



## Memorandum

### AGENDA ITEM 7

**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><b>RECOMMENDATION</b>   <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><b>SUMMARY</b></p> <p>In April 2020, through Resolution 20-42, the Board adopted the amended FY 2019/20 Budget. 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. 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.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Fund Allocation</li> <li><input type="checkbox"/> Fund Programming</li> <li><input type="checkbox"/> Policy/Legislation</li> <li><input type="checkbox"/> Plan/Study</li> <li><input type="checkbox"/> Capital Project Oversight/Delivery</li> <li><input checked="" type="checkbox"/> Budget/Finance</li> <li><input type="checkbox"/> Contract/Agreement</li> <li><input type="checkbox"/> Other: _____</li> </ul>
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### BACKGROUND

The budget revision is an opportunity for us to revise revenue projections and expenditure line items to reflect new information or requirements identified in the months elapsed since the adoption of the annual budget. 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. Despite sustained efforts, COVID-19 remains a national, state and local public health threat at this time.

In April 2020, through Resolution 20-42, the Board adopted the amended FY 2019/20 Budget. 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.

## **DISCUSSION**

**FY 2019/20 Final Budget Amendment.** The 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 to the June TIMMA Committee and TIMMA Board.

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. Below are the following explanations to 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%. 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 - We began collecting Traffic Congestion Mitigation Tax revenues since 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 San Francisco Municipal Transportation Agency, 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 and 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<sup>th</sup> 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).

We 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 for a multitude of public works and transit projects across the city.

**FY 2020/21 Annual Budget Process.** In light of the resulting unprecedented level of economic uncertainty, the significant impact of COVID-19 necessitates postponing the adoption of the full 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 necessary continuation of services and payment of expenditures, it will be necessary to adopt a provisional three-month FY 2020/21 Budget until the time at which the full 12-month budget for FY 2020/21 Budget is adopted.

As we have recently received more information on sales tax revenues this week, we are currently working on a provisional three-month FY 2020/21 budget that will be presented to the Board in June for approval. The full 12-month preliminary FY 2020/21 Annual Budget and Work Program will be presented for information to the Citizens Advisory Committee 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 will consider this item at its May 27, 2020 meeting.

## **SUPPLEMENTAL MATERIALS**

- 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
<b>Revenues:</b>									
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
<b>Total Revenues</b>	<b>88,998,167</b>	<b>16,379,232</b>	<b>774,416</b>	<b>5,076,187</b>	<b>2,682,254</b>	<b>3,271,273</b>	<b>117,181,529</b>	<b>(33,403,297)</b>	<b>150,584,826</b>
<b>Expenditures</b>									
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
<b>Total Expenditures</b>	<b>171,085,488</b>	<b>19,619,792</b>	<b>1,158,340</b>	<b>4,940,856</b>	<b>1,958,434</b>	<b>75,000</b>	<b>198,837,910</b>	<b>(5,051,387)</b>	<b>203,889,297</b>
<b>Other Financing Sources (Uses):</b>	<b>(2,516,740)</b>	<b>3,240,560</b>	<b>-</b>	<b>-</b>	<b>(723,820)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in Fund Balance</b>	<b>\$ (84,604,061)</b>	<b>\$ -</b>	<b>\$ (383,924)</b>	<b>\$ 135,331</b>	<b>\$ -</b>	<b>\$ 3,196,273</b>	<b>\$ (81,656,381)</b>	<b>\$ (28,351,910)</b>	<b>\$ (53,304,471)</b>
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