COVID-19 Forecast and FY 2021 Budget Development

Board of Directors Meeting – Item 6
April 10, 2020

Presented by
Ray Major, Chief Economist
Andre Douzdjian, Chief Financial Officer
Dynamic forecasts in these times of uncertainty

- Unprecedented Times, Unrecognizable data
- Man-made disruption leading to an economic recession
- Three Critical Factors, all unknown at this time
  - Length of the disruption
  - Depth (severity) of the impending recession
  - Shape of the recovery curve
- Developed Scenarios, not a point forecast
- Multiple Scenarios define a range of possible outcomes
Goldman Sachs forecasts that U.S. GDP will contract by -24% in Q2, followed by +12% growth in Q3.

Source: Commerce Department, Goldman Sachs via Washington Post.
Figures are quarter-on-quarter annualized growth rates.
Impact of Recessions on TransNet Revenue

(year of collection dollars)

Fiscal Year

Million


1991 recession

1991 recession

“Mild” Recession

“Mild” Recession

4 years to recover

2001 recession

2001 recession

“Severe” Recession

Great recession

6 1/2 years to recover

Great recession

“Severe” Recession

$100 $150 $200 $250 $300 $350

$100 $150 $200 $250 $300 $350

SANDAG
## Estimates of COVID-19 Impact on Sales by Sector

<table>
<thead>
<tr>
<th>Industry</th>
<th>As of 03-27-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td></td>
</tr>
<tr>
<td>Apparel</td>
<td>-75%</td>
</tr>
<tr>
<td>Department Stores</td>
<td>-50%</td>
</tr>
<tr>
<td>Furniture/Appliance</td>
<td>-50%</td>
</tr>
<tr>
<td>Drug Stores</td>
<td>+20%</td>
</tr>
<tr>
<td>Recreation Products</td>
<td>-80%</td>
</tr>
<tr>
<td>Florist/Nursery</td>
<td>-50%</td>
</tr>
<tr>
<td>Misc. Retail</td>
<td>+20%</td>
</tr>
<tr>
<td><strong>Food Products</strong></td>
<td></td>
</tr>
<tr>
<td>Food Markets</td>
<td>+30%</td>
</tr>
<tr>
<td>Restaurants</td>
<td>-75%</td>
</tr>
<tr>
<td>Liquor Stores</td>
<td>+20%</td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
</tr>
<tr>
<td>Auto Parts/Repair</td>
<td>-50%</td>
</tr>
<tr>
<td>Auto Sales New</td>
<td>-75%</td>
</tr>
<tr>
<td>Auto Sales Used</td>
<td>-75%</td>
</tr>
<tr>
<td>Service Stations</td>
<td>-65%</td>
</tr>
<tr>
<td>Misc. Vehicle Sales</td>
<td>-80%</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
</tr>
<tr>
<td>Materials Wholesale</td>
<td>-50%</td>
</tr>
<tr>
<td>Materials Retail</td>
<td>-30%</td>
</tr>
<tr>
<td>Business to Business</td>
<td>-50%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Data as of 03-27-20*
COVID-19 Impact on Taxable Retail Sales
(San Diego Region)

Bilions

- $110.8 Billion (5MLU)
- $36.5 Billion (3MU)
- $15.9 Billion (3MVL)
- $10.1 Billion (2MV)

Historical data
Moderate V, 2 Months
Moderate V-long 3 Months
Moderate U, 4 Moths
Great recession, 5 months

$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$
COVID-19 Revised TransNet Revenue Forecasts

- **Pre COVID-19 Forecast**
- **COVID only 2(V) ($28m loss)**
- **Moderate 2M(V) ($52m loss)**
- **Severe 3S(U) ($203m loss)**
- **Great Recession 5S(UL) ($569m loss)**
- **Great Depression ($1.2B loss)**
Independent GDP Forecast applied to TransNet Revenues

Pre COVID-19 Forecast

Fiscal Year


Pre COVID-19 Forecast

Oxford Economics 3/20
IHS 3/20
UCLA 3/12
Moodys 3/27
Wells Fargo 3/27
Goldman Sachs 3/20
Deloitte 3/27
Goldman Sachs 3/31
SANDAG Mar 27
SANDAG Mar 27

Moderate 2M(V) ($52m loss)

Moderate 2M(VL) ($65m loss)
COVID-19 Revised *TransNet* Revenue Forecast

2-month disruption (mid-March to mid-May) “V” shape recovery*

*For illustrative purposes only.* Due to volatility and seasonality, SANDAG does not forecast Sales Tax revenue monthly.

**Updated as of 04-03-20 and subject to change**
<table>
<thead>
<tr>
<th>Scenario (Recession) Type and Recovery</th>
<th>Back to Baseline</th>
<th>Scenario Name</th>
<th>Length of Disruption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2 months</td>
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<tr>
<td>Disruption from March 15 to:</td>
<td></td>
<td></td>
<td>2 months</td>
</tr>
<tr>
<td>COVID only (V) FY 2021</td>
<td>A</td>
<td>May 15</td>
<td>-$28.0m</td>
</tr>
<tr>
<td>Mild (V) FY 2021</td>
<td>B</td>
<td>June 15</td>
<td>-$40.0m</td>
</tr>
<tr>
<td>Moderate (V) FY 2022</td>
<td>C</td>
<td>July 15</td>
<td>-$51.9m</td>
</tr>
<tr>
<td>Moderate (V-Long) FY 2023</td>
<td>D</td>
<td>Aug 15</td>
<td>-$68.8m</td>
</tr>
<tr>
<td>Moderate (U) FY 2027</td>
<td>E</td>
<td>Sept 15</td>
<td>-$174.4m</td>
</tr>
<tr>
<td>Severe (V) FY 2022</td>
<td>F</td>
<td></td>
<td>-$79.6m</td>
</tr>
<tr>
<td>Severe (U) FY 2026</td>
<td>G</td>
<td></td>
<td>-$191.5m</td>
</tr>
<tr>
<td>Severe (Great Recession [U-Long]) FY 2030</td>
<td>H</td>
<td></td>
<td>-$534.8m</td>
</tr>
</tbody>
</table>

2.5% 5% 10% 12.5% 15%

Lower Probability  Higher Probability
# COVID-19 REVISED TransNet Revenue Forecast Scenarios (two-month Disruption)

Fiscal Year (FY) and Calendar Year (CY) Revenue comparison in millions

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>C 2M(V) Back to baseline FY 2022</th>
<th>D 3M(VL) Back to baseline FY 2023</th>
<th>C 3M(V) Back to baseline FY 2022</th>
<th>E 3M(U) Back to baseline FY 2027</th>
<th>E 4M(U) Back to baseline FY 2027</th>
<th>D 4M(VL) Back to baseline FY 2023</th>
<th>H 5S(UL) Back to baseline FY 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2020</strong> July ‘19 – June ‘20</td>
<td><strong>$319.1</strong></td>
<td><strong>$297.5</strong> -21.6 -6.8%</td>
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<td></td>
</tr>
<tr>
<td><strong>FY 2021</strong> July ‘20 – June ‘21</td>
<td><strong>$328.7</strong></td>
<td><strong>$298.4</strong> -30.3 -9.2%</td>
<td><strong>$285.7</strong> -43.0 -13.2%</td>
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<td><strong>$272.3</strong> -56.5 -17.1%</td>
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<td><strong>$367.1</strong> -92.0 -28.0%</td>
<td></td>
</tr>
<tr>
<td><strong>FY 2022</strong> July ‘21 – June ‘22</td>
<td><strong>$339.7</strong></td>
<td><strong>$339.7</strong> -0 -0%</td>
<td><strong>$322.7</strong> -17 -5%</td>
<td><strong>$339.7</strong> -0 -0%</td>
<td><strong>$302.30</strong> -37 -11%</td>
<td><strong>$302.30</strong> -37 -11%</td>
<td><strong>$322.7</strong> -17 -5%</td>
<td><strong>$275.1</strong> -64.5 -19%</td>
</tr>
<tr>
<td><strong>CY 2020</strong> Jan – Dec ‘20</td>
<td><strong>$324.0</strong></td>
<td><strong>$287.2</strong> -36.8 -11.4%</td>
<td><strong>$280.8</strong> -43.2 -13.3%</td>
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<td><strong>$274.1</strong> -49.8 -15.4%</td>
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<td><strong>$256.3</strong> -78.3 -20.9%</td>
</tr>
<tr>
<td><strong>CY 2021</strong> Jan – Dec ‘21</td>
<td><strong>$333.7</strong></td>
<td><strong>$318.5</strong> -15.2 -4.5%</td>
<td><strong>$303.7</strong> -30.0 -9%</td>
<td><strong>$312.2</strong> -21.5 -6.5%</td>
<td><strong>$293.5</strong> -40.5 -12.2%</td>
<td><strong>$286.8</strong> -46.9 -14.0%</td>
<td><strong>$297.0</strong> -36.7 -11.0%</td>
<td><strong>$255.4</strong> -65.7 -23.5%</td>
</tr>
<tr>
<td><strong>CY 2022</strong> Jan – Dec ‘22</td>
<td><strong>$345.0</strong></td>
<td><strong>$345.0</strong> -0 -0%</td>
<td><strong>$336.5</strong> -8.5 -2.5%</td>
<td><strong>$345.0</strong> -0 -0%</td>
<td><strong>$303.5</strong> -41.5 -12%</td>
<td><strong>$303.5</strong> -41.5 -12%</td>
<td><strong>$336.5</strong> -8.5 -2.5%</td>
<td><strong>$279.4</strong> -65.7 -19%</td>
</tr>
<tr>
<td><strong>Total Loss</strong></td>
<td>-</td>
<td>-51.9</td>
<td>-81.6</td>
<td>-64.6</td>
<td>-187.2</td>
<td>-200.6</td>
<td>-95.0</td>
<td>-568.7</td>
</tr>
</tbody>
</table>
Next Steps

Update all Federal/State/Local funding sources
Incorporate Federal and State stimulus funds
Re-evaluate agency priorities, redefine project scopes
Many cost cutting measures, including reduced use of consultants
Staff reduction by 10% by attrition and hiring freeze, eliminate merits and salary range increases
FY Budget Next Steps

May 8, 2020: Board of Directors
- Review proposed Draft FY 2021 Program Budget

June 12, 2020: Board of Directors
- Review and adopt proposed Final FY 2021 Program Budget

Quarterly Budget Updates: Board of Directors
- Review and potentially amend Final FY 2021 Program Budget