

**STAFF REPORT FOR CALENDAR ITEM NO.: 16
FOR THE MEETING OF: May 12, 2016**

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Presentation of and Public Hearing for draft Fiscal Year 2016-17 (FY 2016-17) Capital Budget in an Amount Not To Exceed \$480,220,300 and draft FY 2016-17 Operating Budget in an Amount Not To Exceed \$5,187,168.

SUMMARY:

The Joint Powers Agreement creating the Transbay Joint Powers Authority (TJPA), dated April 4, 2001, establishes that the fiscal year of the TJPA begins on July 1 and ends on June 30, and provides the TJPA Board with the authority to adopt a multi-year budget, or an annual budget before the beginning of each fiscal year. In accordance with TJPA's Policy No. 003: Budget Policy, adopted by the Board on June 23, 2004, staff has prepared the attached proposed budget for review by the Board and the public.

During the April 2016 Board meeting, staff presented the Budget Outlook for FY 2016-17. Following this May Board presentation and public hearing on the proposed budget, staff will seek Board approval of the FY 2016-17 budgets at the June Board meeting.

The proposed capital budget for FY 2016-17 totals \$480,220,300. The capital budget includes work for both Phase 1 (\$477,259,300) and Phase 2 (\$2,961,000) of the Transbay Program and is based on overall Program budgets. The proposed operating budget for FY 2016-17 totals \$5,187,168. The operating budget includes expenses and revenues for the Temporary Terminal.

DRAFT FY 2016-17 CAPITAL BUDGET:

Proposed FY 2016-17 Capital Expenditures

The TJPA's capital expenditure budget is organized into four categories and itemized in Attachment 1:

- Salaries and Benefits for TJPA staff (0.7% of budgeted expenditures);
- Administration (0.3% of budgeted expenditures);
- Professional & Specialized Services, including construction (98% of budgeted expenditures); and
- Fiscal & Emergency Reserves (1% of budgeted expenditures).

Salaries and Benefits

The TJPA's proposed salaries and benefits expense for FY 2016-17 is approximately \$3.2 million. The TJPA's strategy has been to keep its in-house staffing level small, and to use its staff to manage contractors who undertake a variety of tasks on behalf of the TJPA. The TJPA's proposed budget is consistent with this approach. The TJPA currently employs eleven staff members: Interim Executive Director, Principal Engineer, Construction Manager, Engineering Manager, Chief of Staff / Board Secretary, Chief Financial Officer (CFO), Legislative Affairs and Community Outreach Manager, Contract Compliance Officer, Finance Coordinator,

Financial and Systems Accountant/Human Resources Analyst, and Accountant. The position of Senior Program Manager is vacant. During FY 2016-17, a Security Director and a Facilities Manager may be hired to work on operations planning, which would bring the total staff positions to thirteen. The Benefits line item also includes amounts for workers compensation premiums, CalPERS liability payments, and a small contribution to the newly-established OPEB trust.

Administrative Expenditures

This category includes the expenditures associated with operating the TJPA on a day-to-day basis, such as office rent; insurance premiums; communications; office supplies, equipment and furniture; professional development; meeting expenses; and human resources/payroll administration. For FY 2016-17, staff proposes to budget approximately \$1.2 million for Administrative expenses. This budget reflects a reduction in rent due to the recent downsizing of office space, and reduces several other administrative categories as well, based on TJPA actuals over past fiscal years. The reductions help cover the increase in IT Support due to the replacement of the staff IT Manager with an on-call IT consultant.

Professional and Specialized Services

As noted above, rather than hire a large in-house staff during design and construction, the TJPA utilizes contractors to provide services in support of the Transbay program. As a result, approximately \$470.3 million of the proposed FY 2016-17 capital budget is devoted to Professional and Specialized Services, the majority of which is allocated to construction. Construction activities total approximately 91 percent of the Professional and Specialized Services budget.

The Professional and Specialized Services budget can be categorized by engineering and design services, permits and fees, real estate services, construction management, construction, planning and environmental analysis, and administration. The major professional and specialized services that will be undertaken during FY 2016-17 under each sub-category are described below.

Engineering and Design Services (\$20.4 million)

- Program Management & Program Control (PM/PC) (\$7.8 million)
The PM/PC team has relocated to trailers on vacant TJPA property in order to save on office rent. Their work in FY 2016-17 will focus on the following tasks:
 - Ongoing program management activities, including updating and implementing Program plans and procedures;
 - Program coordination activities, including stakeholder liaison, coordination with external agencies, permit coordination activities, tracking and resolution of issues;
 - Quarterly Mitigation Monitoring reports;
 - State Historic Preservation Office and archaeological support and planning;
 - Traffic and utility coordination;
 - Transit Center, Bus Storage and DTX project management;
 - Security and O&M planning and other specialty consultation such as risk mitigation;
 - Supplemental environmental review management and support; and

- Program cost and schedule controls, including cost and schedule reporting/forecasting.
- Transit Center & Ramps Engineering and Design (\$7.3 million)
The engineering and design budget covers Pelli Clarke Pelli Architect's construction administration services (on a lump sum basis), as well as any additional services as needed.

Permits and Fees (\$1.6 million)

- The FY 2016-17 budget includes costs for services provided by the San Francisco Department of Building Inspection and other related fees.

Real Estate Services (\$.41 million)

- The primary professional and specialized services related to right of way in the FY 2016-17 budget include work by surveyors for various on-call survey services as well as property management of the leased property at 580 Howard Street.

Construction Management (\$12.3million)

- Construction management services for the construction of the new Transit Center and Bus Ramp is included in the FY 2016-17 budget. Responsibilities include design and submittal review; monitoring, inspection, and interface with the construction contractors; administrative tasks; claims management; and dispute resolution assistance. It is anticipated that the Turner Construction Management Oversight team will also be moving into trailers on vacant TJPA property in order to reduce office rent costs. Budget for staffing from the San Francisco Department of Public Works is included in this line item. Construction management of the Bus Storage facility is also budgeted for assuming a fall construction start if lease terms can be agreed to between Caltrans and AC Transit.

Construction (\$428.1 million)

- Transit Center and Ramps Construction Manager/General Contractor (CM/GC) Pre-Construction Services (\$0.2 million)
This work includes preparation of the subcontractor bid packages related to the IT network.
- Transbay Transit Center & Ramps (\$420.1 million)
Construction of the Transbay Transit Center and Bus Ramp will continue in FY 2016-17. The fiscal year budget includes amounts for each trade package based on the current cash flow projections for the period.
- Utility Relocation (\$0.75 million)
Physical relocation of utilities, specifically the sole remaining package relocating the City's auxiliary water supply system, is planned for completion during FY 2016-17. Utility relocation required for the bus ramps is accounted for in the bus ramps budget above.

Planning and Environmental Analysis (\$.42 million)

- The FY 2016-17 budget includes the cost of completing the supplemental environmental analyses of several changes required by the California High Speed Rail Authority (CHSRA), and the cost of completing the Concept of Operations. The cost of reports updated annually for TIFIA by TJPA's real estate economics consultants is included as well. TJPA also covers

the cost of consultants working for the City related to administration of the Community Facilities District.

Administration (\$7.5 million)

- The budget includes expenditures for other professional and specialized services required for the continued operation of the TJPA and the advancement of the Transbay Transit Center Program, including legal services, financial advisors, legislative advocates, loan expenses and other services as itemized in the attached budget request.

Reserves

In accordance with the TJPA's Reserve Policy, the FY 2016-17 capital budget includes a fiscal reserve and an emergency reserve funded with unrestricted revenues such as lease and interest income. By policy, the emergency reserve is set at \$500,000 unless modified by the Board. Emergency reserves would be used in extraordinary events such as natural disasters.

The proposed fiscal reserve for FY 2016-17 is approximately \$5 million. The fiscal reserve, which can be used as a working capital fund, is capped at fifteen percent of the annual budget less any right of way acquisition costs. For FY 2016-17, the amount of the fiscal reserve is constrained by the availability of unrestricted revenues. These reserves are not the reserves included in the Program baseline budget, such as Program Reserve or construction contingencies.

Proposed FY 2016-17 Capital Funding Sources

For the purposes of the annual budget, the TJPA's funding sources are divided into three categories:

- Committed Funding Sources, which have already been allocated to the Transbay Project by one of the TJPA's funding partner agencies or represent proceeds from land already sold or the bridge loan provided by Goldman Sachs and Wells Fargo banks;
- Planned Funding Sources, which are anticipated to be made available during FY 2016-17, but have not yet been received by the TJPA; and
- Other, which includes the portion of the fund balance from the previous year that is available for expenditure in FY 2016-17.

Committed Funding Sources

Since its inception, the TJPA has received approximately \$1,084 million in grants from the following sources:

- Federal High Speed and Intercity Passenger Rail / American Recovery and Reinvestment Act (ARRA) grant (\$400.0 million)
- Federal Transit Administration grants, including OneBayArea grant (\$69.6 million);
- Federal Railroad Administration Rail Line Relocation grant (\$2.7 million);
- Regional Measure 1 (RM-1) toll revenues (\$54.4 million);
- Regional Measure 2 (RM-2) toll revenues (\$150.0 million);
- AB 1171 bridge toll revenues (\$148.8 million);
- Proposition K Sales Tax revenues (\$188.0 million);
- San Mateo County Measure A Sales Tax (\$23.3 million);

- AC Transit Capital Contributions (\$37.5 million); and
- California Regional Transportation Improvement Program (RTIP) revenues (\$10.2 million).

Of the total allocations to date, approximately \$25.2 million in committed grant funds are included in the FY 2016-17 budget.

Additionally, TJPA has closed the following land sales since 2013:

- Parcel T or Salesforce Tower (\$192 million);
- Block 6 (\$30.6 million);
- Block 9 (\$43.6 million);
- Block 5 (\$172.5 million); and
- Block 8 (\$71 million)

\$130.4 million in land sales proceeds is included in committed funding sources. Bridge loan proceeds, lease revenue from a property not yet required for construction, and interest/investment income are also included in the committed section.

Planned Funding Sources

In FY 2016-17, an application for \$2.1 million in California Transit Security Grant Program funds will be submitted by AC Transit as this is one of the agency's regular pass-throughs towards their capital contribution. This funding source is shown in the Planned Revenue section of the budget.

Additional funding sources are planned for allocation or receipt during the fiscal year. These sources include TIFIA proceeds of \$171 million that can be drawn down once the sale of Parcel F closes, anticipated to occur by the end of FY 2015-16. The City Financing will also be available for project expenditures as needed.

In April 2016, TJPA applied for two federal grants: an FTA TIGER grant of \$18.2 million to fund construction of the Bus Storage Facility (joint application with AC Transit), and a Department of Homeland Security FEMA Transit Security Grant Program grant of \$4.7 for costs associated with installing Transit Center security systems. These sources are not included in the draft budget but should they be awarded, the funding sources section of the budget would be amended accordingly.

FY 2016-17 OPERATING BUDGET:

With the opening of the temporary terminal, the TJPA began incurring operating costs in FY 2010-11. Operations at the temporary terminal will continue until the new Transbay Transit Center is open for bus transit service.

FY 2016-17 Operating Expenses

The TJPA's FY 2016-17 operating budget totals \$5,187,168. The operating budget includes the following expenses:

- Temporary terminal facility management, security and utilities (\$1.28 million);

- Police Services as necessary (\$10,000);
- Additional Operating Support for AC Transit’s increased operating costs at the temporary terminal (\$2.6 million);
- Parking Control Officers (\$159,000) to manage traffic operations in the vicinity of the temporary terminal;
- Insurance (\$53,900);
- Operating contingency (\$587,968); and
- Operating reserve fund (\$495,300).

The AC Transit operating costs are reimbursed and the operating reserve is funded in accordance with the Lease and Use Agreement with AC Transit. TJPA staff and administrative costs are included under the capital budget, not the operating budget.

FY 2016-17 Operating Revenues

The FY 2016-17 operating budget includes revenues from Regional Measure 2 bridge toll funds (\$4.69 million), rent from Greyhound and Amtrak (\$438,300), and advertising income (\$57,000).

BOARD RESOLUTION AUTHORIZATION:

The TJPA Board provides expenditure authorization to staff in several ways. For most expenditures, the Board approves a contract with a vendor that governs the duration and cost of the goods and services to be provided. However, not all expenditures are based on contracts. In general, these expenditures pay for administrative items such as salaries, benefits, office supplies, professional memberships, and meeting expenses. These items in the proposed capital budget are designated as the several line items in italics. By approving the budget request, the Board would provide expenditure authorization for those line items that are not based on contracts.

In some cases, the TJPA’s funding partners require that funding applications be approved by the TJPA Board. Others do not include this requirement. For clarification, and as in previous fiscal years, the FY 2016-17 budget resolution will include language authorizing the TJPA’s Executive Director to apply for, accept, and expend funds for Board approved expenditures in the annual budget.

BOARD BUDGET REVIEW PROCESS:

Staff will return to the Board on a quarterly basis to report on the status of “budget vs. actual” expenditures and revenues. Staff may also return to the Board for review and approval of one or more budget amendments, if changes in circumstances warrant a change in budgeted expenditures and revenues.

ENCLOSURES:

1. FY 2016-17 Proposed Capital Budget (Attachment 1)
2. FY 2016-17 Proposed Operations Budget (Attachment 2)

RECOMMENDATION:

Information only; Final Budget to be presented for approval at June Board meeting.

Transbay Joint Powers Authority
Proposed Fiscal Year 2016-17 Capital Budget Request

	FY 2015-16 Budget	FY 2016-17 Budget Request	Change	% Change
CAPITAL EXPENDITURES ¹				
Salaries & Benefits				
Salaries	2,311,300	2,320,700	9,400	0.4%
Benefits	822,100	848,700	26,600	3.2%
Subtotal, Salaries & Benefits	\$ 3,133,400	\$ 3,169,400	\$ 36,000	1.1%
Administration				
Rent	720,000	710,000	(10,000)	-1.4%
Insurance	75,000	75,000	-	0%
Office Expenses	89,000	86,000	(3,000)	-3.4%
Communications	69,000	69,000	-	0%
Information Technology Support	80,000	130,000	50,000	62.5%
Travel/Conferences	40,000	38,000	(2,000)	-5.0%
Professional Development	29,000	28,000	(1,000)	-3.4%
Board Expenses	11,000	16,000	5,000	45.5%
Meeting Expenses	14,000	13,000	(1,000)	-7.1%
Benefits Administration / Payroll Services	20,000	20,000	-	0%
Miscellaneous	35,000	35,000	-	0%
Subtotal, Administration	\$ 1,182,000	\$ 1,220,000	\$ 38,000	3.2%
Professional & Specialized Services				
Engineering & Design Services				
Program Management / Program Controls	7,682,000	7,800,000	118,000	1.5%
Downtown Extension Preliminary Engineering & Design	270,000	2,300,000	2,030,000	751.9%
Downtown Extension Interagency Coordination	26,400	24,000	(2,400)	-9.1%
Transit Center & Ramps Engineering & Design	9,425,000	7,260,000	(2,165,000)	-23.0%
Transit Center Traffic Signals	76,000	10,000	(66,000)	-86.8%
Transit Center Overhead Lines	250,000	250,000	-	0%
Transit Center Commissioning Agent	208,000	400,000	192,000	92.3%
Bus Ramps Design Reviews	36,000	17,000	(19,000)	-52.8%
Bus Storage Engineering & Design	597,000	1,175,000	578,000	96.8%
Utility Relocation Engineering & Design	143,000	150,000	7,000	4.9%
Environmental Consultant / Building and Soil Haz. Mat.	72,000	73,000	1,000	1.4%
Archaeological Support Services	175,000	-	(175,000)	-100%
Public Art Program	684,000	447,000	(237,000)	-34.6%
Other Engineering & Design Services	500,000	498,000	(2,000)	-0.4%
Permits and Fees				
Transit Center Building & Ramps Permits & Fees (incl. DBI)	702,000	1,322,000	620,000	88.3%
Bus Storage Permits & Fees	-	200,000	200,000	0%
Utility Relocation Permits & Fees	-	-	-	0%
DTX Permits & Fees	10,000	2,000	(8,000)	-80.0%
Other Plan Checks / Permit Fees	36,000	76,000	40,000	111.1%
Real Estate Services				
Property Management	8,500	9,000	500	5.9%
Appraisal Services	5,000	-	(5,000)	-100%
ALTA / Design Surveys	60,000	30,000	(30,000)	-50.0%
SF Redevelopment Successor Agency Administrative Fee	-	-	-	0.0%
Miscellaneous Real Estate Services	500	2,000	1,500	300.0%
Construction Management				
Construction Management Oversight for Transit Center	16,000,000	12,020,000	(3,980,000)	-24.9%
Construction Management for Bus Storage	-	185,000	185,000	100%
Construction Dispute Resolution Services	-	100,000	100,000	100%
Construction				
Transit Center & Ramps CM/GC Pre-Construction Services	590,000	200,000	(390,000)	-66.1%
Transit Center Building & Ramps Construction	300,965,000	420,143,000	119,178,000	39.6%
Bus Storage Construction	-	7,000,000	7,000,000	100.0%
Utility Relocation Construction	1,275,000	744,000	(531,000)	-41.6%
Planning & Environmental Analysis				
Community Benefits/Community Facilities Districts Formation	38,000	38,000	-	0%
Economic and Real Estate Analysis	126,000	50,000	(76,000)	-60.3%
Environmental Review	250,000	135,000	(115,000)	-46.0%
Operations Planning	437,200	175,000	(262,200)	-60.0%
Other Planning Studies	28,000	19,900	(8,100)	-28.9%

Transbay Joint Powers Authority
Proposed Fiscal Year 2016-17 Capital Budget Request

	FY 2015-16 Budget	FY 2016-17 Budget Request	Change	% Change
Administration				
Outside Legal Counsel & City Attorney	3,129,000	3,129,000	-	0%
Financial & Grant Management	700,000	750,000	50,000	7.1%
New Revenue Consultation	-	-	-	0%
Accounting Software, Installation, and Maintenance	22,000	23,000	1,000	4.5%
Audit Services	48,000	48,000	-	0%
Credit Rating Analysis	35,000	35,000	-	0%
Loan Servicing Fees and Interest	2,404,000	2,900,000	496,000	20.6%
CBD Special Tax Assessment	54,900	58,000	3,100	5.6%
Trustee Account Services	2,000	2,000	-	0%
Community & Public Relations	180,000	-	(180,000)	-100%
Legislative Services	518,000	425,000	(93,000)	-18.0%
Disadvantaged and Small Business Program	48,000	25,000	(23,000)	-47.9%
Other Intergovernmental Agreements	30,000	30,000	-	0%
Other Consulting Assistance	19,100	20,000	900	4.7%
Subtotal, Professional & Specialized Services	\$ 347,865,600	\$ 470,299,900	\$ 122,434,300	35.2%
Right of Way Acquisition				
Property Acquisition	-	-	-	0.0%
Title/Closing Costs	22,000	-	(22,000)	-100%
Relocation Services Consultation	24,000	-	(24,000)	-100%
Relocation Assistance	-	-	-	0.0%
Goodwill Loss Assistance	-	-	-	0.0%
Other Right of Way Expenses	2,000	-	(2,000)	-100%
Subtotal, Right of Way Acquisition	\$ 48,000	\$ -	\$ (48,000)	-100%
Reserves				
Fiscal Reserve	1,612,200	5,031,000	3,418,800	212.1%
Emergency Reserve	500,000	500,000	-	0%
Subtotal, Other	\$ 2,112,200	\$ 5,531,000	\$ 3,418,800	161.9%
TOTAL EXPENDITURES + OTHER	\$ 354,341,200	\$ 480,220,300	\$ 125,879,100	35.5%
CAPITAL REVENUE ²				
Committed Revenue				
Federal Bus Facility, Alternatives Analysis and PNRS Grants (FTA)	3,114,600	2,563,900	(550,700)	
Federal High Speed and Intercity Passenger Rail Program (FRA)	4,246,000	1,771,200	(2,474,800)	
Regional Measure 1	3,136,000	-	(3,136,000)	
Regional Measure 2	973,000	712,000	(261,000)	
AB 1171 Bridge Tolls	9,154,000	2,970,000	(6,184,000)	
Proposition K San Francisco Sales Tax	36,028,500	11,888,300	(24,140,200)	
AC Transit Capital Contribution	19,095,000	1,409,100	(17,685,900)	
One Bay Area Grant	629,000	3,881,300	3,252,300	
Land Sales	185,926,000	130,426,000	(55,500,000)	
Bridge Loan Proceeds	88,906,900	22,527,200	(66,379,700)	
Net Tax Increment Revenue	12,500	1,495,000	1,482,500	
Lease Income	98,550	95,000	(3,550)	
Interest Income	110,750	210,000	99,250	
Reimbursements by Others (Utilities, Adjacent Properties)	453,400	824,000	370,600	
Subtotal, Committed Revenue	\$ 351,884,200	\$ 180,773,000	\$ (171,111,200)	
Planned Revenue				
AC Transit Capital Contribution	-	2,148,000	2,148,000	
Planned Bridge Tolls	-	1,100,000	1,100,000	
Proposition K San Francisco Sales Tax	-	5,006,900	5,006,900	
Mello-Roos/CFD	-	19,665,000	19,665,000	
City Financing	-	101,779,000	101,779,000	
TIFIA	-	163,966,400	163,966,400	
Subtotal, Planned Revenue	\$ -	\$ 293,665,300	\$ 293,665,300	
Other				
Fund Balance from Previous Year	2,457,000	5,782,000	3,325,000	
Subtotal, Other	\$ 2,457,000	\$ 5,782,000	\$ 3,325,000	
New Revenues to be Identified				
Revenue Source to be Determined	-	-	-	
Subtotal, Revenue Source to be Determined	\$ -	\$ -	\$ -	
TOTAL REVENUE + OTHER	\$ 354,341,200	\$ 480,220,300	\$ 125,879,100	

1: Italics indicate those line items for which the approval of the expenditure amount provides expenditure authorization from the Board. Other line items are generally authorized through contract approvals.

2: TJPA's revenues are multi-year, and do not lapse at the end of a fiscal year. Revenues that are budgeted in one fiscal year, but not utilized, will carry forward into the following year.

Transbay Joint Powers Authority
Proposed Fiscal Year 2016-17 Operating Budget Request

	FY 2015-16 Annual Operating Budget	FY 2016-17 Annual Operating Budget Request	Change from FY 2015-16 Budget
OPERATING EXPENSES			
Professional & Specialized Services			
Temporary Terminal Facility Management & Security	1,240,000	1,281,000	41,000
Police Services as Needed	10,000	10,000	-
AC Transit Additional Operating Support	2,600,000	2,600,000	-
Parking Control Officers	154,000	159,000	5,000
Utilities	39,000	-	(39,000)
Insurance	51,300	53,900	2,600
Operating Contingency	438,905	587,968	149,063
Subtotal, Professional & Specialized Services	\$ 4,533,205	\$ 4,691,868	\$ 158,663
Reserves			
Operating Reserve	482,400	495,300	12,900
Subtotal, Reserves	\$ 482,400	\$ 495,300	\$ 12,900
TOTAL OPERATING EXPENSES	\$ 5,015,605	\$ 5,187,168	\$ 171,563
OPERATING REVENUE			
Regional Measure 2	4,533,205	4,691,868	158,663
Rents	427,400	438,300	10,900
Advertising	55,000	57,000	2,000
Subtotal, Operating Revenue	\$ 5,015,605	\$ 5,187,168	\$ 171,563
TOTAL OPERATING REVENUE	\$ 5,015,605	\$ 5,187,168	\$ 171,563