

**STAFF REPORT FOR CALENDAR ITEM NO. : 8
FOR THE MEETING OF: April 14, 2011**

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Information Item: Presentation of the TJPA's FY2011-12 annual budget outlook

SUMMARY:

The Fiscal Year (FY) 2011-12 annual budgets, which cover the period from July 1, 2011 through June 30, 2012, represent the ninth full budget year for the TJPA. The TJPA will adopt both an operating budget and a capital budget. The operating budget reflects the operation of the temporary terminal. The capital budget reflects the engineering and construction work and right of way acquisition activities planned for the implementation of the Transbay Transit Center Program.

As an agency formed to build a capital project, the TJPA manages its resources primarily in relation to the multi-year Transbay Transit Center capital budgets for Phase 1 and Phase 2. The fiscal year budget is the best estimate of the activities of the overall capital budget that will occur during the fiscal year timeframe. TJPA budgets conservatively for each fiscal year, meaning that staff aggressively estimates expenditures and their associated revenues. Should expenditures be accelerated, the fiscal year budget will be amended, so long as the amounts are within the capital project's baseline budget. As the activities are grant-funded, and the grants generally do not expire, any unspent budget balances at the end of the fiscal year can be re-programmed for the following fiscal year.

The TJPA's fiscal year operating budget projects the costs and revenues for the temporary terminal facility management. The bridge toll funds made available under state law are sufficient to cover the costs of the temporary terminal facility management.

BACKGROUND:

In accordance with the TJPA's Policy No. 003: Budget Policy, this memo serves as a briefing to the TJPA Board of Directors concerning the budget outlook for the upcoming FY2011-12 period. In May, staff will present the proposed annual budgets and hold a public hearing on the proposed budgets during the regularly scheduled Board meeting. In June, the Board of Directors is scheduled to adopt the FY2011-12 annual capital and operating budgets.

The Budget Policy also allows for the submission of the budget outlook and the draft budget to the Finance Committee of the TJPA Board. For the past several budget years and continuing for this year, staff is presenting the budget outlook and draft budget to the TJPA Board as a whole in lieu of holding a separate meeting of the Finance Committee of the Board.

During FY2010-11, the TJPA had the following accomplishments:

- Award of \$400 million in Federal stimulus High Speed Rail funding for the early

- construction of the train box rail levels and to accommodate California High Speed Rail.
- In August 2010, a groundbreaking ceremony was held for Phase 1 of the TTC program, attended by Department of Transportation Secretary LaHood, Speaker of the House Pelosi, Senator Boxer, and many other Federal, State, and local officials.
- Start of demolition of Transbay Terminal.
- Completion of the Temporary Terminal, and start of transit operations at the site.
- Start of Utility Relocation construction, with 100% of the utility relocation bid packages set aside for Small Business Enterprises.
- Continuation of Construction Documents for the Transit Center.
- Award of Buttress, Shoring and Excavation (BSE) subcontract – the largest single construction bid package – for less than the engineers’ estimate.
- Acquisition of all right-of-way required for the Transit Center.
- Allocation of \$12.3 million in San Mateo Measure A sales tax funds for DTX Right-of-Way acquisition and relocation.
- Allocation of \$2.8 million in state Regional Transportation Improvement Program (RTIP) funds for Transit Center Final Design.
- Allocation of \$2.7 million in Federal Railroad Administration rail relocation funds for utility relocation.
- Award of agreements related to the implementation of Phase 1 of the Transbay Transit Center program, including utility relocation construction, BSE construction, survey and control services, as well as legal, financial, auditing, and public relations and community outreach services.
- As of March 24, 2011, more than 50,000 craft hours have been completed with no accidents or incidents. 91 percent of those work hours have been performed by Bay Area residents.
- Since 2004, TJPA has awarded \$128.6 million in contracts and subcontracts to DBEs and SBEs, resulting in payments to-date to those DBEs and SBEs totaling \$41.5 million.

DISCUSSION:

FY2011-12 Capital Expenditures

The FY2011-12 capital budget is derived from the implementation schedule for Phase 1 and Phase 2 of the Transbay Transit Center Program as adopted by the Board.

The FY2011-12 capital budget includes five major expenditure categories:

- Professional and Specialized Services, incorporating a wide array of functions, such as engineering and design services, program management/program control, assistance from other public agencies, permits and fees, real estate services, construction management, construction, planning and environmental analysis, and administration services such as legal, audit, and financial services;
- Right of Way, including property acquisition and related activities;
- Salaries and Benefits for TJPA staff;
- Administrative Expenses, such as office space rent, professional memberships and supplies; and

- Other, including reserve funds in accordance with TJPA Policy 012: Reserve Policy and parking for Caltrans attorneys under the Cooperative Agreement.

Professional and Specialized Services

Budget expenditures would include contracts required for the day-to-day operations of the TJPA, including but not limited to tasks such as human resources, benefits administration, grants management, Program Management / Program Controls (PMPC), legal counsel, public relations, information technology services, and audits. Construction activities are also included in the Professional and Specialized Services section of the budget. This includes the Construction Manager / General Contractor (CM/GC) and the CM/GC's construction subcontractors as well as Construction Management Oversight (CMO) work. Engineering tasks that are currently underway related to the Caltrain Downtown Extension, the Transit Center and related facilities would continue. In addition, work related to the Redevelopment Area including planning and preparation for the sale of property would be on-going. Interagency agreements with various public agencies including the San Francisco Department of Building Inspection, Planning Department, Department of Real Estate, Department of Public Works, Municipal Transportation Agency, and Caltrans that are required for the implementation of the Transbay Transit Center Program will also be included in the FY2011-12 budget.

Right of Way

Right of way acquisition activities will continue in FY2011-12. While all properties required for Phase 1 of the Transit Center are expected to be in TJPA possession before the start of FY2011-12, there are still expected costs related to the eminent domain acquisitions, as well as continued relocation assistance and loss of business goodwill claims.

Salaries and Benefits

The FY2011-12 budget will include salaries and benefits for the twelve current TJPA staff members and expenditures to fund an expansion of the staff to support the increasing activity levels of the Program.

Administration

Expenditures related to administrative activities including office rent, equipment and supplies, communications, professional memberships and other routine expenses are included in the Administration section of the TJPA budget. Additional expenditures associated with new staff such as additional equipment and office supplies will be anticipated in the FY2011-12 budget.

Reserve Funds

In accordance with the TJPA Policy 012: Reserve Policy, the FY2011-12 capital budget will include an emergency reserve and a fiscal reserve. (The Operating and Maintenance Reserve is included in the annual operating budget.) The Reserve Policy establishes an emergency reserve of \$500,000. The fiscal reserve is a working capital fund, or short-term cash resource for payment to vendors or contractors prior to the receipt of cash from funding partners. The fiscal reserve, according to policy, will not exceed fifteen percent of the budgeted expenditures, less the cost of

real estate acquisition. The fiscal reserve will be funded with available unrestricted revenues after the emergency reserve has been funded.

Other

Under the 2003 Cooperative Agreement with the California Department of Transportation (Caltrans), the TJPA must provide parking spaces for the Caltrans Legal Department to replace their parking in the former Transbay Terminal. Expenditures associated with paid parking in the area will be included in the FY2011-12 budget.

FY2011-12 Capital Revenues

As staff anticipates seeking and receiving funding allocations throughout the fiscal year, the budget will be presented with “Committed” and “Planned” revenues.

Committed revenues consist of existing revenues that have already been allocated. These include existing Federal Railroad Administration (FRA), Federal Transit Administration (FTA), Federal Emergency Management Agency (FEMA), Regional Measure 2 (RM-2), AB 1171 Bridge Toll, San Francisco Proposition K (Prop K) sales tax, San Mateo County Measure A sales tax, and Regional Transportation Improvement Program (RTIP) allocation balances; lease income; fund balance; SFRA loan repayment revenue; and interest income.

Planned revenues consist of those funds which have not yet been allocated to the TJPA. These include funds from AC Transit’s capital contribution. In addition, staff will continue to seek new funding for the program as opportunities arise.

The current State budget issues are unlikely to impact the TJPA’s FY2011-12 capital or operating budget. At this time, TJPA does not anticipate receiving additional state funds during the fiscal year. Further, the FY2011-12 budget does not include proceeds from land sales or tax increment-financed funds.

In some cases, the TJPA’s funding partners require that funding applications be approved by the TJPA Board. Others do not include this requirement. As such, and as in all previous budget resolutions, the FY2011-12 budget resolution may include language authorizing the TJPA’s Executive Director to apply for, accept, and expend grant funds for Board approved expenditures that will be outlined in the annual budget.

FY2011-12 Operating Expenditures

The TJPA’s operating budget will include the following expenditures related to the temporary terminal:

- Temporary terminal facility management contract;
- Security;
- Parking Control Officers for traffic management;
- Utilities;
- Portion of AC Transit’s increased operating costs at the temporary terminal, including the need for additional supervisors to manage the more constrained vehicle operations; and

- Operating and Maintenance Reserve.

The AC Transit operating costs and the operating reserve fund will be established in accordance with the Lease and Use Agreement with AC Transit.

FY2011-12 Operating Revenues

The TJPA anticipates that the operating costs for the temporary terminal will be funded through Regional Measure 2 bridge toll funds, a small advertising contract, and rent from Greyhound.

RECOMMENDATION: Information only.