
TRANSBAY JOINT POWERS AUTHORITY

Board Policy No. 003

Category: Financial Matters

BUDGET POLICY

The Transbay Joint Powers Authority (the "TJPA" or "Authority") is a joint powers agency organized and existing under the laws of the State of California. Pursuant to the Joint Powers Agreement creating the TJPA, dated April 4, 2001 (the "Agreement"), the TJPA has the authority to exercise all powers necessary and proper to carry out the provisions of the Agreement. The Agreement establishes the fiscal year of the Authority as beginning on July 1 and ending on June 30, and provides the TJPA Board of Directors ("Board") with the authority to adopt, at its sole discretion, an annual or multi-year budget before the beginning of each fiscal year.

The Joint Powers Agreement designates the City and County of San Francisco ("City") as Administrator, charged with executing the provisions of the Joint Powers Agreement and implementing programs undertaken by the Authority. With respect to the manner of exercising its powers, the Authority is subject to the policies and procedures of the City.

The policies and procedures governing procurements of the Authority derive from the laws of the City, as limited by applicable provisions of state and federal law. The Authority intends to be guided by the budgetary policies and procedures set forth in Title IX of the City Charter (Budget Process), and relevant provisions of Chapter 3 of the San Francisco Administrative Code (Budget Process Ordinances), to the extent they are applicable.

By accepting federal funding, the Authority is obligated to comply with various federal regulations regarding financial management. In the event of any conflict between federal law and the laws of the City or this Budget Policy, federal law shall supersede the City law and this Budget Policy.

I. City Charter and Administrative Code Budget Guidance

With respect to budgetary procedures, Title IX of the City Charter requires:

- The development of a schedule and procedures for the orderly preparation and submission of an annual budget;
- A description of the form of the annual proposed budget consistent with the financial records required by Section 3.105 of the Charter (outlining the duties of the City Controller); and

- A procedure to include public participation in the budgetary process, including public hearings.

The TJPA Budget Policy has been developed consistent with these City Charter budget requirements.

In addition, the TJPA recognizes the importance of clearly articulating the agency's vision, its mission, and its long-term goals for stakeholders and members of the public. The Authority also understands the value of strategic planning in creating a framework for day-to-day decision-making. The development of the TJPA's annual budget shall promote the Authority's mission, vision, and goals and allocate resources to implement them, within the constraint of available resources.

II. TJPA Budget Procedures

A. Budget Preparation

The Chief Financial Officer shall prepare a proposed Annual Operating Budget, an Annual or Multi-Year Capital Budget, and if TJPA has outstanding debt obligations, an Annual Debt Service Budget for submission to the Board. The budgets shall be:

1. Presented in appropriation line-item form;
2. Balanced with proposed revenues equal (or exceeding) to proposed expenditures; and
3. Sufficiently detailed to provide Board members and stakeholders with a clear understanding of the Authority's near-term financial plan.

For reference, the proposed budgets shall include a comparison to the prior year's approved budgets.

B. Annual Budget Schedule

To the extent possible, the TJPA shall adhere to the following schedule for the preparation of its annual budgets:

1. Submission of the Operating Budget Projection for the upcoming fiscal year to the Board or Finance Committee (if established) – January preceding the beginning of the upcoming fiscal year.
2. Submission of and public hearing on proposed annual and/or multi-year budgets to the Board– May preceding the beginning of the upcoming fiscal year.
3. Adoption of annual and/or multi-year budgets by the Board for upcoming fiscal year – June preceding the beginning of the upcoming fiscal year.
4. In the event that an annual operating and/or capital budget is not adopted by July 1, the first day of the new fiscal year, the Board shall be required to adopt a monthly interim

budget equal to one-twelfth of the prior year's annual budget. The adoption of the monthly interim budget should occur prior to July 1st, and shall continue on a monthly basis until a new annual budget has been approved.

5. Following the adoption of the annual budget, the Chief Financial Officer shall provide the Board of Directors with reports summarizing the status of budget versus actual expenditures for that fiscal year on a quarterly basis.

C. Current Year Adjustments

1. Current Year Reallocations

Once the operating and capital budgets have been adopted, the Chief Financial Officer and Executive Director may reallocate budget within and among appropriation categories without further Board action, so long as the total amount of spending does not vary from the total amount of the approved annual budget and the aggregated amount reallocated during the fiscal year does not exceed the following authorization levels:

- Chief Financial Officer: 10% of the current year budget
- Executive Director: 20% of the current year budget

Adjustments greater than 20% require approval from the Board of its Finance Committee (if established). The percentage thresholds are reset following any Board approval for budget adjustments and reallocations.

The Chief Financial Officer may amend the budgeted revenue and resources based on availability and according to their most advantageous uses without Board approval, so long as the total amount of resources does not vary from the approved annual budget.

2. Current Year Budget Reductions

Due to the nature of the Transbay Program's numerous funding sources, contingency planning may play a significant role in management of the Authority's budget. During the course of a fiscal year, if the Authority's staff determines that annual revenues shall not meet or exceed budgeted expenditures, then the Chief Financial Officer and Executive Director shall be prepared to implement measures to reduce expenditures to the level of expected revenues. The Chief Financial Officer or Executive Director shall report to the Board or its Finance Committee (if established) regarding the measures taken, and the impact on the TJPA's program.

3. Current Year Supplemental Budget Requests

During the course of the fiscal year, the Chief Financial Officer or Executive Director shall return to the Board with a proposed balanced supplemental budget in the event that total revenues or expenditures are projected to exceed the original annual budget. All supplemental budget requests shall be reviewed by the Finance Committee (if established) prior to their submittal to the Board.

The Chief Financial Officer may increase the annual Debt Service Budget revenue and expenditure without Board approval, so long as the actual resources received and principal and interest paid exceed the budgeted appropriation and are in compliance with the Board-approved terms of the bond or loan.

D. Budget Carryforward

Due to the nature of multi-year capital project delivery, at times, the appropriations included in the annual capital budget are not fully expended within the fiscal year. The Chief Financial Officer can carry forward unspent or unliquidated appropriations from one fiscal to the next, provided that funds and contract authorizations are still available. Spending of carryforwards is not considered a new appropriation that would require an amendment to the budget or Board approval. Carryforwards are exempt from the thresholds set in item II.C.

E. Multi-Year Financial Plans

The TJPA's role is to execute a large-scale, multi-year construction program, which will require significant levels of capital funding from multiple sources over several years. Upon completion of the construction program, the TJPA transitions into the role of operator of a major multi-modal transportation facility. In both roles, long-term financial planning will play a significant part in the Authority's success.

In addition to the annual budget process described in this Policy, the Authority shall maintain a long-term financial plan, describing how the Authority intends to fund the construction of the Transbay Program over the life of the Program's construction, and through the term of any loan or debt repayment undertaken in connection with the Program. This long-term financial plan shall be updated periodically, as circumstances change, and shall be presented to the Board.