

Budgeting the Region- MTC Budget Workshop



METROPOLITAN
TRANSPORTATION
COMMISSION

Date: May 8, 2024

Derek Hansel, Chief Financial Officer



Summary of Discussion

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

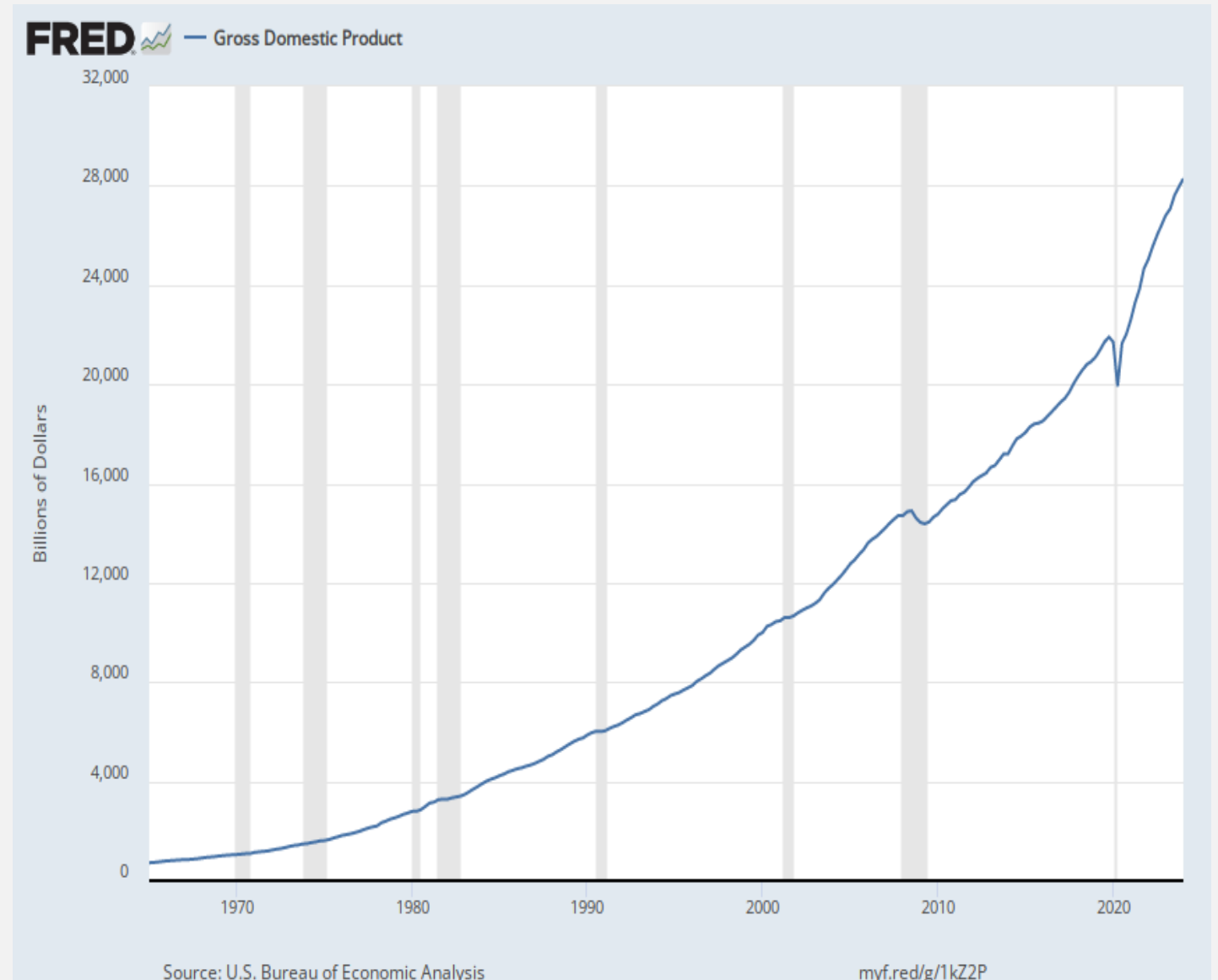
An aerial photograph of San Francisco, California, showing the city skyline, the Golden Gate Bridge, and the surrounding bay. The text "Economic Backdrop" is overlaid in white on the left side of the image.

Economic Backdrop

National Economy Continues to be Strong...

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

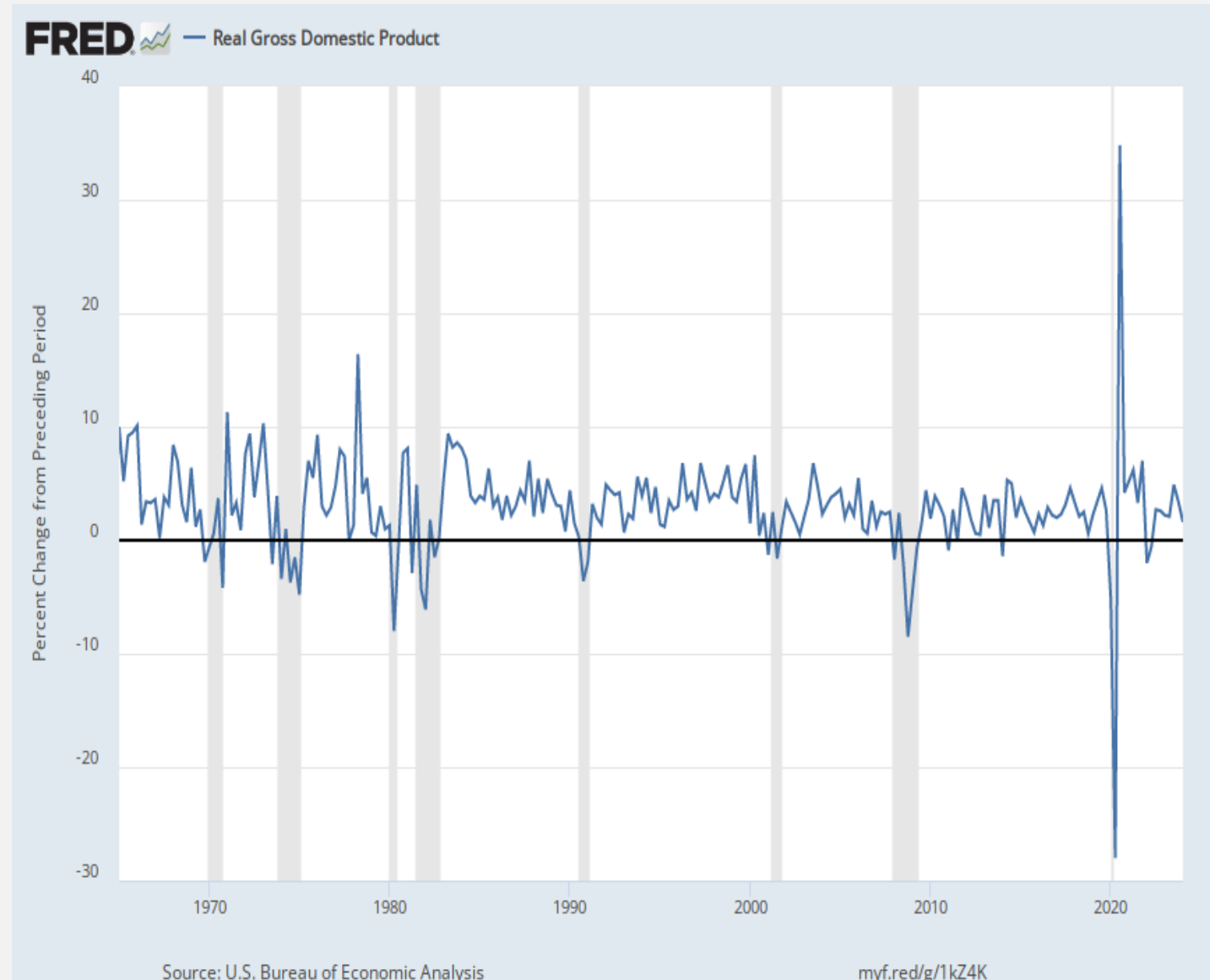
There have been economic headwinds (inflation, increased interest rates, regional banking crisis) which have not yet meaningfully stemmed growth



...But There may be Some Wobbling

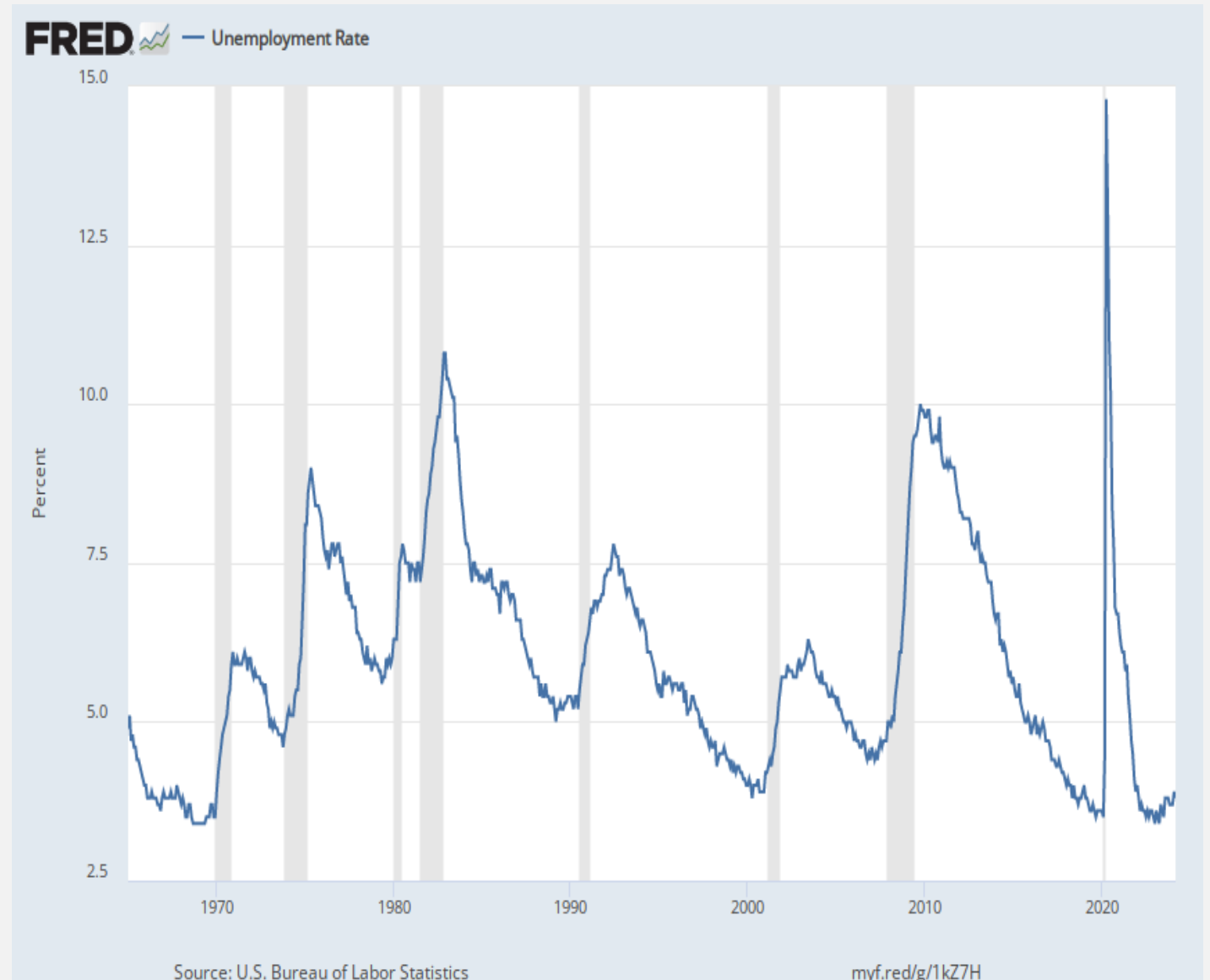
With the exception of Q1 2022, last quarter's GDP growth was weakest since the pandemic.

Slowing of growth is a reasonably expected outcome of the Fed's battle to contain inflation through higher interest rate.



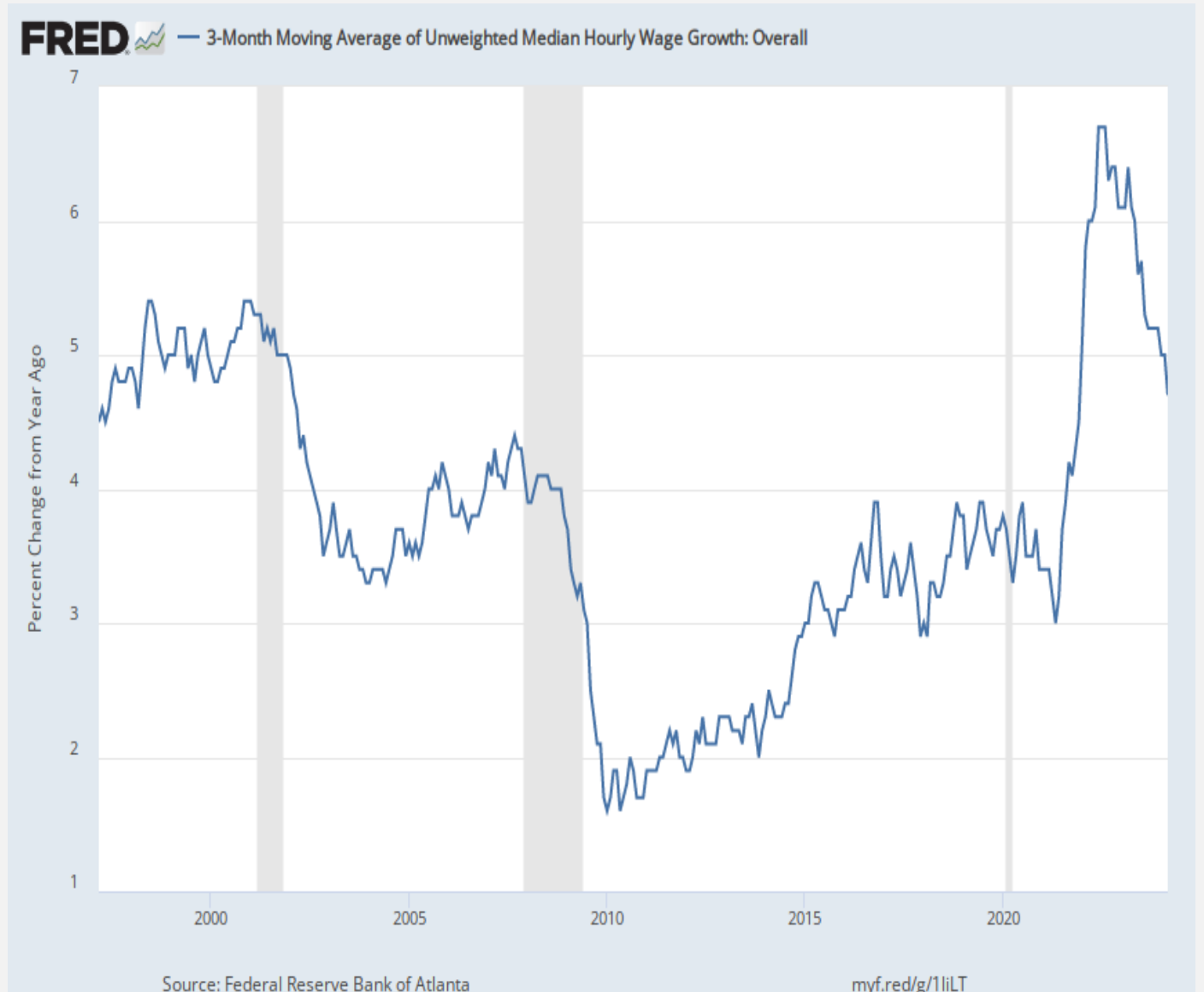
Unemployment Continues at Historically Low Levels

Rates have ticked up a little bit, but may need to increase further in order to see material progress on the inflation front



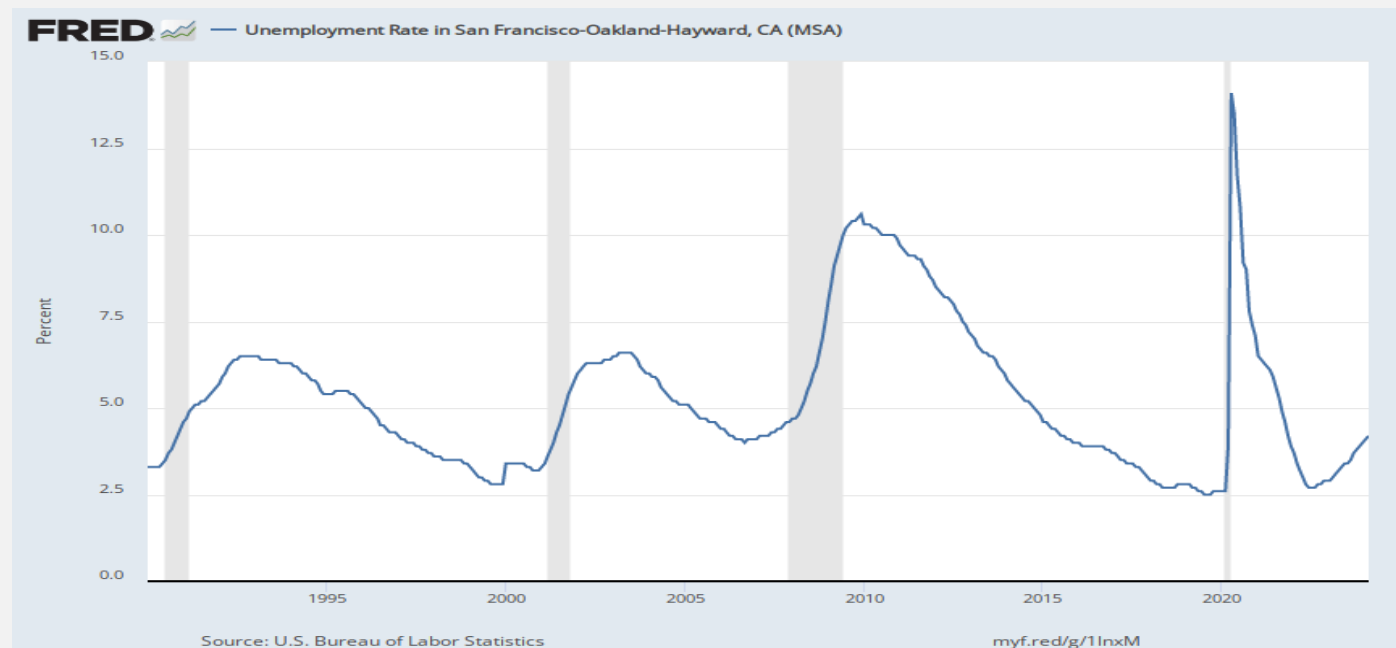
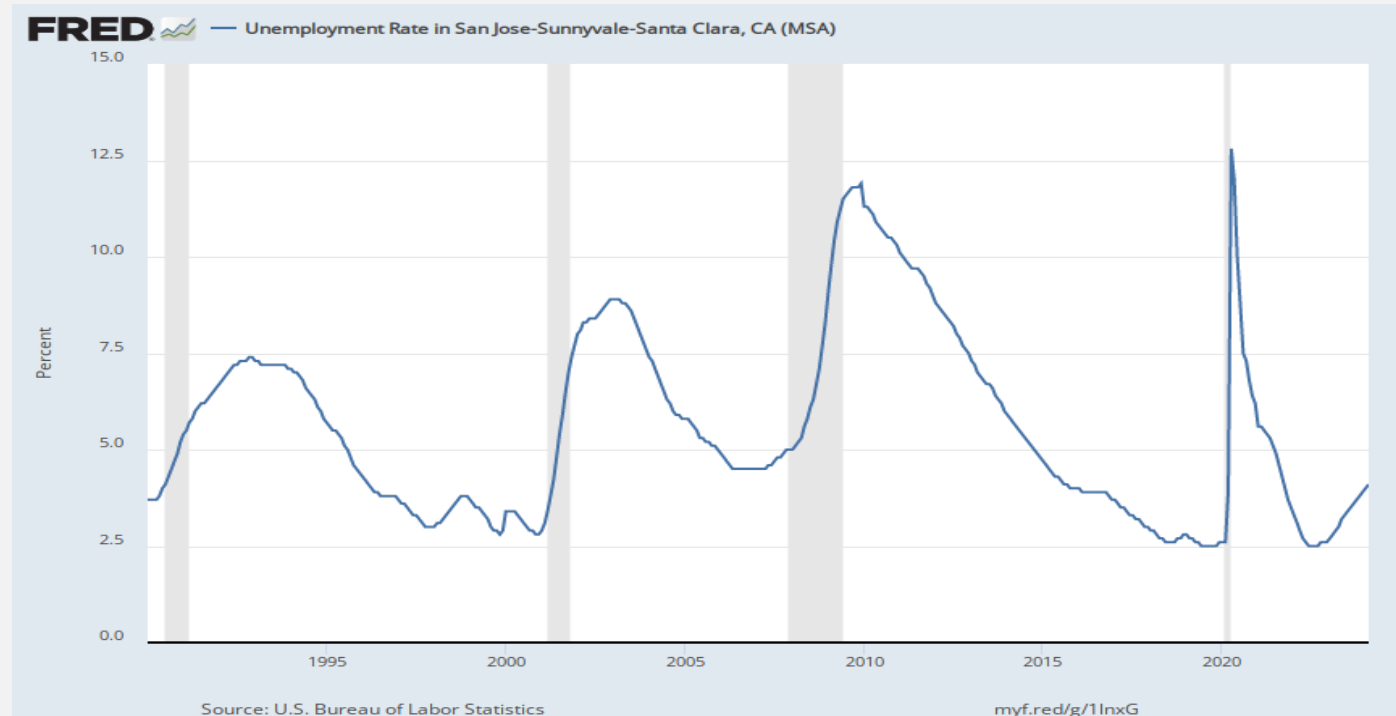
Wage Growth Continues to Remain Strong

While growth in wages has dropped since the highs of 2022 and 2023, it is still higher than it was in any period since the dot-com bust



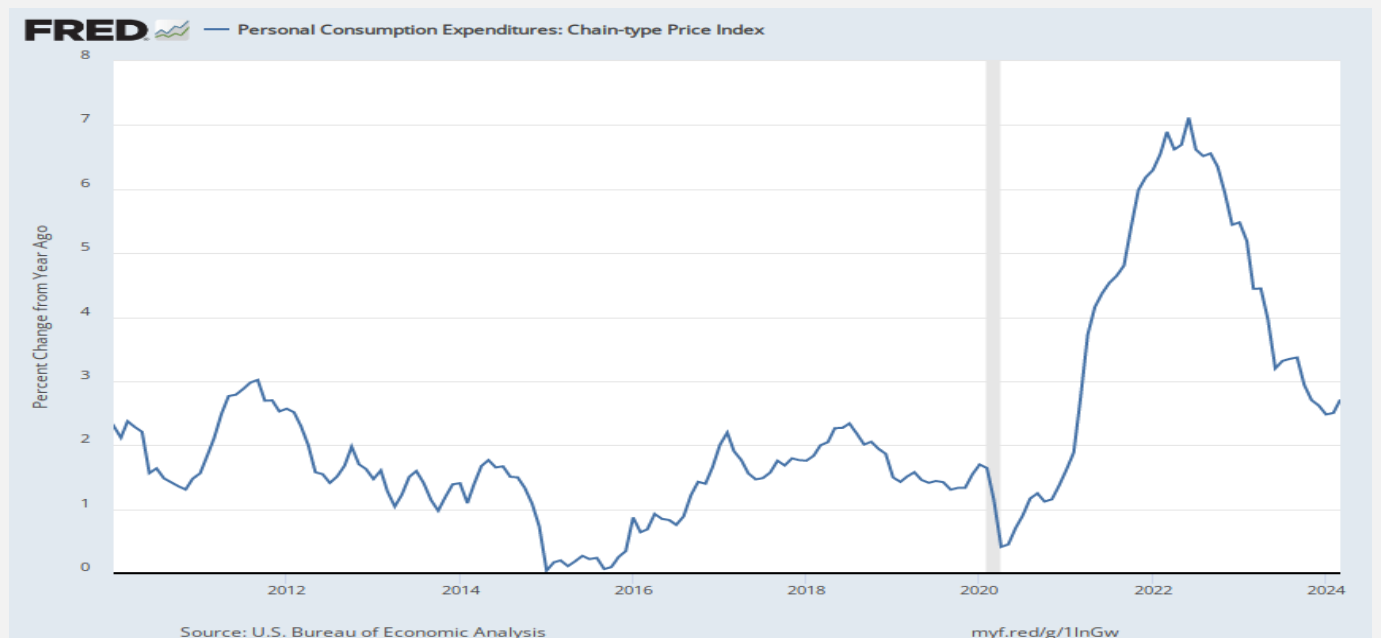
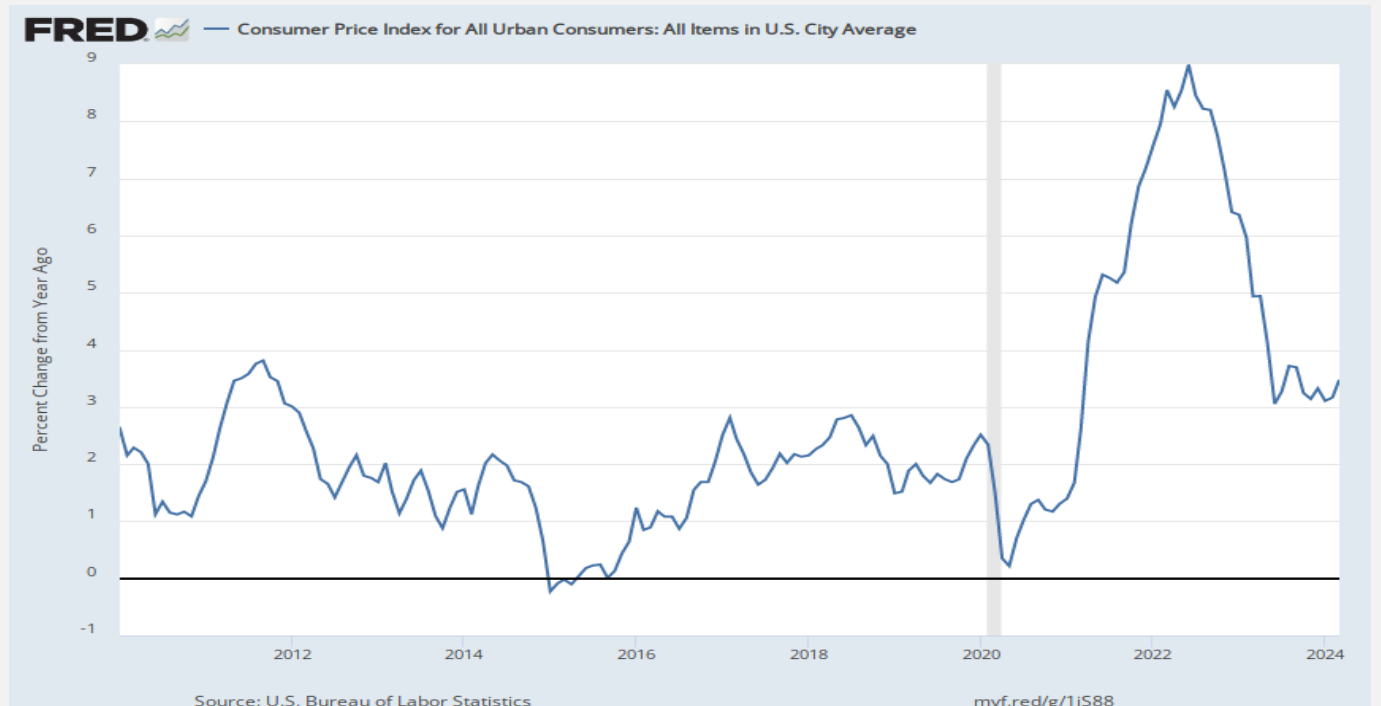
Bay Area Labor Market

While Bay Area unemployment rates are lower than statewide rate, they have grown steadily since late 2022, and are now higher than nationally



Inflation is Better than in 2021 - 2023, but Continues to be an Issue

PCE is the Federal Reserve's preferred index in considering inflation. It has remained stubbornly higher than 2%, and has tracked up recently.

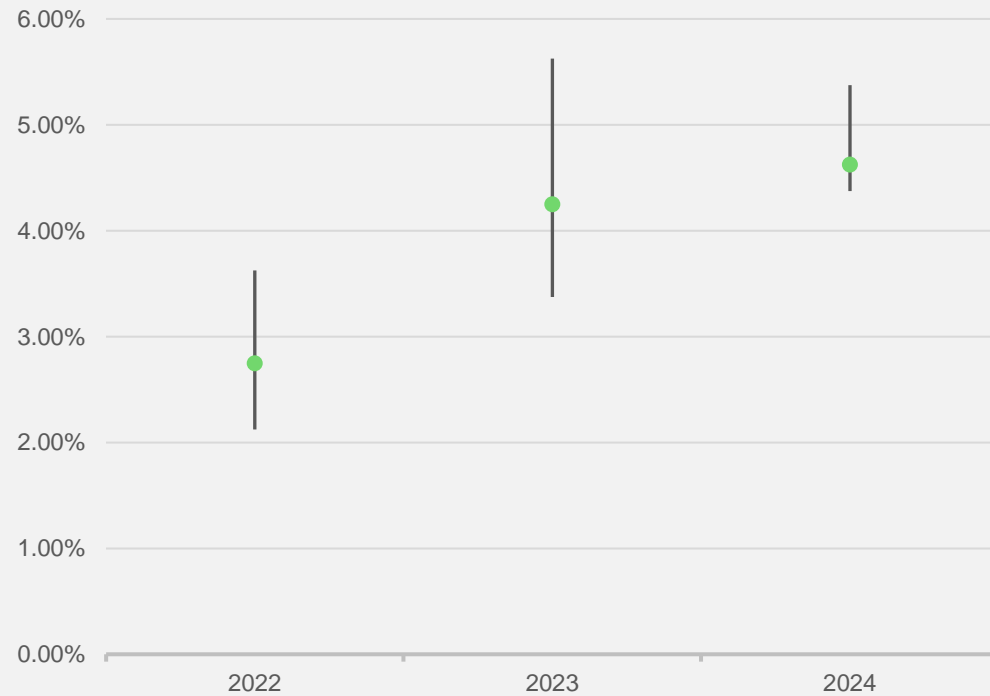


The Fed Uses Interest Rates to Address Inflation...

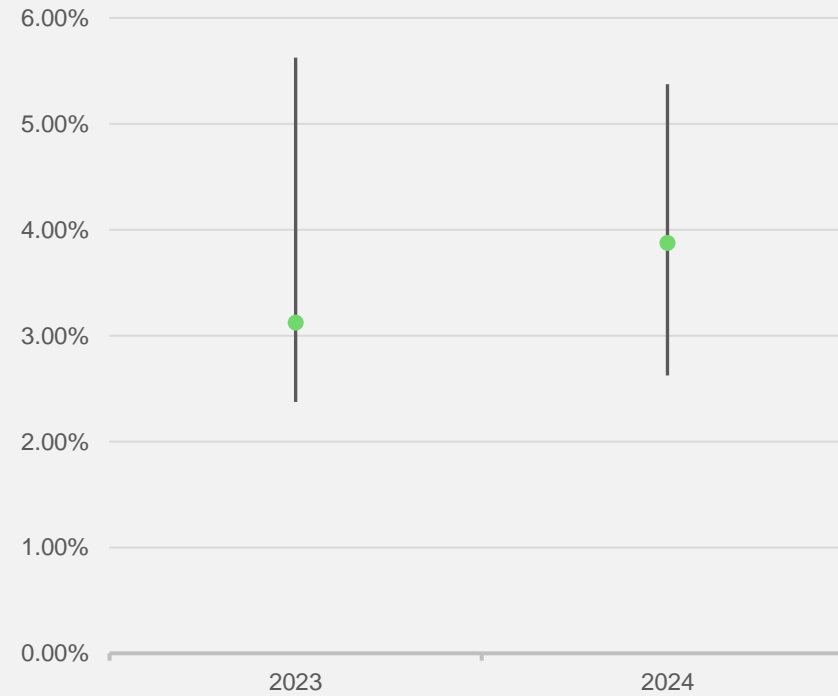


...and its Expectations Continue to Change

END OF YEAR 2024 RATE



END OF YEAR 2025 RATE



Fears about Stagflation are Mounting in the U.S. – CNN

Spirit of Optimism Returns to San Francisco with AI Boom – Los Angeles Times

Layoffs jolt Bay Area – Mercury News

California's Budget Problems are Bad – San Francisco Chronicle

Fed in Holding Pattern as Inflation Delays Approach to Soft Landing – Reuters

Giving the Chair the Last Word...

“[I don’t] really understand where talk of a stagflation scenario is coming from...I don’t see the stag, or the ‘flation.”

- Jerome Powell, Chair of the Federal Reserve, May 1, 2024

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 white on the left side of the image.

Key Budget Assumptions

FY 2024-25 Budget Assumptions

- **Revenue Budget Assumptions**

- TDA budget projections up by 4.8% in comparison to FY 2023-24 budget and 1.9% over projected FY2023-24 actuals
- Bridge toll revenue decrease of 1% from FY 2023-24 budget
 - FY2023-24 actuals are approximately 90% of budgeted. FY2024-25 will include the January 2025 RM3 increase
- Express lane revenue increases by 11% from FY2023-24 budget, and 2.5% over prior 12-month actuals
- Interest earnings average 3.75%

- **Expenditure Budget Assumptions**

- 404 full-time currently authorized positions – staff are working to finalize additional position requests which will be included in budget authorization request
 - 3% cost of living adjustment
 - 8% vacancy adjustment
- Additional work for final draft budget
 - Finalize position requests
 - Finalize cost allocation plan of both agency overhead costs and ERP implementation
 - Update fund balances and reserves
 - Update grant schedules

An aerial photograph of San Francisco, California, showing the city skyline, the Golden Gate Bridge, and the San Francisco Bay. The text "Budget Calendar" is overlaid in white on the left side of the image.

Budget Calendar

FY 2024-25 Budget Calendar

- **May 8th – Budget Workshop**
 - Economic Outlook
 - Budget Assumptions
- **May 22th – Commission Meeting**
 - FY 2024-25 Draft Operating and Capital Budgets
- **June 26th – Commission Meeting**
 - FY 2024-25 Final Operating and Capital Budgets