

Bay Area Toll Authority

June 26, 2024

Agenda Item 5a - 24-0722

Bay Area Toll Authority (BATA) Resolution No. 177 - Fiscal Year (FY) 2024-25 Operating and Capital Budgets

Subject:

A request for Authority approval of BATA Resolution No. 177, authorizing the FY 2024-25 Operating and Capital Budgets. The proposed BATA operating budget is balanced as presented. Total operating revenue is budgeted at \$1,058 million, including \$884 million of general toll revenue. Total operating expenses, debt service, transfers out, and one-time expenses total \$898 million. These result in a \$160 million operating surplus. The proposed FY 2024-25 BATA Rehabilitation Program budget is \$132 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 an updated cost-of-living adjustment and benefits rate and corrects a double counting of vacancy savings. These updates resulted in a \$1.9 million increase in salaries and benefits cost. The proposed budget also includes a \$1.8 million 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 \$3.8 million.

Background:

The Bay Area Toll Authority (BATA) collects toll revenues from the Bay Area's seven state-owned bridges and funds the expenses covering the operations and maintenance of the bridges, rehabilitation of the bridges, and debt service costs associated with the bridge system. To conduct the toll collections, BATA also manages FasTrak[®], the electronic toll payment system for the bridges and express lanes in the Bay Area. The California Department of Transportation (Caltrans) owns the bridges and is responsible for their operation and maintenance.

Highlights from BATA operations during FY 2023-24 include:

- Low-income payment plan for tolls (effective July 1, 2023)
- Resumed release of unpaid tolls and violations to the Department of Motor Vehicles (DMV) for registration hold starting October 1, 2023
- Limited year-over-year growth in bridge traffic, still significantly below FY 2018-19 levels

Estimated FY 2023-24 year-end paid traffic is trending at 90% of traffic assumed in the FY 2023-24 budget, and close to 81% of pre-pandemic paid traffic. Given relatively stable total traffic since the worst of the pandemic and the challenges that conversion to all-electronic tolling has presented to paid traffic, staff proposes a reset in toll revenue expectations as discussed in the FY 2024-25 budget assumptions below.

FY 2024-25 Budget:

The following are the key assumptions for the development of the FY 2024-25 budget:

- Total traffic growth is projected to be 0.5% of current FY 2023-24 year-end projections. These projections are 10% lower than what was assumed in the FY 2023-24 budget.
- An additional \$1 toll from Regional Measure (RM) 3 will go into effect January 1st, 2025.
- Implementation of DMV registration holds and the low-income payment plan results in slightly better conversion of total traffic to paid traffic.
- Increase to staffing level of 1.25 full-time equivalent (FTE) due to the reorganization and rehab project management support.
- A 3.8% cost of living adjustment and an 8% vacancy rate.
- The proposed addition to the bridge rehabilitation budget is \$132 million, down by \$53 million from the FY 2023-24 budget of \$185 million. Additional funds will be requested once Caltrans completes design and provides updated construction cost estimates of several rehabilitation projects.

The total draft BATA Operating Budget for FY 2024-25 is \$1,058 million in revenue with projected operating expenses of \$894 million, including debt service and transfers. The operating budget is balanced as presented with a projected operating surplus of \$160 million. The projected surplus is reserved to fund capital projects, including the \$4.5 billion RM3 expenditure plan.

Operating Revenue:

For the last three years, BATA has been expecting traffic volumes to return toward pre-pandemic levels as return-to-office levels increase. Data compiled by San Francisco's Office of Economic and Workforce Development indicates the levels of office attendance have stabilized in both San Francisco and San Jose, seeing little to no increase between early 2023 and the start of 2024. With current traffic trends being more representative of what could be expected next year, the FY 2024-25 budget assumes a modest increase of 0.50% in total traffic from current FY 2023-24 year-end estimates. This assumption is consistent with the BATA Capital funding model and is 10% lower than what had been anticipated in the FY 2023-24 budget. With the implementation of the payment plan and DMV registration holds, staff is assuming a slight increase in paid traffic conversion, resulting in paid traffic projections that are approximately 83% of FY 2018-19 pre-pandemic paid traffic volume.

The projected total for FY 2024-25 toll revenue is \$884 million, a \$9 million decrease from the FY 2023-24 budget after accounting for the additional RM 3 \$1 that will go into effect January 1, 2025.

Revenue highlights include:

- Toll revenue, including RM3, is up 10% over FY 2023-24 year-end estimate of \$803 million but 1% lower than FY 2023-24 budget.
- Violation revenue estimate is \$20.4 million, which is \$5.6 million lower than FY 2023-24 budget.
- Reimbursement revenue from other operators at \$19.6 million, increasing by \$1.7 million over FY 2023-24 budget.

Operating Expenses:

Projected FY 2024-25 BATA Operating Expense, including transfers, debt service, and one-time expenses total \$898 million, a 3.5% increase from the FY 2023-24 amended budget.

FY 2024-25 operating expenses highlights in comparison to the FY 2023-24 budget include:

- Caltrans Operations, \$14 million - Up \$2.3 million for additional staff costs including additional maintenance hours related to bike paths.
- FasTrak Operations, \$116.2 million - Up by \$7.0 million due to Consumer Price Index (CPI) increase for toll operations, contract change orders due to increased transactions and special projects for the tolling system. A \$5.8 million expense for Title 21 FasTrak tags swap is separately budgeted as one-time expense for FY 2024-25. The \$3.0 million budgeted in FY2023-24 for this expense remained unspent and rebudgeted.
- Toll Bridge Administration, \$40.7million - Up by \$4.0 million due to higher financing and banking-related costs, increase in staff costs due to annual salary increases and additional audit and legal fees.
- Debt Service, \$581.2 million - Up by \$35.1 million due to increase in principal payment from \$116.7 million in FY 2023-24 to \$126.2 million in FY 2024-25, and a \$25.7 million increase in interest and swap payments.
- RM2 related expenses, \$53.7 million - Decreased by \$4.2 million mainly due to lower revenue assumption. Statute directs 38% of RM2 revenue for transit operating assistance, which is decreased by \$4 million in FY 2024-25.
- RM3 related expenses, \$45.1 million - This includes 16% of estimated revenue for transit operating assistance, and \$0.7 million for project monitoring and audit. The anticipated expenses on the \$4.5 billion RM3 capital program are funded by a combination of bond proceeds, prior year revenue, and remaining operating revenue reserved for capital projects.
- Transfers, \$26.8 million - Lower by \$3.5 million due to lower transfer to liability reserve and lower administration draw transfers to MTC.

- One-time expenses, \$13.3 million – Includes \$5.8 million for the purchase costs per the Title 21 FasTrak tags swap and \$7.5 million transfer to MTC to fund implementation of a new Enterprise Resource Planning (ERP) system.

Bridge Rehabilitation Program:

The Toll Bridge Rehabilitation Program has been under BATA Oversight since 2007. Over the past 17 years both Caltrans and BATA have administered over \$2 billion in bridge rehab projects.

	<u>FY 24 Budget</u>	<u>Actual Expenditure</u>	<u>Balance</u>
Caltrans	\$1,163	\$ 940	\$ 223
BATA	<u>890</u>	<u>620</u>	<u>270</u>
Total	<u>\$2,053</u>	<u>\$1,560</u>	<u>\$ 493</u>

In millions; actuals as of March 2024

BATA’s FY 2024-33 Capital Improvement Plan (CIP) provided a baseline for the FY 2024-25 budget. There are a few notable items that increased the planned FY 2024-25 budget including increased cost to BASE cameras, investigations, State staff painting, and contracts underway such as the San Mateo-Hayward Bridge trestle repairs, West Span San Francisco-Oakland Bay Bridge cable and the T1 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.

The proposed rehab budget for FY 2024-25 is \$132 million, down from an approved budget of \$185 million in FY 2024 (details are included in Attachment C-1). However, BATA staff anticipates returning to the Authority to request additional budget authorization during the fiscal year as Caltrans completes PS&E packages for an additional \$120 million in construction projects and gets ready to advertise them.

Major components of the FY 2025 budget (in millions):

	<u>FY 2024-25</u>
Recurring Annual Work	\$48
Bridge Integrity	\$10
Paint	\$30
Other	\$44

The breakdown of Caltrans and BATA is (in millions):

- Caltrans \$80
- BATA \$52

BATA projects make up 39% of the FY 2024-25 budget. Notable BATA projects included in FY 2024-25 are Open Road Tolling (ORT) and the SFOBB West Oakland bicycle pedestrian path (Link) project. The complete list of proposed FY 2024-25 Bridge Rehab projects is attached.

The proposal reflects Caltrans and BATA staff coordination efforts to address project backlog and critical bridge needs. The draft budget accelerates the design of critical projects identified by Caltrans. In response to BATA’s priorities to optimize capital outlay funding and timing, staff will be carefully coordinating requests for additional BATA budget actions.

Capital Programs:

Other capital projects are underway in the following programs (in millions).

	FY 24 Budget	Actual*	Balance
AB1171	\$570	\$513	\$57
RM2	1,589	1,548	41
RM3	4,450	100	4,350
Core Capacity Challenge	250	190	60
Other Capital Projects (new)	10	0	10
Total Other Capital Projects	\$6,869	\$2,351	\$4,518

**As of March 2024*

There are no additional capital budget requests for these capital programs in FY 2024-25. The full list of projects for these capital programs is included in Attachments B, D, E and F.

Operating and Capital Reserve:

Staff is not proposing any changes to the designated reserves for Fiscal Year 2024-25.

Information on these designated reserves is included in Attachment G.

Recommendations:

Staff recommends approval of Resolution No. 177 authorizing the BATA FY 2024-25 Operating and Capital Budgets.

Attachments:

- BATA Resolution No. 177 FY 2024-25 Operating and Capital Budgets



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