



Agenda Item No. 5.A.

Special Meeting of the Board of Directors

To: Board of Directors
Meeting of October 30, 2009

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

Subject: **DISCUSSION AND POSSIBLE ACTION RELATIVE TO APPROVAL OF
THE FY 2009/2010 FINANCIAL PLAN FOR ACHIEVING LONG-TERM
FINANCIAL STABILITY**

Recommendation

It is recommended that the Board of Directors approve the *FY 2009/2010 Financial Plan for Achieving Long-Term Financial Stability*.

Background

This report is the final product of the Financial Planning Advisory Committee. The Committee was created by the Board in May of 2009 to create a proposed Plan to address the District's projected financial deficit as outlined at the Board's April 10th Workshop on the District's financial condition.

This report contains the proposed attached Financial Plan (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 and ten year deficits. The Committee recommends the approval of the proposed Plan. Please note that approval of the proposed Plan is **not** the approval of any of the specific initiatives within the Plan. Prior to implementation of any specific initiative, further staff analysis will be done and as required by Board policy, each element of the Plan will be brought through the Board's committee structure and then forward to the Board for approval prior to implementation. Also, some initiatives will require public outreach and public hearings before implementation.

The Financial Plan is a set of initiatives that, if implemented, would enable the District to put itself on a sustainable financial footing. It 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 Plan will be a living document subject to change year-to-year as initiatives are completed, new ideas and concepts come along and as further analysis yields new information.

Development of the Financial Plan

As the first step in creating a draft Financial Plan, the 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.

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 within 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 September/October 2009.

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.

As a result, proposals that fit under priority A were included in the Plan in earlier phases than those that fell under priority D.

Plan Design

The proposed Financial Plan is designed both to achieve deficit reduction and to provide clear guidance to staff about what should be taken on in their annual work plans.

Deficit Reduction - In order to demonstrate that the Plan could meet the first goal, each of its initiatives includes an estimate (where possible) of its potential impact on the projected deficit. At the end of the Plan is a summary that identifies the current projected deficit and the impact that all of the initiatives would have on that deficit amount if they were all implemented.

Prioritization – Based on the guiding principles and priority criteria listed above, the Plan presents initiatives in three phases:

Phase I – Initiatives that staff is either working on now or will begin soon. New initiatives will need to come through the Board committee process for review and consideration in the next few months. Others will take much longer to be developed but work is proposed to begin now on those initiatives.

Phase II – Initiatives that staff are to work on once staff time has become available due to the completion of the majority of Phase I initiatives.

Phase III – Initiatives that will begin in later years because there are operational, practical or policy concerns that led the Committee to focus these initiatives for the later phase of the Plan.

The Plan uses the same five and ten year periods as the most current projection which were presented to the Finance Committee on September 24, 2009. The “five-year horizon” starts with the next fiscal year that will begin effective July 1, 2010, and ends at the end of the fifth year on June 30, 2015, while the “ten-year horizon” ends June 30, 2020. 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 Plan.

Next Steps

Following staff presentation and general Board discussion of the proposed Financial Plan, if willing, the Board can take action on the proposed Plan. Alternatively, the Board may wish to defer action on the Plan to their November 20th meeting.

Once a 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 Plan will be updated annually with completed, dropped or added initiatives and will be compared to each year's updated projection to monitor the progress of reducing the deficit.

Fiscal Impact

There is no direct fiscal impact from the approval of the *FY 2009/2010 Strategic Plan for Achieving Long-Term Financial Stability*. Fiscal impacts will be evident when specific initiatives are approved for implementation.

Attachment

FINANCIAL PLAN

(Cumulative \$ in millions)

Estimated Forecast

Proposal	Annual Deficit Impact	1-YR FY 10/11	2-YR FY 10/11- 11/12	3-YR FY 10/11- 12/13	4-YR FY 10/11- 13/14	5-YR FY 10/11 - 14/15	Projected 10-YR FY10/11 - FY 19/20	Assumptions: savings estimated to be "net" amount. Shading indicates projects not implemented. Each FTE estimate reflect possible FTEs impacted per proposal.
<u>Projected Deficit FY11 to FY20</u>		\$ (13)	\$ (31)	\$ (56)	\$ (92)	\$ (132)	\$ (417)	
<u>PHASE 1</u>								
<u>Increased Efficiencies Through Technology</u>								
1 New Banking Collections	\$ 0.3	\$ 0.3	\$ 0.6	\$ 1.0	\$ 1.3	\$ 1.6	\$ 3.5	Money counts to be done by bank. May impact 3 FTEs.
2 Further Reliance on Automated Information for Transit Customers	\$ 0.5	-	\$ 0.5	\$ 1.0	\$ 1.6	\$ 2.1	\$ 5.2	Utilize automated info systems like 511 or Google Transit. May impact 5 FTEs.
3 Continue Reducing Manual Collection of Tolls	\$ 0.4	\$ 0.4	\$ 0.8	\$ 1.3	\$ 1.7	\$ 2.2	\$ 4.7	Reduces the number of staffed lanes based on current traffic patterns. May impact 4 FTEs.
4 Implement All Electronic Tolling	\$ 1.8	-	-	\$ 1.9	\$ 3.8	\$ 5.7	\$ 16.3	Numbers presented represent net savings after expenses. May impact 35 FTEs.
5 Automate Ferry Revenue Collection	\$ 0.6	-	\$ 0.6	\$ 1.3	\$ 1.9	\$ 2.6	\$ 6.2	Install ticket machines. May impact 7 FTEs.
6 Replace Existing Ferry Terminal Gangways and Piers	\$ 0.3	-	-	-	\$ 0.3	\$ 0.6	\$ 2.3	Increase operating efficiency. May impact 2 FTEs.
7 Implement Moveable Median Barrier	TBD	-	-	\$ -	\$ -	\$ -	\$ -	May impact 9 FTEs in lane management; may need new FTEs for system operation.
8 Complete Implementation of ACIS Project	TBD	-	-	\$ -	\$ -	\$ -	\$ -	Project will eliminate need for casual traffic checkers, but may require additional staff elsewhere.
<u>Transit Service Changes and Fare Increases</u>								
9 Eliminate Duplicative Bus Service and Bus/Ferry Trips with Low Ridership: Respond to Upcoming Sonoma County Changes	\$ 1.1	\$ 1.1	\$ 2.3	\$ 1.2	\$ 4.7	\$ 6.0	\$ 12.8	Staff impacts to be determined via Hastus.
10 Generally Reduce Bus Budget	\$ 2.0	-	-	\$ 2.1	\$ 4.2	\$ 6.3	\$ 18.2	Staff impacts would be determined via Hastus.
11 Close Ferry Service during December Holiday period	\$ 0.3	-	-	\$ 0.3	\$ 0.6	\$ 1.0	\$ 2.7	Assumes two week closure and reliance on buses.
12 Fare Increase on Regional Buses for Local Trips	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.4	\$ 0.5	\$ 1.2	Assumes 10% increase in Marin-only trips on regional bus routes.

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13 Reduce Ferry Fare Discount for Translink riders from 40% to 30%	\$ 0.5	\$ 0.5	\$ 1.0	\$ 1.6	\$ 2.1	\$ 2.7	\$ 5.8	Gradually reduce discount to match Bus discount rate of 20%.
14 Further Reduce Ferry Fare Discount for Translink riders from 30% to 20%	\$ 0.5	-	\$ 0.5	\$ 1.0	\$ 1.6	\$ 2.1	\$ 5.2	Gradually reduce discount to match Bus discount rate of 20%.
15 Charge for Parking at Larkspur Ferry	\$ 0.9	-	\$ 0.9	\$ 1.8	\$ 2.7	\$ 3.6	\$ 8.1	Assumed at \$2/day. No staff impacts included.
<u>Districtwide Reductions</u>								
16 Adjust 10-Year Capital Plan	\$ 4.5	\$ 4.6	\$ 9.4	\$ 14.3	\$ 19.3	\$ 24.4	\$ 52.5	Assumed longer timeframe to do projects or increased grant commitments to reduce Capital plan costs by 15%.
17 Reduce Administrative Expense (Overhead)	\$ 0.6	\$ 0.6	\$ 1.2	\$ 1.9	\$ 2.6	\$ 3.3	\$ 7.0	Improve efficiency in administrative processes annually. Could impact 4 FTEs.
18 Freeze Non-Represented and Officers an Additional 6 Months to Match Coalition	\$ 0.2	\$ 0.1	\$ 0.2	\$ 0.4	\$ 0.6	\$ 0.9	\$ 2.1	An additional 6-months salary freeze for non-represented employees/Officers.
19 Freeze ATU Employee Salaries for 18 Months	\$ 0.8	\$ 0.8	\$ 1.7	\$ 2.6	\$ 3.6	\$ 4.6	\$ 10.0	Match salary freeze for Coalition and Non-Represented staff.
20 Winter Holiday Furloughs for Administrative & Operational Staff, as Possible	TBD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Reduce functions between Christmas and New Year's.
<u>OTHER</u>								
21 Negotiate Lower Rent for New SF Bus Lot	\$ 0.7	-	\$ 0.7	\$ 1.4	\$ 2.1	\$ 2.8	\$ 6.7	New lot becomes available FY 11/12.
22 Implement Expanded Bridge Concession Opportunities	\$ 9.0	-	-	-	\$ 9.0	\$ 18.0	\$ 63.3	Implement concessions that expand possibilities for the visitor experience at the Bridge.
23 Carpool Toll - Charge 50% of Cash Toll	\$ 1.2	\$ 1.2	\$ 2.4	\$ 3.6	\$ 4.8	\$ 6.0	\$ 12.0	Under consideration on State Bridges.
SUBTOTAL PHASE I	\$ 26.2	\$ 9.8	\$ 23.1	\$ 38.8	\$ 68.9	\$ 97.1	\$ 245.9	
PHASE II								
24 Negotiate Increased Cost Sharing for Health Benefit Plans for All Covered Individuals	\$ 0.8	-	-	\$ 0.8	\$ 1.7	\$ 2.5	\$ 7.3	Goal is \$800,000/yr through changes (i.e, cafeteria, 2-tier, dependent, etc.)
25 Renew Transit Fare Increase Plan: Annual 5% Fare Increases for Bus and Ferry Transit Fares	\$ 0.5	-	\$ 0.5	\$ 1.0	\$ 1.6	\$ 2.1	\$ 5.4	New plan would begin FY 11/12, once current plan expires.
26 Reduce Paratransit Services to More Stringently Comply with ADA Requirements	TBD	-	\$ -	\$ -	\$ -	\$ -	\$ -	Consider reducing scale of paratransit to match ADA requirements only.
27 Investigate Elimination of Comp Time for Tier II Exempt Employees	TBD	-	-	\$ -	\$ -	\$ -	\$ -	Would affect approximately 50 FTEs
SUBTOTAL PHASE II	\$ 1.3	\$ -	\$ 0.5	\$ 1.8	\$ 3.2	\$ 4.7	\$ 12.7	

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(Cumulative \$ in millions)

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<u>PHASE III</u>								
28 Toll Increase to Occur 5 Years After Last Increase	\$ 18.0	-	-	-	\$ 18.0	\$ 36.0	\$ 126.0	Assumes a \$1 toll increase in July 2013.
29 Annual Small Increment Toll Increase Program	\$ 0.6	-	-	-	-	\$ 6.0	\$ 140.2	Begin annual indexing of tolls in FY 2014/15 to match proposed 5% transit fare percentage increases.
30 Implement Some Form of Partnership Program	\$ 1.0	-	-	\$ 1.0	\$ 2.0	\$ 3.0	\$ 8.0	Develop partnership program that would involve all District operations.
31 Implement Sidewalk Access Fees	TBD	-	\$ -	\$ -	\$ -	\$ -	\$ -	Charge fees for pedestrians and bicycles on the Bridge once seismic projects impacting the sidewalks are done
32 Close Satellite Bus Yard	TBD	-	-	-	-	\$ -	\$ -	Close one of the North Bay Bus facilities (Novato or Santa Rosa)
33 Restructure Security Program	TBD	-	\$ -	\$ -	\$ -	\$ -	\$ -	Develop a coordinated partnership approach that reduces yearly operating costs.
SUBTOTAL PHASE III	\$ 19.6	\$ -	\$ -	\$ 1.0	\$ 20.0	\$ 45.0	\$ 274.2	

Estimated Forecast

<u>SUMMARY</u>	1-Year	2-Year	3-Year	4-Year	5-Year	Projected 10-Year Impact
<i>TOTAL PROJECTED DEFICIT</i>	\$ (13)	\$ (31)	\$ (56)	\$ (92)	\$ (132)	\$ (417)
<i>TOTAL ESTIMATED CHANGES - SAVINGS/REVENUES</i>	\$ 10	\$ 24	\$ 44	\$ 92	\$ 147	\$ 533
<i>NET DEFICIT</i>	\$ (3)	\$ (7)	\$ (12)	\$ 1	\$ 15	\$ 116
Possible FTEs Eliminated, Cumulative by Year*	11	23	67	69	69	69

* Does not include Bus Operators, Servicers, Dispatchers, Bus Supervisors. In FY 2003/04 the Bus Division eliminated 22% of service and reduced 67 positions. A 10% reduction might result in a loss of approximately 30 positions. In addition, this plan does not include any additional FTEs due to new technology implementation.

ATTACHMENT

FINANCIAL PLAN
 (Cumulative \$ in millions)
Estimated Forecast

I. COMPETED PROJECTS

Initiatives that have been completed in the prior year (FY 09/10) that are built into the new projection. This list will be updated each year to reflect completed projects.

Projects Completed in FY 09/10

Concept Title	Annual Deficit Impact	1-YR FY 09/10	2-YR FY 09/10-10/11	3-YR FY 09/10-11/12	4-YR FY 09/10-12/13	5-YR FY 09/10-13/14	Projected 10-YR FY 09/10 - 18/19	Assumptions: savings estimated to be "net" amount. Shading indicates projects not implemented. Each FTE estimate reflect possible FTEs impacted per proposal.
Freeze Coalition Employees (18-month)	\$ 1.0	\$ 1.0	\$ 2.5	\$ 4.1	\$ 5.8	\$ 7.4	\$ 16.5	18-month salary freeze for all union employees except ATU.
Freeze Non-Represented and Officers (1-yr)	\$ 0.4	\$ 0.4	\$ 0.9	\$ 1.3	\$ 1.8	\$ 2.2	\$ 4.8	12-month salary freeze for all non-represented employees and Officers.
TOTAL	\$ 1.4	\$ 1.4	\$ 3.4	\$ 5.4	\$ 7.5	\$ 9.6	\$ 21.3	