T2050 Long Range Projection Methodology 1-Pager

Base Capital Revenue

The Base Capital Revenue projects are based principally off of the 5-year CIP Revenue Projections, created for the FY21-25 CIP and the FY23-27 CIP. For the majority of funds, the average annual funding from FY21-27 has been simply pulled out to the 2050, in alignment with their typical funding cycles. Depending on the fund, an inflation factor has been applied to the FY21-27 Average Annual. The inflation factor used is the 10-year CPI-U for San Francisco, which is currently 2.93%. For major grants, which may not be projected in the CIP, conservative projections are added to account for likely future grants.

Capital Needs and Scenarios

The T2050 Base Capital Needs are based principally off of the 20-year 2021 Capital Needs developed in Fall of 2020. The Capital Needs represent unconstrained capital projects to fulfill the agency's vision and eliminate the asset backlog. The 20-year needs assume the asset backlog is eliminated in within the first 20-years. Beyond 2041, programmatic needs in the 20-year needs were continued and the asset backlog is assumed to be eliminated. Within potential policy scenarios, priorities are made within the full bucket of needs.

- *The Balanced Scenario* assumes asset maintenance investment equal to recent averages, ~$234 million annually. Any additional asset replacement needed is therefore deferred and contributes to unmet need. The remaining funding is anticipated to be spent across a variety of priorities, similar to current budgeting.
- *The Focus on State of Good Repair Scenario* assumes all capital revenues are put to needs identified as contributing to the More Maintenance and Repairs policy first and any other policy priorities are only filled if there are surplus revenues.
- *The SF Vision Scenario* assumes all Capital Needs are met across all policy areas for the 30-years.

Operating Base Revenue and Expenditure

The Operating Base Revenues and Expenditures are based principally on the draft 5-year financial plan update for the upcoming 2-year budget. These expenditures and revenues are projected out the 30-year period by assuming the growth in the 5th year continues unabated.

Operating Needs and Scenarios

While Capital allows current funds to be reprioritized, it is not possible to reprioritize much of the operating budget, which supports ongoing services and maintenance. Therefore, each operating scenario represents additional need, beyond the current revenues.

- *The Balanced Scenario* assumes continued expenditure equivalent to the budgeted and projected amounts in FY23-FY27 to generally continue, with associated cost escalation. However, as expenditures are growing at a faster rate than revenues, there is a delta even without making major policy changes.
- *The Focus on State of Good Repair Scenario* assumes the getting to zero backlog requires a correlating increase in maintenance budgets. It accounts for additional growth to

maintenance staff and shop resources for the first 7- years, after which costs grow at the same rate as baseline.

- *The SF Vision Scenario* assumes that all of the capital needs will be implemented and the operating budget will be impacted. In addition to costing for More Maintenance and Repairs, this scenario assumes every new asset will also grow the need for maintenance resources. Finally, it assumes a 20% transit service increase, principally across motorcoach, trolley coach and Light Rail. The first increment of this transit service increase is anticipated to be borne more by existing staff and resources, with additional increments requiring additional staffing, maintenance and facilities resources.