

**Bay Area Infrastructure Finance Authority
Network and Operations Committee**

March 8, 2024

Agenda Item 5a

**BAIFA Resolution No. 52 – Bay Area Infrastructure Financing Authority (BAIFA) Express
Lanes 10-Year Financial Plan and Reserves Policy**

Subject:

Request for approval of BAIFA Resolution No. 52 adopting the BAIFA Express Lanes Program 10-Year Financial Plan for Fiscal Years (FY) 2023-24 to FY 2032-33.

Background:

MTC's goals in operating express lanes are to enhance mobility and congestion relief, including transit and carpool priority, to offer value and choice to road users by making unused capacity in the carpool lane available to toll-paying customers, and to support the buildout of the MTC network with toll revenue after operations and maintenance, rehabilitation and replacement and reserves are covered.

Staff presented a draft of BAIFA's first 10-year financial plan at the BAIFA Network and Operations Committee meeting on September 8, 2023 [[Agenda Item 4b](https://mtc.legistar.com/LegislationDetail.aspx?ID=6337286&GUID=5E568131-04E5-4EE9-95BA-A77909D8228B&Options=&Search=) (<https://mtc.legistar.com/LegislationDetail.aspx?ID=6337286&GUID=5E568131-04E5-4EE9-95BA-A77909D8228B&Options=&Search=>)]. This plan outlines a 10-year forecast of income and expenses for the operation, maintenance, preservation, and rehabilitation of BAIFA's express lanes and tolling infrastructure. The Financial Plan includes actual revenue and expenses up to June 30, 2023, the budgeted revenue and expenses for FY 2023-24, and projected revenues and expenses through FY 2032-33, offering a network-level financial perspective.

The express lane network in the current Financial Plan includes:

- Contra Costa I-680 (CC-680) between San Ramon and Martinez (opened in FY 2017-18 and extended in FY 2021-22)
- Alameda I-880 (ALA-880) between Oakland and Milpitas (opened in FY 2020-21)
- Solano I-80 (SOL-80) between Vacaville and Fairfield (expected to open in FY 2025-26)

The total capital cost to build the three express lanes above was approximately \$686 million and was predominantly funded by BATA Toll Funds (\$345 million), Senate Bill 1 (\$123 million) and Regional Measure 3 (\$85 million).

MTC assigned the responsibilities for the express lanes to BAIFA in 2013 under MTC Resolution 4087. Streets and Highways Code Section 149.7, under which the MTC express lanes network is authorized, establishes the MTC network, also called the BAIFA Express Lanes Facility, as a single financial enterprise, much in the same way the BATA toll bridges are a single enterprise: revenue from any corridor in the facility can be used for eligible expenses on any other corridor. Eligible expenses include debt obligations, development, maintenance, repair, rehabilitation, improvement, reconstruction, administration, and operation of the toll facility, including toll collection and enforcement and reserves. After eligible expenses, the remaining revenue must be returned to the corridor from which it was generated pursuant to an expenditure plan adopted by BAIFA.

Total revenue for the 10-year period from FY 2023-24 to 2032-33 is projected to be \$941 million. Revenue is comprised of tolls (86% of total revenue), violations (11%), and interest and other income (3%).

Costs include those for Operations & Maintenance (O&M) and Rehabilitation and Replacement (R&R).

- O&M costs reflect both fixed and variable costs. Fixed costs are independent of lane usage and are generally a function of mileage. Fixed O&M costs include toll system, roadway, enforcement, utilities, and staff costs. Variable O&M costs are those tied to usage and include banking fees, manual image review, and other transaction costs.
- R&R costs include toll system replacement on an 8-year lifecycle and rehabilitation of civil assets, which are generally on longer lifecycles (such as pavement rehabilitation on a 10-year lifecycle). Civil work includes capital preventative maintenance (CAPM) projects identified in the Caltrans 10-year State Highway Operation and Protection Program (SHOPP).

O&M and R&R expenditures are projected to total \$847 million over the 10 years from FY 2023-24 to FY 2032-33. O&M comprises 56% of projected expenditures, and R&R, 44%.

From inception through FY 2032-33, the Financial Plan projects \$195 million in revenue available after considering O&M and R&R and before considering reserves. This includes \$101 million in actual revenue through FY 2022-23 and an additional \$94 million in projected revenue from FY 2023-24 through FY 2032-33. The Financial Plan is included in BAIFA Resolution No. 52.

A reserves policy is necessary to ensure financial stability, manage risks, and maintain the long-term sustainability of the express lanes program, ensuring that the program can adapt to changing circumstances and maintain its operations over time. Staff has prepared a Reserves Policy recommendation for adoption in Agenda Item 5b.

Revenue and expense projections in the financial plan are based on conservative assumptions on revenue growth and cost escalation as documented the attachment to BAIFA Resolution No. 52. Staff will reconcile the Financial Plan with actuals on an annual basis and update the Financial Plan (e.g., extending the forecast and revising assumptions) every two years, or as needed based on major, unanticipated changes. The near-term work plan includes business and policy decision points that can alter these projections, generally with upside net revenue potential given the conservative underlying assumptions. Commissioner feedback from the September 8, 2023, BAIFA Network and Operations Committee meeting has been incorporated in the work plan. Major elements include:

- On-Going Operations:
 - Evaluating and adjusting the Dynamic Pricing Algorithm (DPA) to enhance congestion management and vehicle flow for more consistent travel times.
 - Risk management: identifying operational risks, assessing their likelihood of occurrence and impact, and implementing mitigation strategies.
 - Changes to the CAV discount: Federal statute allowing the State Clean Air Vehicle (CAV) sticker program, administered by the DVM, is set to expire in 2025; this would effectively end the CAV discount for Bay Area express lanes since all DMV-issued sticker clean air vehicle stickers would expire.

- Solano I-80 Express Lanes Implementation:
 - Establishing occupancy requirements and hours of operation, including consideration of weekend tolling, which will be approved by BAIFA via amendment to the BAIFA Toll Facilities Ordinance prior to the summer 2025 opening of the lanes.
- Next Generation Express Lane Toll System, the lifecycle replacement of the existing toll systems:
 - Opting for multiple contracts, dividing them by function—software and hardware—to manage risk, foster competitive bidding and encourage a more diverse marketplace of qualified vendors.
- Pilot Programs and Innovation:
 - Assessing the feasibility, effectiveness, and potential impact of new policies through pilot projects, including Express Lanes START and the I-680 app-based occupancy verification pilot, before implementing them on a large scale.
 - At the BAIFA Network and Operations Committee on September 8, 2023, Chair Dutra-Vernaci inquired about extending the low-income user discount (Express Lanes START) to the entire network and its potential revenue impact, a consideration not included in the current Financial Plan. Staff would evaluate and incorporate financial considerations based on results of the pilot evaluation and commissioner feedback.
 - Vice Chair Josefowitz also asked about including funds for occupancy enforcement in the financial plan to reduce leakage and enhance trust in the express lane program. Staff believes the Financial Plan includes the capacity for any near-term actions and intends to identify and account for longer term needs under the current work plan as part of the evaluation of the current pilot for consideration in the next Financial Plan update.
- Plan Bay Area (PBA) 2050+ and Express Lanes Strategic Planning
 - Achieving regional consistency in customer-facing policies, including carpool occupancy requirements, operating hours, toll policy, messaging and signage, customer education, and incident management.

- At the BAIFA Network and Operations Committee on September 8, 2023, Commissioner Canepa emphasized the importance of regional uniformity.
- Developing a build-out strategy aligned with PBA 2050+ priorities, including broader, Next Generation Freeway tolling plans.
- Prioritizing regional transit initiatives, such as an Express Bus Network, to encourage carpooling, reduce greenhouse gas emissions and vehicle miles traveled (VMT), and offer commuters more reliable travel times and options.
 - During the BAIFA Network and Operations meeting on September 8, 2023, Vice Chair Josefowitz raised the question of using Express Lane revenue to address the transit "fiscal cliff." This proposal faces challenges both financially and legally. MTC's Executive Director Fremier noted there is significant pressure from the State to use Express Lane revenue for express lanes rehab projects. Additionally, current law imposes mitigation requirements for vehicle miles traveled that could make network expansion more costly. Statutory restrictions also exist regarding the use of remaining revenue for transit operating costs. This is an important discussion that staff recommends be opportunities explored further in the fall when we discuss the Remaining Revenue policy.

Next Steps

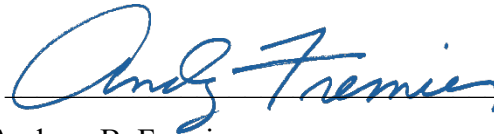
The financial outlook for the BAIFA express lanes network is strong. The 10-year Financial Plan predicts sufficient revenue to cover operating and maintenance (O&M) and repair and replacement (R&R) costs, as well as to establish reserves. Upon approval of the 10-year Financial Plan and Reserves Policies, staff will commence filling reserves. In collaboration with Caltrans and partner County Transportation Authorities, staff plans to develop the framework for a Remaining Revenue Policy. This policy would define the circumstances under which remaining revenue can be allocated and establish criteria for identifying projects eligible to receive remaining revenue. Staff aim to present the Remaining Revenue Policy to the Committee in the fall.

Recommendations:

Staff recommends that this Committee refer BAIFA Resolution No. 52, BAIFA 10-Year Financial Plan for FY 2023-24 to 2032-33 to the Authority for approval.

Attachments:

- Attachment A: PowerPoint
- Attachment B: BAIFA Resolution No. 52



Andrew B. Fremier