

**STAFF REPORT FOR CALENDAR ITEM NO.: 9
FOR THE MEETING OF: January 14, 2021**

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Approval of Fiscal Year 2021-22 Preliminary Operating Projection in the amount of \$26,195,923.

SUMMARY:

The leases with transit operators require that the TJPA Board approve an operating budget projection for the transit center by January for the upcoming fiscal year, in order to assist the transit operators in developing their own annual budgets. The proposed Preliminary Operating Projection for FY 2021-22 in the amount of \$26,195,923, which is an initial estimate at this time, is discussed below in further detail. A narrative budget outlook for FY 2021-22 will be presented to the Board in April 2021, the Draft Operating and Capital Budgets for discussion in May, and the Final Operating and Capital Budgets for adoption in June.

EXPLANATION:

The Lease and Use Agreement between the TJPA, AC Transit and the San Francisco Municipal Transportation Authority (SFMTA) requires the TJPA Board to adopt a preliminary operating budget projection by January 31. At this time, staff recommends that the proposed Preliminary Operating Projection for FY 2021-22 increase from the projection presented to the Board in June 2020 and updated projections shared with the Primary Tenants in September 2020. Several revenue categories changed from the earlier projections, substantially due to projections in availability of additional funds, as discussed below.

FY 2021-22 Operating Revenues:

The FY 2021-22 operating projection includes reimbursement revenues from RM-2 and RM-3 bridge toll funds and Community Benefits District assessments. Revenues are from transit center leases, naming rights, advertising and sponsorships, events and licensing fees, miscellaneous and interest income. The operating revenues are summarized in the following table:

<u>Reimbursements</u>	
Regional Measure 2	\$7,618,758
Regional Measure 3	1,625,600
Community Benefit District Park Payments	1,588,067
Subtotal Reimbursements	\$10,832,425
<u>Revenues</u>	
Lease and Use Payments	\$6,190,384
<i>AC Transit (74%)</i>	<i>4,580,884</i>
<i>SF Municipal Transportation Agency (26%)</i>	<i>1,609,500</i>
AC Transit (Bus Storage Facility)	560,000
Other Operator Rents	223,314
Naming Rights	3,278,181

Transit Center Rental Retail Revenue	2,775,391
Transit Center Advertising	1,250,000
Transit Center Sponsorship / Events	220,000
Neutral Host DAS Licensing Fees	125,000
AC Transit Capital Contributions	550,000
Miscellaneous	65,000
Interest Earnings	126,228
Subtotal Revenues	\$15,363,498
TOTAL RESOURCES	\$26,195,923

- TJPA receives an annual allocation of RM-2 bridge toll funds for operations. The projected allocation amount for FY 2021-22 is \$7.62 million. The projections are reduced from previous years based on guidance from MTC due to reduced toll collections.
- The FY 2021-22 budget forecast includes RM-3 funds, as the measure was passed by the voters in June 2018. Funds for the transit center are based on a percentage of the new toll funds collected. MTC estimates that \$1.63 million would be available for the transit center in FY 2021-22. However, in response to pending lawsuits related to RM-3, MTC began the new toll collection on January 1, 2019, but is holding all receipts in an escrow account. These funds will not be released until the lawsuits are fully resolved. If the lawsuits are successful, TJPA would not receive RM-3 funds for the transit center operations.
- The East Cut Community Benefit District (CBD) was formed in 2015 as a special assessment district to fund specified services to improve quality of life in the neighborhood surrounding the transit center, including operation and maintenance of green spaces in the district. Under the CBD Management Plan, the CBD will provide up to 79.18% of the annual budget to operate and maintain the Rooftop Park. The preliminary projection presented here shows \$1.59M which is increased over FY 2020-21 to reflect the possible easing of the Shelter-In-Place Orders over the fiscal year.
- Lease and Use Payments, determined by any differential between operating costs and operating revenues, is anticipated to be covered by the transit operators utilizing the facilities, per the lease agreements with each operator. Based on the preliminary projections, TJPA staff anticipates the contributions needed from the Primary Tenants at \$6.19M.
- FY 2021-22 is the fourth year of the Naming Rights agreement, and the scheduled payment under the agreement is \$3.28M.
- Transit center retail revenue is projected to be \$2.78M based on the Board approved and executed retail leases. This projection conservatively assumes that all of the currently occupied, leased spaces and the tenants that are currently under construction will be open for business by December 2021.
- Advertising revenue is primarily generated from the digital advertising on the kiosks placed throughout the transit center. The FY 2021-22 projection is \$1.25M which is the minimum annual guarantee.
- Sponsorships and Events revenue represents event rentals and branding sponsorship

opportunities on the park. It is estimated to be \$220K based on historical revenues generated.

- The preliminary FY 2021-22 budget forecast includes \$125K in Neutral Host DAS which is the minimum annual guarantee.
- AC Transit Capital Contribution revenues are planned to cover near term minor capital maintenance and equipment replacement needs for the transit center. For FY 2021-22, the contributions are the same amount as contributed in FY 2020-21, \$500K.
- Miscellaneous revenues anticipated at \$65K are generated from the pop-up retail, food trucks, and other miscellaneous revenues.
- Interest Income represents the interest earned on operating and unrestricted fund balances, conservatively estimated at \$126K.

FY 2021-22 Operating Expenses:

The preliminary projected operating expenses for FY 2021-22 total just over \$26.195 million, an increase of \$950,000 from previous projections to allot for contingency. The additional contingency allows for expanded expenses, in the event of economic improvement and the realization of revenue sources. The operations and maintenance costs have been held closely to the current costs as broken down below:

<u>Expenses</u>	
<u>Salesforce Transit Center</u>	
TJPA Administration	\$2,493,568
Asset Management Fee & Administration	1,783,753
Physical Security	6,279,071
Security Systems	560,000
Cybersecurity/IT	1,775,182
Transit Center General Maintenance	2,722,895
Transit Center Janitorial	2,133,807
Transit Center Utilities	1,640,647
Capital Maintenance, Repair, Replacement	250,000
Digital Content Management & Wayfinding Systems	602,000
Bus Storage Facility	560,000
Insurance	1,732,040
Contingency	1,835,282
<u>Transit Center Sub-Total</u>	\$24,368,060
<u>Salesforce Transit Center Park</u>	
Park Management & Administration	\$433,000
Park Programming	176,300
Park Capital Maintenance	100,000
Park General Maintenance	360,605
Park Janitorial	244,496
Park Utilities	513,278
<u>Park Sub-Total</u>	\$1,827,679
TOTAL EXPENSES	\$26,195,923

TJPA Administration includes the salary and benefits of staff. The salary and benefits are prorated between the operating and capital budgets based on job function and time allocation. Additionally, there are office related and overall program management expenses included in this line item. The administration budget has decreased from the current year due to cost savings in personnel.

Physical Security and Security Systems: Security includes local law enforcement provided by the San Francisco Police Department and private security guards and ambassadors through a contract with Allied Universal. Staffing levels will continue to be sufficient to implement the safety and security concept of operations; deter, respond to, manage and recover from all security or safety events and incidents – natural or human-caused; and manage the Security Operations Center in the transit center. The security model assigns law enforcement primarily to high visibility roving patrols, community policing activities, and response to emergency situations. Standard security guard services and park ambassador activities reside with the contract security service, Allied Universal. Security Systems includes funding for the various contracts such as Fire Life Safety contract and the software systems used to maintain the Security Operations Center.

Cybersecurity / IT: IT services include maintenance and management of the IT infrastructure at the transit center by the Asset Management team and cybersecurity under a consultant contract with TJPA.

Transit Center Maintenance, Janitorial, and Utilities: The transit center will be diligently serviced and attentively cleaned, with an emphasis on increased COVID sanitation. Systematic preventive maintenance, programmed janitorial, and groundskeeping activities will continue at a reduced level based on anticipated traffic through the transit center. LPC will conduct repair and upkeep at frequencies following typical industry best practices and that maximizes the reduced traffic.

Capital Maintenance, Repair, and Replacement: This budget anticipates the repairs or maintenance that exceed \$5,000, per instance, generally due to vandalism, overuse, misuse, and abuse. Examples of repairs or maintenance that would fall in this category are restroom door replacements, large panel glass replacement, sliding door replacement, digital equipment replacements, metal etching in elevators, spray paint removal, net barrier repairs, etc.

Wayfinding: This budget maintains the digital and physical signage that is integrated into the transit center.

Insurance: Using the FY 2020-21 actuals, costs for insurance are projected to increase using historical average market adjustments.

Park Management, Programming, Maintenance, Janitorial, and Utilities: Park expenses, generally covered by the Communities Benefits District contribution, are a prorated share of the transit center utilities, janitorial, and general maintenance. Also, the programmed activities that are generally free to the public are encompassed in these costs, along with the contractual park management fee.

FY 2021-22 Operating Reserves

Limited operating reserves will be available at the start of FY 2021-22. The reserve policy has a goal of 25% of the operating budget, which would amount to \$6.5M based on the FY 2021-22 Preliminary Operating Projection. A reserve of this amount is equal to 3 months of operating revenue which allows for sufficient working capital and a small cushion in the event that revenues do not perform as expected. It is anticipated the available reserves for FY 2021-22 will be \$1.69 million or 6% of the operating budget.

Per the TJPA Budget Policy, a draft operating budget will be presented in May and a final budget in June, as noted above. A narrative budget outlook that includes discussion of capital and operating expenditures will be provided to the Board in April.

RECOMMENDATION:

Approve the Fiscal Year 2021-22 Preliminary Operating Projection in the amount of \$26,195,923.

ENCLOSURES:

1. Resolution
2. FY 2021-22 Preliminary Operating Projection

**TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS**

Resolution No. _____

WHEREAS, The Transbay Joint Powers Authority (TJPA) is a joint powers agency responsible for the planning, design, construction, operation and management of the new Transbay Transit Center Program; and

WHEREAS, Pursuant to the Joint Powers Agreement creating the TJPA, dated April 4, 2001 (Agreement), the TJPA Board of Directors (TJPA Board) has the authority to adopt an annual or multi-year budget; and

WHEREAS, The TJPA Board is required to approve a preliminary operating projection for the transit center Primary Tenants Committee by end of January each year for the coming fiscal year; and

WHEREAS, The TJPA Board has reviewed and considered the FY 2021-22 Preliminary Operating Projection presented herewith; and

WHEREAS, These projections will continue to be refined as operations in the transit center continue; and

WHEREAS, A budget outlook for FY 2021-22 will be presented to the TJPA Board in April 2021, a draft operating budget for discussion in May, and a final operating budget for adoption in June; now, therefore, be it

RESOLVED, That the TJPA Board hereby approves the FY 2021-22 Preliminary Operating Projection for the Primary Tenants Committee, noting that the projection is preliminary in nature and will continue to be refined.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of January 14, 2021.

Interim Secretary, Transbay Joint Powers Authority

FY21-22 Preliminary Operating Budget Projection	FY20-21 Final Budget	FY21-22 Preliminary Budget Projection (June 2020)	FY21-22 Preliminary Budget Projection (September 2020)	FY21-22 Final Preliminary Budget Projection (January 2021)	Difference From Sept. to Jan.	Difference From Sept. to Jan. in %
Beginning Reserves						
Emergency Reserve	500,000	500,000	500,000	500,000	0	0%
O&M Reserve	1,190,346	4,432,346	4,432,346	1,190,346	(3,242,000)	-272%
Beginning Balance and Reserves	1,690,346	4,932,346	4,932,346	1,690,346	3,242,000	192%
Reimbursements						
Regional Measure 2	7,458,017	7,618,758	7,618,758	7,618,758	1	0%
Regional Measure 3	1,625,600	1,625,600	1,625,600	1,625,600	0	0%
STA (Wayfinding) Grant	50,000	0	0	0	0	0%
Community Benefit District Park Payments	1,211,830	1,588,067	1,588,067	1,588,067	0	0%
Subtotal Reimbursements	10,345,447	10,832,425	10,832,425	10,832,425	1	0%
Revenues						
Transit Operator Contributions	6,790,956	5,495,299	5,495,299	6,190,384	695,085	10%
AC Transit (74%)	5,025,307	4,066,521	4,066,521	4,580,884	514,363	10%
SF Municipal Transportation Agency (26%)	1,765,649	1,428,778	1,428,778	1,609,500	180,722	10%
Contributions (AC Transit Bus Storage Facility)	168,000	176,400	560,000	560,000	0	0%
Naming Rights	3,037,567	3,037,567	3,278,181	3,278,181	0	0%
Transit Center Rental Retail Revenue	1,992,000	2,988,000	2,775,391	2,775,391	0	0%
Greyhound Rents	218,400	218,400	218,400	223,314	4,914	2%
Advertising Revenues	1,645,000	1,645,000	500,000	1,250,000	750,000	46%
Transit Center Miscellaneous/ Sponsorship / Events	220,000	220,000	220,000	220,000	0	0%
Neutral Host DAS Licensing Fees	125,000	625,000	625,000	125,000	(500,000)	-400%
AC Transit Capital Contributions	1,000,000	250,000	550,000	550,000	0	0%
Miscellaneous	65,000	65,000	65,000	65,000	0	0%
Interest Earnings	60,000	60,000	126,228	126,227	(1)	0%
Subtotal Revenues	15,321,923	14,780,666	14,413,499	15,363,497	949,998	6%
Transfers From/(To)						
Transfer From Reserves/Fund Balance	0	0	0	0	0	0%
Transfer (To) Reserves/Fund Balance	(3,242,000)	(1,024,141)	0	0	0	0%
Subtotal Transfers	(3,242,000)	(1,024,141)	0	0	0	0%
TOTAL RESOURCES	22,425,369	24,588,950	25,245,924	26,195,923	949,999	4%
Expenses						
ADMIN	2,532,503	2,659,130	2,597,630	2,493,568	(104,062)	-4%
Asset Management Fee & Administration	1,761,799	1,814,653	1,783,753	1,783,753	0	0%
Physical Security	5,980,068	6,279,071	6,279,071	6,279,071	0	0%
Security Systems	560,000	560,000	560,000	560,000	0	0%
Bus Storage Facility	168,000	176,400	560,000	560,000	0	0%
Transit Center General Maintenance	2,212,797	2,212,797	2,676,109	2,722,895	46,786	2%
Transit Center Janitorial	1,749,022	2,133,807	2,133,807	2,133,807	0	0%
Transit Center Utilities	1,344,793	1,640,648	1,640,647	1,640,647	0	0%
Cybersecurity/IT	1,775,182	1,775,182	1,775,182	1,775,182	0	0%
Park Management Fee & Administration	133,000	433,000	433,000	433,000	0	0%
Park Programming	176,300	176,300	176,300	176,300	0	0%
Park Capital Maintenance	100,000	100,000	100,000	100,000	0	0%
Park General Maintenance	363,414	363,412	360,605	360,605	0	0%
Park Janitorial	244,496	244,496	244,496	244,496	0	0%
Park Utilities	513,278	513,278	513,278	513,278	0	0%
Capital Maintenance/ Repair/ Replacement	114,500	250,000	250,000	250,000	0	0%
Digital Content Management & Wayfinding Systems	602,000	602,000	602,000	602,000	0	0%
Wayfinding Enhancements	50,000	300,000	300,000	0	(300,000)	-600%
Insurance	1,634,000	1,732,040	1,732,040	1,732,040	0	0%
Title VI and Translations	50,000	0	0	0	0	0%
Contingency	360,219	622,735	528,007	1,835,282	1,307,275	363%
TOTAL EXPENSES	22,425,369	24,588,949	25,245,924	26,195,923	949,999	4%
DIFFERENCE	0	0	0	0	(0)	0%
Ending Reserve Amounts						
Emergency Reserve	500,000	500,000	500,000	500,000	0	0%
O&M Reserve	4,432,346	4,432,346	4,432,346	1,190,346	0	0%
Totals	4,932,346	4,932,346	4,932,346	1,690,346	0	0%
Reserve Percentage Expense Budget	22%	20%	6%			
	21,962,369	25,245,924	26,195,923			