



Agenda Item No. (5.A.)

To: Board of Directors
Special Meeting of November 13, 2020

From: Denis J. Mulligan, General Manager

Subject: **AUTHORIZE ACTIONS TO REDUCE COSTS OR RAISE REVENUES IN RESPONSE TO COVID-19 FINANCIAL IMPACTS, INCLUDING CONSIDERATION OF LAYOFFS, FURLOUGHS AND TOLL SURCHARGES**

Recommendation

Since the onset of the COVID-19 pandemic there has been a precipitous drop in travel in the Golden Gate Corridor with a corresponding drop in the Golden Gate Bridge, Highway and Transportation District's (District) revenues. On average, since early March, the District has experienced about a \$2 million drop in Bridge tolls and transit fares (bus and ferry) every week. Even after implementing significant cost saving measures, the District still faces a \$48 million budget deficit (expenses exceeding revenues) for the current fiscal year.

The lack of customer demand has also eliminated the need for current District staffing levels, as the District has greatly reduced bus and ferry service in response to the drop in demand. The District currently provides significantly less bus and ferry service than before the pandemic and has not laid off any regular, full-time employees.

The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act grant funding that the District has been using to pay its employees will run out at the end of November, so the District needs to either reduce costs or raise additional revenues.

Below are three options that reduce costs or raise revenues by about the same level. Please note that these options do not fully solve the District's \$48 million shortfall, and the authorization of any one of the three options still will necessitate that the District fully spend down its Emergency and Operating Reserves this fiscal year and need to find further expense reductions or revenue enhancements. In addition, the District anticipates facing a deficit next fiscal year.

It is recommended that the Board of Directors approve one of the following actions:

1. Authorize the elimination of 205 positions (59 vacant and 146 filled as of October 23, 2020) from the Table of Organization, effective December 5, 2020, and authorize the General Manager to take necessary steps to implement the reduction-in-force; and delegate authority to the General Manager to recall positions to meet operational demand, with the understanding

that the General Manager will report such actions taken each month to the Board of Directors;
or,

2. Authorize a public outreach process and a Public Hearing on November 23, 2020, to establish a temporary COVID-19 toll surcharge of \$2 on all southbound vehicles. If the \$2 surcharge is not approved and implemented by the Board at its December 4, 2020 meeting, the layoff of District employees and associated actions as outlined above will occur on December 5, 2020;
or,
3. Authorize a public outreach process and a Public Hearing on November 23, 2020, to establish a temporary COVID-19 toll surcharge of \$1.25 on all southbound vehicles, contingent upon the affected unions agreeing to a one-day-a-week unpaid furlough of employees in bargaining units affected by the layoff. If agreement is not reached on the furlough and if the toll surcharge is not approved and implemented by the Board at its December 4, 2020 meeting, the layoff of District employees and associated actions as outlined above will occur on December 5, 2020.

Options 2 and 3 should be considered with the understanding that any toll surcharge will be reviewed 180 days from when it is implemented.

If the Board does not approve one of the above options then, by default, the Board will be deciding to spend its Capital Reserves to pay employees for whom there is no work.

Summary

Today, bus ridership is down 75 percent (we are only carrying 25 percent of our normal ridership) and ferry ridership is down 96 percent (we are only carrying 4 percent of our normal ridership). Fare revenue is down a combined 92 percent. Bridge traffic is also well below pre-pandemic levels, at about 70 percent of normal.

The District has been adjusting bus and ferry schedules to right-size service with the precipitous drop in customer demand while still providing safe, reliable service for essential workers and transit-dependent customers. To that end, 75 percent of weekday trips and all weekend trips on Golden Gate Ferry service have been suspended. Almost all commute trips into San Francisco on Golden Gate Transit have also been suspended, while our regional, basic service has been slightly augmented.

For many months, the District has used the CARES Act money to pay bus and ferry staff who are not driving buses, operating ferry boats, or are operating buses and ferries with few passengers. Every day, we send some bus drivers home without driving (while paying them for a full 8-hour day) and we have ferry deckhands painting curbs and bollards in the parking lot to keep staff actively working.

Thus the District now needs to decide whether it is appropriate to continue employing staff for whom there is no work for which they were hired and no direct funding. If the District chooses to continue to employ these staff, it also needs to decide how to pay for the associated expense.

Proposed Eliminated Positions

On September 11, 2020 the District issued Federal Worker Adjustment and Retraining Notification (WARN) Act Notices to potentially-affected employees and union representatives. This satisfied the legal requirement for at least a 60 calendar day notice prior to a mass layoff, so the Board has the authority to proceed with a layoff if it so chooses.

Based on the modified service and operations plans developed, the positions noted in the following chart are proposed for elimination effective December 5, 2020. Of this total, 59 of the positions are currently vacant and 146 are filled (as of October 23, 2020). There may be some variations to these numbers, due to retirements or separations. The total number of eliminated positions for each classification will remain unchanged but allocations between vacant and filled categories might fluctuate.

Division	Job Title/Bargaining Unit	Total Positions Proposed for Elimination	Vacant Positions	Filled Positions
Bus	Bus Operators (105 Full-time & 5 Part-time)	110	22	88
Bus	Body & Fender Mechanic	1	0	1
Bus	Bus Mechanic	8	2	6
Bus	Mechanic Electronics Technician	2	0	2
Bus	Storekeeper	1	0	1
Bus	Bus Mechanic Apprentice	2	2	0
Bus	Building Maintenance Apprentice	2	2	0
Bus	Bus Servicer	5	1	4 <i>provisional positions</i>
Bus	Dispatcher II (Part-time)	2	2	0
Bus	Transportation Road Supervisor	1	1	0
Bus	Lead Route Checker*	1	0	1
Bus	Casual Route Checker*	1	0	1
District	Customer Relations Assistant	2	0	2
District	Administrative Assistant* (Planning & General Manager)	2	1	1
District	Payroll Timekeeping Specialist*	1	1	0
District	Assistant Procurement Specialist*	2	2	0
District	Marketing Representative	1	0	1

Division	Job Title/Bargaining Unit	Total Positions Proposed for Elimination	Vacant Positions	Filled Positions
District	Buyer *	1	0	1
District	Human Resources Analyst*	1	1	0
District	Human Resources Analyst – Admin*	1	1	0
District	System Admin PC Support	1	1	0
District	Principal Budget & Program Analyst*	1	1	0
District	Assoc. Capital & Grants Analyst Intern*	1	1	0
Ferry	Deckhands	21	0	21
Ferry	Vessel Masters/Mate	9	0	9
Ferry	Ferry Mechanic	4	1	3
Ferry	Seasonal Deckhand	3	3	0
Ferry	Terminal Agent	3	1	2
Ferry	Deckhand Baseball	2	2	0
Ferry	Seasonal Deckhand Lead	2	2	0
Ferry	Seasonal Vessel Master	2	2	0
Ferry	Terminal Assistant Seasonal	2	2	0
Ferry	Operations Supervisor Seasonal	2	2	0
Ferry	Vessel Master Baseball	1	1	0
Ferry	Ferry Terminal Supervisor	1	0	1
Ferry	Administrative Assistant*	1	0	1
Ferry	Ferry Projects Administrator (LT)*	1	1	0
Ferry	Marine Procurement Officer*	1	1	0
	TOTAL	205	59	146

*Legend: * - Non-represented position*

Recalling Affected Staff as Transit Ridership Returns

It is anticipated that, as the economy starts to rebound, businesses and services will begin to reopen, and as the COVID infection rate maintains a sustained decline, demand for bus and ferry transit services will return in a meaningful way. In some cases, the demand might arise quite quickly. For instance, should a number of large employers downtown reopen their offices for business again, there will be an immediate demand for commute services. Also, should health officials deem it safe to allow fans to attend live sporting or entertainment events in the spring, there will be an immediate need to reinstate additional ferry service. A sudden surge in demand will require immediate responsiveness to the changing conditions.

Given the immediacy with which some of these announcements may occur, it is requested that the Board of Directors delegate authority to the General Manager to recall affected positions to meet changes in operational demands, with the understanding that he shall report such actions taken each month to the Board of Directors in the General Manager's Report.

Implement a \$2 COVID-19 Toll Surcharge

Authorization of this action would direct staff to undertake public outreach and hold a public hearing to consider the implementation of a temporary \$2 COVID-19 toll surcharge. The funds raised would pay for the costs of the employees that would have been laid off under the first option. The COVID surcharge would be eliminated if the District receives other revenues (for example from the Federal Government) to pay for the employee expenses. The public hearing on the COVID toll surcharge would be held November 23, 2020 and a final decision on whether or not to approve the toll surcharge could occur at a Special Board meeting on December 4, 2020. If approved, the toll surcharge would be reviewed in 180 days to determine if demand for transportation services has increased sufficiently to make the toll surcharge unnecessary. If the toll surcharge is not approved, the proposed layoff would go into effect on December 5, 2020.

This option will directly impact the approximately 250,000 weekly toll payers by raising their toll 23-26 percent (for autos). It will not impact bus or ferry riders. It is important to hear from the public on this option as it asks Bridge users to pay a surcharge to maintain employees for whom there currently is no work but who may be needed to provide transit service in the future.

Implement a \$1.25 COVID Toll Surcharge and One-Day-a-Week Furlough

Authorization of this action would direct staff to undertake public outreach and hold a public hearing to consider the implementation of a temporary \$1.25 COVID toll surcharge. The funds raised by the toll surcharge and the funds saved by the furlough would pay for the costs of the employees that would have been laid off under the first option. Both the toll surcharge and the furlough would be eliminated if the District receives other revenues (for example, from the federal government) to pay for the employee expenses.

The public hearing on the toll surcharge would be held on November 23, 2020 and the final decision on whether or not to approve the toll surcharge would be made at a Special Board meeting on December 4, 2020. District staff has been and will continue to meet and confer with the unions and seek agreement on a plan to implement a one-day-a-week furlough of all employees in the affected bargaining units by November 20, 2020. If toll surcharge is approved and the unions agree to the furlough, the continued need for both will be reviewed in 180 days to determine if demand for transportation services has increased sufficiently to make the toll surcharge and furlough

unnecessary. If the toll surcharge or the furlough are not approved or agreed to, respectively, the proposed layoff and severance package in Option 1 would go into effect immediately on December 5, 2020.

This option will directly impact the approximate 250,000 weekly toll payers by raising their toll 14-16 percent (for autos). It will not impact bus or ferry riders. The option will decrease the take home pay of the furloughed employees by approximately 20 percent. It is important to hear from the public on this option as it asks Bridge users to pay a surcharge to maintain employees for whom there currently is no work but who may be needed to provide transit service in the future.

Fiscal Impact

All three options would have an equivalent impact on the District's current financial shortfall. Option 1, which would lay off 205 positions effective December 5, 2020, would reduce the District's operating expenses for the remainder of the fiscal year by approximately \$15.6 million. If the proposed severance package contained in a later Board item at today's meeting is approved, the \$2.1 million cost of the severance would reduce the overall savings of the layoff to \$13.5 million this fiscal year. While the severance package is a onetime cost for the District, laying off the positions has an ongoing \$26.7 million annual reduction in expenses until the positions are reinstated.

Options 2 and 3 would require the District to incur nominal costs to carry out the virtual information campaigns on the COVID toll surcharge. If ultimately approved, the actions would be maintained to produce a similar impact to Option1 listed above.

Recognizing the projected \$48 million shortfall for the current fiscal year, all three options will result in the District fully spending its \$25.7 million in Emergency and Operation Reserves before the end of the fiscal year and require further expense reductions or revenue enhancements to balance the FY 20/21 budget.

Background

The District is funded primarily through Bridge tolls, which are its single largest source of revenue to fund Bridge, bus and ferry operations. In a typical year, the District spends about half of its toll dollars on the Bridge, while the other half is used to support bus and ferry operations. At Golden Gate bus transit, toll dollars provide nearly 50 percent of the system's operating revenue, with fares bringing in approximately 25 percent. At Golden Gate Ferry, fares bring in well over half of the system's operating revenue. For both transit services, state and federal grants, along with other modest revenue sources, round out the remainder of their budgets.

The District's mission "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." In keeping with our mission statement, one half of toll revenues are dedicated to Bridge operations, while the other half subsidizes transit services.

Bridge traffic has now rebounded enough to cover the cost of Bridge operations, but traffic is still down by 30 percent. Thus, the amount of available "toll dollars for transit" has declined by 60

percent compared to pre-pandemic levels. Currently, the District's spending on bus and ferry operations exceeds toll and transit fare revenues.

For example, in a typical pre-pandemic month, the District would spend \$12.8 million on bus and ferry service into San Francisco, taking thousands of cars off of highway 101 and the streets of San Francisco every day, reducing congestion and greenhouse gas emissions. With the onset of the pandemic, and its resulting precipitous drop in travel, current tolls and transit fares are inadequate to pay this expense. Through reductions to service costs and other expenses, but without laying off full time regular employees, the District has reduced its monthly expenditure on transit to \$10.5 million. Today, tolls and transit fares are down significantly and only produce about \$6 million every month, resulting in an operating deficit of \$4.5 million per month.

The District was fortunate to receive approximately \$52 million in federal CARES Act money to backfill the drop in tolls, transit fares and other revenues that fund our bus and ferry service. For many months, the District has used the CARES Act money to pay our bus and ferry staff.

The District along with transit operators all across the country, have advocated for the inclusion of additional federal money for transit in a pandemic relief bill. Congress and the White House have been in the midst of protracted negotiations for many months, but a final deal remains elusive. It does not seem likely that any relief will come from the federal government until next year, assuming that any federal coronavirus relief efforts include funding for transit.

In June 2020, the District projected a \$98 million shortfall in the adopted budget and acted quickly to try to reduce that shortfall through hiring freezes, changes in transit service (as mentioned above) and other efforts. Currently, the District projects a \$48 million shortfall in the current fiscal year. This estimate factors in the CARES Act funding, expense reductions (without potential layoffs), and a projection of a modest increase in traffic and transit ridership through mid-2021.

Capital, Operating and Emergency Reserves

The District's reserves are created by setting aside a small amount of toll money from the Operating Budget every year. The amount is based on the projected funding needed to maintain and replace the District's capital infrastructure. The current reserves took decades to grow to the current levels, and the District's Mission Statement guides our use of reserves.

Most capital projects are funded principally with money provided through state and federal grants. However, grants require a "local match" and the District uses its reserves to meet state and federal match requirements. For example, the Suicide Deterrent System is about two-thirds funded with federal grants that the District received from Metropolitan Transportation Commission and Caltrans, while District reserves from toll dollars pay the remaining one-third of the cost.

Additionally, the District's reserves are how it pays for our capital projects, such as the aforementioned construction of the suicide barrier and the upcoming final phase of the Bridge seismic retrofit. As resources allow, the District's reserves also help pay for transit vehicles and facility improvements. Diverting capital reserve funds would have an adverse impact on on-going and planned critical infrastructure projects on the Bridge and would weaken the ability to make investments in its transit system – like the purchase of zero emission buses or the adoption of clean ferry technology.

The District also maintains modest Emergency and Operating reserves. When the CARES Act money runs out at the end of November, the District will quickly spend down its Emergency and Operating reserves, even with the potential layoff and as it continues to downsize service levels to meet greatly diminished customer demand.

District Use of Federal Transit Administration Grant Funds for COVID-19

The District receives grant funds from the Federal Transit Administration (FTA) for capital projects that support the District's transit service and keep capital assets necessary to provide that service in a state of good repair. In order to carry out its mission of maintaining the Golden Gate Bridge and providing transit service, the District has programmed about \$20 million in unspent FTA grants to fund a number of projects, all of which require at least a 20% match from toll dollars.

The projects supported by FTA funds are critical for the District to secure, maintain, and enhance the Golden Gate Bridge as well as to achieve our emissions reductions mandates and goals. For example, the parking lot repaving project cited in the draft resolution would install solar panels on the San Rafael employee parking lot, thereby converting our Bus and Administration buildings and lots into net-zero energy facilities. The reduction in energy expenses will free up millions in toll dollars to subsidize transit in the decades to come. The remainder of the grants are programmed to fund essential Bridge security projects and critical maintenance of our transit infrastructure and facilities.

The FTA has provided the flexibility to use these grant funds to pay for administrative leave for employees not required to work due to a reduction in service or for employees quarantined after potential exposure to an individual infected with COVID-19. No new money has been provided to the District, so if the District were to redirect these federal capital grant funds to pay employees on administrative leave, then these projects would be shelved and may not be built for the foreseeable future. To fully fund these projects, the District may need to spend its reserves and pay 100% of the cost of the projects, as opposed to the 20% match requirement we have today.

Additionally, the \$20 million in FTA funds the District currently has are unique and received through several one-time circumstances. If the grant funds are diverted from capital projects to pay for administrative leave, then the District will not be able to replace the funds because facility projects do not rank high enough in MTC's scoring process. The money maybe lost to the District for good. When the District does undertake these necessary transit facility projects, it would have to fund the projects with toll dollars. The District's toll revenues support Bridge maintenance and operations first, so toll dollars used to backfill transit facility projects would be drawn from funds allocated to maintain the Bridge.

Decisions Facing the District

The District now faces the harsh financial realities of the COVID-19 pandemic, as have so many other businesses and industries. The options before us are also limited, if we are committed to our mission and role as stewards of the Bridge for future generations. Even if the District were to divert some portion of grant funds or reserves to pay employees on administrative leave, it would likely arrive at these same difficult crossroads in only a matter of weeks.

Each week we are losing about \$1 million in Bridge tolls and \$700,000 in transit fares while still carrying only a small fraction of our regular transit customers. This level of revenue decline is difficult to resolve. For example, if the District were to fully make up the drop in toll revenue

during the pandemic by imposing a (hypothetical) COVID-19 toll surcharge, we estimate Bridge tolls would have to increase by about \$4, based on current traffic levels.

Accordingly, all three options entail fully expending the District's Emergency and Operating Reserves, because a \$4 toll surcharge is not recommended.

We believe this is a temporary situation, as our region needs transit to recover from the pandemic and return to its prior prosperity. If the District were to proceed with layoffs, we would look forward to rehiring laid off employees as the region reopens and in a fashion commensurate with the return of transit ridership and Bridge traffic.

These are decisions no organization ever wants to face.

Attachment: Toll Rates Incorporating the Proposed Toll Surcharges

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Attachment

Golden Gate Bridge Toll Rate Tables for COVID Surcharge, Options 2 and 3

Current			
Number of Axles	FasTrak Toll	License Plate Account & One-Time Payment	Invoice Toll
2 Axles/Motorcycles	\$7.70	\$8.40	\$8.70
3 Axles	\$23.10	\$25.20	\$26.10
4 Axles	\$30.80	\$33.60	\$34.80
5 Axles	\$38.50	\$42.00	\$43.50
6 Axles	\$46.20	\$50.40	\$52.20
7 Axles or More	\$53.90	\$58.80	\$60.90
Carpools	\$5.70	n/a	n/a

Option 2			
Number of Axles	FasTrak Toll	License Plate Account & One-Time Payment	Invoice Toll
2 Axles/Motorcycles	\$9.70	\$10.40	\$10.70
3 Axles	\$25.10	\$27.20	\$28.10
4 Axles	\$32.80	\$35.60	\$36.80
5 Axles	\$40.50	\$44.00	\$45.50
6 Axles	\$48.20	\$52.40	\$54.20
7 Axles or More	\$55.90	\$60.80	\$62.90
Carpools	\$7.70	n/a	n/a
Surcharge - \$2.00			

Option 3			
Number of Axles	FasTrak Toll	License Plate Account & One-Time Payment	Invoice Toll
2 Axles/Motorcycles	\$8.95	\$9.65	\$9.95
3 Axles	\$24.35	\$26.45	\$27.35
4 Axles	\$32.05	\$34.85	\$36.05
5 Axles	\$39.75	\$43.25	\$44.75
6 Axles	\$47.45	\$51.65	\$53.45
7 Axles or More	\$55.15	\$60.05	\$62.15
Carpools	\$6.95	n/a	n/a
Surcharge - \$1.25			

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