Bay Area Infrastructure Financing Authority
(BAIFA)

June 25, 2025 **Agenda Item 5a - 25-0827**

Bay Area Infrastructure Financing Authority (BAIFA) Resolution No. 055.

BAIFA Proposed Fiscal Year (FY) 2025-26 Operating and Capital Budget

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Subject:

Adoption of BAIFA Resolution No. 55, approving the BAIFA Proposed Fiscal Year (FY) 2025-26 Operating and Capital Budget.

Summary of Changes from May Draft:

On May 28, 2025, staff submitted the draft FY 2025-26 Operating and Capital Budget to the Authority as an information item. The proposed budget includes an additional $2.8 million in projected interest revenue; it also includes an updated cost-of-living adjustment which results in a $10,400 decrease in operating expenses. The revised cost assumptions have impacted both operating expenses and the equivalent reimbursement revenue from the San Mateo 101 Express Lane operations. Overall, these changes increase the total operating surplus by $2.8 million.

Background:

The Bay Area Infrastructure Financing Authority (BAIFA) operates a 118-mile express lane network in the Bay Area. BAIFA is a joint powers authority between the Metropolitan Transportation Commission (MTC) and the Bay Area Toll Authority (BATA). BAIFA manages Metropolitan Transportation Commission's express lanes (EL) on the Interstate 680 (I-680 EL) in Contra Costa County that spans 36 lane miles and the Interstate 880 (I-880 EL) on Alameda County that spans 46 lane miles. BAIFA will open 36 new lane miles on Interstate 80 (I-80 EL) in Solano County where tolling operations are projected to start in late Fall 2025.

Toll revenue is collected using FasTrak® which is the electronic toll payment system used at the Bay Area's eight toll bridges and on the express lanes. BAIFA also operates and maintains the San Mateo 101 Express Lanes (SM 101 EL) under a cooperative agreement with the San Mateo County Express Lanes Joint Powers Authority (SMCELJPA), with expenses reimbursed by the SMCELJPA.

The proposed BAIFA FY 2025-26 operating budget includes total operating revenue of $116.7 million and total operating expenses of $48.3 million before transfers. These figures reflect a

40% increase in revenue and a 30% increase in expenses compared to the FY 2024-25 approved budget. This budget incorporates revenues and expenses from operating the Solano I-80 EL seven days a week. This is dependent on BAIFA's adoption of a toll ordinance amendment that adds Solano I-80 to existing BAIFA corridors and a separate action to approve a pilot to add weekend hours of operation. These actions are anticipated to occur this summer. Additionally, the proposed capital budget for FY 2025-26 includes additional investments in the BAIFA Express Lanes capital programs. Specifically, the Capital Development Program Budget will see an increase of $5.3 million, while the Rehabilitation Program Budget will be augmented by $46.2 million. The I-680 EL and the I-880 EL corridors continue to experience strong traffic volume in FY 2024-25.

The table below shows annual average monthly paid traffic in thousands.

EL	Fiscal Year	Full Year	First 9 mos.
I-880	FY 2020-21	N/A	596
N/A	FY 2021-22	727	722
N/A	FY 2022-23	680	671
N/A	FY 2023-24	694	688
N/A	FY 2024-25	-	668
I-680	FY 2017-18	N/A	423
N/A	FY 2018-19	377	373
N/A	FY 2019-20	274	352
N/A	FY 2020-21	230	211
N/A	FY 2021-22	368	362
N/A	FY 2022-23	378	373
N/A	FY 2023-24	387	383
N/A	FY 2024-25	-	395

Operating Budget:

Estimated total FY 2025-26 revenue for all express lanes operations is $116.7 million with total operating expenses before transfer of $48.3 million. Estimated FY 2025-26 total toll revenue from the I-680 EL and I-880 EL, combined with new estimates for the I-80 EL, is approximately $27.4 million higher than FY 2024-25 budget. This represents a 42% increase resulting from continued growth and new expansion of the express lane network. Year-over-year toll growth of 2.5% is assumed for I-680 EL and I-880 EL, aligned with the 10-year financial plan for revenue

growth. Projected revenue for the new Solano I-80 EL is $19.8 million, including $7.4 million during weekend hours of operation. Given there is no precedence for express lanes tolling on weekends in the Bay Area, weekend pilot revenue figures are relatively uncertain.

The FY 2025-26 estimates of violation revenue reflect FY 2024-25 actuals adjusted to account for the impact of collections in the current fiscal year due to prior years of backlog. This adjustment ensures a more accurate reflection of expected revenue from violations. The result is a $3.5 million increase over FY 2024-25 budget but a decrease from projected FY 2024-25 actual results.

Interest earnings are projected to increase by 40% in FY 2025-26. This growth is attributed to anticipated higher overall investment returns.

FY 2025-26 projected operating and maintenance (O&M) expenses for FasTrak®, which is 20% higher than FY 2024-25 budget, reflect several key adjustments driven by recent and upcoming developments. Anticipated increases in O&M expenses are primarily attributed to escalation in contractual services, the growing volume of trip transactions on the I-680 and I-880 ELs, and the opening of the I-80 EL. However, budgeted fees for DMV holds and the collection agency are expected to decrease in FY 2025-26, aligned with the latest actual performance trends on the existing network. Notably, consistent with BAIFA's past practice of offering a grace period on new lanes such that transaction violations incur a zero-dollar penalty, no overdue notices are anticipated to be sent for I-80 EL transactions until the final two months of FY 2025-26.

Express lanes administration costs are projected to rise, driven primarily by increases due to reallocation of staff and a 2.8% cost-of-living adjustment, which is pursuant to the Metropolitan Transportation Commission Memorandums of Understanding. The budget incorporates a 6% vacancy assumption, aligning with broader agency staffing trends.

The BAIFA express lanes network demonstrates a robust financial outlook with a total projected operating surplus before transfers of $68.4 million. The I-680 Express Lane (EL) is expected to contribute an operating surplus of $9.0 million before transfers, while the I-880 EL projects a significantly higher operating surplus of $52.5 million. Additionally, the newly launched I-80 EL is estimated to generate an operating surplus of $6.9 million, highlighting an incremental financial contribution from its initial stages of operation.

The budget strategically allocates these operating surpluses to ensure the long-term sustainability and development of the express lane network. Transfers amounting to $51.6 million are planned for capital development and rehabilitation programs across the corridors, further emphasizing the system's commitment to and need for infrastructure maintenance and enhancement. A separate transfer of $133,000 is earmarked for contributions to the Metropolitan Transportation Commission (MTC) project costs for staffing and legal notices.

To meet the Authority-approved reserves policy, transfers totaling $37.4 million will be made to the operations and maintenance (O&M) and capital reserves. Funding the designated reserves ensures the financial resilience of the express lanes. Fund reserve designations are summarized in Attachment D. However, these allocations result in a net transfer of $20.7 million from the unrestricted reserve.

BAIFA maintains a cooperative agreement with the San Mateo County Express Lanes Joint Powers Authority (SMCELJPA), under which BAIFA oversees the tolling system for the SM 101 Express Lane (EL). SMCELJPA reimburses BAIFA for all associated operating expenses, resulting in a reimbursement revenue budget of $6.6 million for FY 2025-26. This budget aligns with the equivalent operating expenses incurred in managing the express lanes. The FY 2025-26 budget represents a 6.9% reduction compared to the previous fiscal year, primarily due to a decreased allocation of shared express lane operating costs. This adjustment reflects the efficient distribution of common costs among the express lanes network. This portion of the budget is self-balancing, as BAIFA is fully reimbursed for its operational expenditures related to the SM101 EL. The arrangement ensures that the management of the SM 101 EL tolling system does not impact BAIFA's broader financial position.

The budget is summarized below (in thousands).

	FY 2024-25 Approved	FY 2025-26 Proposed
Toll Revenue		
I-680	$14,157	$16,509
I-880	51,557	57,102
I-80	-	19,552
Violation/Other		
I-680	1,978	2,599
I-880	2,424	5,048
I-80	-	275
Interest & Other	6,452	9,054
SM 101	7,064	6,579
Total Revenue	$83,632	$116,718
Operating Expenses		
FasTrak®	$11,808	$14,182
EL Operations	12,474	18,865
Administration	5,857	8,703
SM 101	7,064	6,579
Total Expenses	$37,203	$48,329
Operating Surplus	$46,429	$68,389
Transfers		
MTC	1,326	133
Capital & Rehab	38,031	51,560
Reserves	77,600	37,400
Total Transfers	$116,957	$89,093
Total Transfers In/(Out)*	($70,528)	($20,704)

*Net Transfer from Reserves

Capital Programs:

Express Lanes Development Program

The Bay Area Infrastructure Financing Authority (BAIFA) maintains a portfolio of 14 capital projects with a life-to-date budget of approximately $486 million. These projects are critical to the development of infrastructure managed by BAIFA.

For FY 2025-26, additional costs totaling $5.3 million are anticipated. Additional funding is requested for the program advisor contract. This contract is crucial as it provides project management and controls for the replacement of the EL host application system. Further consultant costs are necessary to continue Express Lanes START, the means-based pilot, which aims to provide equitable toll pricing for low-income drivers on I-880 and to expand the pilot to I-80. This expansion will help assess the effectiveness of the program and its potential broader implementation.

These capital expenses are funded from the estimated EL operating surplus, ensuring that the projects are financially sustainable. A complete list of the BAIFA capital program is provided in Attachment B.

Rehabilitation (Rehab) Program

The BAIFA Rehab Program is dedicated to the long-term maintenance and repair of the toll system for both existing and upcoming express lanes. This program ensures the continued efficiency and reliability of the toll infrastructure, which is vital for the Bay Area's EL network.

For FY 2025-26, an additional budget of $46.2 million will be allocated to the BAIFA Rehab budget. Significant funding is required for upgrading the toll host system and the State Highway Operation and Protection Program (SHOPP) projects on I-680 EL. There is also a request for funding centralized rehab costs, which cover the overarching rehabilitation activities across the EL network. A complete list is attached to the budget schedule (Attachment C).

Operating and Capital Reserves:

Statute requires that "net revenue" be restricted to uses in the respective express lane corridors. However, before net revenue is determined, there are provisions for eligible expenses such as

debt service, reserves for future operations and maintenance, rehabilitation improvements, and further development of the EL network.

Per Resolution No. 53 adopting the reserves policy for BAIFA, the Authority has set aside $60 million for the Capital Repair & Replacement (R&R) reserve, $22.6 million for the Operations & Maintenance (O&M) reserve and $25 million for the fully funded Emergency reserve as of FY 2024-25. The proposed FY 2025-26 budget recommends an additional transfer of $37.4 million from operating results to fund reserves as follows: (1) $7.4 million to fully fund the O&M reserve for $30 million, and (2) $30 million to increase the Capital R&R reserve to $90 million. Attachment D describes the fund reserve designations and proposed funding levels for FY 2025-26.

Recommendations:

Staff recommends adoption of Bay Area Infrastructure Financing Authority (BAIFA) Resolution No. 55, approving the BAIFA FY 2025-26 Operating and Capital Budget.

Attachments:

- Attachment A: Presentation
- Attachment B: BAIFA Resolution No. 55, FY 2025-26 Operating and Capital Budget
    - Attachment A: Operating Budget
    - Attachment B: Express Lanes LTD Capital Budget
    - Attachment C: Express Lanes LTD Rehabilitation Budget
    - Attachment D: Fund Reserve Designations

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