



RESOLUTION REVISING THE AMENDED FISCAL YEAR 2019/20 BUDGET TO DECREASE REVENUES BY \$33.4 MILLION AND DECREASE EXPENDITURES BY \$5.0 MILLION FOR A TOTAL NET DECREASE IN FUND BALANCE OF \$28.4 MILLION

WHEREAS, In April 2020, through Resolution 20-42, the Board adopted the amended Fiscal Year (FY) 2019/20 Budget, and in light of the resulting unprecedented level of economic uncertainty, revenue, and expenditure estimates contained in the amended FY 2019/20 Budget need to be updated to reflect COVID-19 related impacts; and

WHEREAS, The Transportation Authority's Fiscal Policy allows for the amendment of the adopted budget during the fiscal year to reflect actual revenues and expenditures incurred; and

WHEREAS, Revenue and expenditure revisions are related to Sales Tax Revenue, Traffic Congestion Mitigation Tax, investment income, program revenues, and a few of the Transportation Authority-led capital project costs reported in the Sales Tax Program (Prop K), and Congestion Management Agency Programs; and

WHEREAS, Program Revenues and Capital Project Costs of \$3.9 million for the Southgate Road Realignment Project - Phase 2 are shifted to FY 2020/21 as construction activities commenced two months later than anticipated; and

WHEREAS, Due to the reduction of anticipated sales tax revenues for the remainder of the fiscal year, we have conducted a full review of our work program and administrative operating costs to further reduce expenditures; and

WHEREAS, At its May 27, 2020 meeting, the Citizens Advisory Committee considered the proposed final FY 2019/20 budget amendment and unanimously adopted a motion of support for its adoption; now, therefore, be it

RESOLVED, That the Transportation Authority's amended FY 2019/20 budget is hereby revised to decrease revenues by \$33.4 million and decrease expenditures by \$5.0 million for a total net decrease in fund balance of \$28.4 million as shown in Attachment 1.



Attachment:

1. Proposed Final Budget Amendment



Proposed Final Budget Amendment by Fund

	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Treasure Island Mobility Management Agency Program	Traffic Congestion Mitigation Tax Program	Proposed Fiscal Year 2019/20 Final Budget Amendment	Increase/ (Decrease)	Approved Fiscal Year 2019/20 Amended Budget
Revenues:									
Sales Tax Revenues	\$ 86,554,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,554,444	\$ (24,307,251)	\$ 110,861,695
Vehicle Registration Fee	-	-	-	4,930,000	-	-	4,930,000	-	4,930,000
Traffic Congestion Mitigation Tax	-	-	-	-	-	3,249,395	3,249,395	(4,419,113)	7,668,508
Investment Income	2,367,743	-	2,663	146,187	-	21,878	2,538,471	(807,772)	3,346,243
Program Revenues	30,000	16,379,232	771,753	-	2,682,254	-	19,863,239	(3,869,161)	23,732,400
Other Revenues	45,980	-	-	-	-	-	45,980	-	45,980
Total Revenues	88,998,167	16,379,232	774,416	5,076,187	2,682,254	3,271,273	117,181,529	(33,403,297)	150,584,826
Expenditures									
Capital Project Costs	143,484,321	15,444,542	1,110,104	4,631,435	1,444,492	-	166,114,894	(4,868,511)	170,983,405
Administrative Operating Costs	5,806,917	4,175,250	48,236	309,421	513,942	75,000	10,928,766	(182,876)	11,111,642
Debt Service Costs	21,794,250	-	-	-	-	-	21,794,250	-	21,794,250
Total Expenditures	171,085,488	19,619,792	1,158,340	4,940,856	1,958,434	75,000	198,837,910	(5,051,387)	203,889,297
Other Financing Sources (Uses):	(2,516,740)	3,240,560	-	-	(723,820)	-	-	-	-
Net change in Fund Balance	\$ (84,604,061)	\$ -	\$ (383,924)	\$ 135,331	\$ -	\$ 3,196,273	\$ (81,656,381)	\$ (28,351,910)	\$ (53,304,471)
Budgetary Fund Balance, as of July 1	\$ 98,919,279	\$ -	\$ 1,090,174	\$ 14,620,577	\$ -	\$ -	\$ 114,630,030	-	\$ 114,630,030
Budgetary Fund Balance, as of June 30	\$ 14,315,218	\$ -	\$ 706,250	\$ 14,755,908	\$ -	\$ 3,196,273	\$ 32,973,649	\$ (28,351,910)	\$ 61,325,559



Memorandum

AGENDA ITEM 6

DATE: May 21, 2020

TO: Transportation Authority Board

FROM: Cynthia Fong - Deputy Director for Finance and Administration

SUBJECT: 6/9/20 Board Meeting: Revise the Amended Fiscal Year 2019/20 Budget to Decrease Revenues by \$33.4 Million and Decrease Expenditures by \$5.0 Million for a Total Net Decrease in Fund Balance of \$28.4 Million

<p>RECOMMENDATION <input type="checkbox"/> Information <input checked="" type="checkbox"/> Action</p> <p>Revise the amended Fiscal Year (FY) 2019/20 budget to decrease revenues by \$33.4 million and decrease expenditures by \$5.0 million for a total net decrease in fund balance of \$28.4 million.</p> <p>SUMMARY</p> <p>In April 2020, through Resolution 20-42, the Board adopted the amended FY 2019/20 Budget. In light of data from third quarter revenue figures reflecting the start of the COVID-19 public health order, we wish to amend our FY 2019/20 Budget and associated revenue and expenditure estimates. The effect of the final amendment, with a comparison of revenues and expenditures to the previously approved amended budget is shown in Attachment 1.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Fund Allocation <input type="checkbox"/> Fund Programming <input type="checkbox"/> Policy/Legislation <input type="checkbox"/> Plan/Study <input type="checkbox"/> Capital Project Oversight/Delivery <input checked="" type="checkbox"/> Budget/Finance <input type="checkbox"/> Contract/Agreement <input type="checkbox"/> Other: _____
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BACKGROUND

The budget revision is an opportunity for us to update revenue projections and expenditure line items to reflect new information or requirements identified in the months elapsed since the adoption of the annual budget, or in this case, the budget amendment which was adopted by the Board in April. Our Fiscal Policy allows for the amendment of the adopted budget during the fiscal year to reflect actual revenues and expenditures incurred.

On January 30, 2020, the World Health Organization declared the outbreak of the novel coronavirus, COVID-19, to be a public health emergency of international concern and on March 11, 2020 declared a worldwide pandemic. On February 25, 2020, San Francisco



declared a state of emergency in response to the global spread of COVID-19, and on March 16, 2020, Mayor Breed directed all residents to shelter in place. On March 4, 2020, Governor Gavin Newsom declared a state of emergency in the State of California as a result of COVID-19 and on March 19, 2020, signed Executive Order N-33-20 (Executive Order) mandating all persons statewide to stay at home except as needed to maintain continuity of operations of the critical infrastructure sectors. These COVID-19 events have significantly affected our economy and agency revenues.

DISCUSSION

FY 2019/20 Final Budget Amendment. The proposed final budget revision reflects a decrease of \$33.4 million in revenues and a decrease of \$5.0 million in expenditures for a total net decrease of \$28.4 million in fund balance. The effect of the final amendment, with a comparison of revenues and expenditures to the approved amended budget, in the aggregate line item format specified in the Fiscal Policy, is shown in Attachment 1. Budget revisions for the Treasure Island Mobility Management Agency (TIMMA) will be presented as a separate item at the June TIMMA Committee and TIMMA Board meetings.

Revenue and expenditure revisions are related to several budget categories: Sales Tax Revenue, Traffic Congestion Mitigation Tax (Prop D), investment income, program revenues, and a few of the Transportation Authority-led capital project costs reported in the Sales Tax Program (Prop K) and Congestion Management Agency Programs. Below are explanations of significant variances.

Sales Tax Revenues - Due to anticipated lower revenues based on the impact of COVID-19, we are revising our sales tax revenue projection for FY 2019/20 from \$110.9 million to \$86.6 million, a \$24.3 million or 21.9% decrease. Although revenues received through February 2020 are at similar levels to our original projections, we recently received information from the California Department of Tax and Fee Administration that indicated March revenues are down by approximately 60% compared to average collections for that month in prior years. Furthermore, we anticipate sales tax revenues will decrease even more in the upcoming quarter (April to June), by approximately 73%, as a result of the stay at home Executive Order.

Traffic Congestion Mitigation Tax - Back in November 2019, San Francisco voters approved Prop D enabling the City to impose a 1.5 percent business tax on shared rides and 3.25 percent business tax on private rides for fares originating in San Francisco and charged by commercial ride-share and driverless-vehicle companies until November 5, 2045. The San Francisco Municipal Transportation Agency (SFMTA) receives 50 percent of the revenues for Muni capital and operating improvements and we receive 50 percent of the revenues for capital projects that promote users' safety in the public right-of-way in support of the City's Vision Zero policy. We began collecting Traffic Congestion Mitigation Tax revenues on January 1, 2020.



As of March 2020, we have collected three months of revenues totaling \$2.2 million. Based on continuous discussions and coordination with the City's Controller's Office and the SFMTA, we anticipate revenues will continue to decrease significantly in the upcoming quarter (April to June) as a result of the stay at home Executive Order. As such, we are reducing our revenue estimates for Traffic Congestion Mitigation Tax revenues from \$7.7 million to \$3.3 million for FY 2019/20, a decrease of \$4.4 million or 57.6% from the amended budget estimate.

Investment Income - In March 2020, the Federal Reserve made two emergency interest rate cuts, totaling 1.5%, within two weeks, in an attempt to bolster financial markets. Our earned income yield in the City's Treasury Pool, which constitutes the majority of Transportation Authority's investments, has decreased by 0.4% to an interest rate of 1.54% in April. We expect further reductions in May and June. Our projections now assume a \$35 million decrease in average daily cash balances in the final quarter of the fiscal year caused by anticipated delays and/or reductions to collections of Sales Tax Revenues and Traffic Congestion Mitigation Tax. This results in projected decreases in investment earnings of \$807,772 or 24.1% in FY 2019/20 compared to prior projections.

Program Revenues - Program Revenues for the Southgate Road Realignment Project, Phase 2 of the I-80/Yerba Buena Island Interchange Improvement project, are expected to decrease by \$3.9 million from the amended FY 2019/20 Budget. This is primarily due to a longer than anticipated procurement process for the construction contract award, in part due to COVID-related Board meeting cancellation. Program Revenues of \$3.9 million for this project will be shifted to FY 2020/21 as construction activities commenced two months later than anticipated.

Capital Project Costs - Capital Project Costs in FY 2019/20 are budgeted to further decrease from the amended FY 2019/20 budget by \$4.9 million, which is primarily due to the delay to begin the Southgate Road Realignment Project, as mentioned above. At the request of the Board at its April 14 meeting, we have paused environmental review efforts related to the U.S. 101/I-280 Express and Bus Lanes Project. In addition, a portion of consultant efforts related to the Pennsylvania Avenue Extension Pre-environmental and the Downtown Extension studies will be shifted to FY 2020/21.

Work Program Reviews and Administrative Operating Costs - Due to the reduction of anticipated sales tax revenues for the remainder of the fiscal year, we have conducted a full review of our work program and have taken the following steps to reduce expenditures:

- delaying the hiring of four staff vacancies, (but are continuing underway recruitments and filling essential positions);
- curtailed equipment and non-essential purchases and contracting;
- suspended travel and training as well as some administrative initiatives; and



- paused or deferred some work efforts (New Mobility Pilot Framework, Lombard Crooked Street Project, SF-Champ model development).

Some new COVID-19-related work items are also arising during this time, such as funding the San Francisco Department on the Environment's (SFE) Emergency Ride Home program, coordination of advocacy efforts for the federal CARES Act and the Metropolitan Transportation Commission's Blue Ribbon Transit Recovery Task Force, as well as congestion management efforts such as our COVID-Era Congestion Tracker and the upcoming Transportation Re-opening Work Group, convened by Chair Peskin and SFMTA Director Tumlin. We will also continue to seek grants and position San Francisco projects for potential stimulus funding opportunities.

Going forward, staff will continue to monitor revenue streams and coordinate closely with the City and sister agencies to assess short, medium, and long-term financial impacts stemming from the pandemic. While we expect our sales tax and other revenues to be significantly affected going forward, our strong financial position ensures that we can continue to support sponsors' cash needs through the remainder of this year and into FY 2020/21.

FY 2020/21 Annual Budget Process. In light of the resulting unprecedented level of economic uncertainty, we will be postponing the adoption of the FY 2020/21 Annual Budget and Work Program until September, similar to the schedule that Mayor Breed has set for the City's budget. In the interim, to provide for the continuation of our operations, it will be necessary to adopt a Provisional Three-month FY 2020/21 Budget and Work Program covering July 1 through September 30, 2020. Approval of the Provisional Three-month FY 2020/21 Budget and Work Program is a separate item at the June 9 Board meeting. The 12-month preliminary FY 2020/21 Annual Budget and Work Program will be presented for information to the Citizens Advisory Committee and the Board in July for the first review.

FINANCIAL IMPACT

The proposed final amendment to the FY 2019/20 budget would decrease revenues by \$33.4 million and decrease expenditures by \$5.0 million for a total net increase in fund balance of \$28.4 million, as described above.

CAC POSITION

The CAC considered this item at its May 27, 2020 meeting and unanimously approved a motion of support for the staff recommendation.

SUPPLEMENTAL MATERIALS

- Attachment 1 - Proposed Final Budget Amendment