



Agenda Item No. (7)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of June 27, 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: **APPROVE 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) was conducted at the scheduled 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 27th 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; and,
 - c. Changes to the Table of Organization;
2. Includes negotiated salary increases for the Amalgamated Transit Union (ATU) represented employees. It does not include salary increases for Coalition employees as they are under negotiation, nor does it include salary increases for Non-represented employees, which will be considered at a later date;
3. Includes a Capital Contribution amount of \$21 million; and,
4. Authorizes the following items that are 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. The carryover of any incomplete projects in the FY 23/24 Capital Budget to FY 24/25 as authorized by the General Manager;
 - c. The move of any capital projects from the FY 25/26 budget to the FY 24/25 budget, as authorized by the General Manager, as staff resources become available in FY 24/25;
 - d. 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; and,
 - e. Staff compensation adjustments made per the compensation policy approved on May 24, 2024 and as detailed in Appendix B of this board report.

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 and have been developed in its long-term strategic planning process. The Board of Directors approved a new 2024 Strategic Plan on May 24, 2024. The work plan of the final approved FY 24/25 Budget will include initiatives from the 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 of the prior year 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 must 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 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 same funds are required for maintenance, improvements and replacement of the District's capital assets: the bridge, maintenance facilities, terminals, buses and ferries.

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

The FY 24/25 Proposed Budget:

- Revenues – \$318.7 million
 - 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 – \$318.7 million
 - 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 COVID-19 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 and 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 Coalition employees, who are currently in negotiations with the District, and Non-represented employees. The Proposed Budget includes a negotiated wage increase for 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.

Compensation Policy

On May 24, 2024, the Board adopted a Compensation Policy that strives to provide total compensation for each non-represented position that is about the average of the total compensation for the same position at other Bay Area agencies. The adjustments in compensation consistent with that policy are proposed for inclusion in the FY 24/25 Adopted Budget. As detailed in Appendix B of this board report the proposed adoption of the FY 24/25 Budget includes salary adjustments to 24 classifications.

Capital Budget Overview

The FY 24/25 Proposed Capital Budget includes total anticipated expenditures of \$46.1 million, funded with \$26.1 million in 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 of the Proposed FY 24/25 Budget. 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.

In addition, the approved Compensation Policy on May 24, 2024, which affects 24 classifications, is projected to increase expenses by \$246,334. That amount will be added to the FY 24/25 Adopted Budget.

Attachment: FY 24/25 Proposed Budget is available on the District's website: www.goldengate.org

Appendix A: Questions and Answers from May 23, 2024 Finance and Auditing Committee Meeting

Appendix B: Recommended Compensation Adjustment Table for FY 24/25 Adopted Budget

APPENDIX A

Questions and Answers from Finance and Auditing Committee, May 23, 2024

1) How many positions were funded/unfunded in the FY 24/25 Proposed Budget by Division?

DIVISION	FY 24/25 PROPOSED BUDGET	FY 24/25 PROPOSED BUDGET - TOTAL FUNDED POSITIONS	FY 24/25 PROPOSED BUDGET - TOTAL UNFUNDED POSITIONS
Bridge	184	183	1
Bus	408	304	104
<i>Bus Operators</i>	<i>280</i>	<i>186</i>	<i>94</i>
<i>Bus Other</i>	<i>128</i>	<i>118</i>	<i>10</i>
Ferry	108	103	5
District	158	150	8
	858	740	118

2) How will the recent compensation study impact the FY24/25 Budget (if approved)?

The District Compensation Policy was approved by the Board on May 24, 2024 and the fiscal impact of that approval will be included in the FY24/25 Adopted Budget, along with any other items approved by the Board with financial impacts prior to June 30, 2024.

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APPENDIX B

The FY 24/25 Proposed Budget contains the following salary adjustments per the new compensation policy passed by the Board on May 24, 2024. That policy states, in part:

The District strives to provide total compensation for each position which is about the average of the total compensation for the same position at other Bay Area agencies. Using salary survey findings, if a position’s total compensation is more than five percent below market from the average of all of the comparator agencies, then as part of the District’s next budget adoption process that position’s salary will be considered for reassignment to the closest District pay band that brings the total compensation to about the median from comparator agencies.

For this action item, positions that were not included in the Board item for salary adjustment in April 2024 but were 5% below market in the salary study completed last year, have been reviewed. Therefore, as applicable, the attached report notes the classifications that are recommended for a higher pay band and/or adjusted to the closest salary band of the target salary to bring the position’s compensation to about the median from comparator agencies.

RECOMMENDED COMPENSATION ADJUSTMENT - JULY 2024

Position	Number of Positions	Current Step 5 Salary	Closest Band to 5% of Mkt
Assistant Clerk of the Board	1	\$ 57.45	\$ 61.02
Capital & Grants Program Analyst	1	\$ 68.21	\$ 70.71
Database Engineer	1	\$ 69.45	\$ 71.55
Deputy General Manager (classification)	4	\$ 129.77	\$ 134.05
Digital Communications Program Manager	1	\$ 68.21	\$ 73.60
Director of Accounting	1	\$ 90.30	\$ 91.38
Director of Capital & Grant Programs	1	\$ 90.30	\$ 91.38
Director of Fiscal Resources	1	\$ 90.30	\$ 91.38
Director of Procurement	1	\$ 95.79	\$ 104.81
Director of Public Affairs	1	\$ 86.00	\$ 86.38
Director of Risk Management & Safety	1	\$ 86.00	\$ 87.50
Director of Transit Training and Safety	1	\$ 82.69	\$ 86.38
EHS Specialist	1	\$ 61.04	\$ 64.29
Human Resources Analyst	3	\$ 57.45	\$ 61.04
Human Resources Manager	2	\$ 82.69	\$ 86.00
Humans Resources Administrator	1	\$ 68.21	\$ 70.09
Manager of Accounting	1	\$ 68.21	\$ 73.60
Manager of Traffic Engineering & Training Facilities	1	\$ 86.00	\$ 86.38
Operations Analyst	1	\$ 57.45	\$ 61.02
Senior Planner	1	\$ 64.29	\$ 67.04
Sr. Board Analyst	1	\$ 68.21	\$ 71.55
Sr. Emergency Management Specialist	1	\$ 63.93	\$ 64.29
Sr. Information Systems Manager	2	\$ 86.38	\$ 90.30
Sr. Systems Engineer	3	\$ 70.09	\$ 71.55

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