



(For Board Meeting of January 25, 2008)
(Revised: January 25, 2008)

SUMMARY OF RECOMMENDATIONS
MEETING OF THE FINANCE-AUDITING COMMITTEE/
COMMITTEE OF THE WHOLE
THURSDAY, JANUARY 25, 2008
(CHAIR J. DIETRICH STROEH)

Item No. 1

Approve actions relative to a proposed toll increase, as presented by the General Manager and concurred with by the Finance-Auditing Committee at its meeting of January 25, 2008.

Action by the Board – Resolution



REVISED JANUARY 24, 2008

Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole
Meeting of January 25, 2008

From: Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **APPROVE ACTIONS RELATIVE TO A PROPOSED TOLL INCREASE**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the following actions:

1. Authorize undertaking the public input process associated with a potential toll increase by conducting three informational Open Houses as listed below, for the purpose of providing information, answering questions and receiving input from the public about the proposed toll increases under consideration, with the understanding that the date of the formal Public Hearing will be set by the Board at later date:

City and County of San Francisco

Thursday, February 28, 2008

5:30 p.m. to 7:30 p.m.

Fort Mason Conference Center, Landmark Building A, Golden Gate Room
San Francisco, CA

Sonoma County

Thursday, March 13, 2008

5:30 p.m. to 7:30 p.m.

Petaluma Community Center, Assembly and Activity Rooms
320 North McDowell Boulevard
Petaluma, CA

Marin County

Wednesday, March 19, 2008

5:30 p.m. to 7:30 p.m.

Pickleweed Park Community Center, Multi-Purpose Room
50 Canal Street
San Rafael, CA

2. Authorize staff to present for public review the following proposed toll increase (as discussed by the Board at the November 9, 2007, Strategic Planning Workshop) at the Open Houses that result in a \$5 FasTrak toll and a \$6 cash toll along with the related per axle toll rates implemented no earlier than July 1, 2008, and authorize staff to present a proposed change in policy for the toll program for qualified persons with disabilities to a 50% discount to the cash toll per axle.

Summary

The purpose of this report is to seek authorization for staff to set a public hearing regarding a proposed toll increase. The report provides an overview of the public involvement process to be undertaken and the toll options to be discussed at the public workshops.

The report is divided into the following sections:

- I. Problem Statement and Summary of Strategic Planning Efforts to Date
- II. Proposed Toll Rates to be Discussed in the Public Involvement Process
- III. Public Involvement Process for the Proposed Toll Increase

Additionally, there are four attachments to this report:

- Attachment A: Actions Taken to Reduce the Financial Shortfall Since 2002
- Attachment B: August 23, 2007 Staff Report: *Discussion Regarding Updates for the Five and Ten-Year Financial Projection*
- Attachment C: November 9, 2007 Staff Report and Associated Materials: *Development of Updated Strategic Plan for Achieving Long-Term Financial Stability*
- Attachment D: Draft Open House Materials

I. Problem Statement and Summary of Strategic Planning Efforts to Date

Activities from 2002 - 2006

In 2002, the Golden Gate Bridge, Highway, and Transportation District (District) was facing a serious financial crisis. The five year deficit (for Fiscal Years 2002/2003-2006/2007) was estimated in 2002 to be \$454 million. Over the next few years, the District undertook numerous specific actions to address this deficit. Internal to the District, with the cooperation of employee labor organizations, the District implemented a 22 percent staff reduction, a two year wage freeze for remaining employees and, in one case, a negotiated wage roll-back. Employee health benefits were also reduced.

Externally, significant Bus and Ferry service reductions took place over the years of 2003 through 2005. Fare increases ranged from as little as 5 percent per year for several of our services to as high as 40 percent in our cash ferry fares. After eleven years of unchanged toll rates, the Bridge tolls were raised in September 2002. Several incremental revenue enhancement programs were also implemented such as changes to parking fees at the Bridge, changes in our property management strategies and implementation of special sales programs at the Gift Shop.

Please see Attachment A for a detailed list of activities undertaken to reduce the deficit since 2002. Due to these initiatives and actions, the District's financial health improved substantially. The deficit has been reduced to \$91 million for the Fiscal Years 2008/2009-2012/2013 (Please see Attachment B for more details on the current fiscal health of the District.)

Infrastructure Improvement Projects

During this same period, in recognition of its paramount responsibility to safeguard and maintain the Golden Gate Bridge and its transit system infrastructure, the District has undertaken several vital capital projects. These have included completion of Phase II of the seismic retrofit of the Bridge, significant under-deck repainting and repair, expansion of the physical security systems at both the Bridge and ferry terminals, and other large, complex and expensive capital projects. In addition, during the last five years the District has been able to implement a program of annually contributing to its reserves for future capital projects and is set to begin a program of funding retiree medical benefit liabilities under the new accounting guidelines. Those actions will help ensure the District's long-term financial stability.

Advisory Committee History

When the District raised tolls in September 2002, the Board committed to undertake an annual review of tolls and the financial needs of the organization as part of the annual budget development process. Following adoption of the Fiscal Year 2005/2006 budget, an Advisory Committee consisting of a small group of board members was established to help staff develop a draft *Strategic Plan for Achieving Long-Term Financial Stability* and examine multiple ideas to address the continuing shortfall in funds. Their recommendations provided the basis of the guiding principles for the Board workshop discussions on the subject and the proposed toll increase.

Current Activities

The District is focused on addressing the remaining shortfall. The District continues to face a challenging financial situation as traffic levels on the Bridge remain steady yet costs continue to rise due to inflation and the growing need for capital investment in the aging Bridge, Bus and Ferry systems. On November 9, 2007, the Board met to review the *Strategic Plan for Achieving Long-Term Financial Stability* (see Attachment C for the meeting's staff report) and authorized staff to develop a public outreach plan for a proposed toll increase of \$1 in both the Fastrak and cash toll rates, to be effective no earlier than July 2008 and possibly as late as January 2009. Alternative toll options may result from the public involvement process.

II. Proposed Toll Rates to be Discussed in the Public Involvement Process

Criteria or Guidelines

One specific toll increase proposal with varying effective dates is recommended for presentation to the public at the Open Houses scheduled for late February and early March. This toll proposal was selected at the Board Workshop on November 9, 2007, based on the following key guiding principles developed by the Advisory Committee and approved by the full Board:

- Any toll increase proposal should strive to fully address the existing remaining shortfall with the understanding that the District will always seek out innovative funding opportunities and ways to reduce expenses to address future needs of the organization.
- Any increase in the cash toll rate should be in round dollars and not in cents. Toll increases that result in the need for coins will increase toll collection time which increases congestion at the Toll Plaza.
- FasTrak tolls can be increased in increments of less than one dollar without increasing congestion at the toll booth.
- A discount should remain available to FasTrak customers.
- The District will consider a toll increase when there is no other viable alternative that will enable the District to meet its needs. The impact of the toll increase should be sufficient to continue operation of current Bridge, Bus, and Ferry services with the understanding that staff will continue to focus on finding internal cost savings and seeking out service efficiency and productivity improvements. While cost savings will continue to be a strong focus for the District in all its programs and services, the general level of transit service and Bridge services will remain in operation and necessary capital projects will be undertaken consistent with the adopted multi-year Capital Plan included in the Fiscal Year 2007/2008 budget.

Toll Proposal

The toll increase proposal outlined below was discussed with the Finance-Auditing Committee and the Board of Directors agreed to move forward into the public process. The Board agreed upon two toll options, which are the same in content, but implemented six-months apart with the first option implemented in July 2008. With a July 2008 implementation, the proposed toll option is estimated to generate \$92 million in additional toll revenues over five years. Each six-month delay in the toll increase reduces revenue earned by approximately \$9 million. The toll proposal is as follows:

- \$6.00 per vehicle for cash customers. Additional axles beyond the normal two on passenger cars is \$3.00.
- \$5.00 per vehicle for FasTrak discount for customers. Additional axles beyond the normal two on passenger cars is \$2.50.
- \$3.00 per vehicle for the Qualified Persons With Disabilities Toll Program. It is proposed to set a policy of a 50% discount to the cash toll per axle for the Qualified Persons With Disabilities Toll Program. The current toll discount was implemented when the District did not have accessible buses and ferries throughout their fleet. Since that time, the District has invested in an accessible transit fleet. Today's rate of \$1.50 per vehicle has not changed since 1991.

- No changes to carpool guidelines. These customers would remain free during the District's carpool hours.

Environmental Review Impact

Please note that when considering a toll increase, it is necessary to look at federal and state regulations that govern the conduct of the District. The 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 therefore exempt from the NEPA process.

The 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. The District will prepare a Notice of Exemption for the proposed toll rates modification and file it with the appropriate State and Counties upon approval by the District's Board of Directors as provided for in Section 15062.

III. Public Involvement Process for the Proposed Toll Increase

In order to ensure full public review of the proposed toll increase option, staff recommends undertaking a series of three public Open Houses to discuss the need for the toll increase and the proposed toll increase option. Three Open House meetings would be held – one each in Marin, Sonoma and San Francisco County. Several staff members will be at each Open House to assist in answering questions in an open and informative atmosphere. Meetings will be publicized in the local newspapers, on the District's website, and by means of various media stories. These Open Houses will be conducted in late February and throughout March. (Please see Attachment D for a draft of the Open House materials.) Comments, ideas, and feedback will be collected at the meetings and through general correspondence by means of letters, phone calls, and email. Staff will then bring an analysis of comments from the public Open Houses to the Finance-Auditing Committee Meeting in April for review and discussion. At that time, a final toll increase option will be developed to serve as the basis of a formal public hearing proposed for late April.

Staff further recommends that a Public Hearing be held on Thursday, April 24, 2008, at 7:00 p.m. in central Marin at the San Rafael City Council Chambers. At this hearing, a full staff report will be presented and formal testimony taken. Following the hearing, staff will compile all of the testimony received and prepare a final recommendation for consideration at the May 8, 2008, Finance-Auditing Committee meeting followed by action by the full Board of Directors on May 9, 2008. The date for implementation of any toll increase will be established by the Board's action in May.

Fiscal Impact

These meetings are expected to cost approximately \$45,000 for material production, public notification and other associated costs. Budgeted for this year, staff believes that adequate funding for these meetings are included in the FY 07/08 Operating Budget.

Attachment A: Actions Taken to Reduce the Financial Shortfall Since 2002

Attachment B: August 23, 2007 Staff Report: *Discussion Regarding Updates for the Five and Ten-Year Financial Projection*

Attachment C: November 9, 2007 Staff Report and Associated Materials: *Development of Updated Strategic Plan for Achieving Long-Term Financial Stability*

Attachment D: Draft Open House Materials