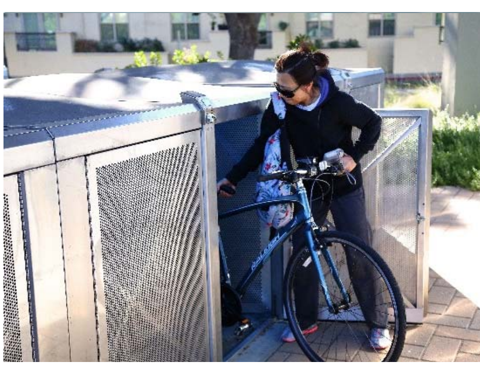
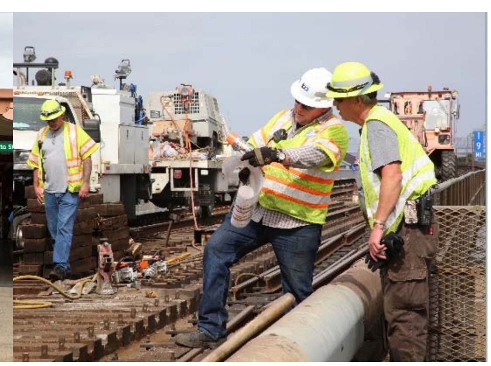
San Francisco Bay Area Rapid Transit District

Preliminary Budget Memo Fiscal Year 2018

March 31, 2017





Contents

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
MEMORANDUM

TO: Board of Directors **DATE:** March 31, 2017

FROM: General Manager

SUBJECT: Fiscal Year 2018 Preliminary Budget

As we develop the FY2018 (FY18) Preliminary Budget, we face substantial challenges. BART's previously strong ridership growth has slowed considerably, with average weekday ridership down 2% and weekend ridership down 7% from previous years. In addition, the robust regional economy that fueled large increases in sales tax revenue and ridership in past years has moderated. Decreases in these key funding sources, which make up 85% of BART's operating revenues, significantly impact funding for a system dealing with aging infrastructure and still carrying near capacity peak-period ridership.

In response to financial warning signs we saw in early FY17, we have already taken important steps to control expenses. A selective hiring freeze has been instituted for operating positions, we have reduced overtime and mandated a 10% reduction in professional and technical services expenses. However, based on our current projections, we must do more for the FY18 budget.

The options presented here were selected from those presented at the Finance, Budget and Bond Oversight Committee meeting on March 21, as well as other Board meetings in January and February. My recommendation is to solve the projected deficit by taking a balanced approach that includes cutting expenses, raising additional revenue, and adjusting the timing of allocations from the operating budget to capital programs. With this balanced approach, I believe we can address the budget shortfall in a way that minimizes impacts to BART's customers and the BART service upon which the region relies. The FY18 Preliminary Budget also includes some new programs that are necessary to address existing deficiencies and will result in meaningful improvements.

Reduced Expenses

The proposed includes operating position reductions totaling 39.5, which will be achieved by implementing 15 position cuts and 24.5 conversions from operating positions to capital project funded positions. The proposed reductions are spread across the District and are more heavily weighted toward administrative positions than front-line operating positions. Staff are reviewing their department portfolios to prioritize activities and distribute remaining resources as necessary to minimize operational impacts. The impacts of these position cuts to customer service should be minimized, and reductions will not result in layoffs as existing vacancies can absorb any displaced staff.

Two service modifications are included in the Preliminary Budget: accelerating the move to a system opening time on Monday-Friday to 5AM and reverting to 2012 service levels on the Red Line (Millbrae to Richmond) and the Green Line (Daly City to Fremont). The 5AM opening will become a necessity in July 2018, in conjunction with the Transbay Tube seismic retrofit work, and so this proposal moves that date up by ten months. While service hour reductions are never ideal, these proposals were selected to impact the fewest number of customers. These service reductions will result in an additional 41 operating position reductions, and any staff in these subject positions will be absorbed by existing vacant positions.

At no cost, BART is utilizing existing resources and staff to perform management analyses that should result in business efficiencies. We will be conducting several of these management analyses each year. In FY18, BART will complete such reviews and make recommendations for at least two departments, Human Resources and Procurement.

Additional Revenue
With reduced revenues from ridership and sales tax, we are exploring all avenues to generate more revenue. The Board recently approved modifications to the District's advertising contract, and the Preliminary Budget includes the additional advertising revenue. The Office of the Chief Information Officer has also been asked to aggressively pursue more revenues from telecommunications contracts, and I expect these programs will bring in more funding for District operations, but most of these efforts will not produce revenue until FY19.

The Preliminary Budget also includes three proposed fare changes. I will be asking the Board to approve adding a modest fee to the fares paid by customers who use magnetic stripe tickets. With Clipper card dispensing slated to be available at all stations by January 2018, this is an excellent opportunity to encourage customers to switch from using magnetic stripe tickets. A second fare proposal is to reduce the discount from 62.5% to 50% for seniors, people with disabilities, and youth age 5 through 12. The current 62.5% discount is well above the federally mandated level and a 50% discount better aligns with the discounts most other Bay Area transit operators offer. The third fare change being proposed is to extend the age at which youth are eligible for a discount from age 12 to age 18, the cost of which would mostly be paid for with the proposed changes in the youth and senior discount. The age change would also support the region's goal of consistent discount policies among transit operators, as most regional operators offer a youth discount to riders through age 18.

Title VI outreach and analysis are currently underway on these proposed fare modifications. The Board will need to approve a report on the impacts of these changes on minority and low income communities before any of these changes could be implemented.

Allocations to Capital
As one of the few transit agencies in the United States to make contributions to its capital program from the operating budget, BART recognizes the integral part infrastructure plays in operating performance. However, the District has also traditionally used allocations to capital as a financial management tool, reducing allocations during difficult financial times and increasing contributions to capital when funds become available. To help balance the FY18 budget, I am recommending we reduce the baseline operating-to-capital allocation by $10 million for this year only. BART annually allocates funding in the baseline allocation for projects that are not generally eligible for grant funds, such as stations and facilities renovation, inventory buildup, non-revenue vehicle replacement, tools and other capitalized maintenance. There are unspent balances of prior year allocations, and it is expected that they will be used to mitigate the impacts of the shortfall created by the one-time FY18 reduction.

In addition, the FY18 planned allocation to the Rail Car Sinking Fund was $45 million. I am recommending that the allocation be reduced by $6 million in FY18 only. Over the past two years, BART has received Low Carbon Transit Operations Program revenues that were intended to help offset operating allocations to the rail cars, and so with this $6 million, the rail cars will still receive the full $45 million in FY18.

It is important to note that even with these one time adjustments, the FY18 Preliminary Budget still allocates almost 20% of operating revenues, or $170 million, directly to capital or to capital-related debt service.

The attached Preliminary Budget provides additional details on these proposals as well as new initiatives to help address fare evasion, customer safety and security issues at our stations. Greater detail will be provided as we discuss these programs with the Board in the upcoming months.

Given BART's regional importance, as evidenced by voter approval of Measure RR to address some of BART's key infrastructure replacement needs, it is critical that we minimize the impacts to our customers from the operating financial shortfall. Thus, we have crafted a balanced solution to address the projected deficit. I look forward to working with you in the coming months as we finalize the FY18 budget.

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Grace Crunican

cc: Board Appointed Officers
Deputy General Manager
Executive Staff

1. Overview

The Fiscal Year 2018 (FY18) Preliminary Budget presents many challenges, with BART facing declining operating resources and aging infrastructure while gearing up for a major system reinvestment program and opening expansion projects. The Preliminary Budget supports BART's commitment to deliver safe, reliable, clean, quality transit service but also seeks to balance that with limited resources.

The FY18 Pro Forma deficit was approximately $31M, and the FY18 Preliminary Budget proposes $3.2M in initiatives for addressing fare evasion, promoting weekend ridership, small updates to Board Room equipment, workforce development, and extending the Youth Discount to customers ages 13-18. These initiatives (Section 8, pages 37) increase the overall funding need to about $34M.

The FY18 Preliminary Budget includes the following proposed solutions (Section 7, page 34) to produce a balanced budget:

- Operating position reductions $5.3M
- Service modifications $5.4M
- Fare changes $7.3M
- Capital allocations decrease $16.0M

Development of the FY18 Preliminary Budget has been informed by the FY17 Short-Range Transit Plan/Capital Improvement Program (SRTP/CIP) released in draft form in February 2017. The SRTP/CIP projected an operating shortfall of slightly more than $300 million over the next ten years and $5 billion of unfunded capital needs over the next 15 years. This provides valuable context for considering the long-term financial and operational impacts of FY18 budget decisions. Actions taken to balance the FY18 operating budget will help reduce the projected longer term shortfalls.

Silicon Valley Berryessa Extension

The two station, ten-mile Silicon Valley Berryessa Extension (SVBX) Project into Santa Clara County will connect to the Warm Springs/South Fremont Station in southern Alameda County and is expected to open in FY18.

Construction of the project is managed by the Santa Clara Valley Transportation Authority (VTA), in cooperation with BART. VTA is funding all construction costs of the project and will reimburse BART for all costs associated with rail service, including operations, maintenance, core system impacts, and funding of a reserve account for future capital reinvestment expenses. In preparation for revenue service in FY18, BART will add positions and certain non-labor expenses to the FY18 budget to support training and pre-revenue efforts in addition to a limited number of positions added in FY17. VTA is responsible for all capital, and operating and maintenance costs associated with the extension, so the project will have no financial impact on BART.

eBART Extension

Work continues on the two-station eBART rail project, which will provide a key linkage to eastern Contra Costa County. eBART uses modern Diesel Multiple Unit (DMU) trains to provide rail service between BART's Pittsburg/Bay Point Station and Antioch. The system consists of eight DMUs, a maintenance and operations facility, two stations, a transfer platform, and approximately 10 miles of track. eBART anticipates revenue service by May of 2018.

New Rail Cars

BART is replacing the aging rail car fleet and expanding the current fleet from 669 to at least 775 rail cars; and as many as 1,081. A new fleet will improve reliability, decrease maintenance costs, relieve crowding, and help meet growing demand associated with regional population growth and system expansions. Production of the new cars will ramp-up in FY18, with 166 new cars scheduled to be delivered by the end of calendar year 2019.

In addition to receiving new rail cars, BART will implement a number of improvements to its fleet maintenance program to increase car availability, reduce noise, improve cleanliness, and generally manage the existing fleet in a way that improves capacity and passenger comfort.

Hayward Maintenance Complex

To accommodate its growing rail car fleet, BART is expanding and upgrading its existing maintenance facility in Hayward. The Hayward Maintenance Complex (HMC) will include a reconfigured yard, a larger primary repair shop, a new component repair shop, a vehicle overhaul shop, a new central parts warehouse, and a new maintenance and engineering repair shop. The primary repair shop will open in 2017.

FY18 Preliminary Budget

The following sections start with a discussion of rail service plans, followed by the FY18 Preliminary Budget Income Statement. Operating and capital sources and uses are shown together in a combined Income Statement to present a comprehensive picture of BART's financial situation. This is followed by descriptions of operating and capital sources and expenses. The final sections of the memo summarize proposed budget balancing actions and proposed new budget initiatives for FY18.

Board rules require that the Board of Directors receive the Preliminary Budget document each year by March 31. During April and May, staff will give a series of informational presentations on the budget at regularly scheduled meetings of the Board of Directors and at Finance, Budget & Bond Oversight Committee meetings. Board rules require adoption of the upcoming annual budget by June 30.

2. Rail Service Plan

BART currently makes available 595 of its total fleet of 669 cars for peak period service, a daily availability of 89% against a fleet spare ratio of 11%. This is an aggressive level to maintain for any transit fleet, let alone a fleet of BART's age (the transit industry spare ratio standard is 20%). With no additional car reserves to rely upon, BART employs innovative solutions to increase capacity. For example, in FY16, BART conducted an in-service evaluation of three alternate seating configurations with the goal of increasing carrying capacity and circulation on crowded trains. The observed benefits of the change include improved passenger boarding and alighting, and reduced station dwell times during the busiest times of the day. After Board action in February 2017, the selected seating alternative is being implemented on more than 300 non-control cars, with completion estimated by the end of 2017. This program, together with 89% total fleet availability, represents the last capacity gains that can be realized from the existing fleet until sufficient new cars are in operation to enable more capacity.

Extensions

The opening of the Warm Springs Extension in FY17 necessitated minor schedule changes to provide service to the Warm Springs/South Fremont Station while maintaining existing service levels on the line. On weekdays, this extension is served by the Green Line, which operates from Warm Springs/South Fremont to Daly City until 7 p.m. and the Orange Line, which operates from Warm Springs/South Fremont to Richmond from 6 p.m. until the end of revenue service. Saturday and Sunday service are provided solely by the Orange Line. To maintain the existing 15-minute headway on the line, one additional train has been added to the schedule on weekdays.

The opening of the Silicon Valley Berryessa Extension (SVBX) and eBART in FY18 will require significant changes to the schedule due to new timing points at both the eBART transfer platform at Pittsburg/Bay Point Station and Berryessa Station. Service planning studies and Title VI analysis are assessing various options for SVBX service on opening day and during the first year of revenue service. A service planning study for eBART has been completed, and Title VI analysis is also underway.

Service Requirements	June 30, 2017	June 30, 2018
Service Increment	Warm Springs Extension	e-BART + SVBX (1 line)
Total Peak Vehicle Requirement	595	649
Total Fleet	669	740
Total Fleet Availability	89%	88%
Peak Period Trains	62	66
Total Car Hours (million)	2.4	2.6
Total Car Miles (million)	77.8	83.0

New Rail Cars

BART's initial ten-car consist of new rail cars is currently undergoing a rigorous testing process on the BART system. When this process is complete, full rail car production, delivery, and testing will begin. Because the new and existing rail cars cannot be combined in the same train, the new rail cars will be incorporated into the schedule as ten-car consists of all new cars. As these new cars are available for revenue service in FY18, BART will identify opportunities to lengthen trains across the system with the goal of eventually running ten-car trains on all Transbay routes in the coming years. Cars from the existing fleet would be allocated to other peak trains, likely on the Red (Richmond - Millbrae) or Blue (Dublin/Pleasanton - Daly City) lines. These lines currently operate trains with less than the ten-car maximum. This will provide much needed capacity relief to BART's customers during the busiest ridership periods.

3. FY18 Preliminary Budget Income Statement

($millions)	Adopted FY17	Preliminary FY18	Change $	Change %
Revenue				
Rail Passenger Revenue	510.0	511.7	1.7	0%
ADA Passenger Revenue	0.9	0.9	0.0	1%
Parking Revenue	33.5	35.0	1.5	5%
Other Operating Revenue	27.5	32.1	4.6	17%
Total Operating Revenue	**571.8**	**579.6**	**7.8**	**1%**
Financial Assistance				
Sales Tax Revenue	249.2	252.5	3.2	1%
Property Tax	38.6	42.2	3.6	9%
VTA Financial Assistance	-	7.1	7.1	
State Transit Assistance (STA)	8.9	10.6	1.7	19%
Local & Other Assistance	13.4	10.2	(3.2)	-24%
Total Financial Assistance	310.1	322.6	12.4	4%
OPERATING SOURCES, Subtotal	**882.0**	**902.2**	**20.2**	**2%**
5307 Rail Car Fund Swap (Federal)	47.1	-		
CAPITAL SOURCES	**876.3**	**1,026.3**	**150.0**	**17%**
TOTAL OPERATING & CAPITAL SOURCES	**1,758.3**	**1,928.5**	**170.2**	**10%**
Net Labor and Benefits*	499.6	535.8	36.2	7%
OPEB Unfunded Liability	2.4	3.1	0.6	25%
Traction/Station Power	41.0	42.9	1.9	5%
Other Non-Labor	120.5	123.6	3.1	3%
ADA Paratransit Service	14.2	15.0	0.8	5%
OAC	6.1	6.3	0.2	3%
Other Purchased Transportation	7.7	7.8	0.1	1%
Total Operating Expense	**691.5**	**734.4**	**42.8**	**6%**
5307 Rail Car Fund Swap Expense	47.1	-		
Debt Service & Allocations				
Bond Debt Service	51.7	50.8	(1.0)	-2%
Capital Allocations	141.1	120.1	(21.0)	-15%
Total Debt Service & Allocations	**192.9**	**170.9**	**(22.0)**	**-11%**
OPERATING USES, Subtotal	**884.4**	**905.3**	**20.9**	**2%**
OPEB Unfunded Liability	2.4	3.1	0.6	
NET OPERATING RESULT	**0.0**	**0.0**	**(0.0)**	
System Reinvestment	584.5	701.3	116.8	20%
Safety & Security	68.0	70.5	2.5	4%
Earthquake Safety	60.6	100.6	40.0	66%
Service & Capacity Enhancement	48.6	74.9	26.3	54%
System Expansion	109.2	73.5	(35.7)	-33%
Reimbursable/Other	5.5	*5.5*	-	0%
CAPITAL USES TOTAL	876.3	1,026.3	150.0	17%
TOTAL OPERATING & CAPITAL USES	**1,760.7**	**1,931.5**	**170.8**	**10%**
NET RESULT	**0.00**	**0.00**		

**Net Labor and Benefits includes approximately $30M of labor costs for HMC, eBART, and SVBX.*

	FY17	FY18	Change	%
Average Weekday Trips	445,441	431,084	-14,357	-3.2%
Total Annual Trips (M)	132.4	125.7	-6.7	-5.1%
Rail Farebox Reovery Ratio	73.9%	69.8%	-4.1%	-5.5%
Operating Ratio	82.7%	78.9%	-3.8%	-4.5%
Rail Cost/Passenger Mile	$ 0.349	$ 0.383	$ 0.034	9.6%

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. Traffic congestion and gas prices can also influence BART ridership. More recently, other transportation options, such as walking and biking for shorter trips, or Transportation Network Companies (TNCs) such as Uber and Lyft have had a growing, but undetermined impact on BART ridership. BART financial assistance can also be impacted by the State budget and legislative actions.

($millions)	Adopted FY17	Preliminary FY18	Change $	%
Revenue				
Rail Passenger Revenue	510.0	511.7	1.7	0%
ADA Passenger Revenue	0.9	0.9	0.0	1%
Parking Revenue	33.5	35.0	1.5	5%
Other Operating Revenue	27.5	32.1	4.6	17%
Total Operating Revenue	571.8	579.6	7.8	1%
Financial Assistance	-	-		
Sales Tax Revenue	249.2	252.5	3.2	1%
Property Tax	38.6	42.2	3.6	9%
VTA Financial Assistance	-	7.1	7.1	
State Transit Assistance (STA)	8.9	10.6	1.7	19%
Local & Other Assistance	13.4	10.2	(3.2)	-24%
Total Financial Assistance	310.1	322.6	12.4	4%
OPERATING SOURCES, Total	**882.0**	**902.2**	**20.2**	**2%**
5307 Rail Car Fund Swap (Federal)	47.1	-		

Operating Revenue

Ridership and Passenger Revenue

Recent Trends

Since emerging from the economic downturn in 2009, BART has seen five years of positive ridership growth over six years, resulting in a 27% increase in ridership, or an additional 27.5M annual trips. BART anticipated that this rate of growth was not sustainable and would eventually level off. In August of FY17 average weekday ridership began consistently coming in under budget and eventually started declining, like the downward trend in weekend ridership that developed in FY16.

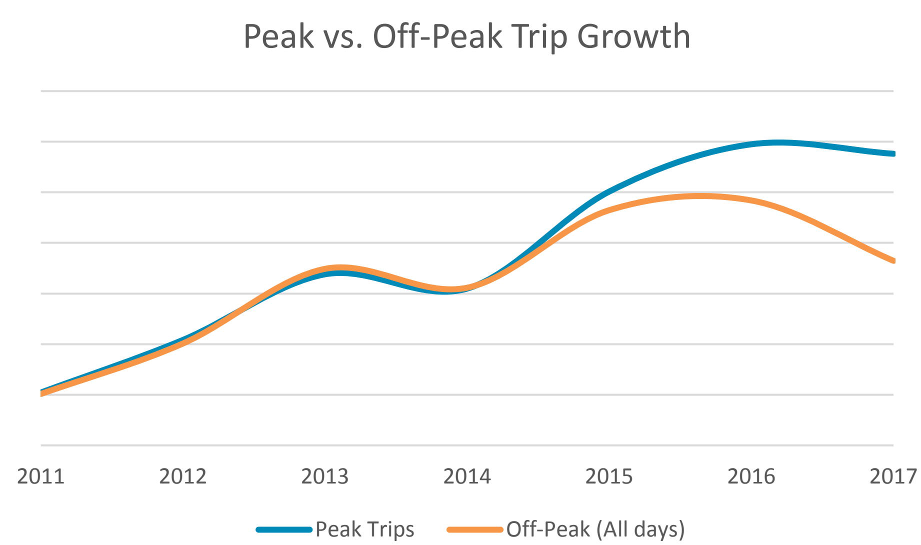
Total trips for the fiscal year through February are 6% below FY17 budget for the same period, and 3% lower than the same period in FY16. Based upon these trends, total ridership for FY17 is forecast to be approximately 124.6M. This revised estimate is 6% less than the FY17 adopted budget of 132.4M and 3% lower than FY16's actual ridership of 128.5M. In addition to ridership declining on both weekdays and weekends, it has declined in both peak and off-peak periods.

	FY17 YTD Budget	FY17 YTD Actual	% Change	FY16 YTD Actual	FY17 YTD Actual	% Change
Total Trips (millions)	87.6	82.2	-6.2%	85.0	82.2	-3.3%

Average weekday trips are currently below budget by 4.5% and 1.8% below the same period in the last fiscal year. Saturdays and Sundays also missed their budget projections by 12.1% and 16.2% and are lower than the same period last year by 7.3% and 7.0% respectively.

	FY17 YTD Budget	FY17 YTD Actual	% Change	FY16 YTD Actual	FY17 YTD Actual	% Change
Avg Weekday Trips	445,270	425,353	-4.5%	433,223	425,353	-1.8%
Avg Saturday Trips	218,444	192,121	-12.1%	207,159	192,121	-7.3%
Avg Sunday Trips	159,802	133,991	-16.2%	144,059	133,991	-7.0%

When trips are disaggregated into peak (i.e. weekdays during the AM and PM peak hours) and non-peak trips (i.e. any time that does not fall into the peak), it reveals that BART is having difficulty retaining off-peak trips, while peak trips remain relatively stable and show only a slight decline. The non-peak period, which includes almost three-quarters of BART's total operating hours, has historically accounted for approximately half of overall ridership, though in recent years the peak period has begun to account for increasingly large percentage of overall ridership. As a result, BART's most constrained peak periods continue to experience capacity pressure, while the low-demand off-peak periods are less utilized.



Ridership Forecast
Based on the trends reviewed above, this budget is based on a preliminary FY18 ridership estimate of approximately 125.7M annual trips and 431,100 average weekday trips. This estimate reflects a forecast of continued decline in core system ridership offset by new trips from extension projects opening during the fiscal year. During FY18, an additional 600,000 annual trips are expected from the first full year of service to Warm Springs/South Fremont Station, which translates to approximately 2,000 weekday exits. The Silicon Valley extension is expected to open mid-FY18, adding an estimated

one million trips during the one-half year of service, with 7,200 average weekday exits. eBART is projected to open in May 2018 adding an additional 2,000 average weekday exits and over 100,000 new trips in the last two months of the fiscal year. As with other newly opened BART stations, ridership is forecast to start low and grow rapidly over the first few years of service. The FY18 average weekday trip forecast of 431,100 represents an average over the entire fiscal year, with just a partial year of trips from the SVBX and eBART projects.

(millions)	FY16 Actual	FY17 Adopted	FY17 Estimate	FY18 Forecast
Core	128.5	132.4	124.5	123.9
WSX	--	--	0.1	0.6
eBART	--	--	--	0.1
SVBX	--	--	--	1.0
Total Annual Trips	**128.5**	**132.4**	**124.6**	**125.7**

Passenger revenue through February FY17 is also below budget, although less so than ridership. BART's strongest trip market is Transbay trips, which have a higher average fare paid per rider than other declining market segments in the East Bay and West Bay. Increasing Transbay trips and the associated higher fare has helped increase BART's systemwide average fare. Fare revenue projections for FY18 have been adjusted to include the higher average fare.

To help fund the system's extensive capital needs, BART renewed its program of small regular inflation-based fare increases in 2013 and dedicated all incremental fare increase revenue to BART's priority capital program needs. 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 productivity improvements. Two increases to-date, January 1, 2014 and January 1, 2016, combined with the next fare increase of 2.7% planned for January 1, 2018, are projected to generate $38.8M in FY18.

FY18 Budget Balancing Proposal

In addition, as part of the overall strategy to balance the FY18 budget, BART is currently considering several fare options. These include implementing a surcharge of 50 cents or up to 10% on trips made with magnetic stripe fare media to encourage riders to use the Clipper smart card, and reducing the discount available to seniors, disabled riders, and youth to 50% from 62.5%. For planning purposes, the FY18 Preliminary Budget assumes additional fare revenues from adding a 50-cent surcharge to magnetic stripe fare media and reducing the discount to 50%, as well as a reduction in fare revenue from extending the youth discount to age 18. All fare changes are subject to Title VI process, including input from riders, and Board approval. The net revenue gain from these three options is estimated at $5.8M for FY18. If approved, implementation is planned for January 2018, along with the planned 2.7% inflation-based fare increase. These options are described in more detail in Section 7, FY18 Budget Balancing Proposals.

Since the official launch of the Clipper card in 2010, adoption has grown to 68% of all trips as of February 2017. Benefits to passengers include a single durable card compatible with most transit operators in the region, ability to auto-load money from a bank or debit/credit card, integration with transit benefit programs, balance protection in the event a card is lost or stolen, automatic transfer discounts, and trip history. In addition to these direct benefits, Clipper helps to reduce queues at vending and add-fare machines, reduces wear on fare equipment, discourages fare evasion and fare cheating, and provides a more seamless travel experience for customers. Because of these benefits, the Board has made it a goal to transition as many trips as possible to Clipper.

Overall rail fare revenue for FY18 is estimated at $511.7M. This includes estimated revenue for SVBX ($11.3M for 6 months of service[1]), eBART (a net of $1M for 2 months of service), incremental fare increase revenue of $38.8M, and proposed fare options that net to $5.8M. However, base rail fare revenue available to operate rail service is projected to be down $7.5M from the FY17 budget due to lower ridership estimates.

Passenger revenue also includes $0.9M for Americans with Disabilities Act (ADA) paratransit fare revenue. It should be noted a change to the discount for disabled riders would not impact paratransit fare revenue.

Passenger Fare Revenue ($millions)	Budget FY17 Adopted	Budget FY18 Preliminary	Change	%
Rail Passenger Revenue	$ 474.6	**$ 467.1**	$ (7.5)	-2%
Incremental Fare Increase Revenue	35.4	**38.8**	3.5	10%
Proposed Fare Options	-	**5.8**	5.8	
Subtotal, Rail Fare Revenue	510.0	**511.7**	1.7	0%
ADA Paratransit Revenues	0.9	**0.9**	0.0	1%
TOTAL	**$ 510.8**	**$ 512.6**	**$ 1.7**	**0%**

Parking Fee Revenue

BART generates revenue from daily and permit parking fees charged at its 33 stations with parking facilities. Under a demand-based approach to pricing parking, daily parking fees are 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 currently is a daily fee maximum of $3 at all stations, except for West Oakland Station, which does not have a cap and is currently at $9. Parking fees have now reached the $3 daily fee limit at 32 of the 34 stations with parking. Coliseum and South Hayward stations are currently at $2.50 and $2, respectively. Parking revenue generated at stations on the SVBX extension will be collected by VTA and is not included in the FY18 Preliminary Budget. The FY18 Preliminary parking revenue budget is $35.0M.

Under a program approved by the Board in 2013, incremental revenue raised from the demand-based parking fee program is dedicated to 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. Approximately $15.2M of the FY18 parking revenue is generated by the demand-based parking fee program to fund access projects, with $9.4M funding ongoing access improvement initiatives implemented in prior years, such as additional station cleaners and station improvement efforts. The remaining approximately $5.8M will fund new programs in FY18, as described in the Initiatives section.

[1] Per the SVBX Operating Agreement, fare revenue for all trips entering or exiting an SVBX station will be applied to the extension operating costs.

Parking Revenue ($millions)	Budget FY17 Adopted	FY18 Preliminary	Change	%
Daily	$ 23.8	**$ 24.9**	$ 1.1	5%
Monthly Reserved	7.8	**8.2**	0.4	5%
Single Day Reserved	1.3	**1.4**	0.1	5%
Airport/Long Term	0.6	**0.6**	0.0	5%
TOTAL	**$ 33.5**	**$ 35.0**	**$ 1.5**	**5%**

Other Operating Revenue

BART also generates operating revenue from non-passenger sources, the value of which is expected to be $32.1M in FY18. The two largest sources are advertising and the Commercial Communications Revenue Program (CCRP), budgeted at $11.7M and $10.2M, respectively. Smaller revenue sources include fines and forfeitures, investments, building and ground leases, concessions, and other miscellaneous revenues.

BART entered into an Advertising Franchise Agreement with a third party that manages the sales and posting of advertising on BART's behalf. The Franchisee pays BART either a Minimal Annual Guarantee or 70% of net revenue, whichever amount is greater. Ads are sold in static poster frames, in illuminated sign boxes, as vinyl directly applied to surfaces, and on digital screens. The sale of new forms of advertising - Train Wraps and "Innovation" or "Amenity" Sponsorships - was recently authorized by the BART Board. These additional advertising media are expected to increase advertising revenue by approximately $1.2M in FY18, bringing total ad revenues to $11.7M.

The CCRP is managed by the Office of the CIO, which works to expand the commercial fiber and wireless telecommunications revenue footprint. In FY17, BART executed a Communications Agreement with the San Francisco Municipal Transportation Agency (SFMTA) and the San Francisco Board of Supervisors. This Agreement grants BART authority to set pricing and establish contracts for fiber and wireless revenue services in the SFMTA tunnels. In addition, in FY17, BART published a commercial communications Invitation for Proposal – inviting firms to propose new revenue generating opportunities for BART Commercial License Agreements in Stations, Trains and along the wayside. The CCRP is estimated to generate $10.2M in FY18.

Parking citation revenue, noted as fines and forfeitures, is budgeted at $3.1M in FY18, a decrease of $0.2M from the FY17 budget but an increase of approximately $1.0 from the FY17 year-end estimate for citation revenue. The approved citation fee increases for FY17 were not implemented until January 2017, a delay from the schedule anticipated by the FY17 budget.

Building and ground lease revenue is received from leasing vacant parcels and from Special Entrance Agreements at Powell Street Station that provide access from the station to the shopping center entrance. The budget for FY18 is $1.1M.

Other revenue, budgeted at $6.0M in FY18, includes investments, public telephones, concessions, ground leases at West Dublin/Pleasanton, Pleasant Hill/Contra Costa Centre, MacArthur and Castro Valley stations, special fees and permits, reimbursable support costs for telecommunications, Capitol Corridor Joint Powers Authority's overhead recovery, Coliseum special events parking and other miscellaneous sources.

Other Operating Revenue ($millions)	Budget FY17 Adopted	FY18 Preliminary	Change	%
Advertising	$ 9.7	**$ 11.7**	$ 1.9	20%
Telecommunications	10.0	**10.2**	0.2	2%
Fines and Forfeitures	3.3	**3.1**	(0.2)	-6%
Building and Ground Leases	1.1	**1.1**	0.0	0%
Other	3.3	**6.0**	2.6	78%
TOTAL	**$ 27.5**	**$ 32.1**	**$ 4.6**	**17%**

Tax and Financial Assistance

Sales Tax Revenue

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 SFMTA. BART's sales tax base is generally diverse, and data from the State Board of Equalization indicates that the largest economic segments driving BART sales tax include restaurants, retail, and new auto sales, all of which are susceptible to Bay Area economic cycles.

Annual sales tax growth for the five years prior to FY17 ranged from 4 to 8%, but in FY16, sales tax growth began to slow, partially due to lower fuel prices during 2016. A return to a more sustainable, long-term rate was anticipated for FY17, with a budgeted growth of 3.2%. With three quarters of actual FY17 data, sales tax is $1.0M below budget and has grown just 2.6%. Currently, FY17 is projected to end the year at $247.5M, which is $1.7M below the adopted budget.

Based upon the FY17 results and the slowing growth rate over the past few quarters, FY18 is projected to grow 2.0% to $252.5M, in line with MTC's 2017 Fund Estimate. 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 settle down to a more sustainable growth rate of around 3% beyond FY18.

Property Tax Revenue

Property tax revenue is derived from a statutory portion of the 1% ad valorem-based general levy in each of the three BART counties[2]. This legacy property tax was originally enrolled in 1957 to fund planning and pre-development costs associated with construction the original BART system, and since then was permanently dedicated to fund ongoing operating needs.

[2] BART has a separate tax levy for seismic retrofit general obligation bond debt service. For the FY17 tax year, the enrolled rate is $8.00 per $100,000 of assessed value.

The BART tax is a small, fixed percentage of tax based on assessed property values and has increased over the years with rising property values. County assessors are responsible for assessing the value of each home, as well as other residential and commercial property on January 1 of each year. That value is used to set the property tax bill that is due in December of that year and April of the following year. Although the actual BART property tax rate varies between the multitude of distinct tax rate areas which exist within each of the three counties, in FY17 BART's share of the 1% averaged approximately $8 per each $100,000 of assessed value.

Sales Tax and Property Tax Proceeds ($millions)

		Sales Tax	Year Change	Property Tax	Year Change
Actual	FY12	195.2	8.0%	29.7	0.6%
	FY13	208.6	6.8%	31.3	5.3%
	FY14	221.1	6.0%	32.5	3.8%
	FY15	233.1	5.4%	34.3	5.7%
	FY16	241.5	3.6%	38.1	11.0%
	FY17 Adopted	249.2	3.2%	38.6	1.3%
	FY17 Estimate	247.5	2.5%	40.2	5.5%
	FY18 Preliminary	**$ 252.5**	**2.0%**	**$ 42.2**	**5.0%**

BART FY17 property tax revenue is projected to end at $40.2M ($1.6M, or 4.2% over budget), and FY18 is expected to grow an additional 5% to $42.2M.

State Transit Assistance

BART receives funding through appropriations of State Transit Assistance (STA), which is derived from actual receipts of the sales tax on diesel fuel. Statewide collections can fluctuate based on diesel prices and consumption. Appropriations to transit operators vary based on calculations of qualifying revenues for the local operator and the region. STA funding has been inconsistent throughout the years and can be subject to actions in the governor's state budget. In some years, BART received no STA funds and more recently, STA revenues statewide have declined due to lower diesel prices.

In 2015, the State Controller's Office implemented substantial changes to the revenue-based portion of the STA program in response to a legal challenge from several transit agencies. The changes have significantly altered the total funding Bay Area operators are eligible to receive. MTC, BART and other STA recipients are working with the California legislature and the California Transit Association on a legislative fix to the STA changes.

The Governor, Senate President pro Tem and Assembly Speaker recently announced a transportation funding package that would invest $5.24 billion/year over the next decade to repair and maintain state highways and local roads, improve trade corridors, and support public transit and active transportation.

For public transit, the proposal would increase the incremental sales tax on diesel fuel dedicated to the STA program by 3.50% - generating approximately $250 million/year with CPI increases over time to be used for transit capital and operations purposes. The proposal also calls for another 0.50% increase on the incremental sales tax on diesel fuel - generating approximately $40M per year with inflationary increases over time to intercity passenger and commuter rail systems.

A new "Transportation Improvement Fee" would also be established under the Vehicle License Fee law. Fee revenues would be dedicated to the STA program ($105M per year) for "state of good repair" types of expenditures; the Transit and Intercity Rail Capital Program ($245M per year); and a new “Solutions for Congested Corridors Program” ($250M per year) for allocation to a balanced set of transportation, environmental and community access improvements within highly congested travel corridors in California – including public transit projects.

The proposal would also provide for accelerated loan repayment from the General Fund to public transit, which would be deposited into the Transit and Intercity Rail Capital Program. Leadership in both the Senate and the Assembly expect the package to be voted on by early April. A 2/3 vote in each house is necessary to pass the proposal and move the bill to Governor.

In October 2016, MTC estimated BART’s share of FY17 STA at $15.9M, with $6.8M of that amount directed by MTC to feeder bus operators providing service to BART stations, leaving $9.1M for BART operations, slightly higher than the FY17 budget. MTC’s February 2017 FY18 Fund Estimate has BART’s share of FY18 STA at $17.5M, with $6.9M of it directed to feeder bus operators, leaving a net of $10.6M for the FY18 Preliminary Budget. If the proposed legislation is passed by the Senate and Assembly, and approved by the Governor, BART could see an increase of STA funds. This increase is currently estimated at $14M annually, starting with a partial year in FY18.

VTA Financial Assistance

As discussed previously, VTA is responsible for all operating and maintenance (O&M) costs and overhead for service on the extension. This new financial assistance category represents payment from VTA for the net operating cost of the extension. This is calculated as the difference between the net fare revenues associated with trips to or from the two SVBX stations and the calculated O&M costs to provide extension service. The $7.1M budget for FY18 represents the estimated difference for the six months of service in FY18. Actual results for FY18 will be used to calculate the final payment from VTA. At Milpitas and Berryessa stations, VTA plans to collect all parking revenue and will cover associated parking O&M costs.

Low Carbon Transit Operations Program

BART is eligible to receive funding from 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. 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.

LCTOP revenues are derived from Cap and Trade auction proceeds. Reduced auction proceeds greatly impacted FY17, which came in $4.9M under budget. In FY18, the most recent quarterly auction generated $8M statewide for all Cap and Trade programs, yielding just $1.5M for LCTOP across the entire state. The continued uncertainty over the litigation appears to be driving down auction results. MTC reports that it is possible the state will suspend the program temporarily. Based on this, BART is assuming no LCTOP funds for FY18.

Low Carbon Fuel Standard Program

The Low Carbon Fuel Standard Program (LCFS) is a state program administered by the California Air Resources Board. The purpose of the program is to decrease the carbon intensity of California's transportation fuel pool and provide an increasing range of low-carbon and renewable alternatives. Under newly updated regulations, electric railroad operators such as BART are permitted to sell credits to producers of higher-carbon-intensity fuels for the purpose of meeting their program compliance obligations. Revenues collected from the LCFS credits depend on the LCFS credit market and the timing of BART’s sales.

Based on four years of market history, BART expects annual revenue between $2.9M and $10M per year, though actual revenues in future years are unpredictable and will depend on market conditions at the time. The FY18 budget for LCFS is $4.0M and is included in the FY18 Preliminary Budget in order to produce a balanced budget.

Other Assistance

Other Assistance to BART in FY18 includes budgeting $2.7M and $2.0M from Alameda County's Measure BB and Measure B, respectively, which will be used for paratransit and transit operations in Alameda County. BART is also including $0.9M paid by Caltrain for the Millbrae Station Use, Operations, and Maintenance Agreement, $0.5M in federal funds for Technical Assistance and Workforce Development, and $80,000 from Contra Costa County's Measure J sales tax measure.

Other Assistance ($millions)	Budget FY17 Adopted	Budget FY18 Prelimin	Change	%
State Transit Assistance (STA)	$ 8.9	**$ 10.6**	$ 1.7	19%
Financial Assistance - VTA	-	**7.1**	7.1	
Low Carbon Transit Operations Program	7.0	**-**	(7.0)	-100%
Low Carbon Fuel Standard Program	-	**4.0**	4.0	
Measure B/Millbrae UOM/Other	6.4	**6.2**	(0.2)	-3%
TOTAL	**$ 22.4**	**$ 27.9**	**$ 5.6**	**25%**

Federal Section 5307 Funds (Rail Car Fund Swap)

MTC allocates Federal Section 5307 Urbanized Area Formula Grant funds to BART 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. FY17 is the final year of the fund swap program and, including the FY17 funds of $47.1M, a total of $374M has been directed to the MTC reserve account since FY07. Beyond FY17, MTC will program the federal funds directly to the rail cars.

5. Operating Uses

Operating Uses includes two main categories: Operating Expenses, which are expenses related to operating the system, and Debt Service and Allocations, which include debt service payments and allocations to fund capital and other projects. Operating Uses increases by $20.9M or 2% overall in FY18. Main drivers of the increase are funding extensions to SVBX and eBART, the expansion of HMC, contractual wage increases, and other various non-labor investments detailed in following pages.

Operating Uses

($ millions)

	Budget		Change	
	FY17 Adopted	FY18 Preliminary	$	%
Labor	$499.6	$535.8	$36.2	7%
OPEB Unfunded Liability	2.4	3.1	0.6	25%
ADA Paratransit	14.2	15.0	0.8	5%
Purchased Transportation	13.8	14.0	0.3	2%
Power	41.0	42.9	1.9	5%
Other Non-Labor	120.5	123.6	3.1	3%
OPERATING EXPENSES TOTAL	**691.5**	**734.4**	**42.8**	**6%**
Debt Service	51.7	50.8	(1.0)	-2%
Baseline Capital Allocation	23.3	10.6	(12.7)	-55%
Additional Capital Initiatives	11.3	13.8	2.5	22%
Rail Car Sinking Fund	45.0	39.0	(6.0)	-13%
Priority Capital Projects/Programs	35.4	38.8	3.5	10%
Additional Allocations	6.0	1.0	(5.0)	-83%
SFO Operations/New Car Allocation	13.3	7.5	(5.7)	-43%
Stations/Access Projects	5.2	5.8	0.6	12%
Other (Leases, OAC CARP, Met Bldg)	1.7	3.5	1.9	113%
DEBT SERVICE AND ALLOCATIONS TOTAL	192.9	170.9	(22.0)	-11%
OPERATING USES TOTAL	**$884.4**	**$905.3**	**$20.9**	**2%**

Labor: Wages and Benefits

The table below shows changes in headcount from the FY17 adopted budget to the FY18 preliminary budget.

Headcount Summary

	Positions		
	Operating	Capital/ Reimb	Total
FY17 Adopted Budget	**3,240.8**	**776.8**	**4,017.5**
FY17 Adjustments	(2.8)	2.8	-
HMC	63.0	-	**63.0**
eBART*	70.5	(56.5)	**14.0**
SVBX*	162.0	(158.0)	**4.0**
FY18 Position Reductions/Conversions	(39.5)	24.5	**(15.0)**
FY18 Service Reductions	(41.0)		**(41.0)**
FY18 New Initiatives	7.0	-	**7.0**
FY18 New Initiatives - Stations/Access	4.0	-	**4.0**
FY18 Capital Adjustments**	-	-	-
Total Adjustments	223.3	(187.3)	**36.0**
FY18 Preliminary Budget	**3,464.0**	**589.5**	**4,053.5**

**eBART and SVBX headcounts are as of June 2018 and as such reflect midyear conversions of eBART and SVBX positions from capital to operating when revenue services begin.*

***Capital headcount will increase based on capital funds available in FY18. The capital headcount is still under development.*

A total of 36 positions[3] are proposed to be added in the FY18 budget. This is net of the following increases and reductions:

- Offsetting 2.8 reductions in operating and additions to capital during FY17
- 63 additions for opening of the Hayward Maintenance Complex (HMC)
- 14 additions for eBART, including pre-revenue service testing, training & revenue service
- 4 additions for SVBX, net of the 162 mid-year conversions from capital to operating for the planned start of revenue service[4]
- 15 reductions from proposed budget cuts[5]
- 41 reductions resulting from proposed service reductions
- 7 additions for new budget initiatives
- 4 additions for new Stations/Access projects
- Increase in the capital headcount, which is still being calculated

The capital headcount is still being developed and will be finalized and presented during the budget process. There will be a substantial increase in the final headcount due to Measure RR and other capital funding sources.

Detail on the additions and reductions can be found in Section 7, Budget Balancing Proposals and Section 8, Proposed Initiatives. No position reductions will result in layoffs, and existing vacancies will absorb staff displaced by any position reductions.

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[3] The position count is the total added by the end of the year. It does not include the weighted impact of partial year positions (e.g., if a position is added on 1/1/17 it is listed as 1.0 FTE, rather than 0.5 FTE).

[4] Position-related costs in pre-revenue service period are capitalizable. Per the terms of the agreement governing construction and operation of the extension, SVBX positions will be cost-neutral to BART.

[5] Reduction of 39.5 operating positions, 24.5 of which were converted to capital, for a net 15 reduction.

Labor (Wages and Benefits)
($ millions)

	Budget		Change	
	FY17 Adopted	**FY18 Preliminary**	**$**	**%**
Wages	$363.3	$395.3	$32.0	9%
Overtime	18.4	21.1	$2.7	15%
PERS Pension	79.7	78.2	($1.5)	-2%
Other Pension	11.4	12.1	$0.7	6%
Retiree Medical	25.4	35.6	$10.2	40%
Medical	78.0	75.6	($2.3)	-3%
Worker's Compensation	17.4	15.1	($2.3)	-13%
Capital Labor Credits	(121.4)	(122.8)	($1.4)	1%
Other Labor*	29.8	28.6	($1.2)	-4%
OPEB Unfunded Liability	2.4	3.1	$0.6	25%
NET LABOR	**$502.1**	**$538.9**	**$36.8**	**7%**

** Other labor comprised of Vision, Dental, Medicare, Life Insurance, Disability, Unemployment, Meal and Uniform Allowances, Temp Help, and Employee Wellness Benefits.*

The FY18 labor budget is projected to total $538.9M. This includes the cost of the net 36 new positions[6] as well as scheduled wage increases. Changes in actuarial assumptions for BART's retiree medical liability resulted in an increase of $10.2M in retiree medical and an offsetting $4.2M decrease in active medical costs. Other major labor cost drivers are:

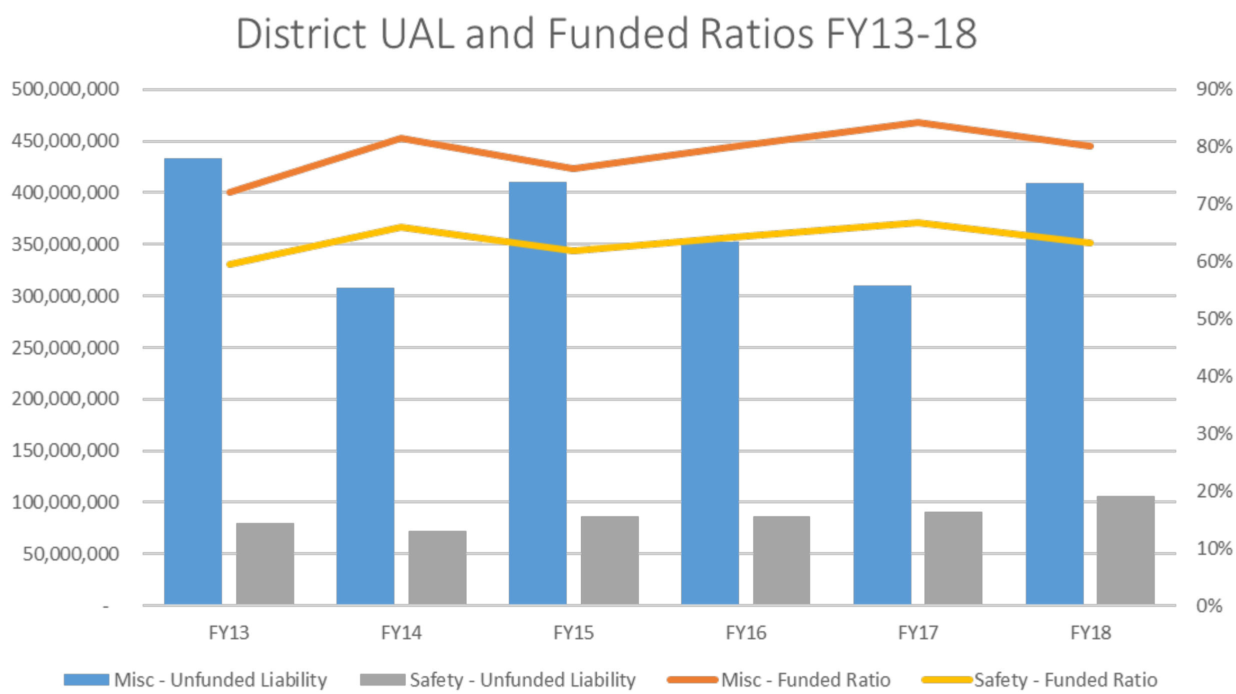
- Reduction in capital labor credit and more overtime due to eBART and SVBX starting revenue service in the year
- Decreased Workers Compensation by $2.0M to maintain required funding level of reserve
- Projected lower costs in life insurance and healthcare insurance

[6] 16 of these positions are only to be hired in the second half of the fiscal year so the operating labor cost impact is less than the number of positions would indicate.

CalPERS Pension

The California Public Employee Retirement System (CalPERS) administers and determines funding rates for BART's pension plan for Miscellaneous and Safety employees.

Funded Status

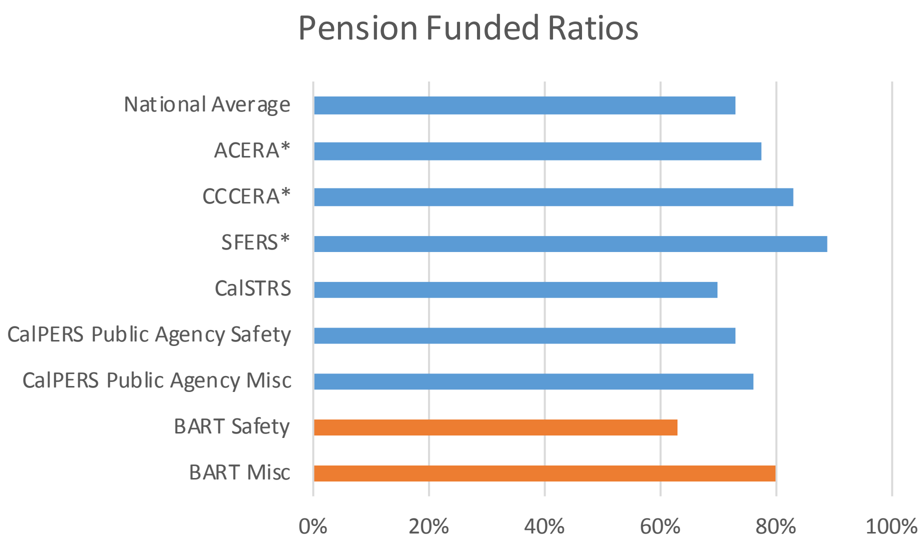


As of the latest valuation report for FY18 (based on data as of June 30, 2015), BART's funded ratio is 80% for the Miscellaneous plan and 63% for the Safety plan. The funded ratio measures plan assets vs. plan liabilities. Both ratios have decreased slightly from last year's valuation report and the unfunded accrued liabilities (UAL) increased, mostly due to weak investment returns. There is a three-year lag from the data CalPERS uses for the annual valuation to the fiscal year the valuation applies to.

Both plans have hovered around the current funding levels since the recession in 2009 – 2010. In 2009 CalPERS incurred a 24% investment return loss, and BART's plans, like other CalPERS agencies, have not yet recovered. Prior to the recession the plan funding ratios were much higher, for example in FY10 the Miscellaneous Plan was 112% funded and the Safety Plan was 92% funded.

In recent years CalPERS has implemented a number of actions to improve the stability of the fund and guard against market downturns. These actions have caused increases to employer payments, for example the Miscellaneous Plan employer rate has risen about 10% per year the last three years.

The following chart compares BART's current funded ratio to other state and local agencies. While BART's funded ratio for the Safety plan is below average, the Miscellaneous plan, which covers more than 90% of BART's employees, is above or on par with most of the other agencies.



*ACERA - Alameda County Employees' Retirement Association,
CCERA - Contra Costa County Employee's Retirement Association,
SFERS - City and County of San Francisco Employees' Retirement System

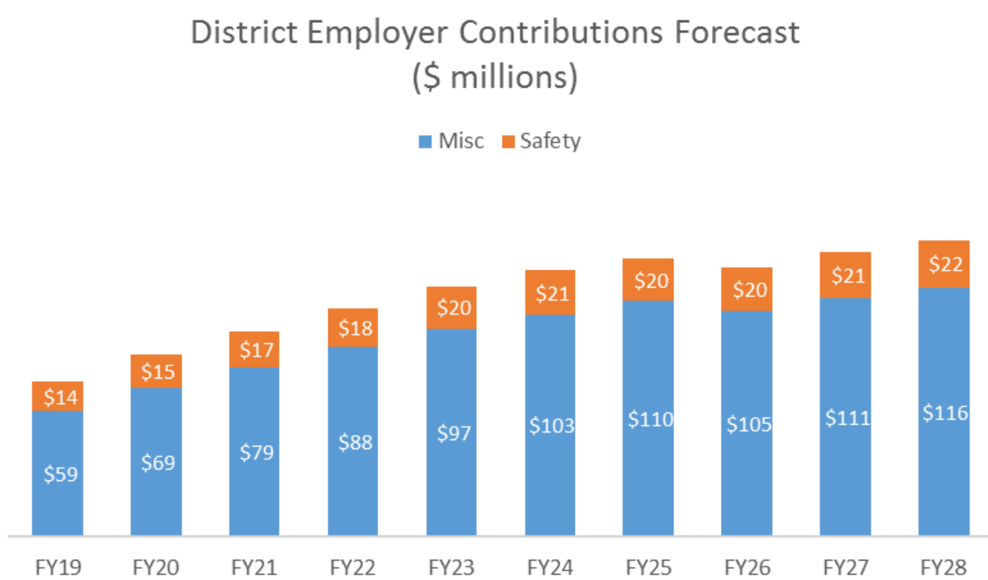
FY18 Employer Contribution
Beginning in FY18, CalPERS changed employer payment calculations. In prior years, employers paid strictly a percentage of payroll. This was changed for FY18 to a combination of a percentage of pay for the normal cost portion of the employer payment plus a fixed dollar amount for unfunded liability. For FY18, BART is required to contribute 7.9% and 24.7% of payroll for the normal cost for the Miscellaneous and Safety plans respectively. This is estimated to be $35.8M. BART is also required to contribute $33.8M towards the unfunded accrued liabilities for both plans.

FY18 Employee Contribution
Employees subject to the California Public Employees' Pension Reform Act (PEPRA) pay 100% of the required employee contribution, which is 6.25% for miscellaneous and 13% for safety. Classic (Non-PEPRA) employees, per the current labor contracts, pay only a portion of the required employee contribution.[7] BART pays the remainder, which for FY18 is estimated to be $8.6M.

[7] Prior to FY14, BART funded the entire employee contribution as a benefit to employees.

FY18 PERS Contributions		SAFETY	MISC	DISTRICT BUDGET
Classic (Non-PEPRA)	Employer Rate	24.708%	7.931%	$ 25,062,445
	Employee Rate			
	Paid by District	5.000%	3.000%	8,625,830
	Paid by Employee	4.000%	4.000%	
PEPRA	Employer Rate	24.708%	7.931%	10,776,910
	Employee Rate			
	Paid by Employee	13.000%	6.250%	
All employees	Employer UAL Lump Sum	$ 6,914,785	26,868,170	33,782,955
				$ 78,248,140

Rising Pension Costs
CalPERS is continuing to implement strategies intended to improve the long-term health of the pension fund and guard against future market downturns. Most recently, the CalPERS Board approved a decrease in the discount rate (assumed future investment return) from 7.5% to 7%. This change will be phased in over three years from FY19 to FY21 and will significantly increase BART's future contributions, adding to prior measures implemented in the past five years. BART's ten year projected contributions (forecast by an independent actuary) are provided in the table below.



Other Pension Benefits
In addition to the PERS pension, BART also contributes to a defined contribution retirement plan (401(a)), the Money Purchase Pension Plan (MPPP). BART's contribution consists of 6.65% of base wages, but contributions are capped at an annual amount of $1,868.65 per employee. The total BART MPPP is projected to be $7.6M in FY18.

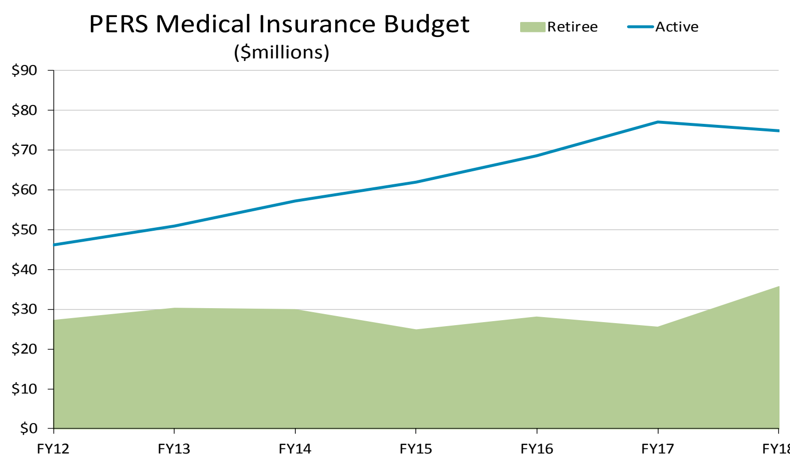
An additional 1.627% of wages is also contributed for all employees except sworn police. Per labor agreements, the following is deducted from this portion of the contribution:

- 0.0888% is withheld as per the current labor contracts
- Also, $37/month for represented employees in AFSCME, ATU and SEIU[8] is deducted and included as a contribution towards medical insurance.

BART's total estimated net cost for the additional 1.627% MPPP after these deductions in FY18 is $4.4M.

Active Employee Medical Insurance

The FY18 cost of healthcare insurance for active employees is projected to be $75.6M, which is a $2.3M decrease from FY17. This amount includes accounting recognition of a $4.2M credit for "implied subsidy" from Retiree Medical cost according to actuarial methodology. Please see Retiree Medical section below. Another factor was flat rates for the two major healthcare plans for calendar 2017 and an overall 0% rate increase for the composite rate of all plans. The calendar 2018 estimated health insurance premium rate increase is 7% over 2017.[9]



To offset a portion of BART's medical insurance costs, the current labor contracts include provisions to gradually increase the employee contributions:

- All employees are subject to the scheduled 3% annual contribution increase – an additional $3.11 per employee per month starting on January 1, 2018, bringing the "base" employee contribution to $106.93.
- Non-represented employees pay an additional $37 per month directly in their medical contribution
- AFSCME, ATU, and SEIU members "redirect" $37 per month of BART's additional 1.627% MPPP contribution to contribute towards medical insurance costs (see "Other Pension Benefits" section)
- BPOA and BPMA members pay an additional $44 per month directly in their medical contribution

Retiree Medical

BART's annual retiree medical cost is the amount of the Actuarial Determined Contribution (ADC) which covers insurance premiums for current retirees and builds funds into a retiree medical reserve to cover payments for current employees and the long-term liability. BART pays the same premium

[8] AFSCME – American Federation of State, County, and Municipal Employees; ATU – Amalgamated Transit Union; SEIU – Service Employees International Union.

[9] Overall weighted average premium was flat from 2016 to 2017. Health insurance rates are known for the first half of FY18 (CY17), and estimated for the second half (CY18). Blue Shield and Kaiser have the largest BART employee enrollment. The weighted average premium rate had 6.8% annual increase over the 5-year period before 2017.

for retirees up to the age of 65 as it does for the its active employees.

The FY18 actuarial report included a significant increase in the unfunded actuarial accrued liability (UAAL) due to the newly recognized implied subsidy[10] and changes in assumptions for increasing medical cost trends, retirement rates, spouse coverage, and mortality improvement. The FY18 ADC is $35.6M[11] which is a 40% increase from FY17, however $4.2M of that increase related to the implied subsidy is subtracted from the active medical insurance line item.

While the increase in the liability impacts BART's funding ratio, which decreased from 67% in FY17 to 44% in FY18, the retiree medical funding plan remains the same and follows a 30 year "closed" amortization schedule, with the unfunded liability scheduled to be paid off by 2035.

Workers Compensation

BART 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 put into a self-insurance reserve that pays out the claims, and if needed the claim reserve account is supplemented at the end of each fiscal year.

The FY18 Workers' Compensation budget is $15.1M, $2.3M lower than FY17. BART reduced the Workers' Compensation budget by $2M and increased the General Liability budget by $2M to true-up the reserve balance target level, since the reserve for Workers' Compensation is overfunded and a shortfall exists for General Liability insurance, which is also self-insured. In addition, per the actuarial report, recent regulatory reform may reduce the cost of providing medical services for workers' compensation. At this point, it appears that the impact of the reform will be neutral or positive for BART. The actuaries will continue to adjust estimates as the reform's impact becomes clearer.

Traction & Station Power

Electrical traction and station power costs are projected to be $42.9M in FY18, an increase of $1.9M or 4.6% above the adopted FY17 budget[12]. The largest driver of the increase is higher forecast energy use in FY18 due to new BART service to the Warm Springs/South Fremont, Milpitas, Berryessa, and Antioch (eBART) stations, which affects both energy supply and energy delivery (transmission and distribution) costs. A second significant driver is PG&E's increased energy delivery rates applicable to all utility customers taking delivery service, including BART. Despite the higher volume of power purchased for service expansion, the cost for energy (power) supply is expected to decrease from $25.9M in FY17 to $23.6M in FY18, due to the significantly lower power prices BART secured for 2017 and 2018. Energy supply is purchased separately from delivery services.

BART made the following assumptions in developing its FY18 power budget:

- <u>Transmission</u>: Transmission delivery costs are expected to increase by 37%, due to higher energy use, higher utility rates, and additional (new) obligations to the California power grid

[10] BART pays the same premium for active employees and retirees under the age of 65, although the actual cost of claims is higher for retirees. The implied subsidy is an actuarial standard of practice that accounts for the discrepancy between the premiums and the costs of claims for retirees.

[11] $35.6M ADC includes the $4.2M implied subsidy credit which is subtracted from the active medical insurance budget. This assumes that a portion of the cost for premiums ($4.2M) for active employees is "subsidizing" the higher claims cost for retirees. Basically, BART will record an accounting entry which will show a higher cost for retiree medical, but then credit the active medical insurance line item for the same amount.

[12] Approximately 74%, or $31.9M, of BART's energy costs in FY18 are for traction power (train propulsion and on-board uses), while 26%, or $11M, are for non-traction power (stations, shops, ventilation, trackside electronics, etc.).

operator that BART assumed beginning in 2017.

- Distribution: Distribution delivery costs are expected to increase 18% due to higher total energy use and higher utility rates.
- Supply: Costs for electric power supply are expected to be 9% lower in FY18 than in FY17, despite higher energy use with added BART service, because of much lower electricity supply prices. BART has secured all its forecast energy supply needs for 2017 and 2018 from nearly 100% low- and zero-carbon sources at favorable prices, but faces a large open, unpurchased, position beginning in 2019.
    - For 2017 and 2018, approximately 90% of BART's energy needs will be met from low- and zero-carbon sources in the Pacific Northwest, which have a very low carbon content, but do not qualify as renewable under California state law.
    - Approximately 5% of BART's energy needs will be met with long-term federal hydroelectric power purchases from the Western Area Power Administration, which is zero-carbon but does not qualify as renewable under state law.
    - The remaining 5% of BART's energy needs will primarily be met with long-term renewable power contracts, including: the Gridley solar farm in the City of Gridley, CA, the Lake Nacimiento hydroelectric project in Central California, and several on-site solar projects on BART property. Due to the variable production that renewable resources provide, between 0% and 3% of BART's supply may come from unspecified system power to ensure a daily balanced power schedule.
- NCPA Member Expenses: Costs for NCPA membership are increasing by approximately $0.1M, or 13%, due to a new service (Scheduling Coordination) that NCPA is now providing for BART.

Traction & Station Power
($ millions)

	Budget		Change	
	FY17 Adopted	FY18 Preliminary	$	%
NCPA, Western, BART Power Supply	$ 25.9	$ 23.6	$ (2.3)	-9%
Transmission Services	7.5	10.3	2.8	37%
Distribution Services	6.7	7.9	1.2	18%
NCPA Member Expenses	0.9	1.0	0.1	13%
TOTAL	**$ 41.0**	**$ 42.9**	**$ 1.9**	**5%**

For FY18, BART expects its power portfolio will be between 97% and 100% low- and zero-carbon (including renewables), but only 2% - 5% will be qualified renewable under state law. In line with BART priorities to maintain low and stable energy operating costs and continue to increase its renewable and carbon-free electricity portfolio content, BART (under statutory authority granted in 2015 by Senate Bill 502) is actively exploring opportunities for large-scale purchases of renewable energy supplies under favorable long-term, fixed price contracts for 2019 and beyond. BART also continues to explore supply opportunities from on-site small-scale renewables and other low- and zero-carbon sources for the balance of short and medium-term needs.

Extensions and Expansions

In FY18, BART will open the SVBX and eBART extensions. Additionally, BART will continue ramping up the expanded HMC facility. Expenditures and activities are detailed below.

($ millions)

	FTE	Labor	Non-Labor	Total Expenses
SVBX	162.0	$ 20.8	$ 6.6	$ 27.5
eBART	70.5	10.3	2.0	12.4
HMC	63.0	8.2	3.0	11.2
TOTAL*	**295.5**	**$ 39.3**	**$ 11.7**	**$ 51.0**

**FTE and expenses indicate both existing baseline positions and expenses, plus new FY18 positions and expenses. FTE and expenses include both operating and capital.*

SVBX is expected to begin revenue service in FY18. SVBX will connect to the Warm Springs/ South Fremont Station in Alameda County, and extend into Santa Clara County with two stations. As noted in Section 1 (Overview), VTA is funding all construction costs and will reimburse BART for all costs associated with rail service including operations, maintenance, core system impacts, and funding of a capital reserve account for future capital reinvestment expenses. Net four capital positions will be added in FY18 to the existing SVBX positions, with the total 162 SVBX support positions converting to operating when revenue service begins.[13]

eBART is expected to begin revenue service in May 2018. eBART will provide rail service east of BART's Pittsburg/Bay Point Station to stations at Pittsburg Center and Antioch. The FY18 budget adds 14 capital positions for eBART pre-revenue service training and testing, and the total 70.5 positions will convert to operating when revenue service begins.

Hayward Maintenance Complex: BART will expand and upgrade the existing maintenance facility in Hayward to (a) accommodate the planned fleet of 775 rail cars, (b) initiate the decommissioning process for legacy rail cars, and (c) implement improvements to the fleet maintenance program to increase fleet availability, reduce noise, and improve cleanliness. Sixty-three FTE will be added for HMC in FY18 to meet the service delivery goals and additional FTE are expected to be added in subsequent fiscal years as HMC ramps up.

[13] Positions for extensions are generally added as capital during construction and development, and these positions convert to operating when revenue service commences.

Purchased Transportation

BART's cost of purchased transportation is projected to be $29M in FY18, an increase of $1M over the adopted FY17 budget. The FY18 preliminary budget does not extend beyond August 2017 for Late Night Bus Service.[14] It is expected that the Board will decide whether to extend through FY18 as part of the budget process.

Purchased Transportation
($ millions)

	Budget		Change	
	FY17 Adopted	FY18 Preliminary	$	%
Paratransit	$ 14.2	$ 15.0	$ 0.8	5%
Muni Purchased Transportation	3.4	3.5	0.1	3%
AC Transit Feeder Agreement	3.6	4.2	0.6	17%
Late Night Bus Service	0.7	0.1	(0.6)	-88%
Purchased Transportation - OAC	6.1	6.3	0.2	3%
TOTAL	**$ 28.0**	**$ 29.0**	1.0	**4%**

Paratransit

BART participates in the East Bay Paratransit Consortium (EBPC) for service in the East Bay and pays Muni for a share of paratransit services in the West Bay. BART also provides funding to other local bus operators in the BART service area. Paratransit expenses are estimated to be $15.0M in FY18, an increase of $0.8M, or 5%, over the adopted FY17 budget. These costs include vehicle and fuel costs, as well as wage increases to retain and recruit more drivers and staff. Ridership has been slowly increasing to levels seen before the economic downturn and cost of providing service has increased in kind. Passenger demand for service on EBPC is budgeted at 737,000 passenger trips for FY18, a 0.75% increase in ridership from FY17 expected levels.

San Francisco Municipal Transportation Agency/AC Transit Feeder Agreements

BART has agreements with SFMTA and AC Transit which link the annual Purchased Transportation (Feeder) payments to the rate of change in riders transferring between BART and the local operators and to changes in Bay Area inflation. The FY18 budgeted payments are $3.5M for SFMTA and $4.2M for AC Transit, a combined increase of $0.7M over FY17. In addition, MTC directs nearly $7M of BART STA funds annually to four East Bay operators providing service to BART stations, as discussed under STA in the Tax and Financial Assistance section.

BART-to-OAK

BART service to the Oakland International Airport opened in November 2014 and will be operated and maintained (O&M) for 20 years by a private contractor, Doppelmayr Cable Car (DCC). The FY18 estimated O&M cost is $6.3M[15] In its first year of operation, OAK experienced a 33% increase in ridership over the AirBART bus service, with associated fare revenue covering about 96% of its operating costs. Current FY17 average weekday ridership is 2,800 trips, 3.7% lower than FY16 YTD.

[14] $715,500 was budgeted in FY17 for a full year of Late Night Bus Service. This amount is reduced to $87,000 in FY18, for service through August 2017.

[15] Based on the contract estimate plus CPI escalation. BART also allocates funds to an escrow account each year which will fund the refurbishment and replacement costs for the system for the 20-year term.

Other Non-Labor

The table below summarizes Other Non-Labor by category.

Other Non-Labor ($ millions)	Budget FY17 Adopted	Budget FY18 Preliminary	Change $	Change %
Clipper, Tickets Sales, & Bank Fees	$ 15.4	$ 16.2	$ 0.7	5%
Insurance	7.8	9.8	2.0	26%
Materials & Supplies	33.9	36.0	2.1	6%
Professional/Tech, Consulting, Svcs, Fees	25.4	28.7	3.3	13%
Maintenance & Repairs	11.6	13.3	1.7	14%
Rent	16.7	11.6	(5.1)	-30%
Utilities	3.3	4.8	1.5	46%
Other Misc	5.9	3.2	(2.7)	-46%
TOTAL	**$ 120.0**	**$ 123.6**	**$ 3.6**	**3%**

The table above does not include ADA Paratransit, Purchased Transportation, or Power, which are detailed in their respective sections.

Other Non-Labor for FY18 is $123.6M, or $3.6M higher than the FY17 Adopted Budget. The increase includes costs in Materials & Supplies, Professional & Consulting, and Maintenance & Repairs for extensions and expansions, new initiatives, information systems improvements, and proposed service cuts, as discussed in other sections.

The other non-labor increase also includes:

- $0.7M increase in Clipper and related costs due to forecasted increase in FY18 fare revenue
- $2.0M increase in the General Liability Insurance (offset by decrease in labor (workers' compensation)
- $0.8M increase in operating costs for new MetroCenter building

Offsetting other non-labor decreases include:

- $5.1M in rent reductions due (a) one-time savings due to year 1 of discounted rent for the Lakeside lease and (b) ongoing rent savings due to the purchase of MetroCenter building[16]
- $3M one-time budget reduction for FY17 election expenses
- Other miscellaneous reductions including adjustments for prior one-time costs

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, other materials used to keep cars in use, parts for infrastructure maintenance such as escalators, automated fare equipment, and materials required to keep stations accessible, supplies, etc.

Professional & Technical Fees include costs for audit and legal services, benefit and insurance administration fees, printing, computer hardware and software service contracts, environmental fees,

[16] As detailed in the Operating Allocations to Capital Projects and Programs section below, there will be a $2.0M capital allocation in FY18 to fund (a) $0.7M one-time capital improvements for move-in, and (b) $1.3M to repay the cost building purchase (plus additional repayment allocations in future Fiscal Years).

specialized consulting contracts, professional services contracts, etc.

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, reserve contributions and self-insured losses for public liability, damage to property and risk-related services [17]

Building Space Rental includes funds for administrative building leases and other lease expenses

Miscellaneous Other Non-Labor includes utilities, trash collection, natural gas, county filing fees, telephones, credit card and interchange fees, Clipper program fees, miscellaneous supplies, etc.

Information Technology Systems Improvement

The Office of the Chief Information Officer (OCIO) continues to support a growing technology footprint to analyze costs, improve service delivery, and meet increased demand from internal and external customers.

BART will increase the OCIO operating budget by $2.9M in FY18:

- $1.7M ongoing (network improvements, cybersecurity support and maintenance)
- $1.2M one-time (implement SharePoint; onboard Maximo Health, Safety, and Environment; recruitment/position control system upgrades; improve Salesforce customer relationship management platforms including social media integration, reporting, and case management)

Additionally, $2.6M will be allocated for the OCIO capital budget in FY18:

- $1.8M ongoing (equipment purchases, software upgrades and licenses)
- $0.8M one-time (replace trip planning tool, enhance vendor payment and tracking system as recommended by the FY17 Disparity Study)

The investments above will improve and support BART's information and technology systems. Additionally, using existing resources and staff, the OCIO is executing management analyses of several departments per year to review and recommend business improvements, including enhanced service provision, improved efficiencies, and cost savings measures. These analyses will incur no costs to BART.

Debt Service

BART issues bonds, backed by BART's dedicated sales tax revenues, to fund capital costs for system improvement and renovation. In FY16 there was a refunding of outstanding 2005 and 2006 revenue bonds, resulting in savings of $2.3M for FY16 and ongoing annual savings of $3.7M for FY17 and later. The debt service budget in FY18 is $50.8M for outstanding 2010, 2012A, 2012B, 2015A, and 2016A revenue bonds.

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

Operating Allocations to Capital Projects and Programs

Each fiscal year, BART allocates operating funds to capital projects and programs. These allocations support projects that may not be eligible for external funds, BART's local match to leverage outside funding, or may represent programmatic areas BART intends to advance. The amount of capital allocations typically depends on the amount of operating funds available. The major categories of planned allocations are described below.

- **Baseline Capital Allocation $10.6M:** Anticipated baseline allocations of $20.6M for capital investment were reduced by $10M as part of the proposed FY18 budget balancing solutions. These allocations typically 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. It is expected that unused prior year allocations will be used to mitigate the impacts of the shortfall created by the one-time FY18 reduction.
- **Additional Capital Initiatives $13.8M:** Allocations include $1.5M directed to the Train Control UPS Renovation (FY15-19) and $1.8M ongoing and $0.8M one-time to the OCIO as discussed in the previous section. Pre-revenue hiring, training and expenses for the eBART project require allocations of $9.7M. Between FY16 and FY18, just over $20M of operating funds have been allocated to eBART pre-revenue startup expenses.
- **Rail Car Sinking Fund $39.0M:** To help reduce the FY18 budget shortfall, the FY18 $45M allocation is proposed to be funded with $39M of operating allocations and $6M of LCTOP funds received in FY16 and FY17. This completes BART's 2012 commitment to fund $298M for the first 410 cars of the Rail Car Replacement Program. Including FY17, operating allocations have funded $249M for the rail car program and $114M has been drawn down, leaving a balance of $135M as of June 2017.
- **Priority Capital Program Allocations $38.8M:** Incremental fare revenue from BART's inflation-based fare increase program, effective January 2014, is directed to a fund for BART's highest-priority capital programs - additional rail cars beyond the original 410 car commitment, HMC and the Train Control Modernization Project. Actual allocations are based upon actual ridership and fare revenue. Including estimated FY17 allocations, $89M has been allocated to the reserve from fare increase revenue and $45M has been drawn down, leaving a balance of $44M.
- **Additional Allocations $1.0M:** Allocated to the Millbrae Tail Track project, replacing an equal amount of Prop 1A High Speed Rail bond funds shifted to HMC project.
- **SFO Operations/New Car Allocation $7.5M:** Dependent upon ridership and fare revenue, net positive financial 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. Per the terms of MTC's 2013 Transit Core Capacity Challenge Grant Program (Resolution 4123), the first $145M in the SFO reserve account will be directed to the Rail Car Replacement Program. Including FY17 estimated results, a total of $75M is in the reserve account.
- **Station/Access Projects $5.8M:** Allocation to Stations and Access Programs are funded by incremental parking fee revenue generated by BART's demand-based parking program. The incremental revenue is estimated at $15.2M in FY18, of which $9.4M will fund continuing station and access programs, including 64 positions, implemented in FY14 through FY17. The remaining $5.8M is proposed for new operating initiatives detailed in

Section 8.

- **BART-to-OAK (CARP) $0.9M:** Allocation to the Capital Asset Replacement Program (CARP) for the BART-to-OAK project to fund future renovation and replacement needs. Fund expenditure is controlled jointly by BART and the contract provider, Doppelmayr Cable Car (DCC), based upon actual needs for refurbishment and replacement over the twenty years. DCC is required to fund costs in excess of the CARP.
- **Joseph P. Bort MetroCenter (Met) Building $2M:** Allocation for the purchase of the MetroCenter building and one-time capital costs. There will be operating to capital allocations between FY18 and FY27 to fund repayment of the loan from BART cash reserves that will be used to purchase the building, totaling approximately $20M. The FY18 amount is $1.36M plus an additional $0.65M for one-time capital costs.
- **Other Allocations $0.6M:** This includes accounting entries of $0.6M to offset amounts booked as Other Revenue or Financial Assistance for the Pleasant Hill/Contra Costa Centre and MacArthur stations.

Allocations ($millions)	Budget FY17 Adopted	FY18 Preliminary	Change	%
Debt Service	$ 51.7	**$ 50.8**	$ (1.0)	-2%
Allocations				
Baseline Capital Allocation	23.3	**10.6**	(12.7)	-55%
Additional Capital Initiatives	11.3	**13.8**	2.5	22%
Rail Car Sinking Fund	45.0	**39.0**	(6.0)	-13%
Priority Capital Programs	35.4	**38.8**	3.5	10%
Additional Allocations	6.0	**1.0**	(5.0)	-83%
SFO Operations/New Car Allocation	13.3	**7.5**	(5.7)	-43%
Stations/Access Projects	5.2	**5.8**	0.6	12%
BART-to-OAK (CARP)	0.9	**0.9**	0.0	3%
MetroCenter Building	-	**2.0**	2.0	
Other	0.7	**0.6**	(0.2)	-25%
TOTAL	**$ 192.9**	**$ 170.9**	**$ (22.0)**	**-11%**

6. Capital Sources and Uses

Capital Uses

The FY18 Capital Program budgets $1,026M across five program areas: System Reinvestment (68%), Service and Capacity Enhancement (7%), Safety (3%), Security (4%), Earthquake Safety (10%), and System Expansion (7%) plus $5.5M of reimbursable expenses. The following table "FY18 BART Capital Program - Summary of Uses" summarizes planned work by program area. The capital budget includes all planned capital expenditures, including those paid for using funds BART expects to receive in FY18 and as well as capital funds awarded in prior years.

Highlights of the FY18 capital program include:

- **Continued investment in high priority capital projects.** Planned investments include:
  - Fleet replacement: $265M is budgeted for a milestone payment to Bombardier transportation toward procurement of 775 new rail cars. 166 new cars are scheduled to be delivered by the end of calendar year 2019.
  - Hayward Maintenance Complex (HMC): $71M is budgeted for investment in the central warehouse, the new Maintenance & Engineering shop, and related track work.
  - Train Control Modernization Program: Project staff plans to issue an RFP in FY18 for a contractor to build the new train control system.

- **Ramp-up of the Measure RR System Renewal Plan**: The FY18 capital budget will be the first since BART District voters approved Measure RR. The FY18 budget of $196M for RR funded work includes:
  - Increasing the pace of track replacement and guideway structural rehabilitation.
  - The start of a multi-year program to replace aging traction power infrastructure. The FY18 budget includes funds to replace obsolete traction power cables in San Francisco, as well as design and engineering for replacement of traction power substations throughout the system.
  - Station modernization and station access improvements, including a major program to replace escalators and add canopies at station entrances along Market Street in San Francisco.

- **Transbay Tube seismic retrofit:** The FY18 capital program budgets $86M of Earthquake Safety Program investments in the Transbay Tube. This work will reduce the risk of flooding in the case of a catastrophic earthquake.

- **System Expansion milestones:** FY18 year will also see major milestones in BART's System Expansion program with the completion of the Warm Springs and eBART extension projects.

Capital Sources

Major funding for BART's FY18 capital program will come from federal and regional funds distributed through MTC's Transit Capital Priorities (TCP) program, allocations from BART's operating budget, Measure RR, Earthquake Safety Program bonds, and California state infrastructure bond funds. Santa Clara County's VTA will contribute to costs related to the SVBX extension. The following table "FY18 BART Capital Program - Summary of Sources" summarizes expended capital spending by source of funds. Major FY18 fund sources include:

- **BART and Voter Approved Funds**
  - System Renewal Program (Measure RR): Measure RR will provide a total of $3.5B to fund the most critical investments in safety, reliability, and crowding relief. The first Measure RR bonds will be sold in May 2017, and approximately $196M of Measure RR funding is budgeted in FY18.
  - Earthquake Safety Program (ESP) Bonds: Staff expects to use $101M in ESP Bond funds to support work planned for FY18.
  - Operating Allocations to Capital: $194M in allocations are budgeted in FY18 (including $120M of new allocations from the FY18 operating budget). Most of these funds will go to rail car procurement costs and HMC, with a smaller share going to match federal funds for state of good repair projects.

- **Federal and Regional Funds Distributed by MTC**
  - MTC State of Good Repair funds: MTC has committed $53M in Federal funding per year over the next four years toward BART's state of good repair needs. Current and prior-year federal funds, including Section 5307 formula and section 5337 State of Good Repair, will support investments in traction power; train control; rail, way and structures; and AFC equipment.
  - MTC Fleet Replacement Funds: In FY18, BART will use approximately $114M in MTC-controlled federal funds toward the procurement of 775 new rail cars.
  - Regional Bridge Toll funds: $30M in RM1, RM2, and AB664 bridge toll funds will help cover remaining eBART and Warm Springs capital costs.

- **County Funding**
  - VTA will reimburse BART for cost incurred for construction support, testing, and training related to SVBX; and will provide $19M toward its share of rail cars and $13M toward its share of HMC.
  - Contra Costa's Measure J will support investments in eBART.
  - Contra Costa Measure J, Alameda Measures B/BB, and San Francisco Proposition K will support station modernization and access investments at several stations.

- **State Funding**
  - California State infrastructure bonds (Propositions 1A & 1B) approved in 2009 have now been fully committed. Out of the funds allocated to BART, $145M is budgeted in FY18, including $48M for rail car procurement and $25M for HMC.

FY18 BART Capital Program - Summary of Uses

Program	Major Example Projects (FY18)	Expense (millions)	% of Program
System Reinvestment		**$701**	**68%**
Rolling Stock	• A major milestone payment to Bombardier Transportation for 775 rail car procurement; 166 cars are schedule for delivery by the end of calendar year 2019	$287	28%
Mainline	• The start of a multi-year program of traction power infrastructure replacement. The FY18 budgets includes replacement of traction power cables in San Francisco and design and engineering for traction power substation replacement throughout the system • Guideway infrastructure investment, including rail replacement and trackway structural rehabilitation	$198	19%
Facilities	• Continuing investment in the Hayward Maintenance Complex, focusing on construction of the central warehouse and Maintenance & Engineering shop	$85	8%
Stations	• A major program to replace escalators and install canopies for station entrances along Market Street in San Francisco • Station Modernization investments at Powell, 19th Street, El Cerrito del Norte, Downtown Berkeley, and Concord Stations	$67	7%
Controls and Communications	• Reinvestment in the existing train control system, including switch machine replacement and replacement of speed encoding equipment at stations.	$64	6%
Work Equipment	• Planning and engineering for new car lifts at Richmond and Daly City maintenance shops	$0.1	0.01%
Service & Capacity Enhancement		**$75**	**7%**
Stations	• Station access improvements, including major investments in bus intermodals at Union City, Balboa Park, and Concord Stations • Wayfinding improvement project phases 2 and 3	$66	6%
Mainline	• Track projects designed to make the system more resilient and flexible, including a crossover track at 24th Street Station and an extension of tail tracks at Dublin/Pleasanton and Millbrae • Continued Core Capacity project development	$10	1%
Earthquake Safety	• Transbay Tube seismic retrofit	**$101**	**10%**
System Expansion	• Completion of Warm Springs and eBART extension projects. • Design support and connectivity for SVBX (reimbursed by VTA)	**$73**	**7%**
Security	• System hardening and CCTV projects	**$38**	**4%**
Safety	• Replacement of cross-passage doors in the Transbay Tube • Tunnel and station lighting replacement • Platform doors feasibility study	**$32**	**3%**
Reimbursable	• Reimbursable expenses related to Capitol Corridor/other	**$6**	**.05%**
Total		**$1,026**	100%

FY18 BART Capital Program - Summary of Sources

Capital Funding Source	FY18 Funding Summary	Funding (millions)	% of Funding
BART/Voter Approved Funds		**$491**	48%
Measure RR	• Measure RR will provide a total of $3.5B to fund the most critical investments in safety, reliability, and crowding relief. • $196M of Measure RR funding is budgeted in FY18, focusing on traction power, electrical systems, rail replacement, crowding relief, and station access	$196	19%
Earthquake Safety Program GO Bonds	• $101M in Earthquake Safety bond sale proceeds, most of which will be used for the Transbay Tube seismic retrofit.	$101	10%
BART Operating Allocations	• BART's FY18 preliminary operating budget includes $120M in new allocations from operating to capital. These new funds, combined with allocations reserved from prior years, will provide $198M toward the FY18 capital program • $93M will go toward to 775 car rail car procurement and HMC. The remainder will provide local match federal funding for state of good repair projects and fund station access projects	$194	19%
Federal and Regional Funds Distributed by MTC		**$279**	**27%**
Federal Funds	• MTC allocates approximately $53M per year of FTA Section 5337 State of Good Repair funds toward BART's needs; FY18 as well as prior-year 5337 allocations to be invested in traction power; train control; rail, way and structures; and AFC equipment • $114M of MTC-controlled federal funds will help to cover FY18 rail car procurement costs • $27M of federal security funding in system hardening/CCTV	$249	24%
Regional Bridge Tolls	• $28 M in RM1, RM2, and AB664 bridge toll funds will cover remaining eBART and Warm Springs capital costs in FY18 • The balance of this category will support several system reinvestment projects	$30	3%
Local Funding		**$98**	**10%**
VTA	• In FY18, VTA will reimburse BART for cost incurred during construction of SVBX, provide $19 M toward rail cars, and provide $13 M toward HMC.	$58	6%
County Measures	• Contra Costa's Measure J supports investments in eBART ($13 M), Concord Intermodal ($3M), El Cerrito Station Modernization ($5M), and access investment at Lafayette ($2 M). • Alameda County's Measures B/BB will support the Union City Intermodal ($7M) and Downtown Berkeley Station Modernization ($3M) • San Francisco's Proposition K will support the Balboa Park Eastside Improvement Project ($2M)	$40	4%
State Funding		**$157**	**15%**
State Proposition 1A & 1B Bonds	• California State infrastructure bonds (Propositions 1A & 1B) approved by voters in 2009 have now been fully committed. Out of the funds allocated to BART, $145M is budgeted in FY18, including $48M for rail cars and $25M for HMC. Most of the balance will support station modernization projects.	$145	14%
Other State Funding	• California Low Carbon Transit Operations Program (LCTOP) for rail car procurement • Reimbursable expenses related to Capitol Corridor/other	$12	1%
Total		**$1,026**	100%

7. FY18 Budget Balancing Proposals

To address the $31M projected operating deficit in FY18, a series of measures are proposed in the Preliminary Budget that include expense reductions, fare changes, and adjustments to capital allocations.

Expense Reductions

Position Reductions - $5.3M savings

In FY18, a reduction of the operating headcount by 39.5 FTEs is proposed. Of these reductions, 15 vacant positons will be eliminated and 24.5 will be converted to capital positions. These reductions will not result in any layoffs and will result in a total savings of approximately $5.3M in FY18. Reductions by Executive Office are summarized below.

	Operating	Capital	Total	Service Impact
General Manager	(2.0)	-	**(2.0)**	Reduced support for administrative areas and safety programs
District Secretary	(1.0)	-	**(1.0)**	Difficulty meeting increasing workload
Finance	(4.0)	-	**(4.0)**	Reduced oversight and staffing for cash handling, payroll, and accounts payable
PD&C	(3.0)	-	**(3.0)**	Reduced support for planning initiatives; inspections, permits, property tax reporting
Operations	(26.0)	24.0	**(2.0)**	Thinner operational coverage. Less data analysis related to systems performance
External Affairs	(2.0)	-	**(2.0)**	Reduced response time for customers/board/public
Admin & Budget	(1.5)	0.5	**(1.0)**	Delays in procurement and financial planning analysis
TOTAL	**(39.5)**	**24.5**	**(15.0)**	

The reductions are distributed across BART's collective bargaining units as follows:

	Cuts	Conversions	Total	% Total
Nonrep	4.0	3.5	7.5	19%
AFSCME	2.0	-	2.0	5%
ATU	-	-	-	0%
SEIU	9.0	21.0	30.0	76%
BPOA/BPMA	-	-	-	0%
TOTAL	**15.0**	**24.5**	**39.5**	**100%**

Service Reductions - $5.4M savings

To help address the FY18 deficit, BART staff proposes the following system service reductions. All reductions would be implemented in September, so savings for FY18 would be for a partial year:

<u>5AM System Opening:</u> Anticipating FY19 closures to complete Transbay Tube seismic safety improvements, this proposal would change the hour of weekday system opening from 4AM to 5AM. This would result in estimated annual net savings of $2.0M, with FY18 savings for 10 months $1.7M. Overall system reliability will not be affected, in fact the additional hour will appreciably increase system maintenance time, enabling BART to accelerate projects throughout the system. It is estimated that weekday patronage could be reduced by approximately 1,000 riders. Between 4AM and 5AM, approximately 700 riders exit the system but between 3,000 and 4,000 enter the system.

<u>Red/Green Line Earlier PM Transfers</u>: To reduce off-peak operating costs, this proposal would end weekday Red Line (Millbrae – Richmond) service at 7PM, and truncate Saturday Red and Green Line service by one hour each in the morning and evening. This reduction in service will result in a train

schedule similar to that provided in 2012, with more hours during which passengers transfer between lines serving their origins and destinations. This would result in estimated annual net savings of $1.9M, with FY18 savings for 10 months $1.6M. Weekday and weekend patronage is not expected to significantly decrease. There will be no impact on system reliability but crowding may increase on select Yellow and Blue Line trains that are directly impacted by the increased transfers.

Eliminate One Vehicle Maintenance Shift: Implementing both service changes above will reduce enough car operating hours to enable the elimination of one work shift at either Daly City or Richmond Yard. This reduction would result in estimated annual savings of $3.4M, with FY18 savings for 10 months $2.8M. The change would have little if any impact on customer service, but could moderately reduce fleet reliability, particularly late in the life of BART's legacy fleet.

FY18 reductions in car miles, positions, and expenses are summarized below. These figures reflect the intent to implement service reductions in September 2017, for approximately ten months of savings in FY18. Annualized savings are slightly higher, as detailed in the text above. BART plans to use vacant or capital positons to absorb the staff reductions associated with these service changes.

	5am Service	Red/ Green Line	Close Shift at Yard	**Total**
Car Miles	274,840	1,264,167	-	**1,539,007**
FTE*	10.0	8.0	23.0	**41.0**
Labor	$ 1,489,809	$ 839,940	$ 2,828,446	**$ 5,158,195**
Non Labor	$ 164,904	$ 755,466	$ -	**$ 920,370**
TOTAL SAVINGS	**$ 1,654,713**	**$ 1,595,406**	**$ 2,828,446**	**$ 6,078,565**
Revenue Loss				**$ (644,843)**
NET SAVINGS				**$ 5,433,722**

reductions are estimated based on September 2017 start date
**18 ATU + 23 SEIU*

Fare Increases

As revenue enhancements are under consideration as part of a strategy to address the anticipated FY18 budgetary shortfall, staff brought several fare modification options for Board consideration at its March 9th regular Board meeting. These options would take effect in January 2018. The Board selected the following options for further study and staff are now bringing them for public comment as part of BART's Title VI process:

A. Implement a Magnetic Stripe Ticket Surcharge - $5.6M additional revenue

Currently, about one-third of BART trips are made with magnetic stripe tickets, and the remaining two-thirds with Clipper cards. By January 2018, BART anticipates having at least one Clipper card dispensing ticket vending machine at each station. Placing a surcharge on fares paid with magnetic stripe tickets could help shift riders to the Clipper card in support of the regional goal of optimizing Clipper use on transit. Many of the region's operators have implemented a surcharge on their cash fares, including Muni ($2.25 Clipper fare/$2.50 cash fare), AC Transit ($2.00 Clipper/$2.10 cash), Caltrain (Clipper fares are $0.55 less than zonal cash fares), and SamTrans ($2.05 Clipper/$2.25 cash). A mag stripe surcharge could also generate additional revenue.

Two mag stripe surcharge options to increase fares paid with mag stripe tickets are under study:

- Flat surcharge of up to $0.50
- Percentage fare increase of up to 10%

The flat surcharge is estimated to generate up to approximately $11.1M annually, or $5.6M for one-half of FY18. The percentage surcharge is estimated to generate up to approximately $7.2M annually, or $3.6M for one-half of FY18.

B. Reduce to 50% the 62.5% Discount for Seniors, People with Disabilities, and Youth - $1.7M additional revenue

BART offers an all-day discount of 62.5% to riders who are seniors, people with disabilities, or youth age 5 through 12 years. Federal regulations require a transit agency to offer seniors and people with disabilities a 50% discount in the off-peak. This option would reduce the 62.5% discount to 50%. A 50% discount better aligns with the discounts other Bay Area transit operators offer, including Muni (50% discount cash fare/56% discount Clipper fare), AC Transit (50% discount), and SamTrans (51% discount). Approximately 4.5% of BART trips are taken by senior riders, 2.1% by people with disabilities, and 0.9% by youth age 5 through 12 years.

The annual estimated revenue gained under this option is approximately $3.3M, or $1.7M for one-half of FY18 assuming the changes are implemented in January 2018. Of the $3.3M annual estimate, approximately $2.1M is attributed to seniors, $1.0M to people with disabilities, and $0.3M to youth age 5 through 12 years. The revenue gained from the youth age change is included as an offset to the cost of extending the discount, as discussed in Section 8, FY18 Proposed Initiatives.

Operating to Capital Allocations

Reduce Baseline Capital Allocation - $10.0M savings

The Preliminary Budget proposes reducing the $20.6M baseline operating to capital allocation by $10.0M. These allocations typically 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. It is expected that unused prior year allocations will be used to make up the shortfall from the one-time FY18 reduction and that priority for FY18 allocations will be given to local match needs.

Reduce Allocation to Rail Car Sinking Fund - $6.0M savings

The Preliminary Budget proposes reducing the planned $45M allocation to the Rail Car Sinking Fund by $6.0M. In FY16 and FY17, BART received a total of $6.5M of Low Carbon Transit Operations Program funds. Per Board Resolutions 5309 and 5335, the LCTOP funds are "anticipated to offset, in part, the FY16, FY17, and FY18 allocations to capital from the Operating Budget for the new car program." These funds had not been previously planned as part of the project cash flow. Therefore, the FY18 allocation can be reduced by the available LCTOP funds.

8. FY18 Proposed Initiatives

FY18 General Fund Strategic Initiatives

Although the BART faces a projected deficit this year, some critical investments to initiate or sustain important initiatives are warranted. For example, at a workshop in January 2017, the Board of Directors expressed an interest in addressing the growing problem of fare evasion and developing solutions to increase the personal security and safety of customers at our stations. Programs have been developed and are among the FY18 proposed initiatives that follow:

OPERATING	FTE	Labor	Non-Labor	Total	Fare Rev Reduction
Fare Evasion Control*	7.0	$ 740,748	$ 50,000	$ 790,748	
Weekend Ridership Promotion	-	-	300,000	300,000	
Upgrade Board Room Equipment	-	-	75,000	75,000	
Workforce Development Grant Match	-	500,000	-	500,000	
Extend 50% Discount to Riders age 13-18					(1,500,000)
OPERATING TOTAL	**7.0**	**$ 1,240,748**	**$ 425,000**	**$ 1,665,748**	**$ (1,500,000)**

** Funding supplemented by Access funding below*

CAPITAL	Total
Upgrade Board Room Equipment	$ 50,000
CAPITAL TOTAL	**$ 50,000**

Fare Evasion Control **7.0 FTE, $0.8M Operating**

BART management and staff are collaborating to meet the continuing challenge of fare evasion. Through a three-tiered strategy of enforcement, station hardening, and education, BART aims to raise the stakes for fare evaders, and assure our riders that we value their patronage and investment and foster the expectation that every rider pay their fair share. The activities directly below will be funded by the General Fund; and the Access Initiatives section further below details additional Fare Evasion activities funded by parking fees allocated to Access projects.

BART's strategy includes increased staffing and establishing fare enforcement teams, clarifying fare policy and rules through a new BART ordinance, and development of new tools that enable ticket reading outside of station agent booths. An initial team of designated fare inspectors will be engaged to focus on fare evasion, with support from sworn BART officers. BART proposes to add six Community Service Officers (CSOs) and one Police Administrative Specialist (PAS) to assist with fare evasion efforts.

Regulations prohibiting fare evasion exist today, but BART policy and specific rules related to enforcing those regulations are outdated. BART has drafted an ordinance to reinforce that all people in the paid area of BART must possess a valid ticket, and to clarify "proof-of-payment" requirements. This draft ordinance will be brought to the Board for adoption.

Currently, the only method of checking whether a ticket is valid is at a station agent booth. BART staff has designed and prototyped a remote hand-held device which can inspect fare media, note their validity, and print a record of the inspection and findings. These devices will be procured to BART's specifications. With these devices, an officer or station agent can quickly check for a valid ticket from any location.

Fare enforcement teams, equipped with the new hand-held fare media readers and the clarified policy and rules from an Ordinance, will be positioned to fairly and equitably enforce fare evasion throughout our stations and on-board trains.

Weekend Ridership Program **$0.3M Operating**

To offset declines in weekend and airport ridership, BART plans to continue to grow *BARTable* subscribers and followers; expand partnerships in the areas of shopping, large concerts, and restaurants; market to diverse communities; and utilize convention and visitor channels to grow airport ridership. In addition, the budget includes an extra $300,000 to expand testing of weekend promotional tickets on non-closure weekends; advertise flights into SFO and OAK during peak travel seasons; make *BARTable* more dynamic and engaging via user-generated content; and test traffic app advertising to recommend BART when weekend traffic is especially heavy.

Upgrade Board Room Equipment **$0.08M Operating, $0.05 Capital**

BART's Board Room audio/video system was designed and installed in 2004 and the obsolete equipment is prone to failure. Upgrading the audio/video equipment in the Board Room will ensure more reliable communication in the Board Room during public meetings, and better quality communications with the public, other agencies, and the media.

Workforce Development Grant Match **$0.5M Operating**

In August 2015, the U.S. Department of Transportation awarded BART a $750,000 grant under the Federal Transit Administration's Ladders of Opportunity Initiative. The grant supports the new Transit Career Ladders Training Program designed to meet BART's future workforce needs by offering 20 employees in non-technical positions an alternative pathway into Electrician and Electronic Technician classifications. The program launched in spring 2016 and will conclude in January 2018. In FY18, $0.5M will contribute to the grant match requirement and assist funding development classes.

Extend a 50% Youth Discount to Riders through Age 18 **$1.5M Fare Revenue Reduction**

One additional proposed initiative would result in a reduction in fare revenue. The Board directed staff to consider extending the age of the youth discount and staff has previously completed the Title VI analysis and public outreach for this option.

BART currently offers a 62.5% discount to youth age 5 through 12, and a 50% discount with the Orange ticket for students who attend middle and high schools participating in that discount program. The option under consideration is to offer all youth age 5 through 18 a 50% discount. Thus, the discount for youth age 5 through 12 would be reduced from 62.5% but still be significant, and all youth age 13 through 18 would have access to a 50% discount. Offering a discount to youth through age 18 supports the region's goal of consistent discount policies among transit operators, as most of the region's operators offer a youth discount to riders through age 18, including Muni, AC Transit, SamTrans, Caltrain, Golden Gate Transit, and VTA.

As this option would extend a discount, there would be a cost to the program. The maximum estimated cost, based on all current full fare 13-18 year old riders getting the discount and taking into account the additional revenue from lowering the discount for ages 5 to 12, is $4.0M annually. However, not all eligible riders take advantage of discounted fare media. The FY18 Preliminary Budget assumes that approximately 75% of eligible riders would use the discount, for an estimated revenue reduction of $1.5M in FY18 if implemented in January 2018.

FY18 Proposed Stations & Access Initiatives

Stations & Access Initiatives are funded by estimated revenue from Parking Program fee modifications (described in Section 4), and aim to directly improve customer experience at stations.

OPERATING	FTE	Labor	Non-Labor	Total
Public Safety & Security Initative	4.0	$ 413,819	$ -	$ 413,819
Bike Program Operations	-	-	150,000	150,000
OPERATING TOTAL	**4.0**	**$ 413,819**	**$ 150,000**	**$ 563,819**

CAPITAL	Total
Fare Evasion Barriers**	$ 1,855,000
Parking Enforcement Productivity Improvement	400,000
Parking Program Software Upgrades	300,000
Carpool Enhancement Program	100,000
Public Safety & Security Initiative	786,181
Brentwood Transit Center	400,000
Public Address System Modernization	525,000
Station Sustainability	500,000
Station Entrance Security	270,000
CAPITAL TOTAL	**$ 5,136,181**

*** Funding supplemented by general funds above. The Fare Evasion Access capital funding programming is not finalized, and may include capital FTE.*

Fare Evasion Barriers & Control **$1.9M Capital**

As discussed in the Strategic Initiative section above, BART is taking steps to address fare evasion. The activities below will be funded by Access funding and the Strategic Initiatives section above details Fare Evasion activities funded by General Fund resources. As noted in the Capital Access table above, the Fare Evasion Access capital funding programming is not yet finalized, and may include changes to the detail of activities or addition of capital FTEs.

Station Hardening: Field observations and consultation with station agents have proven the vulnerability of boundaries between paid and free areas. Barrier, exit, and fare gate functionalities are being re-defined in BART's Facility Standards, with evasion control as a design criterion. Solutions include raising barriers and service gates to a uniform height of 60", eliminating all non-fare gates other than one immediately adjacent to each station agent booth, and ensuring that fare gates open to provide emergency egress capacity. Elevators between free areas and platforms are being evaluated at specific locations regarding limiting their use to passengers with valid fare media.

Specific investments vary from station to station according their size and equipage, and are being incorporated in specifications for station modernization. Priority is given to those stations that see the highest rates of evasion, specifically Embarcadero, Montgomery, Powell, and Civic Center, as well as other high-volume stations throughout the network. All stations must ultimately comply with the revised BART Facility Standards, through phased annual work programming. BART is evaluating vulnerable points in the system and deploying improvements to secure these areas.

Minimum Balance Requirement for Magnetic Stripe Tickets: A common method of fare evasion is for passengers to gain access to the system with a minimum-fare ($1.95) ticket[18], then to leave the system at their destination station without processing their ticket at a fare gate. Initial hardening efforts have revealed the number of passengers using this strategy to pay much less than the valid fare for their trip. One strategy to deter this behavior is to increase the minimum balance required to purchase a magnetic stripe ticket from a ticket vending machine by a factor of at least two. This will reduce the number of potential trips for which this type of fare evasion is advantageous and increase the revenue that BART collects on trips where this method of evasion is employed, while minimizing the impact on customers acting in good faith. There is no cost to implement this strategy.

Paid Parking Enforcement Productivity Improvements **$0.4M Capital**

To make BART's parking enforcement program more productive and efficient, BART will begin the technological transition to incorporate license plate recognition software into its paid parking enforcement program. This transition includes the scoping of the new program, the necessary public outreach, the initial equipment purchases and the development of the plan to associate permit and daily parkers' payments with their license plates. In future budget years, this may require the hiring of more administration review officers for the citation appeal process. It also may require modifications in the medium term to parking validation machines for cash paying parkers.

Parking Program Software Upgrades **$0.3M Capital**

This initiative would improve parking program productivity with software upgrades to parking payment machines, which will enable in the future variable parking prices to provide greater flexibility in pricing by time of day, and by day of week (i.e., Fridays).

Carpool Enhancement Program **$0.1M Capital**

A goal of the Station Access Policy is to improve the productivity of BART's access resources, including getting more riders per parking space. BART seeks to use technology to improve the existing carpool program by developing a new way to verify the legitimacy of a carpool, which currently is difficult to enforce.

Public Safety and Security Initiative **4.0 FTE, $0.4M Operating** **$0.8M Capital**

BART's Customer Satisfaction ratings have steadily declined over the past few years, from 74% (2014) to 69% (2016). This decline can be attributed to many factors, including concerns over public safety, security and station cleanliness. To address this issue, BART will implement an initiative to address loitering and public conduct, trespassing, station cleanliness, and enforcement.

This initiative includes up to four Community Service Officers (CSOs) assigned to the downtown San Francisco stations. BART commuters and staff have identified significant public health concerns with the increased use of illegal injected drugs and related paraphernalia, which is especially problematic at the Civic Center and Powell Street stations. The CSOs would be dedicated to monitoring these two stations and reporting to BART police officers upon discovery of illicit activities. The constant presence of CSOs in troubled areas of the station should improve the station environment.

The CSOs presence will be supplemented by additional attention to station cleaning and other

[18] The minimum fare will be $2.00 effective January 1, 2018 as determined by BART's inflation-based fare increase program.

measures to activate these spaces to improve the station environment. To facilitate compliance, BART will install signage at the downtown San Francisco stations to clearly identify that loitering and disorderly conduct are not allowed.

It should be noted that the FY18 budget continues BART's funding contribution to the San Francisco Homeless Outreach Team (SFHOT). In FY17, BART allocated $50,000 to help fund SFHOT, to develop a pilot program for outreach workers to engage the homeless population in the Civic Center and Powell Street stations, and to potentially connect them to resources. BART is working with the San Francisco Department of Homelessness and Supportive Housing on the details of this program, and aim to implement in the late Spring/early Summer, pending City staff availability. BART plans to continue this partnership and investment in the future.

Brentwood Transit Center **$0.4M Capital**

This initiative would advance work on a Brentwood Transit Center, which would include a transit center served initially by TriDelta Transit, with access via the Mokelumne Coast to Crest multi-use trail, and parking; Mokelumne Trail bridge over Highway 4 in Brentwood; and planning for a possible future extension of eBART. Funding could contribute to partnered environmental review, property acquisition, station design, bridge design, and TriDelta Transit route planning. Brentwood Transit Center would serve Brentwood, Antioch, Oakley, and Byron/Discovery Bay.

Public Address (PA) System Modernization **$0.5M Capital**

The existing analog Multiple Access Public Address (MAPA) system at the Operations Control Center (OCC) is obsolete in terms of procuring replacement parts and has no remaining capacity to add additional stations. BART and VTA have agreed to have the SVBX contractor install a new state-of-the-art digital public address server at the OCC which can accommodate the two new SVBX stations, all the existing BART core system passenger stations, and any future stations. This new server will replace the existing MAPA system and allow for BART stations to be provided with more reliable PA performance, improved PA functionality, and enhanced audio clarity. BART's share of the cost of this new system is $525,000.

Station Sustainability **$0.5M Capital**

The initiative would continue to support BART's sustainability efforts at stations including designing, developing and securing funds for improvements to achieve water conservation, energy efficient lighting, recycling, sustainable landscaping, station access, solar installation, electric vehicles, and other energy efficiency or energy storage projects.

Station Entrance Security and Reliability **$0.3M Capital**

To address chronic cleanliness issues, BART will install entrance gates at the top of Market Street stairwells at downtown San Francisco stations. These gates have already improved safety and enhanced station cleanliness, and allowed system service workers to prioritize other cleaning tasks inside the downtown stations.

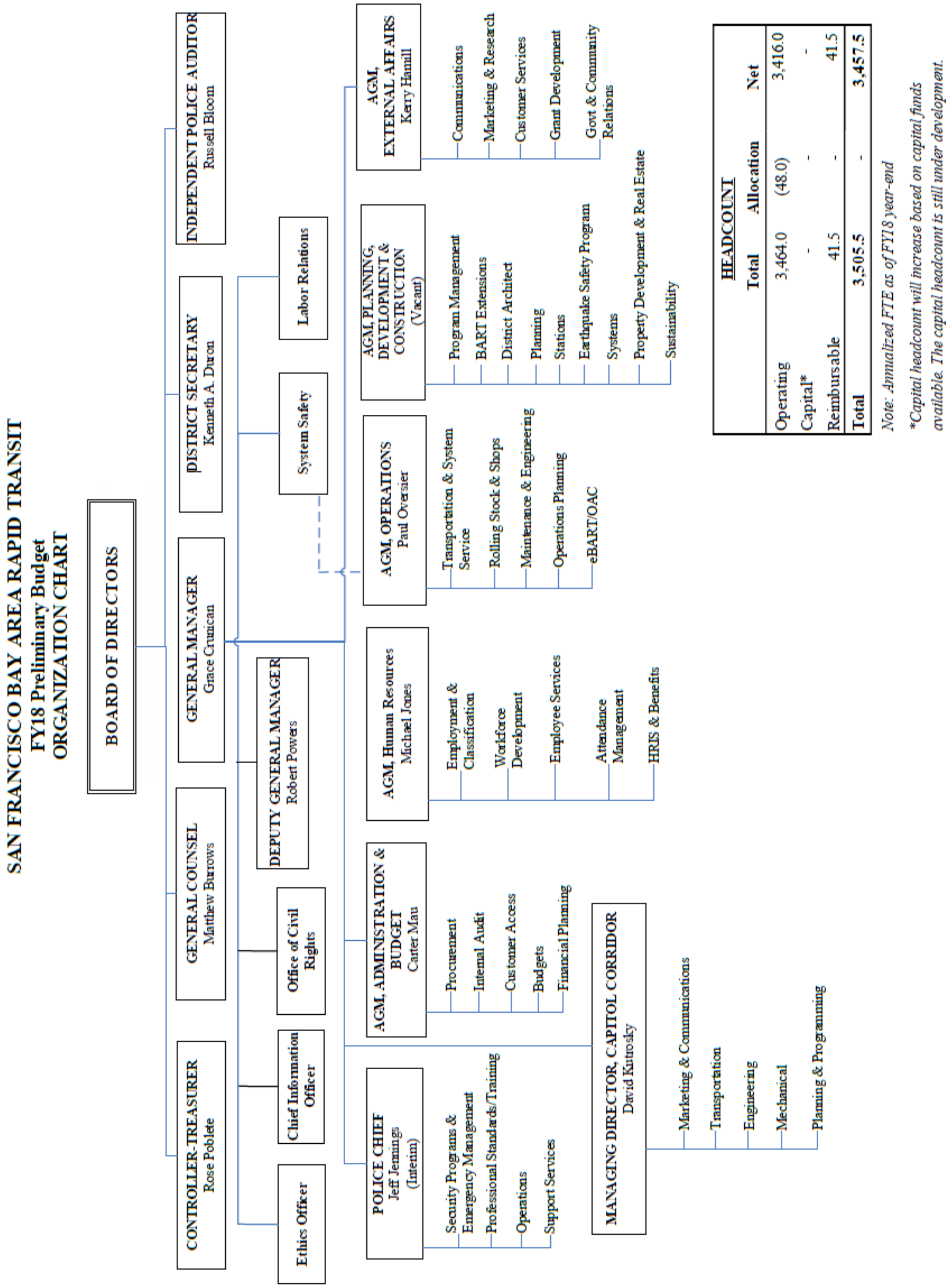
Bike Program Operations **$0.15M Operating**

Bicycle access to stations has dramatically increased, and this investment supports BART's 2022 bike access target of 8%. With funds from Measure RR for secure bike parking, and other funding for station access capital improvements, this initiative will focus on increased education about the prevention of bike theft, additional marketing to promote secure bike facilities, and additional maintenance costs for BikeLink lockers.

9. FY18 Budget Board Review Schedule +

Meeting Date	Budget Item
Mar-May	Fare options Title VI public outreach & analysis
3/21/2017	Finance, Budget, and Bond Oversight Committee: FY18 Budget Update
3/31/2017	FY18 Preliminary Budget release
4/13/2017	Board Meeting: FY18 Preliminary Budget Overview
April-May	Operations & Safety Committee: Public Safety & Security Initiative Discussion (date TBD)
4/18/2017	Finance, Budget, and Bond Oversight Committee: FY18 Preliminary Budget
4/27/2017	Board Meeting: FY18 Pension & Retiree Medical Review
5/11/2017	Board Meeting: FY18 Preliminary Budget Sources, Uses, Service Plan, & Capital Budget
5/16/2017	Finance, Budget, and Bond Oversight Committee: FY18 Preliminary Budget
5/25/2017	Board Meeting: Public Hearing on FY18 Annual Budget Board Action: Adopt annual Proposition 4 Limit
6/8/2017	Board Meeting: FY18 Preliminary Budget
6/13/2017	Finance, Budget, and Bond Oversight Committee: FY18 Preliminary Budget
6/22/2017	Title VI Assessment for Proposed FY18 Fare Modifications Board Action: FY18 Budget Adoption

10. FY18 Preliminary Budget Organization Chart



HEADCOUNT

	Total	Allocation	Net
Operating	3,464.0	(48.0)	3,416.0
Capital*	-	-	-
Reimbursable	41.5	-	41.5
Total	**3,505.5**	**-**	**3,457.5**

Note: Annualized FTE as of FY18 year-end

**Capital headcount will increase based on capital funds available. The capital headcount is still under development.*