Presentations for May 5, 2022 Board of Directors Meeting
Item 10: Two Year Budget Outlook
Two Year Budget Outlook
May 5, 2022

WETA

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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 that 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

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY23</th>
<th>FY24</th>
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<tbody>
<tr>
<td>Fare Revenue</td>
<td>$11,178,927</td>
<td>$15,948,264</td>
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<tr>
<td>Bridge Toll Revenue (Operations &amp; Administration)</td>
<td>$17,550,000</td>
<td>$19,500,000</td>
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<tr>
<td>Local - Contra Costa Measure J</td>
<td>$3,651,300</td>
<td>$3,651,300</td>
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<tr>
<td>Federal - COVID-19 Relief Funds</td>
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<tr>
<td></td>
<td><strong>$ 57,987,381</strong></td>
<td><strong>$ 57,488,188</strong></td>
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<table>
<thead>
<tr>
<th>Expense</th>
<th>FY23</th>
<th>FY24</th>
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</thead>
<tbody>
<tr>
<td>Vessel Crew Labor</td>
<td>$15,703,380</td>
<td>$16,174,481</td>
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<tr>
<td>Vessel Fuel</td>
<td>$15,540,000</td>
<td>$13,875,000</td>
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<td>Vessel Operations &amp; Maintenance</td>
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<td>Facility Operations &amp; Maintenance</td>
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<td>System Expense</td>
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<td>Planning and Administration</td>
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<td>$3,408,347</td>
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<td></td>
<td><strong>$ 57,987,381</strong></td>
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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