GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

RESOLUTION NO. 2013-108

AUTHORIZE ACTIONS RELATIVE TO A PROPOSED TOLL INCREASE

November 15, 2013

WHEREAS, the Golden Gate Bridge, Highway and Transportation District's (District) Auditor-Controller provided a report on the various toll increase options developed by staff for increasing all toll rates at the Golden Gate Bridge, and to set forth the intention to engage the public extensively in the toll-setting process, which included the following sections and Attachments: (I) Public Review Process for Potential Toll Increase; (II) Criteria for Selecting Toll Options; (III) Possible Toll Options for Consideration; and, (IV) Background and Summary of Strategic Financial Plan Process; Attachment A, *List of Completed 2009 Strategic Financial Plan Initiatives*; and, Attachment B, *October 25, 2013 Staff Report and Associated Materials* (attached as Exhibit A); and,

WHEREAS, this toll increase proposal arises as a result of the past actions the Board of Directors has discussed and taken over the past five years, many of those implementing the cost cutting initiatives contained in the *2009 Strategic Financial Plan (2009 Plan)*; and,

WHEREAS, over the past six years, since the last toll increase in September 2008, costs for goods and services have risen with inflation and, as a result, the cost to operate transit services has increased; and,

WHEREAS, currently, half of all toll revenue is utilized to operate Transit Services and, in addition, the Bridge and Transit facilities have aged resulting in capital needs to repair, improve and maintain these assets; and,

WHEREAS, implementing the *2009 Plan* has allowed the District to maintain all of its Transit and Bridge services while continuing to actively reduce the deficit, and those cost reduction and revenue increase initiatives are discussed in more detail in Attachment A of the staff report attached hereto; and,

WHEREAS, the Public Outreach and the Public Hearing meetings are expected to cost approximately $20,000.00, for material production, public notification and other associated costs, and will be financed through the FY 13/14 District Division Operating Budget; and,

WHEREAS, the Finance-Auditing Committee, at its meeting of November 15, 2013, has so recommended; now, therefore, be it

RESOLVED that the Board of Directors (Board) of the Golden Gate Bridge, Highway and Transportation District (District) hereby authorizes staff to present for public review toll options 2, 4 and 5 as set forth on page 5 of the staff report accompanying this matter, plus a toll option that would effect a toll increase in the amount of $1.00 in year 1 and 25 cents per year in years 2 through 5 of the anticipated Five-Year Program, with the understanding that by presenting these specific options to the public the Board does not intend to limit or constrain public input or eventual Board action on other combinations of toll options within an upper range of an $8.00 toll at the beginning of year 5; and, be it further

RESOLVED that the Board hereby authorizes staff to conduct information open houses, as listed below, for the purpose of providing information, answering questions and receiving input from the public about the proposed toll increase options under consideration:

Marin County
Tuesday, January 21, 2014
5:00 p.m. to 7:00 p.m.
The Whistlestop, Caboose Meeting Room
930 Tamalpais Avenue
San Rafael, CA

Sonoma County
Wednesday, January 22, 2014
6:00 p.m. to 8:00 p.m.
Petaluma Community Center, Activity Room
320 N. McDowell Boulevard
Petaluma, CA

City and County of San Francisco
Thursday, January 23, 2014
4:00 p.m. to 6:00 p.m.
Fort Mason Center, The Gatehouse
2 Marina Boulevard
San Francisco, CA

and, be it further

RESOLVED that the Board hereby authorizes the setting of a Public Hearing on Wednesday, February 12, 2014, at 7:00 p.m., to be held in the San Rafael City Council Chambers, 1400 Fifth Avenue, San Rafael, CA, to receive public comment on the proposed toll increase options under consideration.

ADOPTED this 15th day of November 2013, by the following vote of the Board of Directors:

AYES (16): Directors Arnold, Breed, Cochran, Fredericks, Moylan, Pahre, Reilly, Sears, Snyder, Sobel, Theriault, Wiener and Yee; Second Vice President Stroeh; First Vice President Grosboll; President Eddie
NOES (0): None
ABSENT (3): Directors Belforte, Campos and Rabbitt

James C Eddie

James C. Eddie
President, Board of Directors

ATTEST: Janet S. Tarantino

Janet S. Tarantino
Secretary of the District

Attachment: Agenda Item No. 6, "Discussion and Possible Actions Regarding Toll Options and Public Outreach Relative to a Potential Toll Increase on the Golden Gate Bridge" Finance-Auditing Committee/Committee of the Whole Meeting of November 15, 2013, and its Appendices

Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of November 15, 2013

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

Subject: **DISCUSSION AND POSSIBLE ACTIONS REGARDING TOLL OPTIONS AND PUBLIC OUTREACH RELATIVE TO A POTENTIAL TOLL INCREASE ON THE GOLDEN GATE BRIDGE**

Recommendation

Information provided in this report is intended to facilitate discussion by the Finance-Committee and provide direction to staff. If appropriate, the Finance-Auditing Committee recommends that the Board of Directors approve actions relative to a proposed toll increase, as follows:

1. Authorize staff to present for public review several toll options, with the understanding that any action to modify the existing toll structure will take place only after an extensive public outreach process takes place intended to fully inform the public of the District's range of services and the finances required to support future operational and capital programs; and,
2. Authorize staff to conduct informational open houses as listed below, for the purpose of providing information, answering questions and receiving input from the public about the proposed toll increase options under consideration, with the understanding that the date of the formal Public Hearing will be set by the Board at later date:

Marin County
Tuesday, January 21, 2014
5:00 p.m. to 7:00 p.m.
The Whistlestop, Caboose Meeting Room
930 Tamalpais Avenue
San Rafael, CA

Sonoma County
Wednesday, January 22, 2014
6:00 p.m. to 8:00 p.m.
Petaluma Community Center, Activity Room
320 N. McDowell Boulevard
Petaluma, CA

City and County of San Francisco
Thursday, January 23, 2014
4:00 p.m. to 6:00 p.m.
Fort Mason Center, The Gatehouse
2 Marina Boulevard
San Francisco, CA

Summary

INTRODUCTION

The purpose of this report is to present for Board consideration the toll increase options developed by staff for increasing all toll rates at the Golden Gate Bridge and to set forth the intention to engage the public extensively in the toll-setting process.

This toll increase proposal is coming about as a result of the past actions the Board has discussed and taken over the past five years, many of those implementing the cost cutting initiatives contained in the 2009 Strategic Financial Plan. Over the past six years, since the last toll increase in September 2008, costs for goods and services have risen with inflation. As a result, the cost to operate transit services has increased. Currently, half of all toll revenue is utilized to operate transit services. In addition, the Bridge and Transit facilities have aged resulting in capital needs to repair, improve, and maintain these assets. Implementing the 2009 Strategic Financial Plan has allowed the District to maintain all of its transit and bridge services while continuing to actively reduce the deficit. Those cost reduction and revenue increase initiatives are discussed in more detail in this report and in Attachment A.

The report is divided into the following sections:

I. Public Review Process for Potential Toll Increase
II. Criteria for Selecting Toll Options
III. Possible Toll Options For Consideration
IV. Background and Summary of Strategic Financial Plan Process

At the end of the report is a background section on the District's financial reserves.

I. Public Review of Potential Toll Increase

At the work session on October 25, 2013, the Board was informed that staff would recommend to the Board, in November 2013, that it initiate appropriate steps to begin the process of presenting toll increase options to the public for a possible toll increase in April of 2014. Based on that timeline, if the proposed recommendation in this item approved, it would authorize the public process for reviewing and commenting on the proposed toll increase options and recommend the following:

- Authorization of this Board item to begin the toll increase and outreach process;
- Authorize staff to undertake a series of Open Houses in late January 2014 to provide information and receive feedback from the public; and,
- Implement any follow up Board action for possible implementation of a toll increase which could occur as in early April, 2014.

Public Outreach Plan for Public Education and Input for a Toll Increase

As with all District initiatives involving a proposal that impacts the public, a comprehensive Public Outreach Plan (Plan) will be developed. The Plan will include outreach efforts aimed at engaging all toll payers in the process. The Plan will be focused on educating and increasing toll payer awareness regarding the toll increase options and the need for a toll increase as well providing options for commenting and provide input on the proposed options.

The Plan will include outreach efforts such as the development of a dedicated website location for all toll increase information, online comment form use of District social media accounts, traditional print advertising , community partner outreach, email-based outreach, development of FAQs, regular news media briefings and updates, speakers bureau, video-based online content, editorial board meetings, preparation of educational/information materials for outreach and for use as website content, and traditional Open House informational meetings followed by formal Public Hearing(s).

It is proposed that three Open House meetings be held in January 2014 to receive public input on the toll options and to have the opportunity for staff to answer questions and further educate the public as to the financial need for a toll increase at this juncture. Open House information would be mirrored on the website for those not able to attend in person. It is proposed that there be three Open House informational meetings– one each in Marin (January 21), Sonoma (January 22) and San Francisco (January 23) counties. These meetings will be publicized through various local media channels.

Following the implementation of the various outreach tactics noted above and the input received, the outreach process could culminate with a formal Public Hearing as early as February in Marin County.

Environmental Process for the Toll Increase Review

National Environmental Policy Act (NEPA) applies to projects that require federal agency approval. Toll rates on existing toll facilities are generally left to State and local discretion. The options under consideration by the District to change existing toll rates for the Golden Gate Bridge do not require federal approval and are exempt from the NEPA process.

California Environmental Quality Act (CEQA) applies to discretionary projects proposed by state and local agencies that have the potential for causing a significant effect on the environment. Certain projects are statutorily exempt from CEQA. Under Section 15273, CEQA does not apply to the District’s proposal to modify existing toll rates on the Golden Gate Bridge for the purpose of meeting operating expenses, funding capital projects to maintain service and meeting financial reserve needs. District will prepare a Notice of Exemption for the proposed toll rates modification and file it with the state and counties upon approval by the District’s Board of Directors as provided for in Section 15062.

II. Criteria for Selecting Toll Options

This section describes the analysis the District has undertaken to create criteria for the toll options under review. The next section discusses the options themselves.

The toll options suggested in this report were developed based on preliminary discussions by the Board at its October 25th meeting overlain with the criteria listed below. They all meet the assumptions included in the 2009 Strategic Financial Plan which included a proposed toll increase in 2013 that would be a significant part of the overall solution to the multi-year deficit.

1. Any toll increase proposal should fully address the remaining shortfall from the 2009 Strategic Financial Plan and strive to partially address the shortfall projected in September 2013 with the understanding that the District will always seek out innovative cost-cutting opportunities and other ways to increase revenues to address the remainder of the projected deficit and future needs of the organization. These additional opportunities will be developed in a new 2014 Strategic Financial Plan.

2. There should be two toll rates.
   - A lower toll should remain available to FasTrak customers since they prepay the District for all toll crossings *and* the use of both the FasTrak tag and the vehicle's license plate make toll collection more certain. Plus this method has the lowest cost per transaction.
   - A higher toll for Pay-By-Plate customers (all other forms of toll payment, including one-time payments, invoices and use of the cash payment network), since these transactions rely solely on the vehicle's license plate making collection slightly less certain and more costly to process.

3. Although our AET system allows tolls to be increased in any increment, unfamiliar increments and frequent changes can make the message confusing for toll payers.

4. Building upon the success of the District's multi-year approach to transit fare increases and keeping with criteria #3, the Board preliminarily directed staff to develop several toll increase options for public review and comment that would raise tolls to meet criteria #1 by an initial larger increase then several incremental increases in the latter part of the next five-year period. These incremental increases would be rounded to the nearest 25 cents to reduce the frequency of the toll rate changes and lessen confusion for the toll paying customers.

5. For 3+ multi-axle vehicles, the per axle toll rate for each axle starting with the 3rd axle will remain equal to the base 2-axle toll rate for that payment type (FasTrak or Pay-By-Plate). Thus, if the base toll rate is increased by $1 then the rate for each axle beginning with the 3rd axle will be increased by $1. The toll will remain capped at the value of a 7-axle toll rate.

6. The carpool and persons with disabilities toll will increase by the same amount as the FasTrak toll rate. Thus, if the carpool toll is $3 and the FasTrak toll is increased by $1, the new carpool toll will be $4.

III. Possible Toll Options for Consideration

Based on the above criteria and preliminary Board discussion, below are five toll options staff is proposing for Board discussion and possible approval, and use in seeking public comment. These options were developed based on the Board's discussion at its October 25th Board meeting. They will be further discussed at the Board's November 15th meeting and can be altered or eliminated at the Board's discretion. In addition, the Board can add options based on its discussion. The five options below were chosen because they meet the listed criteria. For each option, the following information is provided:

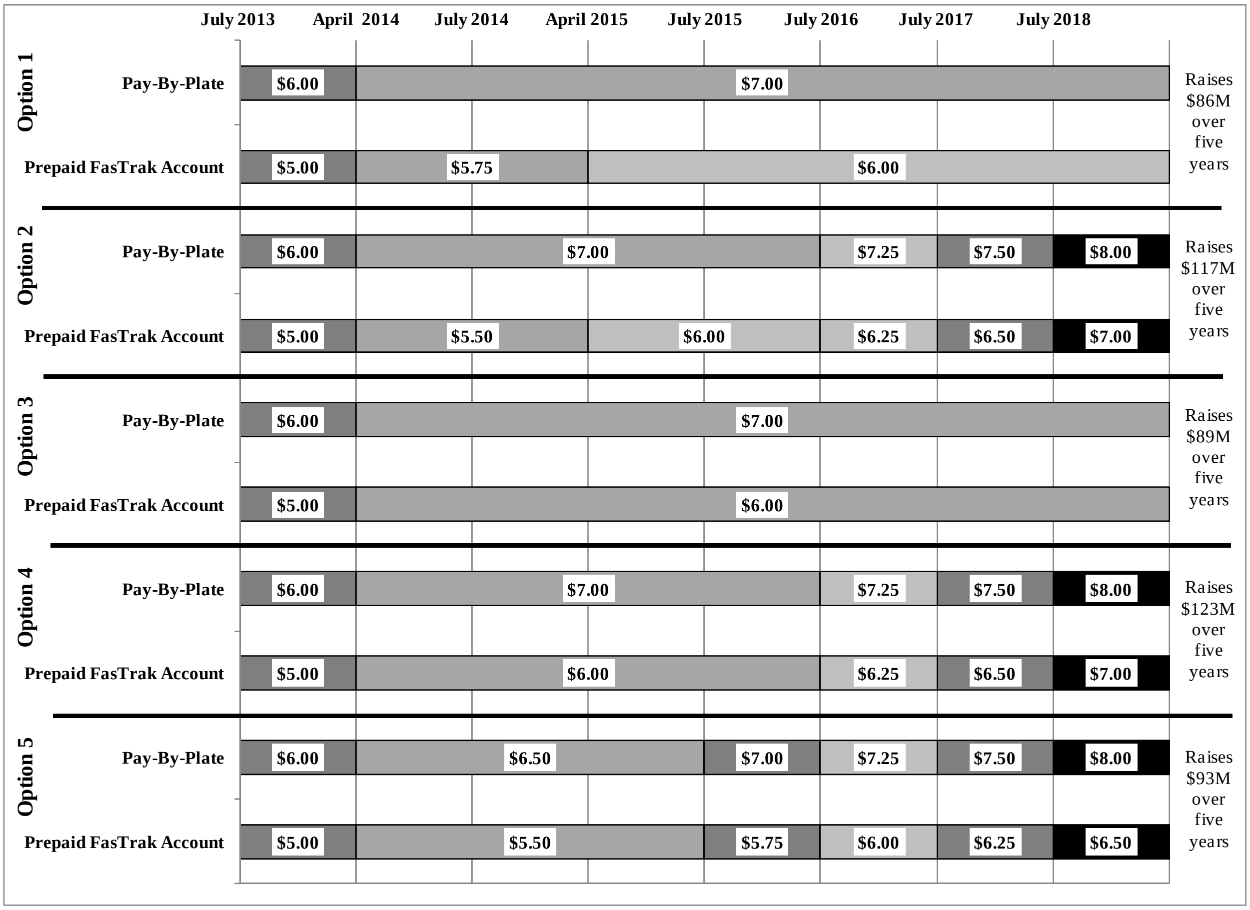
- date the increase would be effective
- the amount of the increase
- the total five-year revenue impact of the increase
- a graphic presentation of the toll increase options

All toll options under review involve either a single year or a multi-year toll increase that result in at least a $6 FasTrak toll and a $7 Pay-By-Plate toll during the next five-year period. The Options that have incremental increases would increase the toll rates further in the latter part of the next five-year period. The toll rates for multi-axle vehicles, carpools and persons with disabilities will increase based on the final selected toll option as described in criteria #5 and #6.

Option	Payment	Increase for Two-Axle	Result
1	Pay-By-Plate Toll	$1.00 in April 2014	Raises $86 million over five years.
	Pre-Paid FasTrak Account	75-cent in April 2014 25-cent in April 2015	
2	Pay-By-Plate Toll	$1.00 in April 2014 5% per year first Monday in July 2016, 2017, 2018	Raises $117 million over five years.
	Pre-Paid FasTrak Account	50-cent in April 2014 50-cent in April 2015 5% per year first Monday in July 2016, 2017, 2018	
3	Pay-By-Plate Toll	$1.00 in April 2014	Raises $89 million over five years.
	Pre-Paid FasTrak Account	$1.00 in April 2014	
4	Pay-By-Plate Toll	$1.00 in April 2014 5% per year, first Monday in July 2016, 2017 and 2018	Raises $123 million over five years.
	Pre-Paid FasTrak Account	$1.00 in April 2014 5% per year, first Monday in July 2016, 2017 and 2018	
5	Pay-By-Plate Toll	50-cent in April 2014 5% per year, first Monday in July 2015, 2016, 2017 and 2018	Raises $93 million over five years.
	Pre-Paid FasTrak Account	50-cent in April 2014 5% per year, first Monday in July 2015, 2016, 2017 and 2018	

Toll Option Comparison

All Tolls Prior to July 1, 2013:
Pay-By-Plate = $6.00
Prepaid FasTrak Account = $5.00



IV. Background and Summary of Strategic Financial Plan Process

History of the 2009 Strategic Financial Plan

When the District last raised its tolls in September 2008, it committed to an annual review of the financial needs of the organization and the toll rates in particular. This led to the creation of the *2009 Strategic Plan for Achieving Long-Term Financial Stability* (Strategic Financial Plan). The Strategic Financial Plan has been a tool in guiding implementation of deficit reduction activities to date. Currently, the deficit has been reduced by over $100 million through implementing the various initiatives in the Plan. It is noted that since the 2008 toll increase, in May 2010 the District established a carpool toll and increased the multi-axle vehicle toll rates.

The Strategic Financial Plan included an action to undertake a toll increase review and implementation after 5 years, or 2013, when it was developed in 2009. If the action of a toll increase is taken, it would eliminate the 2009 Strategic Financial Plan's deficit and much of the current projected future deficit. That increase in the toll rate with the resulting elimination of the deficit was contemplated by the 2009 Strategic Financial Plan when it was developed.

Over the last four years, helped by the initiatives in the 2009 Strategic Financial Plan, the projected deficit for the first five years of the Plan, FY 09/10-FY 14/15, was reduced as follows:

- From $132 Million in 2009;
- To $68 million in 2010;
- To $44 million in 2011; and,
- To $20 million in 2012.

This information is discussed in more detail in each respective year's staff report on the Five- and Ten-Year Projection.

The 2009 Strategic Financial Plan originally had 33 Initiatives which has subsequently resulted in 35 Initiatives due to dividing 2 of the projects into 2 sub-categories. Of the 35, 20 initiatives are completed (and accounted for in past or present projections), 3 projects remain to close out the plan, 6 are underway or scheduled to begin analysis and would be moved to a new plan, and 6 initiatives have been deferred by Board direction. Many of the initiatives will provide long-term financial savings but have been fully implemented within the last two to three fiscal years. They will provide additional savings for years to come.

An example of initiatives that the District implemented that produced significant savings in particular are as follows:

- **Financial Plan Initiative No. 2: Further Reliance on Automated Information for Transit Customers.** On April 22, 2011, the Board approved the reorganization of the District's Customer Service Center. The reorganization resulted in a net reduction of four positions. This initiative saves approximately $500,000 on an annual basis. In addition, this initiative implemented an automated interactive telephone voice recognition system to provide 24/7 Golden Gate Transit and Ferry schedule information.

- **Financial Plan Initiative No. 4: Implement All Electronic Tolling (AET).** In March 2013, the Bridge marked a major milestone by implementing California's first all-electronic toll collection facility. This initiative eliminated 34 toll collector positions. Savings for the initial implementation of AET is estimated to be $1.4 million in FY 13/14. The District is estimated to have a net benefit of $16 million over the next 10 years.

- **Financial Plan Initiative No. 5: Automate Ferry Revenue Collection.** This initiative installed ticket vending machines at the ferry terminals and eliminated seven full-time and one part-time ticket agent positions in January 2012. As a result, the District annually saves approximately $600,000.

- **Financial Plan Initiative No. 24A:** Negotiate Increased Cost Sharing for Health Benefit Plans for Non-ATU employees. This initiative was implemented in FY 12/13; it negotiated new health care and pension programs to reduce benefit costs. The District implemented premium sharing in which the employees contribute monthly towards their health benefits. In addition, the District implemented a Health Reimbursement Account (HRA) which significantly reduces the Employer's contribution to retiree health benefits by defining a set contribution plan while keeping retiree health benefits intact. In addition, in 2007 the District was one of the first public agencies to implement a post-employment benefit trust (OPEB) which is a separate account set aside to hold contributions for both current and future retirees to fund health care benefits promised to them. Lastly, the majority of employees currently pay 8% towards their CalPERS retirement. The new initiatives implemented are estimated to save $3.9 million over 10 years.

- **Financial Plan Initiative No. 25A: Renew Ferry Transit Fare Increase Plan.** The Board has adopted an annual 5% fare increase for Ferry Transit Fares in April 2011 for implementation for five years commencing on July 1, 2011. This is projected to increase revenue by $800,000 over five years.

- **Financial Plan Initiative No. 25B: Renew Bus Transit Fare Increase Plan.** On April 22, 2011, the Board adopted a five-year fare increase plan which included a regional bus fare increase of 5% rounded to the nearest $0.25 in April 2011. Overall, the Agency's five-year transit fare increases are anticipated to generate approximately $300,000 in revenue on an annual basis.

For a more detailed history on the District's 2009 Strategic Financial Plan completed initiatives, please see Attachment A of this item.

Development of a New 2014 Strategic Financial Plan

On October 25th 2013, the Board met to review the 2009 Strategic Financial Plan and set development of a new plan. Staff recommended creating a new 2014 Strategic Financial Plan to eliminate that remainder of the current projected deficit. At its November Board meeting the Board President will appoint Board members to an Advisory Committee that will be charged with developing a new 2014 Financial Strategic Plan for Board consideration in the Spring of 2014.

Also, in its October 25th 2013 Board meeting, the Board discussed the District's updated projection that showed a $142 million projected deficit over the next five years. The 2009 Strategic Financial Plan contemplated that the deficit would grow substantially five years after the last toll increase. Even though the initiatives in the Plan have been successful in reducing the original projected deficit, a new deficit is produced because the new out years that are added to the rolling five- and ten-year projections include inflationary cost increases that continually cut into the value of the revenues the District earns with its current pricing structure (tolls and fares).

The new Financial Plan to be created in Spring 2014 will undertake the goal of reducing the current deficit. All toll options in this report will raise sufficient revenue to allow the District the opportunity to balance its 5 year deficit when paired with the initiatives in its next strategic financial plan. In addition, since the District has followed its recent historic pattern of having at least 5 years between $1 increases in the toll, it will take a toll increase of similar size to reduce the projected deficit enough to become an achievable target for a new strategic financial plan

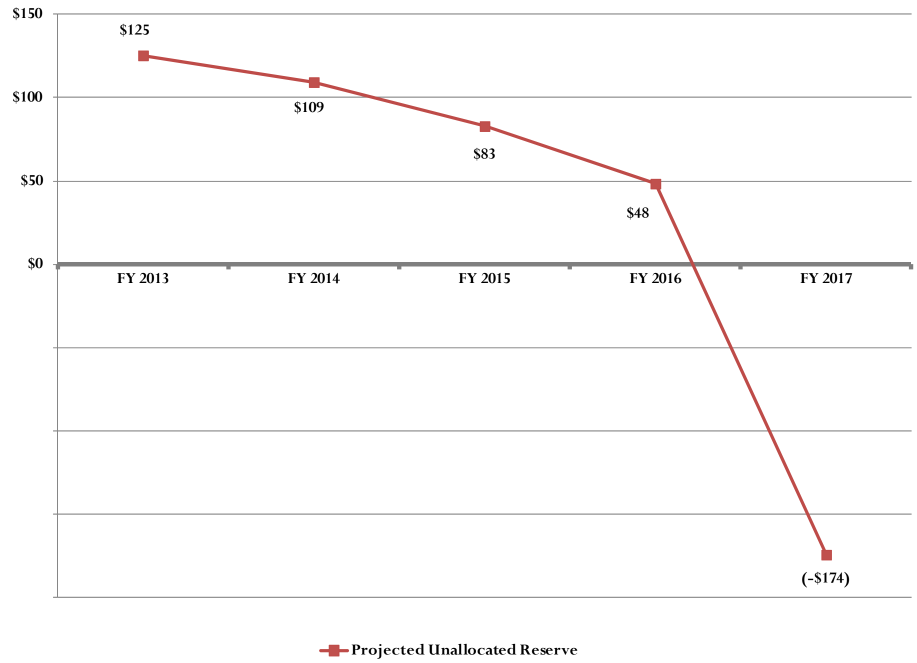
Background on the District's Financial Situation

The District monitors its financial strength through its ability to meet its financial needs. Those needs are estimated each year in a rolling five and ten-year financial projection of operating and capital project revenues and expenses which this year runs from FY 14/15 through FY 23/24. The projection reflects the maintenance of all current policy decisions – current bridge and transit operating service levels, the current capital project schedule and current revenue assumptions – over the period of the projection. The projection presents the long-term financial impact of the present baseline level of operations. In September of 2013, staff presented the District's five and ten-year financial projection for the operating and capital project revenues and expenses from FY 14/15 through FY 23/24. The estimated five year projection deficit is $142 million.

Historically, the District has maintained reserve funds for capital projects and operating expense emergencies. The amount of these reserves has varied but adequate reserves are essential to the ability of the District to maintain its core assets – the Bridge, the transit rolling stock and infrastructure, and District facilities – and to survive downturns in the economy without being forced to immediately reduce service to its customers. At present, the District's reserves have decreased due to the spending on large Bridge and Ferry capital projects and the ongoing operating deficit.

New reserves are accumulated if operating budgets are balanced. In FY 13/14, if balanced, the operating budget would provide approximately $20.2 million for the capital project reserves through three mechanisms; 1) the capital contribution set aside; 2) depreciation expense; and, 3) Bridge self-insurance against losses. However, since the FY 13/14 Operating budget is not balanced and will require over $13 million from reserves, it will generate approximately $7 million to fund future capital projects. This rate of funding will not be sufficient to fund the long-term capital plan, and thus will not be sufficient to maintain the works of the District, the Bridge, transit fleets and facilities. In the long run, the District must avoid operating deficits and therefore be able to fully fund reserves.

The graph found on the following page represents a projection of how the current total of capital reserves would be allocated (Projected Unallocated Reserve line) if capital projects are undertaken as laid out in the 10-Year Capital Plan. The District accumulates reserves through its operating budget. Those reserves are set aside until the Board allocates them to fund the District's share of the of capital projects or to cover temporary operating budget deficits. If the current projected deficit is not eliminated, the District will use up all of its capital operating and emergency reserves by FY 16/17.



Fiscal Impact

The public outreach and public hearing meetings are expected to cost approximately $20,000 for material production, public notification and other associated costs. Funding for these meetings will be absorbed in this year's Operating Budget.

Attachment A: List of Completed 2009 Strategic Financial Plan Initiatives

Attachment B: October 25, 2013 Staff Report and Associated Materials: *Overview and Discussion of District's Financial Condition and Development of a New Strategic Financial Plan*

Associated Materials Include:

i. September 19, 2013 Staff Report: *Receive the Updated Five and Ten-Year Financial Projection*

ii. *Guiding Principles*

Attachment A

List of Completed 2009 Strategic Financial Plan Initiatives:

Financial Plan Initiative No. 1: New Banking Collections. Implementation of this initiative eliminated one vacant Assistant Vault Supervisor position and one vacant Vault Officer Position. The District is estimated to save $200,000 on an annual basis, with a projected savings of $2.1 million over a 10-year period.

Financial Plan Initiative No. 2: Further Reliance on Automated Information for Transit Customers. On April 22, 2011, the Board approved the reorganization of the Customer Service center. The reorganization resulted in a net reduction of four positions by eliminating nine customer service representatives and adding four full-time and one part-time Customer Relations Assistant positions. This initiative is projected to save $500,000 on an annual basis. In addition, this initiative will implement an automated interactive telephone voice recognition system to provide 24/7 Golden Gate Transit and Ferry schedule information.

Financial Plan Initiative No. 3: Continue Reducing Manual Collection of Tolls. This initiative includes reducing the number of staffed lanes on the Bridge based on current traffic patterns. Two vacant Bridge Officer positions were eliminated for an estimated annual savings of $170,000, with a projected savings of almost $2 million over 10 years.

Financial Plan Initiative No.4: Implement All Electronic Tolling (AET). In March 2013, the Bridge marked a major milestone by implementing California's first all-electronic toll collection facility. This initiative eliminated manual toll collection and 34 toll collection positions. For FY-14 the initial year of AET operation is estimated to be approximately $3,023,400. The adopted budget includes estimated expenses to cover fees, postage, invoice notifications, and maintenance costs. In comparison, if manual toll collection had continued, the associated expenses would total $4,411,600 for labor and fringe costs of 34 positions: 28 full-time and 4 part-time toll collection positions and 2 vault positions. Savings for the initial implementation of AET is estimated to be $1.4 million in FY-14. The District is estimated to have a net benefit of $16 million over the next 10 years.

Financial Plan Initiative No. 5: Automate Ferry Revenue Collection. This initiative installed ticket vending machines at the ferry terminals and eliminated seven full-time and one part-time ticket agent positions. The District is estimated to save approximately $600,000 on an annual basis.

Financial Plan Initiative No. 9: Eliminate Duplicative Bus Service and Bus/Ferry Trips with Low Ridership. On May 28, 2010, the Board approved Bus Service reductions of bus scheduled routes that were identified to have low-ridership. In addition, on November 19, 2010, the Board approved adjusting the Golden Gate Ferry schedule by revising weekday schedule trips to better accommodate commuters' work start times, maximize crew availability and provide an ongoing cost savings associated with reduced fuel consumption. This initiative overall is estimated to save approximately$500,000 on an annual basis.

Financial Plan Initiative No. 12: Fare Increase on Regional Buses for Local Trips. The Board in April 2011 approved a 5% rate increase. This initiative is projected to generate $1.2 million over 10 years.

Financial Plan Initiative No. 13: Reduce Ferry Fare Discount for ClipperSM riders from 40% to 30%. This initiative approved by the Board changed the Ferry Frequent Rider discount rate for customers using ClipperSM to be the same on both Golden Gate Ferry routes (Larkspur and Sausalito) at 30%, effective January 1, 2011. This initiative is projected to generate approximately $500,000 in revenue on annual basis.

Financial Plan No.14: Further Reduce Ferry Discount for Clipper Riders from 30% to 20%. In FY 11/12, the Clipper Ferry Fare discount was reduced from 30 to 40% by implementing initiative No. 13. In the implementation of initiative No.14, the Board established separate cash and Clipper fares thereby creating a new structure for Ferry discounted fares.

Financial Plan Initiative No. 16: Adjust 10-Year Capital Plan. Implementation of this initiative set a longer timeframe for the current projects and increased grant commitments thereby reducing the FY 10/11 Capital contribution amount from $13 million to $10 million annually. For FY 12/13, the capital contribution amount remains the same at $10 million.

Financial Plan Initiative No. 17: Reduce Administrative Expense (Overhead). The goal of this initiative is to improve the efficiency in the administrative process annually by reducing overhead costs by a target of $600,000 throughout the District. In response to the initiative, in FY 10/11 the District Division deleted two additional Vault Officer positions through attrition for an annual savings of $220,000; the Engineering Department eliminated one vacant Engineering Design Technician position for an annual savings of $108,000; and, the Administration and Development Division eliminated one Unix Systems Administrator for an annual salary savings of $137,000. The Bus Division deleted one full-time dispatcher position and added one part-time dispatcher for a net annual savings of $50,000. The District continues to identify efficiencies to improve the administrative process throughout the District. In response to this initiative, in FY 11/12 the Bridge identified the elimination of one Chief Bridge Painter position for an annual savings of $177,000.

Financial Plan Initiative 18: Freeze Non-Represented and Officers an additional 6 months to match coalition. This initiative was completed in FY 10/11 with a projected savings of $2.1 million over the next 10 years.

Financial Plan Initiative 19: Freeze ATU Employee Salaries for 12 Months. This initiative was completed in FY-12; the initiative matched the salary freeze for coalition and non-represented staff. This initiative is projected to have savings of $10 million over 10 years.

Financial Plan Initiative No. 23: Implement a Carpool Toll. This initiative, approved by the Board on May 28, 2010, established a carpool toll rate at 50% of the cash toll for 2-axle vehicles, effective July 1, 2010. This increased toll is projected to generate $1.2 million in annual Bridge toll revenue.

Financial Plan Initiative No. 24A: Negotiate Increased Cost Sharing for Health Benefit Plans for Non-ATU employees. This initiative was implemented in FY 12/13; it negotiated new health care and pension programs to reduce benefit costs. This initiative is estimated to save $3.9 million over 10 years.

Financial Plan Initiative No. 24B: Negotiate Increased Cost Sharing for Health Benefits Plans for ATU Employees. The District completed negotiations with Amalgamated Transit Union (ATU) to increase the cost sharing for health benefits for ATU employees.

Financial Plan Initiative No. 25A: Renew Ferry Transit Fare Increase Plan. The Board has adopted an annual 5% fare increase for Ferry Transit Fares. This projected to increase revenue by $2 million over 10 years.

Financial Plan Initiative No. 25B: Renew Bus Transit Fare Increase Plan. On April 22, 2011 the Board adopted a five-year fare increase plan which included a regional bus fare increase of 5% rounded to the nearest $0.25. Overall, the Agency's five-year transit fare increases are anticipated to generate approximately $300,000 in revenue on an annual basis.

Financial Plan Initiative No. 26: Reduce Paratransit Services to more stringently comply with ADA requirements. Initiative was implemented with on-going monitoring with Marin Transit that holds the contract.

Financial Plan Initiative No. 30: Implement Some Form of Partnership Program. On March 11, 2011, the Board approved entering into a memorandum of understanding agreement with the Golden Gate National Parks Conservancy. The Bridge Gift Center and Café will now be operated by the Conservancy. As a result, the revenues and expenses associated with the Gift Center and Café were eliminated from the budget in January 2011.

ATTACHMENT B

Agenda Item No. (10) (B)

To: Board of Directors
Meeting of October 25, 2013

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

Subject: **OVERVIEW AND DISCUSSION OF DISTRICT'S FINANCIAL CONDITION AND DEVELOPMENT OF A NEW STRATEGIC FINANCIAL PLAN**

Recommendation

The following report is provided for informational purposes and does not require any action.

Introduction

This report is intended to provide information to the Board and public on the current and future financial condition of the District. It provides a common foundation for discussion and guidance regarding the development of a new 2013 Strategic Financial Plan to succeed the *2009 Strategic Plan for Achieving Long-Term Financial Stability*. This new plan will be used to balance the District's finances over the next five-year period. This report is divided up into the following sections:

I. Overview of FY 13/14 Budget and District Reserves
II. Long-term District Financial Situation
III. Closing out the *2009 Strategic Plan for Achieving Long-Term Financial Stability*
IV. Process to Develop a New *2013 Strategic Financial Plan*
V. Next Steps

I. Overview of FY 13/14 Budget and District Reserves

The FY 13/14 Adopted Budget is a policy document that identifies the strategic direction and priorities of the Board of Directors for the fiscal year. This is where Board demonstrates its priorities through its funding decisions.

BOX 9000, PRESIDIO STATION ◆ SAN FRANCISCO, CA 94129-0601

The Adopted Budget for FY 13/14 is estimated to produce a significant operating deficit of $13.2 million. This is not unexpected since it mostly funds the 6th year of operations since the last toll increase in September of 2008. The 2009 Strategic Financial Plan contemplated the need for a toll study in 2013, five years after the previous toll increase. It was estimated back in 2008 that 2013 was the point that District operating revenues would be substantially insufficient to cover operating expenses.

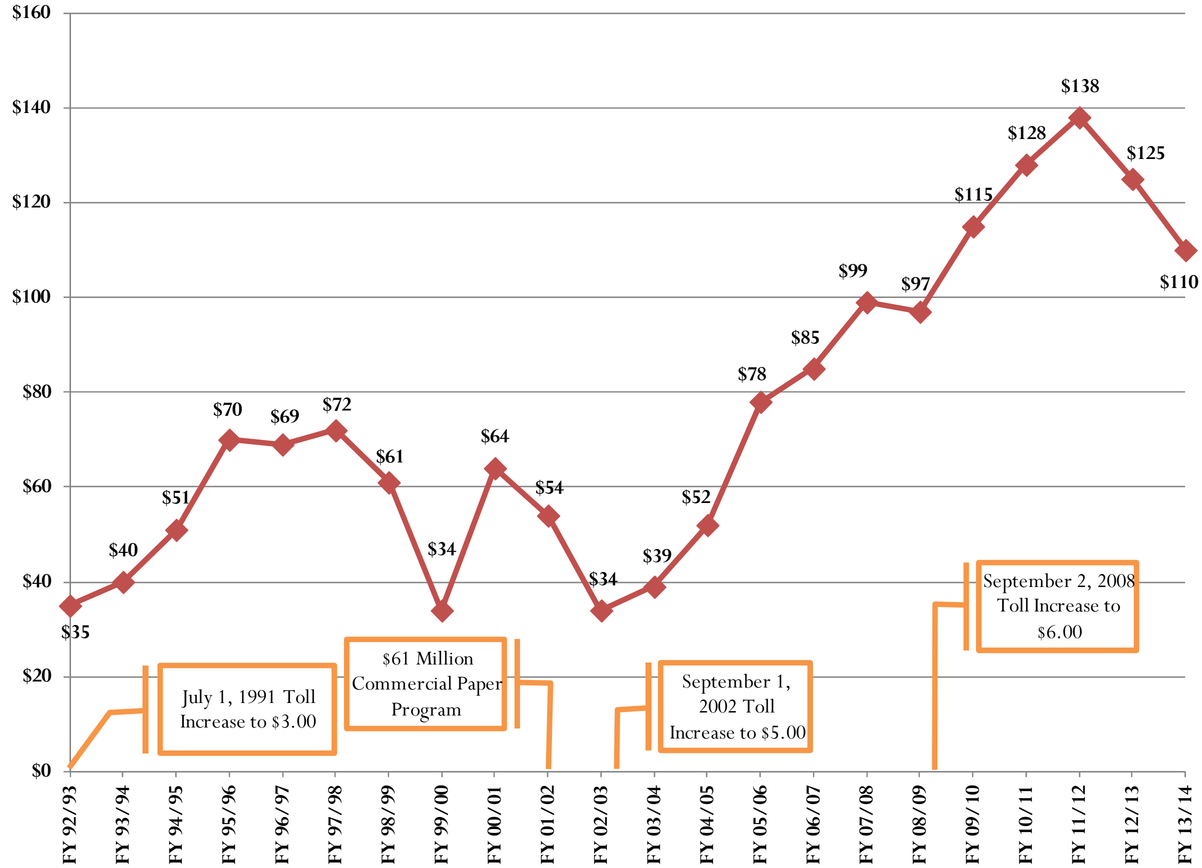
The Adopted Operating Budget for FY 13/14 has revenues estimated at $168.3 million of which $101.6 million, or 60%, of the revenue is funded from Bridge tolls. The toll is the primary source of funding for the District and provides a transit subsidy to the Ferry and Bus Divisions. For FY 13/14, the transit subsidy is estimated to be $52.2 million of which $39 million is from current year toll revenue and $13.2 million is from prior year's toll revenue, i.e. District reserves. The other major sources of revenue are transit fares estimated to be at $29.7 million or 18%. In addition, the District is estimated to receive $16.3 million State and Federal funding, $14.8 million from Marin County Transit District to provide local intra-county bus service within Marin County and $5.9 million in other operating funding such as investment income and Regional Measure 2 funds.

The Adopted Operating Budget for FY 13/14 has estimated expenses of $181.5 million of which $114 million, or 62%, is made up of salaries and employee benefits such as medical, worker's compensation, pension and other post-employment benefits costs. The other main areas of the District's expenditures are services and supplies at an estimated expense of $37.5 million, or 21%, of the operating budget. The remaining 17%, or $30 million, consists of capital contribution, depreciation, insurance and general administrative expenses.

Reserve Level

Historically, the District has maintained reserve funds for capital projects and operating expense emergencies. The amount of these reserves has varied but adequate reserves are essential to the ability of the District to maintain its core assets – the Bridge, the transit rolling stock and infrastructure, and District facilities – and to survive downturns in the economy without being forced to immediately reduce service to its customers. At present, the District's reserves have decreased due to the spending on large Bridge and Ferry capital projects and the ongoing operating deficit.

The reserve levels for the last 20 years are displayed in the chart on the following page.



Use of Reserves to Fund Capital Projects

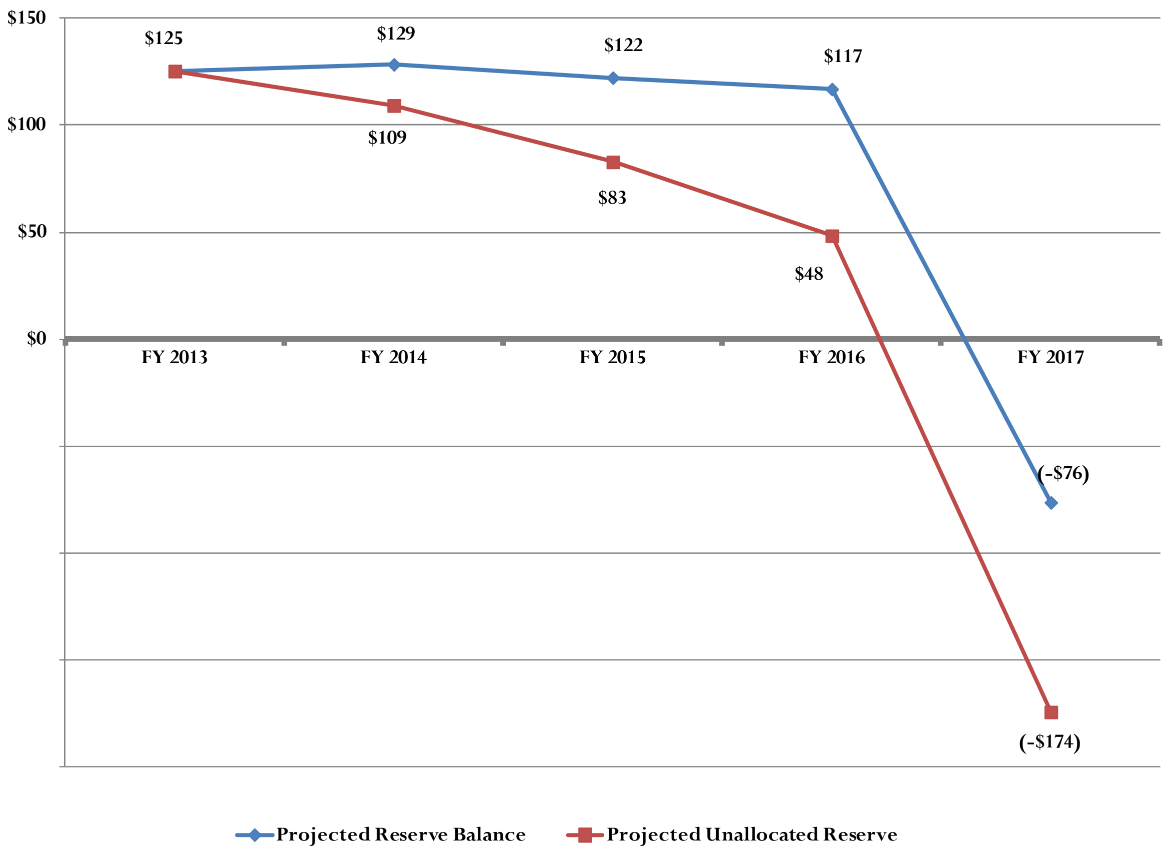
Although significant, these reserves do not fully cover the District's Capital funding needs. Additional funds will need to be raised through the capital contribution transfer from the operating budget.

How the Reserves are Funded

New reserves are accumulated if operating budgets are balanced. In FY 13/14, if balanced, the operating budget would provide approximately $20.2 million for the capital project reserves through three mechanisms; 1) the capital contribution set aside; 2) depreciation expense; and, 3) Bridge self-insurance against losses. However, since the FY 13/14 Operating budget is not balanced and will require over $13 million from reserves, it will generate approximately $7 million to fund future capital projects. This rate of funding will not be sufficient to fund the long-term capital plan, and thus will not be sufficient to maintain the works of the District, the Bridge, transit fleets and facilities. In the long run, the District must have no operating deficit and therefore be able to fully fund reserves.

Projected Depletion of Current Capital Reserves

The following graph represents a projection of how the current total of capital reserves would be allocated (Projected Unallocated Reserve line) and spent out (Projected Reserve Balance line) if capital projects are undertaken as laid out in the 10-Year Capital Plan. The District accumulates reserves through its operating budget. Those reserves are set aside until the Board allocates them to fund the District's share of the of capital projects or to cover temporary operating budget deficits. After funds are allocated by the Board, they are spent out over one to several years depending on the particular project.



II. Long-term District Financial Situation

The District monitors its financial strength through its ability to meet its financial needs. Those needs are estimated each year in a rolling five and ten-year financial projection of operating and capital project revenues and expenses which this year runs from FY 14/15 through FY 23/24. The projection reflects the maintenance of all current policy decisions – current operating service levels, the current capital project schedule and current revenue assumptions – over the period of the projection.

The projection presents the long-term financial impact of the present baseline level of operations. In September of 2013, staff presented the District's five and ten-year financial projection for the operating and capital project revenues and expenses from FY 14/15 through FY 23/24. The findings of the revised five and ten-year projection for revenues and expenses are summarized in the following table. A year-by-year summary table and detailed operating and capital revenue and expense tables are in the Appendix A.

	Year 1 FY 14/15 Estimate	**Subtotal Year 1 – 5 Estimate**	**Total Year 1 – 10 Estimate**
Total Operating and District Capital Expense	$192	$1,014	$2,197
Total Operating Revenue	$170	$872	$1,774
Total Operating & Capital District Deficit	$22	$142	$423

For comparison purposes, the projected ten-year deficit of $423 million is approximately $138 million higher than the $285 million presented in the previous projection of September 26, 2012. The increase in the ten-year projected deficit is primarily due to the existence and growth of the ongoing operational deficit each fiscal year. Projected operating expenses have remained flat due to recent efforts to reduce the cost of providing employee benefits and the implementation of All Electronic Tolling. However, projected operating revenues have decreased $56 million, due essentially to the restructuring of the District contract to provide local bus service.

In addition, the deficit increased due to the increase in the capital contribution amount from $11 to $19 million per year. That increase was primarily due to the increased cost of the final phase of the seismic retrofit of the Bridge, other Bridge capital projects and to make up for the use of existing reserves that are being used to fund the current operating deficit.

The District has successfully used its last two long-term strategic financial plans to eliminate past projected deficits and raise the necessary funds to provide excellent transportation services, maintain and upgrade facilities and capital equipment, and refund the reserves. This report discusses following a similar plan to eliminate this projected deficit.

III. Closing out the *2009 Financial Plan for Achieving Long-Term Financial Stability*

In May 2009, the Board established the Financial Planning Advisory Committee, tasked with creating a plan to address the projected financial deficit. The FY 09/10 *Strategic Plan for Achieving Long-Term Financial Stability* (2009 Strategic Financial Plan) drafted by the Advisory Committee was approved by the Board on October 30, 2009. Implementation of the Plan has helped reduce the District's projected five-year deficit. Over the last four years, the projected deficit for the first five years of the Plan, FY 09/10-FY 14/15, was reduced as follows:

- From $132 Million in 2009;
- To $68 million in 2010;
- To $44 million in 2011; and,
- To $20 million in 2012 as discussed in each respective year's staff report on the Five- and Ten-Year Projection.

As successful as the initiatives in the Plan have been, the new out years that are added to the rolling five- and ten-year projections include inflationary cost increases that continually cut into the value of the revenues the District earns with its current pricing structure (tolls and fares).

What Initiatives Are Left in the 2009 Strategic Financial Plan

The Plan originally had 33 Initiatives which has been expanded to 35 Initiatives dividing 2 projects into 2 pieces each, A & B. Of the 35, 19 initiatives are completed (and accounted for in past or present projections), 3 projects remain to close out the plan, 7 are underway or scheduled to begin analysis and would be moved to a new plan, and 6 initiatives have been deferred by Board Direction.

Projects Remaining:

Initiative #28: Assess Need for Toll Increase 5 Years After Last Increase

Initiative #29: Annual Incremental Toll Increase Program. Begin annual indexing of tolls to match proposed 5% transit fare percentage increases. This initiative is recommended to be moved into the new 2013 Financial Strategic Plan and to be evaluated after toll increase is implemented.

Initiative #33: Restructure Security Program. Staff recommends moving this initiative into the new 2013 Financial Strategic Plan.

Initiative to Assess the Need for a Toll Increase

The 2009 Strategic Financial Plan contemplated the need for a toll increase in 2013, five years after the previous toll increase**.** The District has just begun its sixth year since the last toll increase. In order to implement the toll increase initiative and close out the 2009 Strategic Financial Plan, staff is recommending bringing to the Board at its November meeting a proposal to establish a toll increase public outreach calendar with the following dates:

November 2013:	Establish toll increase calendar including dates for public outreach, public hearings and Board review of, and action on, those proceedings.
January 2014:	Proposed public outreach open houses and collection of public comments.
Early February:	Proposed public hearing.
Late February:	Proposed Board decision on toll increase.
Early April:	Proposed implementation of toll increase.

Along with a calendar, the November Board item would also propose several toll increase options to be shared with the public. All toll options would achieve the goal of raising sufficient revenue to allow the District the opportunity to balance its five-year deficit when paired with the initiatives in a new strategic financial plan.

For example, the District's new projected five-year deficit of $142 million has grown to that size because the District has followed its recent historic pattern of putting at least five years between $1 increases in the toll. It would take a toll increase of similar size to reduce the projected deficit under $50 million which would become an achievable target for a new strategic financial plan.

IV. <u>Process to Develop a New 2013 Strategic Financial Plan</u>

The *2009 Strategic Plan for Achieving Long-Term Financial Stability* has been a successful tool guiding implementation of deficit reduction activities to date. The deficit was reduced by over $100 million and if a final action of a toll increase is taken, it would eliminate the deficit in the original 2009 Financial Plan report and much of the current projected deficit. That action and that result was contemplated by the 2009 Strategic Financial Plan when it was developed. Staff recommends creating a new 2013 Financial Strategic Plan to eliminate that remainder of the current projected deficit.

Objectives of the Strategic Financial Plan

The Strategic Financial Plan is designed both to achieve deficit reduction and to provide clear guidance to staff about what projects should be undertaken in their annual work plans. As the first step in creating the last draft Strategic Financial Plan, an Advisory Committee of the Board of Directors (Advisory Committee) developed guiding principles to assist in identifying initiatives for inclusion in the Plan. Secondly, they established a set of priorities to guide in developing timeframes for undertaking the proposed initiatives in the Plan (See Attachment B).

The guiding principles of the last Strategic Financial Plan were the following:

- Uphold the Mission Statement of the District to provide reliable transportation services and operations for customers within the U.S. Highway 101 Golden Gate Corridor.
- Include both revenue enhancements and expense reductions. Expense reductions will emphasize efficiencies in services over the elimination of services.
- Prioritize deficit reduction initiatives which are nearing completion or which can be completed in less than two years.

The staff proposal is to create a new 2013 Strategic Financial Plan under the same guidelines and using the same process as the previous one. The proposal would include the creation of a new Advisory Committee to assist staff in developing the draft Strategic Financial Plan with the target of bringing that draft plan to the full Board in the Spring of 2014 at which juncture the Advisory Committee's work would be concluded. The new Plan would follow the same principle as the prior plan, which established that the approval of the Plan does not constitute approval of any of the individual initiatives in the Plan. If adopted by the Board the Plan will serve as a work plan for staff by identifying those initiatives warranting further investigation and analysis prior to presentation to the Board for potential approval.

If the proposed new 2013 Strategic Financial Plan is created, it would become part of the Board's regular financial planning cycle and would be monitored, reviewed and updated annually with completed, dropped or added initiatives. The 2013 Strategic Financial Plan, when compared to each updated projection, is an essential means to monitor the progress of reducing the deficit.

Sample Strategic Plan Themes

Staff plans to provide the proposed Board Advisory Committee initiatives under the following themes. Sample initiatives are provided to give context to the themes but actual initiatives to be included in the draft plan would be decided upon by the proposed Advisory Committee.

1. **Review Administrative Processes and Procedures:** Reduce operating expenses through streamlining or eliminating administrative processes. Possible initiatives include: restructure the security program, streamline Human Resources internal processes, one Board meeting cycle a month, review procurement process for efficiencies, winter holiday closures for Administrative and selected operational staff, examine pooling of administrative support, and examine the number of levels of management.

2. **Transit Service Efficiencies.** Reduce operating expenses through changes to operations and by increases to the number of passengers relative to cost, both of which are in line with the Board's March 2013 action relative to the regional Transit Sustainability Project. Possible initiatives include increase the average bus speed on routes, reduce bus operator absenteeism, replace existing Ferry terminal gangways and piers, examine conversion to CNG for bus fuel, increase Clipper usage to increase boarding speed and reduce handling costs, decrease non-revenue bus hours and maximize the use of part-time bus operators within the terms of the current collective bargaining agreement.

3. **Benefit Cost Reductions.** Possible initiatives include employee cost-sharing for healthcare premiums, pension contributions and retiree healthcare, and implementing bronze-level health care plan alternatives to reduce future federal excise taxes.

4. **Technology Efficiencies.** Review functions that could be more efficient using technology to create savings. Possible initiatives include implementing the moveable median barrier, completing the implementation of the ACIS project, Energy Efficient-green initiatives, new technology for collecting and processing payroll, and other internal administrative processes.

5. **Regional Partnerships & Coordination.** Develop partnership programs with outside agencies to achieve efficiency and cost reduction opportunities**.** Possible initiatives include collaborating with Transportation of Marin, MTC and Caltrans to amend carpool rules for HOV lanes in Marin County from two or more persons per vehicle to three or more persons per vehicle, work with the City of San Francisco and MTC to increase

average bus speeds through downtown San Francisco, and work in partnership with TAM, MTC and Caltrans to increase capacity at the park-and-ride lots within Marin that commonly are filled to capacity.

6. **New Ways to Generate Revenue.** Review areas for revenue generation such as analyze the toll rate structure for the use of index toll rates, implement an expanded Bridge visitor experience with support of the Conservancy, increase Transit advertising and increase Transit parking capacity.

7. **Reassess Capital Plan:** Examine timeframe for delivery of projects to align with staff resources and search for increased grant commitments to reduce District capital costs.

V. Next Steps

The President of the Board will establish a new Advisory Committee to serve for approximately nine months for the specific purpose of working with staff to develop a proposed *2013 Strategic Financial Plan* to be presented to the Board for consideration at a meeting in Spring 2014.

As a follow up to the *2009 Strategic Plan for Achieving Long-Term Financial Stability* staff will bring forward next month a proposal to set a toll increase public outreach calendar, including a public hearing, which would include analysis on proposed toll increase options.

Fiscal Impact

There is no direct fiscal impact associated with this report.

Attachments:
Appendix A – Five-Year and Ten-Year Financial Projections
Appendix B – Guiding Principles

Updated: 10/16/2013

Golden Gate Bridge, Highway & Transportation District Operating Budget Projection

Five-Year and Ten-Year Financial Projections FY 14/15 - FY 23/24

All Figures Rounded to ($000)

80% Grant Funded

	Year 0 **FY 2014** **Budget**	Year 1 **FY 2015** **Estimate**	Year 2 **FY 2016** **Estimate**	Year 3 **FY 2017** **Estimate**	Year 4 **FY 2018** **Estimate**	Year 5 **FY 2019** **Estimate**	Year 6 **FY 2020** **Estimate**	Year 7 **FY 2021** **Estimate**	Year 8 **FY 2022** **Estimate**	Year 9 **FY 2023** **Estimate**	Year 10 **FY 2024** **Estimate**	**Total** **5 Year** **Estimate** **Sep-12**	**Total** **10 Year** **Estimate**
Agency Expense:													
Salaries (Gross of Capitalization & ICAP)	$ 66,100	$ 67,000	$ 68,400	$ 69,700	$ 71,200	$ 72,800	$ 74,500	$ 76,200	$ 77,900	$ 79,700	$ 81,600	$ 349,100	$ 739,000
Fringe Benefits (Incl PR Taxes)	53,600	55,600	57,200	59,400	61,800	63,500	65,900	68,500	71,200	74,100	77,100	297,500	654,300
Professional Services	19,300	19,700	20,100	20,500	20,900	21,400	21,900	22,400	22,900	23,500	24,000	102,600	217,300
Fuel & Related Taxes	12,600	12,800	13,100	13,400	13,600	14,000	14,300	14,600	14,900	15,300	15,600	66,900	141,600
Repair & Operating Supplies	6,800	7,000	7,100	7,300	7,400	7,600	7,700	7,900	8,100	8,300	8,500	36,400	76,900
Insurance, Taxes & Permits	4,200	4,300	4,400	4,500	4,600	4,700	4,800	4,900	5,000	5,100	5,200	22,500	47,500
Purchased Transportation	2,000	2,000	2,000	2,100	2,100	2,200	2,200	2,300	2,300	2,400	2,400	10,400	22,000
Staff Development	900	900	1,000	1,000	1,000	1,000	1,000	1,100	1,100	1,100	1,100	4,900	10,300
Leases & Rentals	1,500	1,500	1,500	1,600	1,600	1,600	1,700	1,700	1,700	1,800	1,800	7,800	16,500
Debt Service-Interest Expense	1,300	1,300	1,600	1,900	2,100	2,400	2,600	2,700	2,900	2,900	2,800	9,300	23,200
Depreciation	7,900	8,900	9,100	11,000	12,300	13,900	15,700	16,800	16,400	17,700	18,700	55,200	140,500
Total Expenses	**$ 176,200**	**$ 181,000**	**$ 185,500**	**$ 192,400**	**$ 198,600**	**$ 205,100**	**$ 212,300**	**$ 219,100**	**$ 224,400**	**$ 231,900**	**$ 238,800**	**$ 962,600**	**$ 2,089,100**
Known Changes:													
Terminate Old Bus Lot Rent Expense	$ -	$ (1,000)	$ (1,000)	$ (1,000)	$ (1,000)	$ (1,000)	$ (1,000)	$ (1,000)	$ (1,000)	$ (1,000)	$ (1,000)	$ (5,000)	$ (10,000)
CAPTIALIZED LABOR	(3,200)	(3,200)	(3,300)	(3,400)	(3,400)	(3,500)	(3,600)	(3,700)	(3,800)	(3,900)	(3,900)	(16,800)	(35,700)
Commercial Paper Principal Pymts	-	-	-	-	-	-	1,400	1,500	1,600	1,700	1,800	-	8,000
Debt Service Expense Savings	-	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	(1,100)	(1,100)	(1,100)	(6,000)	(11,700)
Extra Ferry Service	-	200	200	200	200	200	200	200	300	300	300	1,000	2,300
ICAP	(2,500)	(2,400)	(2,500)	(2,500)	(2,600)	(2,600)	(2,700)	(2,800)	(2,800)	(2,900)	(3,000)	(12,600)	(26,800)
One Time Projects	-	(100)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(3,300)	(7,300)
Total Known Changes	**$ (5,700)**	**$ (7,700)**	**$ (8,600)**	**$ (8,700)**	**$ (8,800)**	**$ (8,900)**	**$ (7,700)**	**$ (7,800)**	**$ (7,600)**	**$ (7,700)**	**$ (7,700)**	**$ (42,700)**	**$ (81,200)**
Sub-Total Expense	**$ 170,500**	**$ 173,300**	**$ 176,900**	**$ 183,700**	**$ 189,800**	**$ 196,200**	**$ 204,600**	**$ 211,300**	**$ 216,800**	**$ 224,200**	**$ 231,100**	**$ 919,900**	**$ 2,007,900**
Capital Contribution	**$ 11,000**	**$ 19,000**	**$ 19,000**	**$ 19,000**	**$ 19,000**	**$ 19,000**	**$ 19,000**	**$ 19,000**	**$ 19,000**	**$ 19,000**	**$ 19,000**	**$ 95,000**	**$ 190,000**
Total Expense	**$ 181,500**	**$ 192,300**	**$ 195,900**	**$ 202,700**	**$ 208,800**	**$ 215,200**	**$ 223,600**	**$ 230,300**	**$ 235,800**	**$ 243,200**	**$ 250,100**	**$ 1,014,900**	**$ 2,197,900**
Total Operating Revenue	**$ 168,300**	**$ 170,700**	**$ 173,800**	**$ 174,800**	**$ 176,200**	**$ 177,300**	**$ 178,400**	**$ 178,900**	**$ 179,600**	**$ 181,200**	**$ 183,200**	**$ 872,800**	**$ 1,774,100**
Total Net Surplus/(Deficit)	**$ (13,200)**	**$ (21,600)**	**$ (22,100)**	**$ (27,900)**	**$ (32,600)**	**$ (37,900)**	**$ (45,200)**	**$ (51,400)**	**$ (56,200)**	**$ (62,000)**	**$ (66,900)**	**$ (142,100)**	**$ (423,800)**

Bridge Expense	**$ 64,300**	**$ 71,300**	**$ 72,000**	**$ 74,600**	**$ 76,600**	**$ 79,000**	**$ 82,600**	**$ 85,600**	**$ 87,200**	**$ 89,500**	**$ 92,400**	**$ 373,500**	**$ 810,800**
Transit Expense	**$ 117,200**	**$ 121,100**	**$ 124,000**	**$ 128,100**	**$ 132,200**	**$ 136,000**	**$ 141,100**	**$ 144,800**	**$ 148,700**	**$ 153,600**	**$ 157,900**	**$ 641,400**	**$ 1,387,500**

Appendix A

Golden Gate Bridge, Highway & Transportation District Operating Budget Projection
Five-Year and Ten-Year Financial Projections FY 14/15 - FY 23/24

Revenue Detail

All Figures Rounded to ($000)

Revenue Categories	Year 0 FY 2014 Budget	Year 1 FY 2015 Estimate	Year 2 FY 2016 Estimate	Year 3 FY 2017 Estimate	Year 4 FY 2018 Estimate	Year 5 FY 2019 Estimate	Year 6 FY 2020 Estimate	Year 7 FY 2021 Estimate	Year 8 FY 2022 Estimate	Year 9 FY 2023 Estimate	Year 10 FY 2024 Estimate	Total 5 Year Estimate	Total 10 Year Estimate
Bridge Tolls	$ 101,600	$ 101,700	$ 101,800	$ 101,800	$ 101,900	$ 101,900	$ 102,000	$ 102,000	$ 102,100	$ 102,100	$ 102,200	$ 509,100	$ 1,019,500
Transit Fares	29,800	31,100	32,300	32,500	32,600	32,700	32,800	32,900	33,000	33,100	33,100	161,200	326,100
Investment Income	1,400	2,000	2,400	2,300	2,500	2,400	2,200	1,900	1,800	2,600	3,600	11,600	23,700
Gift Center Sales & Café	-	-	-	-	-	-	-	-	-	-	-	-	-
Ferry Concessions	400	500	500	500	500	500	500	500	500	500	600	2,500	5,100
Other (Incl Adv. & Leases)	1,500	800	800	800	800	900	900	900	900	900	1,000	4,100	8,700
RM2 Local funding	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	12,500	25,000
Local Funds (MCTD Contract)	14,800	15,200	15,700	15,700	15,700	15,700	15,700	15,700	15,700	15,700	15,700	78,000	156,500
State Funds	16,200	16,900	17,800	18,700	19,700	20,700	21,800	22,500	23,100	23,800	24,500	93,800	209,500
Federal Funds	100	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**$ 168,300**	**$ 170,700**	**$ 173,800**	**$ 174,800**	**$ 176,200**	**$ 177,300**	**$ 178,400**	**$ 178,900**	**$ 179,600**	**$ 181,200**	**$ 183,200**	**$ 872,800**	**$ 1,774,100**

Bridge Revenue	**$ 103,800**	**$ 104,200**	**$ 104,600**	**$ 104,600**	**$ 105,000**	**$ 104,700**	**$ 104,800**	**$ 104,300**	**$ 104,400**	**$ 105,300**	**$ 106,300**	**$ 523,100**	**$ 1,048,200**
Transit Revenue	**$ 64,500**	**$ 66,600**	**$ 69,000**	**$ 70,100**	**$ 71,300**	**$ 72,500**	**$ 73,700**	**$ 74,300**	**$ 75,200**	**$ 76,000**	**$ 76,800**	**$ 349,500**	**$ 725,500**

Appendix B

Guiding Principles

1. The Advisory Committee will develop a Financial Plan whose components the Committee members can support going to the full Board of Directors and its Committees for further investigation and action.

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 with the U.S. Highway 101 Golden Gate Corridor.

3. The Financial Plan will assign priorities to guide implementation work on each initiative in recognition of limited staff resources and the importance of keeping existing initiatives now underway at the District moving forward on schedule.

4. The focus of the Advisory Committee will include both expense reductions and revenue generation.

5. The first focus of the expense reduction initiatives will be changing our delivery system for most services, so as to reduce expenses, and secondarily on the elimination of services.

6. The goal of the Advisory Committee is to produce a Financial Plan for Board consideration in Spring of 2014.

Priority Criteria

Given that the Committee knew that not everything could be accomplished at once, and that some initiatives take longer to flesh out, it used the following set of priorities to guide the ordering of initiatives in the Plan.

A. Complete initiatives already underway.

B. Undertake initiatives that are relatively quick and easy to do within 12–15 months (even if they have a small financial impact).

C. Undertake initiatives that have substantial payoff potential but require a longer lead-time to fully implement.

D. Undertake initiatives that cannot be implemented soon due to limitations imposed by practical and/or policy interests.