

## **BART's INFLATION-BASED FARE INCREASE PROGRAM**

### **3/25/15**

BART's Financial Stability Policy, adopted by the BART Board in 2003, identifies that BART's ability to deliver safe, reliable service rests on a strong and stable financial foundation. One goal of the Financial Stability Policy is to help achieve this stability by preserving and maximizing BART's fare revenue base through a predictable pattern of fare adjustments, while also retaining ridership. This goal was addressed in 2003 when the BART Board approved a productivity-adjusted inflation-based fare increase every two years, with the first increase in 2006 and the last in 2012.

This series of four small, regular fare increases was essential to BART's financial stability during difficult economic times. Between 2006 and 2012, the inflation-based component of BART fare increases contributed approximately \$300 million in additional fare revenue, thus enabling BART to operate and reinvest in the system and maintain service levels during the recession that began in 2008

To keep the system running safely and reliably, BART needs to secure an estimated \$9.6 billion to pay for the highest priority capital renovation projects over the next 10 years, including new rail cars, train control system and the Hayward Maintenance Complex. Although BART has identified and planned over the years for many of the required capital reinvestments, securing funding is difficult and often highly dependent on regional and local sources, and BART itself must contribute funding. Therefore, BART needs to "self-fund" a portion of these reinvestments.

A key "self-funding" source is extending BART's inflation-based fare increase program to raise fares in 2014, 2016, 2018, and 2020. This series of increases is estimated to generate over \$325 million in additional fare revenue over the eight-year program based on current inflation and ridership projections. Fare revenue from the second series of increases by Board policy goes into a separate fund that can only be used to help fund BART's highest priority capital renovation projects such as new rail cars, a train control system, and the Hayward Maintenance Complex.

The fare increases at two-year intervals—the first in 2014 and the last in 2020—are calculated by applying the same formula used in the first series of inflation-based fare increases. That formula calculates the change in both national and local inflation over a two-year period, takes the average of these two changes, and then subtracts out 0.5% to account for improved BART operating efficiencies. The resulting increase is actually less than inflation. For the fare increase in 2014, the overall change in inflation between 2010 and 2012 was 5.7%; after subtracting the 0.5% productivity factor, the resulting fare increase implemented in January 2014 was 5.2%. The fare increase scheduled for January 2016 is 3.4%, which is calculated by taking the average of the increase in national and local inflation between 2012 and 2014, or 3.9%, and subtracting 0.5% for productivity improvements. The 2016 fare increase is estimated to generate \$15 million annually, which will be in addition to the \$20 million the 2014 increase is already generating per year.