SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
300 Lakeside Drive, P. O. Box 12688, Oakland, CA 94604-2688

BOARD MEETING AGENDA
February 23, 2017
9:00 a.m.

A regular meeting of the Board of Directors will be held at 9:00 a.m. on Thursday, February 23, 2017. This meeting shall consist of a simultaneous teleconference call at the following locations:

BART Board Room Kaiser Center 20th Street Mall – Third Floor 344 – 20th Street Oakland, CA 94612	751 Franklin Drive Brentwood, CA 94513

Members of the public may address the Board of Directors regarding any matter on this agenda. Please complete a "Request to Address the Board" form (available at the entrance to the Board Room) and hand it to the Secretary before the item is considered by the Board. If you wish to discuss a matter that is not on the agenda during a regular meeting, you may do so under Public Comment.

Any action requiring more than a majority vote for passage will be so noted.

Items placed under "consent calendar" are considered routine and will be received, enacted, approved, or adopted by one motion unless a request for removal for discussion or explanation is received from a Director or from a member of the audience.

Please refrain from wearing scented products (perfume, cologne, after-shave, etc.) to these meetings, as there may be people in attendance susceptible to environmental illnesses.

BART provides service/accommodations upon request to persons with disabilities and individuals who are limited English proficient who wish to address BART Board matters. A request must be made within one and five days in advance of Board meetings, depending on the service requested. Please contact the Office of the District Secretary at 510-464-6083 for information.

Rules governing the participation of the public at meetings of the Board of Directors and Standing Committees are available for review on the District's website (http://www.bart.gov/about/bod), in the BART Board Room, and upon request, in person or via mail.

Meeting notices and agendas are available for review on the District's website (http://www.bart.gov/about/bod/meetings.aspx), and via email (https://public.govdelivery.com/accounts/CATRANBART/subscriber/new?topic_id=CATRANBART_1904) or via regular mail upon request submitted to the District Secretary. Complete agenda packets (in PDF format) are available for review on the District's website no later than 48 hours in advance of the meeting.

Please submit your requests to the District Secretary via email to BoardofDirectors@bart.gov; in person or U.S. mail at 300 Lakeside Drive, 23rd Floor, Oakland, CA 94612; fax 510-464-6011; or telephone 510-464-6083.

Kenneth A. Duron
District Secretary

Regular Meeting of the
BOARD OF DIRECTORS

The purpose of the Board Meeting is to consider and take such action as the Board may desire in connection with:

1. CALL TO ORDER

   A. Roll Call.
   B. Pledge of Allegiance.
   C. Introduction of Special Guests.
      i. Officer Christopher A. Evola. (Director Dufty's request.)

2. CONSENT CALENDAR

   A. Approval of Minutes of the Meeting of February 9, 2017.* Board requested to authorize.

   B. Award of Contract No. 79HX-400, 4.9 GHz Wireless Communication on Rail.* Board requested to authorize.

   C. (CONTINUED from February 9, 2017, Board Meeting) District Debt Policy.* Board requested to authorize.

   D. Second Quarter Financial Report for Fiscal Year 2017. * For information.

3. PUBLIC COMMENT – 15 Minutes
   (An opportunity for members of the public to address the Board of Directors on matters under their jurisdiction and not on the agenda. An additional period for Public Comment is provided at the end of the Meeting.)

4. ADMINISTRATION, WORKFORCE, AND LEGISLATION ITEMS
   Director McPartland, Chairperson

   A. State and Federal Legislation.* Board requested to support.

   B. (CONTINUED from February 9, 2017, Board Meeting) Proposed Principles and Candidate Project List for Metropolitan Transportation Commission's Regional Measure 3.* Board requested to authorize.

5. FINANCE, BUDGET, AND BOND OVERSIGHT ITEMS
   Director Josefowitz, Chairperson

   A. Draft Short Range Transit Plan/Capital Improvement Program. * For information.

   B. Financial Outlook for Fiscal Year 2018. * For information.

6. OPERATIONS AND SAFETY ITEMS
Director Keller, Chairperson

A. (CONTINUED from February 9, 2017, Board Meeting)
Quarterly Performance Report, Second Quarter Fiscal Year 2017 - Service Performance Review.* For information.

7. PLANNING ITEMS
Director Raburn, Chairperson

A. Balboa Park Station Upper Yard Transit Oriented Development Update.* For information.

8. GENERAL MANAGER'S REPORT

A. Report of Activities, including Updates of Operational, Administrative, and Roll Call for Introductions Items.

9. CONTROLLER/TREASURER'S REPORT

A. Quarterly Report of the Controller/Treasurer for the Period Ending September 30, 2016.* For information.

10. BOARD MATTERS

A. Board Member Reports.
(Board member reports as required by Government Code Section 53232.3(d) are available through the Office of the District Secretary. An opportunity for Board members to report on their District activities and observations since last Board Meeting.)

B. Roll Call for Introductions.
(An opportunity for Board members to introduce a matter for consideration at a future Committee or Board Meeting or to request District staff to prepare items or reports.)

C. In Memoriam.
(An opportunity for Board members to introduce individuals to be commemorated.)

11. PUBLIC COMMENT
(An opportunity for members of the public to address the Board of Directors on matters under their jurisdiction and not on the agenda.)

12. CLOSED SESSION (Room 303, Board Conference Room)

A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Name of Case:	Brunker et al. vs. BART
Case No.:	3:16-cv-03399-HSG, U.S. District Court, Northern District
Government Code Section:	54956.9(a)

* Attachment available

B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Property:	AB 6973-38, City and County of San Francisco
District Negotiators:	Robert Powers, Acting Deputy General Manager; Val Menotti, Acting Assistant General Manager, Planning & Development; Sean Brooks, Manager, Real Estate and Property Development; and Tim Chan, Manager of Planning
Negotiating Parties:	City and County of San Francisco, Mayor's Office of Housing and Community Development; and San Francisco Bay Area Rapid Transit District
Under Negotiation:	Price and Terms
Government Code Section:	54956.8

13. OPEN SESSION

DRAFT

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
300 Lakeside Drive, P.O. Box 12688, Oakland, CA 94604-2688

Board of Directors
Minutes of the 1,781st Meeting
February 9, 2017

A regular meeting of the Board of Directors was held February 9, 2017, convening at 9:05 a.m. in the Board Room, 344 20th Street, Oakland, California; and Roosevelt Hotel, 45 45th Street, New York, New York. President Saltzman presided; Kenneth A. Duron, District Secretary.

Directors present in Oakland:	Directors Allen, Blalock, Josefowitz, Keller, McPartland, Raburn, Simon, and Saltzman.
Director present in New York:	Director Dufty.
Absent:	None.

Director McPartland introduced and welcomed Dublin Vice Mayor Don Biddle.

Consent Calendar items brought before the Board were:

1. Approval of Minutes of the Meetings of January 12, 2017, and January 25 and 26, 2017.

2. Resolution Authorizing the General Manager to Execute Amendments to Northern California Power Agency Agreement in Order to Add New Members.

Director McPartland made the following motions as a unit. Director Simon seconded the motions, which carried by unanimous roll call vote. Ayes – 9: Directors Allen, Blalock, Dufty, Josefowitz, Keller, McPartland, Raburn, Simon, and Saltzman. Noes - 0.

1. That the Minutes of the Meetings of January 12, 2017, and January 25 and 26, 2017, be approved.

2. Adoption of Resolution No. 5331, In the Matter of Amending the Amended and Restated Northern California Power Agency Joint Powers Agreement in Order to Add New Parties and Members.

President Saltzman called for Public Comment.

The following individuals addressed the Board.
Doug Boxer
Shirley Johnson
Jon Spanger
Edie Irons

President Saltzman announced that the order of agenda items would be changed.

Director Raburn, Chairperson of the Planning Committee, brought the matter of Sole Source Procurement with eLock Technologies for Electronic Bike Lockers and Maintenance Agreement before the Board. Mr. Steve Beroldo, Manager of Access Programs, presented the item. The item was discussed. Director McPartland moved that the Board find, by two-thirds majority vote, pursuant to Public Contract Code section 20227, that eLock Technologies is the sole source supplier for 20 locker quads, modernization of existing lockers, expansion of the Clipper ® demonstration, and a service agreement to provide on-going maintenance to District-owned lockers; and that the General Manager be authorized to enter into direct negotiations with eLock Technologies to execute an agreement in an amount not to exceed $495,579.00. President Saltzman seconded the motion, which carried by unanimous roll call vote by the required two-thirds majority. Ayes – 9: Directors Allen, Blalock, Dufty, Josefowitz, Keller, McPartland, Raburn, Simon, and Saltzman. Noes – 0.

Director Raburn brought the matter of Tri-Valley Transportation Activities Update before the Board. Mr. Val Menotti, Acting Assistant General Manager, Planning, Construction and Development, and Mr. Andrew Tang, Principal Planner, presented the item.

The following individuals addressed the Board.
Bob Vinn
Robert Allen

The item was discussed.

Director Raburn brought the matter of Dublin/Pleasanton Station Parking Garage before the Board. Mr. Menotti presented the item.

The following individuals addressed the Board.
Don Biddle
Cindy Chin
Andrew Slivka
Andrea Cluver
Matt Vander Sluis
Ruth Miller
Bob Vinn
Dave Campbell
Shannon Tracey
Marianne Payne

The item was discussed. Director Josefowitz moved that prior to bringing a proposal to the Board to approve a Dublin Parking Garage or submit a grant request to the Metropolitan Transportation Commission for funding, staff shall follow the Station Access Policy and evaluate and report back to the Board within 90 days on the following: 1) Options for delivering the equivalent of 540 net new spaces at the Dublin/Pleasanton Station at lower cost to BART, Alameda County, and the region, by using a combination of (a) Accessing existing non-BART parking resources near the Dublin/Pleasanton Station that could potentially serve as dedicated or shared parking for BART patrons, (b) Using BART's existing parking resources more efficiently through automated stacked parking, attendant parking services, improved enforcement, and carpool incentives, and (c) Creating new surface parking resources within a half- mile of the station on private or government-owned land; 2) Options for pedestrian access improvements for the Dublin/Pleasanton Station, including estimated costs, ridership impacts, and implementation steps for BART-identified projects, projects identified by other station-area plans, and projects proposed by relevant stakeholders; 3) When the matter of the 540 net new parking spaces at the Dublin/Pleasanton Station is returned to the Board, the parking garage and alternatives will come before the Board as action items.

President Saltzman requested the addition of language to include options for bicycle and transit access, and with the acceptance of her amendment, she seconded the motion.

Director Simon requested the addition of an updated funding plan for all access policy opportunities, capital and ongoing, to the report.

The maker and seconder of the motion accepted the amendments. Discussion continued. The motion carried by unanimous roll call vote. Ayes – 9: Directors Allen, Blalock, Dufty, Josefowitz, Keller, McPartland, Raburn, Simon, and Saltzman. Noes – 0.

Director McPartland, Chairperson of the Administration, Workforce, and Legislation Committee, brought the matter of Agreement with Principal Life Insurance Company for Short Term Disability Administrative Services and Long Term Disability Insurance (Agreement No. 6M4491) before the Board. Mr. David Wong, Human Resources Program Manager, presented the item. The item was discussed.

John Arantes addressed the Board.

The item was continued to later in the Meeting.

Director McPartland brought the matter of Modification to the Disadvantaged Business Enterprise Program before the Board. Mr. Wayne Wong, Department Manager, Office of Civil Rights, presented the item.

The following individuals addressed the Board.
Chi-Hsin Shau
Franklin Lee
Ming-Chen Yu
Greg Roja
LaVerda Allen
Claudia Guadagne
Walter Allen

The item was discussed. President Saltzman moved that the Board adopt the modification to the Disadvantaged Business Enterprise (DBE) Program requiring the DBE contract goal in Architectural and Engineering services, professional services and other services agreements, as appropriate, to be met through the participation of DBE subconsultants. Director Raburn seconded the motion, which carried by unanimous roll call vote. Ayes – 9: Directors Allen, Blalock, Dufty, Josefowitz, Keller, McPartland, Raburn, Simon, and Saltzman. Noes – 0.

Director McPartland brought the matter of Amendment to Legal Services Agreement with Glynn & Finley, LLP, before the Board. Mr. Matthew Burrows, General Counsel, presented the item. Director Blalock moved that the Board approve the amendment of agreements with Glynn & Finley to continue its representation of the District to handle the defense of the California Public Utilities Commission's Order Instituting Investigation and Order to Show Cause related to the October 19, 2013, and construction related claims as necessary. Director Josefowitz seconded the motion, which carried by unanimous roll call vote. Ayes – 9: Directors Allen, Blalock, Dufty, Josefowitz, Keller, McPartland, Raburn, Simon, and Saltzman. Noes – 0.

The Board Meeting recessed at 12:18 p.m.

The Board Meeting reconvened at 12:24 p.m.

Directors present: Directors Allen, Blalock, Josefowitz, Keller, McPartland, Raburn, Simon, and Saltzman.

Absent: Director Dufty.

Director McPartland brought the matter of Proposed Principles and Candidate Project List for Metropolitan Transportation Commission's Regional Measure 3 before the Board.

Director McPartland exited the Meeting, and President Saltzman assumed the gavel.

Ms. Deidre Heitman, Manager, Special Projects, and Mr. Menotti presented the item. The item was discussed.

The following individuals addressed the Board.
Jerry Grace
Bob Vinn

Discussion continued. The item was continued to a future Meeting.

Director Raburn returned to the matter of Agreement with Principal Life Insurance Company for Short Term Disability Administrative Services and Long Term Disability Insurance (Agreement No. 6M4491). Ms. Carol Isen, Chief Labor Relations Manager, continued the presentation. The matter was discussed. Director Allen moved that the General Manager be authorized to execute Agreement No. 6M4491, to provide short term disability administrative services and long term disability insurance, with the Principal Insurance Company, in an amount not to exceed $5,828,406.00. Director Keller seconded the motion, which carried by unanimous electronic vote. Ayes – 7: Directors Allen, Blalock, Josefowitz, Keller, Raburn, Simon, and Saltzman. Noes – 0. Absent – 2: Directors Dufty and McPartland.

The Board Meeting recessed at 1:10 p.m.

The Board Meeting reconvened at 1:37 p.m.

Directors present: Directors Allen, Blalock, Josefowitz, Keller, Raburn, Simon, and Saltzman.

Absent: Directors Dufty and McPartland.

Director Josefowitz, Chairperson of the Finance, Budget, and Bond Oversight Committee, brought the matter of District Debt Policy before the Board. Ms. Rose Poblete, Controller/Treasurer, presented the item. The item was discussed and continued to a future meeting.

Director Keller, Chairperson of the Operations and Safety Committee, announced that Item 6-D, Quarterly Performance Report, Second Quarter Fiscal Year 2017 - Service Performance Review, would be continued to a future meeting.

Director Keller brought the matter of Award of Contract No. 05HA-100, El Cerrito Del Norte Station Modernization Project, before the Board. Mr. Ian Griffiths, Senior Planner, and Ms. Shirley Ng, Group Manager, Stations Engineering and Construction, presented the item. The item was discussed. President Saltzman moved that the General Manager be authorized to award Contract No. 05HA-100, El Cerrito Del Norte Station Modernization Project, to Clark Construction Group, for the Bid price of $23,200,000.00, pursuant to notification to be issued by the General Manager, and subject to the District's protest procedures; and that the General Manager be further authorized to exercise any one or all Options subject to the certification of the Controller/Treasurer that funding is available. Director Simon seconded the motion.

Jerry Grace addressed the Board.

The motion carried by unanimous acclamation. Ayes – 7: Directors Allen, Blalock, Josefowitz, Keller, Raburn, Simon, and Saltzman. Noes – 0. Absent – 2: Directors Dufty and McPartland.

Director Keller brought the matter of Project Revisions and Second Addendum to the Hayward Maintenance Complex Project Final Initial Study/Mitigated Negative Declaration before the Board. Mr. Thomas Horton, Group Manager, Hayward Maintenance Complex, presented the item. Director Blalock moved adoption of Resolution No. 5332, In the Matter of Adopting Modifications to the Hayward Maintenance Complex Project Second Addendum to Initial Study/Mitigated Negative Declaration. Director Simon seconded the motion, which carried by unanimous acclamation. Ayes – 7: Directors Allen, Blalock, Josefowitz, Keller, Raburn, Simon, and Saltzman. Noes – 0. Absent – 2: Directors Dufty and McPartland.

Director Dufty entered the Meeting in New York.

Director Keller brought the matter of Short Term System Capacity Improvements before the Board. Mr. Dave Hardt, Chief Mechanical Officer, Rolling Stock and Shops; Mr. Aaron Weinstein, Department Manager, Marketing and Research; and Ms. Heitman gave a presentation on the Train Seat Modification Project. The project was discussed.

Jerry Grace addressed the Board.

President Saltzman moved adoption of Resolution No. 5333, In the Matter of Authorizing the Filing of an Application for Funding Assigned to the Metropolitan Transportation Commission and Committing Any Necessary Matching Funds and Stating Assurance to Complete the Project. Director Blalock seconded the motion, which carried by roll call vote. Ayes – 7: Directors Allen, Blalock, Dufty, Josefowitz, Raburn, Simon, and Saltzman. Noes – 1: Director Keller. Absent – 1: Director McPartland.

Director Dufty exited the Meeting.

President Saltzman called for the General Manager's Report. General Manager Grace Crunican reported on steps she had taken and activities and meetings she had participated in, ridership, upcoming events, and outstanding Roll Call for Introductions items.

Mr. David Kutrosky, Managing Director, Capital Corridor, gave a brief presentation on the draft agenda for the Capitol Corridor Joint Powers Board Meeting of February 15, 2017. The report was discussed.

Director Saltzman called for Board Member Reports, Roll Call for Introductions, and In Memoriam.

Director Josefowitz requested that the Operations and Safety Committee, in collaboration with staff and in consultation with the BART Police Citizens Review Board and Office of the Independent Police Auditor, investigate a Sanctuary in Transit policy for possible adoption by the Board, with the policy to possibly include (a) limiting BART's assistance to the federal government in the enforcement of federal immigration laws; (b) limiting BART Police Department from booking a suspect into a county jail in a county that does not have a Sanctuary Count policy in place; and (c) joining with other cities and counties in the District in limiting the information shared directly or indirectly with the federal government that may lead to the indiscriminate enforcement of federal immigration laws. Directors Raburn and Simon seconded the request.

Director Raburn reported he had attended the San Francisco Business Times economic forecast breakfast.

President Saltzman reported she had attended a meeting on the core capacity transit study and the Alameda County Mayors' Conference.

Director Blalock reported he had attended the San Joaquin Joint Powers Authority meeting.

Director Blalock requested the Meeting be adjourned in memory of Mr. Kim Pedersen.

Director Simon reported she had attended the West Contra Costa Transportation Advisory Committee meeting, a Young Transit Professionals event, the BART Police Citizens Review Board meeting, a Human Rights Coalition of San Francisco event at Google.

The following individuals addressed the Board.

Karen Crum
Pamela Drake
Sabiha Basrai
Stacy Suh
Yadira
Sandy Valienciano
Karem Herrera
Sanjanette Fowler
John Arantes
Olivia Rocha
Jerry Grace

President Saltzman announced that the Board would enter into closed session under Item 11-A (Conference with Labor Negotiators) of the regular Meeting agenda, and that the Board would reconvene in open session upon conclusion of the closed session.

The Board Meeting recessed at 3:29 p.m.

The Board Meeting reconvened in closed session at 3:32 p.m.

Directors present: Directors Allen, Blalock, Josefowitz, Keller, Raburn, Simon, and Saltzman.

Absent: Directors Dufty and McPartland.

The Board Meeting recessed at 4:23 p.m.

The Board Meeting reconvened in open session at 4:25 p.m.

Directors present: Directors Allen, Blalock, Josefowitz, Keller, Raburn, Simon, and Saltzman.

Absent: Directors Dufty and McPartland.

President Saltzman announced that the Board had concluded its closed session on Item 11-A and that there were no announcements to be made.

President Saltzman brought the matter of Compensation and Benefits for General Manager, General Counsel, Controller/Treasurer, District Secretary, and Independent Police Auditor before the Board.

Director Blalock moved that the base salaries of the General Manager, General Counsel, Controller/Treasurer, District Secretary, and Independent Police Auditor be increased by 4.2214 percent, effective July 1, 2017, when their PERS contribution will also increase by one percent of pensionable compensation; and that the Board President be authorized to execute on behalf of the Board any necessary changes to the Board Appointees' employment agreements to incorporate these changes. Director Raburn seconded the motion, which carried by unanimous roll call vote. Ayes – 7: Directors Allen, Blalock, Josefowitz, Keller, Raburn, Simon, and Saltzman. Noes – 0. Absent – 2: Directors Dufty and McPartland.

The Board Meeting was adjourned at 4:27 p.m. in memory of Kim A. Pedersen.

Kenneth A. Duron
District Secretary

EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: 15 FEB 2017	GENERAL MANAGER ACTION REQ'D: Approve and forward to the board
DATE: 1/3/2017	BOARD INITIATED ITEM: No

Originator/Prepared by: Htee Hmun Dept: Maintenance and Engineering Signature/Date: 2/14/17	General Counsel 2/13/17 [ ]	Controller/Treasurer 2/15/17 [ ]	District Secretary [ ]	BARC [ ]

4.9GHZ Wireless Communication on Rail

PURPOSE:

To obtain Board authorization for the General Manager to award Contract 79HX-400, 4.9GHZ Wireless Communication on Rail.

DISCUSSION:

BART Police, Rolling Stock and Shops, Maintenance and Engineering, and Transportation have identified potential security and operational benefits of a dedicated BART only WiFi network (Network) in the 4.9GHz frequency band. The 4.9GHz frequency band is a licensed band currently reserved for security and government use. BART is authorized and licensed by the Federal Communications Commission to use the 4.9GHz frequency band.

This demonstration project deploys a fully functional end to end 4.9GHz Wireless Network in four maintenance yards and five stations, including Civic Center, Powell, Montgomery, Embarcadero and West Oakland. The Network provides the ability to retrieve video recordings remotely from the Mobile Communications and Recording System (MCRS) installed in 129 rail cars. This demonstration Network will be used to upload video images from cameras on the trains to enhance security on the trains. The WiFi coverage areas include areas where wireless signal strength is strong enough to maintain connection between the mobile client on the trains and the stationary network access points in the stations and yards. The Network, when deployed, will demonstrate the concept of wireless download of video images from cameras on the trains.

The scope of work for Contract No. 79HX-400 includes the Contractor providing parts and labor necessary for the following works: physical installation of the Wireless Access Points and Point to Point devices at the existing structures specified in the Contract Drawings, installation of AC power including all conduit work to the Wireless Communications on Rail enclosures and panels as specified by the Contract Drawings, and the installation and testing of communication cables and conduits for the Wireless Access Points and Point to Point devices.

Advance Notice to Bidders was emailed on June 24, 2016, to 165 prospective bidders. The Contract was advertised on June 24, 2016. Five firms submitted documentation required to be approved for SSI clearance. All five firms and listed employees received SSI clearance to receive security sensitive information. A Pre-Bid meeting was held on October 14, 2016, with four pre-Cleared prospective bidders attending the meeting. Five Planholders purchased the Contract Book.

Two Bids were received and publically opened on December 27, 2016. The lowest Bid was 0.4% below the Engineer's estimate and the highest Bid was 67.5% above the Engineer's Estimate.

No.	**Bidder**	**Location**	**Total Bid**
1.	Phase 3 Communications, Inc.	San Jose, CA	$492,072.14
2.	Blocka Construction, Inc.	Fremont, CA	$827,600.00
	Engineer's Estimate		$494,135.00

The apparent lowest Bid was submitted by Phase 3 Communications, Inc. This Bid has been deemed to be responsive to the solicitation and the Bid Price of $492,072.14 to be fair and reasonable. Furthermore, examination of Phase 3 Communications' business experience and financial capabilities has resulted in a determination that this Bidder is responsible.

Pursuant to the District's Non-Discrimination Program for Subcontracting, the Availability Percentages for this Contract are 23% for Minority Business Enterprises (MBEs) and 12 % for Women Business Enterprises (WBEs). Phase 3 Communications Inc., will not be subcontracting any portion of the Work and therefore, the provisions of the District's Non-Discrimination Program for Subcontracting do not apply.

Pursuant to the District's Non-Federal Small Business Program, the Office of Civil Rights set a 5% Small Business Prime Preference for this Contract for Small Businesses certified by the California Department of General Services. The lowest responsive Bidder, Phase 3 Communications Inc., is not a certified Small Business and, therefore, is not eligible for the 5% Small Business Prime Preference.

FISCAL IMPACT:

Funding of $492,072.14 for the award of contract 79HX-400 is included in the budget of project 79HX000 WiFi On Rail Cars. The Office of the Controller/Treasurer certifies that funds are currently available to meet this obligation. The following table depicts funding assigned to the referenced project, and is included in its totality to track funding history against spending authority. Funds needed to meet this request will be expended from the sources listed.

As of January 12, 2017, $10,908,308 is available for this project from the following fund sources:

Funding Group	Amount
FEDERAL	6,272,744
INTERNAL	6,795
STATE	4,628,769
Total	10,908,308

BART has expended $9,943,260 and committed $152,702. to date for other actions. This action will commit an additional $492,072 leaving an uncommitted balance of $320,274 in this project. There is no fiscal impact on available un-programmed District Reserves.

ALTERNATIVES:
Reject all Bids and not award the Contract. If the Contract is not awarded, the District will lose $812,346 of the remaining funds allocated to this project. An original condition of the funding was to complete and properly demonstrate 4.9GHz Wireless Network and failing to complete the project could subject the District to restrictions on future federal grant funding and repayment of the original grant funding.

RECOMMENDATION:
Adoption of the following motion.

MOTION:
The General Manager is authorized to award Contract No. 79HX-400 4.9 GHZ Wireless Communication On Rail, to Phase 3 Communications, Inc. for the Bid amount of $492,072.14 pursuant to notification to be issued by the General Manager, and subject to the District's protest procedures.

EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: 15 FEB 2017		GENERAL MANAGER ACTION REQ'D:		
DATE: 1/25/2017		BOARD INITIATED ITEM: Yes		
Originator/Prepared by: Michaela Morales Dept: Finance Signature/Date: 2/14/17	General Counsel 2/15/17 [ ]	Controller/Treasurer 2/14/17 [ ]	District Secretary [ ]	BARC 2-15-17 [ ]

REVISED DEBT POLICY

PURPOSE:

To adopt the Revised Debt Policy of the San Francisco Bay Area Rapid Transit District.

DISCUSSION:

The California Debt and Investment Advisory Commission ("CDIAC") was created to collect, maintain, and provide information on all state and local debt authorization and issuance to serve as a clearinghouse for all state and local debt issuance. Accordingly, state and local issuers of debt are required to submit reports to the Commission within specified timeframes of proposed issuances and final sales. CDIAC provides issuers the ability to submit a report electronically.

Senate Bill 1029, passed in the 2015-2016 Legislative Regular Session, requires that the reports of proposed debt include a certification by the issuer that it has adopted a local debt policy, including specified provisions concerning the use of debt, and that the debt issuance is consistent with the local debt policy. Government Code Section 8855(i) has been amended accordingly.

The debt policy must include:

1. The purposes for which the debt proceeds may be used.
2. The types of debt that may be issued.
3. The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.

4. Policy goals related to the issuer's planning goals and objectives.
5. The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

The attached Revised Debt Policy fulfills this requirement. It was prepared with the assistance of the District's legal counsel and financial advisor.

As discussed at the February 9th Board Meeting, we have revised the Debt Policy to reflect the changes requested by the Directors, under the following sections:

1) Section IV-D (page 4) **Administration of Debt Policy**: *The District ~~may~~ **will** take into consideration any or all of the following factors, as appropriate, prior to approving the proposed issuance of Bonds;*

2) Section V-A (page 5) **Permissible Purpose**: deleted *"and pension, healthcare or workers' compensation costs.";*

3) Section VI (page 8) **Types of and Limitations on Bonds**: Added "Section ***O - Green Bonds:*** *Green bonds typically finance projects that have positive environmental and or climate benefits. Consistent with the District's Environmental Policy, District capital projects typically may be categorized as green bond eligible. The District shall seek to obtain green bond identification on its debt issuances that finance green bond eligible capital projects. Pursuing green bond identification is the District's best interests to broaden the potential investor base for the District's debt issuances and possibly lower the borrowing costs for the District."*

FISCAL IMPACT:

No fiscal impact.

ALTERNATIVES:
If the Board does not adopt this Revised Debt Policy, the District will not be able to issue Bonds.

RECOMMENDATION:
That the Board adopt the Revised Debt Policy.

MOTION:

The Board adopts the following Resolution adopting a new Revised Debt Policy (attached).

BEFORE THE BOARD OF DIRECTORS OF THE
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

In The Matter of Adopting the District Debt Policy
For San Francisco Bay Area Rapid Transit

Resolution No.____________

WHEREAS, the San Francisco Bay Area Rapid Transit District is required to submit reports to the California Debt and Investment Advisory Commission ("CDIAC"); and

WHEREAS, the San Francisco Bay Area Rapid Transit District is required by Senate Bill 1029 to include a certification by the issuer that it has adopted a local debt policy; and

WHEREAS, the San Francisco Bay Area Rapid Transit District proposes to adopt a debt policy to comply with the amended Government Code Section 8855(i),

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Francisco Bay Area Rapid Transit District that the Board adopt the Debt Policy submitted with this Resolution and authorizes the Controller-Treasurer, and other officials, to manage the District's debt issuance in accordance therewith.

Adopted at a regular meeting of the Board of Directors of the San Francisco Bay Area Rapid Transit District at Oakland, California this ___ day of ___________, 2017.

Adopted: ______________

____
Kenneth A. Duron, District Secretary

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

DEBT POLICY

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
DEBT POLICY
Dated as of February 14, 2017

I. Purpose

The purpose of this Debt Policy (the "Debt Policy") of the San Francisco Bay Area Rapid Transit District ("District") is to establish comprehensive guidelines for the issuance and management of the District's bonds, lease financing and other obligations for borrowed money (collectively, "Bonds"). This Debt Policy is intended to help ensure that: (i) the District, the Board of Directors of the District (the "Board of Directors"), the District General Manager (the "District Manager"), the District Controller-Treasurer (the "Controller-Treasurer") and other District management and staff adhere to sound debt issuance and management practices; (ii) the District achieves the most advantageous cost of borrowing commensurate with prudent levels of risk; and (iii) the District preserves and enhances the credit ratings of its Bonds.

II. Scope of Debt Policy

This Debt Policy shall provide guidance for the issuance and management of all debt and lease financings of the District, together with credit, liquidity and other ancillary instruments and agreements secured or executed in connection with such transactions. While adherence to this Debt Policy is recommended in applicable circumstances, the District recognizes that changes in the capital markets, District programs and other unforeseen circumstances may produce situations that are not covered by the Debt Policy or require modifications or exceptions to achieve Debt Policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the Board is obtained. The District may approve Bonds and other related agreements the terms or provisions of which deviate from this Debt Policy, upon the recommendation and approval of the Controller-Treasurer, as circumstances warrant. The failure by the District to comply with any provision of this Debt Policy shall not affect the validity of any Debt that is otherwise duly authorized and executed.

The District's Controller-Treasurer is the designated administrator of the Debt Policy. The Controller-Treasurer shall have the day-to-day responsibility and authority for structuring, implementing and managing the Department's debt and finance program, in accordance with the Board authorized programs. The Debt Policy requires that each debt or lease financing and commercial paper program be specifically authorized by the District's Board.

III. Legal Authority; Compliance with Laws, Resolutions, Indentures and Contracts

A) Legal Authority

The District has exclusive authority to plan and issue Bonds for District related purposes subject to approval by the Board of Directors.

B) **Compliance with Law**

All Bonds of the District shall be issued in accordance with applicable Federal and State laws, rules and regulations, including without limitation the Internal Revenue Code of 1986 (the "Code") with respect to the issuance of tax-exempt Bonds, the Securities Act of 1934 and the Securities Exchange Act of 1933, in each case as supplemented and amended, and regulations promulgated pursuant to such laws.

C) **Compliance with District Resolutions and Indentures**

Bonds of the District shall be issued in accordance with applicable resolutions and indentures of the District and in each case as supplemented and amended.

D) **Compliance with Other Agreements**

Bonds of the District shall be issued in compliance with any other agreements of the District with credit or liquidity providers, bond insurers or other parties.

E) **Compliance with SB 1029**

This Debt Policy complies with California Senate Bill 1029 (2016). The following paragraph cross references the debt policy requirements of SB 1029 with the relevant sections of this policy.

1) Cal. Gov. Code Section 8855(i)(1)(A): The purposes for which the debt may be used. See Section V: Purposes for Bonds.

2) Cal. Gov. Code Section 8855(i)(1)(B): The types of debt that may be issued. See Section VI: Types of and Limitations on Bonds.

3) Cal. Gov. Code Section 8855(i)(1)(C): The relationship of the debt to, and integration with, the issuer's capital improvement program or budget. See Section XV: Capital Planning, Budgeting and Administration.

4) Cal. Gov. Code Section 8855(i)(1)(D): Policy goals related to the issuer's planning goals and objectives. See Section I: Purpose.

5) Cal. Gov. Code Section 8855(i)(1)(E): The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use. See Section IV: Administration of Debt Policy.

IV. Administration of Debt Policy

A) **District**

The District shall be responsible for:

1) Approval of the issuance of all Bonds and the terms and provisions thereof;

2) Appointment of financial advisors, bond counsel, disclosure counsel, District consultants, underwriters, feasibility consultants, trustee and other professionals retained in connection with the District's Bonds;

3) Approval of this Debt Policy and any supplements or amendments;

4) Periodic approval of the District's capital improvement plans; and

5) Periodic approval of proposed District annual and supplemental budgets for submission to the Board of Directors, including without limitation provisions for the timely payment of principal of and interest on all Bonds.

6) Maintaining internal control procedures for the Bonds proceeds such as the Project Administration and Grant Management Guidelines and Procedures.

B) Controller-Treasurer

The Controller-Treasurer shall have responsibility and authority for structuring, issuing and managing the District's Bonds and financing programs. This shall include, but not be limited to, the following:

1) Determining the appropriate structure and terms for all proposed Bonds and other debt transactions;

2) Undertaking to issue Bonds at the most advantageous interest and other costs consistent with prudent levels of risk;

3) Insuring compliance of any proposed Bonds with any applicable additional debt limitations under State law, or the District's Debt Policy, resolutions and indentures;

4) Seeking approval from the Board of Directors for the issuance of Bonds or other debt obligations;

5) Recommending to the Board of Directors the manner of sale of any Bonds or other debt transactions;

6) Monitoring opportunities to refund outstanding Bonds to achieve debt service savings, and recommending such refunding to the Board, as appropriate;

7) Providing for and participating in the preparation and review of all legal and disclosure documents in connection with the issuance of any Bonds by the District;

8) Recommending the appointment of financial advisors, bond counsel, disclosure counsel, District consultants, underwriters, feasibility consultants and other professionals retained in connection with the District's debt issuance as necessary or appropriate;

9) Distributing information regarding the business operations and financial condition of the District to appropriate bodies on a timely basis in compliance with any applicable continuing disclosure requirements;

10) Communicating regularly with the rating agencies, bond insurers, investment providers, institutional investors and other market participants related to the District's Bonds; and

11) Maintaining a database with summary information regarding all of the District's outstanding Bonds and other debt obligations.

C) Procedures for Approval of Bonds

The proposed issuance of Bonds by the District shall be submitted to and subject to approval by the District Board of Directors for authorization and approval.

D) Considerations in Approving Issuance of Bonds

The District will take into consideration any or all of the following factors, as appropriate, prior to approving the proposed issuance of Bonds:

1) Whether the proposed issuance complies with this Debt Policy;

2) Source(s) of payment and security for the Bonds;

3) Projected revenues and other benefits from the projects proposed to be funded;

4) Projecting operating, other costs and potential revenues with respect to the proposed projects;

5) Impacts, if any, on tax rates, debt service coverage and funds required for operations;

6) Impacts, if any, on District credit ratings;

7) Period, if any, over which interest on the Bonds should be capitalized;

8) Extent to which debt service on the Bonds should be level or structured;

9) Appropriate lien priority of the Bonds;

10) Adequacy of the proposed disclosure document.

V. Purposes for Bonds

A) Permissible Purposes

The District may issue Bonds for the purposes of financing and refinancing the costs of capital projects undertaken by the District. The District may also issue Bonds to pay extraordinary unfunded costs, including without limitation: (i) termination or other similar payments due in connection with interest rate swaps and investment agreements entered into in connection with Bonds; and (ii) legal judgments or settlements.

B) Prohibited Purposes

The District shall not issue Bonds for the purpose of funding operating costs except under extraordinary circumstances or at minimal cost for cash flow management purposes where statutorily permitted.

VI. Types of and Limitations on Bonds

A) General Obligation Bonds

General Obligation Bonds represent general obligations of the District and will be payable solely from a levy of ad valorem taxes without limitation as to rate or amount upon all property subject to taxation within the District (except certain property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. The District's Measure AA General Obligation Bonds had an initial amount authorized of $980 million which was approved and duly authorized by at least two-thirds (2/3) of the qualified voters of the District voting at an election held on November 2, 2004. The District's Measure RR General Obligation Bonds had an initial amount authorized of $3.5 billion which was approved and duly authorized by at least two-thirds of the qualified voters of the District voting at an election held on November 8, 2016. Prior authorized General Obligation bonds were issued utilizing a similar voter approved process. The Bonds are issued pursuant to the provisions of Part 2 of Division 10 of the Public Utilities Code of the State of California, commencing with Section 28500, and other applicable law, and according to the terms and in the manner as authorized by the Board of Directors by resolutions.

B) Sales Tax Revenue Bonds

Sales Tax Revenue Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts. Sales Tax Revenue Bonds are issued pursuant to the laws of the State of California, including Article 2, Chapter 7, Part 2, Division 10 of the California Public Utilities Code, as amended from time to time, and applicable portions of the Revenue Bond Law of 1941, as amended from time to time and pursuant to an Indenture and supplemental Indentures as appropriate.

C) Grant Revenue Bonds

The District may issue Bonds payable in whole or in part from Grants to pay capital or other costs as permitted by the applicable provisions, conditions and requirements with respect to such Grants. The District may also issue Bonds in the form of notes payable from and in anticipation of the future receipt of Grants (so-called "grant anticipation notes" or "GANs").

D) Farebox Revenue Bonds

The District may issue Bonds payable in whole or in part from a designated pledge of farebox revenues.

E) Lease and Installment Payment Obligations

The District may issue lease backed or installment payment certificates of participation or Bonds payable in whole or in part from underlying lease or installment payment revenues.

F) New Money Bonds

New money issues are those financings that generate additional funding to be available for expenditure on capital projects. These funds will be used for acquisition, construction and major rehabilitation of capital assets. New money bond proceeds may not be used to fund operational activities.

G) Refunding Bonds

The District may issue Bonds to refund the principal of and interest on outstanding Bonds of the District in order to (i) achieve debt service savings; (ii) restructure scheduled debt service; (iii) convert from or to a variable or fixed interest rate structure; (iv) change or modify the source or sources of payment and security for the refunded Bonds; or (v) modify covenants otherwise binding upon the District. Refunding Bonds may be issued either on a current or advance basis, as permitted by applicable Federal tax laws. The District may also utilize a tender offer process to refund bonds that are not otherwise subject to optional call by the District.

Refunding Bonds should be issued solely to achieve debt service savings in most cases and should not be issued unless the estimated net present value savings, as determined by the District's outside financial advisors ("Financial Advisors") or internal management, are greater than or equal to five percent (5%) of the principal amount of the refunded Bonds. Non-economic refundings, or ones producing less savings, will be permitted if justified based on the need for legal restructuring to correct major discrepancies or deficiencies in supporting bond documents that would benefit the current, short-term, or long term capital cost of the District.

H) Senior Lien Bonds

Bonds of the District may be issued on parity with outstanding Bonds of the most senior open lien position in order to achieve the most advantageous borrowing costs.

I) **Subordinate Lien Bonds**

Bonds of the District may be issued on one or more subordinate lien levels relative to other outstanding Bonds of the District where necessary or desirable, in the determination of the District, to accommodate the particular structure or terms of a given issue, or in circumstances where the issuance of senior lien Bonds would be limited or restricted. Currently the District has no outstanding subordinate lien bonds.

J) **Long-Term Bonds**

The District may issue Bonds with longer-term maturities to amortize District capital or other costs over a period commensurate with the expected life, use or benefit provided by the project, program or facilities financed from such Bonds. Long-term Bonds shall consist of Bonds of an issue with a final maturity of five (5) years or more.

K) **Short-Term Bonds**

The District may issue Bonds with shorter-term maturities, including commercial paper and grant and revenue anticipation notes, to provide interim financing for capital projects in anticipation of the issuance of longer-term Bonds and/or the receipt of Grant moneys or for cash flow management. Short-term Bonds shall consist of Bonds of an issue with a final maturity of less than five (5) years.

L) **Fixed-Rate Bonds**

Fixed-Rate Bonds, on either an actual basis or a synthetic basis using interest rate swaps, shall be the primary type of Bonds issued by the District. This is in recognition of the assured future costs and the insulation from interest rate risk provided by fixed-rate financings.

M) **Variable Rate Bonds**

Variable Rate Bonds may be the secondary type of Bonds issued by the District. The District shall limit its aggregate un-hedged variable rate exposure on long-term Bonds to no more than twenty percent (20%) of the aggregate outstanding principal amount of its long-term Bonds, determined as of the date of issuance or execution of Bonds or related interest rate swap agreements.

N) **U.S. Department of Transportation Loans**

The U.S. Department of Transportation through the Build America Bureau offers credit programs that the District may use to finance eligible project costs. If it is determined that the District may significantly reduce the District's cost of capital by using a U.S. DOT credit program (such as the TIFIA and RRIF programs) compared to traditional tax-exempt bonds/COPs, then the District may use these financing structures supported by the Federal Government.

O) **Green Bonds**

Green bonds typically finance projects that have positive environmental and/or climate benefits. Consistent with the District's Environmental Policy, District capital projects typically may be categorized as green bond eligible. The District shall seek to obtain green bond identification on its debt issuances that finance green bond eligible capital projects. Pursuing green bond identification is in the District's best interests to broaden the potential investor base for the District's debt issuances and possibly lower the borrowing costs for the District.

VII. Terms and Provisions of Bonds

A) **Debt Service Structure**

The District shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, provide flexibility and, as practical, to recapture or maximize its debt capacity for future use. Annual debt service payments will generally be structured on a level basis per component financed; however, principal amortization may occur more quickly or slowly where permissible, to meet debt repayment, tax rate and flexibility goals.

B) **Amortization of Principal**

Long-term Bonds of the District shall be issued with maturities that amortize the principal of such Bonds over a period commensurate with the expected life, use or benefit (measured in years) provided by the projects, programs and/or facilities financed from the proceeds of such Bonds. The weighted average maturity of such Bonds should not exceed one hundred and twenty percent (120%) of the reasonably estimated weighted average life, use or benefit (measured in years) of the projects, programs and/or facilities financed from the proceeds of such Bonds.

Amortization of principal may be achieved either through serial maturities or through term bonds subject to prior mandatory sinking fund payments and/or redemptions.

C) **Capitalization of Interest**

The District may pay or reimburse interest on Bonds from proceeds of Bonds for legal, budgeting or structuring purposes. With respect to projects, programs and facilities that are expected to generate net revenues to the District over and above their associated costs of operation and maintenance, the period over which interest is capitalized shall generally not extend for more than twelve (12) months after the expected placed-in-service date of the respective projects, programs and facilities to be financed from proceeds of Bonds.

D) **Call Provisions**

1) Optional Call Provisions. The District shall seek to include the shortest practicable optional call rights, with and/or without a call premium, on Bonds with a final

maturity of more than ten (10) years, consistent with optimal pricing of such Bonds. Call premiums, if any, should not be in excess of then prevailing market standards and to the extent consistent with the most advantageous borrowing cost for the District. Non-callable maturities may be considered and used to accommodate market requirements or other advantageous benefits to the District. Capital appreciation bonds and taxable bonds are examples of potential non-callable candidates.

2) Extraordinary Call Provisions. The District, at its option, may include extraordinary call provisions, including for example with respect to unspent proceeds, damage to or destruction of the project or facilities financed, credit-related events of the District or the user of the project or facilities financed, or other matters, as the District may determine is necessary or desirable.

E) Payment of Interest

1) Current Interest Bonds. Bonds of the District shall be issued with interest payable on a current basis at least once each fiscal year commencing not more than eighteen (18) months following the date of issuance.

2) Deferred Interest Bonds. Bonds of the District may be issued with the payment of actual or effective interest deferred in whole or in part to the maturity or redemption date of each Bond, or the conversion of such Bond to a current interest-paying Bond (known, respectively, as capital appreciation bonds, zero coupon bonds and convertible capital appreciation bonds). This may be done to achieve optimal sizing, debt service structuring, pricing or other purposes.

F) Determination of Variable Interest Rates on Bonds

The interest rate from time to time on Bonds the interest of which is not fixed to maturity may be determined in such manner that the District determines, including without limitation on a daily, weekly, monthly, term, CP mode or other periodic basis; by reference to an index, prevailing market rates or other measures; and by or through an auction, a broker-dealer, a remarketing agent or other party or method.

G) Tender Options on Bonds

The District may issue Bonds subject to the right or obligation of the holder to tender the Bonds back to the District for purchase, including, for example, to enable the holder to liquidate their position, or upon the occurrence of specified credit events, interest rate mode changes or other circumstances. The obligation of the District to make payments to the holder upon any such tender may be secured by (i) a credit or liquidity facility from a financial institution in an amount at least equal to the principal amount of the Bonds subject to tender, (ii) a liquidity or similar account into which the District shall deposit and maintain an amount at least equal to the principal amount of the Bonds subject to tender, or (iii) other means of self-liquidity that the District deems prudent.

H) Multi-Modal Bonds

The District may issue Bonds that may be converted between two or more interest rate modes without the necessity of a refunding. Such interest rate modes may include, without limitation: daily interest rates, weekly interest rates, other periodically variable interest rates, commercial paper rates, auction rates, fixed rates for a term and fixed rates to maturity (in each case with or without tender options).

I) Debt Service Reserve Funds

The District may issue Bonds that are secured by amounts on deposit in or credited to a debt service reserve fund or account in order to minimize the net cost of borrowing and/or to provide additional reserves for debt service or other purposes. Debt service reserve funds may secure one or more issues of Bonds, and may be funded by proceeds of Bonds, other available moneys of the District, and/or by surety policies, letters or lines of credit or other similar instruments. Surety policies, letters or lines of credit or other similar instruments may be substituted for amounts on deposit in a debt service reserve fund if such amounts are needed for capital projects or other purposes.

Amounts in the debt service reserve funds shall be invested, in Investment Securities as defined under the District's Indenture and consistent with the District's Investment Policy, in order to (i) maximize the rate of return on such amounts; (ii) minimize the risk of loss; (iii) minimize volatility in the value of such investments; and (iv) maximize liquidity so that such amounts will be available if it is necessary to draw upon them. Such investments may include forward purchase and sale Agreements with respect to permitted investments.

VIII. Maintenance of Liquidity; Reserves

The District shall maintain unencumbered reserve amounts sufficient in the determination of the District to cover unexpected revenue losses, operating and maintenance costs, extraordinary payments and other contingencies, and to provide liquidity in connection with the District's outstanding Bonds. In June 2015, the Board of Directors adopted a policy goal to achieve and maintain an operating reserve of at least fifteen percent (15%) annual operating expenses. The Controller-Treasurer shall review annually the progress toward this goal.

IX. Investment of Bond Proceeds and Related Moneys

Bond proceeds and amounts in the District's debt service, project fund and debt service reserve funds with respect to outstanding Bonds shall be invested in accordance with the terms of the District's Investment Policy and with applicable resolutions, indentures and other agreements of the District. Bond Proceeds will be invested by the Trustee or Paying Agent, or authorized entity; at the direction of the District in Investment Securities as such term is defined in the applicable agreement and approved by the Controller-Treasurer. Funds held in trust by the District under such terms shall also be invested by the Controller-Treasurer in Investment Securities or in accordance with the Investment Policy as applicable.

X. Third Party Credit Enhancement

The District may secure credit enhancement for its Bonds from third-party credit providers to the extent such credit enhancement is available upon reasonable, competitive and cost-effective terms. Such credit enhancement may include municipal bond insurance ("Bond Insurance"), letters of credit and lines of credit (collectively and individually, "Credit Facilities"), as well as other similar instruments. Credit enhancement providers shall be selected on a competitive basis.

A) Bond Insurance

All or any portion of an issue of Bonds may be secured by Bond Insurance provided by municipal bond insurers ("Bond Insurers") if it is economically advantageous to do so, or if it is otherwise deemed necessary or desirable in connection with a particular issue of Bonds. The relative cost or benefit of Bond Insurance may be determined by comparing the amount of the Bond Insurance premium to the present value of the estimated interest savings to be derived as a result of the insurance.

B) Credit Facilities

The issuance of certain types of Bonds requires a letter of credit or line of credit (a "Credit Facility") from a commercial bank or other qualified financial institution to provide liquidity and/or credit support. The types of Bonds where a Credit Facility may be necessary include commercial paper, variable rate bonds with a tender option and Bonds that could not receive an investment grade credit rating in the absence of such a facility.

The criteria for selection of a Credit Facility provider shall include the following:

1) Long-term ratings from at least two nationally recognized credit rating agencies ("Rating Agencies") preferably to be equal to or better than those of the District;

2) Short-term ratings from at least two Rating Agencies of at least P-l/A-l+ or equivalent;

3) Experience providing such facilities to state and local government issuers;

4) Fees, including without limitation initial and ongoing costs of the Credit Facility; draw, transfer and related fees; counsel fees; termination fees and any trading differential; and

5) Willingness to agree to the terms and conditions proposed or required by the District.

XI. Use of Derivatives

Derivative products will be considered where appropriate in the issuance or management of debt only in instances where it has been demonstrated that the derivative product will either provide a hedge that reduces risk of fluctuations in expense or revenue, or alternatively, where it will reduce total project cost. An analysis of early termination costs and other conditional terms will also be performed given certain financing and marketing assumptions. Such analysis will document the risks and benefits associated with the use of the particular derivative product. Derivative products will only be utilized with prior Board approval.

XII. Methods of Sale and Pricing of Bonds

There are three principal methods for the initial sale of Bonds: (i) competitive; (ii) negotiated and (iii) private placement. The District shall utilize that method of sale that (a) is reasonably expected to produce the most advantageous interest cost with respect to the Bonds and (b) provides the District with the flexibility necessary or desirable in connection with the structuring, timing or terms of such sale and of related Bonds or Bond program. The District shall utilize such method that is likely to provide the most advantageous borrowing costs and execution on behalf of the District.

A) Competitive Sales

The competitive sale of the District's Bonds will be appropriate under the following circumstances:

1) The Bonds are traditional long-term fixed-rate new money General Obligation or Sales Tax backed obligations of the District;

2) The Bonds are senior lien obligations of the District;

3) The Bonds do not include any unusual call provisions or other terms;

4) The Bonds are or will be rated no lower than an 'AA' category or equivalent by at least two Rating Agencies, or the Bonds will or can be insured by a Bond Insurer which is rated 'AAA' or equivalent by at least two Rating Agencies;

5) The size and structure of the bond series can be readily accommodated in the market;

6) Prices in the municipal bond market are relatively stable; and

7) Market timing is not critical to the pricing of the Bonds.

Competitive sales may be conducted in such manner as the District shall approve, including through internet-based or other electronic bidding systems.

B) Negotiated Sales

The negotiated sale of the District's Bonds will be appropriate under any of the following circumstances:

1) The Bonds are not traditional long-term fixed-rate new money General Obligation's or Sales Tax backed;

2) The Bonds are not senior lien obligations of the District;

3) The Bonds include unusual call provisions or other terms;

4) The Bonds are or will be rated below an 'AA' category or equivalent by at least one Rating Agency;

5) Prices in the municipal bond market are relatively volatile;

6) Market timing is important to the pricing of the Bonds;

7) Volume in the municipal bond market is unusually heavy;

8) The structure of the financing is complex or unusual, and is expected to require additional pre-marketing and marketing efforts and activities;

9) Demand for the Bonds is expected to be weak, as a result of credit issues, market perceptions, unusual structures or other factors;

10) The sale of the Bonds must be coordinated with other related transactions, such as a tender offer for outstanding Bonds, the closing of an acquisition of property or facilities to be acquired from the proceeds of the Bonds, or the pricing of related transactions and/or derivative products;

11) The impetus for the transaction has been the result of significant innovation and efforts provided by one or more underwriter(s);

12) To achieve Policy and participation goals for small business enterprises and disadvantaged business enterprises for a transaction or program.

The underwriter, or underwriters, for a negotiated sale of Bonds (the "Underwriters") may be selected from a pre-qualified pool of underwriters with experience and expertise in connection with the particular type of Bonds or through a Request for Qualifications/Request for Proposal ("RFQ/RFP") process.

The District, with the assistance of its Financial Advisors, shall evaluate the proposed pricing and other terms offered by the Underwriters in relationship to prevailing market prices on the date of sale and prevailing practices in the municipal bond market, in each case with respect to comparable issuers. If there are multiple Underwriters, the District, with the assistance of its Financial Advisors, shall establish appropriate levels of liability and participation as among the Underwriters, and the priority of orders. The senior managing underwriter shall provide the District with a summary of all orders, allocations and underwriting activities with respect to the sales, a copy of the pricing wire, and the total designations and compensation to each underwriter promptly following the closing with respect to the Bonds. The senior managing underwriter and/or the District's Financial Advisors shall also provide the District with a pricing analysis promptly following the closing, including without limitation the results of comparable sales in the market at or near the time of the District's sale.

C) Private Placements

The private placement of the District's Bonds (as opposed to the public offering of Bonds through a competitive or negotiated sale) will be appropriate only in circumstances where (i) a public offering would require the registration of the Bonds under applicable Federal securities laws, or (ii) the Bonds are or will be either unrated or rated in a category below investment grade. Neither of these circumstances is expected to occur. In the event such circumstances arise, the Bonds of the District may be sold pursuant to a private placement only under such terms and conditions and in such manner as the District shall determine, in consultation with its Financial Advisors.

D) Pricing of Bonds

The District's Bonds may be sold at such prices, including at par, a premium or a discount, as the District may determine is likely to produce the most advantageous interest cost under then prevailing market conditions.

XIII. Bond Redemption Programs

The District may establish from time-to-time a plan or program for the payment and/or redemption of outstanding Bonds and/or interest thereon from revenues, Grants and/or other available funds pursuant to a recommendation from the Controller-Treasurer. Such plan or program may be for the purposes of reducing outstanding Debt, managing the amount of debt service payable in any year, or other suitable purposes, as determined by the District.

XIV. Professional Services

The District may retain professional services providers as necessary or desirable in connection with (i) the structuring, issuance and sale of its Bonds; (ii) monitoring of and advice regarding its outstanding Bonds; and (iii) the negotiation, execution and monitoring of related agreements, including without limitation Bond Insurance, Credit Facilities, Derivatives and investment agreements; and (iv) other similar or related matters. Professional service providers may include financial advisors, bond counsel, disclosure counsel, District consultants, bond trustees and Federal arbitrage rebate services providers, and may include, as appropriate, underwriters, feasibility consultants, remarketing agents, auction agents, broker-dealers, escrow agents, verification agents and other similar parties.

The District shall require that its Financial Advisors, bond and disclosure counsel and other District consultants be free of any conflicts of interest, or that any necessary or appropriate waivers or consents are obtained.

A) Financial Advisors

The District may utilize one or more Financial Advisors to provide ongoing advisory services with respect to the District's outstanding and proposed Bonds and related agreements, including without limitation Credit Facilities, Derivatives, investment agreements and other similar matters.

1) Use of Independent Financial Advisors: Any firm serving as financial advisor must be duly registered as a municipal advisor on financings at all times with both the Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB") and must also hold any certifications and/or licenses required by the SEC and/or MSRB.

2) Independent Registered Municipal Advisor ("IRMA"): The Controller-Treasurer will select a specific firm to serve as the District's IRMA, as defined by the SEC. In order to facilitate open communication with underwriters, the District will prepare and post on its website a letter stating that the District has an IRMA.

Before acting on any proposal received from underwriters, the District may provide the proposal to the IRMA and consider all feedback received from the IRMA.

B) Bond Counsel, Disclosure Counsel and Other Legal Counsel

1) Bond Counsel. The District may utilize one or more bond counsel firms to provide ongoing legal advisory services with respect to the District's outstanding and proposed Bonds and related agreements, including without limitation Credit Facilities, Derivatives, investment agreements and other similar matters. All Bonds issued by the District shall require a written opinion from the District's bond counsel, as appropriate, regarding (i) the validity and binding effect of the Bonds, and (ii) the exemption of interest from Federal and State income taxes.

2) Disclosure Counsel. The District may utilize a disclosure counsel firm to provide ongoing legal advisory services with respect to initial and continuing disclosure in connection with the District's outstanding and proposed Bonds. Such firm may be one of the District's bond counsel firms. The issuance of Bonds by the District shall require a written opinion from the District's disclosure counsel, as appropriate, regarding (i) the exemption of the Bonds from registration requirements under Federal securities laws, and (ii) their absence of knowledge, after due review, regarding any material misstatement in or omission from the official statement or other public offering document with respect to the Bonds.

3) Other Legal Counsel. The District may encourage or require, as appropriate, the retention and use of legal counsel by other parties involved in the issuance of Bonds and the execution of related agreements who are approved by the District.

C) District Consultant

The District may utilize one or more outside District consultants to provide ongoing advisory services with respect to the District's outstanding and proposed Bonds, District tax rates, fares, strategic business and financial decisions and such other matters as the District requires.

D) Bond Trustees and Fiscal Agents

The District may engage bond trustees and/or fiscal agents, paying agents and tender agents, as necessary or appropriate, in connection with the issuance of its Bonds. Bond trustees and fiscal agents shall have a minimum capitalization of $100 million.

E) Underwriters

The District may engage a team of underwriters, including a senior managing underwriter, in connection with the negotiated sale of its Bonds. The District also may engage one or more underwriters, as necessary or appropriate, to serve as remarketing agents, broker-dealers or in other similar capacities with respect to variable rate, auction, tender option, commercial paper and other similar types of Bonds issued by the District.

F) Feasibility Consultants

The District may retain feasibility consultants in connection with proposed project, programs, facilities or activities to be financed in whole or in part from proceeds of Bonds. The criteria for the selection of such feasibility consultants, in addition to those set forth above, shall include their expertise and experience with projects, programs, facilities or activities similar to those proposed to be undertaken by the District.

G) Arbitrage Rebate Services Providers

Because of the complexity of the Federal arbitrage rebate statutes and regulations, and the severity of potential penalties for non-compliance, the District may retain an arbitrage rebate services provider in connection with its outstanding and proposed Bonds, and may also solicit related legal and tax advice from its bond counsel or separate tax counsel. The responsibilities of the arbitrage rebate services provider shall include: (i) the periodic calculation of any accrued arbitrage rebate liability and of any rebate payments due under and in accordance with the Code and the related rebate regulations; (ii) advice regarding strategies for minimizing arbitrage rebate liability; (iii) the preparation and filing of periodic forms and information required to be submitted to the Internal Revenue Service; (iv) the preparation and filing of requests for reimbursement of any prior overpayments; and (v) other related matters as requested by the District.

The District shall maintain necessary and appropriate records regarding (i) the expenditure of proceeds of Bonds, including the individual projects and facilities financed and the amounts expended thereon, and (ii) investment earnings on such Bond proceeds. The District shall maintain such records for such period of time as shall be required by the Code.

H) Other Professional Services

The District may retain such other professional services providers, including without limitation verification agents, escrow agents, auction agents, as may be necessary or appropriate in connection with its Bonds.

XV. Capital Planning, Budgeting and Administration

A) Capital Planning

The District's Short Range Transit Plan ("SRTP") and Capital Improvement Plan ("CIP") is a regulatory mandate and provides a framework to make funding decisions in a long term context based upon financial forecasts.

The District Manager shall prepare a CIP every other year for consideration, revision as appropriate, and adoption in conjunction with the District's annual budget. The CIP should cover at least a five (5) year period. The CIP shall include, among other things, the following:

1) A description of each planned major capital project and its estimated cost;

2) A description of the source(s) and availability of funds to pay the costs of each major capital project; and

3) The projected start and completion dates for each major capital project.

B) Capital Budgeting

The District shall not authorize the issuance of Bonds unless the project has also been authorized and approved by the District. Inclusion of a proposed capital project in the CIP shall not constitute authorization and approval of the project for purposes of the preceding sentence.

C) Outstanding Bonds Database

The Controller-Treasurer shall maintain detailed information regarding the District's outstanding Bonds, including without limitation the following information with respect to each issue:

1) Name;

2) Initial principal amount and outstanding principal amount for each maturity;

3) Dated date;

4) Purpose or purposes;

5) Type of issue, including new money or refunding, fixed rate or variable rate and other features;

6) Method of sale;

7) True interest cost, arbitrage yield and weighted average maturity;

8) Underwriters and underwriters' discount;

9) Interest rates by maturity;

10) Call provisions, including any mandatory sinking fund provisions; and

11) Bond insurance or Credit Facilities, if any.

XVI. Credit Rating Objectives

The District shall seek to preserve and enhance the credit ratings with respect to its outstanding Bonds to the extent consistent, with the District's current and anticipated business operations and financial condition, strategic plans and goals and other objectives, and in accordance with any developed credit strategies.

XVII. Debt Affordability

Consistent with its credit rating objectives, the District shall periodically review its debt affordability levels and capacity for the undertaking of new financing obligations to fund its capital improvement plans. Debt affordability measures shall be based upon the credit objectives of the District, criteria identified by rating agencies for high-grade credits, comparison of industry peers and other internal factors of the District.

XVIII. Relationships with Market Participants

The District shall seek to preserve and enhance its relationships with the various participants in the municipal bond market, including without limitation, the Rating Agencies, Bond Insurers, credit/liquidity providers and current and prospective investors, including through periodic communication with such participants.

A) Rating Agencies

The District Manager and Controller-Treasurer shall maintain regular contact with the Rating Agencies which rate the District's outstanding and proposed Bonds, including in particular with the analysts assigned to the District. Such communications may include, without limitation:

1) Timely delivery of the District's audited financial statements and Annual Report each year;

2) Formal written and verbal presentations on a periodic basis. regarding the business operations and financial condition of the District and other related issues;

3) Formal written and/or verbal presentations in connection with each proposed issuance of Bonds; and

4) Timely disclosure of material events regarding the business operations or financial condition of the District.

B) Bond Insurers

The Controller-Treasurer shall maintain regular contact with the Bond Insurers, if any, which insure the District's outstanding Bonds, including in particular with the analysts assigned to the District. As mentioned above the role of bond insurers in regards to the District is unlikely as a result of the District's stronger ratings and the recent downgrades of most bond insurers. Still maintaining communications is warranted since circumstances may change and the District may at times seek to bring to market obligations that are not secured by its higher credit pledges. Such communications may include, without limitation:

1) Timely delivery of the District's audited financial statements and Annual Report each year;

2) Formal written and verbal presentations on a periodic basis regarding the business operations and financial condition of the District and other related issues;

3) Formal written and/or verbal presentations in connection with each proposed issuance of Bonds; and

4) Timely disclosure of material events regarding the business operations or financial condition of the District.

C) Current and Prospective Investors

The District Manager and Controller-Treasurer shall maintain the District's relationships and reputation with current and prospective investors in the Bonds, including in particular with its principal institutional investors. Such communications may include, without limitation:

1) Timely preparation of the District's audited financial statements and Annual Report and delivery to the District's bond trustees and other parties;

2) Formal written and/or verbal presentations in connection with proposed Bond issues, as deemed necessary or appropriate in consultation with the District's Financial Advisors; and

3) Timely compliance with the District's continuing disclosure requirements, consistent with Securities and Exchange District Rule 15c2-12, in connection with each issue of Bonds to which such Rule is applicable.

D) Communications Strategies

The District basic strategy for communications with Rating Agencies, Bond Insurers, credit/liquidity providers, investors and other market participants shall be developed and maintained by the Controller-Treasurer.

The District shall prepare or cause to be prepared appropriate disclosures as required by Securities and Exchange Commission Rule 15c2-12, the federal government, the State of California, rating agencies and other persons or entities entitled to disclosure to ensure compliance with applicable laws and regulations and agreements to provide ongoing disclosure.

The District shall make available its annual CAFRs and other required information, on the Electronic Municipal Market Access ("EMMA") website so that interested persons have a convenient way to locate major financial reports and documents pertaining to the District's finances and debt.

XIX. Periodic Review

The Controller-Treasurer shall review this Debt Policy on a periodic basis, and recommend any changes to the Board for consideration. This Debt Policy, including any proposed changes or additions hereto, shall be presented to the Board at least once every three (3) years for re-approval.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** February 16, 2017

FROM: General Manager

SUBJECT: **FY17 Second Quarter Financial Report**

The FY17 Second Quarter Financial Report (October - December 2015) is attached. The net result for the quarter was $1.3M unfavorable, a slight improvement over the first quarter which was $3.6M unfavorable. This brings the year-to-date (YTD) net operating result to $4.9M unfavorable. Passenger revenue is expected to continue underperforming when compared to the budget for the remainder of the year, thus this unfavorable variance is expected to increase by year-end.

Operating Sources

Total Ridership was 5.2% under budget for the second quarter. Weekday trips were 4.2% below budget and weekend/holiday trips were 9% below budget. Average weekday ridership for the first half of FY17 continues to decline and was down 0.8% from FY16, much lower than the 6 to 7% annual increases seen in prior years. Transbay ridership was 1% above FY16 and these higher fare trips helped keep the fare revenue budget variance slightly lower. Passenger revenue was $4.9M (3.9%) under budget for the second quarter.

Sales Tax results in the second quarter were $0.7M or 1.2% under budget, up just 1.9% from one year ago, but under the budget assumption of 3.2% growth. Through the first half of the year, sales tax revenue is $1.4M (1.1%) under budget.

Operating Uses

Total Expense for the quarter was nearly on budget, finishing $0.8M or 0.4% unfavorable. Labor and benefits were $2.8M or 2.3% favorable, but total non-labor was $3.6M over budget. Contributions to insurance reserves were over budget by $1.5M, material usage in the shops continued to run high, and some expenses originally budgeted as capital were reclassified to operating expense. Year-to-date, total expense is very close to budget, favorable by $0.4M or 0.1%. Labor and benefits are favorable by $4.4M, with non-labor over budget by $4M.

Second quarter results indicate that slowing growth in ridership and sales tax will impact net operating results. The FY17 budget performance will be discussed as part of the FY18 Financial Outlook presentation at the February 23, 2017 Board meeting.

If you have any questions about the document, please contact Carter Mau, Assistant General Manager, Administration and Budget, at 510-464-6194.

Robert M. Powers

for Grace Crunican

Attachment

cc: Board Appointed Officers
Deputy General Manager
Executive Staff

Quarterly Financial Report
Second Quarter
Fiscal Year 2017

Revenue

- Avg weekday trips for the quarter were 425,944, 4.2% under budget and 1.3% below the same quarter last year. Total trips for the quarter were 5.2% under budget, with weekend and holiday trips under budget 9.2%. Net passenger revenue was 3.9% under budget.
- Parking revenue on budget.
- Other operating revenue $0.6M favorable with investment income and proceeds from a one-time PG&E settlement, offset by unfavorable parking citations and telecom.

Expense

- Labor and benefits were favorable by $2.8M or (2.3%) due to savings from vacancies and a $1.5M one-time workers' compensation reduction in December. Overtime remains high, though lower than prior quarter.
- Electric Power was unfavorable for the quarter by $0.4M or (-4.8%) due to higher than expected usage in Oct and Nov; YTD is favorable as power market prices continue to be lower than budget.
- Purchased Transportation favorable result is due to timing of budget vs. actual and will correct itself later in year.
- Other Non Labor was unfavorable by $4.1M or (-14%) for the quarter due to one-time increase of general liability accrual($1.5M), timing of actual vs. budgeted expenses($2M) and reclassifying capital expense to operating.

Operating Deficit

- The operating deficit (revenue minus expense) was $4.9M unfavorable for the quarter mainly because of the under budget revenue performance.

MTC Rail Car Swap

- The MTC rail car fund swap is a funding exchange program between MTC and BART that does not affect the net operating result.

Financial Assistance and Allocations

- Sales Tax for the quarter grew 1.9% over 2QFY16, $0.8M less than the 3.2% growth assumed in the budget.
- Property Tax, Other Assistance was $0.6M favorable to budget due to favorable property tax payments.
- STA was $1.2M unfavorable, expected on budget at year end.
- Low Carbon Transit Op Prog will be $5M below budget. Booked in June.
- Debt service was $0.2M favorable due to savings from refunding.
- Capital and Other Allocations was $3.9M favorable due to $2.4M under budget SFO Ext fare revenue, $0.6M non-capital project reclassification to operating and $0.9M under budget incremental fare increase revenue.

Net Operating Result

- The Net Operating Result for the quarter was unfavorable by $1.4M, with the largest factor being under budget passenger revenue.

Current Quarter Budget	Current Quarter Actual	Current Quarter Var	($ Millions)	Year to Date Budget	Year to Date Actual	Year to Date Var
			Revenue			
125.7	120.8	-3.9%	Net Passenger Revenue	257.5	247.2	-4.0%
8.4	8.4	0.0%	Parking Revenue	16.8	17.2	1.9%
6.8	7.4	9.8%	Other Operating Revenue	13.6	13.7	1.2%
140.9	**136.6**	**-3.0%**	**Total Net Operating Revenue**	**287.9**	**278.1**	**-3.4%**
			Expense			
123.5	120.7	2.3%	Net Labor	249.0	244.6	1.7%
0.6	0.6	0.0%	OPEB Unfunded Liability	1.2	1.2	0.0%
9.6	10.0	-4.8%	Electric Power	20.0	19.6	2.0%
7.9	6.8	13.2%	Purchased Transportation	14.0	13.7	2.4%
29.5	33.6	-14.0%	Other Non Labor	56.9	61.6	-8.2%
171.0	**171.8**	**-0.4%**	**Total Operating Expense**	**341.1**	**340.7**	**0.1%**
(30.2)	**(35.1)**	**-16.4%**	**Operating Surplus (Deficit)**	**(53.2)**	**(62.6)**	**-17.6%**
(11.8)	-	100.0%	**MTC Rail Fund Car Swap**	(23.6)	(5.4)	76.9%
			Taxes and Financial Assistance			
63.5	62.8	-1.2%	Sales Tax	125.7	124.3	-1.1%
20.5	22.0	7.3%	Property Tax, Other Assistance	23.2	24.8	6.9%
11.8	-	-100.0%	MTC Rail Fund Car Swap	23.6	5.4	-76.9%
2.2	1.0	-55.4%	State Transit Assistance	2.2	1.0	-55.4%
-	-	-	LCTOP	-	-	-
(12.9)	(12.7)	1.9%	Debt Service	(25.9)	(25.0)	3.2%
(35.3)	(31.4)	11.0%	Capital and Other Allocations	(71.7)	(67.2)	6.4%
0.6	0.6	0.0%	OPEB Unfunded Liability Offset	1.2	1.2	0.0%
50.5	**42.3**	**-16.2%**	**Net Financial Assistance**	**78.3**	**64.6**	**-17.5%**
8.6	**7.2**		**Net Operating Result**	**1.5**	**(3.5)**	
82.4%	79.5%	-3.4%	**System Operating Ratio**	84.4%	81.6%	-3.3%
0.35 ¢	**0.37 ¢**	**-5.0%**	**Rail Cost / Passenger Mile**	**0.34 ¢**	**0.36 ¢**	**-4.2%**

* Totals may not add due to rounding to the nearest million.

- No Problem
- Caution: Potential Problem/Problem Being Addressed
- Significant Problem

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** February 16, 2017

FROM: General Manager

SUBJECT: State and Federal Legislation

At the February 23rd Board of Directors meeting, staff will present State and Federal legislation for your consideration.

Attached are bill analyses and recommendations for the six State bills and one Federal bill that staff will present. The legislation aligns with the 2017 State and Federal Program Goals adopted by the Board of Directors in December 2016.

Following the staff presentation, a request will be made for the Board to consider passing the draft motion shown below.

If you have any questions, please contact Rodd Lee, Department Manager, Government and Community Relations, at (510) 464-6235.

Robert M. Powers

for Grace Crunican

Attachments

cc: Board Appointed Officers
Acting Deputy General Manager
Executive Staff

DRAFT MOTION:

That the Board of Directors supports SB 1 and AB 1, SB 2, SB 3, AB 17, SCA 6, and H.R. 549.

BART Bill Analysis and Recommendation

State: SB 1 and AB 1

Author: Assembly Member Jim Frazier (D-Fairfield) and Senator Jim Beall (D-San Jose)

Co-author(s): Assembly Members Evan Low (D-Cupertino), Kevin Mullin (D-San Mateo), Miguel Santiago (D-Los Angeles); Senators Bill Dodd (D-Napa), Robert Hertzberg (D-Van Nuys), Jerry Hill (D-San Mateo), Mike McGuire (D-San Rafael), Tony Mendoza (D-Cerritos), Bill Monning (D-San Luis Obispo), Andy Vidak R-Bakersfield), Bob Wieckowski (D-Fremont), Scott Wiener (D-San Francisco)

Title: Transportation Funding
Sponsor: Transportation Committee Chairs

Background:

Taken together, AB 1 and SB 1 are similar to bills the Legislature developed to address Governor Brown's call in 2015 for new transportation revenue streams in the Special Session on Transportation. That effort failed after two years, and these bills were introduced immediately in the new 2017 session by both Transportation Committee Chairs because the transportation infrastructure in the state remains in dramatic disrepair. In 2015, the Governor requested that the Legislature "enact pay-as-you-go, permanent and sustainable funding to: adequately and responsibly maintain and repair the state's transportation and critical infrastructure; improve the state's key trade corridors; and complement local infrastructure efforts." The Governor also said he wanted to establish clear performance objectives, expedite project delivery and reduce project costs.

Efforts continue to pass new transportation revenue legislation. The State Senate held an informational hearing last month on "California Roads and Bridges' Quickly Expanding Funding Shortfall" where participating members acknowledged the large state maintenance backlog for our roads and highways, but also expressed differing funding priorities toward public transit versus roads going forward.

Purpose:

Both AB 1 and SB 1 would invest approximately $6 billion annually for streets, roads, highways and public transit. The Governor's recent budget has suggested a total of about $4.2 billion for the same purpose.

AB 1 and SB 1 propose to raise revenue with various fee and tax increases, redirecting truck weight fees and Cap and Trade auction proceeds to transportation purposes, and making changes to enhance Caltrans efficiencies. The biggest tax increase would be a 12 cent/gal tax increase on gas – with SB 1 differing from AB 1 by phasing in that increase over 3 years.

While these bills initially focused on ways to increase funding for streets and roads, efforts were made to add/increase public transit funding opportunities as well – which now accounts for about 10 percent of the potential funding to be raised. Some legislators, however, remain critical of the low percentage of potential funding for public transit compared to other road-centric programs.

As introduced, the bills would specifically benefit public transit by:

- Doubling the allocation of Cap and Trade auction proceeds to the Transit and Intercity Rail Capital Program (TIRCP);
- Doubling the allocation of Cap and Trade funding for the Low Carbon Transit Operations Program (LCTOP)
- Increasing the diesel sales tax that supports the State Transit Assistance (STA) program and making some new conditions on how the money could be spent:
  - AB 1 would increase the existing tax to 5.25% from 1.75%
  - SB 1 would increase the same tax to 5.75%, but direct .50% of the increase to intercity rail and commuter rail purposes (i.e. Capitol Corridor)

BART Impact:

In 2015 and 2016 BART encouraged the Legislature to take advantage of this opportunity to produce a multi-faceted state proposal that broadly addresses both our state highway and transit revenue needs.

The BART Board of Directors prioritized legislative goals to protect existing state funding and seek new transit funding sources. AB 1 and SB 1 would increase important STA and Cap and Trade funding for public transit and also improve road conditions for buses which all assist BART ridership.

Support/Opposition:

Support: Bay Area Council, California Alliance for Jobs, California State Association of Counties (CSAC), California Transit Association (CTA), League of California Cities, Silicon Valley Leadership Group, State Building & Construction Trades Council of California (Partial list).

Oppose: None received at this time.

Other Comments:

In both 2015 and 2016 BART wrote letters and lobbied its delegation in the capitol to support the transportation funding packages introduced by Assembly Member Frazier and Senator Beall which were comparable to AB 1 and SB 1 and included provisions to increase transit funding.

Most recently, BART submitted at a letter to the two transportation chairs encouraging the Legislature to support these bills and to consider significant increases in transit funding as the bills move through the legislative process.

Recommendation:

☒ **Support** ☐ Watch ☐ Oppose

Approval Signatures:

	2-14-17		2/14/17
Rodd Lee GCR Department Manager	Date	Kerry Hamill AGM External Affairs	Date
	16 FEB 2017	for	16 FEB 2017
Robert Powers Acting Deputy General Manager	Date	Grace Crunican General Manager	Date

AMENDED IN SENATE JANUARY 26, 2017

SENATE BILL No. 1

Introduced by Senator Beall
(Coauthors: Senators Dodd, Hertzberg, Hill, McGuire, Mendoza, Monning, Wieckowski, and Wiener)

December 5, 2016

An act to amend Sections 13975, 14500, 14526.5, and 16965 of, to add Sections 14033, 14110, 14526.7, and 16321 to, to add Part 5.1 (commencing with Section 14460) to Division 3 of Title 2 of, and to repeal Section 14534.1 of, the Government Code, to amend Section 39719 of the Health and Safety Code, to amend Section 21080.37 of, and to add *and repeal* Division 13.6 (commencing with Section 21200) ~~to,~~ *of,* the Public Resources Code, to amend Section 99312.1 of the Public Utilities Code, to amend Sections 6051.8, 6201.8, 7360, 8352.4, 8352.5, 8352.6, and 60050 of the Revenue and Taxation Code, to amend Sections 183.1, 2192, and 2192.2 of, to add Sections 820.1, 2103.1, and 2192.4 to, and to add Chapter 2 (commencing with Section 2030) to Division 3 of, the Streets and Highways Code, and to add Sections 9250.3, 9250.6, and 9400.5 to the Vehicle Code, relating to transportation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1, as amended, Beall. Transportation funding.

(1) Existing law provides various sources of funding for transportation purposes, including funding for the state highway system and the local street and road system. These funding sources include, among others, fuel excise taxes, commercial vehicle weight fees, local transactions and use taxes, and federal funds. Existing law imposes certain

registration fees on vehicles, with revenues from these fees deposited in the Motor Vehicle Account and used to fund the Department of Motor Vehicles and the Department of the California Highway Patrol. Existing law provides for the monthly transfer of excess balances in the Motor Vehicle Account to the State Highway Account.

This bill would create the Road Maintenance and Rehabilitation Program to address deferred maintenance on the state highway system and the local street and road system. The bill would require the California Transportation Commission to adopt performance criteria, consistent with a specified asset management plan, to ensure efficient use of certain funds available for the program. The bill would provide for the deposit of various funds for the program in the Road Maintenance and Rehabilitation Account, which the bill would create in the State Transportation Fund, including revenues attributable to a $0.12 per gallon increase, phased in over 3 years, in the motor vehicle fuel (gasoline) tax imposed by the bill with an inflation adjustment, as provided, an increase of $38 in the annual vehicle registration fee with an inflation adjustment, as provided, a new $100 annual vehicle registration fee with an inflation adjustment, as provided, applicable to zero-emission motor vehicles, as defined, and certain miscellaneous revenues described in (7) below that are not restricted as to expenditure by Article XIX of the California Constitution.

This bill would annually set aside $200,000,000 of the funds available for the program to fund road maintenance and rehabilitation purposes in counties that have sought and received voter approval of taxes or that have imposed fees, including uniform developer fees, as defined, which taxes or fees are dedicated solely to transportation improvements. These funds would be continuously appropriated for allocation pursuant to guidelines to be developed by the California Transportation Commission in consultation with local agencies. The bill would require $80,000,000 of the funds available for the program to be annually transferred to the State Highway Account for expenditure on the Active Transportation Program. The bill would require $30,000,000 of the funds available for the program in each of 4 fiscal years beginning in 2017–18 to be transferred to the Advance Mitigation Fund created by the bill pursuant to (12) below. The bill would continuously appropriate $2,000,000 annually of the funds available for the program to the California State University for the purpose of conducting transportation research and transportation-related workforce education, training, and development. The bill would require the remaining funds available for the program to be allocated 50% for maintenance of the state highway system or to the state highway operation and protection program and 50% to cities and counties pursuant to a specified formula. The bill would impose various requirements on the department and agencies receiving these funds. The bill would authorize a city or county to spend its apportionment of funds under the program on transportation priorities other than those allowable pursuant to the program if the city's or county's average Pavement Condition Index meets or exceeds 80.

The bill would also require the department to annually identify savings achieved through efficiencies implemented at the department and to propose, from the identified savings, an appropriation to be included in the annual Budget Act of up to $70,000,000 from the State Highway Account for expenditure on the Active Transportation Program.

(2) Existing law establishes in state government the Transportation Agency, which includes various departments and state entities, including the California Transportation Commission. Existing law vests the California Transportation Commission with specified powers, duties, and functions relative to transportation matters. Existing law requires the commission to retain independent authority to perform the duties and functions prescribed to it under any provision of law.

This bill would exclude the California Transportation Commission from the Transportation Agency, establish it as an entity in state government, and require it to act in an independent oversight role. The bill would also make conforming changes.

(3) Existing law creates various state agencies, including the Department of Transportation, the High-Speed Rail Authority, the Department of the California Highway Patrol, the Department of Motor Vehicles, and the State Air Resources Board, with specified powers and duties. Existing law provides for the allocation of state transportation funds to various transportation purposes.

This bill would create the Office of the Transportation Inspector General in state government, as an independent office that would not be a subdivision of any other government entity, to ensure that all of the above-referenced state agencies and all other state agencies expending state transportation funds are operating efficiently, effectively, and in compliance with federal and state laws. The bill would provide for the Governor to appoint the Transportation Inspector General for a 6-year term, subject to confirmation by the Senate, and would provide that the Transportation Inspector General may not be removed from office during the term except for good cause. The bill would specify the duties and responsibilities of the Transportation Inspector General and would require an annual report to the Legislature and Governor.

This bill would require the department to update the Highway Design Manual to incorporate the "complete streets" design concept by January 1, 2018. The bill would require the department to develop a plan by January 1, 2020, to increase by 100% the dollar value of contracts awarded to small businesses, disadvantaged business enterprises, and disabled veteran business enterprises.

(4) Existing law provides for loans of revenues from various transportation funds and accounts to the General Fund, with various repayment dates specified.

This bill would require the Department of Finance, on or before March 1, 2017, to compute the amount of outstanding loans made from specified transportation funds. The bill would require the Department of Transportation to prepare a loan repayment schedule and would require the outstanding loans to be repaid pursuant to that schedule, as prescribed. The bill would appropriate funds for that purpose from the Budget Stabilization Account. The bill would require the repaid funds to be transferred, pursuant to a specified formula, to cities and counties and to the department for maintenance of the state highway system and for purposes of the state highway operation and protection program.

(5) The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) created the Trade Corridors Improvement Fund and provided for allocation by the California Transportation Commission of $2 billion in bond funds for infrastructure improvements on highway and rail corridors that have a high volume of freight movement and for specified categories of projects eligible to receive these funds. Existing law continues the Trade Corridors Improvement Fund in existence in order to receive revenues from sources other than the bond act for these purposes.

This bill would deposit the revenues attributable to a $0.20 per gallon increase in the diesel fuel excise tax imposed by the bill into the Trade Corridors Improvement Fund. The bill would require revenues apportioned to the state from the national highway freight program established by the federal Fixing America's Surface Transportation Act to be allocated for trade corridor improvement projects approved pursuant to these provisions.

Existing law requires the commission, in determining projects eligible for funding, to consult various state freight and regional infrastructure and goods movement plans and the statewide port master plan.

This bill would revise the list of plans to be consulted by the commission in prioritizing projects for funding. The bill would also expand eligible projects to include, among others, rail landside access improvements, landside freight access improvements to airports, and certain capital and operational improvements. The bill would identify specific amounts to be allocated from available federal funds to certain categories of projects.

(6) Existing law requires all moneys, except for fines and penalties, collected by the State Air Resources Board from the auction or sale of allowances as part of a market-based compliance mechanism relative to reduction of greenhouse gas emissions to be deposited in the Greenhouse Gas Reduction Fund. Existing law continuously appropriates 10% of the annual proceeds of the fund to the Transit and Intercity Rail Capital Program and 5% of the annual proceeds of the fund to the Low Carbon Transit Operations Program.

This bill would, beginning in ~~the 2017-18~~ *2017–18* fiscal year, instead continuously appropriate 20% of those annual proceeds to the Transit and Intercity Rail Capital Program and 10% of those annual proceeds to the Low Carbon Transit Operations Program, thereby making an appropriation.

(7) Article XIX of the California Constitution restricts the expenditure of revenues from taxes imposed by the state on fuels used in motor vehicles upon public streets and highways to street and highway and certain mass transit purposes. Existing law requires certain miscellaneous revenues deposited in the State Highway Account that are not restricted as to expenditure by Article XIX of the California Constitution to be transferred to the Transportation Debt Service Fund in the State Transportation Fund, as specified, and requires the Controller to transfer from the fund to the General Fund an amount of those revenues necessary to offset the current year debt service made from the General Fund on general obligation transportation bonds issued pursuant to Proposition 116 of 1990.

This bill would delete the transfer of these miscellaneous revenues to the Transportation Debt Service Fund, thereby eliminating the offsetting transfer to the General Fund for debt service on general obligation transportation bonds issued pursuant to Proposition 116 of 1990. The bill, subject to a specified exception, would instead require the miscellaneous revenues to be retained in the State Highway Account and to be deposited in the Road Maintenance and Rehabilitation Account.

(8) Article XIX of the California Constitution requires gasoline excise tax revenues from motor vehicles traveling upon public streets and highways to be deposited in the Highway Users Tax Account, for allocation to city, county, and state transportation purposes. Existing law generally provides for statutory allocation of gasoline excise tax revenues attributable to other modes of transportation, including aviation, boats, agricultural vehicles, and off-highway vehicles, to particular accounts and funds for expenditure on purposes associated with those other modes, except that a specified portion of these gasoline excise tax revenues is deposited in the General Fund. Expenditure of the gasoline excise tax revenues attributable to those other modes is not restricted by Article XIX of the California Constitution.

This bill, commencing July 1, 2017, would instead transfer to the Highway Users Tax Account for allocation to state and local transportation purposes under a specified formula the portion of gasoline excise tax revenues currently being deposited in the General Fund that are attributable to boats, agricultural vehicles, and off-highway vehicles. Because that account is continuously appropriated, the bill would make an appropriation. The bill, commencing July 1, 2017, would transfer, to the Road Maintenance and Rehabilitation Account, the portion of gasoline excise tax revenues attributable to these uses that would be derived from increases in the gasoline excise tax rate described in (1) above.

(9) Existing law, as of July 1, 2011, increases the sales and use tax on diesel and decreases the excise tax, as provided. Existing law requires the State Board of Equalization to annually modify both the gasoline and diesel excise tax rates on a going-forward basis so that the various changes in the taxes imposed on gasoline and diesel are revenue neutral.

This bill would eliminate the annual rate adjustment to maintain revenue neutrality for the gasoline and diesel excise tax rates and would reimpose the higher gasoline excise tax rate that was in effect on July 1, 2010, in addition to the increase in the rate described in (1) above.

Existing law, beyond the sales and use tax rate generally applicable, imposes an additional sales and use tax on diesel fuel at the rate of 1.75%, subject to certain exemptions, and provides for the net revenues collected from the additional tax to be transferred to the Public Transportation Account. Existing law continuously appropriates these and other revenues in the account to the Controller for allocation by formula to transportation agencies for public transit purposes under the State Transit Assistance Program. Existing law provides for appropriation of other revenues in the account to the Department of Transportation for various other transportation purposes, including intercity rail purposes.

This bill would increase the additional sales and use tax rate on diesel fuel by an additional 4%. The bill would restrict expenditures of revenues attributable to the 3.5% rate increase to transit capital purposes and certain transit services and would require a recipient transit agency to comply with certain requirements, including submitting a list of proposed projects to the Department of Transportation, as a condition of receiving a portion of these funds under the State Transit Assistance Program. The bill would require an existing required audit of transit operator finances to verify that these new revenues have been expended in conformance with these specific restrictions and all other generally applicable requirements. By increasing the amount of revenues in the Public Transportation Account that are continuously appropriated, the bill would thereby make an appropriation. The bill would require the revenues attributable to the remaining 0.5% rate increase to be allocated, upon appropriation, to the department for intercity rail and commuter rail purposes.

This bill would, beginning July 1, 2020, and every 3rd year thereafter, require the State Board of Equalization to recompute the gasoline and diesel excise tax rates and the additional sales and use tax rate on diesel fuel based upon the percentage change in the California Consumer Price Index transmitted to the board by the Department of Finance, as prescribed.

(10) Existing law requires the Department of Transportation to prepare a state highway operation and protection program every other year for the expenditure of transportation capital improvement funds for projects that are necessary to preserve and protect the state highway system, excluding projects that add new traffic lanes. The program is required to be based on an asset management plan, as specified. Existing law requires the department to specify, for each project in the program the capital and support budget and projected delivery date for various components of the project. Existing law provides for the California Transportation Commission to review and adopt the program, and authorizes the commission to decline and adopt the program if it

determines that the program is not sufficiently consistent with the asset management plan.

This bill would require the commission, as part of its review of the program, to hold at least one hearing in northern California and one hearing in southern California regarding the proposed program. The bill would require the department to submit any change to a programmed project as an amendment to the commission for its approval.

This bill, on and after August 1, 2017, would also require the commission to make an allocation of all capital and support costs for each project in the program, and would require the department to submit a supplemental project allocation request to the commission for each project that experiences cost increases above the amounts in its allocation. The bill would require the commission to establish guidelines to provide exceptions to the requirement for a supplemental project allocation requirement that the commission determines are necessary to ensure that projects are not unnecessarily delayed.

(11) Existing law imposes weight fees on the registration of commercial motor vehicles and provides for the deposit of net weight fee revenues into the State Highway Account. Existing law provides for the transfer of certain weight fee revenues from the State Highway Account to the Transportation Debt Service Fund to reimburse the General Fund for payment of debt service on general obligation bonds issued for transportation purposes. Existing law also provides for the transfer of certain weight fee revenues to the Transportation Bond Direct Payment Account for direct payment of debt service on designated bonds, which are defined to be certain transportation general obligation bonds issued pursuant to Proposition 1B of 2006. Existing law also provides for loans of weight fee revenues to the General Fund to the extent the revenues are not needed for bond debt service purposes, with the loans to be repaid when the revenues are later needed for those purposes, as specified.

This bill, notwithstanding these provisions or any other law, would only authorize specified percentages of weight fee revenues to be transferred from the State Highway Account to the Transportation Debt Service Fund, the Transportation Bond Direct Payment Account, or any other fund or account for the purpose of payment of the debt service on transportation general obligation bonds in accordance with a prescribed schedule, with no more than 50% of weight fee revenues to be used for debt service purposes beginning with the 2021–22 fiscal year. The bill would require the California Transportation Commission, by January 1, 2018, to recommend a course of action to the Legislature and Governor that would retain the remaining 50% share of weight fee revenues in the State Highway Account or provide for the transfer of those revenues to the Road Maintenance and Rehabilitation Account. The bill would also prohibit loans of weight fee revenues to the General Fund.

(12) The California Environmental Quality Act (CEQA) requires a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of, an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if it finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment.

CEQA, until January 1, 2020, exempts a project or an activity to repair, maintain, or make minor alterations to an existing roadway, as defined, other than a state roadway, if the project or activity is carried out by a city or county with a population of less than 100,000 persons to improve public safety and meets other specified requirements.

This bill would extend the above-referenced exemption ~~indefinitely~~ *to January 1, 2023,* and delete the *population* limitation of *the city or county for* the ~~exemption to projects or activities in cities and counties with a population of less than 100,000 persons. The bill would also expand the exemption to include state roadways.~~ *exemption.*

This bill would also ~~establish~~ *establish, until January 1, 2023,* the Advance Mitigation Program in the Department of Transportation. The bill would authorize the department to undertake specified mitigation measures in advance of construction of planned transportation improvements. The bill would require the department to establish a steering committee to advise the department on advance mitigation measures and related matters. The bill would create the Advance Mitigation Fund as a continuously appropriated revolving fund, to be funded initially from the Road Maintenance and Rehabilitation Program pursuant to (1) above. The bill would provide for reimbursement of the revolving fund at the time a planned transportation improvement benefiting from advance mitigation is constructed. *The bill would require* *the department to submit to the Legislature annual reports and a final report on the operation of the program.*

(13) Existing federal law requires the United States Secretary of Transportation to carry out a surface transportation project delivery program, under which the participating states assume certain responsibilities for environmental review and clearance of transportation projects that would otherwise be the responsibility of the federal government. Existing law, until January 1, 2017, when these provisions are repealed, provides that the State of California consents to the jurisdiction of the federal courts with regard to the compliance, discharge, or enforcement of the responsibilities the Department of Transportation assumed as a participant in this program.

This bill would reenact these provisions.

(14) This bill would provide that the fuel tax increases imposed by the bill would be effective on July 1, 2017. The bill would provide that the vehicle fee increases imposed by the bill would be effective on October 1, 2017.

(15) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ⅔. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) Over the next 10 years, the state faces a $59 billion shortfall to adequately maintain the existing state highway system in order to keep it in a basic state of good repair.

(b) Similarly, cities and counties face a $78 billion shortfall over the next decade to adequately maintain the existing network of local streets and roads.

(c) Statewide taxes and fees dedicated to the maintenance of the system have not been increased in more than 20 years, with those revenues losing more than 55 percent of their purchasing power, while costs to maintain the system have steadily increased and much of the underlying infrastructure has aged past its expected useful life.

CALIFORNIA LEGISLATURE—2017–18 REGULAR SESSION

ASSEMBLY BILL No. 1

Introduced by Assembly Member Frazier
(Coauthors: Assembly Members Low, Mullin, and Santiago)

December 5, 2016

An act to amend Sections 13975, 14500, 14526.5, and 16965 of, to add Sections 14033, 14526.7, and 16321 to, to add Part 5.1 (commencing with Section 14460) to Division 3 of Title 2 of, and to repeal Section 14534.1 of, the Government Code, to amend Section 39719 of the Health and Safety Code, to amend Section 21080.37 of, and to add Division 13.6 (commencing with Section 21200) to, the Public Resources Code, to amend Section 99312.1 of, and to add Section 99314.9 to, the Public Utilities Code, to amend Sections 6051.8, 6201.8, 7360, 8352.4, 8352.5, 8352.6, and 60050 of the Revenue and Taxation Code, to amend Sections 183.1, 2192, 2192.1, and 2192.2 of, to add Sections 820.1, 2103.1, and 2192.4 to, and to add Chapter 2 (commencing with Section 2030) to Division 3 of, the Streets and Highways Code, and to add Sections 9250.3, 9250.6, and 9400.5 to the Vehicle Code, relating to transportation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1, as introduced, Frazier. Transportation funding.

(1) Existing law provides various sources of funding for transportation purposes, including funding for the state highway system and the local street and road system. These funding sources include, among others, fuel excise taxes, commercial vehicle weight fees, local transactions and use taxes, and federal funds. Existing law imposes certain registration fees on vehicles, with revenues from these fees deposited

in the Motor Vehicle Account and used to fund the Department of Motor Vehicles and the Department of the California Highway Patrol. Existing law provides for the monthly transfer of excess balances in the Motor Vehicle Account to the State Highway Account.

This bill would create the Road Maintenance and Rehabilitation Program to address deferred maintenance on the state highway system and the local street and road system. The bill would require the California Transportation Commission to adopt performance criteria, consistent with a specified asset management plan, to ensure efficient use of certain funds available for the program. The bill would provide for the deposit of various funds for the program in the Road Maintenance and Rehabilitation Account, which the bill would create in the State Transportation Fund, including revenues attributable to a $0.012 per gallon increase in the motor vehicle fuel (gasoline) tax imposed by the bill with an inflation adjustment, as provided, an increase of $38 in the annual vehicle registration fee with an inflation adjustment, as provided, a new $165 annual vehicle registration fee with an inflation adjustment, as provided, applicable to zero-emission motor vehicles, as defined, and certain miscellaneous revenues described in (7) below that are not restricted as to expenditure by Article XIX of the California Constitution.

This bill would annually set aside $200,000,000 of the funds available for the program to fund road maintenance and rehabilitation purposes in counties that have sought and received voter approval of taxes or that have imposed fees, including uniform developer fees, as defined, which taxes or fees are dedicated solely to transportation improvements. These funds would be continuously appropriated for allocation pursuant to guidelines to be developed by the California Transportation Commission in consultation with local agencies. The bill would require $80,000,000 of the funds available for the program to be annually transferred to the State Highway Account for expenditure on the Active Transportation Program. The bill would require $30,000,000 of the funds available for the program in each of 4 fiscal years beginning in 2017–18 to be transferred to the Advance Mitigation Fund created by the bill pursuant to (12) below. The bill would continuously appropriate $2,000,000 annually of the funds available for the program to the California State University for the purpose of conducting transportation research and transportation-related workforce education, training, and development, and $3,000,000 annually to the institutes for transportation studies at the University of California. The bill would require the remaining funds available for the program to be allocated 50% for maintenance of the state highway system or to the state highway operation and protection program and 50% to cities and counties pursuant to a specified formula. The bill would impose various requirements on the department and agencies receiving these funds. The bill would authorize a city or county to spend its apportionment of funds under the program on transportation priorities other than those allowable pursuant to the program if the city's or county's average Pavement Condition Index meets or exceeds 80.

The bill would also require the department to annually identify savings achieved through efficiencies implemented at the department and to propose, from the identified savings, an appropriation to be included in the annual Budget Act of up to $70,000,000 from the State Highway Account for expenditure on the Active Transportation Program.

(2) Existing law establishes in state government the Transportation Agency, which includes various departments and state entities, including the California Transportation Commission. Existing law vests the California Transportation Commission with specified powers, duties, and functions relative to transportation matters. Existing law requires the commission to retain independent authority to perform the duties and functions prescribed to it under any provision of law.

This bill would exclude the California Transportation Commission from the Transportation Agency, establish it as an entity in state government, and require it to act in an independent oversight role. The bill would also make conforming changes.

(3) Existing law creates various state agencies, including the Department of Transportation, the High-Speed Rail Authority, the Department of the California Highway Patrol, the Department of Motor Vehicles, and the State Air Resources Board, with specified powers and duties. Existing law provides for the allocation of state transportation funds to various transportation purposes.

This bill would create the Office of the Transportation Inspector General in state government, as an independent office that would not be a subdivision of any other government entity, to ensure that all of the above-referenced state agencies and all other state agencies expending state transportation funds are operating efficiently, effectively, and in compliance with federal and state laws. The bill would provide for the Governor to appoint the Transportation Inspector General for a 6-year term, subject to confirmation by the Senate, and would provide that the Transportation Inspector General may not be removed from office during the term except for good cause. The bill would specify the duties and responsibilities of the Transportation Inspector General and would require an annual report to the Legislature and Governor.

This bill would require the department to update the Highway Design Manual to incorporate the "complete streets" design concept by July 1, 2017.

(4) Existing law provides for loans of revenues from various transportation funds and accounts to the General Fund, with various repayment dates specified.

This bill would require the Department of Finance, on or before January 1, 2017, to compute the amount of outstanding loans made from specified transportation funds. The bill would require the Department of Transportation to prepare a loan repayment schedule and would require the outstanding loans to be repaid pursuant to that schedule, as prescribed. The bill would appropriate funds for that purpose from the Budget Stabilization Account. The bill would require the repaid funds to be transferred, pursuant to a specified formula, to cities and counties and to the department for maintenance of the state highway system and for purposes of the state highway operation and protection program.

(5) The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) created the Trade Corridors Improvement Fund and provided for allocation by the California Transportation Commission of $2 billion in bond funds for infrastructure improvements on highway and rail corridors that have a high volume of freight movement and for specified categories of projects eligible to receive these funds. Existing law continues the Trade Corridors Improvement Fund in existence in order to receive revenues from sources other than the bond act for these purposes.

This bill would deposit the revenues attributable to a $0.20 per gallon increase in the diesel fuel excise tax imposed by the bill into the Trade Corridors Improvement Fund. The bill would require revenues apportioned to the state from the national highway freight program established by the federal Fixing America's Surface Transportation Act to be allocated for trade corridor improvement projects approved pursuant to these provisions.

Existing law requires the commission, in determining projects eligible for funding, to consult various state freight and regional infrastructure and goods movement plans and the statewide port master plan.

This bill would revise the list of plans to be consulted by the commission when determining eligible projects for funding. The bill would also expand eligible projects to include, among others, rail landside access improvements, landside freight access improvements to airports, and certain capital and operational improvements.

(6) Existing law requires all moneys, except for fines and penalties, collected by the State Air Resources Board from the auction or sale of allowances as part of a market-based compliance mechanism relative to reduction of greenhouse gas emissions to be deposited in the Greenhouse Gas Reduction Fund. Existing law continuously appropriates 10% of the annual proceeds of the fund to the Transit and Intercity Rail Capital Program and 5% of the annual proceeds of the fund to the Low Carbon Transit Operations Program.

This bill would, beginning in the 2017–18 fiscal year, instead continuously appropriate 20% of those annual proceeds to the Transit and Intercity Rail Capital Program and 10% of those annual proceeds to the Low Carbon Transit Operations Program, thereby making an appropriation.

(7) Article XIX of the California Constitution restricts the expenditure of revenues from taxes imposed by the state on fuels used in motor vehicles upon public streets and highways to street and highway and certain mass transit purposes. Existing law requires certain miscellaneous revenues deposited in the State Highway Account that are not restricted as to expenditure by Article XIX of the California Constitution to be transferred to the Transportation Debt Service Fund in the State Transportation Fund, as specified, and requires the Controller to transfer from the fund to the General Fund an amount of those revenues necessary to offset the current year debt service made from the General Fund on general obligation transportation bonds issued pursuant to Proposition 116 of 1990.

This bill would delete the transfer of these miscellaneous revenues to the Transportation Debt Service Fund, thereby eliminating the offsetting transfer to the General Fund for debt service on general obligation transportation bonds issued pursuant to Proposition 116 of 1990. The bill, subject to a specified exception, would instead require the miscellaneous revenues to be retained in the State Highway Account and to be deposited in the Road Maintenance and Rehabilitation Account.

(8) Article XIX of the California Constitution requires gasoline excise tax revenues from motor vehicles traveling upon public streets and

highways to be deposited in the Highway Users Tax Account, for allocation to city, county, and state transportation purposes. Existing law generally provides for statutory allocation of gasoline excise tax revenues attributable to other modes of transportation, including aviation, boats, agricultural vehicles, and off-highway vehicles, to particular accounts and funds for expenditure on purposes associated with those other modes, except that a specified portion of these gasoline excise tax revenues is deposited in the General Fund. Expenditure of the gasoline excise tax revenues attributable to those other modes is not restricted by Article XIX of the California Constitution.

This bill, commencing July 1, 2017, would instead transfer to the Highway Users Tax Account for allocation to state and local transportation purposes under a specified formula the portion of gasoline excise tax revenues currently being deposited in the General Fund that are attributable to boats, agricultural vehicles, and off-highway vehicles. Because that account is continuously appropriated, the bill would make an appropriation.

(9) Existing law, as of July 1, 2011, increases the sales and use tax on diesel and decreases the excise tax, as provided. Existing law requires the State Board of Equalization to annually modify both the gasoline and diesel excise tax rates on a going-forward basis so that the various changes in the taxes imposed on gasoline and diesel are revenue neutral.

This bill would eliminate the annual rate adjustment to maintain revenue neutrality for the gasoline and diesel excise tax rates and would reimpose the higher gasoline excise tax rate that was in effect on July 1, 2010, in addition to the increase in the rate described in (1) above.

Existing law, beyond the sales and use tax rate generally applicable, imposes an additional sales and use tax on diesel fuel at the rate of 1.75%, subject to certain exemptions, and provides for the net revenues collected from the additional tax to be transferred to the Public Transportation Account. Existing law continuously appropriates these revenues to the Controller for allocation by formula to transportation agencies for public transit purposes under the State Transit Assistance Program.

This bill would increase the additional sales and use tax on diesel fuel by an additional 3.5%. By increasing the revenues deposited in the Public Transportation Account that are continuously appropriated, the bill would thereby make an appropriation. The bill would restrict expenditures of revenues from this increase in the sales and use tax on diesel fuel to transit capital purposes and certain transit services and would require a recipient transit agency to comply with certain requirements, including submitting a list of proposed projects to the Department of Transportation, as a condition of receiving a portion of these funds. The bill would require the Controller to compute and publish quarterly proposed allocations for each eligible recipient agency under the State Transit Assistance Program. The bill would require an existing required audit of transit operator finances to verify that these new revenues have been expended in conformance with these specific restrictions and all other generally applicable requirements.

This bill would, beginning July 1, 2019, and every 3rd year thereafter, require the State Board of Equalization to recompute the gasoline and diesel excise tax rates and the additional sales and use tax rate on diesel fuel based upon the percentage change in the California Consumer Price Index transmitted to the board by the Department of Finance, as prescribed.

(10) Existing law requires the Department of Transportation to prepare a state highway operation and protection program every other year for the expenditure of transportation capital improvement funds for projects that are necessary to preserve and protect the state highway system, excluding projects that add new traffic lanes. The program is required to be based on an asset management plan, as specified. Existing law requires the department to specify, for each project in the program the capital and support budget and projected delivery date for various components of the project. Existing law provides for the California Transportation Commission to review and adopt the program, and authorizes the commission to decline and adopt the program if it determines that the program is not sufficiently consistent with the asset management plan.

The bill would require the commission, as part of its review of the program, to hold at least one hearing in northern California and one hearing in southern California regarding the proposed program. The bill would require the department to submit any change to a programmed project as an amendment to the commission for its approval.

This bill, on and after August 1, 2017, would also require the commission to make an allocation of all capital and support costs for each project in the program, and would require the department to submit a supplemental project allocation request to the commission for each project that experiences cost increases above the amounts in its allocation. The bill would require the commission to establish guidelines to provide exceptions to the requirement for a supplemental project allocation requirement that the commission determines are necessary to ensure that projects are not unnecessarily delayed.

(11) Existing law imposes weight fees on the registration of commercial motor vehicles and provides for the deposit of net weight fee revenues into the State Highway Account. Existing law provides for the transfer of certain weight fee revenues from the State Highway Account to the Transportation Debt Service Fund to reimburse the General Fund for payment of debt service on general obligation bonds issued for transportation purposes. Existing law also provides for the transfer of certain weight fee revenues to the Transportation Bond Direct Payment Account for direct payment of debt service on designated bonds, which are defined to be certain transportation general obligation bonds issued pursuant to Proposition 1B of 2006. Existing law also provides for loans of weight fee revenues to the General Fund to the extent the revenues are not needed for bond debt service purposes, with the loans to be repaid when the revenues are later needed for those purposes, as specified.

This bill, notwithstanding these provisions or any other law, would only authorize specified amounts of weight fee revenues to be transferred from the State Highway Account to the Transportation Debt Service Fund, the Transportation Bond Direct Payment Account, or any other fund or account for the purpose of payment of the debt service on transportation general obligation bonds in accordance with a prescribed schedule, with no more than $500,000,000 to be transferred in the 2021–22 and subsequent fiscal years. The bill would also prohibit loans of weight fee revenues to the General Fund.

(12) The California Environmental Quality Act (CEQA) requires a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of, an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if it finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment.

CEQA, until January 1, 2020, exempts a project or an activity to repair, maintain, or make minor alterations to an existing roadway, as defined, other than a state roadway, if the project or activity is carried out by a city or county with a population of less than 100,000 persons to improve public safety and meets other specified requirements.

This bill would extend the above-referenced exemption indefinitely and delete the limitation of the exemption to projects or activities in cities and counties with a population of less than 100,000 persons. The bill would also expand the exemption to include state roadways.

This bill would also establish the Advance Mitigation Program in the Department of Transportation. The bill would authorize the department to undertake mitigation measures in advance of construction of a planned transportation project. The bill would require the department to establish a steering committee to advise the department on advance mitigation measures and related matters. The bill would create the Advance Mitigation Fund as a continuously appropriated revolving fund, to be funded initially from the Road Maintenance and Rehabilitation Program pursuant to (1) above. The bill would provide for reimbursement of the revolving fund at the time a planned transportation project benefiting from advance mitigation is constructed.

(13) Existing federal law requires the United States Secretary of Transportation to carry out a surface transportation project delivery program, under which the participating states assume certain responsibilities for environmental review and clearance of transportation projects that would otherwise be the responsibility of the federal government. Existing law, until January 1, 2017, when these provisions are repealed, provides that the State of California consents to the jurisdiction of the federal courts with regard to the compliance, discharge, or enforcement of the responsibilities the Department of Transportation assumed as a participant in this program.

This bill would reenact these provisions.

(14) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ⅔. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) Over the next 10 years, the state faces a $59 billion shortfall to adequately maintain the existing state highway system in order to keep it in a basic state of good repair.

BART Bill Analysis and Recommendation

State: SB 2

Author: Senator Toni Atkins (D-San Diego)

Co-author(s): Senators Jim Beall (D-San Jose), Steven Bradford (D-San Pedro), Bill Dodd (D-Napa), Robert Hertzberg (D-Van Nuys), Hannah-Beth Jackson (D-Santa Barbara), Holly Mitchell (D-Los Angeles), Richard Roth (D-Riverside), Nancy Skinner (D-Oakland), Bob Wieckowski (D-Fremont), Scott Wiener (D-San Francisco)

Title: Building Homes and Jobs Act

Sponsor: Housing California and California Housing Consortium

Background:

The state continues to experience a dramatic housing shortage, with few successful solutions coming from state government over the past few years. Governor Brown's recent budget proposal said: "California faces a shortage of housing, particularly affordable housing, for its growing population." Though demand has increased steadily, construction rates continue to lag due to a number of barriers, including zoning and permitting decisions surrounding housing production. The state projects 180,000 units of new housing construction is needed annually over the next 10 years to meet the state's growing housing demand.

Legislative efforts over the past few years to address this problem have focused on ways to raise new revenue to support existing state housing programs and to allow improved opportunities for development by streamlining local approval processes in cities and counties which have insufficient affordable housing. Last session, the Governor's "by right" proposal would have provided $400 million for affordable housing programs if certain development procedures were streamlined. The proposal did not pass, primarily due to labor, local government and environmental opposition.

Purpose:

SB 2 would enact the "Building Homes and Jobs Act" to support a variety of affordable housing programs in the state. The bill would impose a $75 fee on various real estate transactions not to exceed $255. Revenues from this fee, after deduction of county expenses, would be deposited in a newly-established Building Homes and Jobs Fund within the State Treasury. The bill closely resembles AB 1335 (Atkins), proposed in 2015, and SB 391 (DeSaulnier), proposed in 2013, which BART and MTC supported.

According to the author, the bill would primarily address the current affordable housing crisis in the state, but also create nearly 30,000 jobs per year and provide new revenue to leverage $2-$3 billion in federal, local and bank investments. SB 2 would require that 20% of the money raised for the fund be expended for affordable owner-occupied workforce housing and 10% of the money be dedicated for housing purposes related to agricultural workers and their families. The bill would authorize the remainder of the moneys in the fund to be expended to support affordable housing, homeownership opportunities, and other housing-related programs.

BART Impact:

In December 2016, the Board adopted performance measures and targets for the District's Transit-Oriented Development Policy. Among these targets is the goal of building 20,000 housings units on BART property by 2040 and having 7,000 of those units be affordable.

The Assembly Appropriations Committee estimated in 2015 that ongoing recording fee revenues range between \$300 - \$500 million annually to the Building Homes and Jobs Trust Fund. This funding for affordable housing could provide additional opportunities for BART to pursue planned or future transit-oriented development (TOD) at our stations. SB 2 is also in line with the Board's adopted goal of accelerating affordable housing and TOD efforts to address the state housing crisis.

Known Support/Opposition:

Support: Housing California (sponsor), California Housing Consortium (sponsor), California Association of Realtors, Bay Area Council

Oppose: None received at this time.

Other Comments:

None.

Recommendation:

☒ **Support** ☐ Watch ☐ Oppose

Approval Signatures:

[signature]	2-14-17	[signature]	2/14/17
Rodd Lee GCR Department Manager	Date	Kerry Hamill AGM External Affairs	Date
[signature]	16 FEB 2017	for [signature]	16 FEB 2017
Robert Powers Acting Deputy General Manager	Date	Grace Crunican General Manager	Date

SENATE BILL No. 2

Introduced by Senator Atkins
(Coauthors: Senators Beall, Bradford, Dodd, Hertzberg, Jackson, Mitchell, Roth, Skinner, Wieckowski, and Wiener)
(Coauthors: Assembly Members Bonta and Thurmond)

December 5, 2016

An act to add Section 27388.1 to the Government Code, and to add Chapter 2.5 (commencing with Section 50470) to Part 2 of Division 31 of the Health and Safety Code, relating to housing, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 2, as introduced, Atkins. Building Homes and Jobs Act.

Under existing law, there are programs providing assistance for, among other things, emergency housing, multifamily housing, farmworker housing, homeownership for very low and low-income households, and downpayment assistance for first-time homebuyers. Existing law also authorizes the issuance of bonds in specified amounts pursuant to the State General Obligation Bond Law. Existing law requires that proceeds from the sale of these bonds be used to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks.

This bill would enact the Building Homes and Jobs Act. The bill would make legislative findings and declarations relating to the need for establishing permanent, ongoing sources of funding dedicated to affordable housing development. The bill would impose a fee, except as provided, of $75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded, per each single transaction per single parcel of real property, not to exceed $225. By imposing new duties on counties with respect to the imposition of the recording fee, the bill would create a state-mandated local program. The bill would require that revenues from this fee, after deduction of any actual and necessary administrative costs incurred by the county recorder, be sent quarterly to the Department of Housing and Community Development for deposit in the Building Homes and Jobs Fund, which the bill would create within the State Treasury. The bill would, upon appropriation by the Legislature, require that 20% of the moneys in the fund be expended for affordable owner-occupied workforce housing and 10% of the moneys for housing purposes related to agricultural workers and their families, and would authorize the remainder of the moneys in the fund to be expended to support affordable housing, homeownership opportunities, and other housing-related programs, as specified. The bill would impose certain auditing and reporting requirements and would establish the Building Homes and Jobs Trust Fund Governing Board that would, among other things, review and approve recommendations made by the Department of Housing and Community Development for the distribution of moneys from the fund.

This bill would state the intent of the Legislature to enact legislation that would create the Secretary of Housing within state government to oversee all activities related to housing in the state.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ⅔. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. This act shall be known as the Building Homes and Jobs Act.

SEC. 2. (a) The Legislature finds and declares that having a healthy housing market that provides an adequate supply of homes affordable to Californians at all income levels is critical to the economic prosperity and quality of life in the state.

BART Bill Analysis and Recommendation

State: SB 3
Author: Senator Jim Beall (D-San Jose)

Title: Affordable Housing Bond Act of 2018
Sponsor: Author

Background:
The state of California continues to experience an extreme shortage of housing stock – especially affordable housing. There are many reasons for this dilemma, including a lack of state funding assistance, regulatory burdens to development, and homeless issues which sometimes complicate specific development.

The state has existing housing programs that provide assistance for those needing emergency housing, multifamily housing, farmworker housing, home ownership for very low and low-income households, and down payment assistance for first-time home buyers. Existing law also allows the issuance of bonds in specified amounts to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup to promote infill development, and housing-related parks.

Purpose:
SB 3 would enact the "Affordable Housing Bond Act of 2018," to authorize the issuance of State General Obligation bonds in the amount of $3,000,000,000. The proceeds of the bond sales would be allocated to existing affordable housing rental and homeownership programs, as well as to support infill development projects. Funding would be distributed as follows:

- $1.5 billion to the existing Multifamily Housing Program
- $600 million to a newly created Transit-Oriented Development and Infill Infrastructure Fund
- $600 million to a newly created Special Populations Housing Account
- $300 million for the existing CalHome Program

SB 3 would provide for submission of the bond act to the voters at the November 6, 2018 statewide general election.

BART Impact:
Similar to SB 2 (Atkins), SB 3 would provide a new funding source for affordable housing development that BART could take advantage of when pursuing planned or future TOD at our stations. SB 3 is also in line with the Board's adopted goal of accelerating affordable housing and TOD efforts to address the state's housing crisis.

Known Support/Opposition:
None at this time.

Other Comments:
None.

Recommendation:
☒ **Support** ☐ Watch ☐ Oppose

Approval Signatures:

2-14-17		2/14/17	
Rodd Lee	Date	Kerry Hamill	Date
GCR Department Manager		AGM External Affairs	
Robert M Powers	16 FEB 2017	for Robert M. Powers	16 FEB 2017
Robert Powers	Date	Grace Crunican	Date
Acting Deputy General Manager		General Manager	

SENATE BILL **No. 3**

Introduced by Senator Beall

December 5, 2016

An act to add Part 16 (commencing with Section 54000) to Division 31 of the Health and Safety Code, relating to housing, by providing the funds necessary therefor through an election for the issuance and sale of bonds of the State of California and for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 3, as introduced, Beall. Affordable Housing Bond Act of 2018.

Under existing law, there are programs providing assistance for, among other things, emergency housing, multifamily housing, farmworker housing, home ownership for very low and low-income households, and downpayment assistance for first-time home buyers. Existing law also authorizes the issuance of bonds in specified amounts pursuant to the State General Obligation Bond Law and requires that proceeds from the sale of these bonds be used to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks.

This bill would enact the Affordable Housing Bond Act of 2018, which, if adopted, would authorize the issuance of bonds in the amount of $3,000,000,000 pursuant to the State General Obligation Bond Law. Proceeds from the sale of these bonds would be used to finance various existing housing programs, as well as infill infrastructure financing and affordable housing matching grant programs, as provided.

This bill would provide for submission of the bond act to the voters at the November 6, 2018, statewide general election in accordance with specified law.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ⅔. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) California is experiencing an extreme housing shortage with 2.2 million extremely low income and very low income renter households competing for only 664,000 affordable rental homes. This leaves more than 1.54 million of California's lowest income households without access to affordable housing.

(b) While homelessness across the United States is in an overall decline, homelessness in California is rising. In 2015, California had 115,738 homeless people, which accounted for 21 percent of the nation's homeless population. This is an increase of 1.6 percent from the prior year. California also had the highest rate of unsheltered people, at 64 percent or 73,699 people; the largest numbers of unaccompanied homeless children and youth, at 10,416 people or 28 percent of the national total; the largest number of veterans experiencing homelessness, at 11,311 or 24 percent of the national homeless veteran population; and the second largest number of people in families with chronic patterns of homelessness, at 22,582 or 11 percent of the state's homeless family population.

(c) California is home to 21 of the 30 most expensive rental housing markets in the country, which has had a disproportionate impact on the middle class and the working poor. California requires the third highest wage in the country to afford housing, behind Hawaii and Washington, D.C. The fair market rent, which indicates the amount of money that a given property would require if it were open for leasing, for a two-bedroom apartment is $1,386. To afford this level of rent and utilities, without paying more than 30 percent of income on housing, a household must earn an hourly "housing wage" of $26.65 per hour. This means that a person earning minimum wage must work an average of three jobs to pay

BART

BART Bill Analysis and Recommendation

State: AB 17
Author: Assembly Member Chris Holden (D-Pasadena)

Title: Transit Pass Program
Sponsor: TransForm

Background:
Nationwide studies on the impact of student transit passes have consistently shown that providing free or low-cost access to public transit increases transit ridership, reduces demand for student parking on college campuses, and improves traffic conditions in neighborhoods near schools.

Purpose:
The Department of Transportation (Caltrans) administers and allocates moneys for various public transportation purposes. AB 17 would create the "Transit Pass Program" to be administered by the department and require the State Controller to allocate moneys made available for the program, upon appropriation by the Legislature, to support transit pass programs that provide free or reduced-fare transit passes to specified pupils and students.

AB 17 would require the department to develop guidelines describing the criteria that eligible transit providers are required to use to provide free or reduced-fare transit passes to eligible participants. The bill would also seek to ensure that moneys from the program are used to expand eligibility or further reduce the cost of a transit pass under existing programs. Reporting requirements include an annual update of the number of free or reduced-fare transit passes distributed and whether the program is increasing transit ridership.

The bill would set a minimum allocation of $20,000 for each eligible transit provider and would provide for the distribution and allocation of remaining moneys by formula to eligible transit providers.

BART Impact:
BART provides discounts for seniors age 65 and older, people with qualified disabled identification, children ages 5 to 12 years of age, and students at participating middle and high schools. In addition, BART has embarked on a new program, The Higher Education Discount Program (HEDP), to offer discounts to students at colleges and universities. San Francisco State University is the first program participant, with the discount scheduled to become available to students in fall semester 2017. Students use a school-specific Clipper card to get the BART discount, the cost of which is reimbursed to BART through transit fees paid by the student body or the school. Other colleges in the Bay Area have also expressed interest in participating in the HEDP and are working with BART staff to look at program options.

Potential allocations from AB 17, although minimal, could go directly to funding new or existing fare discount programs at BART. The bill is also in line with the Board's adopted federal goal of supporting efforts to increase student discounts for public transit.

Known Support/Opposition:
Support: Bill sponsors

Opposition: None received at this time.

Other Comments:
By way of background, the Board supported Assembly Member Holden's AB 2222 introduced lasted session. AB 2222 would have annually appropriate moneys from the Greenhouse Gas Reduction Fund (GGRF) for a Student Transit Pass Program to be administered by CalSTA. The program would have allocated funds to local transit agencies and school districts for free or reduced-fare transit passes for K-12, community college, California State University, and University of California students, who meet certain eligibility requirements.

AB 2222 failed in Senate Appropriations with amendments shifting program funding to the General Fund. Opponents noted that AB 2222, was duplicative and while unfunded, created a potentially significant cost pressure in the millions of dollars to provide this subsidy on an ongoing basis to hundreds of eligible participants, which include transit operators, school districts, community college district, the California State University, and the University of California. Statute already provides for an ongoing continuous appropriation of 5 percent of annual Cap and Trade revenues, through the Low Carbon Transit Operations Program, to these entities, historically in the range of $100 million, and these funds can and have been used for transit subsidies when providers have deemed this the best use of these funds.

Recommendation:
☒ **Support** ☐ Watch ☐ Oppose

Approval Signatures:

[signature]	2-14-17	[signature]	2/14/17
Rodd Lee	Date	Kerry Hamill	Date
GCR Department Manager		AGM External Affairs	
[signature]	16 FEB 2017	for [signature]	16 FEB 2017
Robert Powers	Date	Grace Crunican	Date
Acting Deputy General Manager		General Manager	

ASSEMBLY BILL No. 17

Introduced by Assembly Member Holden

December 5, 2016

An act to add Chapter 2 (commencing with Section 99100) to Part 11 of Division 10 of the Public Utilities Code, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

AB 17, as introduced, Holden. Transit Pass Program: free or reduced-fare transit passes.

Existing law declares that the fostering, continuance, and development of public transportation systems are a matter of statewide concern. Existing law authorizes the Department of Transportation to administer various programs and allocates moneys for various public transportation purposes.

This bill would create the Transit Pass Program to be administered by the department. The bill would require the Controller of the State of California to allocate moneys made available for the program, upon appropriation by the Legislature, to support transit pass programs that provide free or reduced-fare transit passes to specified pupils and students. The bill would require the department to develop guidelines that describe the criteria that eligible transit providers, as defined, are required to use to make available free or reduced-fare transit passes to eligible participants, as defined, and to ensure that moneys from the program are used to expand eligibility or further reduce the cost of a transit pass under existing programs. The bill would exempt the development of those guidelines from the Administrative Procedure Act. The bill would require eligible transit providers and eligible participants to enter into agreements for the distribution of free or reduced-fare transit passes to students.

This bill would require the department to develop performance measures and reporting requirements to evaluate the effectiveness of the program, including an annual update of the number of free or reduced-fare transit passes distributed to pupils and students and whether the program is increasing transit ridership among pupils and students. The bill would set a minimum allocation of $20,000 for each eligible transit provider and would provide for the distribution and allocation of remaining moneys by formula to eligible transit providers.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) California landmark laws and regulations for reducing greenhouse gases address one of the most important issues of our time, and dramatically increasing the use of public transportation is a vital component in reducing greenhouse gas emissions by 80 percent by the year 2050.

(b) Student transit pass programs have been shown to increase overall transit ridership and fill empty seats on trains and buses, resulting in reduced costs per rider and improved service because of higher demand.

(c) Targeting student transit pass programs to low-income middle school, high school, college, and university students can promote the development of lifelong transit riders and further bolster the capacity and reliability of our transit systems.

(d) Student transit pass programs in this state and across the country have resulted in significant increases in transit ridership and have made it easier and cheaper for students to get to schools and jobs.

(e) Student transit pass programs can help the state reduce greenhouse gas emissions, vehicle miles traveled, petroleum use, and air pollution and improve overall community health.

(f) Student transit pass programs can lower pollution around elementary schools, thereby improving student health.

BART Bill Analysis and Recommendation

State: SCA 6
Author: Senator Scott Wiener (D – San Francisco)

Title: Local Transportation Measures: Special Taxes: Voter Approval
Sponsor: Author

Background:

As of the November 2016 General Election, 24 counties throughout California have been successful in passing special taxes for local transportation projects and programs. These counties, referred to as "self-help," counties have provided reliable and stable funding for local transportation needs and proven to be a tremendous benefit to the overall state transportation system.

However, the current two-thirds voter approval threshold makes it difficult for local governments to impose taxes for specific purposes like transportation. As a result, many counties are deprived of much-needed funding for transportation infrastructure, maintenance, and operations.

Purpose:

SCA 6 lowers from two-thirds to 55% the voter approval threshold for a local government to impose, extend, or increase a special tax for "transportation purposes."

BART Impact:

SCA 6 would assist Bay Area cities, counties, and special districts in acquiring local funding to address our region's significant transportation needs.

Known Support/Opposition:

None at this time.

Other Comments:

None.

Recommendation:

☒ **Support** ☐ Watch ☐ Oppose

Approval Signatures:

[signature]	2-14-17	[signature]	2/14/17
Rodd Lee	Date	Kerry Hamill	Date
GCR Department Manager		AGM External Affairs	
[signature]	16 FEB 2017	for [signature]	16 FEB 2017
Robert Powers	Date	Grace Crunican	Date
Acting Deputy General Manager		General Manager	

Senate Constitutional Amendment No. 6

Introduced by Senator Wiener

February 13, 2017

Senate Constitutional Amendment No. 6—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Section 4 of Article XIII A thereof, and by amending Section 2 of Article XIII C thereof, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

SCA 6, as introduced, Wiener. Local transportation measures: special taxes: voter approval.

The California Constitution conditions the imposition of a special tax by a city, county, or special district upon the approval of ⅔ of the voters of the city, county, or special district voting on that tax, except that certain school entities may levy an ad valorem property tax for specified purposes with the approval of 55% of the voters within the jurisdiction of these entities.

This measure would require that the imposition, extension, or increase of a special tax by a local government for the purpose of providing funding for transportation purposes, as specified, be submitted to the electorate and approved by 55% of the voters voting on the proposition. The measure would also make conforming and technical, nonsubstantive changes.

Vote: ⅔. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

Resolved by the Senate, the Assembly concurring, That the Legislature of the State of California at its 2016–17 Regular Session commencing on the fifth day of December 2016, two-thirds of the membership of each house concurring, hereby proposes to

BART Bill Analysis and Recommendation

Federal: H.R. 549
Author: Rep. Daniel Donovan (R-NY)

Co-sponsor(s): King (R-NY), Katco (R-NY), Rice (D-NY), Payne (D-NJ), McCaul (R-TX)

Title: Transit Security Grant Flexibility Program Act

Background:

The legislation is a direct response to feedback received from Transit Security Grant Program (TSGP) recipients who have noted that the period of performance, and the time in which grant recipients have to expend grant funds, has hindered their ability to complete some projects. The bill would address this challenge by codifying the period of performance for TSGP awards at 36 months for the majority of eligible projects and extending the period of performance for large-scale capital security projects to 55 months to allow for grant close out. The legislation is bipartisan and passed the House overwhelmingly in the 114th Congress and most recently on January 31. The bill has been sent to the Senate where it is awaiting action.

Purpose:

The legislation would expand the current length of time to spend Transit Security Grant Program (TSGP) grants from 24 months to 36 months, and in some instances as much as 55 months. The legislation would also permit TSGP recipients to use grant funds for additional security training costs.

The bill would:

- Allow transit agencies to have 36 months rather than the current 24 months to use TSGP funds.
- The period would be at least 55 months for security improvements to public transportation systems that are in final design or under construction or for stations and other public transportation infrastructure, including those owned by state or local governments.
- The bill would allow grants provided for operational purposes to be used for backfilling staff as part of security training.
- The measure also would require the Government Accountability Office to conduct a review of the transit security grant program, including the projects it has funded, how projects address threats to transportation, an assessment of the measure's effects, how the grants are administered, and how to improve the program. A report would be due within a year of enactment, with an update due within five years

BART Impact:

Previously, BART has asked for extensions when using TSGP grants for capital projects. In general, complying with the procurement process as required by California law, the complex permit and letter of concurrence process, and the complexity of the engineering, design and installation has necessitated extensions.

Known Support/Opposition:
None received at this time.

Other Comments:
None.

Recommendation:

☒ **Support** ☐ Watch ☐ Oppose

Approval Signatures:

2-14-17		2/14/17	
Rodd Lee	Date	Kerry Hamill	Date
GCR Department Manager		AGM External Affairs	
16 FEB 2017		16 FEB 2017	
Robert Powers	Date	Grace Crunican	Date
Acting Deputy General Manager		General Manager	

IIB

115TH CONGRESS
1ST SESSION

H. R. 549

IN THE SENATE OF THE UNITED STATES

FEBRUARY 1, 2017
Received; read twice and referred to the Committee on Homeland Security and Governmental Affairs

AN ACT

To amend the Implementing Recommendations of the 9/11 Commission Act of 2007 to clarify certain allowable uses of funds for public transportation security assistance grants and establish periods of performance for such grants, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Transit Security Grant Program Flexibility Act".

SEC. 2. ALLOWABLE USES OF FUNDS FOR PUBLIC TRANSPORTATION SECURITY ASSISTANCE GRANTS.

Subparagraph (A) of section 1406(b)(2) of the Implementing Recommendations of the 9/11 Commission Act of 2007 (6 U.S.C. 1135(b)(2); Public Law 110–53) is amended by inserting "and associated backfill" after "security training".

SEC. 3. PERIODS OF PERFORMANCE FOR PUBLIC TRANSPORTATION SECURITY ASSISTANCE GRANTS.

Section 1406 of the Implementing Recommendations of the 9/11 Commission Act of 2007 (6 U.S.C. 1135; Public Law 110–53) is amended—

(1) by redesignating subsection (m) as subsection (n); and

(2) by inserting after subsection (l) the following new subsection:

"(m) PERIODS OF PERFORMANCE.—

"(1) IN GENERAL.—Except as provided in paragraph (2), funds provided pursuant to a grant awarded under this section for a use specified in subsection (b) shall remain available for use by a grant recipient for a period of not fewer than 36 months.

"(2) EXCEPTION.—Funds provided pursuant to a grant awarded under this section for a use specified in subparagraph (M) or (N) of subsection (b)(1) shall remain available for use by a grant recipient for a period of not fewer than 55 months.".

SEC. 4. GAO REVIEW.

(a) IN GENERAL.—The Comptroller General of the United States shall conduct a review of the transit security grant program under section 1406 of the Implementing Recommendations of the 9/11 Commission Act of 2007 (6 U.S.C. 1135; Public Law 110–53).

(b) SCOPE.—The review required under paragraph (1) shall include the following:

(1) An assessment of the type of projects funded under the transit security grant program referred to in such paragraph.

(2) An assessment of the manner in which such projects address threats to transportation infrastructure.

(3) An assessment of the impact, if any, of this Act (including the amendments made by this Act) on types of projects funded under the transit security grant program.

(4) An assessment of the management and administration of transit security grant program funds by grantees.

(5) Recommendations to improve the manner in which transit security grant program funds address vulnerabilities in transportation infrastructure.

(6) Recommendations to improve the management and administration of the transit security grant program.

(c) REPORT.—Not later than 1 year after the date of the enactment of this Act and again not later than 5 years after such date of enactment, the Comptroller General shall submit to the Committee on Homeland Security of the House of Representatives and the Committee on Homeland Security and Governmental Affairs of the Senate a report on the review required under this section.

Passed the House of Representatives January 31, 2017.

Attest: KAREN L. HAAS,

Clerk.

EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: Robert M. Powers 15 FEB 2017		GENERAL MANAGER ACTION REQ'D:		
DATE: 2/13/2017		BOARD INITIATED ITEM: Yes		
Originator/Prepared by: Deidre Heitman Dept: Gov't & Community Relations Signature/Date: Deidre A Heitman 2/15/17	General Counsel 2/15/17 [ ]	Controller/Treasurer 2/15/17 [ ]	District Secretary [ ]	BARC Powers 15 FEB 2017 [ ]

Status: Approved	Date Created: 2/13/2017

Revised Regional Measure 3 Principles and Project List

PURPOSE: To obtain Board approval to adopt a set of principles and a candidate project list to guide BART's advocacy for funding through Regional Measure 3, a proposed toll increase on the seven state-owned bridges in the San Francisco Bay Area.

DISCUSSION: The Metropolitan Transportation Commission (MTC) is sponsoring state legislation in 2017 to place a measure on the ballot seeking voter approval of a bridge toll increase for the seven state-owned toll bridges. The increase, which would be known as Regional Measure 3 (RM3), is to fund congestion relief, rail connectivity, and improved mobility in the bridge corridors. In order to provide guidance to board members and staff in advocating for funding for BART projects, BART is proposing a set of principles and a list of candidate projects.

At its board meeting on February 9, 2017, the BART Board considered a proposed set of principles and a candidate project list for adoption. After discussion, the BART board requested changes to both the principles and the candidate project list.

The focus of the principles is to support both regional goals, as expressed by MTC, as well as goals and objectives as defined by the BART Board through the agency's Strategic Plan. The priority remains firmly on fully funding the Board-identified Big 3 capital projects, maintaining, fixing and modernizing the existing system, and supporting the region's goal of sustainable growth and equity. The BART board requested to delete the proposed principle that restricted RM3 funds to capital projects. The BART board also added several projects to the proposed project list.

In keeping with these principles, if the legislation is passed, BART is recommending a request of over $1.7 billion in high-impact projects that will add service, modernize the existing system, improve service reliability and provide improved convenience and comfort to BART riders. These projects include 306 additional rail cars, additional funding for BART's core capacity program, funding for the design of the Berkeley Hills Tunnel seismic retrofit project and other seismic operability upgrades, Safe Routes to Transit and funding to evaluate the environmental impacts of a second bay crossing, among others.

BART staff will present a revised set of principles and candidate project list for Board discussion.

FISCAL IMPACT: If successful, BART's request for Regional Measure 3 funding will provide funds needed to add service, modernize the existing system, and improve service reliability resulting in improved convenience and comfort for BART riders.

ALTERNATIVES: The BART Board could revise, augment or reject the set of proposed principles as well as choose alternative candidate projects for RM3.

RECOMMENDATION: It is recommended that the BART Board adopt the proposed set of principles and candidate project list.

MOTION: The BART Board adopts the proposed set of Regional Measure 3 Principles and Candidate Project List.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** February 16, 2017

FROM: General Manager

SUBJECT: Draft Short Range Transit Plan/Capital Improvement Program

Attached is the draft Short Range Transit Plan/Capital Improvement Program (SRTP/CIP) document and presentation. Staff will review the presentation with the Board at the February 23, 2017 meeting as an informational item.

If you have any questions, please contact Carter Mau, Assistant General Manager, Administration and Budget, at 510-464-6194.

Robert M. Powers

for Grace Crunican

cc: Board Appointed Officers
Deputy General Manager
Executive Staff

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** February 16, 2017

FROM: General Manager

SUBJECT: FY18 Financial Outlook

Attached is the FY18 Financial Outlook budget presentation that will be presented to the Board at the February 23, 2017 meeting as an informational item.

If you have any questions about the document, please contact Carter Mau, Assistant General Manager, Administration and Budget, at 510-464-6194.

Robert M. Powers

for Grace Crunican

cc: Board Appointed Officers
Deputy General Manager
Executive Staff

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** February 16, 2017

FROM: General Manager

SUBJECT: Agenda Item #7-A: Balboa Park Station Upper Yard Transit Oriented Development Update

At the Thursday, February 23, 2017 Board of Directors meeting, staff will provide a status report on the Balboa Park Upper Yard Transit Oriented Development (TOD) project. The presentation will cover the following topics:

- Planning context
- Project description
- TOD process
- Alignment with BART TOD Policy
- Other coordinated BART projects at Balboa Park

Following the presentation, there will be a closed session discussion on the term sheet for the affordable housing project. Staff will then request authority to execute an option lease agreement with the San Francisco Mayors' Office of Housing and Community Development ("MOHCD") for 24 months. If you have questions, contact Bob Powers at (510) 464-6126.

Robt M. Powers

for Grace Crunican

cc: Board of Directors
Board Appointed Officers
Deputy General Manager
Executive Staff