



Agenda Item No. (10)(a)

**Meeting of the Board of Directors**

To: Board of Directors  
Meeting of October 24, 2014

From: Joseph M. Wire, Auditor-Controller  
Denis J. Mulligan, General Manager

Subject: **DISCUSSION AND POSSIBLE ACTION RELATIVE TO APPROVAL OF THE 2014 STRATEGIC FINANCIAL PLAN**

**Recommendation**

It is recommended that the Board of Directors approve the *2014 Strategic Financial Plan* as attached.

**Summary**

This report is the final product of the Strategic Financial Plan Advisory Committee. The Committee was assigned in November 2013 to create a proposed Strategic Financial Plan to address the District's projected deficit as outlined at the Board's October 25, 2013, Special Board meeting on the District's long-term financial condition.

***Purpose of Strategic Financial Plan***

This report contains the proposed attached *2014 Strategic Financial Plan* (Financial Plan) that would guide the District in its long-term deficit reduction effort. It presents a path that, if implemented as presented, would eliminate the projected five-year and significantly reduce the ten-year deficits. The Committee recommends the approval of the proposed Financial Plan.

***Process for Approving Individual Initiatives***

The approval of the proposed Financial Plan is **not** the approval of any of the specific initiatives within the Financial Plan. Prior to implementation of any specific initiative, further staff analysis will be completed and, as required by Board policy, each element of the Financial Plan will be brought through the Board's committee structure and then forward to the Board for possible approval. Also, some initiatives will require public outreach and public hearings during the deliberation process.

### ***Annual Review***

The Financial Plan will be monitored, reviewed and updated annually as part of the Board's regular financial planning cycle that currently includes the yearly budget and long-term financial projection. The Financial Plan will be a living document subject to change year-to-year as initiatives are completed, restructured, deferred or rejected, or as new ideas and concepts are added.

### **Development of the Strategic Financial Plan**

As the first step in creating a proposed Financial Plan, the Advisory Committee developed guiding principles to assist in identifying initiatives for inclusion in the Financial Plan. Secondly, they established a set of criteria to guide in developing which ideas to undertake and include in the Plan.

### ***Guiding Principles***

1. The Advisory Committee will develop a Strategic Financial Plan whose components the Committee members can champion to the full Board of Directors when brought forward for adoption.
2. The Committee will be guided by the Mission Statement of the District in reviewing options for expense reduction and revenue generation:  
The mission of the Golden Gate Bridge, Highway & Transportation District (District) is to provide safe and reliable operation, maintenance and enhancement of the Golden Gate Bridge and to provide transportation services, as resources allow, for customers within the U.S. Highway 101 Golden Gate Corridor.
3. The Strategic Financial Plan will identify general priorities to guide implementation work on each initiative in recognition that staff resources are limited and not everything can happen at the same time.
4. The focus of the Advisory Committee will include both expense reductions and additional revenue generation.
5. The focus of the expense reduction initiatives will be on improving efficiency of current activities in such a way that savings result from the efficiencies and in finding new ways to provide the core services of the District. Outright elimination of any services will be minimized as much as possible.
6. This Advisory Committee will seek to keep existing projects underway at the District moving forward on schedule to the degree possible while undertaking new initiatives that are set forth by the Committee and ultimately adopted by the Board of Directors.

### ***Development Criteria***

This Financial Plan is an outline on how to ensure financial stability and sustainability, but is also serves as a workplan for staff. The workload impact of the Financial Plan will be addressed each year in the District's budget. Staff workload was taken into consideration in the timing of

the initiatives in the proposed Financial Plan. The initiatives in the proposed Financial Plan were generally ordered on the basis of the following criteria.

- A. Complete initiatives already underway.
- B. Focus on initiatives that will improve efficiencies of existing services or initiatives that work with community partners to increase the quality and breadth of service.
- C. Undertake initiatives that have substantial payoff potential but require a longer lead-time to fully implement.

### **Financial Plan Design**

The attached proposed Financial Plan will be tracked to provide progress on initiatives over the five year period of the plan. The Financial Plan will always cover the five and ten year period of FY 15/16 – FY 24/25 for the life of the plan. This is the same five- and ten-year period as the most current projection presented to the Finance-Auditing Committee on September 11, 2014. The “five-year horizon” starts with the next fiscal year that will begin on July 1, 2015, and ends at the end of the fifth year, June 30, 2020, while the “ten-year horizon” ends June 30, 2025.

While the main focus of this effort is on the next five years, the ten-year impact of the various initiatives is included to reinforce each initiative’s long-term value in reducing the deficit, especially those initiatives that are projected to take several years to implement or will begin in later years of the Financial Plan. The District’s long-term deficit will be updated with every projection for the appropriate years, but the original savings amounts for each initiative in the Financial Plan will remain the same to provide a baseline for judging the plan’s effectiveness.

### ***Description of Plan Document Structure***

For tracking purposes, the description of the initiatives will remain the same for the life of the plan. The savings/revenues columns show the cumulative savings/revenue for the time period. For example, in the year three column, the total savings/revenues are shown for first three years of the plan period. The status column will be updated each time the Financial Plan is reviewed in order to show the progress on each initiative. If needed, new initiatives will be incorporated each year during the annual review, prior to the annual budget process where initiatives can be funded.

Several of the initiatives have been noted to have a likely impact on staffing levels at the District. Any staffing impacts will be discussed with staff and the Board as initiatives are going through the staff development process.

### **Discussion and Review of the Proposed Plan by the Board**

Following a staff presentation that will cover all of the initiatives and Board discussion of the proposed Financial Plan, the Board has the option of altering the plan prior to taking any action on the proposed Financial Plan. Alternatively, the Board may wish to defer action on the Financial Plan to their November 14<sup>th</sup> Meeting for more discussion and possible approval.

**Next Steps**

If a Financial Plan is approved, staff will bring initiatives through the Board's regular committee process as soon as they are ready. Once an initiative has been approved by the Board for implementation, its impact on the deficit will be included in future budgets and long-term projections. The Financial Plan will be updated annually, as discussed in the Financial Plan Design section, and will be compared to each year's updated projection to monitor the District's progress in reducing the deficit.

**Fiscal Impact**

There is no direct fiscal impact from the approval of the *2014 Strategic Financial Plan*. Fiscal impacts will be evident in future long-term financial projections.

Attachment– *2014 Strategic Financial Plan*

## 2014 STRATEGIC PROPOSED FINANCIAL PLAN

Initiatives (Cumulative \$ in Millions)	YEAR 1 FY 15/16	YEAR 2 FY 15/16- 16/17	YEAR 3 FY 15/16- 17/18	YEAR 4 FY 15/16- 18/19	YEAR 5 FY 15/16- 19/20	10-YR FY 15/16 - 24/25	Status of Project to Date
<b>Updated Deficit Projection (September 2014)</b>	<b>(\$2.4)</b>	<b>(\$5.6)</b>	<b>(\$11.9)</b>	<b>(\$20.0)</b>	<b>(\$32.9)</b>	<b>(\$209.8)</b>	Updated deficit projection from Sept 2014: The Financial Plan covers FY 15/16-24/25.
1 Implement Moveable Median Barrier: Will impact staffing in lane management and roadway operations. Net reduction of 1-2 FTEs.	\$0.1	\$0.2	\$0.3	\$0.4	<b>\$0.5</b>	\$1.0	UNDERWAY. Scheduled to be complete January 2015.
2 Complete Implementation of ACIS Project: Project will increase customer service and operations efficiencies.	\$0.0	\$0.1	\$0.2	\$0.3	<b>\$0.4</b>	\$0.9	UNDERWAY. Scheduled to be fully implemented Fall 2014. Savings are from improved run times and fuel savings.
3 Review of Capital Plan. Accurately assess timing and costs for Capital Plan.	\$-	\$-	\$-	\$-	<b>\$-</b>	\$-	TBD. Savings estimate to be implemented in FY 14/15.
4 Develop an initiative to have one set of Board and Committee meetings a month to save District resources.	\$0.1	\$0.1	\$0.1	\$0.2	<b>\$0.2</b>	\$0.4	Target implementation for January 2015.
5 Implement time collection and Payroll automation throughout the District. Net reduction of 1-2 FTEs.	\$0.0	\$0.1	\$0.2	\$0.3	<b>\$0.4</b>	\$0.9	UNDERWAY.
6 Charge for Parking at Larkspur Ferry: Assumed at \$2/day.	\$0.4	\$0.8	\$1.2	\$1.6	<b>\$2.0</b>	\$4.0	UNDERWAY. Review and determine if the pilot program should be permanent.
7 Improve automatic toll collection system process to ensure toll collection from all auto traffic.	\$0.1	\$0.2	\$0.3	\$0.4	<b>\$0.5</b>	\$1.0	UNDERWAY.
8 Evaluate the cost-effectiveness of using Bio Diesel over Clean Diesel in Ferry fleet. Convert blended Bio Diesel Fuel to Clean Diesel in Ferry Fleet.	\$0.5	\$1.1	\$1.6	\$2.2	<b>\$2.7</b>	\$5.4	Estimated savings is based on use of clean diesel on current pricing.

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	FY 15/16	FY 15/16- 16/17	FY 15/16- 17/18	FY 15/16- 18/19	FY 15/16- 19/20	FY 15/16 - 24/25	
9 Non-Representative Employees. Cost savings in the areas of health plan design and employee premium contribution.	\$0.2	\$0.3	\$0.8	\$1.1	<b>\$1.4</b>	\$2.9	UNDERWAY.
10 ATU Labor Negotiations. Cost savings in the areas of health, pension, workers' compensation, absenteeism and work rule efficiencies. (Negotiations in 2014 & 2017)	\$0.2	\$0.6	\$1.0	\$1.4	<b>\$1.8</b>	\$3.8	UNDERWAY.
11 Coalition Labor Negotiations. Cost savings in the areas of health plan design and employee premium contribution, workers' compensation, absenteeism and work rule efficiencies. (Negotiations in 2014 & 2017)	\$0.5	\$1.0	\$1.6	\$2.6	<b>\$3.6</b>	\$8.6	UNDERWAY.
12 Support Marin Transit in the transition of Supplemental School Service to alternative service provider. Will reduce FTEs.	\$1.1	\$2.3	\$3.4	\$4.6	<b>\$5.7</b>	\$11.4	Estimated based on cost of current deadheads to operate supplemental school service.
13 Improve the efficiencies of legal claims process.	\$0.1	\$0.2	\$0.3	\$0.4	<b>\$0.5</b>	\$1.0	UNDERWAY.
14 Expansion of Wave service to increase Ferry ridership.	\$-	\$-	\$-	\$0.1	<b>\$0.1</b>	\$0.6	Pilot programs underway, potentially made permanent.
15 Implement WiFi on the Bus system. Increase ridership revenue and enhance customer service through implementing the ability to use Wi-Fi.	\$-	\$-	\$-	\$-	<b>\$-</b>	\$-	UNDERWAY.
16 Implement WiFi on the Ferry system. Increase ridership revenue and enhance customer service through implementing the ability to use Wi-Fi.	\$-	\$-	\$-	\$-	<b>\$-</b>	\$-	UNDERWAY.
17 Implement Administrative efficiencies. Implement opportunities to reduce costs, including increased use of technology, and streamlining administration processes. Net reduction of 1-2 FTEs.	\$0.2	\$0.3	\$0.5	\$0.6	<b>\$0.8</b>	\$1.5	

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18 Evaluate opportunities to reduce managing positions by approximately 10% as a goal through attrition. Reduction of 3-5 FTEs.	\$0.2	\$0.3	\$0.4	\$0.8	<b>\$1.2</b>	\$3.2	
19 Winter Holiday Facility closures for non-operational functions as possible: Reduce functions between Christmas and New Year's.	\$-	\$-	\$-	\$-	<b>\$-</b>	\$-	Improved operations efficiency.
20 Reduce Ferry Service during December Holiday period: Assumes weekend schedule service every day over 2 weeks.	\$0.2	\$0.4	\$0.6	\$0.8	<b>\$1.0</b>	\$2.0	This assumes fuel and casual employees savings.
21 Develop a comprehensive initiative for paid parking and tour bus access to the Bridge visitor areas to reduce congestion and increase revenue.		\$-	\$-	\$-	<b>\$-</b>	\$-	Timing of implementation and revenue estimate will be determined once plan is developed.
22 Analyze and implement a five year fare increase plan for Transit when the current plan expires.		\$1.8	\$3.7	\$5.6	<b>\$7.6</b>	\$10.0	Estimate based on a 5% for both Bus and Ferry Fares in July 2017.
23 When SMART operations begin, optimize bus service of competing bus trips in the same corridor.		\$0.1	\$0.1	\$0.2	<b>\$0.3</b>	\$0.8	TBD. Assess in 2017 after SMART implementation.
24 Develop partnerships with Bay Area private transportation providers and employers to develop increased bus and ferry usage during non-peak and reverse commute times.		\$0.0	\$0.0	\$0.1	<b>\$0.2</b>	\$0.7	UNDERWAY. Staff currently working with private transportation providers to use Ferry service for their customers during non-peak hours (such as wine tour operators.)
25 Implement temporary plate legislation (AB2197). Temporary plates will provide more collectable toll revenue.			\$1.0	\$2.0	<b>\$3.0</b>	\$8.0	UNDERWAY.

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26 Green Initiatives - Explore cost savings on installation of solar panels, wind power, and other green initiatives in District Facilities.			\$-	\$-	\$-	\$-	TBD. Savings estimate to be defined when project is developed.
27 Evaluate Sidewalk Access Fees for Bikes.			\$-	\$-	\$-	\$-	TBD. Estimate to be determined after development of fee and collection process structure completed.
28 Evaluate Sidewalk Access Fees for Pedestrians.			\$-	\$-	\$-	\$-	TBD. Estimate to be determined after development of fee and collection process structure completed.
29 Partner with Marin Transit to reduce the cost to the District of regional paratransit service.			\$-	\$-	\$-	\$-	TBD.
30 Review and implement multi-year toll increase plan when current plan ends in June 2018.				\$7.0	<b>\$14.4</b>	\$116.7	Estimate based on a 5% increase annually starting July 2018.
31 Evaluate security staffing after upcoming Bridge construction projects. May impact up to 4 FTEs.				\$0.6	<b>\$1.2</b>	\$4.2	
32 Replace Existing Ferry Terminal Gangways and Piers: Increase operating efficiency. May impact FTEs.				\$0.1	<b>\$0.2</b>	\$0.7	Sausalito to be completed FY 15/16. San Francisco FY 16/17.
33 Implementation of Clipper 2.0 reducing transaction costs to collect revenue				\$0.1	<b>\$0.2</b>	\$0.7	Will begin after expected implementation of Clipper 2.0 in 2019.
34 Explore additional Partnership Projects with the Parks Conservancy.				\$-	\$-	\$-	TBD.



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35 Work with regional partners to increase bus travel speed in San Francisco to reduce operating costs.				\$0.2	<b>\$0.3</b>	\$1.1	If implemented in FY 17/18 estimated savings is approximately \$150,000 a year.
36 Bus Transit Alternative Fuel Study. Assess fuel use in Buses that would result in cost savings. Currently 80 buses are due for replacement in 2016.				\$-	\$-	\$-	Study is underway.
37 Address the increase demand for Larkspur Ferry service through acquiring additional parking, additional service, and utilizing active transportation (bike and pedestrians).					\$-	\$-	TBD.
38 Implementation of Clipper 2.0 eliminating cash collection on buses					<b>\$0.1</b>	\$0.6	Assess implementation timing after Clipper 2.0 implementation in 2019.
39 Develop multiday bus pass to increase ridership.					\$-	\$-	TBD. Assumption is to be implemented with Clipper 2.0 in 2019.
40 Work with regional partners to increase number and size of park and ride lots in 101 corridor to increase bus ridership.					<b>\$0.2</b>	\$1.2	If implemented in FY 18/19 the attached is the estimated savings.
41 Evaluate providing direct staff resources to other local public agencies for a fee.					\$-	\$	TBD. Savings estimate to be defined when project is developed.
42 Evaluate purchasing other agency staff expertise for specialized needs.					\$-	\$-	TBD. Savings estimate to be defined when project is developed.
43 Take steps to be competitive to provide transportation to local SMART train stations.						\$-	TBD.

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44 Work with regional partners to convert HOV lanes in north bay to 3+ occupants to increase bus speed and reduce operating costs.						\$-	TBD. Staff calculating additional revenue.
45 Partner with MTC to receive funding to provide bus service in the highway 37 corridor to reduce congestion, speed up service, and increase ridership.						\$-	TBD. Assumes regional funding source.
TOTAL Savings/Revenues	\$ 3.8	\$ 9.9	\$ 17.3	\$ 33.4	\$ 50.4	\$ 193.2	
TOTAL Deficit	\$ (-2.4)	\$ (-5.6)	\$ (-11.9)	\$ (-20.0)	\$ (-32.9)	\$ (-209.8)	
<b>NET CHANGE</b>	<b>\$ 1.4</b>	<b>\$ 4.3</b>	<b>\$ 5.4</b>	<b>\$ 13.4</b>	<b>\$ 17.5</b>	<b>\$ (-16.6)</b>	