



Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of December 14, 2023

From: Jennifer Mennucci, Director of Budget and Electronic Revenue  
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Subject: **DISCUSSION REGARDING TOLL OPTIONS AND PUBLIC OUTREACH  
RELATIVE TO A POTENTIAL TOLL INCREASE ON THE GOLDEN  
GATE BRIDGE**

### **Recommendation**

This is an informational item. No action is required at this time.

The purpose of this report is to provide information for discussion by the Finance-Auditing Committee regarding a potential toll increase on the Golden Gate Bridge. The results of this discussion will guide staff in preparing a proposed toll increase process and proposed toll increase options for public consideration this winter. If directed, staff will return to the Finance-Auditing Committee in January with a recommendation that the Board of Directors approve the process that could lead to consideration by the Board of a proposed toll increase. Following past practice, the proposed steps are outlined chronologically below:

1. At the December 2023 meeting, the Finance-Auditing Committee will discuss the potential need for a future toll increase, types of toll rates, and proposed steps for public outreach to solicit input and guidance on a possible toll increase.
2. At the January 2024 Finance-Auditing Committee and Board meetings, if directed, staff would request authorization to present for public review several toll increase options, with the understanding that any action to modify the existing toll structure would take place only after an extensive public outreach process designed to fully inform, explain, and gauge public reaction to the Golden Gate Bridge, Highway and Transportation District's range of services and the finances required to support those services and future operational and capital programs.
3. If directed, in February 2024, staff would conduct virtual open houses for the purpose of providing information, answering questions, and receiving input from the public about possible toll increase options.
4. Following the open houses, the Board would conduct a formal Public Hearing at the end of February 2024 to assess public input of options.
5. In March 2024, the Board would consider adoption of a multi-year toll increase plan.
6. In July 2024, the first toll rate change could be implemented.

**Summary**

Over the last five years, Golden Gate Bridge tolls have increased an average of 35 cents (\$0.35) per year as part of a multi-year toll plan previously approved by the Board. The last and final such increase occurred earlier this year on July 1, 2023. The purpose of this report is to facilitate discussion regarding a possible new multi-year toll plan.

A proposal to increase tolls has been included as one of many initiatives in past Strategic Financial Plans. Currently, the Board is engaged in a new Strategic Planning effort that likely will include the consideration of a new toll increase plan. With the Finance-Auditing Committee’s review of the financial projections on October 26, 2023, the possibility of a new toll increase plan was discussed because the Golden Gate Bridge, Highway and Transportation District (District) relies on tolls to fund its operations as well as to guarantee its long-term financial stability.

The tables below are from the *Five- and Ten-Year Financial Projections* discussed at the October 26, 2023 Finance-Auditing Committee meeting. There are two projections in the item: (1) the first is based on revenue and expense levels from the past fiscal year; and, (2) the second is based on the adopted budget, which provided higher expenditure levels. The projections estimate a five-year \$220 million shortfall operating at current service levels and a five-year \$471 million shortfall if the District were to operate closer to pre-Covid service levels.

	<b>Year 1 FY 24/25 Estimate (\$M)</b>	<b>Sub Total Year 1 – 5 Estimate (\$M)</b>	<b>Total Year 1 – 10 Estimate (\$M)</b>
<b>Current Service Levels Projection</b>			
Total Operating Expenditures with Capital Contribution (Based on FY 22/23 Actuals)	\$253	\$1,348	\$2,893
Total Operating Revenues with One-Time Federal Funding	\$252	\$1,128	\$2,214
<b>Total Operating &amp; Capital Surplus/ (Shortfall)</b>	<b>(\$1)</b>	<b>(\$220)</b>	<b>(\$679)</b>
<b>Near to Pre-Covid Service Levels Projection</b>			
Total Operating Expenditures with Capital Contribution (Based on FY 23/24 Budget)	\$292	\$1,557	\$3,347
Total Operating Revenues	\$219	\$1,086	\$2,172
<b>Total Operating &amp; Capital Surplus/(Shortfall)</b>	<b>(\$73)</b>	<b>(\$471)</b>	<b>(\$1,175)</b>

Bridge tolls supply the majority of the District’s operating revenue and, as envisioned by the District’s enabling legislation, that revenue is dedicated to both Bridge operations and those

expenses the District incurs in the operation and maintenance of the Golden Gate Bridge and the District's Bus and Ferry services. Traditionally, about half of all toll revenue goes to transit operations. In addition to operating funding, the Bridge and Transit facilities require funds for capital projects (maintenance, repair, and improvements). Since the start of the pandemic, the District has experienced fewer Bridge crossings than in prior years because commuters have yet to return to work in San Francisco at pre-pandemic levels, resulting in reduced commuter travel. Currently, the District has 80-85% of pre-Covid traffic with commute hours down almost 30%. This is a loss of \$25 to \$30 million dollars a year, which is up to a quarter of the Bus and Ferry systems' pre-Covid budget.

The District was able to secure COVID emergency one-time federal funding to make up for this lost revenue in the transit service budgets, allowing the District to reverse planned employee layoffs and fund those transit services that were in demand. The District has been fiscally responsible in carefully monitoring the level of transit demand, setting transit service levels to serve that demand, and keeping expenses as low as possible in order to stretch one-time federal funding over the last four years. The one-time federal funding will be fully expensed by the end of June 2024.

Historically, the revenue goal for a toll increase plan was based on reducing the majority of the projected shortfall as shown in the District's annual financial projection. Due to the pandemic's impact on the demand for transit services, toll and fare revenue have been reduced, and therefore it is unlikely that a toll increase will address the majority of the projected shortfall. The purpose of the Finance-Auditing Committee's discussion at its December meeting will be to provide the staff guidance on how much of the shortfall should be reduced by the toll increase options.

Over the past five years, since the last toll increase plan was implemented in April 2019, costs have risen for goods and services necessary to carry out the District's mission to provide transportation services to its customers. Over those five years, the average annual inflation rate was 4.0% (CPI-U).

The remainder of this report is divided into the following sections:

- I. Criteria for Selecting Toll Options
- II. Public Review of Potential Toll Increase
- III. Possible Toll Options For Discussion Purposes

## **I. Criteria for Selecting Toll Options**

This section presents possible criteria for discussion and guidance regarding the development and review of toll options. Proposed criteria include:

1. Any toll increase proposal should address significant funding needs identified in the October 2023 Financial Projections for the next five years. It is understood that the District will continue its efforts to identify innovative cost-cutting opportunities as well as ways to increase revenues to address some of its projected funding needs and future funding needs of the organization. These additional opportunities could be developed in the future Strategic Plan.

2. The District should continue to offer at least three toll rates based on the method a customer chooses to pay their toll.
  - A lower toll should remain available to FasTrak® customers because they prepay their toll account and the use of both the FasTrak tag and the vehicle's license plate makes toll collection more certain and more efficient. As such, this method has the lowest cost per customer transaction.
  - A mid-rate toll for License Plate Tolling (Pay-By-Plate Program) customers because they proactively post-pay their toll. This tier was implemented in the 2019 plan and has proven to be helpful to the District's customers. This rate is for customers that make one-time payments prior to receiving an invoice and have proactively opened a license plate account. These transactions rely solely on the vehicle's license plate, but the customer identifies themselves so collection of tolls by the District is more certain.
  - The highest toll rate would be for Invoice Tolling customers because the District must find the customer and request payment. These transactions rely solely on the vehicle's license plate and require that the District locate the customer and mail an invoice.
3. Although the District's AET system allows for toll increases in any increment, unfamiliar increments and frequent changes can be confusing for the District's toll-paying customers. All options will advance simple tolling structures to ensure transparent messaging and expectations.
4. Building upon the success of the District's multi-year approach of the previous multi-year toll increase and the last five multi-year transit fare increases, and keeping with criteria #3, all toll increase options for public review and comment would incrementally raise tolls over the five-year plan to meet the funding goal of criteria #1. These incremental increases would be rounded to the nearest 5 cents to allow clear communication of the toll rates.
5. Consistent with existing policy, 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, Pay-By-Plate, or Invoice). Thus, if the base toll rate is increased by \$0.25 cents, then the rate for each axle for 3+ axle vehicles will be increased by \$0.25 cents. The toll will remain capped at the value of a 7-axle toll rate.
6. Consistent with existing policy, the carpool and persons with disabilities toll will increase by the same amount as the FasTrak toll rate. Thus, if the carpool toll is \$6.75 and the FasTrak toll is increased by \$0.25 cents, the new carpool toll will be \$7.00.

## **II. Public Review of Potential Toll Increase**

As stated above, at the October 26, 2023, the Finance-Auditing Committee performed its annual review of *the Five- and Ten-Year Financial Projection*. The Committee was informed that staff would recommend to the Board at its next meeting that it initiate appropriate steps to consider the presentation of toll increase options to the public for a possible toll increase in July 2024.

This section of the report is to facilitate Finance-Auditing Committee discussion and input to staff for the preparation for the Board's consideration, at its January 2024 Board meeting, of a public process for reviewing and commenting on possible new multi-year toll increase. The recommendation to the Board is to consider the following:

- Authorize staff to create toll options for the public and Board's review that, combined with other actions, produce the necessary revenues to carry out the District's transportation service for its customers;
- Authorize staff to undertake a series of Virtual Open Houses in February 2024 to provide information and receive feedback from the public;
- Authorize staff to organize a Public Hearing after the Open Houses in late February 2024; and,
- Implement any follow-up Board action for the implementation of a possible toll increase in July 2024.

### ***Public Outreach Plan: Public Education of, and Input to, a Proposed Toll Increase***

As with all District proposals that have an impact on the public, a comprehensive Public Outreach Plan (Plan) will be developed. The Plan will include outreach efforts aimed at engaging the District's toll-paying customers in the process. The Plan will be focused on educating and increasing toll payer awareness regarding the toll increase options and the reasoning behind needing a toll increase as well as providing options for commenting and providing input on the proposed options.

The Plan will include outreach efforts such as a dedicated area on the website where all toll increase information may be found, as well as an online comment form for public input; use of the District's social media accounts; print and digital 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/informational materials for outreach; and, holding public meetings in the form of Open Houses and a formal Public Hearing.

It is proposed that three Virtual Open House meetings be held in February 2024 to receive public input on the toll options and to provide a forum for staff to answer questions and further educate the public as to the financial need for a toll increase at this juncture. A Spanish translator will be present at the virtual open houses. The meetings will be publicized through various local media channels.

Printed materials will be available in English, Spanish, Chinese, and Vietnamese.

Following the implementation of the various outreach strategies noted above, the outreach process will culminate with a formal Public Hearing.

### ***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 and categorically 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 state and counties upon approval by the District's Board of Directors as provided for in Section 15062.

### **III. What is The Five-Year Revenue of a Potential Toll Increase Plan**

Based on the above criteria, including the District's projected five-year funding need, staff will develop a series of toll options based on the input of the Finance-Auditing Committee. Staff will estimate the additional toll revenue of each proposal using traffic projections from the five and ten-year financial projections.

To provide a sense of the magnitude of what the toll options would raise, here are a few examples:

- If tolls were raised 25 cents a year (or 2.6%), the District would raise an additional \$76 million over five years with the last toll rates at \$10 for FasTrak, \$10.25 for Pay-By-Plate, and \$11 for Invoice.
- If tolls were raised 35 cents a year (or 3.7%), the District would raise an additional \$101 million over five years with the last toll rates at \$10.50 for FasTrak, \$10.75 for Pay-By-Plate, and \$11.50 for Invoice.
- If tolls were raised 50 cents a year or (5.3%), the District would raise an additional \$139 million over five years with the last toll rates at \$11.25 for FasTrak, \$11.50 for Pay-By-Plate, and \$12.25 for Invoice.

Once the Board is considering options for a toll increase plan, those toll options can be altered or eliminated at the Board's direction. In addition, the Board can add or eliminate options based on its discussion or based on public comment received over the coming months of public outreach.

**Next Steps**

If directed by the Finance-Auditing Committee, staff will develop and present to the Committee at its January meeting the public outreach process and proposed toll increase options for a multi-year toll increase.

**Fiscal Impact**

The public outreach and public hearing meetings are expected to cost approximately \$12,000 to \$15,000 for translation services, public notification, and other associated costs. Funding for these meetings will be absorbed in this year's Operating Budget.

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