

Bay Area Infrastructure Financing Authority (BAIFA)

May 22, 2024

Agenda Item 4a - 24-0570

Draft Bay Area Infrastructure Financing Authority (BAIFA) Fiscal Year (FY) 2024-25 Operating and Capital Budgets

Subject:

An informational presentation to the Authority of the Draft BAIFA FY 2024-25 Operating and Capital Budgets.

The draft FY 2024-25 BAIFA Operating Budget includes total operating revenue of \$83.6 million and total operating expenses of \$37.0 million before transfers. The draft 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.

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. Toll revenue is collected using FasTrak[®] which is the electronic toll payment system used at the Bay Area's seven toll bridges and on the express lanes. FasTrak[®] is also used for toll collections 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). Its 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, beating 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 operation is \$83.6 million with total operating expenses before transfer of \$37.0 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 lower violation penalty structure of \$10 for the first notice plus \$20 for the second notice. 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 fees for DMV holds and for the collection agency are kept flat. The express lanes O&M expenses will drop due to significant reduction in roadway maintenance as we shift to a new single contractor. In FY 2023-24, two contracts were utilized, however, 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 the new advisor consultant contract and increased staff costs.

The I-680 EL has a projected surplus before transfers of \$5.7 million and the projected operating surplus before transfers for the I-880 EL is \$40.9 million. Total operating surplus before transfers is \$46.6 million. The budget includes transfers from both corridors to the capital development and rehabilitation programs totaling \$38.0 million, to MTC consultant, and a new Enterprise Resource Planning (ERP) program implementation cost of \$1 million, resulting in a \$7.5 million operating surplus.

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 \$7.0 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>7,033</u>
Total Revenue	\$78,717	\$83,601
Operating Expenses		
FasTrak	\$11,343	\$11,808
EL Operations	13,349	12,474
Administration	4,139	5,729
SM 101	<u>8,327</u>	<u>7,033</u>
Total Expenses	<u>\$37,158</u>	<u>\$37,044</u>
Operating Surplus	\$41,559	\$46,557
Transfers		
MTC	344	1,042
Capital & Rehab	26,073	37,995
Total Surplus (Shortfall)	\$ 143	\$ 7,520

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 for consultant to EL START program and staff costs to the Means-Based Toll Discount program, 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 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. Staff will include a detailed schedule proposing the allocation of funding to the board-designated reserves in June.

Recommendations:

No Recommendation. For information only.

Attachments:

- BAIFA Draft FY 2024-25 Operating and Capital Budget Schedules
- BAIFA FY 2024-25 Operating and Capital Budget PowerPoint Presentation

A handwritten signature in blue ink that reads "Andrew B. Fremier". The signature is fluid and cursive, with the first name "Andrew" being more prominent than the last name "Fremier".

Andrew B. Fremier