



Bay Area Infrastructure Financing Authority  
Bay Area Metro Center  
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San Francisco, CA 94105  
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WEB [www.mtc.ca.gov](http://www.mtc.ca.gov)

## *Memorandum*

TO: Bay Area Infrastructure Financing Authority

DATE: February 15, 2019

FR: Executive Director

W.I.: 6840

RE: BAIFA Role in San Mateo 101 Express Lanes

In early February, San Mateo City/County Council of Governments (C/CAG) and San Mateo County Transportation Authority (SMCTA) voted to pursue an arrangement whereby the San Mateo agencies would own the San Mateo 101 Express Lanes and contract with BAIFA for the operation of the lanes. Staff recommends the Authority formally approve this arrangement and direct staff to work with C/CAG and SMCTA to take steps necessary to put this arrangement in place.

### **Background**

The San Mateo 101 Express Lanes, shown in Attachment 1, will run between I-380 and the Santa Clara County line. MTC was a partner in early studies that demonstrated the benefits of an express lane over an HOV lane. The project partners, state, regional and local agencies, and private businesses, have secured \$500 million in funding, including \$200 million from the Senate Bill 1 Solutions for Congested Corridors Program and \$95 million in Bay Area Toll Authority Bridge Toll revenue.

In January, staff provided an overview of the deliberations within San Mateo County about governance of the San Mateo 101 Express Lanes and potential roles for BAIFA. The focus of the deliberations was on ownership of the tolling equipment, signage and operations; Caltrans is the owner of the state highway on which express lanes operate. (More detail on the options may be found in the January Staff report attached to this memorandum – Attachment 2.) Authority members supported the proposed arrangement, in which BAIFA would operate the express lanes under contract with the two San Mateo agencies, and said they would like to see commitments by the agencies to: (1) work with other express lane owners toward consistent toll policy and (2) evaluate joining BAIFA at a later date so all parties would be at the same table for setting policy, thus facilitating a single set of rules for travelers. On January 25, 2019 the Ad Hoc Committee composed of SMCTA and C/CAG representatives endorsed the proposed approach, which provides San Mateo authority over policy and revenue decisions while establishing a partnership with BAIFA to operate the express lanes. As such, it bridges the divergent December actions in which SMCTA voted to retain ownership of the lanes and C/CAG voted to join BAIFA. The Ad Hoc Committee members recommended this approach to the full C/CAG and SMCTA boards.

Based on these discussions, staffs of the various agencies have summarized roles, responsibilities and terms associated with the proposed arrangement.

### **C/CAG and SMCTA will**

- Set toll policy, enforce toll violations and work with other Bay Area toll operators toward regionally consistent policies that allow seamless travel.
- Develop and implement a plan for the expenditure of toll revenue.
- Assume liability for the express lanes, and provide funding for the routine maintenance, operation, rehabilitation and replacement of express lanes infrastructure.

- Be responsible for securing funding, loans or financing for any future improvements or extensions of the express lanes.

#### BAIFA will

- Contract for the design, installation and testing of the toll system.
- Manage, through staff and contracts, all aspects of the day-to-day operation of the facility including real-time monitoring of the lanes, CHP enforcement and routine maintenance.
- Provide regular reports to C/CAG and SMCTA on express lane performance.

#### Terms

- The contract for operations would be for a set term, likely six years, with a requirement that no later than a year prior to the end of the term, the parties will evaluate whether San Mateo should join BAIFA or whether to extend or terminate the contract.
- Consistent with the SB1 application, MTC's financial contribution to construction of the project is \$95 million. Cost overruns will be covered by SMCTA and C/CAG in partnership with MTC.
- C/CAG and SMCTA will cover the costs of application to the California Transportation Commission to secure express lane authority.
- C/CAG and SMCTA will compensate BAIFA for the work described above, including BAIFA's staff time.

The proposed approach is consistent with BAIFA's main objectives: improving mobility in the corridor, and achieving consistency of express lanes operations for the region's drivers. At the same time, this approach limits BAIFA's risk since C/CAG and SMCTA would retain risks associated with ownership (e.g., cost overruns, revenue risk and liability).

#### Next Steps

SMCTA and C/CAG voted on the approach on February 7 and February 14, respectively. Staff recommends BAIFA approve the approach and direct staff to work with C/CAG and SMCTA to take steps necessary to put this arrangement in place. These steps include:

- 1) C/CAG, SMCTA and BAIFA staff will partner to secure authority for the San Mateo 101 Express Lanes from the California Transportation Commission.
- 2) C/CAG and SMCTA will form a joint powers authority.
- 3) BAIFA will enter into an agreement with the joint powers authority. Staff will return to BAIFA at a later date to seek approval to enter into the agreement.

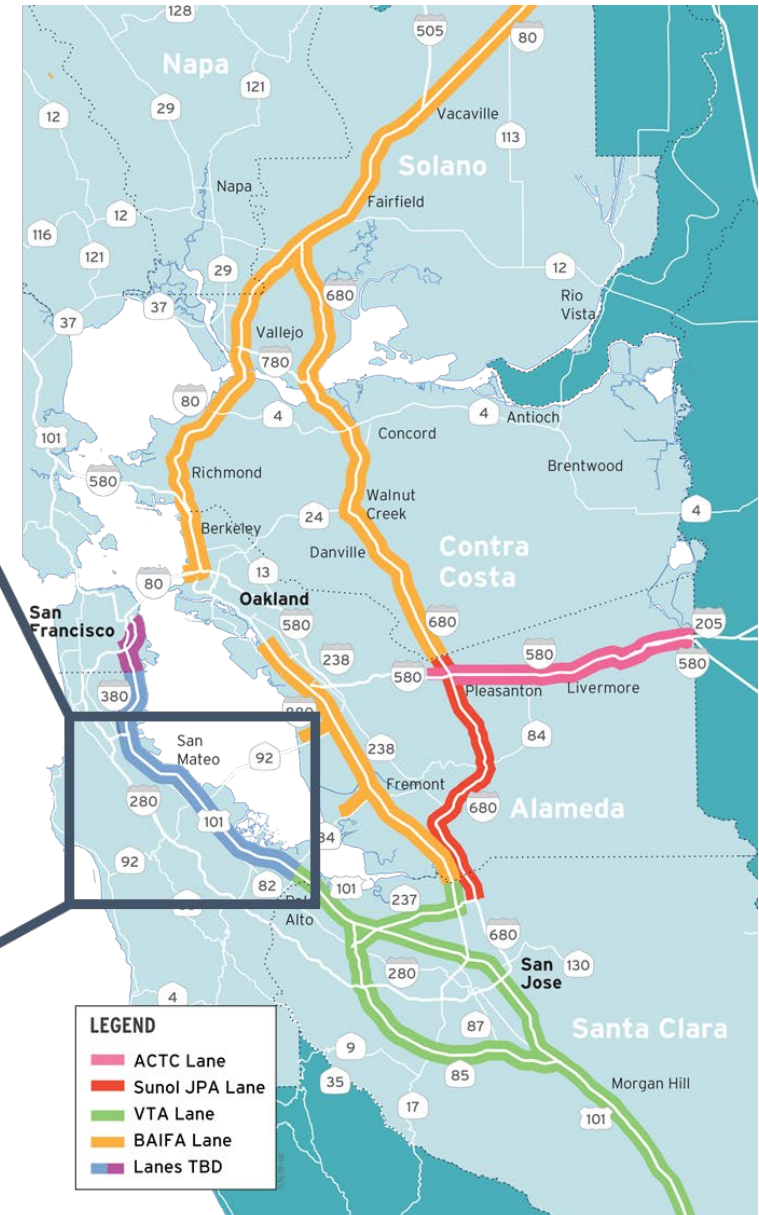
  
\_\_\_\_\_  
Steve Heminger

SH:lk  
Attachment

Attachment 1  
San Mateo 101 Express Lanes



Construction underway in 2019  
Scheduled to open in 2022







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RE: BAIFA Role in San Mateo 101 Express Lanes

The San Mateo City/County Council of Governments (C/CAG) and San Mateo Transportation Authority (SMTA) are working together to implement express lanes on US 101. Fundamental decisions yet to be made include who will own and operate the San Mateo 101 Express Lanes, and what role the Bay Area Infrastructure Financing Authority (BAIFA) could play, if any. Under state law, BATA collects all toll revenue from the state-owned bridges and the region's express lanes. Options for BAIFA involvement include:

- 1) Transferring ownership and operation of the corridor to BAIFA and expanding BAIFA to include San Mateo County, or
- 2) Designating a San Mateo County entity that would own the express lanes and contract for development and operation of the toll system with either
  - a) Valley Transportation Authority (VTA), or
  - b) BAIFA.

The San Mateo agencies need to make this decision imminently because the toll operator will need to negotiate a contract amendment with its existing toll system integrator and provide key input on the final design, which is now underway. At your January meeting, staff will provide an overview of the possible roles for BAIFA. Primary considerations for BAIFA include: ability to improve mobility in the corridor; consistency of express lanes operations for the region's drivers; and risk to BAIFA.

### **Background**

The San Mateo 101 Express Lanes will run between I-380 and the Santa Clara County line where they will adjoin the US 101/Route 85 Express Lane Connector now under construction by VTA. MTC was a partner in early studies that demonstrated the benefits of an express lane over an HOV lane. State, regional and local agencies, as well as private businesses in the corridor, have partnered to secure \$500 million to fund the project. In an acknowledgement its regional mobility benefits, the project has secured significant funding (\$200 million) from the Senate Bill 1 Solutions for Congested Corridors Program. In addition, the Bay Area Toll Authority has committed \$95 million in regional toll revenue.

In November and December 2018, SMTA and C/CAG staff presented their boards with two options for ownership and operation of the express lanes. SMTA voted to pursue the option wherein a yet-to-be-determined San Mateo County entity would own the lanes and contract with VTA for operations (Option 2a above). C/CAG voted to pursue negotiations with BAIFA to integrate the corridor and county into BAIFA, which would own and operate the lanes (Option 1) subject to certain conditions, which are described in more detail below. As a result of the split decision, the two agencies have formed an ad hoc committee to develop a common approach for approval by SMTA and C/CAG in early February. The ad hoc committee first met on January 2, 2019 and will meet again on January 25, 2019.

At the January 2 meeting ad hoc committee meeting, a member asked about a new option, in which ownership would reside with a San Mateo County entity that would contract with BAIFA for operations. BAIFA and San Mateo staff have begun exploring this new Option 2b and vetting it with BAIFA and the ad hoc committee.

## Overview of Options Involving BAIFA

### Option 1: BAIFA Owns & Operates San Mateo 101 Express Lanes

Under this option, San Mateo 101 would become another BAIFA corridor, just like I-680, I-880 and I-80. BAIFA's board would be modified to add the MTC Commissioner from San Mateo County. BAIFA would be fully responsible for the policy, gross and net revenue, costs and daily operations of the San Mateo 101 Express Lanes. BAIFA would also assume responsibility for revenue risk, future bond financing and liability. In addition, C/CAG's approval of this option set forth four conditions. BAIFA staff feel three of the four are reasonable and could be met: BAIFA would front \$50 million for construction to be paid back with future express lane toll revenue; BAIFA would describe how it would approach prioritizing extension of the lanes north of I-380; and BAIFA would allow San Mateo County to determine the use of any net toll revenue. The fourth condition is that BAIFA would cover all construction costs overruns. This poses an unreasonable risk to BAIFA since BAIFA would not be in a position to manage construction costs beyond those associated with the toll system integrator, which is BAIFA's contractor.

This option is less attractive for some in San Mateo County who fear loss of influence over toll policies that they believe will affect net revenue or who seek specificity now on policies that BAIFA has not yet adopted. Examples include the calculation and distribution of net toll revenue and accounting for future bond financing revenue and costs.


### Option 2b: San Mateo Owns the Express Lanes and Contracts with BAIFA for Operations

Under this option, San Mateo agencies would form an entity to assume ownership of the express lanes. This agency would have responsibility for toll policy as well as gross and net revenue. Revenue risk, any future bonding and liability would accrue to the owner rather than to BAIFA. The agency would contract with BAIFA, for a set term, for the toll system and the daily operation of the express lanes, including real-time monitoring of the lanes, enforcement and routine maintenance. BAIFA would provide these services through its existing contracts. The conditions under Option 1 do not apply in this case, and there would be no change to the BAIFA board.

While BAIFA and San Mateo staff are still fleshing out the details of this newly identified option, BAIFA staff believe this option poses significantly less risk to BAIFA while still allowing BAIFA to bring tools to the table to mobility in the corridor. Furthermore, staff believe this option could address STMA's concerns about Option 1 while offering the features appreciated by C/CAG. This option also provides an easier pathway if San Mateo should wish to join BAIFA in the future because it will not require a transition of the toll system or daily operations.

Both options require that BAIFA apply to the California Transportation Commission for authority for the San Mateo 101 Express Lanes, as the original application for BAIFA's network did not include this corridor.

We would appreciate any direction or guidance from the Authority in assisting San Mateo County through this governance debate.

  
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Steve Heminger

SH:lk





# BAIFA Options for San Mateo 101 Express Lanes

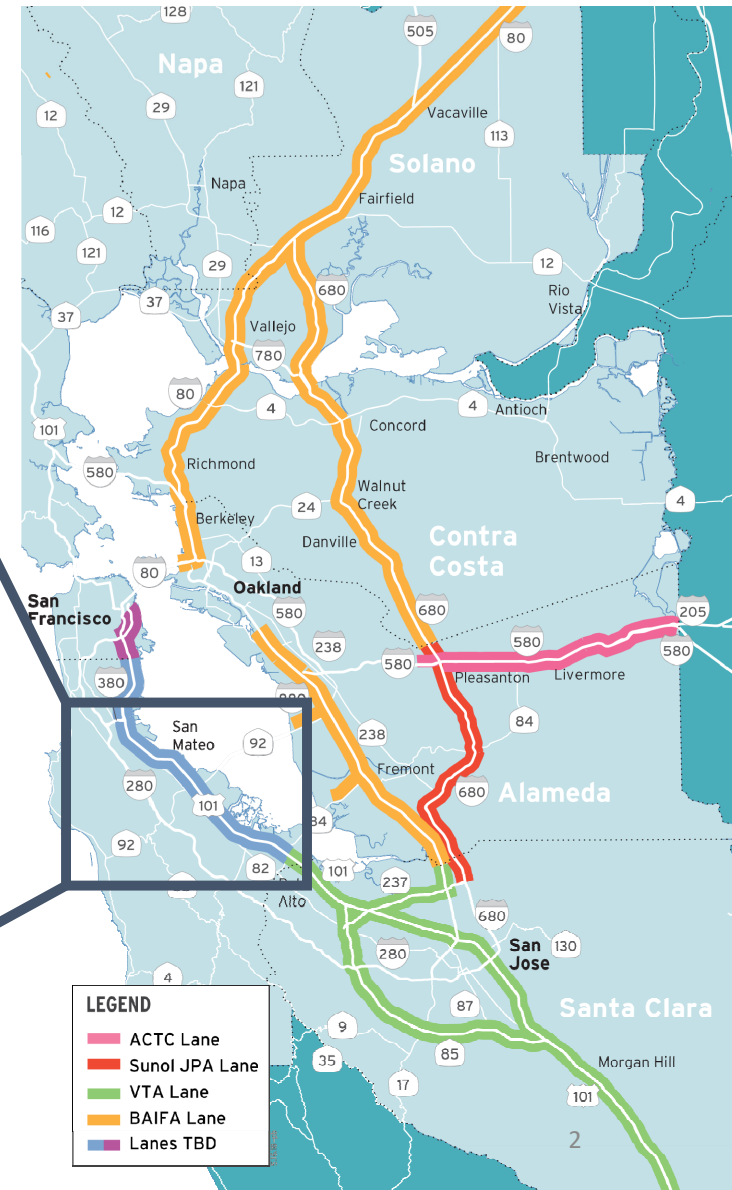
Bay Area Infrastructure Financing Authority  
January 23, 2019



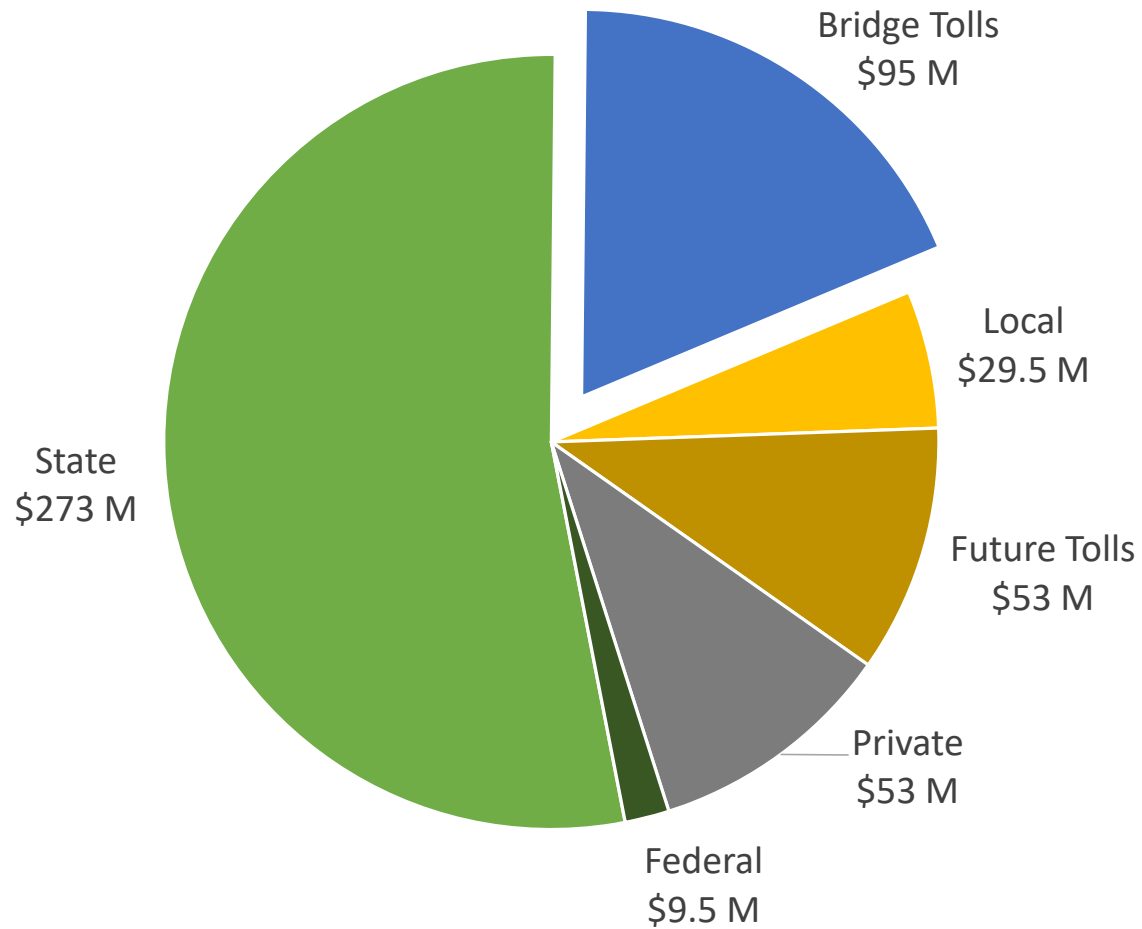
# San Mateo 101 Express Lanes



Construction underway in 2019  
Scheduled to open in 2022



# San Mateo 101 Express Lanes Funding Plan





# Options Presented to C/CAG and SMTA by San Mateo Staff

## 1. **BAIFA Owns & Operates** - Transfer ownership, provided BAIFA agrees to

- Provide up front funding (\$50M) to be paid back with future toll revenue
- Cover all cost overruns
- Commit to how it would prioritize extension north of I-380
- San Mateo will have sole discretion over net revenue

BAIFA membership would be modified to add the commissioner San Mateo County.

## 2. **San Mateo Owns and Contracts for Operations**

- a) with VTA
- b) NEW OPTION - with BAIFA

San Mateo agencies would need to define a governance structure for owning the lanes.



# Toll Policies Similar Under Both BAIFA Options



## HOV Occupancy



## Tolling objective

Max Throughput (price for 45 mph)  
vs.  
Max Revenue (price for higher speeds -  
fewer users & higher tolls)



## Discounts

HOV-2, clean air vehicles



## Hours of operation

VTA	Alameda CTC	BAIFA (Option 1)	San Mateo (Option 2b)
Set by Caltrans HOV-3 in the ring around the bay (101, 880, 237) HOV-2 elsewhere			
Max throughput	Max throughput	Max throughput	Max throughput?
50%	50%	50%	50%?
Set by Caltrans 5 AM – 8 PM for all lanes (SR-237 changes forthcoming)			

# Revenue Similar Under Both Options

Based on estimates provided at November 16, 2018 workshop

	1. BAIFA Owns & Operates	2b. San Mateo Owns & BAIFA Operates Under Contract
Gross revenue	\$29 - \$39 M	\$29 - \$39 M
Less debt service	TBD	TBD
Less O&M	\$18 M	\$18 M
Less reserves for operations, rehab and replacement (R&R)	\$2 M	\$2 M
Net revenue	\$10 - 20 M	\$10 - 20 M

\* Examples of improvements include: toll system upgrades for interoperability, occupancy detection systems, striping or signage improvements.



# HOV and Express Lane Hours of Operation

County -Route	Direction	Facility Type	HOV Occupancy Requirement	Existing Hours	
				AM	PM
State Bridges (7)	One Way	HOV	2+ & 3+	5-10	3-7
Golden Gate Bridge	SB	HOV	3+	5-9	4-6
ALA/CC-80	BOTH	HOV	3+	5-10	3-7
ALA-580	BOTH	Express Lane	2+	5 AM – 8 PM	
ALA/SCL-680	SB	Express Lane	2+	5 AM – 8 PM	
ALA-880	BOTH	Express Lane	3+	5 AM – 8 PM	
SCL-880	BOTH	HOV	2+	5-9	3-7
CC-04	WB	HOV	2+	5-9	-
CC-04	EB	HOV	2+	-	3-7
CC-680	BOTH	Express Lane	2+	5 AM – 8 PM	
MRN-101	SB	HOV	2+	6:30-8:30	-
MRN-101	NB	HOV	2+	-	4:30-7
SCL-85	BOTH	HOV	2+	5-9	3-7
SCL-87	BOTH	HOV	2+	5-9	3-7
SCL-101	BOTH	HOV	2+	5-9	3-7
SCL-237	BOTH	HOV	2+	5-9	3-7
SCL-880/237	BOTH	Express Lane	3+	5 AM – 8 PM	
SCL-280	BOTH	HOV	2+	5-9	3-7
SF-Sterling Ramp	EB	HOV	3+	-	3:30-7
SM-101	BOTH	Express Lane	3+	5 AM – 8 PM	
SOL-80	BOTH	HOV	2+	5-10	3-7
SON-101	BOTH	HOV	2+	7-9	3-6:30

## Express Lane

Existing
Future

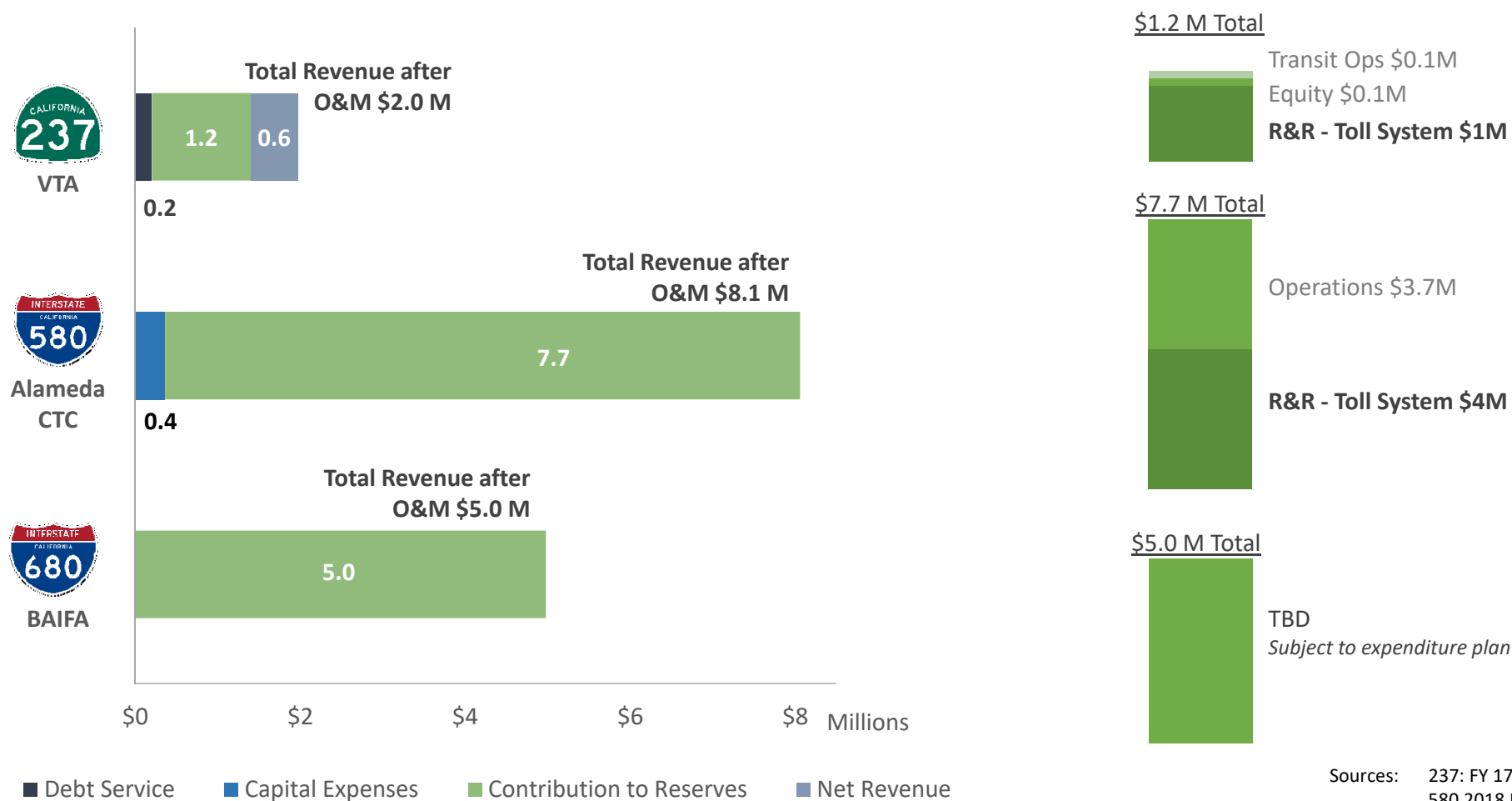
# Costs Similar Under Both Options

Based on San Mateo November 16, 2018 workshop material\*

	1. BAIFA Owns & Operates	2b. San Mateo Owns & BAIFA Operates Under Contract
Customer Service Center (BATA costs for processing transactions and violations)	\$8.0	\$8.0
Annual Operations Staffing Costs	\$0.7	\$1.2
Annual Operations Contractor O&M Costs	\$2.9	\$2.9
Annual Roadway Maintenance Costs	\$2.6	\$2.6
Annual Contribution to Future Rehabilitation and Reserves	\$2.0	\$2.0
Annual CHP Enforcement in Field	\$1.3	\$1.3
Subtotal	\$17.5	\$18.0
10% Contingency	\$1.7	\$1.8
Total Estimated Annual Operating Costs	\$19.2	\$19.8

\*These are preliminary estimates

# Current Practices Rehab and Reserves ~ \$100k/lane mile



Sources: 237: FY 17/18 Budget  
 580 2018 Expenditure Plan  
 680 FY 17/18 Actual



# Tolling Experience

## BAIFA



23 miles in operation today  
11 mile extension to open in 2022

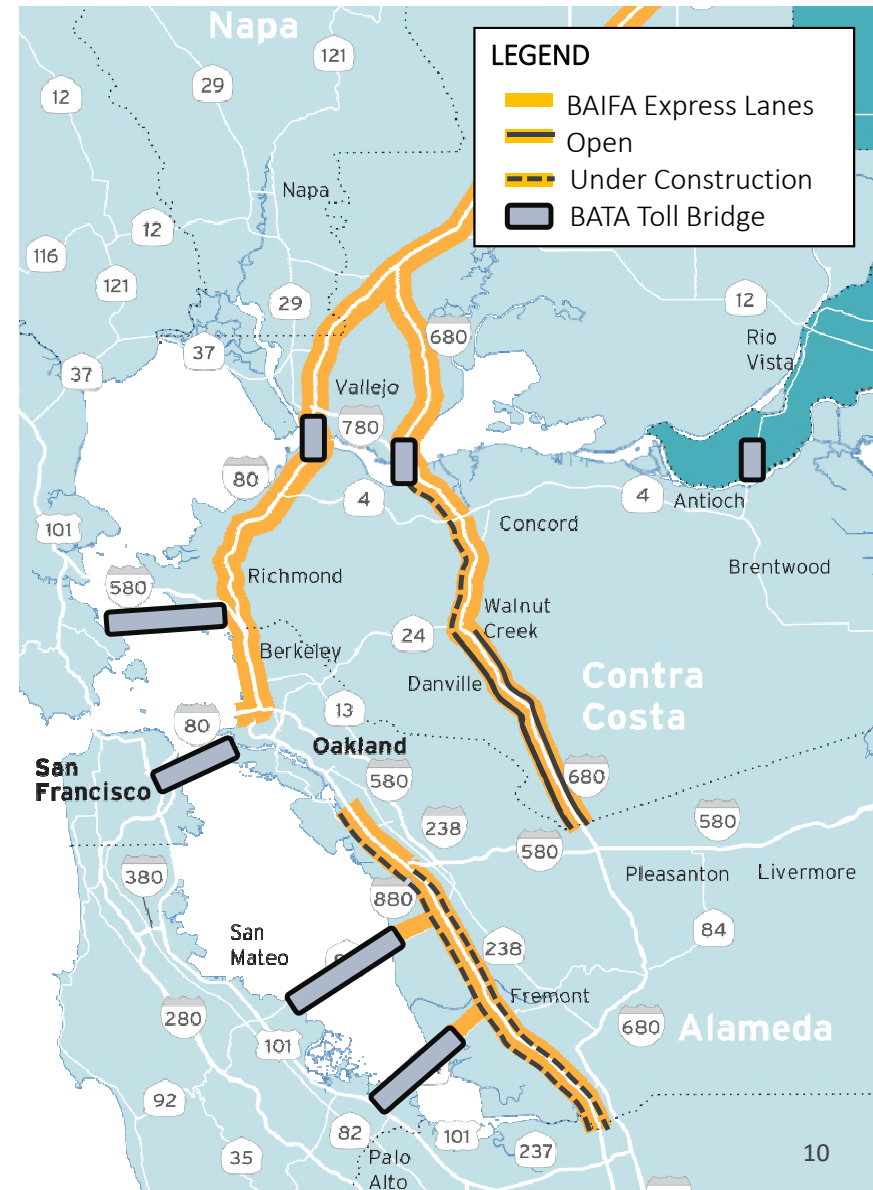


50 miles to open in 2020

## BATA



7 toll bridges  
FasTrak® Customer Service Center



# Regional Investments → Benefits San Mateo Customers

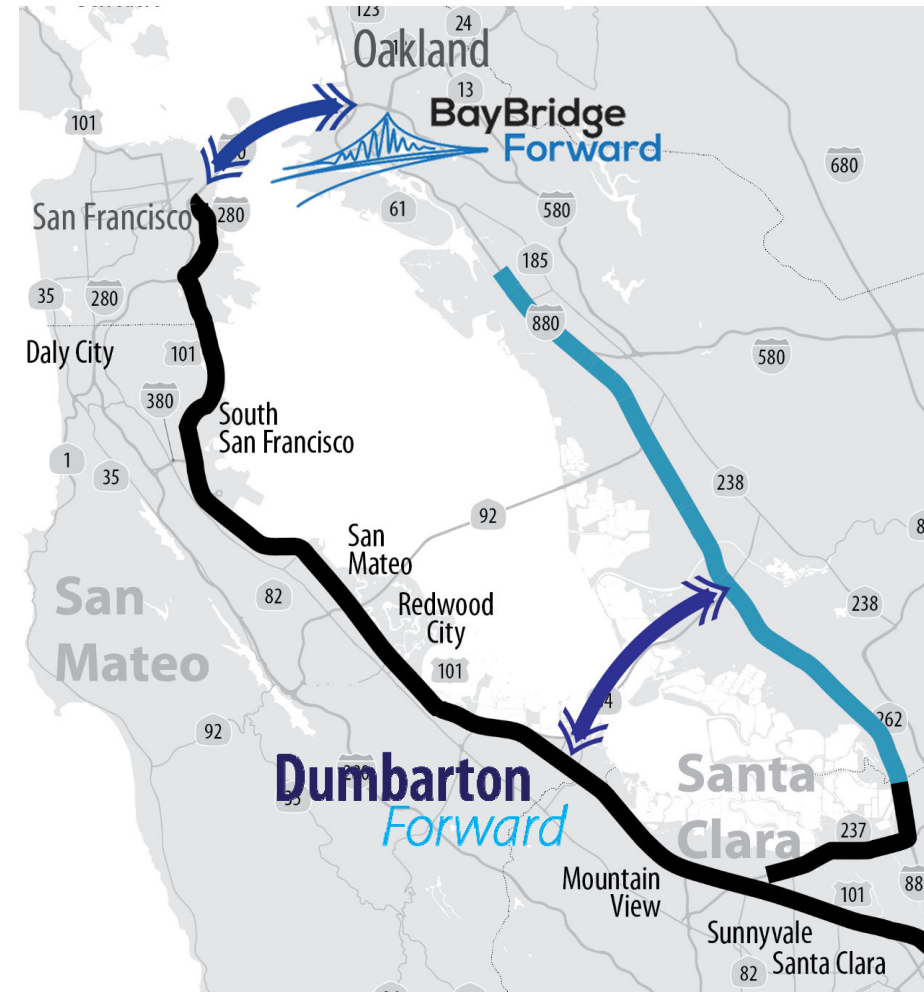
## Move More People



## Create Mobility Hubs



Modernize Existing Ramp Meters:  
Fixed Time of Day → Adaptive Meters



# Serving San Mateo Customers



Since 2009

October 2018 trips

SamTrans

460,000

Caltrain

478,000

**2.7** million accounts, total

**22** partner agencies

**2019** start of Means Based Fare Program



Since 2004

October 2018 trips, westbound 3-7 PM

Dumbarton Br. 126,000

San Mateo Br.









250,000

**2.5** million accounts, total


**5** partner agencies



# BAIFA Options for San Mateo 101- preliminary

		1. BAIFA Owns SM Joins BAIFA	2b. San Mateo Owns BAIFA Operates Under Contract
		BAIFA Membership	No change from current board
General Responsibilities	 Toll policy / ordinance	BAIFA / regional consistency	San Mateo / regional consistency
	 Revenue risk / bond financing	BAIFA	San Mateo
	 Liability	BAIFA	San Mateo
	 Equity program	BAIFA/San Mateo	San Mateo
San Mateo Conditions	 \$50 M for construction (paid back with toll revenue)	BATA	San Mateo
	 Cost overruns	MTC/San Mateo – SB1 appl. BAIFA – Toll system	MTC/San Mateo – SB1 appl.
	 Priority of extension	Next tier – state/reg/local \$	
	 Control over net revenue	San Mateo	

# Timeline and Next Steps

	December 2018	San Mateo TA voted for San Mateo owner/VTA operator (Option 2a) C/CAG voted for BAIFA owner/operator (Option 1) Joint Ad Hoc Committee formed (San Mateo TA and C/CAG)
	January 2, 2019 January 25	Ad Hoc Committee develops recommendation
	February 7 & 14	San Mateo TA and C/CAG actions
	February 27	Report back to BAIFA

## ***If BAIFA Contract Option (2b) Selected***

February – May	BAIFA submits CTC application San Mateo stands up governance body
June – September	BAIFA and San Mateo enter into contract BAIFA amends toll system & operations contracts