

Agenda Item No. (11)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of June 26, 2025

From: Jennifer H. Mennucci, Auditor-Controller
Denis J. Mulligan, General Manager

Subject: **APPROVE THE PROPOSED FY 25/26 OPERATING AND CAPITAL BUDGET**

Recommendation

The initial presentation of the Proposed Budget for Fiscal Year 2025/2026 (FY 25/26) was conducted at the scheduled Finance-Auditing Committee meeting of May 22, 2025. Further discussion is scheduled for the Finance-Auditing Committee meeting on June 26, 2025, with subsequent Board action on June 27, 2025. At its June 26th meeting, the Finance-Auditing Committee may recommend that the Board of Directors approve the FY 25/26 Proposed Operating and Capital Budget that:

1. Authorizes the following items as contained in the budget:
 - a. District Goals, Projects, and Accomplishments;
 - b. The Reserve Structure;
 - c. Proposed Changes to Positions
 - d. Proposed Updated 10-Year Capital Plan
2. Includes salary increases for the Coalition, Non-Represented, Painter, and ATU-Administration employees. Does not include salary increases for ATU Bus Operators as they are under negotiation, which will be considered at a later date.
3. Includes a Capital Contribution amount of \$21 million.
4. Authorizes budget increases for eight Capital Projects by a total of \$7,882,067 to be funded with 56% District Reserves and 44% with grant funds.
5. Authorizes the following items not currently included in the Proposed Budget but will be included in the Adopted Budget:
 - a. Any Board-approved actions through June 30, 2025, that have a fiscal impact to the FY 25/26 Capital and/or Operating Budget;
 - b. Carryover any incomplete projects in the FY 24/25 Capital Budget to FY 25/26 as authorized by the General Manager;
 - c. Move any capital projects from the FY 25/26 list to the FY 25/26 budget, authorized by the General Manager, as staff resources become available in FY 25/26; and,
 - d. Include final FY 24/25 budget transfers needed to comply with the Board's budget policy will be implemented in the FY 25/26 Adopted Budget Book.

Summary of Expenses and Revenues

The FY 25/26 Proposed Budget is a policy document that identifies the strategic direction and priorities of the Board of Directors for the fiscal year. The Proposed Budget is the implementation tool for the Board's policy directions and initiatives. The budget is developed between December and mid-March based on the policy objectives of the Board and the current assumptions for the demand for District services at the time.

The FY 25/26 Proposed Budget utilizes the last few years of travel trends in the 101 Corridor to develop a budget that shows the post-pandemic Southbound bridge traffic and transit ridership remain below pre-pandemic levels. As a result, the Proposed Budget will need to use the last allocation of one-time funding from the state to assist towards balancing the District's budget, which is estimated to cover about half of the anticipated deficit. The remaining estimated shortfall will need to be funded through the use of the District reserves.

The long-term use of District reserve funds to cover operating expenses is not sustainable, because those funds are required for maintenance, improvements and replacement of the District's capital assets: the bridge, maintenance facilities, terminals, buses and ferries. Efforts are underway in Sacramento to provide additional one-time funding for the transit agencies facing a fiscal cliff, so the prospect of spending District reserves in FY 25/26 is not concerning.

The Proposed Budget also includes the additional revenue from a toll increase effective July 1, 2025, which is the second year of the five-year toll increase plan previously approved by the Board; and it includes a third-year increase to a five-year transit fare increase plan on July 1, 2023, approved by the Board in March 2023.

The Proposed FY 25/26 Proposed Budget revenues and expenses each total \$363.6 million and are comprised of:

- Revenues
 - Operating Budget
 - \$277 million total operating revenues
 - \$26.4 million in District Reserves
 - (\$9.7) million to repay the District Reserves for FY 24/25 shortfall utilizing the SB 125 funding in FY 25/26
 - Capital Budget
 - \$34.5 million in government grants
 - \$35.4 million District reserves
- Expenses
 - Operating Budget
 - \$293.7 million in total operating expenses
 - Capital Budget
 - \$69.9 million in total capital expenses

The following is an overview of the Proposed FY 25/26 Operating and Capital Budget.

Operating Budget Overview

The Proposed FY 25/26 Operating Budget projects an overall shortfall of \$26.4 million primarily due to lower toll and transit fare revenues associated with less post-pandemic commute travel in the Golden Gate Corridor. However, it is notable that without the one-time state funding from Senate Bill 125 (SB 125), the shortfall would be approaching \$52 million. The proposed budget assumes that District Reserves will be used to balance the budget. The proposed budget assumes that ridership will return at a slow pace but allows for the restoration of Bus and Ferry transit service at a faster pace if customer demand warrants it.

In addition, the FY 25/26 Budget also needs to account for repaying the FY 24/25 shortfall of \$9.7 million back to the District Reserves, as it was used temporarily to fund the fiscal year deficit until the SB125 allocation for FY 25/26 is released.

Expenses

The Proposed FY 25/26 Operating Budget of \$293.7 million in expenses is \$33.6 million more than the FY 24/25 Estimated Actual expenses of \$260.1 million. This 12.9% increase which includes the following: increased salary costs for Coalition and Non-Represented employees, fully funding vacant positions, re-funding commercial paper debt service due to the indenture requirement, as well as covering the increased cost of pension benefits. The budget does not include salary increases for ATU-represented employees as they are still under negotiation.

Revenues

Revenues are estimated to be \$277 million in FY 24/25, which represents an increase of approximately \$26.6 million compared with FY 24/25 Estimated Actual revenue of \$250.4 million. The net increase is primarily due to the \$35.2 million in SB125 one-time state assistance, increase in toll revenues from the annual toll plan, with a small increase in transit fare revenues. An estimated \$9.7 million of the \$35.2 million of SB125 will be used to repay the District Reserves used to cover FY24/25 expenses. After the payback to reserves, an estimated \$25.4 million in one-time state funds and \$26.4 million in District Reserves will be required to balance the FY 25/26 Proposed Budget.

Capital Budget Overview

The FY 25/26 Proposed Capital Budget includes total anticipated expenditures of \$69.9 million, funded with \$35.4 million in District funds and \$34.5 million in federal, state, and local grant funds. It supports the implementation of 77 projects (13 new, 60 continuing, and 4 capital equipment projects) necessary to maintain existing services and facilities and to implement high-priority safety and security projects. The \$69.9 million Proposed Capital Budget is allocated to the following projects: Bridge Division Projects (65%); Bus Division (9%); Ferry Division (20%); and District Division projects (6%). The Proposed Capital Budget contains annualized Actual FY 24/25 project expenditures. Fifteen projects were completed in FY 24/25.

To ensure staff bandwidth is applied to the highest priority projects, each division prioritized its capital projects by a number of factors, including safety, customer service, operating budget impact, revenue generation, and more. Higher priority projects, comprised mostly of Capital projects being worked on currently and some newly identified ones, were included in the FY 25/26 budget. Projects that are a high priority but are pending availability of staff resources to initiate the project were included in the FY25/26 Capital Project List. The passage of the budget will authorize the General Manager to move capital projects from the FY 25/26 List to the FY 25/26 Budget.

Appendix D: 10-Year Capital Plan

The Proposed FY 25/26 Budget includes an updated 10-Year Capital Plan (Plan) in Appendix D. Staff is requesting approval of the updated 10-Year Capital Plan as part of the recommendations.

Total Project Budget Increase to Eight (8) Capital Projects

The Proposed FY 25/26 Budget includes the requests for a total budget increase to eight (8) capital projects. Project justifications for the increases are summarized below. The fiscal impact due to the requested increases totals \$7,882,067, to be funded with 56% District reserves and 44% with grant funds. These project budgets are requested to be increased now rather than at the time of award to allow the District to plan for the increased cost of these projects and the total cost of the District's capital plan.

1. Project 2524 – Access and Video Network Upgrade - \$200,000 to \$300,000

This project is to replace and upgrade the access and video network equipment, including routers and switches. The current equipment versions are no longer supported. The Access and Video Network Upgrade project is requesting an increase due to the expansion of the scope and equipment for additional features and feedback from stakeholders, such as more security and scalability, requiring further resources.

2. Project 2529 – Capital Equipment – Bridge – \$8,584,000 to \$9,196,000

This is the purchase of capital equipment for the Bridge Division for fiscal years FY 24/25 and FY 25/26. An estimate for FY25/26 spending was given during FY24/25 budget development. During FY25/26 budget development, the budget estimate was updated to include newly identified equipment requiring replacement.

3. Project 2539 – Capital Equipment – Bus – \$2,030,720 to \$2,408,234

This is the purchase of capital equipment for the Bus Division for fiscal years FY 24/25 and FY 25/26. An estimate for FY25/26 spending was given during FY24/25 budget development. During FY25/26 budget development, the budget estimate was updated to include newly identified equipment requiring replacement.

4. Project 2341 – FY23-30 Ferry Vessel Rehabilitation and Dry Dockings - \$18,500,000 to \$22,000,000

The purpose of this project is the scheduled rehabilitation and capital improvement of ferry vessels from FY 22/23 through FY 29/30. Projects are associated with the propulsion system, hull inspection, and navigational equipment required to reach the full economic life of a ferry vessel and ensure compliance with United States Coast Guard (USCG) regulations. This project is intended to fund dry dockings for the District's catamaran high-speed vessels for the remainder of their service life. Vessel's schedule is subject to change due to operational requirements. In the past 3 years, the price index for shipbuilding in the United States has risen significantly. Impacts from COVID supply chain disruption, reduction in qualified workforce personnel, and costs of raw materials and marine industry finished goods have all outpaced inflation. This budget increase will address the shortfall projected based on the original project budget was based on 2022 dollars and cost estimates.

5. Project 2443 – SFFT West and East Berth Rehabilitation – \$10,402,284 to \$11,402,284

This project includes preparing and advertising a solicitation for bids to rehabilitate the San Francisco Ferry Terminal's (SFFT) existing outer berth including removing the ramp, transporting to a dry dock facility, performing steel repairs, painting, removing existing hydraulic piping and lines, installing new piping and lines, installing new pumps, leveling system and controls. The project budget is requesting an increase due to updated cost estimates of labor and materials.

6. Project 2541 – LFT Berth Rehabilitation – \$2,087,000 to \$2,949,553

This project will rehabilitate the passenger access system at the Larkspur Ferry Terminal (LFT) Berths 1 and 2. The rehabilitation includes refurbishing the Berth 1 ramp hydraulic cylinders, removing, refurbishing and reinstalling the Berth 1 gangway and the two Berth 2 gangways including refurbishing the gangway hydraulic cylinders, replacing worn gangway extension bearings and bushings, furnishing and installing new gangway extension supports, repairing miscellaneous deck plates, conduits and conduit supports, and other ancillary repairs to extend the useful life of the facilities. The scope of this project has been adjusted to focus on the LFT Berths 1 and 2, which have experienced deterioration requiring emergency attention, instead of the floating mooring equipment and passenger gangways of both LFT and SFFT. An increase to the project budget is required due to the contract estimate and staff labor needed for the LFT Berth portion being higher than originally estimated.

7. Project 2512 – Maximo for Bridge - \$750,000 to \$2,000,000

This project is for the Phase I implementation of Maximo to manage inventory and maintenance work orders for the physical Bridge, facilities, rolling stock, and equipment. Modules identified through an assessment conducted under the Asset Management Strategic Program (2010) will be developed for this purpose within the current version of Maximo. The project also includes Phase II work to implement more modules with the Maximo upgrade to MAS8. Originally, the project was scoped as two separate phases that would occur one at a time. The project is requesting an increase as both phases can be completed simultaneously. As both projects were accounted for in the 10-Year Capital Plan, there is minimal impact to long-term expenditure.

8. Project 2516 – District Incident Management System – \$150,000 to \$330,000

This project will implement an enterprise incident management system (non-IT). Currently, the District employs different methods and processes for logging and tracking incidents, varying by department and/ or Division. The process for tracking incidents to resolution is not optimized, often relying on follow-up by phone or email. By implementing an enterprise system, the District hopes to streamline processes, centralize data, implement workflow for tracking and resolving incidents, and provide metrics and reports. This project was originally scoped to replace the internally developed Customer Service incident system. However, the District is now looking to implement a system that can be used by more departments: Bus and Ferry operations, Bridge Patrol, Customer Service, and DSO, and expanding the requirements of the system to include not only incidents but also hazards and risk management. The additional budget will assist in optimizing processes by having a workflow and improved reporting to meet regulatory requirements around safety.

Proposed Changes to Positions

As part of the annual assessment of the efficiency and effectiveness of staff resources, it is recommended that the FY 25/26 Proposed Budget include a total of 5 additional positions, 8 eliminated positions, and 3 reclassifications, resulting in 3 fewer positions. The descriptions and reasoning are detailed below.

Bridge Division

Addition:

Electronic Revenue Collection Manager (1 position) – Add one vacant full-time position to respond to the complex technical and operational nature of electronic revenue programs for the District, as industry knowledge and program management experience are required to effectively maintain operations.

Elimination:

Electronic Revenue Collection Analyst (1 position) – Eliminate one vacant full-time position as the complexities of these programs require a manager-level position.

Bus Division

Addition:

Chief Building Maintenance Mechanic (1 position) – Add one vacant full-time position to align with the expanded responsibilities to plan, communicate, and coordinate industry knowledge and best practices with maintenance staff and effectively maintain and repair the District's aging infrastructure.

Reclassification:

Operation Technician to Operations and Schedules Analyst (1 position) – Reclassify one filled Operation Technician to an Operations and Schedules Analyst to maximize efficiency and support broader transit needs by expanding the role to provide ongoing support beyond the scheduling cycle, enhancing data-driven decision-making and reflecting the level of work being performed by the incumbent.

Elimination:

Lead Building Maintenance Mechanic (1 position) – Eliminate one vacant full-time position to be replaced with the Chief Building Maintenance Mechanic to allow for more expertise and management needs.

Schedules Analyst (1 position) – Eliminate one vacant full-time position as responsibilities will be absorbed into the new Operations and Schedules Analyst position.

Principal Data Scheduling Analyst (1 position) – Eliminate one vacant full-time position as responsibilities have been absorbed in other areas of the Bus Division.

Ferry Division

Addition:

Provisional Mechanic (1 position) – Add one provisional, vacant full-time position to allow for more coverage for preventative maintenance and scheduled repair work.

Vessel Master (1 position) – Add one vacant full-time position to accurately reflect the work being performed to support the use of high-speed ferries on the weekends and holidays.

Reclassification:

Mechanic to Working Foreman Mechanic (1 position) – Reclassify one filled position to formalize the second working foreman position in the Ferry Division's 2024 pilot program for coverage on both the day and night shift. This has resulted in improved maintenance work quality and morale in the department.

Elimination:

Seasonal Vessel Master (1 position) – Eliminate one vacant part-time position to allow for a full-time position to be utilized.

District Division

Addition:

Human Resource Technician (1 position) – Add one vacant full-time position to provide focused support to both the Compensation and Employment units of the Human Resources Department and better align tasks and responsibilities required in each area.

Reclassification:

Senior Capital & Grant Programs Analyst to Principal Capital & Grant Programs Analyst (1 position) – Reclassify one filled Senior Capital & Grant Programs Analyst to a Principal level utilizing the Professional Development Plan due to the industry knowledge and project management skills required to maintain large grant awards, such as the BIP funds to be utilized for the seismic retrofitting of the towers and side span of the Bridge, and development of successful grant applications.

Elimination:

Human Resource Coordinator (2 positions) – Eliminate two vacant full-time positions as responsibilities will be absorbed by the additional Human Resource Technician.

Manager of Real Estate Services and Property Development (1 position) – Eliminate one vacant full-time position as an additional Manager of Real Estate Services and Property Development was added to support the transition of the incumbent who retired. The transition period is complete, and the additional position is no longer required.

Use of Reserves

The Proposed FY 25/26 Budget was developed to support and implement the Board's efforts toward achieving long-term financial sustainability. It has taken years of determined fiscal stewardship by the Board to build up the District reserves necessary to maintain the billions of dollars' worth of District capital assets. Failure to maintain and replace the District's capital assets will significantly reduce the District's ability to maintain and provide essential transportation services into the future.

The FY 25/26 Proposed Budget is projected to utilize one-time state operating assistance to balance the operating budget, along with the use of \$26.4 million in District Reserves. The Capital Budget is estimated to use \$35.4 million in District reserve funds for a total District reserves usage of \$61.8 million. The FY 25/26 Proposed Budget also includes a \$36.8 million contribution to reserves, resulting in a net decrease of \$25 million to District Reserves.

Fiscal Impact

The Proposed FY 25/26 Budget projects Operating Revenues of \$277 million and provides a spending plan for \$293.7 million in Operating Expenses (including capital contribution and depreciation), resulting in a net operating loss of \$26.4 million after using an estimated \$9.7 million of SB125 to repay the District's reserves. As a result, the remaining \$26.4 million will be used from the District Reserves to balance the budget. The Proposed Capital Budget of \$69.9 million will be funded through \$34.5 million in federal, state, and local grant funds and \$35.4 million in District reserves.

As a result, the Proposed Budget includes a \$36.8 million contribution to the reserves but reduces the overall reserves by \$25 million.

Attachments: FY 25/26 Proposed Budget is available on our website: www.goldengate.org

Appendix A: Questions and Answers from May 22, 2025, Finance and Auditing Committee Meeting

APPENDIX A

Questions and Answers from Finance and Auditing Committee, May 22, 2025

- 1) What are the major reasons of cost increases during the current fiscal year FY 24/25?

Operating expenses increased from actuals of \$241,302,684 in FY 23/24 to an estimated actual of \$260,142,683 in FY 24/25. The primary drivers of this increase are salaries, fringe benefits and depreciation. There was a 3.5% salary increase for all Coalition and Non-Represented employees at the start of FY 24/25 and a 3.5% salary increase effective September 1, 2024 for Bus Operators (ATU Represented employees). The increase in Depreciation for FY 24/25 is primarily being driven by a Ferry Division dredging project at the Larkspur Ferry Terminal berth as a catch-up expense after the project was capitalized.

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