

# Bay Area Toll Authority

May 24, 2023

Agenda Item 5a - 23-0684

## Draft Bay Area Toll Authority (BATA) Fiscal Year (FY) 2023-24 Operating and Capital Budgets

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### **Subject:**

An informational presentation of the Draft BATA FY 2023-24 Operating and Capital Budgets. The BATA operating budget is balanced as presented. Total operating revenue is budgeted at \$1,070 million, including \$894 million of general toll revenue. Total operating expense and transfers are \$1,040 million. The operating surplus of \$30 million will be transferred to the operating reserve. The FY2023-24 BATA Rehabilitation Program budget is \$185 million.

### **Background:**

The Bay Area Toll Authority manages the toll revenues collected from the Bay Area's seven bridges owned by the California Department of Transportation (Caltrans) and the expenses of operating and maintaining the bridges, regular rehabilitation of the bridges, and debt service costs associated with the bridge system. BATA also manages FasTrak<sup>®</sup>, which is the electronic toll payment system at the bridges and express lanes in the Bay Area. Caltrans is responsible for the operation and maintenance of these bridges.

BATA has continued to manage through several significant issues during FY 2022-23, including:

- Completion of refunding a portion of toll violation penalties accrued between January and November 2021
- Development of a low-income payment plan for tolls (effective July 1, 2023)
- Development of an approach for resumption of sending accounts with unpaid tolls and violations to DMV for registration hold
- Bridge traffic is more stable but still significantly reduced from FY 2018-19 totals

The conversion from cash toll/electronic toll collection to all electronic collection continues to present revenue collection challenges. Even though we continue to improve billing and collections

processes, the current system does not provide the same degree of revenue assurance as did cash collections.

Notably, the litigation of Regional Measure 3 was successfully resolved this winter with the California Supreme Court’s dismissal of the case. With this dismissal, the BATA Board acted on March 22, 2023 to dissolve the RM3 escrow, and BATA will begin funding both operating and capital projects associated with the measure, as approved by MTC’s Programming and Allocations Committee.

FY 2022-23 yearend estimate of paid traffic still trends below pre-pandemic levels at 90% of FY 2018-19 paid traffic. However, FY 2022-23 yearend estimate of toll revenues will be at similar level as pre-pandemic level due to the full-year collection of the Regional Measure 3 (RM3) two dollar toll. We anticipate that FY 2023-24 will be the fifth straight year paid traffic will be below the FY 2018-19 total. Hence, FY 2023-24 projected toll revenue is kept at the FY 2022-23 budget level but RM3 money is now free to be used for operating and capital program expenses.

	Paid Traffic	Toll Revenue
FY 2018-19	138M	\$828M
FY 2023-24 (budget)	124M	\$894M

The remaining question is if and when the traffic and revenue will recover to the FY 2019 level. While we had hoped that we would achieve full traffic recovery by FY 2025, this appears to be highly unlikely given the high persistence of remote work for Bay Area employees.

As has been noted in prior years, the pandemic has had negative impacts on total BATA reserves. This is a function of decreases in traffic volume, foregone revenue which “leaks” from the toll collection system with the movement to all-electronic-tolling, and costs of invoicing customers, offset partially by savings associated with the movement to all-electronic tolling. This lost revenue and increase costs have decreased the financial flexibility that BATA has traditionally enjoyed – particularly the ability to fund bridge rehabilitation from pay-as-you go sources of funding. BATA has spent over \$1 billion in the past few years on pay-as-you-go capital rehabilitation projects. Over the same period, BATA’s reserve balance dropped almost

50%. Until 2020, the reduction of the cash reserve was part of a planned drawdown of capital funds built up during the seismic retrofit program. In FY2022, we issued revenue bonds that are providing for funding of bridge rehabilitation projects in FY2023 and beyond.

**FY 2023-24 Budget:**

For development of the FY2023-24 budget staff has made the following key assumptions:

- Traffic remains at 90% of FY 2018-19 total.
- Toll revenue will be kept at a baseline which is FY 2022-23 budgeted revenue.
- The backlog of past due invoices will be addressed starting July 1.
- Minor increase to staffing level of 0.75 full-time equivalent (FTE)
- The operating surplus is estimated to be \$30 million compared to an estimated \$14 million in the FY 2022-23 budget.
- The proposed addition to the bridge rehabilitation budget is \$185 million, up by \$28 million from the FY 2022-23 budget.

The California Supreme Court dismissed the legal challenge to Senate Bill 595 and Regional Measure 3 (RM3) on January 25, 2023. Thus, RM3 revenue was released from escrow per BATA Resolution No. 170 dated March 22, 2023. The FY 2023-24 budget includes \$234 million of RM3 toll revenue. The RM3 toll revenue is and will continue to be recorded to an unrestricted fund and will be used for the respective RM3 operating and capital program expenses.

The total proposed BATA Operating Budget for FY 2023-24 is \$1,070 million in revenue with projected operating expenses of \$1,040 million, including debt service and transfers. The operating budget is balanced as presented with a projected operating surplus of \$30 million.

The proposed Bridge Rehabilitation Program Budget for FY 2023-24 is \$185 million which will be funded from reserve funds (that have been partially restored through issuance of bonds for reimbursement of prior expenditures).

**Operating Revenue:**

The FY 2023-24 paid traffic assumptions project an increase of 14.21% for 2 axle vehicles, 1% for carpool and 6% for commercial vehicles from current FY 2022-23 yearend estimates. The resulting traffic projections are approximately 90% of FY 2018-19 pre-pandemic paid traffic. The projected total FY 2023-24 toll revenue of RM1, RM2 and RM3 is \$894 million and will make BATA surpass the FY 2018-19 pre-pandemic total for the first time because of the inclusion of RM3. This projection maintains toll revenue the same as what was budgeted in FY 2022-23 as bridge traffic continues to be affected by “return-to-office” trends.

Overall operating revenue for FY 2023-24 is expected to be approximately \$1,070 million. In summary, revenue highlights include:

- Toll traffic up 13% over FY 2022-23 year-end estimate
- Toll revenue, including RM3, up 12% over FY 2022-23 year-end estimate of \$795 million but at same level as FY 2022-23 budget.
- Violation revenue estimates to a total of \$26 million, up \$8 million over FY 2022-23 year-end estimate of \$18 million but at same level as FY 2022-23 budget.
- Reimbursement revenue from other operators at \$18 million, increasing by \$2.5 million over FY 2022-23 budget

**Operating Expenses:**

Total projected FY2023-24 BATA Operating Expense, including transfers, is approximately \$1,040 million. Proposed FY 2023-24 Operating Expense before transfers is \$759 million, up \$42 million, a 5.9% increase over FY 2022-23.

Operating expenses highlights include:

- Caltrans Operations, \$12 million - Up by \$2.4 million for additions to San Francisco Bay Bridge maintenance staff and major contracts cost increases
- FasTrak Operations, \$110 million - Up by \$19 million, firstly, due to CPI increase for toll operations. Additionally, \$14 million of the increase is for additional projects including phase two of the payment development plan, eligibility, language and

- payment system enhancements, replacement of old tags, and system expansion support. The payment of DMV hold expenses for the overdue and unpaid toll revenue notices will resume in FY 2023-24 which estimates \$8.8 million of fees.
- Toll Bridge Administration, \$34 million - Down by \$1.7 million due to lower finance related costs with the elimination of RM3 escrow fees and decrease in staffing based on Department staff reallocation to other agency programs.
  - Debt Service – increase in principal payment from \$85 million in FY 2022-23 to \$116 million in FY 2023-24. FY 2022-23 was reduced by a prepayment of debt service in FY 2021-22 – the FY 2023-24 budget does not include a prepayment of debt service. Total projected interest payment for FY 2023-24 is lower by \$14 million.
  - Transfers, \$38 million - Up by \$10 million mainly due to the inclusion of the 2% administration transfer from RM3 revenue (this transfer was not being made pending resolution of the RM3 litigation). There are also increases in liability reserve because of carryover legal fees and in the BART Inspector General contract contribution.

We have suspended sending past due toll invoices to the DMV since January 2021. BATA will resume sending past due invoices to DMV beginning later in 2023. All related DMV expenses for FY 2022-23 are shown in the extraordinary operating expense line item, amounting to \$15 million. The DMV expenses fees since January 2021 to the end of FY 2021-22 for a similar amount of \$15 million that were budgeted in the prior fiscal year will be carried over to FY 2023-24.

RM2 expenses for marketing and transit operating programs are relatively stable compared to the prior year. Meanwhile, with the release of the RM3 money, there will be additional marketing, operating and project costs that will be managed through allocations.

**Bridge Rehabilitation Program:**

The Toll Bridge Rehabilitation Program has been underway, under BATA Oversight, since 2007. Over the past 16 years both Caltrans and BATA have administered bridge rehab projects (in millions).

	<u>Budget Thru</u> <u>FY 2023-24</u>	<u>Actual*</u>	<u>Balance</u>
Caltrans	\$1,152	\$ 849	\$ 303
BATA	\$ 901	\$ 594	\$ 307
	<hr/> \$2,053	<hr/> \$1,443	<hr/> \$ 610

\*as of February 2023

The proposed FY 2023-24 Toll Bridge Rehab program budget is \$185 million, up from an approved budget of \$157 million in FY 2022-23. Major components (in millions):

	<u>FY 2023-24</u>
Recurring Annual Work	\$72
Bridge Integrity	\$15
Paint	\$62
Other	\$36

BATA’s recently adopted FY 2024-33 Capital Improvement Plan (CIP) provides a baseline for the FY 2023-24 budget as it outlines BATA’s plan for funding projects to upkeep the toll bridges on a multi-year basis. There are a few notable items that increased the planned FY 2024 budget including increased cost to BASE cameras, investigations, State staff painting, the future Fastrak® Customer Service Center, and a new T-1 steel weld testing project required by the FHWA. Similar to last year, structural steel paint continues to be the largest component of the rehab budget as Caltrans prepares for the next phases of paint projects for the San Francisco-Oakland Bay Bridge West Span and Richmond-San Rafael Bridge.

The proposed budget for FY 2023-24 is \$185 million. The breakdown of Caltrans and BATA (in millions) is:

- Caltrans                      \$112
- BATA                              \$ 73

BATA projects make up 40% of the FY 2023-24 budget. Notable BATA projects included in FY 2023-24 are Open Road Tolling (ORT) and Richmond-San Rafael Forward ORT and HOVL. The complete list of proposed FY 2023-24 Bridge Rehab projects is in Attachment C.

**Capital Programs:**

Other capital projects are underway in the following programs.

	Budget	Actual*	Balance
RM2	\$1,589	\$1,543	\$46
AB1171	570	503	67
Core Capacity Challenge	250	169	81
Subtotal	\$2,409	\$2,215	\$194
Bridge Rehab	1,868	1,665	203
Total Projects	\$4,277	\$3,880	\$397

\*as of February 2023

The complete list of projects for these capital programs is included in Attachments B, D and E.

The RM3 capital program includes \$4.5 billion of projects and is included in Attachment F.

**Operating and Capital Reserve:**

Staff is not proposing any changes to the designated reserves for Fiscal Year 2023-24.

Information on these designated reserves is included in Attachment G.

**Recommendations:**

This is an information item.

**Attachments:**

- Draft BATA FY 2023-24 Operating and Capital Budgets-Attachments A,B,C,D,E,F,G
- Draft BATA FY 2023-24 Budget PowerPoint Presentation



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