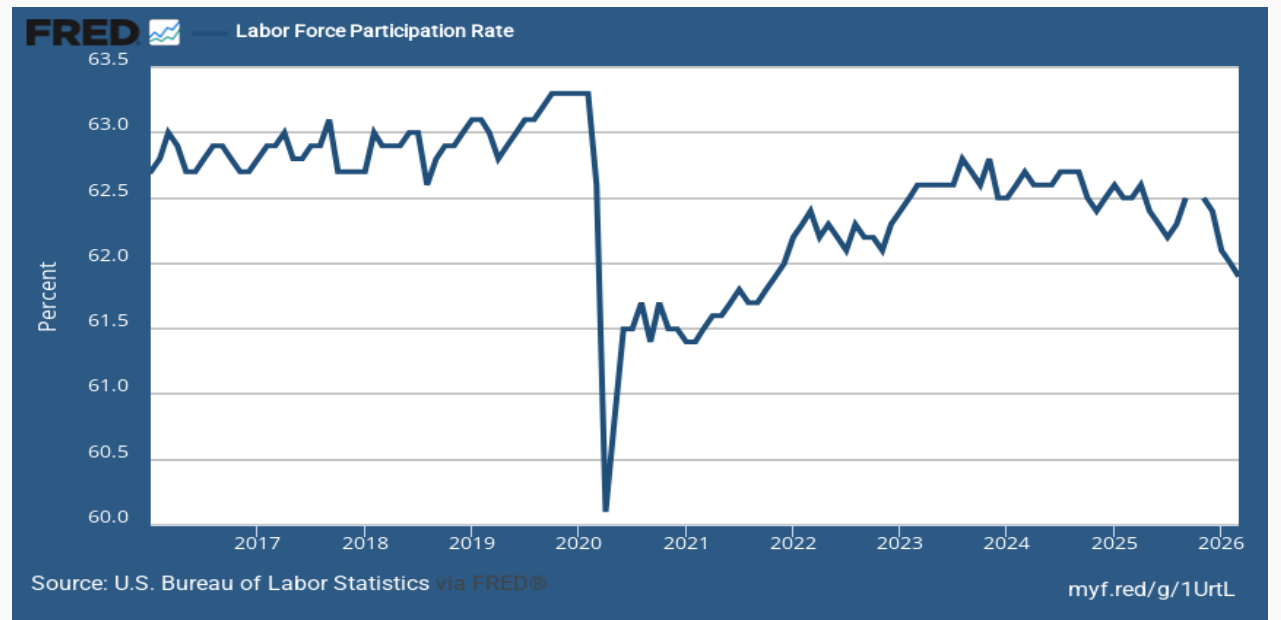
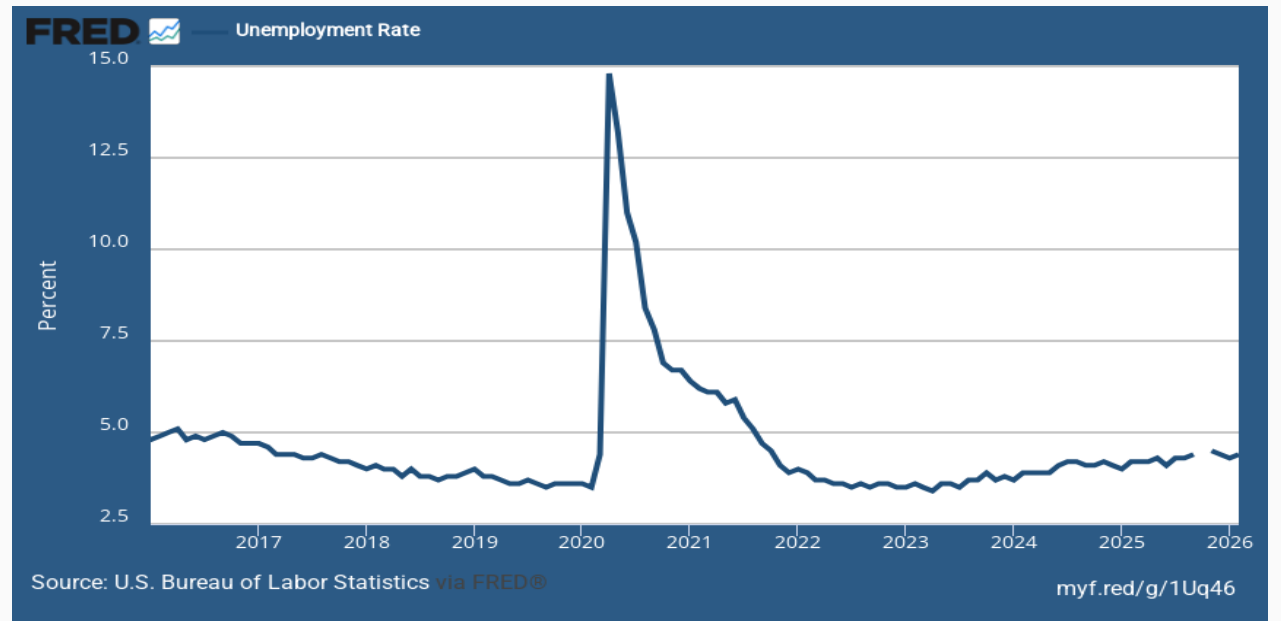
The conflict in the Middle East has contributed to rising oil prices, adding uncertainty to the near-term outlook.



Labor Market Remains Strong

The labor market remains historically strong despite some cooling. As of February 2026, the U.S. unemployment rate is **4.4%**, only modestly above recent lows.

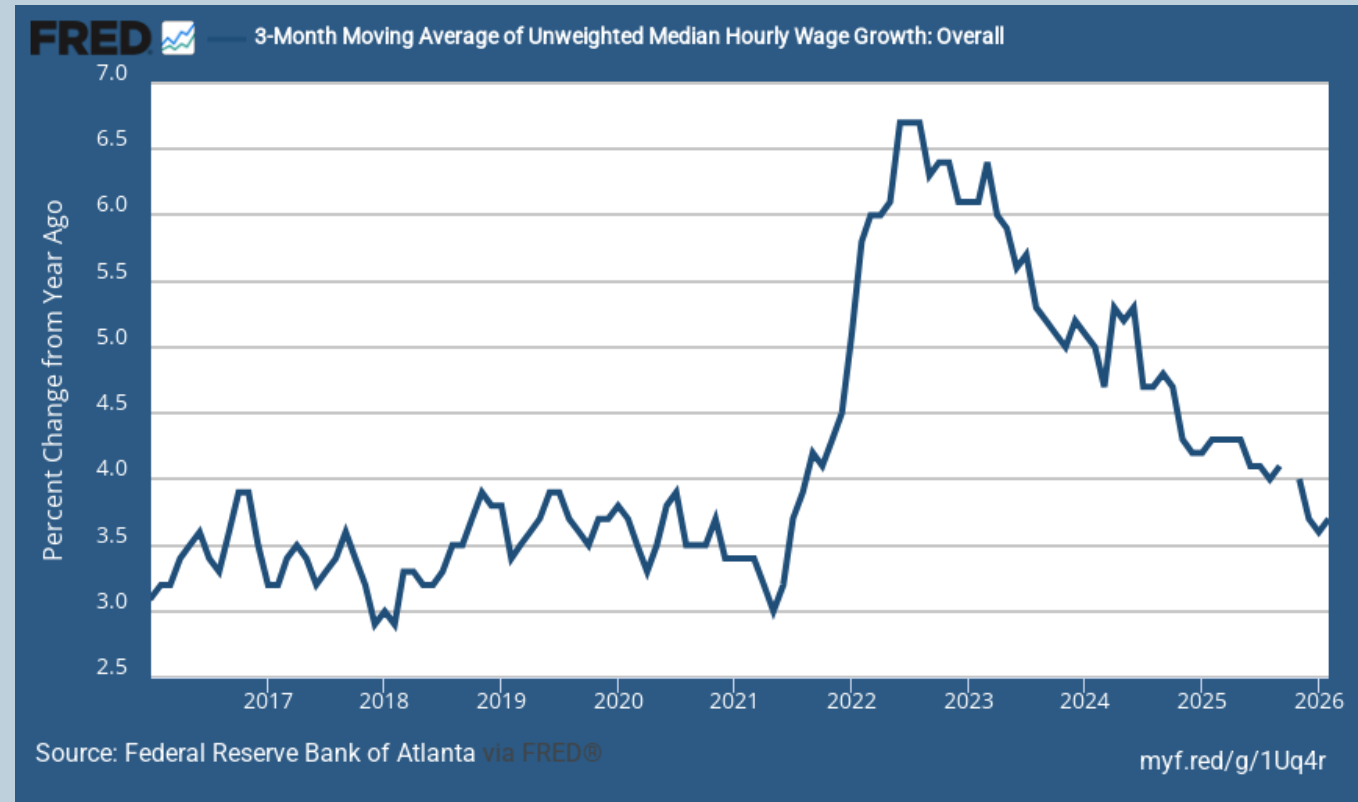
However, labor force participation has remained flat to slightly declining in recent months, indicating that labor supply constraints persist.



Wage Growth Moderating but Still Solid

Wage growth has slowed from the peaks seen in recent years but remains elevated.

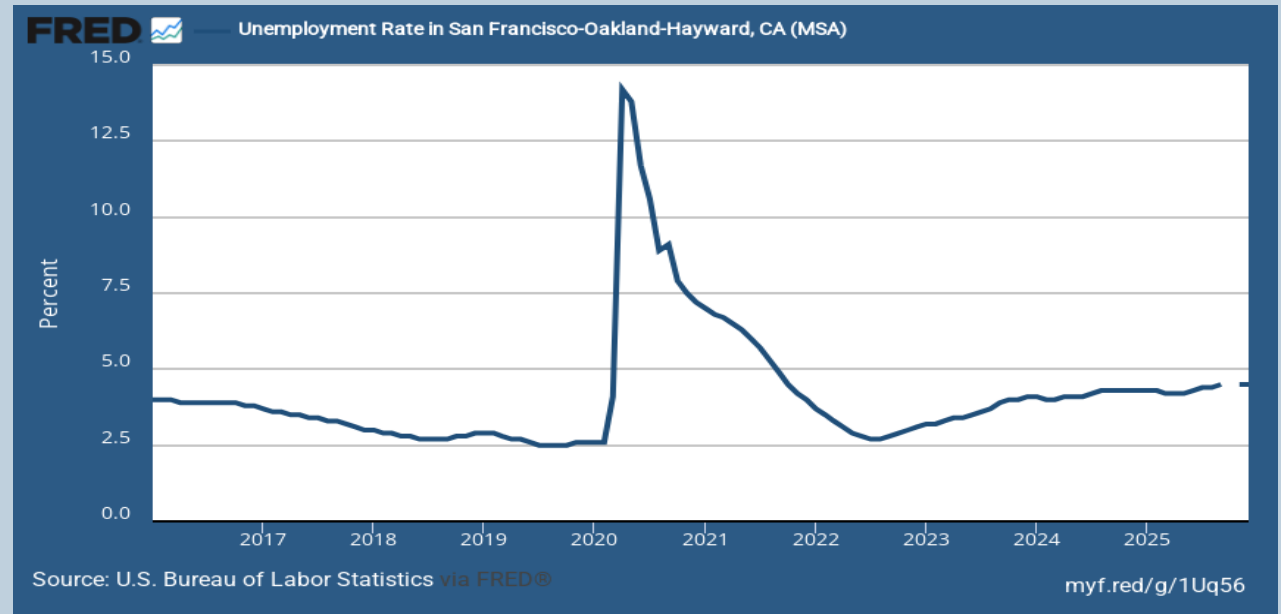
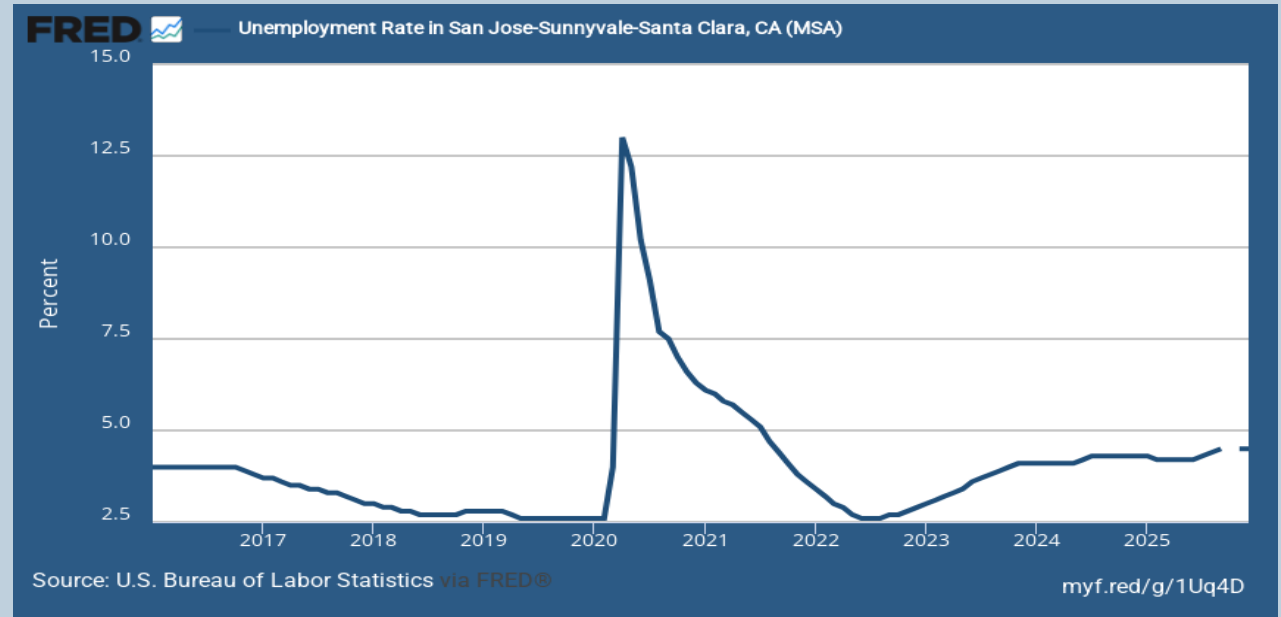
Average hourly earnings rose about **3.7%** year-over-year in early 2026, continuing to support household income growth.



Bay Area Labor Market Weakens but Remains Stable

The Bay Area labor market has weakened relative to prior years, with unemployment rising to **4.5%** as of December 2025, now in line with national levels.

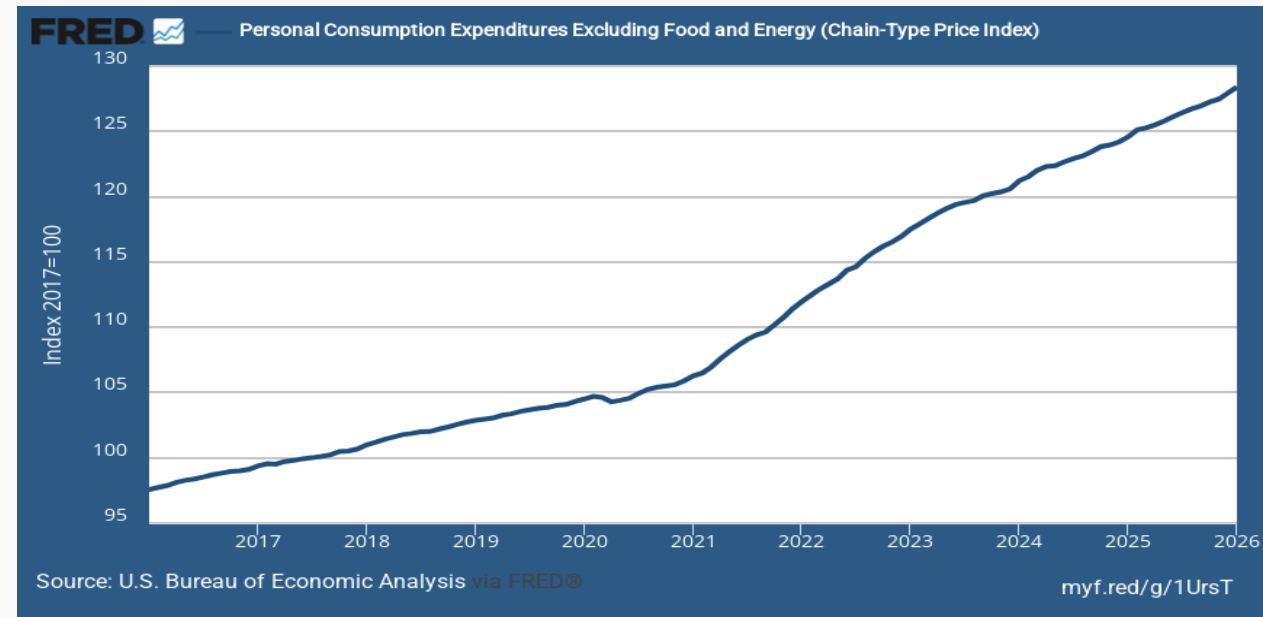
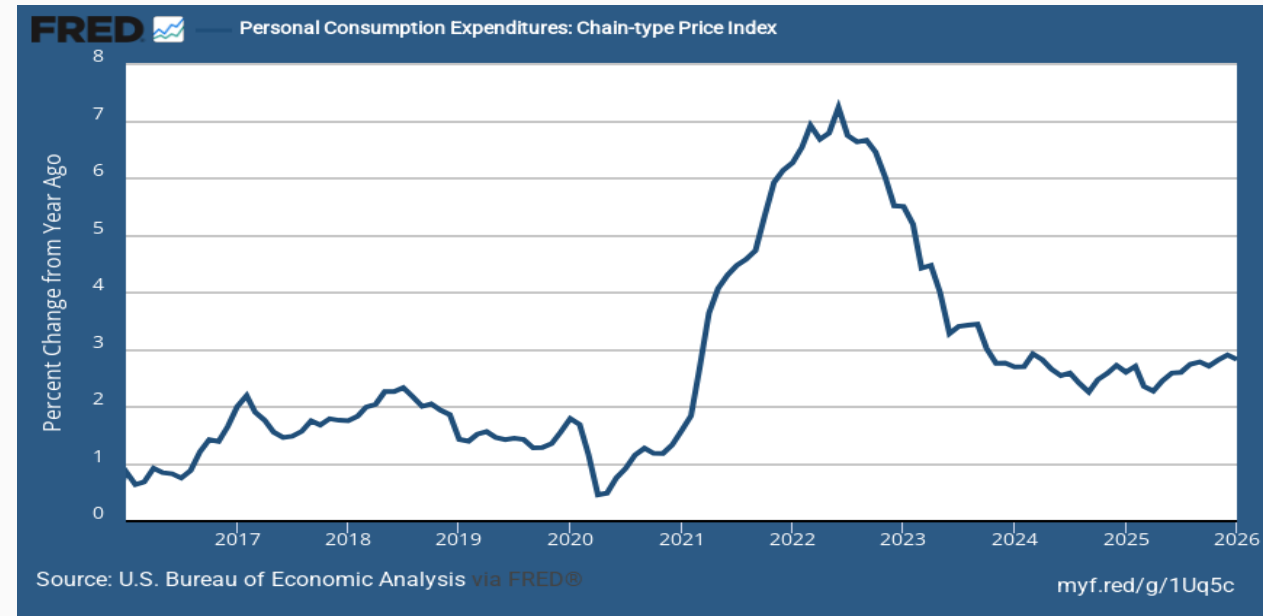
This reflects continued layoffs in the technology sector, partially offset by stronger performance in other industries.



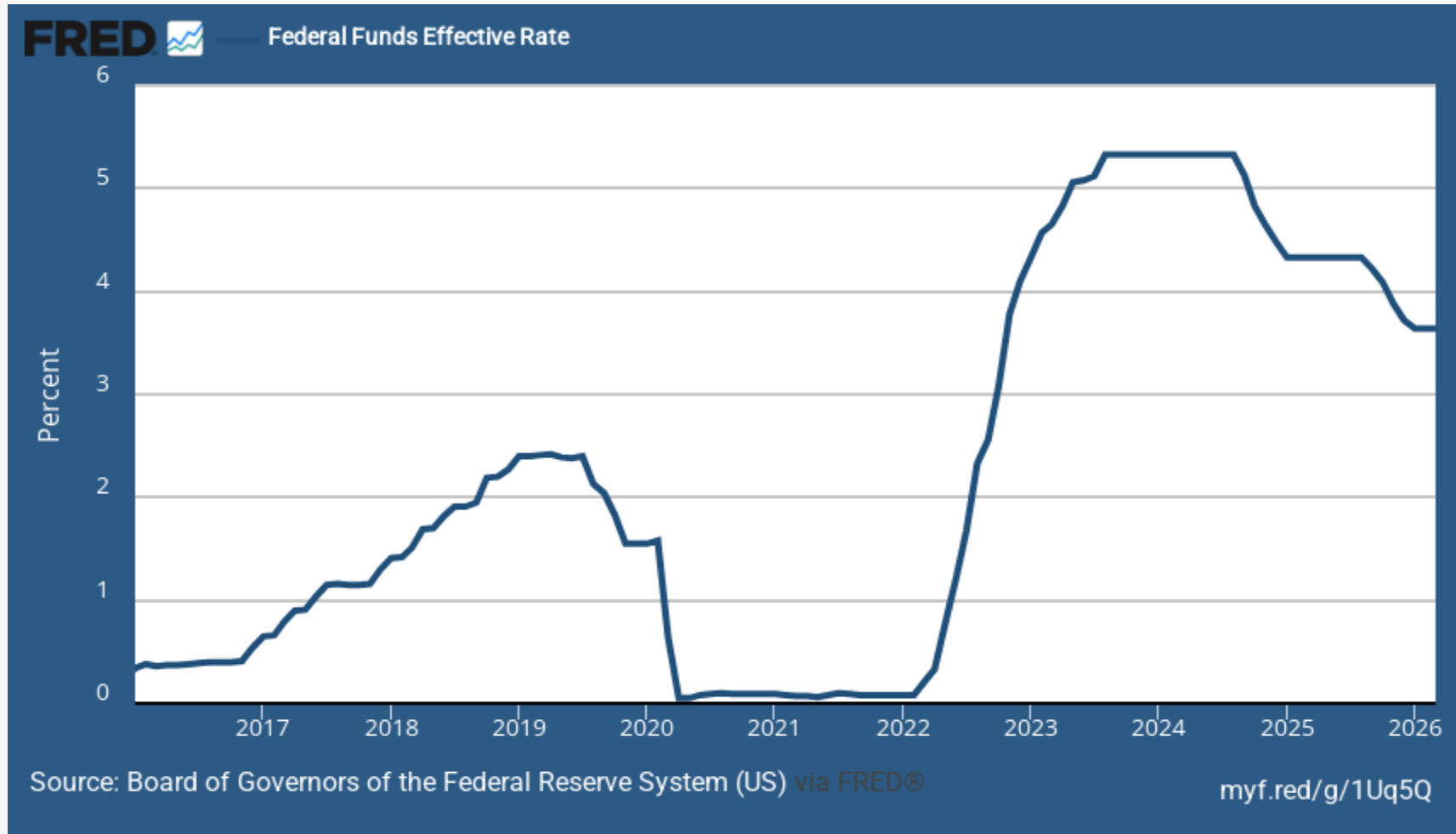
Inflation Has Moderated but Remains Above Target

Inflation has eased significantly from its 2022 highs but remains above the Fed's **2%** target.

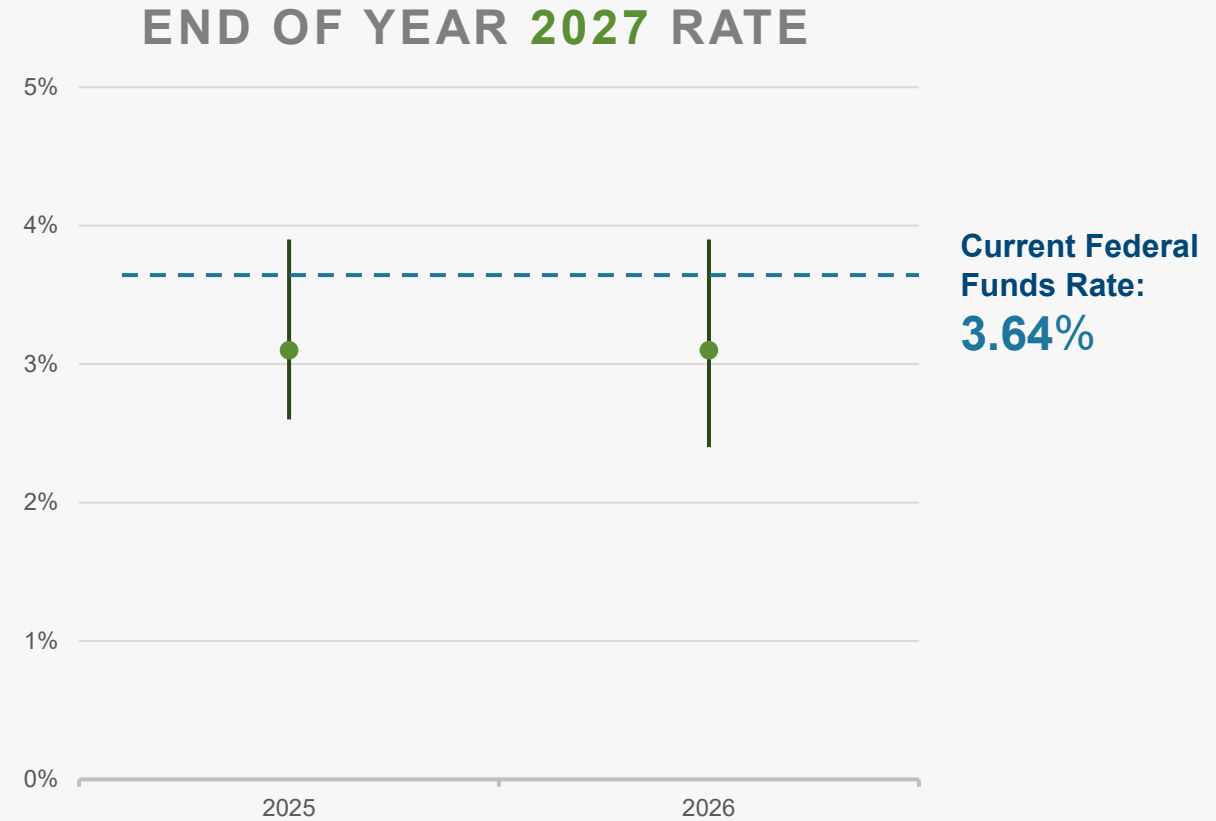
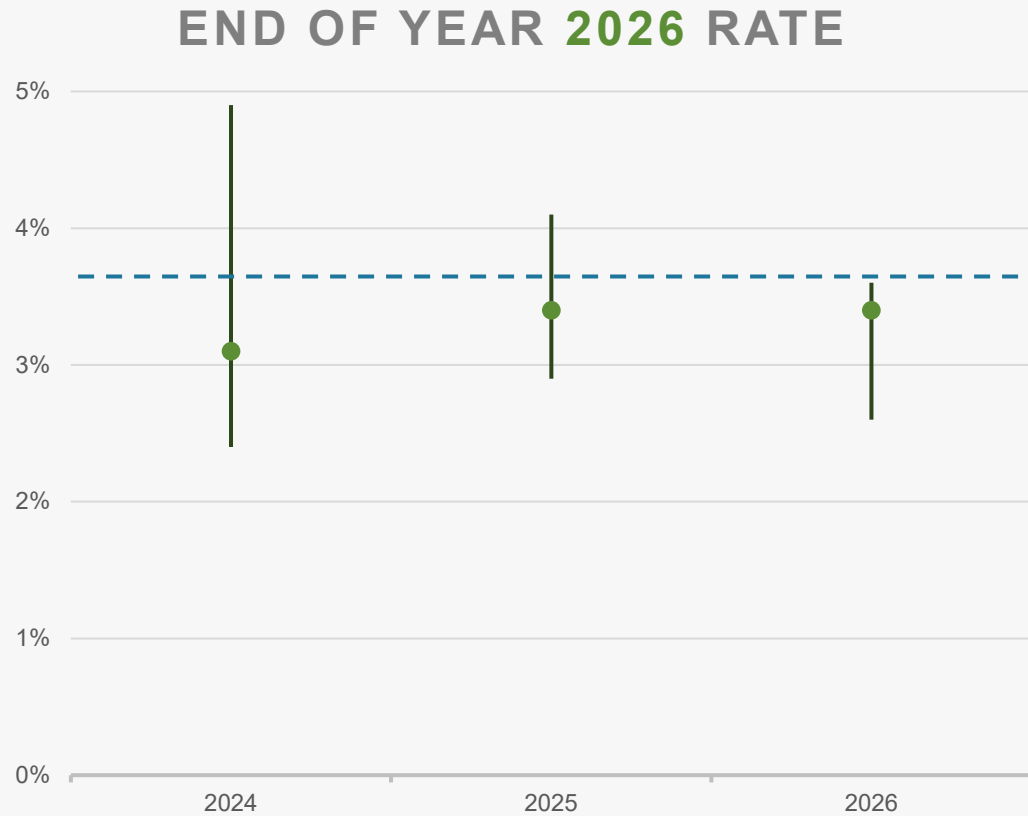
The Fed estimates total personal consumption expenditures (PCE) inflation rose **2.8%** over the 12 months ending in February, while higher oil prices tied to the Middle East supply disruptions have added fresh upside pressure to near-term inflation.



Fed Policy Balances Inflation and Employment...

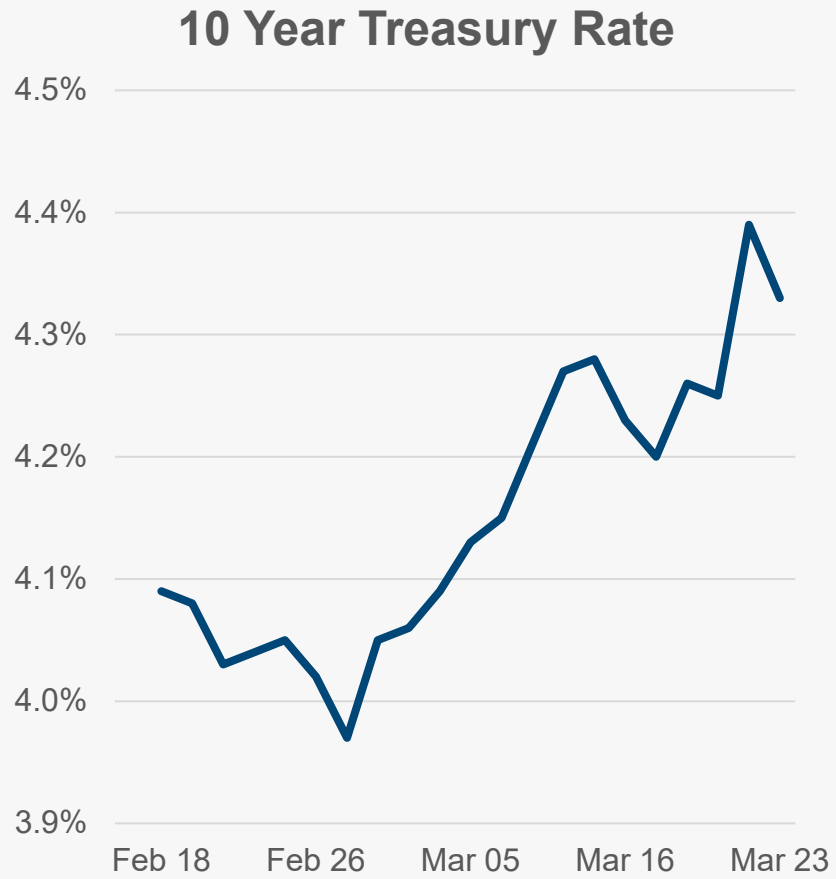


...and Market Expectations Continue to Shift...



Vertical line shows the range of Federal Open Market Committee (FOMC) participants' projections; the green dot represents median expectations.

...but Volatility Has Increased



Consumer Spending Remains Strong Even as Growth Slows
– *The New York Times*

Tech Layoffs Continue in Bay Area, but Unemployment Remains Low
– *San Francisco Chronicle*

Fed Holds Interest Rates Steady as Officials Wait for More Inflation Progress
– *Reuters*

U.S. Economy Shows Resilience Despite Higher Interest Rates
– *Wall Street Journal*

Rising Oil Prices Add New Inflation Risk as Middle East Conflict Intensifies
– *Bloomberg*



Giving the Chair the Last Word...

“We are well positioned to wait for greater clarity”

– Jerome Powell

Chair of the Federal Reserve

March 18, 2026

Image source: Wikipedia.org

Key Budget Assumptions



125,058	154,568	95,054	124,500
125,487	56,845	97,511	125,000
124,000	110,000	99,011	154,000
105,450	150,000	99,216	95,000
	35,000	101,090	154,200
	83,000	101,684	110,000
		101,962	89,000
			50,000
			68,700

Overview of Budget Assumptions

ASSUMPTIONS AND RISKS

- ▶ Budget assumptions are the foundational estimates and projections used to create a financial plan.
- ▶ Assumptions about revenue, expenses, inflation, and market conditions, are essential for reasonable budgeting and forecasting.
- ▶ Validating assumptions helps identify challenges, risks, and guide decisions.
- ▶ Supports planning for unexpected budget impacts.

STRATEGIC DECISION MAKING

- ▶ Budget assumptions provide information in consideration of resource and strategy decisions.
- ▶ Assumptions should align with financial and strategic goals.

Agency-Wide Budget Assumptions – Fiscal Year 2026-27

Staffing & Compensation

- 430 full time equivalent authorized positions
- 3.2% cost of living increase (min. of 2.8% per MOU)
- 8% vacancy rate
- 46% benefits rate

Expense Considerations

- Indirect cost allocation plan being finalized
- Inflation causing cost increases across several expense categories

External Risks

- Rising energy prices driven by Middle East conflict, creating upward pressure on inflation.
- Continued cost pressures from inflation and trade policy impacts.
- Ongoing uncertainty around federal funding, particularly discretionary grants programs and transportation reauthorization bill.

Revenue Context

- Revenue growth remains limited while expenses continue to rise.
- Net interest rate yield projected at 3.30%.

MTC Budget Assumptions – FY 2026-27

Revenue Assumptions

- ▶ Transportation Development Act (TDA): 2.4% revenue increase from FY 2025-26 budget due to sales tax increase.
- ▶ Federal policy remains a source of uncertainty, though major MTC sources such as Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Block Grant (STBG) are formulaic and congressionally appropriated.
- ▶ State funding is comprised primarily of State Transit Assistance (STA) Exchange Funds and the MTC Exchange Fund.

Expense Assumptions

- ▶ Majority of expenses are comprised of staff costs and contractual services.
- ▶ Transportation Revenue Measure District start-up costs to be funded initially from unassigned reserves; costs may be one-time and partially reimbursable.
- ▶ Increased software costs due to higher vendor costs and larger staff requiring additional licenses as well as implementation of new Oracle ERP system.
- ▶ Costs continue to increase while revenue remains static.
- ▶ Clipper operations and capital are presented separately from the MTC budget.

Entity-Specific Budget Assumptions (Part 1 of 3)

Bay Area Headquarters Authority (BAHA)

- A 0.9% increase in lease income from FY 2025-26 due to a full year of rent from two new tenants, Water Emergency Transportation Authority (WETA) and Verne Labs, as well as assumptions for additional new tenants within FY 2026-27.
- Current tenant, Degenkolb will not be renewing its lease which expires at the end of January 2027. Annual revenue generated from Degenkolb is approximately \$1.2 million.
- Significant capital funding needed for building operations and ongoing façade repairs not covered by operating revenue.

Bay Area Housing Finance Authority (BAHFA)

- Continuation of Doorway Program while Housing Preservation and Priority Sites programs wind down.
- Start of new Mixed-Income Program in FY 2026-27.
- Existing funding is sufficient for operations through FY 2026-27 and into future years under current program assumptions.
- Housing revenue measure costs in 2028 are not included in budget, except polling.

Entity-Specific Budget Assumptions (Part 2 of 3)

Bay Area Toll Authority (BATA)

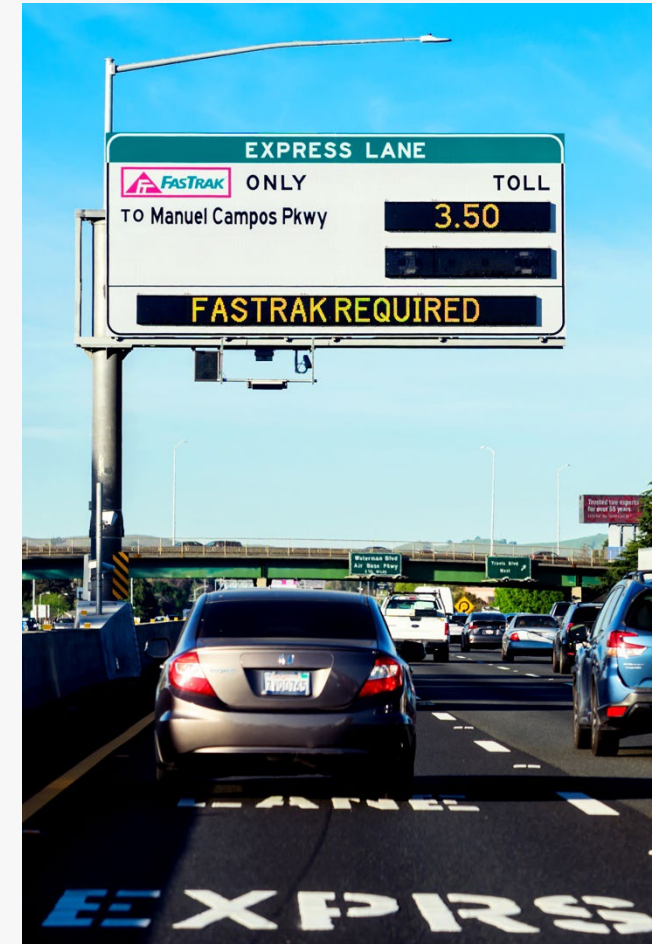
- ▶ **6.8% increase in toll revenue** over the FY25-26 budget:
 - 0.50% assumed traffic increase
 - Full fiscal year of January 2026 \$0.50/axle toll increase
 - Additional January 2027 \$0.50/axle toll increase and differentials for license plate accounts and invoiced tolls.
- ▶ **Violation revenue down 25%** from estimated FY 2025-26 results which have included additional revenue related to the timing of DMV hold resumption.
 - This results in violation revenue 11% higher than FY 2025-26 budget.
- ▶ **Projected interest revenue is \$99.4 million.**



Entity-Specific Budget Assumptions (Part 3 of 3)

Bay Area Infrastructure Financing Authority (BAIFA)

- ▶ **6% increase in express lane revenue** over FY 2025-26 budget:
 - Full year operation of Solano Interstate 80 Express Lanes which opened in mid-December 2025
 - **Anticipated revenue of \$22.9 million** will be updated based on more recent actual results before finalizing the proposed budget.
 - **Violation revenue down 25%** from estimated FY 2025-26 results (except for Solano Interstate 80) which included additional revenue related to the timing of DMV hold resumption.
 - This results in violation revenue that is 41% higher than the FY 2025-26 budget accounting for a full year of Solano Interstate 80 operations.



Open Items and Pending Updates

- ▶ Evaluation of staffing and resource needs for FY2026-27 work plan
- ▶ Finalize cost of living adjustment (COLA) based on April Consumer Price Index (CPI)
- ▶ Update fund balances and reserve schedules
- ▶ Finalize grant schedules and assess federal funding exposure
- ▶ Confirm indirect cost allocation rates by entity



A close-up photograph of a person's hands holding two pens over a budget calendar. The person is wearing a light blue button-down shirt. The background is blurred, showing other people in an office setting. A dark blue horizontal band is overlaid across the middle of the image, containing the text 'Budget Calendar' in white. The budget calendar is visible at the bottom, showing a grid of dates and some handwritten entries.

Budget Calendar

FY 2026-27 Budget Calendar

**April
22nd**

Budget Workshop

- Economic Outlook
 - Budget Assumptions
-

**May
27th**

Commission Meeting

FY 2026-27 **Draft** Operating and Capital Budgets

**June
24th**

Commission Meeting

FY 2026-27 **Final** Operating and Capital Budgets
