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OAKLAND

CITY OF OAKLAND
BILL ANALYSIS



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Bill Number: SB 613 Toll Revenue Expenditures

Bill Author: DeSaulnier

DEPARTMENT INFORMATION

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RECOMMENDED POSITION: SUPPORT

SUMMARY OF THE BILL

SB 613 imposes certain limitations on the use of toll revenues from the San Francisco Bay Area's seven state-owned toll bridges that are within the jurisdiction of the Bay Area Toll Authority.

BACKGROUND

Created by the state Legislature in 1970, the Metropolitan Transportation Commission (MTC) is the transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area. In 1997, the Legislature created the Bay Area Toll Authority (BATA). While legally a separate corporate entity, BATA is embedded within MTC, governed by MTC's governing board and managed by MTC's staff. BATA is responsible for managing and investing toll revenues from the Bay Area's seven state-owned toll bridges, funding the day-to-day bridge operations, maintaining the facilities, undertaking long-term capital improvement and rehabilitation of the bridges, and general administration. State law requires that tolls collected from state-owned bridges be used for specific purposes, such as to pay the costs of bridge construction, maintenance, and seismic retrofit projects. Furthermore, state law authorizes the toll authority to issue bonds, to be repaid with toll revenues, for these purposes.

In 2009, AB 1175 (Torlakson) authorized BATA to increase tolls on the Bay Area's seven state-owned bridges without voter or legislative approval in order to complete the seismic safety retrofit program. Then, in 2010 BATA increased bridge tolls, stating the increase was necessary to cope with declining traffic volumes and higher than projected debt and operating costs.

In 2011 MTC and BATA created a joint powers authority, the Bay Area Headquarters Authority (BAHA), to plan, acquire and develop shared office space for them. Subsequently, in October 2011 BAHA purchased a building for \$90 million using BATA toll revenues. An estimated \$80 million in renovations need to occur as well, also paid for with toll revenues. The building is intended to house MTC, BATA, the Bay Area Air Quality Management District, and the Association of Bay Area Governments, serving as their regional headquarters. The MTC and BATA governing board authorized contributions of toll revenues toward the cost of acquiring and preparing the building for occupancy. Senator DeSaulnier's staff notes that BAHA borrowed \$152 million in toll bridge revenues to purchase the 390 Main St building.

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At a board meeting in September 2011, members of the public questioned why public toll revenues were being used to purchase a building that is larger than the amount of office space the co-locating agencies need, effectively causing the BATA, using public toll revenues, to enter the real estate business and become a commercial landlord. According to a Legislative Counsel opinion, the purchase of the building with toll revenues may be an impermissible use of those funds. In addition, the State Auditor recommended that the Legislature, "... should consider amending state law to more narrowly define how toll revenues that are not immediately needed for maintenance and debt service may be spent or invested."

WHAT THIS BILL WOULD DO

SB 613 limits the use of toll revenues from the seven state-owned toll bridges within the jurisdiction of BATA. Specifically, the bill explicitly restricts BATA from purchasing or otherwise acquiring an office space in addition to the facilities located at 390 Main Street in San Francisco. Current law allows BATA to contribute and make loans to the MTC in furtherance of BATA's powers. This bill restricts the contributions from BATA to MTC to 1% of the gross annual bridge revenues and clarifies that the contributions must be necessary to carry out the authorized functions of BATA. Additionally, loans that are provided to MTC may not exceed 1% of the gross annual bridge revenues and any loan must be fully repaid with interest. In fiscal year 2010-11, approximately \$615 million in total toll revenues was generated. If SB 613 had been in effect then, the amount available to borrow would have been limited to \$6.15 million.

POSTIVE FACTORS FOR THE CITY OF OAKLAND

SB 613 would restrict the BATA from further misuse of bridge tolls in excess of 1% of gross annual bridge revenues, thus preventing a repeat of something like the San Francisco property purchase in 2011.

NEGATIVE FACTORS FOR THE CITY OF OAKLAND

None

SUPPORT

- City of Oakland (Mayor)

OPPOSITION

None received

PLEASE RATE THE EFFECT OF THIS MEASURE ON THE CITY OF OAKLAND:

- Critical (top priority for City lobbyist, city position required ASAP)
- X Very Important (priority for City lobbyist, city position necessary)
- Somewhat Important (City position desirable if time and resources are available)
- Minimal or None (do not review with City Council, position not required)

Respectfully Submitted,
Council President Kernighan

