



Municipal Transportation Agency



DATE: February 1, 2005

TO: MTA Board of Directors
Cleopatra Vaughns, Chair
Michael Kasolas, Vice Chair
Shirley Breyer Black, Director
Wil Din, Director
Rev. Dr. James McCray, Jr., Director
Peter Mezey, Director

FROM: Michael T. Burns
Director of Transportation

RE: Proposed FY06 MTA Budget

Transmitted for your review is the Proposed FY06 MTA Budget. It presents first look at an unbalanced FY06 budget for Muni and DPT. It is preliminary because it has incomplete information which will be updated in the budget to be presented to the Board for adoption at the February 28, 2005, meeting. These incomplete elements are discussed in greater detail towards the end of the report.

The Proposed FY06 MTA Budget was built without incorporating any of the possible options for increasing revenues or decreasing expenditures, pending further direction from the Board.

FY06 MTA Overview

The proposed FY06 MTA budget currently shows a \$55 million deficit. This is composed of a \$52.5 million deficit for Muni and a \$2.5 deficit for DPT.

Muni Overview

Muni's deficit is a result of the following:

- The elimination of one-time revenues in the FY05 budget, totaling \$24.9 million (\$11.2 million in federal funding, \$12.5 million in Breda funding, and fund balance of \$1.1 million). These are offset to some extent by increases in other revenues, resulting in FY06 projected revenue decreases of \$17.3 million.
- The non-implementation of service cuts in FY05, resulting in \$7.0 million that needs to be added back to the budget.
- Salary costs of increasing by \$13.5 million due to mandated salary increases as a result of negotiated Memoranda of Understanding (MOUs) and the historical under-funding of the Platform budget.
- Increasing benefit costs of \$6.9 million.

- Increasing retirement costs of \$7.3 million.
- \$3.0 million for the startup of operations on 3rd Street
- An additional \$0.5 million in Paratransit funding to cover the ending of the taxi company subsidy
- A \$3.7 million increase in fuel costs
- A reduction in our recovery from grants of \$1.0 million, and a \$1.0 million repayment to the Breda funds for operating use in the FY05 budget.

These increases are offset by the following reductions in expenditures:

- Elimination of \$6.2 million in capital spending.
- The elimination of the \$2.6 million transfer to DPT

DPT Overview

DPT's revenues are projected to go down by \$3.6 million in FY06. This is largely the result of the elimination of the \$2.6 million transfer from Muni and an anticipated reduction in the general fund transfer of \$0.6 million. The remaining \$0.4 million is the result of decrease revenues in fines, forfeitures and penalties and rents and concessions, offset by increases in charges for service.

Incomplete Elements

The elements discussed below are incomplete primarily because the timing of the MTA budget is early compared to the budget development of many agencies that provide support information to MTA, including the Metropolitan Transportation Commission (MTC) and the City of San Francisco.

Revenues

Revenues will need to be refined for the final version of the proposed budget. FY05 actuals will help inform projections for fares and parking revenue. They will also help to better predict sales tax growth, which affects a number of Muni's revenue sources, including the General Fund Transfer.

Expenditures

On the expenditure side, adjustments to work orders and rents and leases will need to be made based upon discussions with other departments and lease negotiations. For positions, reclassifications and transfers have not yet been included in the budget. These will be discussed in greater detail in a staff report for the February 15, 2005, meeting.

Projects

There are certain projects that may affect the MTA budget, including a new tow contract and handheld ticket writers.

Cost Recovery/Overhead/Allocated Charges

Once the figures in the proposed budget have been finalized, these may need to be adjusted to reflect the new numbers.

MTA Reorganization

As the Board is aware, the Agency is currently undergoing a reorganization to better integrate DPT and Muni functions under the MTA umbrella. This reorganization, however, has not been reflected in the proposed budget. Because the reorganization is still in process, it seemed premature to build it into the structure of the budget. However, any changes that occur during FY06 will be reflected in the FY07 budget.