



Agenda Item No. (8)

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of May 23, 2024

From: Jennifer Mennucci, Director of Budget and Electronic Revenue  
Amy Frye, Director of Capital and Grant Programs  
Joseph M. Wire, Auditor-Controller  
Denis J. Mulligan, General Manager

Subject: **INITIAL PRESENTATION OF THE PROPOSED FY 24/25 OPERATING  
AND CAPITAL BUDGET**

### **Recommendation**

The initial presentation of the Proposed Budget for Fiscal Year 2024/2025 (FY 24/25) is scheduled for the Finance-Auditing Committee meeting of May 23, 2024. Further discussion is scheduled for the Finance-Auditing Committee meeting on June 27, 2024, with subsequent Board action on June 28, 2024. At its June 27<sup>th</sup> meeting, the Finance-Auditing Committee may recommend that the Board of Directors approve the FY 24/25 Proposed Operating and Capital Budget that:

1. Authorizes the following items as contained in the budget:
  - a. District Goals, Objectives, and Capital Projects;
  - b. The Reserve Structure;
  - c. Changes to the Table of Organization;
2. Includes negotiated salary increases for the ATU-represented employees. Does not include salary increases for Coalition employees as they are under negotiation nor salary increases for Non-represented employees which will be considered at a later date.
3. Includes a Capital Contribution amount of \$21 million.
4. Authorizes the following items not currently included in the Proposed Budget but will be included in the Adopted Budget:
  - a. Any Board approved actions through June 30, 2024, that have a fiscal impact to the FY 24/25 Capital and/or Operating Budget;
  - b. Carryover any incomplete projects in the FY 23/24 Capital Budget to FY 24/25 as authorized by the General Manager;
  - c. Move any capital projects from the FY 25/26 list to the FY 24/25 budget, authorized by the General Manager, as staff resources become available in FY 24/25; and,
  - d. Include final FY 23/24 budget transfers needed to comply with the Board's budget policy will be implemented in the FY 24/25 Adopted Budget Book.

### **Summary of Expenses and Revenues**

The FY 24/25 Proposed Budget is a policy document that identifies the strategic direction and priorities of the Board of Directors for the fiscal year. The Proposed budget is the implementation tool for the Board's policy directions and initiatives that were developed in its long-term strategic financial planning process. The Board of Directors are currently undertaking a strategic planning process that is near completion. If approved by the Board, future budgets will include actions from that approved 2024 Strategic Plan. In addition, the Strategic Plan will be brought to the board for review annually.

This is the fifth year in a row that the Golden Gate Bridge, Highway and Transportation District (District) has had to develop a budget with uncertainty as to the level of customer demand it will see during the budget year. The budget is developed between December and mid-March based on the policy objectives of the Board and the then-current assumptions for the demand for District services.

The FY 24/25 Proposed Budget assumes a continued modest recovery in all the service areas but requires the use of District reserve funds to make up for the drop in fare revenue and toll revenue associated with reduced post-pandemic travel in the Golden Gate Corridor. The FY 24/25 Proposed Budget continues to predict that the District will be required to make significant changes to reduce its expenditures and/or increase its revenues to achieve its goal of a balanced budget in future years if customer demand for its services does not return close to pre-pandemic levels. Without such changes in expenses and/or revenues continued use of District reserve funds will be necessary. The long-term use of District reserve funds to cover operating expenses is not sustainable because those funds are required for maintenance, improvements and replacement of the District's capital assets: the bridge, maintenance facilities, terminals, busses and ferries.

The Proposed Budget also includes the additional revenue from the recently approved (March 2024) five-year toll increase plan (effective July 1, 2024) and includes the second-year increase to a five-year transit fare increase plan (effective July 1, 2024), approved by the Board in March 2023.

The FY 24/25 Proposed Budget revenues and expenses each total \$318.7 million and are comprised of:

- Revenues
  - Operating Budget
    - \$238.2 million in total operating revenues
    - \$34.4 million in District reserves
  - Capital Budget
    - \$20.0 million in government grants
    - \$26.1 million District reserves
- Expenses
  - Operating Budget
    - \$272.6 million in total operating expenses
  - Capital Budget
    - \$46.1 million in total capital expenses

The following is an overview of the Proposed FY 24/25 Operating and Capital Budget.

### **Operating Budget Overview**

The Proposed FY 24/25 Operating Budget projects an overall shortfall of \$34.4 million primarily due to dramatically lower toll and fare revenue from the change in customer behavior caused by the pandemic. Specifically, overall travel (Bridge, bus and ferry) between San Francisco and the North Bay is less than before the pandemic. The proposed budget assumes that District Reserves will be used to balance the budget. The proposed budget assumes that ridership will return at a slow pace but allows for modest growth in Bus and Ferry transit service if customer demand warrants it.

#### ***Expenses***

The FY 24/25 Proposed Operating Budget of \$272.6 million is \$21.4 million, or 8.5%, more than the FY 23/24 Estimated Actual Expenses of \$251.2 million. The FY 24/25 Proposed Operating Budget funds District operations at similar levels to the current year but allows for additional bus service if customer demand grows. Salary increases are not included for the Coalition employees due to ongoing labor negotiations and the Non-Represented employees. The Proposed Budget does include a negotiated wage increase for Amalgamated Transit Union (ATU) employees.

#### ***Revenues***

District revenue is estimated to be \$238.2 million, which is a decrease of approximately \$2.2 million, or 0.9%, from the FY 23/24 Estimated Actual revenue of \$240.4 million. The decrease is primarily due to the decrease in investment interest income (\$9.4 million) which is offset by increased toll revenue (\$7.1 million). The District projects that it will use \$34.4 million in reserve funding to balance the FY 24/25 Proposed Budget of \$272.6 million.

#### ***Changes to Table of Organization***

The Proposed FY 24/25 budget includes a net increase of one position in the Table of Organization.

### **Capital Budget Overview**

The FY 24/25 Proposed Capital Budget includes total anticipated expenditures of \$46.1 million, funded with \$26.1 million District funds and \$20.0 million in federal, state, and local grant funds. It supports the implementation of 74 projects (18 new, 52 continuing, and 4 capital equipment projects) necessary to maintain existing services and facilities and to implement high-priority safety and security projects. The \$46.1 million Proposed Capital Budget is allocated to the following projects: Bridge Division Projects (49%); Bus Division (21%); Ferry Division (20%); and District Division projects (10%). Thirteen projects were completed in FY 23/24.

In an effort to reduce the number of new projects in the FY 24/25 budget, each division prioritized its capital projects. Higher priority projects were included in the FY 24/25 budget to allow project managers to continue working and focusing their efforts on those projects. The remaining projects were included in the FY 25/26 capital project list, which consists of projects that are ready to be included in the FY 24/25 budget pending the availability of staff resources to initiate the project.

The passage of the budget will authorize the General Manager to move capital projects from the FY 25/26 list to the FY 24/25 budget.

***Appendix D: 10-Year Capital Plan***

The Proposed FY 24/25 Budget includes a draft 10-Year Capital Plan (Plan) in Appendix D. Staff will update the Plan for the Adopted Budget Book based on ongoing analyses of asset conditions and asset replacement schedules.

**Use of Reserves**

The Proposed FY 24/25 Budget was developed to support and implement the Board's efforts toward achieving long-term financial sustainability. It has taken years of determined fiscal stewardship by the Board to build up the District reserves necessary to maintain the billions of dollars' worth of District capital assets. Failure to maintain and replace the District's capital assets will significantly reduce the District's ability to maintain and provide essential transportation services into the future.

The FY 24/25 Proposed Budget is projected to utilize \$60.5 million in District Reserves. The Capital Budget is estimated to spend \$26.1 million and the Operating Budget is projected to require \$34.4 million in District Reserves. As an offset to the Capital spending of \$26.1 million and the Operating spending of \$34.4 million, the FY 24/25 Proposed Budget also includes \$36.8 million in transfers to reserves resulting in a net decrease of \$23.7 million to the reserves. If District reserves were not needed to fund yearly operating expenses, the proposed budget would contribute over \$10 million to the District's reserves to fund essential capital projects in the 10-year capital plan.

**Fiscal Impact**

The Proposed FY 24/25 Budget projects Operating Revenues of \$238.2 million and provides a spending plan for \$272.6 million in Operating Expenses (including capital contribution and depreciation) resulting in a net operating loss of \$34.4 million. The Capital Budget with expenses of \$46.1 million is estimated to use \$26.1 million in District reserves. To offset the projected use of \$60.1 million in District Reserves, the Proposed Budget includes \$36.8 million in transfers to reserves resulting in a projected net decrease of \$23.7 million to the reserves.

Attachment: FY 24/25 Proposed Budget, will be made available on the District's website:  
[www.goldengate.org](http://www.goldengate.org)