

STAFF REPORT FOR CALENDAR ITEM NO.: 10
FOR THE MEETING OF: January 22, 2026

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Approval of Fiscal Year (FY) 2026-27 Preliminary Operating Projection in the amount of \$29,187,500.

SUMMARY:

The leases with transit operators require TJPA Board approval of an operating budget projection for the Transit Center by January each year to support the operators' annual budget development. The proposed Preliminary Operating Projection for FY 2026-27 totals \$29,187,500, representing an increase of just under five percent from the FY 2025-26 budget. This projection is preliminary and will be refined as more information becomes available. Draft Operating and Capital Budgets for FY 2026-27 will be presented to the Board for discussion in May, with final adoption scheduled for June.

EXPLANATION:

The Lease and Use Agreement between TJPA, AC Transit, and the San Francisco Municipal Transportation Agency (SFMTA) requires the TJPA Board to adopt a preliminary operating budget projection by January 31 of each year. Consistent with this requirement, staff recommends approval of the proposed Preliminary Operating Projection for FY 2026-27, which is based on current expense and revenue estimates and reflects a 25 percent reduction in the Primary Tenants' contribution compared to the prior year.

The following key assumptions have been included in this preliminary projection:

- **Extension of Regional Measure (RM)-2 Supplemental Funding** – Last year, MTC determined that extending the supplemental funds for an additional three years would effectively mitigate the fiscal burden on transit operators. This budget projection continues the supplemental funding.
- **Strategic Procurement Optimization** – As part of the proposed budget, staff conducted a comprehensive review of all operating purchase orders and contracts in collaboration with department directors to identify opportunities for consolidation and areas where separate procurements would enhance competitiveness. These refinements have been incorporated into the new solicitations and are intended to strengthen procurement governance, improve operational efficiency, and optimize value through economies of scale where feasible.
- **Renewal of the Lease and Use Agreement with SFMTA** – The renewal of the lease and use agreement with SFMTA has been approved by the TJPA Board, the SFMTA Board, and the San Francisco Board of Supervisors, with final execution anticipated in January 2026.
- **Increasing Employer Health Benefit Contributions and Expanding OPEB Eligibility** – The budget proposes increasing the employer contribution toward active employee health benefits and updating employee contracts to extend CalPERS post-retirement health benefits

(OPEB) to eligible employees who were not previously grandfathered as necessary adjustments to maintain workforce stability, market competitiveness, and internal equity, while responsibly managing long-term financial obligations.

FY 2026-27 Operating Revenues:

The FY 2026-27 operating projection includes reimbursement revenues from RM-2 and RM-3 bridge toll funds, Community Benefit District (CBD) assessments, event services, and the bus storage facility reimbursements from AC Transit. Revenues are from Transit Center leases, naming rights, advertising and sponsorships, events and licensing fees, and interest income. Transfers include the use of fund balance and transfers to reserves. The operating revenues are summarized in the following table:

<u>Reimbursements</u>	
Regional Measure 2	9,187,000
Regional Measure 3	4,328,000
Event Services Reimbursements	179,000
AC Transit (Bus Storage Facility and Security)	651,000
Community Benefit District Park Payments	1,743,000
Subtotal Reimbursements	\$16,088,000
<u>Revenues</u>	
Lease and Use Payments	3,469,500
AC Transit (74%)	2,567,430
SF Municipal Transportation Agency (26%)	902,070
Other Operator Rents	268,000
Naming Rights	3,801,000
Transit Center Rental Retail Revenue	3,046,000
Transit Center Advertising	590,000
Transit Center Sponsorship / Events	250,000
Neutral Host DAS Licensing Fees	125,000
Miscellaneous	40,000
Interest Earnings	470,000
Subtotal Revenues	\$12,059,500
<u>Transfers to/from Fund Balance and Reserves</u>	
	\$1,040,000
TOTAL RESOURCES	\$29,187,500

- TJPA receives an annual allocation of RM-2 bridge toll funds for operations. The projected allocation amount for FY 2026-27 is about \$6.6 million. As previously noted, MTC has extended the allocation of supplemental RM-2 funds for three years to offset operator contributions. FY 2026-27 is the second year of the extension. The projected supplemental allocation amount for FY 2026-27 is approximately \$2.5 million.
- The FY 2026-27 budget forecast incorporates RM-3 funds for Transit Center operations, derived from a percentage of the newly collected toll revenues. The preliminary

projection of \$4.3 million is based on the continuation of MTC's FY 2025-26 allocation amount, with a small increase due to increased traffic volume. MTC will likely provide a revised projection of toll revenues prior to presentation of the final budget in June.

- The East Cut CBD was formed in 2015 as a special assessment district to fund services aimed at enhancing the quality of life in the neighborhood surrounding the transit center, including the operation and maintenance of green spaces within the district. Under the CBD Management Plan, the CBD will provide up to 79.18% of the annual budget for the operations and maintenance of the rooftop park. The preliminary projection presented here includes a \$1.7 million reimbursement from CBD.
- Lease and Use Payments, determined by any differential between operating costs and operating revenues, are 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 about \$3.5 million.
- FY 2026-27 is the ninth year of the Naming Rights agreement, and the scheduled payment under the agreement is about \$3.8 million.
- Transit Center retail revenue is projected to reach \$3.0 million, based on executed retail leases. This projection reflects revenues from existing tenants and known near-term occupancies and assumes continued collection of regular and alternate rents through FY 2026-27. The projected increase in retail revenue is driven primarily by a reduction in Alternate Rent accommodations, made possible by increased foot traffic and a broader recovery in downtown San Francisco activity levels. While some pandemic-related impacts persist, these projections reflect improving conditions and a gradual return toward more normalized retail operations.
- Advertising revenue at the Transit Center is generated primarily through digital kiosks and experienced a significant decline during the pandemic due to reduced foot traffic and ridership. Since that period, advertising performance has shown consistent and meaningful recovery, with strong year-over-year growth in the current fiscal year and improving demand from advertisers. While the current year includes elevated activity associated with major one-time regional events, the FY 2026-27 projection reflects a normalized, sustainable revenue level. Based on recent performance trends and excluding one-time event impacts, advertising revenue is projected at approximately \$590,000 for FY 2026-27.
- Sponsorships and Events revenue consist of income derived from event rentals and branding sponsorship opportunities within Salesforce Park. In FY 2024-25, TJPA generated approximately \$40,000 from a limited number of co-sponsored events, including Suds Francisco and Rooftop Rhythms. Absent the addition of new rentable space, ongoing sponsorships revenue is projected to remain relatively modest, at approximately \$50,000 annually.

In FY 2026–27, TJPA anticipates completing construction of a new event space within the currently vacant P-01 restaurant space in Salesforce Park. The planned venue, approximately 4,500 square feet with an adjoining terrace, is expected to be available for use by Summer 2026. Upon opening, the P-01 event space is projected to generate incremental revenues of approximately \$200,000 in FY 2026–27, bringing total Sponsorships and Events revenue to an estimated \$250,000 for the fiscal year. Should the P-01 space be leased for restaurant or commercial use instead, revenues would be realized through lease income rather than event rentals and sponsorships.

- The preliminary FY 2026-27 budget forecast includes \$125,000 in Neutral Host DAS which is the minimum annual guarantee.
- Miscellaneous revenues anticipated at \$40,000 are generated from various activities and transactions not listed above, including sales commissions and recurring licensing fees associated with vending machines located throughout the Salesforce Transit Center.
- In recent years, higher interest rates have significantly increased returns on short-term investments. As a result, the TJPA has been able to earn substantially more interest on its operating cash balances without changing its investment strategy or risk profile. Interest income represents earnings on these balances and is estimated at approximately \$470,000, reflecting prevailing market rates and prudent cash management practices.

FY 2026-27 Operating Expenses:

The preliminary projected operating expenses for FY 2026–27 total \$29,187,500, representing a 4.8 percent increase over FY 2025–26. Cost increases driven by contractual obligations and inflation have been partially offset through reductions in other areas, through streamlining certain expenses. A breakdown of operations and maintenance costs is provided below:

<u>Expenses</u>	
<u>Salesforce Transit Center</u>	
TJPA Administration	4,188,000
Asset Management & Administration	63,000
Private Events Management	179,000
Physical Security	7,975,000
Security Systems	509,000
Cybersecurity/IT	1,569,000
Transit Center General Maintenance	4,436,000
Transit Center Janitorial	1,904,000
Transit Center Utilities	1,828,000
Digital Content Management & Wayfinding Systems	370,000
Insurance	3,279,000
Bus Storage Facility	651,000
Transit Center Building Occupancy Resumption Program	36,000
<u>Transit Center Sub-Total</u>	\$26,987,000

Salesforce Transit Center Park	
Park Management & Administration	573,000
Park Programming	356,000
Park General Maintenance	560,000
Park Janitorial	323,000
Park Utilities	372,000
Park Crowd Control	16,500
Park Sub-Total	\$2,200,500
TOTAL EXPENSES	\$29,187,500

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. The preliminary budget for salaries and benefits has been updated to reflect current and projected wage and benefits rates, as well as proposed changes to health benefits described below. Additionally, there are office-related and overall program management expenses included in this line item.

Health care premiums under CalPERS plans continue to increase due to medical inflation and market pressures affecting all public agencies. Increasing TJPA's employer contribution toward active employee health benefits is necessary to prevent these cost increases from being shifted disproportionately to employees and to preserve the value of total compensation. Maintaining competitive employer health contributions supports workforce stability and ensures TJPA remains aligned with peer public agencies in the City and County of San Francisco and the Bay Area.

Updating employee contracts to extend eligibility for CalPERS post-retirement health benefits (OPEB) to employees who were not previously grandfathered, subject to meeting eligibility requirements, promotes fairness and consistency across the workforce. The current structure differentiates employees based solely on hire date rather than service, creating inequities that can negatively affect morale and retention. Aligning OPEB eligibility across employees supports long-term workforce continuity and reflects TJPA's commitment to equitable employment practices.

Together, these actions strengthen TJPA's ability to recruit and retain qualified staff in a highly competitive labor market while supporting organizational continuity for long-term programs and operations. The fiscal impacts of the increased health contributions and expanded OPEB eligibility will be evaluated through actuarial analysis and incorporated into the annual budget and long-term financial planning to ensure costs remain transparent, manageable, and fiscally responsible. The preliminary estimated cost increase to the FY 2026-27 operating budget for these adjustments is \$89,000 and will be offset by a transfer from the fund balance resulting from previous operating efficiencies and savings.

Asset Management & Administration: This budget item includes facility management, maintenance, commercial leasing and management, and advertising and promotional platform management. Associated costs include property management software, building management

system expenses, business licenses and permits, and legal and litigation-related expenses. These activities will continue to be provided with TJPA staff and directly managed contracts, rather than through an asset management contractor. In addition, this category includes the anticipated solicitation of a retail lease representation contract.

Physical Security and Security Systems: Security includes local law enforcement provided by the San Francisco Police Department and private contracted security guards. 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. 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 IT consultant and cybersecurity services. A solicitation is planned for a new cybersecurity solution contract to continue maintaining and enhance the agency's information technology security posture. The impact of increasing costs is offset by the cost efficiency efforts to combine the services and products provided by various IT contracts.

Transit Center Maintenance, Janitorial, and Utilities: The Transit Center will be diligently serviced and attentively cleaned. Systematic preventive maintenance, programmed janitorial, and groundskeeping activities will continue based on anticipated traffic through the Transit Center. The facilities management will conduct repair and upkeep at frequencies following typical industry's best practices. These budget items include the upcoming solicitations for building engineering services, fire life safety sprinkler testing and maintenance, pest maintenance, and the renewal of janitorial services to maintain safe, compliant, and sanitary conditions throughout the facility. Expenditures are anticipated to increase due to regulatory compliance requirements, facility aging, enhanced cleaning protocols, and rising labor and materials costs.

Digital Content Management & Wayfinding Systems: This budget item includes licenses and content development for the digital and physical signage that is integrated into the Transit Center. Furthermore, this item includes the anticipated solicitation of a contract for promotional platform services to support digital content management, wayfinding, and visitor engagement. Increased costs are anticipated as a result of technology upgrades, expanded digital content needs, and ongoing platform maintenance.

Insurance: Costs for insurance are projected to increase using market adjustments recommended by the TJPA's insurance broker. The insurance cost estimate will be updated as additional pricing information becomes available.

Park Management, Programming, Maintenance, Janitorial, and Utilities: Park expenses, generally covered by the CBD 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 included in these costs, along with the contractual park management fee.

FY 2026-27 Operating Reserves

The FY 2026-27 budget includes fully funding the operating reserve at the policy goal of 25% of the operating budget. A reserve of this amount is equal to 3 months of operating revenue which provides a contingency in the event that revenues do not perform as expected or costs exceed the budget projection.

Per the TJPA Budget Policy, a draft operating budget will be presented in May and a final budget in June, as noted above.

RECOMMENDATION:

Approve the Fiscal Year 2026-27 Preliminary Operating Projection of \$29,187,500.

ENCLOSURES:

1. Resolution
2. FY 2026-27 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 Transbay Program; and

WHEREAS, Pursuant to the Joint Powers Agreement creating the TJPA, dated April 4, 2001, 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 Fiscal Year 2026-27 Preliminary Operating Projection presented herewith; and

WHEREAS, These projections will continue to be refined as operations in the Transit Center continue; and

WHEREAS, A draft operating budget for FY 2026-27 will be presented to the TJPA Board 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 2026-27 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 22, 2026.

Secretary, Transbay Joint Powers Authority

FY 2026-27 Preliminary Operating Budget Projection	2025-26 Final Budget	2026-27 Preliminary Budget Projection (September 2025)	2026-27 Preliminary Budget Projection (January 2026)	Variance in \$ from September 2025	Variance in % from September 2025
Beginning Reserves					
Emergency Reserve	500,000	500,000	500,000	0	0%
O&M Reserve	6,903,746	6,962,746	6,962,746	0	0%
Beginning Balance and Reserves	5,623,277	7,462,746	7,462,746	0	0%
Reimbursements					
Regional Measure 2	8,960,000	9,187,000	9,187,000	0	0%
Regional Measure 3	4,322,000	4,328,000	4,328,000	0	0%
Event Services Reimbursement	89,000	179,000	179,000	0	0%
AC Transit (Bus Storage Facility and Security)	651,000	651,000	651,000	0	0%
Community Benefit District Park Payments	1,691,000	1,800,000	1,743,000	(57,000)	-3%
Subtotal Reimbursements	15,713,000	16,145,000	16,088,000	(57,000)	-0.4%
Revenues					
Lease and Use Payments	4,628,000	4,541,500	3,469,500	(1,072,000)	-24%
AC Transit (74%)	3,424,720	3,360,710	2,567,430	(793,280)	-24%
SF Municipal Transportation Agency (26%)	1,203,280	1,180,790	902,070	(278,720)	-24%
Other Operator Rents	260,000	268,000	268,000	0	0%
Naming Rights	3,690,000	3,801,000	3,801,000	0	0%
Transit Center Rental Retail Revenue	2,598,000	2,968,000	3,046,000	78,000	3%
Transit Center Advertising	295,000	379,000	590,000	211,000	56%
Transit Center Sponsorship / Events	208,000	250,000	250,000	0	0%
Neutral Host DAS Licensing Fees	125,000	125,000	125,000	0	0%
Miscellaneous	36,000	40,000	40,000	0	0%
Interest Earnings	300,000	470,000	470,000	0	0%
Subtotal Revenues	12,140,000	12,842,500	12,059,500	(783,000)	-6.1%
Transfers From/(To)					
Transfer From/(To) Fund Balance	59,000		1,374,000		
Transfer From/(To) Reserves	(59,000)		(334,000)		
Subtotal Transfers	0	0	1,040,000	1,040,000	
TOTAL RESOURCES	27,853,000	28,987,500	29,187,500	200,000	0.7%
Expenses					
Salesforce Transit Center					
TJPA Administration	25,717,000	26,714,000	26,987,000	273,000	1%
Asset Management	3,875,000	3,992,000	4,188,000	196,000	5%
Private Events Management	318,000	47,000	63,000	16,000	34%
Physical Security	122,000	179,000	179,000	0	0%
Security Systems	7,787,000	7,975,000	7,975,000	0	0%
Cybersecurity/IT	1,425,000	1,596,000	1,569,000	(27,000)	-2%
Transit Center General Maintenance	3,949,000	4,472,000	4,436,000	(36,000)	-1%
Transit Center Janitorial	1,823,000	1,934,000	1,904,000	(30,000)	-2%
Transit Center Utilities	1,452,000	1,702,000	1,828,000	126,000	7%
Digital Content Management & Wayfinding Systems	360,000	370,000	370,000	0	0%
Insurance	3,191,000	3,278,000	3,279,000	1,000	0%
Bus Storage Facility	651,000	651,000	651,000	0	0%
Transit Center Building Occupancy Resumption Program	34,000	36,000	36,000	0	0%
Salesforce Transit Center Park					
Park Management & Administration	2,136,000	2,273,500	2,200,500	(73,000)	-3%
Park Programming	560,000	573,000	573,000	0	0%
Park General Maintenance	366,000	356,000	356,000	0	0%
Park Janitorial	582,000	656,000	560,000	(96,000)	-15%
Park Utilities	314,000	323,000	323,000	0	0%
Park Crowd Control	298,000	349,000	372,000	23,000	7%
	16,000	16,500	16,500	0	0%
TOTAL EXPENSES	27,853,000	28,987,500	29,187,500	200,000	0.7%
DIFFERENCE	0	0	0	0	
Ending Reserve Amounts					
Emergency Reserve	500,000	500,000	500,000	0	
O&M Reserve	6,962,746	6,962,746	7,296,746	334,000	
Totals	7,462,746	7,462,746	7,796,746	334,000	
Reserve Percentage	25%	24%	25%		

FY 2026-27 Preliminary Operating Budget Projection

TJPA Board
January 22, 2026



Budget Calendar:

September 2025

- TJPA Submitted Preliminary Operating Budget Projections to Primary Tenants

January 2026

- Board review and approval of Preliminary Operating Budget Projection

January - May

- Staff Development of Operating, Debt Service, CIP, and Capital Budgets

May 2026

- Presentation to the Board and public hearing of Draft Budgets

June 2026

- Board Review and adoption of FY2026-27 Operating, Debt Service, CIP, and Capital Budgets

Preliminary Operating Budget Projection

Operating Budget Projection	September 2025	January 2026	Difference
Expenditure	\$28,987,500	\$29,187,500	\$200,000
Reimbursement, Operating Revenue, and Fund Balance	\$24,446,000	\$25,718,000	\$1,272,000
Transit Operators Contribution	\$4,541,500	\$3,469,500	(\$1,072,000)
AC Transit	3,360,710	2,567,430	(793,280)
SFMTA	1,180,790	902,070	(278,720)

Highlights:

- Extension of Regional Measure (RM)-2 Supplemental Funding
- Strategic Procurement Optimization
- Renewal of the Lease and Use Agreement with SFMTA
- Increasing Employer Health Benefit Contributions and Expanding OPEB Eligibility

Operating Budget Revenue:

Reimbursements	16,088,000
Regional Measure 2	9,187,000
Regional Measure 3	4,328,000
Event Services Reimbursement	179,000
AC Transit (Bus Storage Facility and Security)	651,000
Community Benefit District Park Payments	1,743,000
Revenues	12,059,500
Lease and Use Payments	3,469,500
AC Transit (74%)	2,567,430
SF Municipal Transportation Agency (26%)	902,070
Other Operator Rents	268,000
Naming Rights	3,801,000
Transit Center Rental Retail Revenue	3,046,000
Transit Center Advertising	590,000
Transit Center Sponsorship / Events	250,000
Neutral Host DAS Licensing Fees	125,000
Miscellaneous	40,000
Interest Earnings	470,000
Transfers	1,040,000

Operating Budget Expenditure:

Expenses	
Salesforce Transit Center	29,187,500
TJPA Administration	26,987,000
Asset Management	4,188,000
Private Events Management	63,000
Physical Security	179,000
Security Systems	7,975,000
Cybersecurity/IT	509,000
Transit Center General Maintenance	1,569,000
Transit Center Janitorial	4,436,000
Transit Center Utilities	1,904,000
Digital Content Management & Wayfinding Systems	1,828,000
Insurance	370,000
Bus Storage Facility	3,279,000
Transit Center Building Occupancy Resumption Program	651,000
	36,000
Salesforce Transit Center Park	2,200,500
Park Management & Administration	573,000
Park Programming	356,000
Park General Maintenance	560,000
Park Janitorial	323,000
Park Utilities	372,000
Park Crowd Control	16,500

Operating Reserve:

Operating Reserve	Beginning Balance	Transfer From Fund Balance	Ending Balance
Emergency Reserve	500,000	-	500,000
Operating and Maintenance Reserve	6,962,746	334,000	7,296,746
Total Operating Reserve	7,462,746	334,000	7,796,746
% of Operating Budget	24%		25%

Further Consideration:

- ❑ Adjustment of RM2 and RM3 reimbursements with MTC upcoming projected allocation
- ❑ Revisit Rental Retail and Advertising revenue for updates and market changes
- ❑ Updating Transit Center operating cost with the result of procurements and contract awards.

Questions ?

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