

San Francisco Bay Area Rapid Transit District



FISCAL YEAR
2016
PRELIMINARY
BUDGET MEMO

March 31, 2015



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**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
MEMORANDUM**

TO: Board of Directors

DATE: March 31, 2015

FROM: General Manager

SUBJECT: Fiscal Year 2016 Preliminary Budget

The strength of the Bay Area's economy and the challenge of accommodating the ridership associated with the region's economic prosperity were of primary consideration in the development of the Fiscal Year (FY) 2016 Preliminary Budget. Average weekday ridership was over 441,000 in October 2014, BART's highest ever, and five of the top ten weekday ridership days happened within the last ten months. However, providing the transportation backbone for the region's growing economy is stressing the BART system, especially given the current number of rail cars in the fleet and its aging infrastructure.

New rail cars have been ordered and the pilot test cars are scheduled to be delivered later this year. In order to address crowding until the new cars are in service, it is critical that the District make strategic short term investments to increase rail car capacity. The FY16 Preliminary Budget outlines proposals to put more rail cars into service by increasing shop capacity and ramping up rail car maintenance. These investments will increase rail car availability to help relieve crowding, and allow us to provide the rail cars needed to serve the Warm Springs Extension, which is scheduled to open in December 2015.

BART also continues investment in our aging infrastructure in FY16. As in previous budgets, an allocation of \$45 million to the rail car replacement program is included. This represents the annual increment that the District has been setting aside as our contribution to the \$3.2 billion rail car purchase. The District has awarded contracts to purchase 775 new vehicles, and is seeking funding to purchase over 225 additional vehicles.

Once again, on-time performance was of critical importance to our customers in the 2014 Customer Satisfaction Survey, conducted last September. This budget builds upon previous investments made in the Asset Management Program and provides funding for track personnel and engineering staff within Rolling Stock and Shops. Given the limited resources available, the ability to gather data, evaluate information, and develop the most cost effective strategies for maintenance and capital replacement will be of increasing importance to the aging BART system. The budget also includes recommendations to explore opportunities to secure additional external revenues to rehabilitate our 40-plus year old infrastructure. Infrastructure investments will create jobs for thousands in construction-related trades, and ensure that BART service will continue to be reliable and safe.

The Customer Satisfaction Survey also influenced investments outlined in this budget. The survey identified critical service attributes rated as "below average" by BART customers. Train crowding and the cleanliness of stations and rail cars have been impacted by record ridership levels, and were noted by our customers as areas of deficiency. Several initiatives are specifically designed to address those issues.

By Board policy, incremental revenues from demand-based parking fee increases are dedicated to station upgrades and station access improvements designed to improve the customer experience. The proposed budget includes an additional \$8.5 million of station-related capital and operating initiatives. Increases in the number of station cleaning personnel, programs to increase bicycle parking, a staff person to manage an art program, and other important initiatives are outlined in this budget. We believe that these proposals will help to make our stations cleaner, easier to access, and create a safer and more inviting station environment.

It is important to note that this budget also includes approximately \$12 million in costs associated with the initiation and ongoing operation of service to the Warm Springs/South Fremont Station. While extra vehicle mechanics will increase shop capacity in order to provide the revenue vehicles necessary to serve the extension, additional personnel are needed to operate the trains; maintain the tracks, electrical and train control systems; serve as station agents; and provide police services.

While we are proposing to invest in a number of critical, high priority areas, our financial projections indicate considerable financial challenges in the upcoming years. Given the region's dependence on BART, I believe it is imperative that we make the investments outlined in this budget to provide the quality service our customers deserve and expect, and improve the public's perception of the District as a good steward of public funds and an agency that is worthy of additional support. I look forward to working with you in the coming months to finalize this year's budget.


Grace Crunican

cc: Board Appointed Officers
Deputy General Manager
Executive Staff

1. Overview

The FY16 Preliminary Budget focuses on addressing areas of concern raised by BART's customers in the 2014 Customer Satisfaction Survey, provides for increases in rail service capacity, and continues to support BART's commitment to deliver safe, reliable service by rebuilding BART's aging infrastructure. The following sections summarize the FY16 Preliminary Budget's focus areas to help achieve these goals. New initiatives proposed for FY16 are described in Section 7.

Development of the FY16 Preliminary Budget has been informed by the FY15-FY24 Short-Range Transit Plan/Capital Improvement Program (SRTP/CIP) approved by the Board last fall, which showed large annual operating deficits and \$4.8 billion of unfunded capital needs over the ten-year forecast period. This provides context for considering the long-term financial and operational impacts of FY16 spending decisions. The sizable future shortfalls mean that ongoing expenses need to be carefully controlled and revenues enhanced to help meet current and future capital commitments and address high-risk needs.

In FY16, BART will also welcome the extension to the Warm Springs/South Fremont community, with the single-station, 5.4 mile extension opening for revenue service in mid-FY16. This will enable a seamless connection to Santa Clara County via the Silicon Valley Berryessa Extension, anticipated for 2017. Work also continues on the two-station eBART rail project, which will provide a key linkage to eastern Contra Costa County.

Customer Satisfaction

BART's Customer Satisfaction Survey is conducted every two years to track how well BART is meeting customers' needs and to help BART prioritize investments to improve the system. Customers are asked three key questions to assess their overall opinion of BART (overall satisfaction, willingness to recommend, and value for the money). In addition, they are asked to rate 48 specific service attributes, such as on-time performance and station cleanliness.

The 2014 Customer Satisfaction Survey results showed a significant decline in customer satisfaction, which dropped from 84% in 2012 to 74% in 2014. Key contributing factors include increased crowding on the system (weekday ridership grew from 403,000 riders during the survey period in September 2012 to 430,000 riders in September 2014), aging trains and stations, system cleanliness concerns, and reductions in on-time performance.

The FY16 Preliminary Budget includes the following proposed new investments to improve customer satisfaction, most of which also address BART's other FY16 focus areas of increases in service capacity and system reinvestment:

Improved on-time performance

- Extended hours for stand-by paramedics to respond more quickly to medical emergencies in and near the Transbay Tube to reduce train delays. This initiative will expand paramedic support to cover 6-10AM and 3-8PM.
- Two more Train Control Technicians to quickly remedy train control problems during peak periods and minimize delays to our customers. Train control failures are responsible for 19% of late trains. The addition of these technicians is expected to improve response time by 15%.
- Six more rail vehicle engineers to sustain vehicle reliability
- Seven more grounds workers to ensure that the right-of-way is clear of obstructions to avoid service disruptions

Less crowding on trains

- A new graveyard shift at the Daly City maintenance yard (9 full time employees)
- Weekend maintenance shifts at the Hayward maintenance shop (28 full time employees)
- These investments will eventually result in 20 more train cars in service during peak periods.
- Also, the minimum length for all off peak Orange Line trains will increase from three cars currently to four cars in the future.

A cleaner BART system

- Twelve more station cleaners to clean and scrub stations more frequently
- Four more train cleaners to clean floors and disinfect seats
- More pigeon abatement

Personal Security

- Four new staff to expand BART Police presence in downtown San Francisco, and support the Crisis Intervention Team.

The new investments in FY16 will supplement previously funded improvements to improve satisfaction:

- Seat Condition ratings should improve in the next survey because the last cloth seats were removed from train cars in December 2014 (three months after customers were surveyed).
- Floor Condition ratings are also expected to improve as the last of the carpeted floors will be removed from cars by June 2015.
- The addition of station scrub crew staff, funded in the FY15 budget but not fully in place before the September customer survey, should improve ratings of Station Condition/State of Repair and Station Cleanliness going forward.
- Lastly, the current project to upgrade heating ventilation and air conditioning (HVAC) on BART's C-cars should improve future Train Temperature ratings.

These are all part of a multi-year program of investments to Build a Better BART system.

Capacity

Over the past five years, ridership on BART has increased by nearly 25%, or over 75,000 trips, on a typical weekday. In 2014, weekday ridership averaged over 410,000, with peak months as high as 440,000. Growth is occurring across the system, but the greatest increases are in the constrained Transbay corridor, which saw 50,000 additional daily trips between 2010 and 2014. Peak-hour, peak-direction trains now typically range from 120 to 140 passengers per car, far above BART's standard of 115 per car.

To relieve some of the crowding before the new rail cars arrive in late 2017, the FY16 Preliminary Budget proposes a number of projects to maximize availability of the current fleet. A third maintenance shift at the Daly City Shop will provide additional cars for revenue service. Other programs focus on reducing and minimizing train delays, which is challenging with an aging fleet and crowded trains. Additional Train Control Technicians will provide coverage at key locations around the system to ensure rail car equipment failures can be quickly and effectively addressed while maintaining revenue service and mitigating delays. New positions and equipment are also proposed to support additional track maintenance shifts, which will help maintain track for optimal revenue service conditions. These and other initiatives to maintain and improve service are discussed in Section 7.

Reinvestment

The top focus of BART's infrastructure reinvestment continues to be the "Big 3" capital projects: Fleet of the Future rail cars, Hayward Maintenance Complex (HMC), and Train Control Modernization Project. These three projects are inextricably linked and essential to meeting the District's key safety, reliability, capacity, and sustainability goals. A modern, expanded fleet meets current and future capacity demands while maintaining passenger comfort and service reliability. The Hayward Maintenance Complex provides for maximum car availability by maintaining and storing the expanded fleet. An improved train control system allows trains to operate closer together and puts an expanded fleet in service both safely and reliably.

The FY16 Preliminary Budget is guided by the District's comprehensive Asset Management Program. The Risk Assessment identifies BART's highest risk assets as defined by the likelihood of near-term failure and the consequent impact on the system, rather than simply by age or condition. With this information, BART can take a more systematic, risk-focused approach to prioritizing investment of scarce resources for both operating and capital needs.

BART is currently producing its annual Strategic Asset Management Plan (SAMP). This document will summarize the findings and conclusions from this year's asset management analysis. Over the past year, significant improvement was made to BART's asset registers and risk registers. Unmitigated high or very high risks identified on the risk registers informed the FY16 Preliminary Budget process, resulting in the proposed operating and capital initiatives.

FY16 Preliminary Budget

The following sections start with a discussion of rail service plans, following by the FY16 Preliminary Budget Income Statement. Operating and capital sources and uses are shown together in a combined Income Statement in order to present a more accurate picture of BART's financial situation. This is followed by descriptions of operating and capital sources and expenses. The final section is a summary of proposed initiatives for FY16.

BART Board rules require that the Board of Directors receive the Preliminary Budget document each year by April 1. During April and May, staff will give a series of informational presentations on the budget at regularly scheduled Board meetings. Board rules require adoption of the upcoming annual budget by June 30 of each year.

2. Rail Service Plan

Two rail service changes are planned for implementation in FY16. The first change focuses on increasing core capacity to address passenger overcrowding, while the second change will provide service to Warm Springs/South Fremont Station in mid-FY16 and add additional core capacity. Providing rail cars needed for FY16 service changes will require investments in the existing system and modifications to existing planned service, many of which are detailed in the Initiatives section. Already underway in FY15 and funded by the Warm Springs Extension (WSX) project is the Rail Car Major Repair Crew, also known as the “Accident Crew,” which will restore to revenue service four damaged cars. FY16 efforts, discussed in the Initiatives section, include adding a third maintenance shift at the Daly City Shop, weekend maintenance shifts in Hayward Shop and adding rail vehicle engineers to meet the increase in engineering demands on the aging fleet.

Rail Service Requirements	FY15	FY16
Peak Cars	534	554
Ready Spares and Yard Logistics	39	39
Total Peak Vehicles	573	593
Total Cars	669	669
Total Fleet Availability	86%	89%
Peak Trains	62	63
Total Car Hours (mil)	2.22	2.37
Total Car Miles (mil)	68.5	75.5

Core Capacity Improvements

The following service changes will be implemented to address the need for additional capacity. The FY16 service plan will require decreasing cars from specific runs, increasing cars in other runs/lines and adding service to WSX as listed below.

Peak service changes include reassigning 11 cars currently in revenue service and reducing by 20 the number of cars in maintenance:

- Shift six total peak runs to start service at Pleasant Hill (instead of Concord) using northern half of Contra Costa Crossover (+10 cars)
- Make all SFO-Bay Point trains ten cars with savings from Contra Costa Crossover (-9 cars)
- Make all Yellow Line peak extra trains nine cars (mix of 8-10 currently) (+1 car)
- Move two cars saved from Yellow Line peak extra trains to two most crowded Green Line trains (-2 cars)
- Add San Francisco-Pleasant Hill runs (one each: late AM peak, early PM peak, late PM peak) (peak trains make additional runs with no additional cars required)
- Increase all Blue Line trains to nine cars (+6 cars, from Daly City and Hayward Shops)
- Extend Green Line to WSX from start of revenue service to 7PM (weekdays/Saturday) and Orange Line at all other times (+9 cars, required from shops)
- Lengthen select Green Line trains (+3 cars, required from shops)
- Lengthen select Red Line trains (+2 cars, required from shops)

Off Peak service changes:

- Lengthen all three car Orange Line trains to four cars
- Run longer trains later on weekday mornings (one each on Yellow, Green and Blue lines)
- Extend Red Line service one hour on weekday evenings, with the last train departing Millbrae at 9PM

Warm Springs Extension

While the service plan is currently under evaluation, for planning purposes the FY16 Preliminary Budget assumes the extension of the Green Line to Warm Springs/South Fremont Station until 7PM on weekdays or before evening service transitions to the Orange Line (20-minute headways). Saturday and Sunday service will be provided by the Orange Line.

Resources Required – Core Capacity & Warm Springs Extension

To implement the FY16 service changes BART is strategically investing in vehicle maintenance to provide additional cars for revenue service, and other maintenance and transportation initiatives to keep those cars in operation.

To supply the required additional rail cars, the Rolling Stock and Shops (RS&S) department will conduct routine car maintenance, component overhauls and cleaning at a higher rate. RS&S is currently restructuring the distribution of workload and reallocating resources within the shops. In addition to the changes, an FY16 budget initiative will add a third maintenance shift (11 full time employees) to the Daly City Shop to support the repair and scheduled maintenance of cars for the Blue Line and Green Line service improvements, and weekend maintenance shifts to the Hayward Shop (28 full time employees) to support the repair and rehabilitation of cars, axles assemblies, and trucks seven days per week. Additional Transit Vehicle Electronic Technicians (four positions) will provide coverage at key locations around the system to ensure rail car equipment failures can be quickly and effectively addressed while maintaining revenue service and mitigate delays. The FY16 budget will also include six vehicle systems engineers of various levels to provide engineering support to the existing fleet and new maintenance practices, and additional car cleaners (nine positions) to support the increased rail cars in service. Mid-way through FY15, the WSX project funded 12 positions to repair damaged rail cars in order to bring them into service in the fall/winter 2015 timeframe. This crew will eventually become part of the HMC staff when that project is completed.

As part of the FY16 budget, BART is also investing in maintenance and transportation services that are not directly related to rail cars in order to reduce system delays and handle service increases needed to address capacity demand. The Maintenance and Engineering (M&E) department is adding six positions to address track maintenance and rail replacement, and seven grounds workers to ensure that the right-of-way is clear of obstructions, which can create major service disruptions, and that workers are safe. BART currently has only two dedicated positions to address right-of-way clearance issues for over 104 route miles. M&E is also increasing the number of technicians who are strategically positioned throughout the system to address train control issues. Train control failures are responsible for 19% of late trains. The addition of these technicians is expected to improve response time by 15%.

The Transportation and System Service (T&SS) department is adding positions to increase staffing efficiency and improve response times to train and station-related problems. T&SS also aims to increase service efficiency by extending stand-by paramedic service hours at the Transbay Tube, which will result in faster response times to major medical events. Finally, the Operations Planning department is adding a manager to assist with the ongoing implementation of the Asset Management Program, which will assist in identifying the assets that are in the most critical need of rehabilitation and replacement.

These increases in resources are to support current and near-term capacity demand and to support the WSX, which will require 14 additional rail cars in the scheduled service plan. The additional resources mentioned above will accommodate this increase plus make additional cars available for service each day. In total, the resources to address current and near-term capacity demand plus the WSX will amount to 124 positions (91 WSX + 33 system reinvestment-related budget initiatives) and \$17.0M (\$12.2M WSX + \$4.8M capacity/system reinvestment-related budget initiatives).

Service Increase Impact on System

Unprecedented ridership growth in recent years has necessitated the steady increasing of train lengths to accommodate increased demand. The opening of WSX in mid-FY16 will require one additional train and additional car hours to maintain current headways.

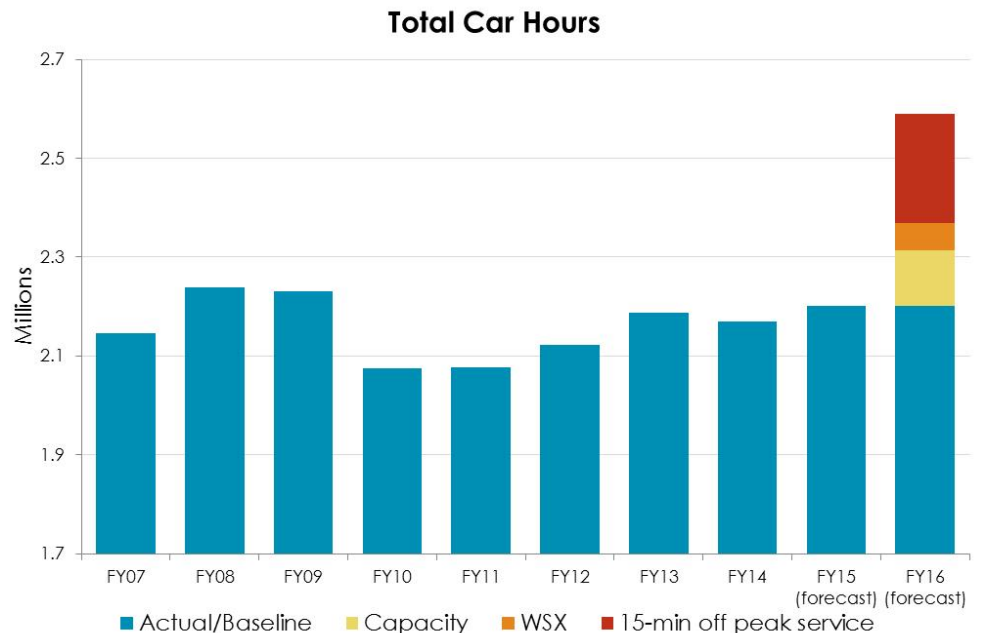
As of FY15, BART had already exceeded the industry standard fleet availability metric of 80% by running 86% of its fleet during weekday peak service. Fulfilling all scheduled runs for FY16 will require BART to run an unprecedented 89% of its available fleet. The planned FY16 service improvements are expected to strain an aging fleet, adding significant pressure on BART to maintain cars and the system.

Improving Off Peak Headways

Improving off peak headways (i.e. weeknights, Saturday nights and Sundays) to 15-minutes from the current 20-minutes was considered during the FY16 budget process. However, the additional car hours required to run 15-minute off peak service are twice that of the FY16 planned core capacity improvements and three times that of the WSX service. The FY16 core capacity improvements and WSX will require more total car hours than BART's previous peak in FY09, when 15-minute off peak service was in effect. In addition, the off peak capacity improvements planned for FY16 will help address some train crowding issues, especially in the urban core sections of system in San Francisco and Oakland.

Car hours are the biggest driver of vehicle maintenance requirements. Further increasing the need for maintenance would exceed available shop capacity, where in many cases three shifts a day are already running. Additionally, evenings and off peak hours are crucial times for single tracking, creating maintenance windows to allow work to be done with minimal service disruption. Combined with California Public Utilities

Commission General Order 175 (GO175), even relatively small scale maintenance work in one discrete location can delay revenue service by three to five minutes. Any reduction in time allowed



for maintenance is expected to increase maintenance backlogs which may result in additional temporary slow orders during revenue service and related service quality impacts.

While BART was able to operate 15-minute off peak service in FY08 and FY09, very different circumstances exist in FY16. Most of the car resources available in FY08 and FY09 have already been utilized to lengthen trains. Car hour levels today are approaching FY09 levels without 15-minute off peak service increases on a fleet that is much older. The figure above shows that car hours forecasted for FY16, with capacity improvements and WSX, greatly exceed the number of car hours in FY09.

3. FY16 Preliminary Budget Income Statement

(\$millions)	FY15	FY16	Change	
	Adopted	Preliminary	\$	%
SOURCES				
Passenger Revenue	440.8	\$ 481.7	\$ 40.9	9%
Parking Revenue	26.2	30.7	4.5	17%
Other Operating Revenue	20.2	26.4	6.2	31%
Operating Revenue Total	487.2	538.7	51.6	11%
Sales Tax	228.7	244.6	15.9	7%
Property Tax	33.7	34.7	1.0	3%
State Transit Assistance	21.9	18.8	(3.0)	-14%
Other Assistance	3.7	9.4	5.7	154%
Tax & Financial Assistance Total	288.0	307.6	19.6	7%
OPERATING SOURCES TOTAL	775.2	846.3	71.2	9%
5307 Funds (Rail Car Fund Swap from MTC)	77.0	52.7	(24.3)	-32%
CAPITAL SOURCES TOTAL ¹	711.5	664.7	(46.8)	-7%
TOTAL OPERATING AND CAPITAL SOURCES	1,563.7	1,563.7	0.0	0%
USES				
Net Labor & Benefits	420.5	470.0	49.5	12%
OPEB Unfunded Liability	2.4	2.5	0.1	3%
Traction & Station Power	38.1	40.3	2.2	6%
Purchased Transportation	23.5	26.0	2.5	11%
Other Non-Labor	114.6	117.3	2.7	2%
Operating Expenses Total	599.1	656.1	57.0	10%
Debt Service	56.0	50.3	(5.7)	-10%
Allocation - Capital Reinvestment	43.0	50.9	7.9	18%
Allocation - Rail Cars	45.0	45.0	-	0%
Allocation - Priority Capital Programs	18.8	27.0	8.2	44%
Allocation - Rail Cars from SFO Net Result	8.7	12.2	3.6	41%
Allocation - Access Prog (from Parking)	4.3	5.7	1.4	31%
Other Allocations	2.7	1.6	(1.1)	-40%
Allocations Total	178.4	192.8	14.3	8%
OPERATING USES TOTAL	777.5	848.8	71.3	9%
Extraordinary Expense-Rail Car Fund Swap to MTC Reserve	77.0	52.7	(24.3)	-32%
System Reinvestment	312.8	365.0	52.2	17%
System Expansion	245.4	173.5	(71.9)	-29%
Safety & Security	48.0	49.0	1.0	2%
Service & Capacity Enhancement	33.9	37.8	3.9	12%
Earthquake Safety	66.0	33.9	(32.1)	-49%
Reimbursable/Other	5.5	5.5	-	0%
CAPITAL USES TOTAL	711.5	664.7	(46.8)	-7%
TOTAL OPERATING AND CAPITAL USES	1,566.1	1,566.2	0.2	0%
OPEB Unfunded Liability	(2.4)	(2.5)	(0.1)	n/a
NET RESULT, subtotal	\$ 0.1	\$ -	\$ (0.1)	
Unfunded Annual Capital Need ²	\$ (480.0)	\$ (480.0)	-	0%
FINAL NET RESULT	\$ (479.9)	\$ (480.0)	\$ (0.1)	0%
Operating Ratio	81.3%	82.1%	0.8%	1.0%
Farebox Recovery Ratio	73.6%	73.4%	-0.2%	-0.2%
Average Weekday Trips	403,680	429,695	26,015	6.4%
Rail Cost/Passenger Mile (TSP Performance Measure)	35.2¢	35.8¢	0.6¢	1.8%

1. Federal, state and local grants, bridge tolls, bond funds, BART allocations and third party funding

2. Est. \$4.8B unfunded capital need over 10 years (FY15-FY24 Short Range Transit Plan/Cap Improvement Prog)

4. Operating Sources

BART's operating sources consist of two main categories, Operating Revenue and Tax and Financial Assistance, which are highly dependent on the health of the Bay Area economy including employment, business activity, population and housing growth, and tourism. Increasing traffic congestion and higher gas prices have also contributed to BART ridership growth. BART sources are also impacted by the State budget and legislative actions.

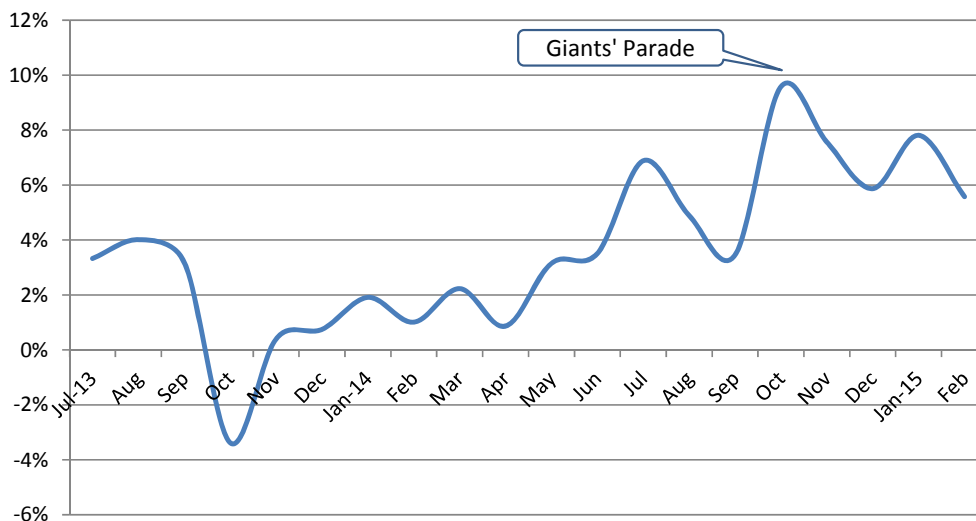
Operating Revenue

Ridership and Passenger Revenue

Continuing the strong growth seen since the end of the most recent recession, ridership is projected to average just over 421,000 weekday trips in FY15, approximately 5.5% higher than FY14 ridership (with FY14 adjusted for estimated 2013 strike impacts). For FY16, the current estimate for weekday trips is 429,695. The new Warm Springs/South Fremont Station is projected to add approximately 2,000 weekday trips for the second half of FY16. As with other newly opened BART stations, ridership is expected to start low and grow rapidly over the first few years of service. Growth in FY15 has been aided by the new service to the Oakland International Airport (OAK), which opened in November 2014. Through March 2015, approximately 2,700 passengers per weekday used this service, a 36% increase over ridership on the prior bus connection.

Total annual trips are projected to reach 126.0M in FY15 and 129.4M in FY16. These estimates represent BART's highest-ever levels of ridership. The growing ridership, despite capacity constraints on many parts of the system, further illustrates the important role BART plays in connecting the Bay Area and supporting the regional economy.

Year-to-Year Ridership Growth: FY14 to FY15 YTD
excluding July/Oct 2013 strike impacts



In addition to ridership, rail fare revenue has also grown substantially over the past few years. Beyond expected revenue growth from the increasing number of riders, fare revenue has also been fueled by a steady increase in the net average fare paid per rider, above and beyond implemented fare increases.

Much of the increase in average fare is due to stronger growth in Transbay trips, which have a higher average fare (currently \$4.40) than the current systemwide average of \$3.60. Fare revenue projections for FY16 have been adjusted to include the new, higher net average fare.

To help fund the system's extensive capital needs, a program of small regular inflation-based fare increases to generate revenue, with the next increase scheduled for January 1, 2016. The fare increase amount is determined by averaging national and local inflation over a two-year period and then subtracting 0.5% to account for BART's productivity improvements. This calculation results in a 2016 fare increase of 3.4%, with all fares rounded to the nearest nickel. New revenue from the fare increase, and the previously implemented January 2014 increase, will go to BART's "Big 3" capital needs. In FY16, the six months of the 3.4% increase is estimated to generate about \$7M, on top of the approximately \$20M generated annually by the 2014 fare increase, for a total of \$27M. Overall rail fare revenue for FY16 is estimated at \$481M.

Passenger revenue also includes \$0.9M for Americans with Disabilities Act (ADA) Paratransit Revenue, which covers 7% of BART's paratransit operating cost contribution.

Parking Fee Revenue

BART raises revenue from daily and permit parking fees charged at its 33 stations with parking facilities. Under BART's demand-based approach to pricing parking, the daily parking fees are now re-evaluated every six months. Costs for permits and fees may either increase or decrease, depending upon whether the facility's utilization is above or below 95% capacity. There is a daily fee maximum of \$3 at all stations, with the exception of West Oakland, which does not have a cap. Parking fees have now reached the \$3 daily fee limit at 23 of the 33 stations with parking.

Additional revenue raised from the demand-based parking fee program, implemented in May 2013, is dedicated solely for investments in station access, station rehabilitation, and station modernization. Programs and projects funded by the increased parking revenue consist of both operating and capital efforts, some of which are one-time in nature and others ongoing. The FY16 parking revenue budget is \$30.7M. Of this, \$13.5M is from the demand-based parking fee program, funding \$5.0M of FY14 and FY15 ongoing programs and \$8.5M of new projects and programs, described in the Initiatives section.

Other Operating Revenue

BART also generates operating revenue from non-passenger sources, which is expected to be \$26.4M in FY16. The two largest sources are the Commercial Communications Revenue Program (CCRP) and advertising, budgeted at \$12.2M and \$9.2M, respectively. Smaller revenue sources include fines and forfeitures, building and ground leases, concessions, and other miscellaneous revenues.

The amount of revenue generated by the CCRP, managed by the Office of the Chief Information Officer (OCIO), has doubled over the past year. In FY16, the CCRP will concentrate on expanding the District's underground cellular network to include 4G technology which will greatly improve the cellular performance for riders. In addition, in FY16 CCRP will focus on building an asset management system enabling marketing of the availability of fiber optic cable and cellular sites for revenue licensing. The implementation of this system will allow BART to plan, manage and sell internet bandwidth capacity that is not needed for operations. By providing both primary and redundant internet connections to local communities, businesses, hospitals, schools and emergency service workers, these efforts will greatly increase the overall resiliency of the region.

Tax and Financial Assistance

A dedicated 75% share of a one-half cent sales tax levied in the three BART counties (San Francisco, Alameda and Contra Costa) is BART's second largest source of revenue after passenger fares. The remaining 25% is split equally between AC Transit and the San Francisco Municipal Transportation Agency (SFMTA). Based upon three quarters of actual results in FY15, sales tax is projected to end FY15 at \$235.2M (\$6.5M, or 2.8% over budget), and FY16 is projected to grow 4% to \$244.6M.

Although sales tax growth has been extremely strong since the end of the recession, most regional economic forecasts anticipate Bay Area sales tax growth to return to more long-term growth rates of around 4% for FY16 and beyond.

Property tax revenue for operating purposes is generated by a permanent, dedicated assessment in the three BART counties. FY15 is projected to be on budget at \$33.7M, and FY16 is expected to grow an additional 3% to \$34.7M.

State Transit Assistance (STA) is based upon revenue generated by actual receipts from the sales tax on diesel fuel. The Metropolitan Transportation Commission (MTC) advises that the FY16 state budget estimate is considered "extremely optimistic" and recommends operators be conservative in budgeting STA until after the Governor's Revised Budget, with updated information, is released in May 2015. The current, potentially optimistic, estimate for BART is \$25.2M in STA funds, which is already substantially less than past years due to declining STA at the state level and revised transit operator allocation percentages based upon formulas established at the state level. Of this, \$5.9M will be directed by MTC to feeder bus operators providing service to BART stations and \$0.4M will be set aside for fare coordination efforts with AC Transit. The remaining \$18.8M will be allocated to BART and is dependent on actual receipts in FY16.

A new source of funds for BART is the Low Carbon Transit Operations Program (LCTOP), one of several programs of the Transit, Affordable Housing, and Sustainable Communities Program (Senate Bill 862) established in 2014 by the California Legislature. BART anticipates receiving \$1.6M in FY15 and \$3.2M in FY16. The LCTOP provides transit agencies with operating and capital assistance for programs to reduce greenhouse gas emissions and improve mobility and prioritizes serving disadvantaged communities. BART plans to program LCTOP funds to put additional cars in service, including funding the additional shift at the Daly City Shop and new maintenance efforts at the Hayward Yard.

Other Assistance to BART in FY16 includes \$0.8M paid by Caltrain for the Millbrae Use, Operations, and Maintenance Agreement, \$0.8M in federal funds for the Strategic Maintenance Program, and \$70,000 from Contra Costa County's Measure J sales tax measure. BART is also budgeting \$2.5M and \$1.8M from Alameda County's Measure BB and Measure B, respectively.

5307 Funds (Rail Car Fund Swap from MTC)

Federal Section 5307 Urbanized Area Formula Grant funds are allocated to BART by MTC for preventive maintenance work. Through an agreement with MTC, BART spends the federal funds and returns an equivalent amount of BART funds that MTC places in an interest-generating reserve account to help MTC fund its share of the new rail cars. There is no net impact to BART's operating budget bottom line as the Section 5307 funds are merely swapped for other funds.

Including the \$52.7M budgeted for FY16, a total of \$343M has been directed to the MTC reserve account.

5. Operating Uses

Operating expenses include ongoing expenses such as wages, benefits, purchased transportation, power and other non-labor expenses. Operating expenses are projected to increase from \$599.1M in FY15 to \$656.1M in FY16, a total of \$57.0M or 10%. Major factors in the increase beyond typical cost increases include expenses for: operations of the Warm Springs Extension (\$11.8M), proposed Budget Initiatives (\$11.4M) and Stations/ Access Initiatives funded from parking revenues (\$2.8M).

Labor: Wages and Benefits

Labor and benefit expenses are projected to total \$470.0M in FY16, a 12% increase over the FY15 Adopted Budget.

The FY16 labor and benefit budget includes the following changes:

- 3.72% wage increase for non-represented employees effective 7/1/15;
- 3.72% wage increase for represented employees effective 1/1/16;
- Pension contribution increase non-represented employees: from 1% of pay to 2% effective 7/1/15;
- Pension contribution increase represented employees: from 2% of pay to 3% effective 1/1/16;
- \$7.5M in labor costs related to proposed 52 new operating positions;
- \$2.7M in labor costs related to proposed 25 new Stations/ Access operating positions; and
- \$11.1M in labor cost related to 91 positions for WSX and associated capacity expansion.

A total of 168 operating positions are proposed to be added in the FY16 budget, including 52 from budget initiatives, 25 for Stations/ Access projects, and 91 for WSX and associated core capacity increases. In addition, a net of 6.25 operating positions were added during FY15 and were built in to the FY16 Budget. These positions include 4 station agents in T&SS for BART to OAK staffing, 0.5 FTE for a BART to Oak superintendent, 5 positions in Employee Relations to assist with labor relations, (two labor relations representatives, one financial analyst, one administrative analyst and one admin tech), 0.5 FTE in Planning, Development & Construction converted from capital to operating, less a reduction of 3.75 FTE for positions in T&SS converted from full-time to part-time to facilitate hiring.

PERS Pension

The District's pension plan is administered by the California Public Employee Retirement System (CalPERS) and includes separate plans for Safety and Miscellaneous (non-safety) employees. All employer and employee contribution rates are determined by CalPERS. Pursuant to the FY13-FY17 labor contracts, beginning on July 1, 2013 employees began paying for an annually increasing portion of the PERS employee contribution. Prior to this date, the District had funded the entire employee contribution as a benefit to employees.

PEPRA

In 2012, the State Legislature passed Assembly Bill (AB) 340, the California Public Employees' Pension Reform Act (PEPRA). The PEPRA changes affect employees beginning employment on or after January 1, 2013 who have not been employed by another PERS or reciprocal agency within the six months prior to their hire date. Major changes for PEPRA employees include: (a) reduced retirement formulas, (b) required employee contributions, and (c) capped compensation.

In 2013, the U.S. Department of Labor (DOL) declined to certify federal grants to transit agencies in California under Section 13(c) of the Urban Mass Transit Act ("UMTA") in response to objections raised by transit unions claiming PEPRA interfered with collective bargaining. The State of California (for Caltrans) and the Sacramento Regional Transit District filed litigation in Federal court

seeking to overrule the DOL. In FY14 the California Legislature passed AB1222, which temporarily exempted represented transit employees from PEPRA and reinstated transit agency's eligibility for receipt of Federal funds. On December 30, 2014, a Federal District Court granted summary judgment in favor of the plaintiffs, and on February 25, 2015 CalPERS issued a circular (Circular Letter No.: 200-006-15) that specified: (a) employees hired after January 1, 2013 would be subject to PEPRA beginning December 30, 2014, and (b) all new employees hired on or after December 30, 2014 would be subject to PEPRA. Non-represented employees hired on or after January 1, 2013 have always been subject to PEPRA as they are not covered by Section 13(c) of the Urban Mass Transit Act.

For FY16, the forecasted PERS pension expense (employer plus BART-paid employee share) is estimated to be \$69.0M, a \$7.3M or 12% increase compared to \$61.6M budgeted in FY15. Of the \$69.0M, the estimated employer share is \$56.9M and the BART-paid employee share is \$12.1M. Approximately \$2.5M of the total pension increase is due to the proposed new positions for budget initiatives and the Warm Springs Extension, the balance of \$4.8M is due to a combination of higher employer rates and higher wages as PERS pension rates are based on percentage of payroll. For both the non-PEPRA and PEPRA employees, the FY16 Safety Plan employer rate will increase from 47.789% to 51.606% (+8%), and the Miscellaneous Plan employer rate will increase from 13.303% to 14.787% (+11%). The combination of increased payroll due to wage increases and increased rates set by CalPERS accounts for the pension expense increase. The increase is slightly offset by the implementation of pension reform cited above.

These relatively high employer rate increases were driven by lower than expected investment returns during the economic downturn and changes in actuarial factors. In 2013, CalPERS changed its amortization and smoothing policies beginning with valuations that set the FY16 rates. In addition, CalPERS changed the calculation of retirement age to better reflect the retirement experience. These changes result in greater liability and increased pension costs.

For classic (non-PEPRA) employees, the employee share contribution rates are fixed by CalPERS and will remain at 9% for the Safety Plan and 7% for the Miscellaneous Plan. The phase-in of represented employees paying a portion of the employee contribution is: FY14: 0.5% on 7/5/13, 1% on 1/1/14; FY15: 2% on 1/1/15; FY16: 3% on 1/1/16; FY17: 4% on 1/1/17, coinciding with contractual salary increase dates. Non-represented employee contributions follow a similar schedule, but delayed six months to coincide with their scheduled salary increase dates. The table below shows the net employee rate that will be paid by the District for represented employees in FY16.

**FY16 District-paid Net Represented Employee Pension
Contribution Rates – Classic Plans**

Plan	7-1 to 12-31-2015	1-1 to 6-30-2016
Safety	7.0%	6.0%
Miscellaneous	5.0%	4.0%

The PEPRA share contribution rate paid by employees is 12% for the Safety Plan and 6.25% for the Miscellaneous Plan. Due to AB340 pension reform, the District cannot make an employee pension contribution for PEPRA employees.

The historical trend of increased pension expenses is expected to continue into the future. CalPERS has implemented a number of key actuarial assumptions that have significant impacts on employer rates and volatility, intended to ensure the long-term health of the pension fund. Generally these

changes will increase employer payments, lower volatility from year to year, and reduce unfunded liabilities more rapidly than prior methodology and assumptions. Some of the past policy changes are mentioned above and will continue to impact rates into the future. CalPERS recently approved several changes to demographic assumptions that will be reflected in the future rates, with the most significant being the acknowledgement of greater life expectancies of retirees. These changes will impact rates beginning FY17. As a result, CalPERS estimates that for the five-year period from FY16 through FY21, the employer rate will increase 22% for the Safety Plan (from 51.6% to 63.2%) and 35% for the Miscellaneous Plan (from 14.8% to 20.2%), an average of 4.5% and 7.0% per year, respectively. Furthermore, BART's planned wage increases as specified by current collective bargaining agreements will contribute to increased pension costs, some of which will be offset by greater employee contributions.

Other Pension Benefits

In addition to the PERS pension, the District also 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% of base wages, but is capped at an annual amount of \$1,868.65 per employee. This is projected to be \$7.0M in FY16. An additional 1.627% of wages is also contributed for all employees other than sworn police. Of this 1.627%, 1.583% is provided by the District and the remaining 0.0888% is withheld per the 2013 labor agreements. An additional \$37/month for represented employees in AFSCME, ATU and SEIU¹ is deducted from the 1.627% contribution intended as an increased contribution towards medical insurance. The District's total estimated net cost for the additional 1.627% MPPP after these deductions in FY16 is \$3.5M.

Active Employee Medical Insurance

In FY16, the District cost of medical insurance plans for active employees is projected to be \$67.5M, an increase of \$5.6M or 9% over the FY15 adopted budget. Approximately \$3.4M of this increase is from the proposed new positions for budget initiatives and the Warm Springs extension, and the balance of \$2.2M due to higher premium cost less a small increase in employee contributions. Employee contributions will be subject to the scheduled 3% annual increase on January 1, 2016 which will result in the "base" monthly contribution increasing from \$97.86 to \$100.80. Per the FY14-17 labor contracts, each year an additional contribution of \$37/month is deducted from the District's 1.627% MPPP contribution (as described above) for AFSCME, ATU and SEIU. Non-represented employees will pay the additional \$37/month directly as a higher medical contribution; and in FY16, BPOA and BPMA² will pay an additional \$44/month directly as a higher medical contribution each year per their new contract. These additional contributions of \$37 and \$44 per month do not increase each year, but are kept at the same amount throughout the four years.

Health insurance rate increases are known for the first half of the fiscal year, and estimated for the second half. The 2015 rate increases for the medical plans with the largest employee enrollment were 11.0% for Blue Shield and -3.8% for Kaiser, and the overall average increase for all plans was 2.2%. In Calendar Year (CY) 2016, the actuarial projection used for the budget includes a 6.25% increase in premiums over CY15. The average rate of change for active employee medical insurance plans over the past five years was approximately 7%. The actuarial projection of rate changes for the next five years ranges between 3.75% and 6.25%.

¹ AFSCME - American Federation of State, County, and municipal Employees; ATU - Amalgamated Transit Union; SEIU - Service Employees International Union.

² BPOA - BART Police Officers' Association; BPMA - BART Police Management Association.

PERS Retiree Medical Insurance

The FY16 Preliminary Budget is based on the District's actuarial report received April 2014. FY16 cost is projected to be \$27.5M based on the 2014 report and increased per the actuary's estimate. An updated report will be received this spring. The District cost is the Annual Required Contribution (ARC) to BART's long-term retiree medical liability. The District began funding the full trust contribution in FY14, after "ramping up" to the full ARC between FY08 and FY13. The annual required contribution covers insurance premiums for retirees and builds funds in the retiree medical reserve to cover the long-term liability. Retirees pay the same medical contribution as active employees, including the increase of \$37/month that began FY15, paid directly by the retirees in the form of a higher monthly contribution.

Workers Compensation

The District is self-insured for workers compensation and maintains a reserve for outstanding losses based on annual actuarial reports. Annual funding is calculated as a percent of wages and budgeted each year as part of the labor and benefit budget, and if needed the claim reserve account is supplemented at the end of each fiscal year. Beginning in FY12, the District experienced substantial increases in workers' compensation costs, particularly in establishing reserves required by the actuarial evaluations. The forecasts recognized the continuing trend in increasing frequency and cost of claims with substantial fiscal impact. There have also been several individual high-cost claims that affect the required funding levels. In accordance with the recommendation from annual actuarial forecasts, the budgeted annual funding for workers compensation claims was increased from \$8.8M in FY12 to \$12.4M in FY14. The claim reserve account was also supplemented at FY12 and FY13 year-end by \$9M and \$11M respectively. The 2014 actuarial report required a reserve of \$44.4M, which was a smaller increase over the prior year's required reserve level than recent years. Subsequently the supplemental FY14 year-end addition to the reserve was \$1.6M - substantially lower than the large contributions needed in FY12 and FY13. Some older claims were settled, and the level of the reserve requirement appears stabilized for now. The District is continuing programs to proactively address the issue of increasing workers' compensation costs.

The FY16 Budget estimate for annual funding of \$17.7M is \$2.1M higher than FY15, driven by the increase in wages and positions, with the rate (percentage of wages) unchanged from last year. Based on the 2014 actuarial report, this level of funding should be sufficient and there is no need to raise the rate. An updated 2015 actuarial report will be received this spring, which will provide more information about whether a year-end supplemental reserve account addition is needed for FY15, and ensure the preliminary FY16 annual funding is sufficient.

Traction & Station Power

Electrical traction and station power is projected to be \$40.3M in FY16, an increase of \$2.2M or 6% above the adopted FY15 budget. The increase is due to increased cost to source power imports from carbon-free resources. This is new for FY16 and will increase the District's total percentage of carbon-free power. Of the projected budget, approximately \$27.8M, or 69%, will be expended on purchased power and the remaining \$12.5M, or 31%, will be expended on transmission, distribution, and other expenses.

BART estimates purchasing \$27.8M of traction and station power in FY16, as follows:

- Approximately \$13.9M of power will be obtained from forward (long-term) market purchases made on the District's behalf by the Northern California Power Agency (NCPA) including a green premium of \$1M. An estimated \$2.6M of power will be bought from the NCPA Lodi Energy Center (LEC).

- Approximately \$1.1M of power from the new Lake Nacimiento Hydroelectric project.
- Approximately \$0.7M of the annual power need will be from the solar farm in Gridley, CA.
- The \$9.5M balance of power need will be supplied by a combination of day-ahead market purchases (including a green premium of \$1M), Federal power contracts, an agreement with the San Francisco International Airport, on-site Photovoltaics (PV), and supplemental power.

Purchased Transportation

BART's cost of purchased transportation is projected to be \$26.0M in FY16, an increase of \$2.4M over the adopted FY15 budget.

Paratransit

BART participates in the East Bay Paratransit Consortium for service in the East Bay and pays Muni for paratransit services in the West Bay and provide funding to other local bus operators in the BART service area. Paratransit expenses are estimated to be \$13.6M in FY16, an increase of \$0.2M, or 1.6%, over the adopted FY15 budget. The slight increase for FY16 is attributed to returning demand for paratransit services after a two year decline.

San Francisco Municipal Transportation Agency/AC Transit Feeder Agreements

BART has agreements with the SFMTA and AC Transit with the annual Purchased Transportation (Feeder) payment linked to the rate of change in riders transferring between BART and the local operators and changes in the Bay Area inflation. The AC Transit agreement also includes a provision where 10% of the overall payment will be retained by MTC and used towards fare coordination efforts between the two agencies. The FY16 budgeted payments are \$3.2M for SFMTA and \$3.4M for AC Transit, an increase of \$0.3M over FY15.

BART-to-OAK

BART service to the Oakland International Airport opened in November 2014 and will be operated and maintained (O&M) for twenty years by a private contractor, Doppelmayr Cable Car (DCC). The FY16 estimated O&M cost is \$5.7M. An additional \$0.9M is booked under "Other Allocations" for funding the Capital Asset Replacement Program (CARP). BART will contribute to an escrow fund each year which will fund the refurbishment and replacement costs for the system for the twenty year term. Expenditure of these funds is controlled jointly by BART and DCC based upon actual needs for refurbishment and replacement over the twenty years. DCC is required to fund costs in excess of the CARP and any funds remaining at the end of the term belong to DCC.

Other Non-Labor

Major Other Non-Labor account groups are described below:

- Material Usage includes inventory withdrawals and purchases for required maintenance of rail cars, such as aluminum wheel assemblies, circuit boards, seat cushions, and all other materials used to keep cars in use and parts for infrastructure maintenance such escalators, automated fare equipment, and all other materials required to keep stations accessible;
- Professional & Technical Fees include costs for audit and legal services, benefit and insurance administration fees, printing, computer hardware and software service contracts, environmental fees, specialized consulting contracts, and professional services contracts;
- Maintenance, Repair & Other Contracts fund graffiti removal, traction motor rewinds, painting, equipment overhaul, elevator pit cleaning and other maintenance and repair related contracts;

- Insurance funding pays for premiums and self-insured losses for public liability, damage to property and risk-related services ;³
- Building Space Rental funds administrative building leases and other lease expenses;
- Equipment Rental funds equipment and vehicle rental costs; and
- Miscellaneous Other Non-Labor includes utilities, trash collection, natural gas, telephones, credit card and interchange fees, Clipper program fees, and miscellaneous supplies.

Other Non-Labor for FY16 is \$2.7M higher than the FY15 Adopted Budget. The increase is due to:

- FY16 proposed budget initiatives (described in the Initiatives section) of \$3.8M;
- FY16 proposed Station/ Access initiatives of \$0.1M;
- Warm Spring Extension addition of \$0.7M for initial year of service;
- Clipper program fees, bank fees and debit/ credit card fees increase of \$2.0M;
- Reductions of FY15 one-time items of \$5.4M;
- Additions of FY16 or FY15 item not completed and carried forward to FY16 – completion of Civil Rights Availability Study \$0.35M (\$0.5M in FY15 one-time carried forward plus \$0.35M to complete); and
- A 2.0% escalation applied to departmental base non-labor accounts for an increase in the amount of approximately \$1.2M.

Debt Service and Allocations

BART issues bonds, backed by the District's dedicated sales tax revenues, to fund capital costs for system improvement and renovation. The FY16 debt service expense is \$56.3M, however, this will be reduced by a one-time \$6.0M credit of capitalized interest related to sales tax-backed debt issued for the BART-to-OAK project, for a net expense of \$50.3M.

Capital Reinvestment Allocations of \$50.9M in FY16 include the following:

- Baseline allocation of \$25.0M for capital investment to serve as local match for federal grants; or to fund ongoing capital projects for which grants are not typically available, such as stations and facilities renovation, inventory buildup, non-revenue vehicle replacement, tools and other capitalized maintenance.
- Additional capital rehabilitation allocations include \$4.5M to replace obsolete and inefficient T12 fluorescent lighting in District tunnels, the Transbay Tube, and facilities (FY14-FY16); \$2.3M for right-of-way fencing (FY15-FY16); \$1.9M for Train Control Room Battery Replacement (FY15-FY17); \$1.5M for Train Control UPS Renovation (FY15-FY19); and \$0.9M for Cyber Security (FY14-FY16).
- Additional allocations of \$3.8M for one-time capital equipment for WSX (\$0.4M) and eBART startup (\$3.4M).
- Other allocations of \$10M for the Operations Control Center and \$1M for the Millbrae Tail Track project to replace an equal amount of Prop 1A High Speed Rail bond funds for these projects that was shifted to the HMC project.

Operating funds also directly support BART's "Big 3" high-priority System Reinvestment and Capacity Enhancement programs: Rail Car Replacement Program, Hayward Maintenance Complex, and Train Control Modernization Project.

³ Non-Labor Insurance does not include active employee health insurance, workers' compensation, Medicare, unemployment and other insurance categories included in the labor budget.

- Allocation - Rail Cars consists of BART's \$298M commitment, funded by annual allocations from BART's general fund, to the first 410 cars of the Rail Car Replacement Program made in May 2012. The budgeted allocation for FY16 is \$45M, leaving BART's remaining obligation at \$86M.
- Allocation - Priority Capital Programs. The incremental fare revenue from BART's inflation-based fare increase program starting in January 2014 is directly allocated to a fund for the "Big 3" Priority Capital Programs. This includes additional rail cars beyond the original 410 car commitment, HMC and the Train Control Modernization Project. In FY16, the incremental fare increase revenue is projected to generate \$27.0M.

Net positive results from operations of the SFO Extension are allocated to a reserve account per the terms of the 2007 agreements relieving SamTrans of financial responsibility for the extension into San Mateo County. Approximately \$12.2M is expected in FY16. The first \$145M in the reserve account will be directed to the New Rail Car procurement, per MTC's Transit Core Capacity Challenge Grant Program (Resolution 4123), adopted in December 2013.

Allocation to Stations and Access Programs are funded by the incremental parking fee revenue generated by BART's demand-based parking program. The incremental revenue is estimated to be \$13.5M in FY16, of which \$5.0M funds ongoing programs, including 28 positions, from FY14 and FY15. The remaining \$8.5M is proposed to be allocated to Stations and Access projects, with \$2.8M for new operating initiatives, most of which is ongoing, and \$5.7M for new capital initiatives that are generally one-time in nature. To begin to address some of the shortcomings identified in the Customer Satisfaction survey, FY16 renews investments in station brightening, increased security, as well as investments to expand the bike program and recycling program. These new projects and programs are detailed in the Initiatives section.

Other Allocations include accounting entries of \$0.7M to offset an equal amount booked as Other Revenue or Financial Assistance for the Pleasant Hill/Contra Costa Centre and West Dublin/Pleasanton stations and \$0.9M to the CARP for the BART-to-OAK project. Annual allocations to the CARP will fund future renovation and replacement needs on the BART-to-OAK project.

6. Capital Sources and Uses

Capital expenditures in any given fiscal year often consist of funds obtained in prior years, unlike the operating budget. Since most grants are awarded on a reimbursement basis, grant funds can be obtained for specific projects and programs over multiple years during which they can “accumulate” and be committed to a contract when the balance is sufficient for the project to proceed. Many funding commitments (especially relating to expansion) are awarded conditionally, requiring evidence that a project is fully funded prior to expending any funds. Consequently, the annual capital budget is a cash flow snapshot driven by expenditures, since a capital project cannot be included in the annual budget unless the cash or underlying commitment is in place.

More than 40 years after BART first began service, the organization faces two critical capital improvement challenges. First, significant reinvestment in the existing system is required to sustain reliable and safe service for current riders. Second, BART must invest to increase capacity to meet the growing demand for transit services in the region.

Each year BART must balance these core areas of capital investment with potentially conflicting stakeholder/political priorities. Further, BART faces the persistent challenge of static external funding despite the rising need for transit investment in BART, other Bay Area transit providers and transit properties nationally. In order to address these challenges, the consolidated BART budget centers on the fundamental need to prioritize the most vital initiatives and investments necessary to deliver key safety, reliability, capacity, and sustainability goals.

The prioritization of initiatives and investments is also a tradeoff between investing in capital infrastructure replacement and investing in maintenance to extend the life of an asset. The Asset Management Program supplies the data necessary to make these decisions. The comprehensive Strategic Asset Management Plan (SAMP) allows BART to take a more systematic, risk-focused approach to prioritizing investment of scarce resources for both operating and capital needs.

BART’s Budget Governance Group (BGG) was established to manage and implement the SAMP. The BGG is responsible for linking the SAMP with the annual budget process to ensure that funding decisions minimize BART’s safety, operational, and financial risks.

The FY16 budget is driven primarily by the need to meet established programmatic commitments and maintain the necessary financial capacity to address the most acute emerging and longstanding needs required to maintain the safety and reliability of essential capital assets. As a result, the majority of BART’s FY16 planned capital investment is in System Reinvestment. A summary of BART’s FY16 capital program is shown by program area in the adjacent table⁴:

Program Area	\$M
System Reinvestment	365.0
Service & Capacity Enhancement	37.8
System Expansion	173.5
Safety & Security	49.0
Earthquake Safety	33.9
Reimbursable/Other	5.5
TOTAL	664.7

⁴ Some projects characterized as System Reinvestment have a role in addressing Service & Capacity Enhancement and Safety & Security needs as well. These include capacity and enhancement improvements, lighting and life safety improvements, water intrusion mitigation, escalator/elevator replacement, station brightening and finish work, canopies, signage and concept design work.

BART's System Reinvestment program is a collection of approximately 100 discrete projects generally categorized as controls and communications, facilities, mainline, rolling stock, and work equipment. A major component of the System Reinvestment program is the "Big 3" projects - replacement/augmentation of the rail fleet, modernization of the obsolete train control system, and construction of the Hayward Maintenance Complex. The "Big 3" initiative cost in FY16 is \$170M and represents one of the largest commitments in the FY16 capital budget. Also in the System Reinvestment program are station investments and passenger and worker safety related projects (life safety systems, circulation, access control, coverboards, aerial structure fall protection, and others). System Reinvestment expenditures overall have increased by 17% over FY15 due to increased focus and prioritization of several reinvestment projects in operational areas of high risk exposure (track condition, traction power transformers and substations, rail tie/switch replacement, wayside equipment and existing train control rehabilitation).

The \$38M Service and Capacity Enhancement program area includes mainline track improvements such as additional crossover tracks and tail track extension projects. This program area also addresses stations-related projects as improvement and modernization of stations, including Balboa Park and Union City, and additional intermodal, wayfinding and ADA improvements, which have been a key BART priority in recent years. The capital investment in service and capacity enhancements compliments the substantial operating commitment in this area.

Overall, planned expenditures in stations-related initiatives totals \$70M for FY16 - \$40M categorized in the System Reinvestment program and \$30M categorized in Service and Capacity Enhancement. Funding for these station projects is provided primarily by proceeds from State Proposition 1B, with lesser amounts from federal Transit Capital Priorities (TCP) and, for enhancement projects, county and local sources.

Despite the wind-down of two of major recent expansion projects, System Expansion continues to represent a significant portion of the capital budget. Although BART-to-OAK is in service and WSX is nearing completion, substantial final construction and close-out costs remain in the capital budget. In the FY16 budget, as eBART approaches its development midpoint, construction and right-of-way expenses are augmented by systems and vehicle acquisition costs. System Expansion planned expenditures of \$174M will be met with a combination of committed categorical funds from regional and local sources.

The \$49M Safety and Security program area includes projects such as track worker safety barriers to comply with GO175 and surface and marine barriers around the transition structure at the San Francisco Ferry Plaza for security purposes. Safety and Security is almost exclusively funded by dedicated grants. While \$49M in projects has been categorized in the Safety and Security program area, many projects in other program areas have passenger and worker safety components.

Earthquake Safety anticipates \$34M in FY16 expenditures, a 48% reduction over FY15 as major construction projects are nearing completion. Planned activity is focused on next phase engineering, with program funding derived in its entirety from the proceeds of the 2004 Earthquake Safety General Obligation (G.O.) Bond program.

Other remaining capital budget program areas include smaller, fully-reimbursed activities sponsored by the Capitol Corridor Joint Powers Authority and other entities contracting with BART for specific purposes.

In regards to capital funding sources, the FY16 budget continues the trend of increased reliance on BART operating allocations to meet capital rehabilitation and replacement needs, a trend which is expected to continue for the foreseeable future. In tandem with funding partners, BART has made a substantial regional commitment to funding the “Big 3,” including \$72M in FY16 alone.

As a result of a recent effort to close out older Federal formula and transit rehabilitation TCP grants, System Reinvestment in FY16 will see greater expenditures from this source, as these older funds are combined with current TCP funds to pay for planned eligible projects. The capital investment funding picture is rounded out with BART matching funds from operating allocations to capital, bridge tolls, limited county funding and other partner participation. In addition, BART is working to streamline procurement and other project-related procedures in order to accelerate project delivery in an attempt to keep-up with its aging infrastructure.

7. Initiatives

The following proposed initiatives are ongoing operating expenses, except where noted. Any additional operating Full Time Equivalent (FTE) positions are also indicated. The initiatives are listed by category. Following the list of FY16 budget initiatives is a group of Station and Access related initiatives, funded by estimated revenue from the parking program changes.

Compliance

Grounds Personnel – ROW Safety \$0.7M, 7.0 FTE

The District is in the process of establishing a nine person right-of-way (ROW) grounds maintenance crew to meet regulatory requirements. Adding positions for this work will ensure that grounds workers are not pulled off programs such as station and parking lot cleanliness, cleaning up multiple homeless encampments and properly maintaining the irrigation systems. In addition there are safety concerns and CPUC regulations, particularly with GO118, which requires clear toe paths for workers and annual fence line inspections.

Civil Rights – Prevailing Wage Monitoring Personnel \$0.3M, 1 FTE

The Office of Civil Rights (OCR) will add a Senior Administrative Analyst in FY16 to support prevailing wage monitoring, investigation of potential prevailing wage violations, misclassifications of workers, and review of certified payroll reports (CPR) on all District contracts. These positions will ensure compliance with the federal Davis-Bacon Act and the California Labor Code requirements. Payment of the applicable prevailing wages is required on all public works contracts including, but not limited to, work performed during design, pre-fabrication, construction and maintenance of existing publicly owned or publicly operated facilities. In addition to the request for a Senior Administrative Analyst, OCR will also be adding 2.0 FTE positions in the capital budget to address labor compliance monitoring and Project Stabilization Agreements (PSA) administration.

Financial Advisory Services \$0.1M

With the implementation of the Dodd Frank Act, financial institutions can no longer approach municipal entities like the District with advice or recommendations concerning terms, structure of debt issuance, refunding opportunities, and other financial products without a designated financial advisor (FA) present. In order to comply with this law, the Controller/Treasurer plans to issue a Request for Proposals (RFP) for an on call financial advisor three year service contract with the option to exercise up to two- one year extensions for a total of five years. In the past, the District hired an FA specifically to assist in the issuance of bonds including the preparation of documentation, credit rating presentations, and evaluation of the pricing of bonds at sale. This RFP will encompass all of the above tasks and include working with the Controller/Treasurer to evaluate proposals submitted by banks, monitor market trends so as to alert the District to refunding or restructuring opportunities, provide assistance in developing new policies and updating existing financial policies, and advise on current and proposed state and federal legislation and market conditions that could impact the District.

Sheriff Information Exchange System \$0.1M

The Contra Costa County All County Criminal Justice Information Network (ACCJIN) connection currently provides BART access to electronic records for local arrest warrants, juvenile records, as well as 2011 Realignment Legislation information, and the ability to search and update warrants. This connection was established in 2010 under membership to the Contra Costa County Office of the Sheriff Automated Regional Information Exchange System (ARIES). ARIES allows the BART Police Department to share and integrate criminal justice information to increase BART's effectiveness and criminal justice as a whole in fulfilling the BART Police Department roles and duties under the law.

All costs for the connection to ACCJIN as well as ARIES were covered by Urban Areas Security Initiative (UASI) funding through 2014. There are no actual or projected UASI grant funds to pay for the cost of the connection to ACCJIN or the ARIES membership in the coming years.

Service/Capacity/ Customer Satisfaction

Daly City Shop Graveyard Shift \$1.3M, 9.0 FTE
This shop capacity enhancement supports the Warm Springs Extension by allowing RS&S to provide additional cars for revenue service. Adding a graveyard shift at Daly City shop will support an additional four cars for revenue service, which can be used for (a) lengthening trains during peak periods and/or (b) providing Millbrae-SFO shuttle service during the weekdays. In order for RS&S to provide additional rail cars, regular car maintenance and car modifications and overhauls will need to be conducted at a higher rate. Nine positions including seven (7) transit vehicle mechanics, a foreworker, a utility worker and non-labor funding are required to create the graveyard shift with the goal of decreasing the time that cars are out of service.

Transportation and System Service Department Personnel \$0.4M, 2.0 FTE
The Transportation and System Service (T&SS) department has the lowest manager-to-employee ratio in the District with only 16 managers to oversee approximately 1,100 employees. As a result, the Chief Transportation Officer (CTO) is forced to directly oversee a number of line and administrative functions. To resolve this problem, T&SS is adding two new positions to better manage operations. A Group Manager of Operating Support & Review is needed to manage the day-to-day operations of Rail and Station Programs for the District. This Manager will also assume oversight of the budget and administrative functions for the Department. In addition, the Group Manager will directly supervise the Transportation Training unit, which provides training for all ATU employees in T&SS. This new position will allow the CTO to focus on assisting the Assistant General Manager with global issues that affect all of T&SS. A new Transportation Operations Manager is also being added to manage the Pittsburg/Bay Point to 12th St. Line, which will provide front line oversight of field supervisory staff in all facets of line operations.

Storekeepers to Support Shop Efforts \$0.3M, 3.0 FTE
Increasing the number of shifts worked at the Hayward maintenance facility and at the Daly City shop requires additional resources from the Procurement Department. The Logistics Division does not have the current staff to meet the material supply needs of the new work shifts. Two personnel will be required at the Hayward facility and one additional storekeeper will be required at Daly City.

Paramedic Service Hours \$0.1M
This initiative would increase the hours for stand-by emergency and advance life support services at both ends of the Transbay Tube to further reduce train delays caused by medical emergencies. Currently the District contracts with two companies to provide these services. One agreement covers the four downtown San Francisco stations, where paramedic support is available weekdays during the peak travel times of 6-9 a.m. and 3-7 p.m. The other agreement covers West Oakland Station, where paramedic support is available weekdays during the peak travel times of 6-9 a.m. and 3-6 p.m. A number of medical events have occurred outside the current support period. This funding would extend the support at both stations to 6-10 a.m. and 3-8 p.m. Increasing the hours of medical support would allow for quicker response to medical emergencies and help to get trains back on schedule.

eBART Start-Up Funding \$3.4M Capital
This funding is critical for the successful start-up, testing and commissioning, and pre-revenue phases of the eBART service, ensuring the system will be ready for revenue service in December 2017. As the District undertakes this new technology start-up, it is essential to successfully lay the ground work for this project and any future Diesel Multiple Unit (DMU) extensions. The funding includes 6.5 positions, because a trained eBART start-up team is needed in place by April 2016. Non-labor funding includes professional services for start-up and technical expertise, field office and associated cubicle build-out, radios, vehicles, etc. The tasks include development of operating rules and procedures to comply with CPUC requirements, establishment of a temporary facility on the extension, developing start-up and testing activities, providing input to project design and construction, training, recruiting, etc. Further funding will be required in FY17, currently estimated at approximately \$8M.

Sustainability/Customer Satisfaction

Sustainability/Environmental Management \$0.8M, 1.0 FTE
The Sustainability/Environmental Management System (EMS) project scope proposes a two-year timeline to reach full implementation with ISO certification following in FY18. This proposal includes a Group Manager to integrate the EMS and Energy divisions, with the Energy Division being reorganized from Operating Budgets to Planning, Development & Construction as part of this initiative. It also includes professional services for planning and engineering consultant costs and EMS strategic and implementation support. BART needs a formalized Sustainability Plan to achieve its policies, and the APTA sustainability commitment. This will result in resource efficiency, long-term cost savings, and internal and external environmental accountability. Major efforts for FY16 include development of the Sustainability Action Plan: Targets, Baseline, Action Plan, GHG cost effectiveness study, Monitoring and Accountability, and Energy Policy.

Car Cleaning Personnel \$0.3M, 4.0 FTE
Because trains have become very crowded in recent years and staffing cuts were made in prior years, the overall cleanliness level of the rail cars has decreased. BART 2014 Customer Satisfaction Survey results indicate that interior cleanliness is important to customers and the current level of cleanliness does not meet their expectations. As ridership continues to increase, additional positions are required to conduct a more thorough and heavy duty cleaning of floors and car seats.

Customer Engagement Software \$0.2M
Due to increases in the volume of customer contacts and new technologies available, BART will invest in CRM (Customer Relationship Management) software. The software offers a suite of cloud-based services to manage customer service, marketing and communication tasks and measure effectiveness. The suite features three elements: (1) Service Cloud is a best-of-breed customer service application and provides a unified platform for the BART call center and customer service staff to improve and expedite customer support and case management. Service Cloud also allows for more granular issue tracking and reporting and provides multichannel support for customers (mobile, email, web, social). The platform integrates with (2) social media software for the Communications Department, which is a robust tool to listen, engage, quantify and assign sentiment to conversations in the social space. Finally, (3) Marketing Cloud provides email, mobile and social media marketing tools and web personalization software to deliver customized, trackable marketing experiences to BART.

Environmental Compliance Personnel \$0.1M, 1.0 FTE
Additional environmental staff is necessary to support new regulatory requirements, the Strategic Plan - Sustainability, BART Environmental Policy, and WSX/eBART/HMC projects. BART became

subject to the State's Municipal Separate Storm Sewer System (MS4) Permit in July 2013. The permit regulates the discharge of pollutants to the District's storm drains. It phases in over five years with extensive operating, monitoring, and reporting requirements that impact all District operations. The permit cannot be developed and administered with current staffing. This initiative will also support the District's Environmental Management System (EMS) by developing and implementing an environmental audit program. At current staffing, environmental compliance inspections are only conducted when outside regulatory agencies conduct inspections. As a result, BART's environmental compliance is reactive rather than proactive. The environmental audit program will provide regular internal inspections, corrective action, and management review.

Police Administrative Specialist \$0.1M, 1.0 FTE
The Police Department seeks to improve workflow and workload efficiency with the addition of a Police Administrative Specialist (PAS) position. The BART Police Citizen Review Board has set a goal for the department that any Internal Affairs (IA) complaint against an officer be received and properly investigated within six months. The new PAS position would work within the Office of Internal Affairs. This initiative will relieve officers in the Internal Affairs Unit from administrative tasks that could be better handled by an administrative professional, allowing for a more efficient and effective use of the sworn law enforcement officers' time.

System Reinvestment

Enterprise Asset Management System \$2.8M, 4.0 FTE
The District is continuously improving its Enterprise Asset Management (EAM) capability. At the heart of this program is Maximo (maintenance program) and OBIEE (Oracle Business Intelligence Enterprise), the District's Enterprise Reporting Engine (ERE).

Enterprise Asset Management: After the successful Maximo 7.5 upgrade, BART has a platform that allows full deployment of new features and functionalities as part of the Maximo roadmap. The Maximo Asset Management (AM) strategy will support System Safety and system expansion needs, increase efficiency and support Asset Management best practices and strategic goals. This will require staff, consulting services, and purchase of additional licenses to keep BART in compliance with IBM licensing agreement.

Performance Management: As part of the AM and Knowledge Management (KM) strategy, Performance Management will be implemented to help define and measure progress toward organizational goals. In order to successfully manage and evaluate programs' performances and effectiveness, an expanded usage of Business Analytics would allow users to track Key Performance Indicators (KPI), service level trends and risks. Staff will architect and design the warehouse, design and map out Maximo data and build dashboards for end-users.

There is significantly more system functionality available to implement in support the Asset Management Strategy. The Maximo roadmap includes a comprehensive plan to roll-out these new features, as well as introduce new applications such as Maximo Health, Safety and Environment (HSE) that can support the District's Safety Strategic plan, on-boarding of eBART, mobile technology and support to the new fleet.

Rail Vehicle Engineering Personnel \$1.0M, 6.0 FTE
Rolling Stock & Shops (RS&S) currently has 11 engineers working on vehicle systems engineering, new rail car engineering and incident investigations. The engineers are responsible for providing engineering reviews for parts purchases, conducting design improvements for parts and equipment, updating maintenance manuals and drawings, validating maintenance and production processes,

determining root cause failure investigations and directly supporting primary and secondary shop maintenance activities. In addition, if an incident occurs on mainline, engineers can be required to respond immediately to expedite restoration of normal operation. Although the existing engineers have been working a considerable amount of overtime hours, there is still a huge backlog of engineering work for the existing rail cars. Hiring six (6) engineers will help RS&S support increasing demands for service-ready cars.

Track Personnel \$0.7M, 6.0 FTE

The District needs a relief shift for its Track Geometry/Tamping program. In 2014 the District had multiple locations that required reductions in class and speed because of poor geometry due in part to equipment availability and lack of a dedicated crew to perform these tasks. The District is addressing this problem with the purchase of two large mainline switch tampers, a dynamic stabilizer and ballast regulator. There have also been extensive repairs to the antiquated tamper and ballast regulator for the purpose of maintaining a surfacing program until new equipment arrives a year from now.

Contract/Procurement Support \$0.3M, 2.0 FTE

The volume and complexity of contracting documents and special handling required for security sensitive information-related procurements continues to increase. This initiative provides for support functions in the Offices of the Controller/Treasurer and the District Secretary which have been heavily impacted. The District Secretary's Office will add a Senior Administrative Analyst to meet the increased need to support staff in contract/procurement management, records management in compliance with statutory requirements, and communication with members of the public. In the Controller/Treasurer's Office there has been a significant increase in the functions of the Insurance Analyst. As a result of the unbundling of contracts and additional projects coming online, such as HMC, Earthquake Safety Program and WSX, the amount of contracts has more than doubled and the number of permits have increased by over 50%. This has slowed the review, audit and compliance process and created a significant backlog of contracts for the current Insurance Analyst. The lack of staffing in the Insurance Department has been identified as an issue in the procurement process and causes delays.

Budget and Planning Software \$0.3M

The District's Budget and Planning System is becoming outdated; has limitations in supporting electronic data transfers between the human resources, budget, and accounting systems, and; creates a potential risk of not being able to generate the budget on time. BART is investing in new budget and planning software that will bring significant improvements in functionality and will allow the operating and project budget staff to (a) prioritize and approve necessary projects based on financial goals and Key Performance Indicators (KPIs); (b) help drive project change decisions by forecasting financial implications of on-going projects; and (c) evaluate the financial impacts of new projects to on-going projects. The FY16 initiative provides funding for the first year of a two-year project.

Workforce Development Grant Match \$0.3M

In December 2014, the District submitted a grant proposal to obtain funding for the Federal Transit Administration's Ladders of Opportunity Initiative 2014, in the amount of \$1M. The proposed Transit Career Ladders Training Program is designed to meet the District's future workforce needs by offering 20 employees, in non-technical positions, an alternative pathway into Electrician and Electronic Technician classifications. The goal of the program is to bridge the knowledge and skills gap that has been identified through the District's recruitment and selection efforts. This program partners externally with local Workforce Investment Boards (WIB) and Bay Area Community

Colleges, targeting Bay Area underutilized populations. The FY16 budget allocation of \$250K requested is a place holder amount with plans for the balance of funds to be requested upon grant award. The program is planned for March 2015 (FY15) through January 2017 (FY17) with costs to be covered through \$1M in grant funding and \$937K in BART matching funds to pay for the backfill of hours while employees attend classes.

Train Control Personnel \$0.2M, 2.0 FTE

While 9% of delay incidents are initiated by train control failures, 19% of late trains are attributed to train control. Response to train control issues is dependent on the Central Manager calling a foreworker or manager and locating a train control crew to address the problem. Because crews are not dedicated to mainline response, they must often shutdown the work they are engaged in to respond to the failure. This leads to unnecessary delay in dealing with the issue. This proposal funds train control technician positions by line, allowing for a quicker response to train control delays. It is expected that adding these positions will provide a 15% improvement to response time, which should translate into a corresponding reduction in delayed trains.

Asset Management Manager \$0.2M, 1.0 FTE

Asset Management responsibility was moved to Operations Planning in FY15. Two positions came with this responsibility, which have resulted in two hires; one specializing in data and one specializing in risk. Since inception of the program in 2012, a third position has been envisioned that would direct the program and provide leadership and coordination across BART. This year, with adoption of the ISO 55000 implementation structure, coordination of the asset management program with the Strategic Plan, Workforce Plan, Knowledge Management, the Capital Improvement Program, longer term financial planning, and other roles will require this third position. The data and risk specialists will be occupied with coordinating the asset-level improvement programs.

Cathodic Protection Personnel \$0.2M, 1.0 FTE

The Transbay Tube (TBT) is the single most critical asset for District operations. The corrosion of the TBT steel shell is mitigated by an active cathodic protection (CP) system of 30 anodes along the entire 3 mile length. This request is for additional staffing to establish a CP program to protect the TBT from corrosion. Previous staffing was two engineers working part time on CP and the effort was not continuous. Presently, only one engineer is working on CP projects part time, the other engineer is working on the Silicon Valley Berryessa Extension Project.

Better BART Polling and Public Education \$0.2M

This initiative supports research to help BART decide whether to consider a ballot initiative to fund improvements to the BART system. It also provides resources to help inform the public about the aging BART system, the need to increase capacity to relieve crowding, and the investments needed to restore BART to a source of pride among Bay Area residents. Collateral created under this program will include a "url" that points to a new Better BART web page that the public can reference to learn more.

OCIO Network Engineer \$0.2M, 1.0 FTE

The Office of the Chief Information Officer (OCIO) is proposing to create a dedicated Network Engineer position to support an enterprise environment. With this position in place, the OCIO will be able to augment the current Cybersecurity team, ensuring that all appliances and services are installed in a safe, secure and sustainable manner. This position will have a direct impact on BART employees by creating a faster and more reliable network.

FY16 Proposed Initiatives - Summary

OPERATING	Pos.	Labor	Non-Labor	Total
Compliance				
Grounds Personnel – ROW Safety	7.0	723,667	0	723,667
Civil Rights – Prevailing Wage Monitoring Personnel	1.0	155,142	100,000	255,142
Financial Advisory Services	-	0	100,000	100,000
Sheriff Information Exchange System	-	0	49,000	49,000
Service/Capacity				
Daly City Shop Graveyard Shift	9.0	1,177,377	139,530	1,316,906
Transportation & System Service Personnel	2.0	437,121	0	437,121
Storekeepers to Support Shop Efforts	3.0	310,143	0	310,143
Paramedic Service Hours	-	0	139,109	139,109
Sustainability/Customer Satisfaction				
Sustainability/Environmental Management	1.0	218,300	550,000	768,300
Car Cleaning Personnel	4.0	348,622	0	348,622
Customer Engagement Software	-	0	220,000	220,000
Environmental Compliance Personnel	1.0	134,575	0	134,575
Police Administrative Specialist	1.0	117,187	0	117,187
System Reinvestment				
Enterprise Asset Management	4.0	755,323	2,045,083	2,800,406
Rail Vehicle Engineering Personnel	6.0	978,558	0	978,558
Track Personnel	6.0	730,676	0	730,676
Contract/Procurement Support	2.0	314,942	0	314,942
Budget and Planning Software	-	0	300,000	300,000
Workforce Development Grant Match	-	250,000	0	250,000
Train Control Personnel	2.0	243,559	0	243,559
Asset Management Manager	1.0	218,300	0	218,300
Cathodic Protection Personnel	1.0	218,300	0	218,300
Better BART Polling & Public Education	-	0	205,000	205,000
OCIO Network Engineer	1.0	179,594	0	179,594
OPERATING TOTAL	52.0	7,511,386	3,847,721	11,359,107
CAPITAL				Total
Service/Capacity				
eBART Start-Up Funding				3,367,911
CAPITAL TOTAL				3,367,911

Stations and Access Initiatives

(Funded by estimated revenue from Parking Program modifications)

Customer Access

MacArthur Plaza and Placemaking \$0.9M Capital
Initiative would implement MacArthur plaza improvements to better link BART faregates to the intermodal, TOD and surrounding community, and incorporate new high-capacity bike storage. The objective is to create a safer station area, and encourage alternative access modes.

Wayfinding \$0.4M Capital
The District has made substantial progress during the past few years on improving wayfinding in stations through implementation of early phases of the program. The purpose of this program is to enhance the customer experience by helping customers navigate the BART system and make connections to other transit and local destinations. This investment would contribute towards implementation of Phase 3 of the Wayfinding program and leverage external funds.

Bike Programs \$0.35M Capital, \$50K Operating
This group of projects will accelerate station access via bicycles by increasing the amount of secure bike parking including addressing locker expansion and implementing the bike parking capital plan. This program also includes operating funds for bike stations. The funds may also be used to market bicycle programs, including bike route maps and signage, and to educate riders about BART's bicycle rules.

Last Mile Investments and Studies \$0.3M Capital
In the C-Line last mile pilot study, BART surveyed existing first mile/last mile connections at selected stations, evaluated the need for improved access, surveyed the recent work by BART and other agencies, developed potential new strategies internally and with stakeholders, and recommended an implementation prioritization plan for a variety of strategies for improving non-auto access to the stations. This project would implement some of the improvements identified in this study, or other access studies. The study framework would be used to conduct a similar analysis along additional corridors.

Embarcadero Station Elevator – Preliminary Engineering \$0.3M Capital
The Embarcadero Capacity Study has identified the need to advance to preliminary engineering the design of a new Embarcadero elevator, to position the District for emerging funding opportunities.

Intermodal Safety Improvement Program \$0.2M Capital
There are 27 BART stations with off-street bus intermodal facilities that enable passenger transfers from BART to local bus services throughout the region; however, the intermodals are mostly in a state of disrepair. These deficiencies create safety and/or security risks and discourage bus use. This project would develop an inventory and conditions assessment of the bus-related assets, and subsequently develop a prioritized maintenance and capital improvements plan. The data generated will fit within the District's broader Asset Management framework.

Plaza Activation Pilot \$0.2M Capital
This pilot program will implement plans to activate selected urban plazas in an effort to improve safety, customer-experience and quality-of-life, with a focus on 16th Street - Mission.

Warm Springs/South Fremont Station West Side Pedestrian Bridge \$0.1M Capital
These funds will support environmental, design and implementation of West Side Pedestrian Bridge improvement to connect to communities at the Warm Springs/South Fremont BART Station.

Sustainability/Customer Satisfaction

System Service Personnel \$1.1M Operating, 12.0 FTE, \$0.1M Capital
This initiative will improve station cleanliness, with equipment and twelve (12) new System Service Workers located at busy BART stations. The new staff would allow for extra coverage on morning and afternoon shifts at BART's highest passenger volume stations to keep stations cleaner. Passenger satisfaction with the new initiative will be measured by the quarterly Passenger Environment (PES) numbers for Station Cleanliness.

Public Safety Initiative \$0.6M Operating, 4.0 FTE
This action will enable the BART Police Department (BPD) to expand its presence in downtown San Francisco, and support the Crisis Intervention Team (CIT).

R-Line System Service Supervision \$0.3M, 2.0 FTE
Two new System Service Supervision positions along the R-Line are needed to support the additional system service workers. These staff will also manage cleaning activities at the Oakland Shops, the Treasury building, Lake Merritt building, BART-to-OAK, and coordinate truck delivery of cleaning supplies throughout the system.

Art Program Initiation \$0.2M, 1.0 FTE
The Art Program Manager will implement the forthcoming Board-adopted Art Policy. The Manager will promote innovation and improve customer satisfaction and engagement through art projects. They will lead art project planning and implementation; development of an art strategic plan; grant writing and fundraising; art procurement; contract administration; education, and community engagement; conservation and repair of artwork; and other tasks as identified.

Sustainability Program – Recycling Phase 1 \$0.9M Capital
In FY15, BART implemented a recycling pilot program to identify the type of recycling/trash receptacle that promotes recycling, best meets BART staff needs, improves operating labor efficiency, and reduces waste management fees. Based on the results from the recycling pilot program, funding from this initiative will purchase and install a first phase of the recycling program at initial stations.

Pigeon Abatement \$0.7M Capital
Pigeons have created a significant challenge to station cleanliness, safety and the overall customer experience. This initiative would fund on-going efforts to permanently seal or modify roosting areas and thus significantly reduce the pigeon population at BART stations. With annual funding, BART maintenance staff is able to seal roosting locations at four stations per year and adding additional staff will allow BART to increase the number of stations achieved per year.

Stations Refresh – Expansion \$0.4M Capital
The expansion of this existing program will provide capital support for key station initiatives including deep-cleaning and small scale station facilities investments to improve the customer environment and ensure that BART is safe, convenient, friendly and reliable (and could possibly include re-opening selected restrooms).

Lake Merritt Customer Service Center Modernization \$0.3M Capital
The Lake Merritt Customer Service Center project will create a more aesthetically pleasing and customer-friendly store front; upgrade the façade including the service windows, drawers, and microphones; improve ADA accessibility; and improve the workspace for BART employees.

System Resiliency/Climate Change Adaptation \$0.2M Capital
The FY15 FTA-funded climate change adaptation pilot evaluated sea-level rise, riverine flooding, and downpour future scenarios for four assets within the Oakland study area. The resulting risks ranged from low to high. The pilot was evaluated only the Oakland area. This study will expand the vulnerability and risk assessment District-wide in order to inform asset management and capital projects, and enable updates to the BART Facilities Standards (BFS).

Energy Storage Pilot Project \$0.2M Capital
These funds will support the development of a demonstration project to test energy storage (i.e., battery) at one or more BART stations, in order to efficiently manage energy use.

System Reinvestment

Grounds Personnel – Stations and ROW \$0.6M, 6.0 FTE
This initiative will help to staff the needs of the Track and Grounds department to increase the number of grounds-related maintenance crews. Having additional station and right-of-way crews will have a significant impact on station cleanliness, parking lot cleanliness, removal of trash and downed trees within the ROW and BART’s ability to properly maintain existing landscape and irrigation resources.

Stations Folders – Phase I \$0.4M Capital
BART has piloted a Stations Folder enterprise web application that lets employees use District-based maps to access information from multiple data sources. This features an enterprise web application that allows employees to use an intuitive map to access information. BART now intends to bring the pilot application into District-wide production, which will aid business operations by enabling access to critical information for field work and planning.

FY16 Stations & Access Projects* - Summary

OPERATING	Pos.	Labor	Non-Labor	Total
Customer Access				
Bike Programs - Operating	-	0	50,000	50,000
Sustainability/Customer Satisfaction				
System Service Personnel	12.0	1,053,667	0	1,053,667
Public Safety Initiative	4.0	595,889	23,040	618,929
R-Line System Service Supervision	2.0	260,183	0	260,183
Art Program Initiation	1.0	207,905	0	207,905
System Reinvestment				
Grounds Personnel - Stations & Right-Of-Way	6.0	620,286	0	620,286
	OPERATING TOTAL	25.0	2,737,930	73,040
				2,810,970

CAPITAL				Total
Customer Access				
MacArthur Plaza & Placemaking				900,000
Wayfinding				400,000
Bike Programs - Capital				350,000
Last Mile Investments and Studies				300,000
Embarcadero Station Elevator - Preliminary Engineering				250,000
Intermodal Safety Improvement Program				150,000
Plaza Activation Pilot				150,000
Warm Springs/South Fremont Station West Side Pedestrian Bridge				100,000
Sustainability/Customer Satisfaction				
Pigeon Abatement				715,338
Station Refresh - Expansion				400,000
Lake Merritt Customer Service Center Modernization				300,000
System Resiliency/Climate Change Adaptation				200,000
Energy Storage Pilot Project				150,000
System Service - Capital				69,000
Sustainability Program: Recycling Phase I				868,000
System Reinvestment				
Station Folders - Phase I				400,000
	CAPITAL TOTAL			5,702,338

* Funded by estimated revenue from Parking Program fee modifications

FY16 Budget Initiatives Considered, But Unable to be Funded

OPERATING				
Description	FTE	Labor	Non-Labor	Total
Additional expenses associated with BART-to-OAK, including extra miles, hours, and contractor bonus payment.	0.0	\$0	\$175,412	\$175,412
Senior Financial Planner shared between Operations Planning and eBART/BART-to-OAK.	1.0	149,796	0	149,796
Dedicated Maintenance Workers for Station Access Improvements.	4.0	487,117	0	487,117
Bus Bridge Staffing during Planned Service Interruptions.	0.0	65,000	0	65,000
Center for Independent Living Partnership.	0.0	0	99,000	99,000
Procurement Department Modernization - New Procurement Vendor Portal.	1.0	134,017	0	134,017
Procurement Department Modernization - Staff Training.	0.0	0	50,000	50,000
Police Administrative Specialist - Security and Emergency Management Programs.	1.0	117,187	0	117,187
Additional Critical Asset Patrol (CAP) team. <i>Department has applied for federal grant and funding of this initiative will be decided based on the outcome of that application.</i>	4.0	675,943	23,040	698,983
Police Administrative Specialist Positions. <i>One of three requested positions will be funded through FY16 initiative.</i>	2.0	234,375	0	234,375
Additional BART Police Dispatch Staffing.	3.0	373,348	0	373,348
Unbundle and support for the On-call Small Business Supportive Services (SBSS).	0.0	0	400,000	400,000
Additional Title VI Fare Equity Analysis and Public Outreach.	0.0	0	100,000	100,000
Expansion of District's Diversity Program. <i>Ongoing funding of \$25,000 was provided in the FY15 budget.</i>	0.0	0	50,000	50,000
Additional Property, liability and Cyber Liability Insurances.	0.0	0	2,000,000	2,000,000
Worker's Compensation Fees. <i>Department will fund out of existing budget.</i>	0.0	0	377,137	377,137
Employee Assistance Program/Drug and Alcohol Program fees. <i>Department will attempt to extend the current contract and place a new contract out to bid in an attempt to lower the fees.</i>	0.0	0	216,771	216,771
Workforce Development Programs. <i>The office has also applied for an FTA workforce development grant that is more targeted than the overall program. BART will fund the local match of the FTA grant if it is awarded.</i>	1.0	147,755	100,000	247,755
Permanent position to process BART Identification Cards.	1.0	107,236	0	107,236
Program Manager - Knowledge Management.	1.0	207,905	0	207,905
Capital Program Management System solution for construction/project management processes.	0.0	0	1,500,000	1,500,000
Enhance Enterprise Resource Planning (ERP) with new modules and services.	0.0	0	500,000	500,000
Commercial Fiber: Sales Expansion & Asset Management.	1.0	152,384	0	152,384
Additional AFC Foreworker.	1.0	133,885	0	133,885

FY16 Budget Initiatives Considered, But Unable to be Funded (continued)

OPERATING				
Description	FTE	Labor	Non-Labor	Total
Additional AFC Technicians.	3.0	365,338	0	365,338
Increase Engineering Staff for Maintenance Support.	4.0	636,470	0	636,470
Cathodic Protection - Senior Engineer. <i>BART will fund one of two requested positions (Program Manager II) through the FY16 initiative process.</i>	1.0	179,594	0	179,594
Escalator and elevator renovation program.	3.0	787,045	0	787,045
Material Expeditor and Tool Room Attendant to support the Elevator/Escalator Department.	2.0	214,012	0	214,012
Data encryption and EMV (Europay MasterCard Visa) card capability (credit cards with embedded chips).	1.0	179,594	0	179,594
Additional Communications Electronic Technicians.	2.0	243,559	7,200	250,759
Additional Senior Telecommunications Technicians.	2.0	163,107	25,000	188,107
Additional Train Control Technicians. <i>BART will fund two of the four requested positions through FY16 initiatives.</i>	2.0	243,559	0	243,559
System Simulation and Scheduling Software.	0.0	0	200,000	200,000
Temporary Position: Program Manager 1 - Performance Management & Reliability Engineering (succession planning).	1.0	207,905	0	207,905
System and Station Capacity Model.	0.0	0	37,500	37,500
Transit Vehicle Electronic Technicians.	6.0	730,676	0	730,676
Increase RS&S Training and Development.	10.0	1,456,200	0	1,456,200
Operations Supervisors (A/L/S Operations Supervisors).	1.0	172,550	0	172,550
Operations Supervisors (C/K Operations Supervisors).	1.0	172,550	0	172,550
Transportation Line Manager for A/L/S Line. <i>BART will fund a C/K Line Manager through an FY16 initiative.</i>	1.0	207,905	0	207,905
Hayward Test Track Management.	1.0	172,550	0	172,550
Operating Total	62.0	9,118,562	5,861,060	14,979,622

CAPITAL	
Description	TOTAL
Intermodal Assets Inventory and Conditions Assessment.	172,500
Capital Collateral for the Small Business Bonding Assistance Program (SBBAP). Funding for this program can come from other sources.	3,450,000
OCIO Infrastructure - Business Computing Hardware.	575,000
Improved Real Time Delivery System for BART.gov.	241,500
Commercial Fiber - <i>Capital</i>	230,000
Data encryption and EMV (Europay MasterCard Visa) card – <i>Capital</i>	3,243,000
Passenger Information Systems study to analyze inconsistent information.	416,926
Extend Elevator/Escalator Remote Monitoring System (RMS) to all escalators and elevators.	220,800
Support Integrated Control System (ICS) functions.	210,111
Enhance Sequential Occupancy Release System (SORS).	224,819
TVM Modifications to Dispense Clipper Smart Cards.	9,545,000
Asset Management Program implementation of International Organization for Standardization (ISO) 55000.	586,500
Peak Incentives Pilot Program to Address Short-Term Capacity Constraints.	400,000
Wheel truing machine for Concord Shop.	15,000,000

FY16 Budget Initiatives Considered, But Unable to be Funded (continued)

CAPITAL	Description	TOTAL
	A2/B2 Car Batteries Replacement. <i>RS&S plans to address this situation through additional engineering resources that will be funded as an FY16 initiative.</i>	712,988
	Car Lifts (Daly City shop and Richmond Shop).	20,000,000
	C Car Propulsion Modification. <i>RS&S plans to address this situation through additional engineering resources that will be funded as an FY16 initiative.</i>	1,303,094
	C1/C2 Car Auxiliary Power Supply Equipment Replacement. <i>RS&S plans to address this situation through additional engineering resources that will be funded as an FY16 initiative.</i>	5,000,000
	A2/B2 Car HVAC. <i>RS&S plans to address this situation through additional engineering resources that will be funded as an FY16 initiative.</i>	1,010,032
	C Car Cab Windows Replacement.	3,255,220
	Hayward Test Track – <i>Capital</i>	207,905
	Capital Total	66,005,394

Fare Modification for Future Consideration

YOUTH DISCOUNT EXTENSION

When the Board extended BART’s productivity-adjusted inflation-based fare increase program through 2020, the Board directed staff to analyze other fare options. Staff performed a preliminary Title VI equity analysis of these alternatives, and the Board directed staff to continue to study extending the age at which BART offers youth a discounted fare, which is now from age 5 through 12 years. Riders in this age range currently receive a 62.5% discount to the regular fare. Children under the age of 5 ride for free. Students at participating middle and high schools receive a 50% discount by using a ticket color-coded orange.

Staff developed three options for extending the discount and calculated estimated ranges of annual revenue impacts, as shown in the table below. Annual revenue impacts reflect giving the discount to current full fare riders as well as generating new revenue from new riders. The maximum value of the range assumes that all current full fare riders age 13-17 get the discount by obtaining a Clipper Youth card or red mag stripe ticket, and the range’s lower end assumes that one-half of these riders do so.

Issues remain to be resolved regarding extending the youth discount, including the need for regional consistency of youth age definition and discount level offered; the necessary Clipper modifications, which cost up to \$1.5M depending upon the discount option selected; and funding the revenue loss associated with extending the discount. Additionally, preliminary Title VI findings show that the age 5-12

rider group is more minority and low-income than BART’s overall ridership. Staff will be discussing these issues with the Board in the upcoming fiscal year.

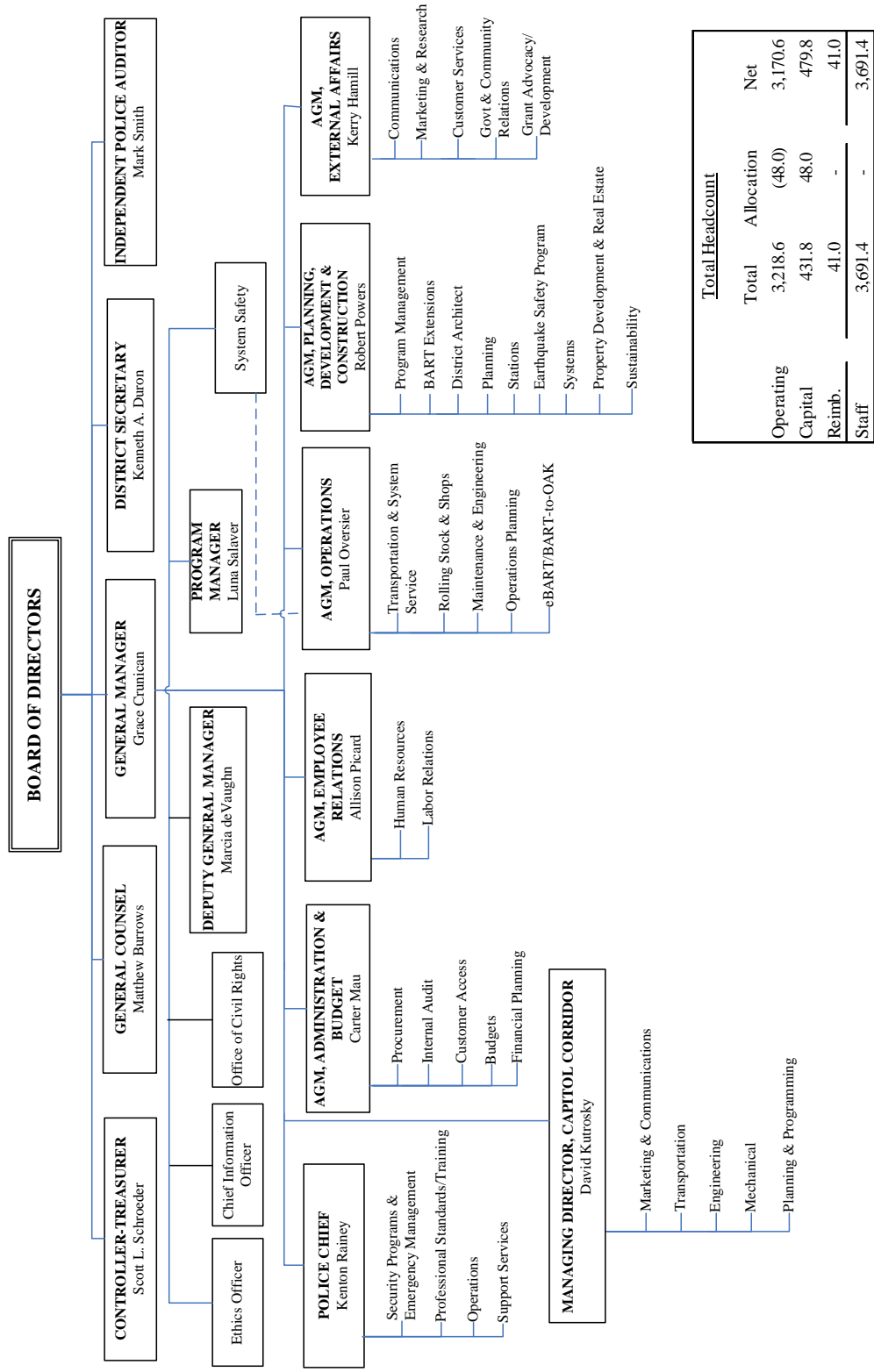
Annual Revenue Impact Estimate Range (in Millions)	
A. 50% age 5 thru 17	\$1.5 - \$3.0
A. 50% age 5 thru 18	\$1.9 - \$3.7
B. 62.5% age 5-12; 50% age 13 thru 17	\$1.8 - \$3.5
B. 62.5% age 5-12; 50% age 13 thru 18	\$2.2 - \$4.2
C. 62.5% age 5 thru 17	\$2.3 - \$4.6
C. 62.5% age 5 thru 18	\$2.8 - \$5.6

8. FY16 Budget Board Review Schedule

Board Meeting Date	Title
2/26/2015	FY16 Financial Priorities
4/23/2015	FY16 Preliminary Budget Overview Action: Consider motion to set date for public hearing on Preliminary Budget
5/14/2015	FY16 Preliminary Budget Sources, Uses and Service Plan
5/28/2015	FY16 Capital Budget Public Hearing on FY16 Annual Budget Action: Consider resolution to adopt annual Proposition 4 Limit
6/11/2015	Action: Consider resolution to adopt the FY16 Annual Budget

9. FY16 Preliminary Budget Organization Chart

SAN FRANCISCO BAY AREA RAPID TRANSIT FY16 Preliminary Budget ORGANIZATION CHART



Total Headcount		
	Total	Allocation
Operating	3,218.6	(48.0)
Capital	431.8	48.0
Reimb.	41.0	-
Staff	3,691.4	-
		Net
		3,170.6
		479.8
		41.0