

STAFF REPORT FOR CALENDAR ITEM NO.: 12
FOR THE MEETING OF: May 14, 2020

TRANSBAY JOINT POWERS AUTHORITY

BRIEF DESCRIPTION:

Approve use of the additional Operating Reserves to cover revenue shortfalls in the Transit Center Operating Fund for Fiscal Year 2019-2020 (FY 2019-20) in the amount of \$2,000,000.

EXPLANATION:

The Temporary Terminal Fund was created during the operation of the temporary terminal, to be used should operating costs for the temporary facility exceed dedicated revenues in any fiscal year. Per the Lease and Use Agreement between the TJPA and AC Transit, any amount remaining in the Temporary Terminal Operating Reserve after the tenants have vacated the temporary terminal are rolled over to the Terminal Operating Reserve. Since the execution of the Lease and Use Agreement, the Terminal Operating Reserve has been renamed the Transit Center Operating and Maintenance Reserve. The Temporary Terminal is now closed. The balance of the Temporary Terminal Operating Reserve will be transferred to the Transit Center Operating and Maintenance Reserve.

Under the TJPA Board Policy No. 012 – Reserve Policy, the TJPA Board of Directors may authorize the use of Operating and Maintenance Reserve funds for unforeseen circumstances.¹ The Coronavirus pandemic and shelter-in-place orders have negatively impacted several of the revenues included in the TJPA’s operating budget. Metropolitan Transportation Commission (MTC) has advised that certain RM-2 allocations will be reduced by 15% for the current fiscal year. Advertising revenue has dropped as substantially fewer passengers are using the Transit Center facility. Projected lease income has been delayed as tenants have postponed their move-in dates. Income from existing leases has decreased as several tenants are currently unable to pay their lease obligations. Staff are currently working with MTC to seek alternative funding sources to mitigate the current and future revenue losses. TJPA has cut operating costs where possible to mitigate the budget shortfall. In total, however, TJPA anticipates a shortfall of \$2,000,000 for FY 2019-20. Staff seeks approval from the TJPA Board of Directors to use Operating and Maintenance Reserve funds in the amount of \$2,000,000 to fill this shortfall.

Following the requirements in the AC Transit Lease and Use Agreement and the San Francisco Municipal Transportation Agency (SFMTA) Lease, TJPA has provided written notice to AC Transit and SFMTA of the TJPA’s intent to use \$2,000,000 from the Operating and Maintenance Reserve for FY 2019-20 expenses. The TJPA anticipates that the operators will be supportive of

¹ On March 12, 2020, the TJPA Board authorized the interim use of \$1,625,000 in O&M Reserves to fill the funding gap until Regional Measure-3 (RM-3) monies are available. On December 19, 2019 MTC approved a resolution specific to the TJPA that will allow the TJPA the ability to request reimbursement from RM-3 funds in escrow for operating expenses for the FY 2019-20, when the RM-3 litigation is resolved.

this proposal as an intermediate measure, but AC Transit and SFMTA may provide written comments to the TJPA's notice within 8 days after the notice for the TJPA's consideration.

RECOMMENDATION:

Staff recommends that the TJPA Board authorize the Executive Director to use additional Operating and Maintenance Reserves for Transit Center operations for FY 2019-20 in the amount of \$2,000,000; the Executive Director shall use good faith efforts to respond to any comments from the primary tenant transit operators regarding this proposal.

ATTACHMENTS:

1. Resolution

**TRANSBAY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS**

Resolution No. _____

WHEREAS, The TJPA Board of Directors approved the annual Operating Budget and related appropriations, inclusive of debt service, for Fiscal Year 2019-2020 (FY 2019-20) in an amount not to exceed \$38,719,021 on June 13, 2019; and

WHEREAS, The TJPA Board of Directors approved an amendment to the annual Operating Budget for FY 2019-20 in an amount not to exceed \$25,986,411 on March 12, 2020; and

WHEREAS, The United States, California, and City and County of San Francisco are currently experiencing impacts from the Coronavirus pandemic; and

WHEREAS, Various revenues included in the TJPA's adopted and amended FY 2019-20 Operating Budget have been negatively impacted by the pandemic; and

WHEREAS, Staff are currently working with the Metropolitan Transportation Commission to seek alternative revenue sources; and

WHEREAS, The TJPA has used its best efforts to reduce net operating expenses for the Transit Center; and

WHEREAS, The Transit Center projected operating expenses are greater than projected operating revenues; and

WHEREAS, The TJPA Board Policy No. 012 – Reserve Policy allows for the expenditures from the Operating and Maintenance Reserve for unforeseen circumstances; and

WHEREAS, Per the lease and use agreements with the primary tenant transit operators, the TJPA has provided written notice to AC Transit and San Francisco Municipal Transportation Agency (SFMTA) of its intent to use Operating and Maintenance Reserve funds, and the TJPA anticipates that the operators will be supportive of this proposal as an intermediate measure; and

WHEREAS, Staff recommends that the TJPA Board approve the use of additional Operating and Maintenance Reserve funds to address the projected FY 2019-20 shortfall; now, therefore, be it

RESOLVED, That the TJPA Board authorizes the Executive Director to use additional Operating and Maintenance Reserves for Transit Center operations for FY 2019-20 in the amount of \$2,000,000; the Executive Director shall use good faith efforts to respond to any comments from the primary tenant transit operators regarding this proposal.

I hereby certify that the foregoing resolution was adopted by the Transbay Joint Powers Authority Board of Directors at its meeting of May 14, 2020.

Secretary, Transbay Joint Powers Authority