

**THIS PRINT COVERS CALENDAR ITEM NO.: 4
FOR THE MEETING OF: April 8, 2005**

TRANSBAY JOINT POWERS AUTHORITY FINANCE COMMITTEE

BRIEF DESCRIPTION:

Information Item: Initial Presentation of the Authority's Proposed FY2006 Budget.

SUMMARY:

- The Joint Powers Agreement creating the Transbay Joint Powers Authority (TJPA), dated April 4, 2001, establishes the fiscal year of the Authority as beginning on July 1 and ending on June 30, and provides the TJPA Board of Directors with the authority to adopt, at its sole discretion, an annual or multi-year budget before the beginning of each fiscal year.
- In accordance with the Budget Policy adopted by the Board of Directors on June 23, 2004, staff has prepared an initial presentation of the proposed budget for review by the Board's Finance Committee in April 2005. The Budget Policy calls for the full Board to hold a public hearing on the proposed budget in May 2005, and then to adopt a budget in June 2005.
- The proposed FY2006 budget totals approximately \$78.0 Million. At this juncture, certain expenditure estimates are tentative, and will be refined before Board action on the budget is requested in June.

Links to Mission, Vision & Goals

The Board of Directors Finance Committee will review the Authority's proposed Mission, Vision and Goals in April 2005. The Authority's FY2006 budget supports the Authority Mission: To design, build, operate and maintain an intermodal terminal and rail extension; and to collaborate with the San Francisco Redevelopment Agency and City departments to create an adjacent new transit-oriented neighborhood. It also clearly reflects two of the proposed Authority's goals:

- Transparency, by providing a clear, straight-forward analysis of the Authority's budget; and
- Fiduciary responsibility.

The purpose of the TJPA's annual budget is to allocate resources necessary to implement specific policies, plans, and management strategies that are designed to achieve the Authority's goals.

Proposed FY2006 Expenditures

The Authority's expenditure budget is organized into four categories:

- Salaries and Benefits for Authority Staff (1.5 % of budgeted expenditures);
- Administrative Expenses (0.3% of budgeted expenditures);
- Professional and Specialized Services (44.3% of budgeted expenditures); and
- Right of Way (53.9% of budgeted expenditures).

An itemization of projected expenses is presented in Attachment 1.

Salaries and Benefits

The Authority's proposed salaries and benefits expense for FY2006 is approximately \$1.2 Million. The Authority's strategy has been to keep its in-house staffing level small, and to use its staff to manage contractors who are undertaking a variety of tasks on behalf of the Authority. The Authority's proposed budget is consistent with this approach. The Authority currently employs four staff members: Executive Director, Deputy Director/Chief Engineer, Government Affairs Manager, and an Office Manager. Before the end of FY2005, the Authority intends to add a part-time Financial Manager position. During the FY2006, two additional positions are proposed to be added (an Engineer and a Real Estate Manager), and staff may convert the part-time Finance Manager position into a full-time position, bringing the total staffing level to seven full-time employees.

Administrative Expenses

This category includes the expenses associated with operating the Authority on a day-to-day basis, such as office rent, general liability and property insurance premiums, equipment and furniture, telephones, and office supplies. For FY2006, staff is proposing to budget \$246,200 for Administrative expenses.

Professional and Specialized Services

As noted above, rather than hire a large in-house staff during design and construction, the Authority utilizes contractors to provide services in support of the Transbay Project. As a result, approximately \$34.6 Million of the proposed FY2006 budget is devoted to Professional and Specialized Services, the majority of which is allocated to engineering, design and program management/program control activities.

The major professional and specialized services that will be undertaken during FY2006 include:

- Terminal Preliminary Engineering and Design (\$20 Million)
- Downtown Extension Preliminary Engineering (\$6.5 Million)
- Program Management & Program Control (\$5.0 Million)
- Legal Services (City Attorney and outside counsel - \$1.3 Million)
- Community and Public Relations (\$210,000)

- Financial and Grant Management (\$225,000)
- Payroll and Benefits Administration (\$160,700)

In addition, the Authority will continue to obtain certain types of planning and administrative assistance through interagency agreements with:

- Caltrain (\$320,000);
- San Francisco Redevelopment Authority (\$400,000);
- San Francisco Airport (\$200,000); and
- San Francisco Municipal Railway (\$25,000).

These interagency agreements are currently under negotiation. The final FY2006 budget presented to the Board may include revised budget amounts based on the negotiations.

Right of Way Expenses

Right of Way acquisition expenses form the largest single category in the proposed budget, representing \$42 Million or nearly 54 percent of proposed FY2006 expenditures. This estimate will be refined before staff requests Board action on the budget in June. However, it provides the Board with a sense of the magnitude of right of way activities in FY2006.

Proposed FY2006 Revenues

For the purposes of this Budget Request, the Authority's revenues are divided into two categories:

- "Committed" Revenues, which have already been allocated to the Transbay Project by one of the Authority's funding agencies; and
- "Planned" Revenues, which are anticipated to be made available during FY2006, but have not yet been allocated to the Project.

Committed Revenues

Since its inception, the Authority has received approximately \$63.7 Million in funding commitments from the following sources:

- Federal demonstration grant revenues (\$8.8 Million);
- Local match revenues (\$1.4 Million);
- Regional Measure 2 toll revenues (approximately \$31.75 Million, of which \$15.5 Million is for Downtown Extension Preliminary Engineering and Program Management/Program Control, and \$16.25 Million for right of way acquisition); and
- Proposition K Sales Tax revenues (approximately \$21.75 Million, of which \$5.5 Million is for Downtown Extension Preliminary Engineering and Program Management/Program Control, and \$16.25 Million for right of way acquisition).

Of this amount, approximately \$17 Million is projected to have been expended and/or accrued by the end of FY2005, and TJPA's funding partners have placed \$32.5 Million in right of way funds for the acquisition of the property at 80 Natoma Street on reserve. \$9.6 Million in committed revenues are utilized for the FY2006 budget, and the remainder will fund ongoing administrative expenses in future fiscal years.

Planned Revenues

During FY2006, staff forecasts the need for \$68.4 Million in planned revenues from a combination of the following funding sources:

- Federal earmarked appropriation;
- Regional Measure 2 (Toll) revenues;
- Proposition K (San Francisco Sales Tax) revenues; and
- San Mateo County Proposition A Sales Tax revenues.

At this time, staff cannot accurately predict how much funding would be provided by each funding source. However, in aggregate, staff believes that the amount of planned funding included in the FY2006 budget request is realistic. Staff will not enter into financial commitments funded from planned revenues prior to obtaining funding approval. To the extent that planned revenues included in this budget are not made available during the fiscal year, staff will scale back its planned FY2006 activities to stay within the Authority's available revenues. Staff will report to the Board on a regular basis concerning progress in obtaining additional funding commitments for the Project.

Board Budget Review Process

- In accordance with the Board's Budget Policy, staff has prepared an initial presentation of the proposed budget for review by the Board's Finance Committee during April 2005.
- The Budget Policy calls for the full Board to hold a public hearing on the proposed budget in May 2005.
- The Budget Policy then calls for the Board to adopt a budget in June 2005.

Staff will return to the Board on a quarterly basis to report on the status of "budget vs. actual" expenditures and revenues. Staff also would return to the Board for review and approval of one or more budget amendments, if changes in circumstances warrant a change in budgeted expenditures and revenues.

ENCLOSURES:

1. Proposed FY2006 Budget (Attachment 1)