Bay Area Infrastructure Financing Authority

BAIFA

June 24, 2026 **Agenda Item 4a - 26-0745**

Bay Area Infrastructure Financing Authority (BAIFA) Resolution No. 57 - Proposed Fiscal Year (FY) 2026-27 Operating and Capital Budget

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Subject:

Staff requests adoption of BAIFA Resolution No. 57, approving the FY 2026-27 Operating and Capital Budget.

Summary of Changes from May Draft:

On May 27, 2026, staff presented the draft FY 2026-27 Operating and Capital Budget to the Authority as an information item. The proposed operating budget reflects updated assumptions, including an additional $875 thousand in projected interest revenue driven by higher interest rate expectations based on recent economic trends.

Expenditure adjustments include a $536 thousand increase in staffing costs due to a revised cost-of-living adjustment (COLA), consistent with Metropolitan Transportation Commission (MTC) labor agreements and recent Consumer Price Index (CPI) projections from the U.S. Bureau of Labor Statistic, and a reallocation of positions to BAIFA. The proposed budget also reflects an additional $12 thousand contribution to the Oracle Enterprise Resource Planning (ERP) system, as well as a $51 thousand increase in the funding to capital and rehabilitation programs. Updated cost assumptions also affect both operating expenses and offsetting reimbursement revenue from the San Mateo 101 Express Lane operations, each increasing by $57 thousand. The combined increase in operating expenses and transfers is $657 thousand. The combined effect of these changes is an increase to the projected operating surplus of $275 thousand.

Additionally, the proposed rehabilitation program budget includes a $45 thousand transfer to Metropolitan Transportation Commission (MTC) projects for consulting services.

Background:

The Bay Area Infrastructure Financing Authority (BAIFA) operates a 118-lane 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

the Metropolitan Transportation Commission's express lanes (EL) on the Interstate 680 (I-680 EL) in Contra Costa County that spans 36 lane miles, on the Interstate 880 (I-880 EL) in Alameda County that spans 46 lane miles, and 36 lane miles that recently opened on Interstate 80 (I-80 EL) in Solano County and which began tolling operations in December 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. While BAIFA has other responsibilities with respect to infrastructure financing, those have no impact on the agency's operating or capital budgets.

BAIFA's FY 2026–27 Operating and Capital Budget reflects a strong and stable financial position, supported by a full year of expanded express lane revenue generation, disciplined cost management, and significant reserves. Total operating revenue is projected at $118.7 million, inclusive of violation revenues, reimbursement revenues, interest, and other income. San Mateo 101 reimbursement revenue is projected to increase to $7.3 million. This portion of the budget is self-balancing, as BAIFA is fully reimbursed for its operational expenditures related to the SM 101 EL.

Operating expenses are projected at $52.9 million, a 10% increase, primarily driven by the first full year of I-80 EL operations.

Overall, BAIFA anticipates an operating surplus of $65.8 million, enabling $44.5 million in transfers to MTC projects and for capital and rehabilitation needs while still yielding a $21.3 million net surplus. This budget positions BAIFA to maintain a high-performing express lane network while advancing long-term capital and reinvestment priorities.

Operating Budget

The BAIFA proposed FY 2026-27 operating budget is summarized below (in thousands):

	FY 2025-26 Approved	FY 2026-27 Proposed	% Change
Toll Revenue	$93,162	$90,921	(2.4%)
Violations	$7,922	$9,950	25.6%
SM-101 Reimbursement	$6,579	$7,305	11.0%
Interest / Other	$9,055	$10,530	16.3%
Total Operating Revenue	**$116,718**	**$118,706**	**1.7%**
FasTrak O&M	$14,183	$12,048	(15.1%)
Express Lanes O&M	$18,865	$22,945	21.6%
Administration	$8,496	$10,632	25.1%
SM-101 Tolling Operations	$6,579	$7,305	11.0%
Total Operating Expense	**$48,123**	**$52,930**	**10.0%**
Operating Surplus	**$68,595**	**$65,776**	**(4.1%)**
Transfer In/(Out)-MTC	($339)	($351)	
Transfer In/(Out)-Capital Programs	($51,560)	($44,107)	
Net Operating Surplus/(Deficit)	**$16,696**	**$21,318**	

Total toll revenue is projected at $90.9 million, a 2.4% decrease compared to FY 2025-26. Performance on the I-680 and I-880 corridors remains steady and FY 2026-27 will include the first full year of tolling on the I-80 EL, including weekends. The proposed budget applies a 2.5% annual growth rate for I-680 EL and I-880 EL based on current trends and the 10-year financial plan. The overall decline in total projected toll revenue reflects the use of a more conservative estimate of revenue performance for the I-80 EL in FY 2026-27 than the FY 2025-26 budget. The current fiscal year's revenue assumptions for the newly opened I-80 EL did not benefit from actual usage data. The proposed FY 2026-27 budget uses observed weekday traffic volumes with adjustments for weekend activity as of March 2026 as its basis.

The projection of violation revenue for FY 2026-27 is based on the current year's actual trend, which is on pace to exceed the original budget. The proposed budget incorporates growth from

1-80 EL full year operations while at the same time moderating this growth trend for the I-680 and I-880 ELs from prior-year levels as COVID-era backlogs taper off in line with the Bay Area Toll Authority's (BATA) systemwide assumptions. The result is projected FY 2026-27 violation revenue that reflects a $2.0 million increase over the FY 2025-26 budget.

Operating expenses total $52.9 million, which is a 10% increase compared to FY 2025-26, primarily driven by the first full year of I-80 EL operations. This growth reflects expanded express lane operations and maintenance requirements, including roadway and toll-system maintenance, an updated California Highway Patrol (CHP) enforcement agreement, Regional Operations Center (ROC) transition costs, and new backhaul contingency funding.

FasTrak® customer service expenses decline significantly due to a refinement in estimation methodology to better align budgets with historical expenses, while banking, collection, and DMV fees also decrease as one-time backlog related volumes from the pandemic era normalize.

Administrative expense projections increase in FY 2026-27 due to rising professional services expenditures reflecting expanded advisor support on the I-680 EL driven by increased field monitoring of multiple capital projects by others, and on the I-80 EL, as support costs shift from capital to operating.

Projected staffing costs are $4.2 million, reflecting a $920 thousand increase. Salaries incorporate a 3.8% cost-of-living adjustment (COLA) based on current consumer price index (CPI) forecasts and a net increase of 2.8 full-time equivalent (FTE) staff allocated to BAIFA. The actual COLA (3.8%) is pursuant to the Metropolitan Transportation Commission Memorandums of Understanding (MOU). The FY 2026–27 Indirect Cost Allocation Plan (ICAP) reflects a lower indirect cost rate, resulting in a projected reduction in overhead of approximately $673 thousand compared to the prior year. Based on these projections, BAIFA is expected to achieve a strong operating surplus of $65.8 million in FY 2026–27, highlighting the agency's solid financial position and continued progress in managing costs efficiently.

BAIFA also continues its funding to MTC projects totaling $351 thousand, including $270 thousand for ERP system costs. After planned transfers of $44.1 million to BAIFA capital and rehabilitation programs, the budget retains a $21.3 million net surplus, reinforcing BAIFA's ability to reinvest in system reliability, regional mobility, and long-term asset stewardship.

Attachment A presents the operating budget details. Staff is updating the BAIFA Express Lanes Ten-Year Financial Plan adopted in March 2024 and intends to present that update in the fall.

Reserves

Resolution No. 53, adopting the reserves policy for BAIFA, provides for BAIFA to set aside funds for Capital Repair & Replacement (R&R) reserve, Operations & Maintenance (O&M) reserve, and Emergency reserve. BAIFA's reserve position remains strong and fully compliant with policy. With a new FY 2026-27 transfer of $30.0 million from operating surplus and fund balance, the R&R reserve increases to $120.0 million, advancing toward the $135.0 million target. Both the O&M reserve at $30.0 million and the Emergency reserve at $25.0 million remain fully funded. The reserve provides flexibility to manage operational risks, absorb revenue variability, and support future capital and rehabilitation needs, positioning BAIFA for sustained operational reliability and disciplined long-term investment in the express lane network. Attachment D describes the fund reserve designations for FY 2026-27.

Capital and Rehabilitation Programs

BAIFA continues to advance critical capital investments and rehabilitation programs that sustain system performance, safety, and long-term express lane reliability. BAIFA maintains a portfolio of sixteen capital projects with a life-to-date budget of approximately $515.7 million. The FY 2026-27 budget for the capital development program includes $30.0 million in funding, driven largely by BAIFA's significant contribution toward the I-680 Northbound Express Lane completion project. These capital expenses are funded from the estimated operating surplus, ensuring that the projects are financially sustainable. A complete list of the BAIFA capital program is in Attachment B.

The BAIFA Rehabilitation 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 BAIFA's EL network. The FY 2026-27 life-to-date budget will be $132.4 million after providing $14.1 million for rehabilitation activities, including toll system refreshes, spare parts, and associated staff support, ensuring the express lane network remains modern and resilient and allocating a transfer to MTC projects to cover specialized consulting services. The toll system refresh is a multi-year

project identified in BAIFA's financial plan that replaces the existing toll system as it begins to reach its end of useful life. Staff will present an overview of the project in the fall. A complete list, Attachment C, of projects in the Rehabilitation Program is included in the budget schedule.

The proposed FY 2026–27 BAIFA Operating and Capital Budget reflects a stable and well-managed financial plan that supports continued expansion and reliable operation of the Bay Area's express lane network. Updated assumptions since the May draft modestly improve the overall outlook, with higher interest revenue and targeted expenditure adjustments resulting in a net increase to the operating surplus.

With total operating revenues of $118.7 million and operating expenses of $52.9 million, the budget generates a strong operating surplus of $65.8 million. After planned transfers to capital and rehabilitation programs, BAIFA is projected to retain a net surplus of $21.3 million while maintaining fully funded reserves in compliance with policy.

Overall, the budget demonstrates prudent fiscal stewardship, supports system operations and enforcement, advances critical capital and rehabilitation investments, and positions BAIFA to sustain long-term system performance, reliability, and regional mobility.

Recommendation

Staff recommends adoption of Bay Area Infrastructure Financing Authority (BAIFA) Resolution No. 57, approving the BAIFA FY 2026-27 Operating and Capital Budget.

Attachments:

- BAIFA Resolution No. 57.
    - Attachment A: FY 2026-27 Operating Budget
    - Attachment B: FY 2026-27 Capital Budget
    - Attachment C: FY 2026-27 Rehabilitation Budget
    - Attachment D: Fund Reserve Designations
    - Attachment E: Presentation

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