

**Bay Area Infrastructure Financing Authority
(BAIFA)**

June 26, 2024

Agenda Item 5a - 24-0723

**Bay Area Infrastructure Financing Authority (BAIFA) Resolution No. 54
Fiscal Year (FY) 2024-25 Operating and Capital Budgets**

Subject:

A request for Authority approval of BAIFA Resolution No. 54 authorizing the FY 2024-25 Operating and Capital Budgets. The proposed BAIFA operating budget includes total operating revenue of \$83.6 million and total operating expenses of \$37.2 million before transfers. The proposed FY 2024-25 BAIFA Capital Budget increases the BAIFA Express Lanes Capital Development Program Budget by \$3.7 million and the BAIFA Express Lanes Rehabilitation Program Budget by \$34.3 million.

Summary of Changes from May Draft:

On May 22, 2024, staff presented the draft FY 2024-25 Operating and Capital Budgets to the Authority. The proposed budget includes updated cost-of-living adjustment, benefits rate and indirect cost rate. These updates resulted in a \$159 thousand increase in operating expenses. The proposed budget also includes a \$240 thousand increase to the transfer for implementation of the Metropolitan Transportation Commission's (MTC) new Enterprise Resource Planning system (ERP) project. These changes result in a reduction to the total operating surplus of \$412 thousand.

The proposed budget also adds a transfer to the board-designated reserves of \$77.6 million, pursuant to BAIFA's reserves policy. This transfer reduces the budgeted ending balance from \$106 million to \$29 million and partially funds board designated reserves as discussed below.

Background:

BAIFA operates Metropolitan Transportation Commission’s express lanes (EL), on the Interstate 680 (I-680 EL) and the Interstate 880 (I-880 EL), and the related transportation projects. The I-680 EL in Contra Costa County spans 37 lane miles of express lanes from Martinez to San Ramon. The I-880 EL in Alameda County spans 46 lane miles of express lanes between Oakland and Milpitas. BAIFA express lanes are under construction on 36 lane miles of Interstate 80 in Solano County; and are projected to start tolling operations in FY 2025-26, and will be reflected in future year BAIFA operating budgets. Toll revenue is collected using FasTrak® which is the electronic toll payment system used at the Bay Area’s eight toll bridges and on the express lanes. BAIFA also provides operations and maintenance services on the San Mateo 101 Express Lanes (SM 101 EL) under a cooperative agreement between BAIFA and the San Mateo County Express Lanes Joint Powers Authority (SMCELJPA). BAIFA’s expenses are reimbursed by the SMCELJPA.

The I-680 EL and the I-880 EL corridors continue to experience strong traffic volume in FY 2023-24, exceeding their prior year paid traffic, quarter to quarter on the average 4% and 2%, respectively. The table below shows annual average monthly paid traffic in thousands.

| EL | Fiscal Year | Full Year | First 9 mos. |
|-------|-------------|-----------|--------------|
| I-880 | FY 2020-21 | N/A | 596 |
| | FY 2021-22 | 727 | 722 |
| | FY 2022-23 | 680 | 671 |
| | FY 2023-24 | - | 686 |
| I-680 | FY 2017-18 | N/A | 423 |
| | FY 2018-19 | 377 | 373 |
| | FY 2019-20 | 274 | 352 |
| | FY 2020-21 | 230 | 211 |
| | FY 2021-22 | 368 | 362 |
| | FY 2022 3 | 378 | 373 |
| | FY 2023-24 | - | 388 |

Operating Budget:

Budgeted total FY 2024-25 revenue for all express lanes operations is \$83.6 million with total operating expenses before transfer of \$37.2 million.

Both the I-680 EL and the I-880 EL have generated strong revenue in FY 2023-24. FY 2023-24 yearend estimated toll revenue will be 11% higher than the budget. The assumption for FY2024-25 includes a 2.5% increase in total EL toll revenue or approximately \$6.6 million compared to the FY 2023-24 approved budget. This is consistent with BAIFA's 10-Year Financial Plan adopted earlier this year. Violation revenue estimates are based on the revised penalty structure of \$10 for the first notice plus \$20 for the second notice, which was lowered in 2022. Interest earnings are projected to increase to \$6.4 million due to higher interest rates.

FasTrak[®] operating and maintenance (O&M) expenses are estimated to increase due to escalation in contractual services and due to costs associated with more trip transactions including toll collection fees, banking, and credit card fees. The budgeted fees for DMV holds and for the collection agency are kept flat. The express lanes O&M expenses, which rose in FY 2023-24 in anticipation of a new contractor procurement for roadway maintenance, are reduced in FY 2024-25 to reflect the actual bid that was received. In FY 2023-24, there was relatively little actual maintenance work completed as of mid-year. The San Mateo 101 EL will also incur lower roadway maintenance costs. The main reasons for higher administration costs are increased staff costs and the reassignment of an existing advisor contract from the capital to the operating budget.

The I-680 EL has a projected surplus before transfers of \$5.6 million and the projected operating surplus before transfers for the I-880 EL is \$40.8 million. Total operating surplus before transfers is \$46.4 million. The budget includes transfers from both corridors to the capital development and rehabilitation programs totaling \$38.0 million and transfers to MTC of \$1.3 million for consultant project costs and new Enterprise Resource Planning (ERP) program implementation costs. Transfers to the O&M, capital and emergency reserves total \$77.6 million. These result in net transfer from the operating reserve of \$70.5 million.

BAIFA has a cooperative agreement with the San Mateo County Express Lanes Joint Powers Authority (SMCELJPA) for BAIFA to manage the tolling system on SM 101 EL and SMCELJPA to reimburse the associated operating expenses to BAIFA. There will be \$7.1 million of reimbursement revenue budget with equivalent operating expenses associated in

managing the express lanes. This budget is 15% lower than the previous year budget due to reduction in roadway maintenance cost. This portion of the budget is self-balancing, as BAIFA is fully reimbursed for its costs associated with the SM 101 EL.

The budget is summarized below (in thousands).

| | <u>FY 2023-24</u> Amendment No. 1 | <u>FY 2024-25</u> Budget |
|----------------------------|--------------------------------------|-----------------------------|
| Toll Revenue | | |
| I-680 | \$12,452 | \$14,156 |
| I-880 | 46,653 | 51,557 |
| Violation\Other | | |
| I-680 | 2,100 | 1,978 |
| I-880 | 5,470 | 2,424 |
| Interest | 3,715 | 6,452 |
| SM 101 | <u>8,327</u> | <u>7,064</u> |
| Total Revenue | \$78,717 | \$83,631 |
| Operating Expenses | | |
| FasTrak | \$11,343 | \$11,808 |
| EL Operations | 13,349 | 12,474 |
| Administration | 4,139 | 5,857 |
| SM 101 | <u>8,327</u> | <u>7,064</u> |
| Total Expenses | <u>\$37,158</u> | <u>\$37,203</u> |
| Operating Surplus | \$41,559 | \$46,429 |
| Transfers | | |
| MTC | 344 | 1,326 |
| Capital & Rehab | 26,073 | 38,031 |
| Reserves | 15,000 | 77,600 |
| Total Surplus (Shortfall)* | \$ 143 | (\$70,528) |

*Net Transfer from Reserve

Capital Programs:

Express Lanes Development Program

BAIFA maintains its 14 capital projects with a life-to-date budget of approximately \$483 million. Additional costs for FY 2024-25 will be \$3.7 million to include \$1.8 million in consultant and staff costs for the Means-Based Toll Discount program, Express Lanes START, and \$1.9 million additional funding for the program advisor contract which provides technical

expertise to support the implementation of the EL development program. These capital expenses are funded from the estimated EL operating surplus. A complete list of the BAIFA capital program is attached. (Attachment B).

Rehabilitation Program

The BAIFA Rehabilitation Program (Rehab) provides long-term maintenance and repair of the toll system for existing and upcoming express lanes. An additional budget of \$34.3 million will be added in the FY 2024-24 BAIFA Rehab budget for the next generation toll host system upgrade, express lane pavement rehabilitation, and backhaul core maintenance. The total life-to-date budget is \$69.7 million. A complete list is attached to the budget schedule (Attachment C).

Operating and Capital Reserves:

Statute requires that “net revenue” be restricted to uses in the respective express lane corridors. However, before net revenue is determined, there is provision for eligible expenses such as debt service, reserves for future operations and maintenance, rehabilitation improvements, and further development of the network.

In March 2024, the Authority approved Resolution No. 53 adopting the reserves policy for BAIFA. The policy creates three reserves: Operations & Maintenance (O&M) reserve, the Emergency reserve and the Capital Repair & Replacement (R&R) reserve. As of FY 2023-24, the Authority has set aside \$30 million for the Capital R&R reserve. The proposed budget recommends a transfer of \$77.6 million from operating balance accumulated to date to fund reserves as follows: (1) \$22.6 million to fully fund O&M reserve, (2) \$25 million to fully fund Emergency reserve, and (3) \$30 million to increase the Capital R&R reserve to \$60 million. Attachment D describes the fund reserve designations and proposed funding levels for FY 2024-25.

Recommendations:

Staff recommends approval of Resolution No. 54 authorizing the BAIFA FY 2024-25 Operating and Capital Budgets.

Attachments:

- BAIFA Resolution No. 54 FY 2024-25 Operating and Capital Budgets



Alix A. Bockelman