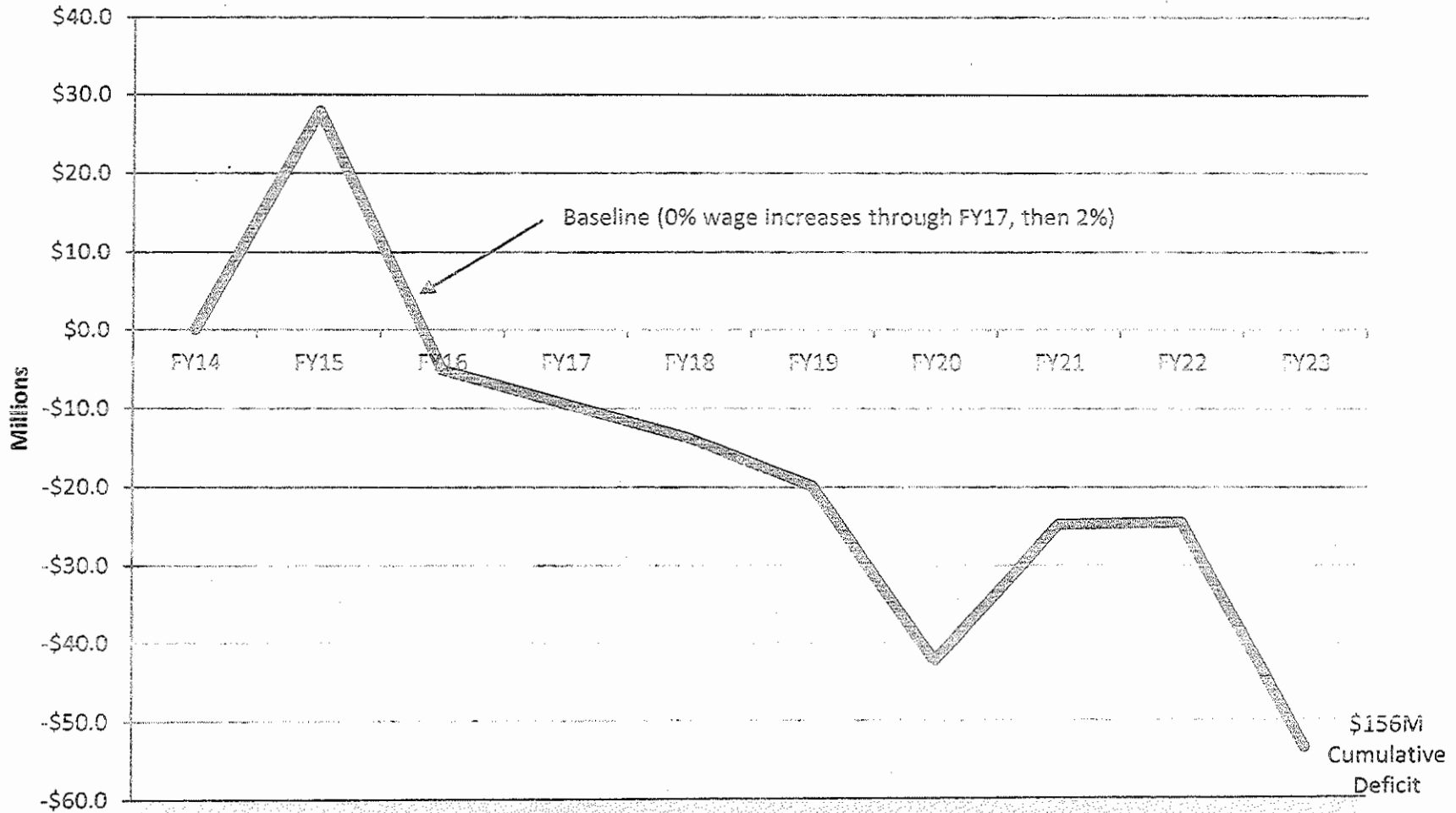


FINANCIAL

INFORMATION

10-Year Financial Outlook Net Annual Result



Includes: OAC, WSX, & eBART; HMC O&M; PERS Amortization Impacts
 Other State of Good Repair contribution \$25M FY19 -->
 Annual Avg Growth: Ridership 3.5% FY14, 2% FY15 -->; Sales Tax 4% FY14, 3% FY15 -->



S RTP Financial Model
Annual Financial Results

Includes CalPERS Amortization and Smoothing Methods impacts

DRAFT

(millions \$)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
SOURCES										
Revenue										
Net Rail Passenger Revenue	415.0	431.0	442.8	466.1	485.8	515.9	530.4	561.8	572.5	601.0
ADA Passenger Revenue	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.1
Oakland Airport Connector Revenue	0.0	4.9	6.7	7.7	8.2	8.6	8.9	9.4	9.6	10.1
Subtotal Net Passenger Revenue	415.9	436.8	450.4	474.8	495.0	525.5	540.3	572.2	583.2	612.2
Non-Fare Revenue	39.3	41.2	44.1	46.6	49.1	51.0	52.8	54.6	56.4	58.1
Total Operating Revenue	455.2	478.0	494.5	521.4	544.1	576.5	593.2	626.8	639.5	670.3
Financial Assistance										
Sales Tax Proceeds	215.7	222.2	228.9	235.8	242.8	250.1	257.6	265.3	273.3	281.5
Property Tax Proceeds	30.9	31.8	32.8	33.8	34.8	35.8	36.9	38.0	39.1	40.3
STA/TDA	18.8	15.9	17.8	20.1	22.6	25.3	28.3	29.4	30.5	31.7
Other Operating Assistance	2.7	9.4	11.0	6.4	4.1	4.2	4.3	2.4	2.4	2.5
5307 Urbanized Area (Federal)	72.0	77.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Financial Assistance	340.1	356.4	290.5	296.0	304.2	315.4	327.0	335.1	345.4	356.0
Total Sources	795.3	834.4	785.0	817.4	848.3	891.9	920.2	961.9	984.9	1,026.3
USES										
Expense										
Net Labor	393.4	401.9	413.5	421.9	438.2	454.8	473.2	484.3	497.4	510.7
Traction/Station Power	41.7	41.6	42.7	45.5	47.7	49.5	51.7	53.6	55.9	58.4
Other Non-Labor & Clipper Fees	103.7	104.3	105.2	107.7	108.6	111.2	112.2	114.8	115.9	118.6
Future Service Changes	0.0	0.3	10.1	22.1	42.5	45.0	49.2	52.0	55.0	58.3
Alternate Mode Extensions (OAC, eBART)	0.0	6.9	8.4	14.5	20.9	21.5	22.1	23.4	24.0	24.7
Hayward Maintenance Complex (HMC)	0.0	0.0	0.0	0.0	13.1	32.0	29.0	22.6	24.8	27.4
Additional Operating & Station Initiatives	12.2	14.6	14.6	14.9	15.3	15.9	16.6	17.4	18.2	19.2
Subtotal Rail Operating Expense	550.9	569.6	594.5	626.5	686.3	729.9	754.0	768.2	791.2	817.3
Purchased Transportation (Muni, ADA, AirBART)	16.7	16.8	17.2	17.7	18.2	18.7	19.2	19.7	20.3	20.8
5307 Rail Car Fund Swap (Federal)	72.0	77.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal Non-Rail Expense	88.7	93.8	17.2	17.7	18.2	18.7	19.2	19.7	20.3	20.8
Total Operating Expense	639.6	663.4	611.7	644.2	704.4	748.6	773.2	787.9	811.4	838.1
Debt Service and Allocations										
Bond Debt Service & MTC \$60M Loan Payback	58.3	56.0	56.3	56.5	56.8	56.9	57.1	57.2	57.4	57.6
Priority Capital Programs/State of Good Repair	53.5	51.1	87.0	92.2	67.2	79.4	105.8	115.2	113.6	156.9
Allocations - Capital	32.9	26.3	26.8	22.7	23.2	23.7	24.2	24.8	25.3	25.9
Allocations - To WSX from SFO Ext Profits	7.2	8.6	8.9	10.1	6.4	0.0	0.0	0.0	0.0	0.0
Allocation to Stations, Ops Reserve & Other	5.1	2.1	0.6	2.1	4.8	4.0	3.1	2.6	3.1	3.3
Total Debt Service & Allocations	156.9	144.1	179.5	183.6	158.4	164.0	190.2	199.8	199.4	243.6
Total Uses	796.6	807.5	791.3	827.8	862.9	912.6	963.3	987.7	1,010.9	1,081.7
OPEB Unfunded Liability	1.4	1.5	1.6	1.8	1.9	2.1	2.3	2.6	2.8	3.2
Annual Financial Result	0.1	28.4	(4.6)	(8.6)	(12.6)	(18.6)	(40.8)	(23.3)	(23.1)	(52.2)

Cost Comparison - District and ATU/SEIU Proposals

Costs or Savings () vs. Current Baseline (\$M)

District	4-Year	ATU/SEIU	4-Year ⁽¹⁾
Wages 2% - 2% - 2.5% - 2.5%	\$ 45.5	Wages 11.5% - 5% - 5%	\$ 165.7
Pension (Employee Contribution) 2% - 3% - 4% - 5%	\$ (22.1)	Pension (Employee Contribution) 7% - 7% - 7%	\$ (47.3)
Medical CAP - Lower of Kaiser, Blue Shield +2	\$ (4.9)	Medical 5% Co Pay Incr.	\$ (0.6)
Total	\$ 18.5	Total	\$ 117.8

⁽¹⁾ Assumes 5% wage increase and continuation of pension and medical contributions for the 4th year of Union 3-year proposal.

Operating Budget Summary

The FY14 Interim Budget includes a \$567.6M operating budget comprised primarily of \$402.0M in wages and benefits, as outlined in Table 2 below.

Table 2

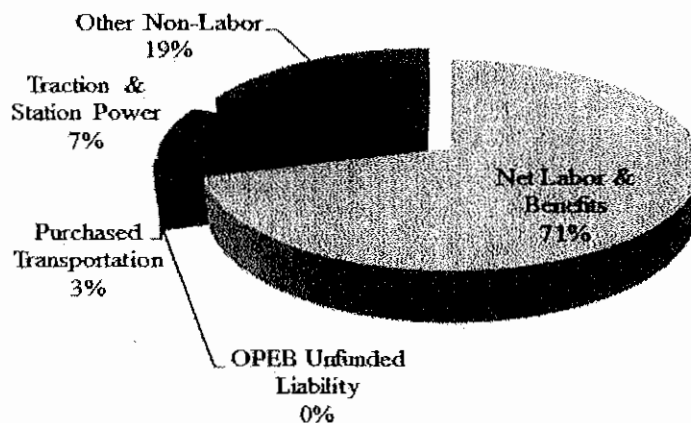
OPERATING EXPENSES (\$ millions)	Budget		Change	
	FY13 Adopted	FY14 Adopted	\$	%
Labor	\$ 381.2	\$ 400.6	\$ 19.4	5%
OPEB Unfunded Liability	0.9	1.4	0.5	61%
Subtotal Labor	\$ 382.1	\$ 402.0	\$ 20.0	5%
Traction/Station Power	38.1	41.7	3.6	9%
Other Non-Labor	96.5	107.7	11.2	12%
Purchased Transportation	16.0	16.3	0.2	1%
Subtotal Non-Labor	\$ 150.6	\$ 165.6	\$ 15.0	10%
OPERATING EXPENSES TOTAL**	\$ 532.7	\$ 567.6	\$ 35.0	7%

**OPEB: Other Post Employment Benefits, including retiree medical, life insurance, survivor benefit, etc. The OPEB unfunded liability is a non-cash accounting entry to record the difference between the Annual Required Contribution and the total of the Retiree Health Benefits Trust payments per the ramp-up schedule plus the "pay-as-you-go" retiree premium payments.

As shown in Table 2, BART's operating expenses are projected to increase by 7 percent from FY13 to FY14, from \$532.7M last fiscal year to \$567.6M in FY14. These increases are driven by the costs of additional positions in addition to the increased costs of benefits, power, and other costs listed in Table 2 above and as discussed in subsequent sections of this document.

Figure 1 below represents the composition of BART's interim FY14 operating budget. As shown, 71 percent of operating costs in FY14 are budgeted for labor.

Figure 1
FY14 Operating Expenses



Labor, power, purchased transportation, and other costs are detailed in the following sections.

policies will be implemented in FY16 and will be phased in over five years.

In addition to the PERS pension, the District contributes to a supplemental qualified retirement pension contribution, the Money Purchase Pension Plan (MPPP), which is a 401(a) type plan. The District contribution consists of 6.65 percent of base wages, but is capped at an annual amount of \$1,869 per employee. The MPPP expense totals \$6.4M in the FY14 Interim Budget. An additional 1.627 percent contribution was suspended as part of the last labor contracts, but returned to all employees (other than sworn police) at the beginning of FY14, at a value of \$4.2M in the FY14 Interim Budget.

Active Employee Medical Insurance (\$57.2M)

The District pays for a large portion of the active employees' medical benefits. Currently, employees contribute \$92.24 per month. On January 1, 2014, employee contributions will be subject a scheduled 3 percent annual increase. The District's cost of medical insurance plans for active employees increased by 12.5 percent from FY13, to \$57.2M in the FY14 interim budget. The employee portion of medical insurance plans is \$3.6M in the FY14 interim budget.

PERS Retiree Medical Insurance (\$29.9M)

As part of the District's medical benefits package, an employee is eligible to receive retiree medical benefits once they retire if they have worked for the District for more than five years and are over the age of 50.

Actuary forecasts show that retiree medical insurance costs will steadily increase in future years. Overall, costs have increased over the past eleven years due to the increase in the number of retirees from 802 in FY03 to 1,797 in FY13, along with escalating premium costs.

Workers' Compensation (\$12.4M)

The FY14 Interim Budget includes an estimated \$12.4M to fund worker's compensation claims.

The workers' compensation actuarial forecast received in May 2012 projected an increase in outstanding past liabilities as well as an increase in projected claims in FY13. The forecast recognized the continuing trend in increasing (a) frequency and (b) cost of claims. The FY13 budgeted annual funding for workers' compensation claims was increased from \$8.8M in FY12 to \$12.1M, and the claim reserve account was also supplemented by \$9M at FY12 year end.

I. Big 3 Priority Capital Projects

New Vehicle Procurement Program: Fleet of the Future

BART began service over 40 years ago and is currently running the oldest fleet in the United States. The technology in these old cars has become outdated as significant improvements in propulsion, communications, failure monitoring, and energy efficiencies have since been developed. Weekday ridership is projected to increase to 500,000 within the next 5 years, and 1 million in the next 40 years. The current fleet is simply not capable of handling this demand. It will necessitate an expanded fleet, new and expanded maintenance facilities to support the fleet, and an updated train control system to increase vehicle throughput in the Transbay Tube.

In June, 2012 a Notice to Proceed was issued for 410 new cars, out of a 775 car order. Of the first order of 410 cars, \$298 million was committed in BART funding, \$871 million by MTC and \$215 million from VTA as per agreement associated with the construction of the Silicon Valley Rapid Transit (SVRT) extension project. In order to meet this commitment, BART must continue to set aside funding from the operating budget. At the current rate, it would take another 5 years, to FY2018, for BART just to meet the funding commitment in the first 410 car order. However, due to the favorable per-unit bid received for the cars, BART wishes to ultimately order a total of 1000 cars to meet capacity needs in the coming years. We are presently negotiating with MTC to secure a share proportional to their commitment to the current order, with BART providing the balance.

The new configuration of seats will allow for roughly 10% more standing room in each train car compared with today's train cars, while reducing seats per car by less than 3%. Extra standing room will help alleviate crowded commutes and provide a comfortable trip for passengers who are only traveling a few stops. Delivery of 10 Pilot Vehicles will be completed in September 2015. Delivery of Production Vehicles will commence in December of 2016 at a rate of 10 vehicles per month.

Hayward Maintenance Complex Project

The HMC Project is a project to upgrade and expand the existing Hayward Shop and Hayward Maintenance Yard to accommodate the maintenance needs of the SVRT project and BART's future railcar fleet and system maintenance demands. The scope of the HMC Project includes:

- Modifications to the existing primary shop and equipment therein;
- New component repair shop;
- New Maintenance & Engineering (M&E) shop;
- New material storage yard;
- New vehicle level overhaul shop; and

II. Beyond the Big 3 – State of Good Repair

BART Assets Reaching End of Useful Life

In order to provide safe and reliable passenger rail service over the long term, systems like BART must be in good working order. For a public transit system being in a “State of Good Repair” (SOGR) means keeping up with costly maintenance processes which improve or expand the lifecycle of their physical “assets.” But many of BART’s assets are at or beyond the end of their useful life. Power substations, lighting, cable distribution systems, elevators and escalators, third rail and coverboards, fire alarm systems, communications systems and miles and miles of track are in need of attention.

Over the last several years, BART has prioritized the development of a comprehensive full inventory of its assets, including a list of capital reinvestment projects to determine rehabilitation needs. From this data, BART has also been assessing an annualized roster of the most critical reinvestment needs based on impacts to safety and service reliability which is included in this report.

If BART cannot keep up with SOGR needs to provide safe dependable transit service for our citizen, riders in the Bay Area will experience added travel costs because many BART riders will switch back to autos, increasing delays, congestion and environmental costs – which will certainly result in a regional economic hit to the Bay Area. This has been confirmed by prior independent studies, the most recent of which was performed in 2011 by a consortium including UC Berkeley, the Bay Area Council, and other interests. One of the key conclusions of that particular study was that by failing to adequately invest in BART SOGR needs, the San Francisco Bay Area could experience between \$21 billion and \$32 billion in ancillary economic losses over the next thirty years.

The attached table depicts our most recent assessment of SOGR Unfunded Shortfall by Program in various time increments, including existing backlog, and in four, ten and thirty year horizons.

III. Capacity Related Capital Projects

BART expects ridership to increase by about 50 percent over the next 12 years, driven by population and employment increases in the BART service area. Just within Priority Development Areas adjacent to BART, more than 235,000 new jobs are forecast. To provide enough service and capacity to meet these challenges, BART will need to focus on these essential priorities:

- Deploy a modern 1,000 car fleet (Big 3 project)
- Develop larger and more efficient maintenance facilities (Big 3)
- Procure and deploy a modernized train control system that allows more trains to operate on the system during peak periods (Big 3 project)
- Adjust routes and provide more frequent service within the region's core
- Preserve BART's current policy headways and on-time reliability
- Bring its infrastructure to a state-of-good-repair with an emphasis on power and communication systems renewal
- Rehabilitate stations and deliver strategic trackway improvements that allow for a more efficient use of trains, cars and train operators.

The priorities will save BART money, reduce crowding in the peak periods, but fill empty seats in the off-peak, and create a highly frequent service in the region's core.

Again, it is important to note that, with the exception of Train Control Modernization and Phase 1 of the Hayward Maintenance Complex, there is virtually no identified funding for needed capacity related capital investments.

IV. System Safety and Security Projects

System safety and security has been a capital focus in recent budgets, particularly in FY14. In addition to the hardening, communications, grilles, fencing, closed circuit TV and other projects identified in the Safety and Security category of the capital budget, there is approximately \$25 million of safety related projects contained in the System Renovation category as well. These include trackway fall protection, third-rail coverboard replacement, emergency power and fire safety system renovation or replacement, emergency communications, vertical circulation safety improvements, and sidewalk repairs.

COMPENSATION

INFORMATION

**RELEVANT RECENT
LABOR SETTLEMENTS**

7/18/2013

Recent Bay Area Labor Settlements

Employer/ Agency	Union(s)	Date of Agreement	Term of Agreement	Wages	Pension	Medical	Net of Wages Pension Medical	Other
Port of Oakland	SEIU, IFPTE, IBEW	spring 2013	two years	13%(2.5% x 2 + plus offset pension 8%)		20 year vesting for retiree 8% medical	5%	\$3500 lump sum in year one
City of Oakland		summer 2013	two years (?)	3%(2% +1%)	no change -- (8% ee contribution misc; 13% safety	no change (er pays full cost of Kaiser and ee pays any excess for other plans)	3%	tried to get more medical co pay, lower maximum vacation and sick leave accruals, but failed
East Bay Regional Park District	AFSCME	Ratification by union 7- 17-13; Dist will consider in August, 2013	4 years - retro to 4- 1-13	2% + 2% +CPI- based 2 - 2.75% x 2; assumed 9.5% for budgeting purposes	4% in addition to pre-existing 4%	no change -- 100% er paid	5.50%	eliminated AARP post-retirement medical for employees 65+

**San Francisco Bay Area Rapid Transit District
FY14 Average Annual Cost per Employee**

	SEIU MWIII* (FT)		ATU Train Operator (FT)		ATU Station Agent (FT)	
	Employee Cost	BART Cost	Employee Cost	BART Cost	Employee Cost	BART Cost
Wages for Regular Hours		59,341		50,911		52,241
Vacation, Sick and Holiday		12,303		11,837		11,937
<i>Annual Base Salary</i>	-	71,644	-	62,748	-	64,178
Medical	1,124	16,544	1,124	16,544	1,124	16,544
Retiree Medical		8,121		7,148		7,298
Long Term and Short Term Dis.		534		534		534
PERS		13,680		12,243		12,846
Dental		2,098		2,098		2,098
Money Purchase Plan (inc. addt. MPP)		3,083		2,938		2,960
Medicare**	998	998	879	879	897	897
Other Benefits***		3,733		3,309		3,375
<i>Total Fringe Benefits</i>	2,122	48,791	2,002	45,692	2,021	46,552
Total Salaries and Benefits	2,122	120,435	2,002	108,440	2,021	110,730
Fringe Load		68.1%		72.8%		72.5%

* SEIU MWIII includes the following classifications as listed in the SEIU 2009-2013 labor contract: Auto & Equip Mechanic, Buildings Worker, Cash Handling Electronic Tech, Comm Electronic Tech, Dump Truck/Equipment Operator, Electrician, Elevator/Escalator Worker, ERS Tech, Fire Protection Worker, Fire Service Worker, Grounds Worker/Applicator, Irrigation/Grounds Worker, Locksmith, Material Coordinator, Painter, Power & Mechanical Worker, Shop Machinist, Structures Equipment Operator, Structures Welder, Track Equipment Operator, Track Welder, Train Control Electronic Tech, Transit Vehicle Electronic Tech, and Transit Vehicle Mechanic.

** Medicare insurance coverage (1.45% of salary) is required by law, and impacts only employees hired after 3/31/86. Medicare is budgeted at the blended rate of 1.344% since BART has employees hired both before and after that date.

*** Other Benefits include Additional Life Insurance, Basic Life Insurance One, State Unemployment Insurance, Vision Care Plan, and Workers' Compensation.