



Presentations for May 5, 2022 Board of Directors Meeting



Item 10: Two Year Budget Outlook



Two Year Budget Outlook
May 5, 2022

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TWO YEAR OUTLOOK

- Today: High-level overview and projection
- Look ahead to Year-End and Next Two Fiscal Years
- What is the runway for federal funds?
- How patient can WETA be with ridership and fares?
- Budget will be more detailed and numbers will likely change depending on latest information, feedback

UPDATE ON YEAR END FISCAL YEAR 2022

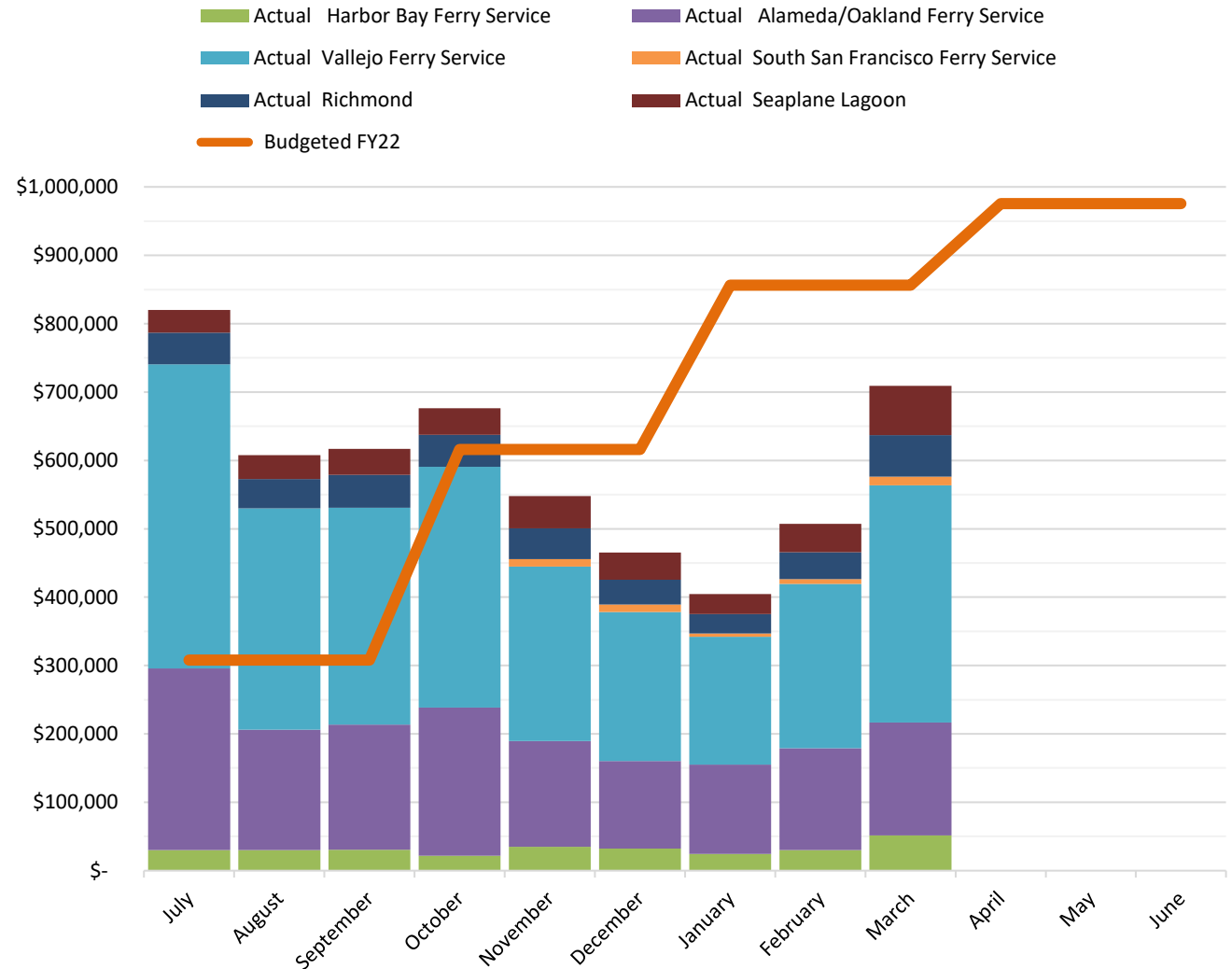
- Fiscal Year 2022 Operations + Administration Budget: \$50 million
 - \$47 million – Operations
 - \$3 million – Planning & Administration
 - Funded by Fare Revenue, RM2, Measure J, and Federal COVID Relief grants
- Budget assumptions were best as they could have been given impacts of variants and unexpected inflation
- Reasons for hope: Return to Ridership on system outpacing peers due to pandemic fare recovery program
- Uncertainty Remains: Recovery could take a number of years and started much later than anticipated

UPDATE ON YEAR END FISCAL YEAR 2022

FARE REVENUE:

Budget: \$8,268,000

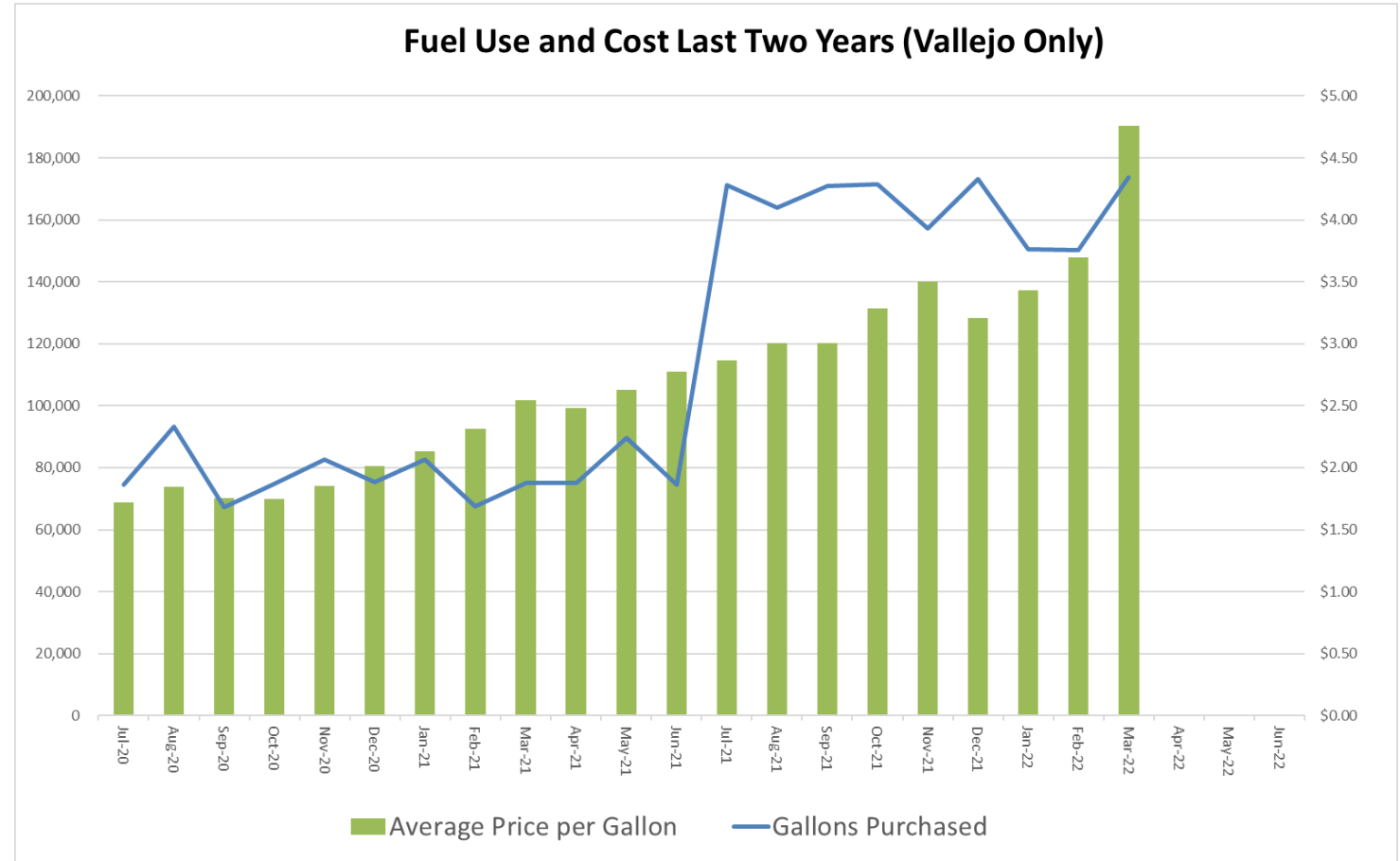
- Better than projected performance July-Oct helping to mitigate variant impacts
- Each month provides further data
- Projecting \$350,000 below budgeted amounts
- April showing continued rise, numbers could improve



UPDATE ON YEAR END FISCAL YEAR 2022

FUEL

- Budget of \$3/gallon
- Latest cost \$4.46/gallon
- Fuel consumption has exceeded projections
- Continued pressure on prices with unknown duration



UPDATE ON YEAR END FISCAL YEAR 2022

FUEL (continued)

- Budget of \$9.6 million
- Actuals through March - \$9.2 million
- Current projection - \$3.5 million over budget
- Mitigations include new ability to utilize federal funds and use of savings in other areas
- Investigating the use of fixed price contracts

UPDATE ON YEAR END FISCAL YEAR 2022

Excluding Fuel – total operating and administration costs anticipated to be within or below the total budget

- Adjustments may be needed in June between costs categories

Savings in two major areas

- Vessel operations: \$1.7 million
- Facility operations: \$807,000

In June presentation – final adjustments and appropriation for fuel costs

TWO YEAR OUTLOOK

- Difficult, if not impossible, to make long term projections in:
 - Fuel
 - Labor
 - Ridership
- New normal still undefined

TWO YEAR OUTLOOK

Revenue

	FY23	FY24
Fare Revenue	\$ 11,178,927	\$ 15,948,264
Bridge Toll Revenue (Operations & Administration)	\$ 17,550,000	\$ 19,500,000
Local - Contra Costa Measure J	\$ 3,651,300	\$ 3,651,300
Federal - COVID-19 Relief Funds	\$ 25,607,154	\$ 18,388,624
	\$ 57,987,381	\$ 57,488,188

Expense

Vessel Crew Labor	\$ 15,703,380	\$ 16,174,481
Vessel Fuel	\$ 15,540,000	\$ 13,875,000
Vessel Operations & Maintenance	\$ 5,183,850	\$ 5,313,446
Facility Operations & Maintenance	\$ 8,906,415	\$ 9,129,075
System Expense	\$ 9,322,136	\$ 9,587,838
Planning and Administration	\$ 3,331,600	\$ 3,408,347
	\$ 57,987,381	\$ 57,488,188

TWO YEAR OUTLOOK: REVENUE

Fare Revenue: Three different scenarios developed: conservative, base and optimistic

For projection, utilized base case ridership numbers

- For FY 2023, base case with ridership returning to 70% of pre-COVID results in \$11.1 million in fare revenue
- For FY 2024, base case with ridership returning to 93% of pre-COVID would generate fare revenue of \$15.9 million
- Every 5% increase results in \$560,000 in revenue in FY23
- Conservative revenue would mean \$1 million less in FY23

TWO YEAR OUTLOOK: REVENUE

Other Revenues:

Bridge Tolls:

Regional Measure 2 bridge tolls assumed to be 90% of normal amounts in FY23 and full amounts in FY24. This number could increase but will likely not decrease given bridge traffic

Regional Measure 3: No revenue assumed

Contra Costa Measure J: Held constant although will likely increase

TWO YEAR OUTLOOK: REVENUE

Federal COVID Relief

- Federal funding continues to support operations
- Current budget assumes \$3.7 million in American Rescue Plan (ARP) funding use
- Remaining ARP funds will be utilized in FY23 and FY24 to support operations
- Leaves \$3 million for FY25 at which point the funds will be exhausted

TWO YEAR OUTLOOK: EXPENSE

Labor

- For projection purposes: 3% utilized each year
- Awaiting further details on negotiations; Board direction
- Every 1% increase requires an additional \$230,000 in funding for contracted salaries
- Every 1% in WETA staff salaries results in \$35,000 in costs

TWO YEAR OUTLOOK: EXPENSE

Fuel

- For projection purposes: \$4.20 for FY23; \$3.75 for FY24
- Based on several more months of high costs with relief occurring in the fall
- Each \$.25 increase in costs increase costs by \$925,000 annually
- Working on minimizing current year impact as well as savings options in the future

TWO YEAR OUTLOOK: EXPENSE

Other Non-Salary Costs

Costs escalated by 5% in FY23; 2.5% in FY24

- Less subject to extreme volatility, fuel and labor costs capturing most of inputs
- Every 1% increase raises costs by \$184,000

Budget will be based on detailed analysis within each cost category

TWO YEAR OUTLOOK: RESERVES

RESERVES

- “Fund balance”, Local Agency Investment Fund (LAIF): \$11 million
- State Transit Assistance: \$12 million as of Fiscal Year 2023
- RM1 program : \$23 million however \$14 million needed for capital projects in the next three years
- LAIF balance one-time resource
- STA and RM1 replenish over time

TWO YEAR OUTLOOK

Summary: Difficult to project anything due to fuel, labor uncertainty

- Runway is two years, knowing what we know today
- Budget proposal will be the result of analysis at a more detailed level
- Budget work ongoing until June meeting
- Recommend review of assumption vs. reality at the 6-month mark