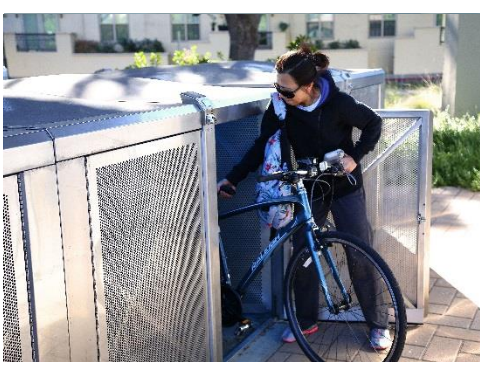
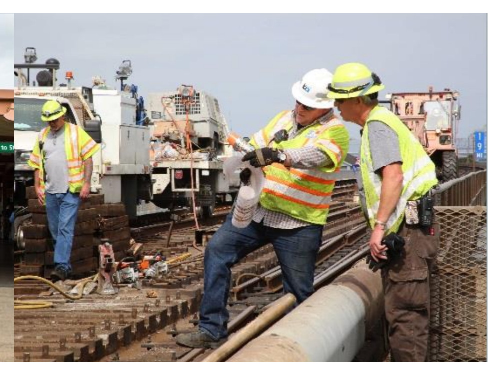
San Francisco Bay Area Rapid Transit District

BUDGET SUMMARY FISCAL YEAR 2018

August 2017





Contents

1. FY18 Budget Summary: Executive Summary

The document that follows is the Fiscal Year 2018 (FY18) Budget Summary. The document includes the Overview; descriptions of challenges faced by the District, improvements planned and underway; District organizational chart; BART Strategic Plan Framework; and overview of the Four-Year Strategic Workplans. The FY18 Budget Summary is a public reference document.

FY18 is the first year that the District aligned the annual budget process with the Board-adopted BART Strategic Plan (BSP). This took place through the development of the Preliminary and Adopted budgets. During FY17, staff defined Four-Year Workplans for every department and the interdepartmental FY18 Strategic Initiatives.[1] Budget tradeoffs were considered within the framework of the seven BSP strategies, but the two central Strategies of *Expand Capacity, Manage Demand* and *Fix, Maintain and Modernize* were the core Strategies against which the budget decisions were primarily evaluated. The FY18 Preliminary Budget was released on March 31, 2017.

As FY18 operating deficit projections became more defined, the BSP remained a touchstone in the decision making process. BART's previously strong ridership growth has slowed considerably, and the robust regional economy that fueled large increases in sales tax revenue and ridership in past years has moderated. Decreases in these key funding sources, which make up 85% of BART's operating revenues, significantly impact funding for a system dealing with aging infrastructure and still carrying near capacity peak-period ridership. Given BART's regional importance, as evidenced by voter approval of Measure RR to address some of BART's key infrastructure replacement needs, it is critical that we minimize the impacts to our customers from the operating financial shortfall. Over the course of FY17, staff worked together to address the projected FY18 deficit while maintaining and improving service and infrastructure.

To address the FY18 deficit, staff developed balanced budget solutions including operating expense reductions, additional revenue generation, and reductions to capital allocations. With the balanced FY18 budget described in the following document, the District aims to address the budget shortfall with minimal impact to BART's customers and the BART service upon which the region relies.

[1] Strategic Initiatives are generally high profile, interdepartmental and interdisciplinary efforts; for example, fare evasion suppression.

2. Overview

Developing the FY18 Budget presented many challenges, with BART facing declining operating resources and aging infrastructure while gearing up for a major system reinvestment program and opening expansion projects. The Budget supports BART's commitment to deliver safe, reliable, clean, quality transit service but also seeks to achieve that with limited resources.

The FY18 Pro Forma deficit was approximately $31M, and the FY18 Adopted Budget includes $3.2M in new initiatives to address fare evasion, promote weekend ridership, update equipment, promote workforce development, and extend the Youth Discount to customers ages 13 through 18. These programs, detailed in Section 9: FY18 New Initiatives, increase the overall funding need to approximately $34M.

The FY18 Adopted Budget includes the following solutions (Section 8: FY18 Budget Balancing Solutions) to produce a balanced budget:

- Operating position reductions $5.3M
- Fare changes $4.2M (net)
- Capital allocation reductions $12.2M

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

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

Pursuant to Board rules, the Board of Directors received the Preliminary Budget document by March 31. During April and May, staff gave a series of informational presentations on the budget at regularly scheduled meetings of the Board of Directors and at Finance, Budget & Bond Oversight Committee meetings. In compliance with Board rules, the annual budget was adopted by June 30.

3. Rail Service Plan

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

BART also maximizes the reliability and availability of the aging fleet by minimizing, monitoring and balancing the accrual of operating hours among individual cars. BART's practice entails adjusting train lengths relative to changing demand during the service day. Trains of up to 10 cars in length are configured to be 'broken' for off-peak service into smaller consists, reducing the accrual of operating hours cars. The need for this practice should be obviated by replacing the fleet with new, more reliable cars, and by expanding the fleet to include a peak-period spare ratio of 20%.

Expansion

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

Silicon Valley Berryessa Extension

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

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

eBART

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

New Rail Cars

BART is replacing the aging rail car fleet and expanding the current fleet from 669 to at least 775 rail cars; and as many as 1,081. A new fleet will improve reliability, decrease maintenance costs, relieve crowding, and help meet growing demand associated with regional population growth and system expansions.

BART's initial ten-car consist of new rail cars is currently undergoing a rigorous testing process on the BART system. When this process is complete, full rail car production, delivery, and testing will begin. BART expects 166 new cars to be delivered by the end of calendar year 2018. Because new and existing rail cars cannot be combined in the same train, the new rail cars will be incorporated into the schedule as consists of all new cars. As these new cars become available for revenue service, BART will identify opportunities to lengthen trains across the system with the goal of eventually running ten-car trains on all Transbay routes in the coming years. Cars from the existing fleet would be allocated to other peak trains, likely on the Red (Richmond - Millbrae) or Blue (Dublin/Pleasanton - Daly City) lines. These lines currently operate trains with less than the ten-car maximum. This will provide much needed capacity relief to BART's customers during the busiest ridership periods.

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

Hayward Maintenance Complex

To accommodate its growing rail car fleet, BART is expanding and upgrading its existing maintenance facility in Hayward. The Hayward Maintenance Complex (HMC) will include a reconfigured yard, a larger primary repair shop, a new component repair shop, a vehicle overhaul shop, a new central parts warehouse, and a new maintenance and engineering repair shop. The primary repair shop will open in 2017. The opening of the Warm Springs Extension in FY17 necessitated minor schedule changes to provide service to the Warm Springs/South Fremont Station while maintaining existing service levels on the line. On weekdays, this extension is served by the Green Line, which operates from Warm Springs/South Fremont to Daly City until 7 p.m. and the Orange Line, which operates from Warm Springs/South Fremont to Richmond from 6 p.m. until the end of revenue service. Saturday and Sunday service are provided solely by the Orange Line. To maintain the existing 15-minute headway on the line, one additional train has been added to the schedule on weekdays.

Service Plan

Service Requirements	June 30, 2017	June 30, 2018
Service Increment	Warm Springs/South Fremont	e-BART + SVBX (1 line)
Total Peak Vehicle Requirement	595	640
Total Fleet	669	695
Total Fleet Availability	89%	88%
Peak Period Trains	62	66
Total Car Hours (million)	2.4	2.6
Total Car Miles (million)	77.8	84.6

4. FY18 Adopted Budget Income Statement

($millions)	Adopted FY17	Adopted FY18	Change $	Change %
Revenue				
Rail Passenger Revenue	510.0	510.8	0.8	0%
ADA Passenger Revenue	0.9	0.9	0.0	1%
Parking Revenue	33.5	35.2	1.7	5%
Other Operating Revenue	27.5	31.9	4.4	16%
Total Operating Revenue	**571.8**	**578.8**	**6.9**	**1%**
Financial Assistance				
Sales Tax Revenue	249.2	252.5	3.2	1%
Property Tax	38.6	42.2	3.6	9%
VTA Financial Assistance	-	7.1	7.1	
State Transit Assistance (STA)	8.9	26.8	17.9	200%
LCFS	-	4.0	4.0	
Local & Other Assistance	13.4	6.2	(7.2)	-54%
Total Financial Assistance	310.1	338.8	28.6	9%
OPERATING SOURCES, Subtotal	**882.0**	**917.5**	**35.6**	**4%**
5307 Rail Car Fund Swap (Federal)	47.1	-	(47.1)	-100%
CAPITAL SOURCES	**876.3**	**997.9**	**121.6**	**14%**
TOTAL OPERATING & CAPITAL SOURCES	**1,758.3**	**1,915.4**	**157.2**	**9%**
Net Labor and Benefits	499.6	541.9	42.3	8%
OPEB Unfunded Liability	2.4	3.1	0.6	25%
Traction/Station Power	41.0	43.3	2.3	6%
Other Non-Labor	120.5	125.1	4.6	4%
ADA Paratransit Service	14.2	15.0	0.8	5%
Purchased Transportation	13.8	14.3	0.5	4%
Total Operating Expense	**691.5**	**742.7**	**51.2**	**7%**
5307 Rail Car Fund Swap Expense	47.1	-	(47.1)	-100%
Debt Service & Allocations				
Bond Debt Service	51.7	50.8	(1.0)	-2%
Capital Allocations	141.1	127.1	(14.0)	-10%
Total Debt Service & Allocations	**192.9**	**177.9**	**(15.0)**	**-8%**
OPERATING USES, Subtotal	**884.4**	**920.6**	**36.2**	**4%**
OPEB Unfunded Liability	2.4	3.1	0.6	25%
NET OPERATING RESULT	**0.0**	**0.0**	**-**	**0%**
System Reinvestment	584.5	673.1	88.6	15%
Safety & Security	68.0	70.4	2.4	4%
Earthquake Safety	60.6	100.6	40.0	66%
Service & Capacity Enhancement	48.6	74.8	26.2	54%
System Expansion	109.2	73.5	(35.7)	-33%
Reimbursable/Other	5.5	*5.5*	0.0	1%
CAPITAL USES TOTAL	876.3	997.9	121.6	14%
TOTAL OPERATING & CAPITAL USES	**1,760.7**	**1,918.5**	**157.8**	**9%**
NET RESULT	**0.00**	**0.00**		
Average Weekday Trips	445,441	431,709	-13,732	-3%
Total Annual Trips (M)	132.4	125.9	-6.5	-5%
Rail Farebox Recovery Ratio	73.9%	68.9%	-5.0%	-7%
Operating Ratio	82.7%	77.9%	-4.8%	-6%
Rail Cost/Passenger Mile	$ 0.349	$ 0.380	$ 0.031	9%

5. Operating Sources

BART's operating sources consist of two main categories, Operating Revenue and Tax and Financial Assistance, which are highly dependent on the health of the Bay Area economy including employment, business activity, population and housing growth, and tourism. Traffic congestion and gas prices can also influence BART ridership. More recently, other transportation options, such as walking and biking for shorter trips, or Transportation Network Companies (TNCs) such as Uber and Lyft have had a growing, but undetermined impact on BART ridership. BART financial assistance can also be impacted by the State budget and legislative actions.

($millions)	Adopted FY17	Adopted FY18	Change $	%
Revenue				
Rail Passenger Revenue	510.0	510.8	0.8	0%
ADA Passenger Revenue	0.9	0.9	0.0	1%
Parking Revenue	33.5	35.2	1.7	5%
Other Operating Revenue	27.5	31.9	4.4	16%
Total Operating Revenue	571.8	578.8	6.9	1%
Financial Assistance				
Sales Tax Revenue	249.2	252.5	3.2	1%
Property Tax	38.6	42.2	3.6	9%
VTA Financial Assistance	-	7.1	7.1	
State Transit Assistance (STA)	8.9	26.8	17.9	200%
Local & Other Assistance	13.4	10.2	(3.2)	-24%
Total Financial Assistance	310.1	338.8	28.6	9%
OPERATING SOURCES, Total	**882.0**	**917.5**	**35.6**	**4%**
5307 Rail Car Fund Swap (Federal)	47.1	-		

Operating Revenue

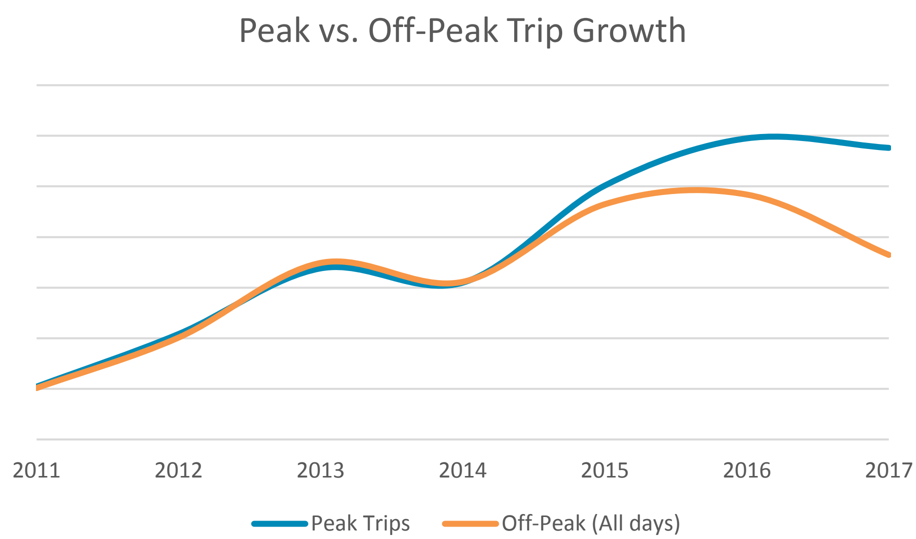
Ridership and Passenger Revenue

Since emerging from the economic downturn in 2009, BART has seen five years of positive ridership growth, resulting in a 20% increase in ridership, or an additional 20.5M annual trips. BART staff anticipated that this rate of growth was not sustainable and would eventually level off. This leveling off began to materialize in late FY16 and early FY17 with FY17 average weekday ridership missing budget projections, then eventually declining compared to the prior year. This is similar to the downward trend in weekend ridership that developed earlier in FY16.

Average weekday trips for FY17 were below budget by 4.9% and 2.3% below FY16. Saturdays and Sundays also missed their budget projections by 11.3% and 13.9% and are lower than FY16 by 6.6% and 7.2% respectively. By the end of FY17, total trips for the fiscal year were 6.2% below the FY17 budget and 3.4% lower than FY16.

	FY17 Budget	FY17 Actual	% Change	FY16 Actual	FY17 Actual	% Change
Avg Weekday Trips	445,441	423,395	-4.9%	433,394	423,395	-2.3%
Avg Saturday Trips	212,047	188,190	-11.3%	201,397	188,190	-6.6%
Avg Sunday Trips	155,005	133,482	-13.9%	143,837	133,482	-7.2%
Total Trips (millions)	132.4	124.2	-6.2%	128.5	124.2	-3.4%

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



Based on the trends reviewed above, this budget is based on a FY18 ridership estimate of approximately 125.9M annual trips and 431,709 average weekday trips. This estimate reflects a forecast of no growth in core system ridership bolstered by new trips from extension projects opening during the fiscal year. During FY18, an additional 600,000 annual trips are expected from the first full year of service to Warm Springs/South Fremont Station, which translates to approximately 2,100 new weekday exits. The Silicon Valley extension is expected to open mid-FY18, adding an estimated one million trips during the one-half year of service, with 7,200 average weekday exits. eBART is projected to open in May 2018 adding an additional 1,700 average weekday exits and over 100,000 new trips in the last two months of the fiscal year. As with other newly opened BART stations, ridership is forecast to start low and grow rapidly over the first few years of service. The FY18 average weekday trip forecast of 431,709 represents an average over the entire fiscal year, with just a partial year of trips from the SVBX and eBART projects.

Annual Exits (millions)	FY16 Actual	FY17 Actual	FY18 Budget
Core	128.5	124.0	124.1
WSX	--	0.2	0.6
eBART	--	--	0.1
SVBX	--	--	1.1
Total Annual Trips	128.5	124.2	125.9

In FY17, BART's passenger revenue is expected to be below budget, although less so than ridership.

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

To help fund the system's extensive capital needs, BART renewed its program of small regular inflation-based fare increases in 2013 and dedicated all incremental fare increase revenue to BART's priority capital program needs. The fare increase amount is determined by averaging national and local inflation over a two-year period and then subtracting 0.5% to account for productivity improvements. Two increases to-date, January 1, 2014 and January 1, 2016, combined with the next fare increase of 2.7% planned for January 1, 2018, are projected to generate $38.8M in FY18.

Staff brought several fare modification options for Board consideration at its March 9th Board meeting and the Board selected the following options for further study:

- Surcharge on trips made with magnetic stripe paper tickets
- Discount reduction from 62.5% to 50% for seniors, people with disabilities[2], and youth age 5 through 12

Staff prepared a "Title VI Fare Equity Analysis for the Proposed Productivity-Adjusted Inflation-Based Fare Increase and Fiscal Year 2018 Fare Changes effective January 1, 2018" (Fare Equity Analysis). After staff began the Fare Equity Analysis, the State of California informed BART that additional funding would become available in FY18. This additional funding removed the need to reduce the discount for seniors and people with disabilities as a way to help address the FY18 shortfall, and so these options were not pursued. The Fare Equity Analysis was approved by the Board at its June 8, 2017 meeting. The specific fare changes described below were approved by the Board at its June 22, 2017 meeting and are part of the FY18 Budget.

Implement a Magnetic Stripe Ticket Per Trip Surcharge - $5.6M additional revenue

Currently, about one-third of BART trips are made with magnetic stripe tickets, and the remaining two-thirds with Clipper cards. By January 2018, BART anticipates having at least one Clipper card dispensing ticket vending machine at each station. Placing a surcharge on fares paid with magnetic stripe tickets could help shift riders to the Clipper card in support of the regional goal of optimizing Clipper use on transit as well as generate additional revenue for BART.

Results from the Fare Equity Analysis showed that low-income riders could be disproportionately impacted by either a flat or percentage surcharge. Of the 128 Title VI outreach respondents who chose to comment on this option, approximately 59% were not in favor. Survey option ratings show agreement and disagreement was split regarding a $0.50 flat surcharge, but more respondents disagreed with a percentage surcharge of up to 10%. To address potential adverse impacts on low-income riders, staff is now developing a mitigation action plan, subject to Board approval, to distribute free Clipper cards for low-income riders to use and avoid the surcharge.

The Board-approved flat $0.50 surcharge on each trip made with a magnetic-stripe ticket is estimated to generate $5.6M for one-half of FY18.

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[2] The Board opted to not pursue reducing the discount for senior and people with disabilities in April 2017 when BART received notification that the agency would receive additional State Transit funds Assistance in FY18.

Reduce to 50% the 62.5% Discount for Youth Age 5-12 - $0.1M additional revenue
Results from the Fare Equity Analysis show that the discount reduction could result in an adverse impact on youth age 5 through 12, who are disproportionately minority and low-income. The option of offering a 50% discount to riders through age 18, however, was rated as "Excellent" or "Good" by almost 2/3s of surveyed parents of protected riders age 5-12. The mitigation for the discount reduction is the benefit to youth riders of a significant 50% discount for an additional six years.

The FY18 Budget includes a revenue gain of $0.1M from reducing the discount for youth age 5 through 12 years to 50%.

Extend a 50% Youth Discount to Riders through Age 18 - $1.5M Fare Revenue Reduction
One additional approved fare change will result in a reduction in fare revenue. The Board directed staff to consider extending the age of the youth discount and staff has previously completed the Title VI analysis and public outreach for this option.

As noted above, BART currently offers a 62.5% discount to youth age 5 through 12, which will decrease to 50% effective January 2018. BART also offers a 50% discount with the Orange ticket for students who attend participating middle and high schools. With this fare change, all youth age 13 through 18 will receive a 50% discount. Offering a discount to youth through age 18 supports the region's goal of consistent discount policies among transit operators, as most of the region's operators offer a youth discount to riders through age 18, including Muni, AC Transit, SamTrans, Caltrain, Golden Gate Transit, and VTA.
The FY18 Budget assumes that approximately 75% of eligible riders would use the discount, for an estimated revenue reduction of $1.5M in FY18 based on an implementation date of January 2018.

Overall rail fare revenue for FY18 is budgeted at $510.8M. This includes estimated revenue for SVBX ($11.3M for 6 months of service[3]), eBART (a net of $1M for 2 months of service), incremental fare increase revenue of $38.8M, and fare options that net to $4.2M. However, base rail fare revenue available to operate rail service is projected to be down $6.9M from the FY17 budget due to lower ridership estimates.

Passenger revenue also includes $0.9M for Americans with Disabilities Act (ADA) paratransit fare revenue.

Passenger Fare Revenue ($millions)	Budget FY17 Adopted	Budget FY18 Adopted	Change	%
Rail Passenger Revenue	$ 474.6	**$ 467.7**	$ (6.9)	-1%
Incremental Fare Increase Revenue	35.4	**38.8**	3.5	10%
Fare Options	-	**4.2**	4.2	
Subtotal, Rail Fare Revenue	510.0	**510.8**	0.8	0%
ADA Paratransit Revenues	0.9	**0.9**	0.0	1%
TOTAL	**$ 510.8**	**$ 511.7**	**$ 0.8**	**0%**

Parking Fee Revenue
BART generates revenue from daily and permit parking fees charged at its 34 stations with parking facilities, and from fees charged for Coliseum special events parking. Under a demand-based approach to pricing parking, daily parking fees are re-evaluated every six months. Costs for permits and fees

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

may either increase or decrease, depending upon whether the facility's utilization is above or below 95% capacity. There currently is a daily fee maximum of $3 at all stations, except for West Oakland Station, which does not have a cap and is currently at $9. Parking fees have now reached the $3 daily fee limit at 32 of the 34 stations with parking. Coliseum and South Hayward stations are currently at $2.50 and $2, respectively. Parking revenue generated at stations on the SVBX extension will be collected by VTA and is not included in the FY18 Budget. The FY18 parking revenue budget is $35.2M.

Under a program approved by the Board in 2013, incremental revenue raised from the demand-based parking fee program is dedicated to investments in station access, station rehabilitation, and station modernization. Programs and projects funded by the increased parking revenue consist of both operating and capital efforts, some of which are one-time in nature and others ongoing. Approximately $15.1M of the FY18 parking revenue is generated by the demand-based parking fee program to fund access projects, with $10.1M funding ongoing access improvement initiatives, such as additional station cleaners and station improvement efforts. The remaining approximately $5.0M will fund new one-time programs in FY18, as described in the FY18 New Initiatives Section.

Parking Revenue ($millions)	Budget FY17 Adopted	Budget FY18 Adopted	Change	%
Daily	$ 23.8	**$ 24.9**	$ 1.1	5%
Monthly Reserved	7.8	**8.2**	0.4	5%
Single Day Reserved	1.3	**1.4**	0.1	5%
Airport/Long Term	0.6	**0.6**	0.0	5%
Coliseum Special Events	*	**0.2**		
TOTAL	**$ 33.5**	**$ 35.2**	**$ 1.7**	**5%**

* FY17 Coliseum Event Parking included in Other Operating Revenue

Other Operating Revenue

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

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

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

Parking citation revenue, noted as fines and forfeitures, is budgeted at $2.9M in FY18, a decrease of $0.4M from the FY17 budget but an increase of approximately $0.8 from the FY17 year-end estimate for citation revenue. The approved citation fee increases for FY17 were not implemented until January 2017, a delay from the schedule anticipated by the FY17 budget.

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

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

Other Operating Revenue ($millions)	**Budget** FY17 Adopted	**Budget** FY18 Adopted	**Change**	**%**
Advertising	$ 9.7	**$ 11.7**	$ 1.9	20%
Telecommunications	10.0	**10.2**	0.2	2%
Fines and Forfeitures	3.3	**2.9**	(0.4)	-12%
Building and Ground Leases	1.1	**1.1**	0.0	0%
Other	3.3	**6.0**	2.6	78%
TOTAL	**$ 27.5**	**$ 31.9**	**$ 4.4**	**16%**

Tax and Financial Assistance

Sales Tax Revenue

A dedicated 75% share of a one-half cent sales tax levied in the three BART counties (San Francisco, Alameda and Contra Costa) is BART's second largest source of revenue after passenger fares. The remaining 25% is split equally between AC Transit and the SFMTA. BART's sales tax base is generally diverse, and data from the State Board of Equalization indicates that the largest economic segments driving BART sales tax include restaurants, retail, and new auto sales, all of which are susceptible to Bay Area economic cycles.

Annual sales tax growth for the five years prior to FY17 ranged from 4 to 8%, but in FY16, sales tax growth began to slow, partially due to lower fuel prices during 2016. A return to a more sustainable, long-term rate was anticipated for FY17, with a budgeted growth of 3.2%. The FY17 sales tax actual was $247.2M, $2.0M below the adopted budget with 2.3% growth over FY16.

Compared to the FY17 results, FY18 is budgeted to grow 2.1% to $252.5M, in line with MTC's 2017 Fund Estimate. Although sales tax growth has been extremely strong since the end of the recession, most regional economic forecasts anticipate Bay Area sales tax growth to settle down to a more sustainable growth rate of around 3% beyond FY18.

Property Tax Revenue

Property tax revenue is derived from a statutory portion of the 1% ad valorem-based general levy in each of the three BART counties[4]. This legacy property tax was originally enrolled in 1957 to fund planning and pre-development costs associated with construction the original BART system, and since then was permanently dedicated to fund ongoing operating needs.

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

Sales Tax and Property Tax Proceeds ($millions)

		Sales Tax	Year-to-Year Chg	Property Tax	Year-to-Year Chg
Actual	FY11	180.8	8.6%	29.5	-2.0%
Actual	FY12	195.2	8.0%	29.7	0.6%
Actual	FY13	208.6	6.8%	31.3	5.3%
Actual	FY14	221.1	6.0%	32.5	3.8%
Actual	FY15	233.1	5.4%	34.3	5.7%
Actual	FY16	241.5	3.6%	38.1	11.0%
	FY17 Adopted	249.2	3.2%	38.6	1.3%
	FY18 Adopted	**$ 252.5**	**1.3%**	**$ 42.2**	**9.4%**

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

State Transit Assistance

BART receives funding through appropriations of State Transit Assistance (STA), which is derived from actual receipts of the sales tax on diesel fuel. Statewide collections can fluctuate based on diesel prices and consumption. In addition, appropriations to transit operators can vary based on calculations of qualifying revenues for the local operator and the region. STA funding has not been consistent throughout the years and can be subject to actions in the governor’s state budget. In some years, BART received no STA funds and more recently, STA revenues statewide have declined due to lower diesel prices.

Senate Bill 1 (SB1), passed in April 2017, provides for new formula-based funding sources for public transit, augmenting the current STA program. For public transit, SB1 increases the incremental sales tax on diesel fuel dedicated to the STA program by 3.50% - generating approximately $250 million per year, with inflation adjustments, to be used for transit capital and operations purposes. SB1 also implements another 0.50% increase on the incremental sales tax on diesel fuel - generating approximately $40 million per year with inflationary increases over time to intercity passenger and commuter rail systems.

A new “Transportation Improvement Fee” is established under the Vehicle License Fee law. Fee revenues are dedicated to the STA program ($105M per year) for “state of good repair” types of expenditures. Fees are also directed to the Transit and Intercity Rail Capital Program ($245M per year) and a new “Solutions for Congested Corridors Program” ($250M per year) for allocation to a balanced set of transportation, environmental and community access improvements within highly congested

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

travel corridors in California – including public transit projects.

MTC estimates include an increase of approximately $16.2 million for BART in FY18, on top of BART's original FY18 estimate of $17.5 million. From this total, $6.9M will be directed by MTC to feeder bus operators providing service to BART stations, leaving a net of $26.8 million for BART. The transit operator shares are currently based on FY15 revenue-based STA factors. Actual funding amounts should be expected to change, based upon updated revenue-based STA factors and actual diesel tax revenues and Transportation Improvement Fees in FY18.

VTA Financial Assistance

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

Low Carbon Transit Operations Program

BART receives funding from the Low Carbon Transit Operations Program (LCTOP), one of several programs of the Transit, Affordable Housing, and Sustainable Communities Program (Senate Bill 862) established in 2014 by the California legislature. Programs in Senate Bill 862 are funded by revenue from the state's Cap-and-Trade Program through the auction of carbon credits. The LCTOP provides transit agencies with operating and capital assistance for programs to reduce greenhouse gas emissions and improve mobility and prioritizes serving disadvantaged communities. Senate Bill 32 extended the Cap-and-Trade Program to 2030.

BART programmed LCTOP funds received between FY16 and FY18 to help offset the $45 million annual operating allocation to the new rail car program. This allocation is separate from the incremental fare increase revenue allocation to the Big 3 projects. The new rail cars will increase BART's capacity, resulting in additional riders on transit that will reduce greenhouse gases.

BART's FY17 LCTOP receipts of $2.1 million were nearly $5 million under budget. In addition, state auction results preceding the development of BART's FY18 budget were very low and inconsistent. Using guidance from MTC, BART conservatively budgeted no LCTOP funds for FY18. However, recent legal decisions upholding the state's Cap-and-Trade program and relatively robust May 2017 auction results indicate that BART could receive unbudgeted LCTOP funds in FY18 at a level greater than FY17.

Low Carbon Fuel Standard Program

The Low Carbon Fuel Standard Program (LCFS) is a state program administered by the California Air Resources Board. The purpose of the program is to move state energy production toward less carbon-intensive fuel sources. Under newly updated regulations, electric railroad operators such as BART are permitted to sell credits to producers of higher-carbon-intensity fuels for the purpose of meeting their program compliance obligations.

Revenues collected from the LCFS credits depend on the LCFS credit market and the timing of

BART's sales. BART budgeted $4 million for FY18, though actual revenues in future years are unpredictable and will depend on market conditions at the time. Funds will be used according to BART's LCFS Policy, which the BART Board will consider in 2017.

Other Assistance

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

Other Assistance ($millions)	Budget FY17 Adopted	Budget FY18 Adopted	Change	%
State Transit Assistance (STA)	$ 8.9	**$ 26.8**	$ 17.9	200%
Financial Assistance - VTA	-	**7.1**	7.1	
Low Carbon Transit Operations Program	7.0	**-**	(7.0)	-100%
Low Carbon Fuel Standard Program	-	**4.0**	4.0	
Measure B/Millbrae UOM/Other	6.4	**6.2**	(0.2)	-3%
TOTAL	**$ 22.4**	**$ 44.1**	**$ 21.8**	**97%**

Federal Section 5307 Funds (Rail Car Fund Swap)

MTC allocates Federal Section 5307 Urbanized Area Formula Grant funds to BART for preventive maintenance work. Through an agreement with MTC, BART spends the federal funds and returns an equivalent amount of BART funds that MTC places in an interest-generating reserve account to help MTC fund its share of the new cars. There is no net impact to BART's operating budget as the Section 5307 funds are merely swapped for other funds. FY17 is the final year of the fund swap program and, including the FY17 funds of $47.1M, a total of $374M has been directed to the MTC reserve account since FY07. Beyond FY17, MTC will program the federal funds directly to the rail cars.

6. Operating Uses

Operating Uses includes two main categories: Operating Expenses, which are expenses related to operating the system, and Debt Service and Allocations, which include debt service payments and allocations to fund capital and other projects. Operating Uses increases by $36.2M or 4% overall in FY18. Main drivers of the increase are funding extensions to SVBX and eBART, the expansion of HMC, contractual wage increases, and other various non-labor investments detailed in following pages.

Operating Uses
($ millions)

	Budget		Change	
	FY17 Adopted	**FY18 Adopted**	**$**	**%**
Labor	$499.6	$541.9	$42.3	8%
OPEB Unfunded Liability	2.4	3.1	0.6	25%
ADA Paratransit	14.2	15.0	0.8	5%
Purchased Transportation	13.8	14.3	0.5	4%
Power	41.0	43.3	2.3	6%
Other Non-Labor	120.5	125.1	4.6	4%
OPERATING EXPENSES TOTAL	**691.5**	**742.7**	**51.2**	**7%**
Debt Service	51.7	50.8	(1.0)	-2%
Capital Rehabilitation	40.6	29.2	(11.4)	-28%
Rail Car Sinking Fund	45.0	39.0	(6.0)	-13%
Priority Capital Projects/Programs	35.4	38.8	3.5	10%
SFO Operations/New Car Allocation	13.3	7.5	(5.7)	-43%
Stations/Access Projects	5.2	5.0	(0.2)	-4%
Other (Leases, OAC CARP, Met Bldg)	1.7	3.5	1.9	113%
Allocation to Reserves	-	4.0	0.0	-
DEBT SERVICE AND ALLOCATIONS TOTAL	192.9	177.9	(15.0)	-8%
OPERATING USES TOTAL	**$884.4**	**$920.6**	**$36.2**	**4%**

Labor: Wages and Benefits

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

Headcount Summary

	Positions		
	Operating	Capital/ Reimb	**Total**
FY17 Adopted Budget	**3,240.8**	**776.8**	**4,017.5**
FY17 Adjustments	(2.8)	17.8	**15.0**
HMC	63.0	-	**63.0**
eBART*	79.5	(56.5)	**23.0**
SVBX*	162.0	(158.0)	**4.0**
FY18 Position Reductions/Conversions	(39.5)	24.5	**(15.0)**
FY18 New Initiatives	7.0	-	**7.0**
FY18 New Initiatives - Stations/Access	8.0	-	**8.0**
FY18 RR Adjustments	-	186.0	**186.0**
FY18 Capital Adjustments	-	110.0	**110.0**
Total Adjustments	277.3	123.8	**401.0**
FY18 Adopted Budget	**3,518.0**	**900.5**	**4,418.5**

**eBART and SVBX headcounts are as of June 2018 and as such reflect midyear conversions of eBART and SVBX positions from capital to operating when revenue services begin. eBART operating adds include nine positions in the Police Department.*

A total of 401 positions[5] are added in the FY18 budget. This is net of the following increases and reductions:

- 2.8 reductions in operating, and 17.8 additions to capital during FY17
- 63 additions for opening of the Hayward Maintenance Complex (HMC)
- 23 additions for eBART, including pre-revenue service testing, training & revenue service, and nine positions in the Police Department
- 4 additions for SVBX, net of the 162 mid-year conversions from capital to operating for the planned start of revenue service[6]
- 15 reductions from budget cuts[7]
- 7 additions for new budget initiatives
- 8 additions for new Stations/Access projects
- 186 additions funded by Measure RR to help repair and maintain the system (plus 15 added in FY17 midyear, counted as part of the 17.8 FY18 capital additions)
- 110 additions in the capital headcount

Detail on the additions and reductions can be found in Section 8, FY18 Budget Balancing Solutions and Section 9, FY18 New Initiatives. No position reductions will result in layoffs, and existing vacancies will absorb staff displaced by any position reductions.

[5] The position count is the total added by June 30, 2018.

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

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

Labor (Wages and Benefits)
($ millions)

	Budget		Change	
	FY17 Adopted	**FY18 Adopted**	**$**	**%**
Wages	$363.3	$422.9	$59.6	16%
Overtime	18.4	21.1	$2.7	15%
PERS Pension	79.7	80.8	$1.1	1%
Other Pension	11.4	13.0	$1.6	14%
Retiree Medical	25.4	35.6	$10.2	40%
Medical	78.0	81.0	$3.1	4%
Worker's Compensation	17.4	16.4	($1.0)	-6%
Capital Labor Credits	(121.4)	(156.0)	($34.6)	28%
Other Labor*	29.8	30.2	$0.4	1%
OPEB Unfunded Liability	2.4	3.1	$0.6	25%
NET LABOR	**$502.1**	**$545.0**	**$42.9**	**9%**

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

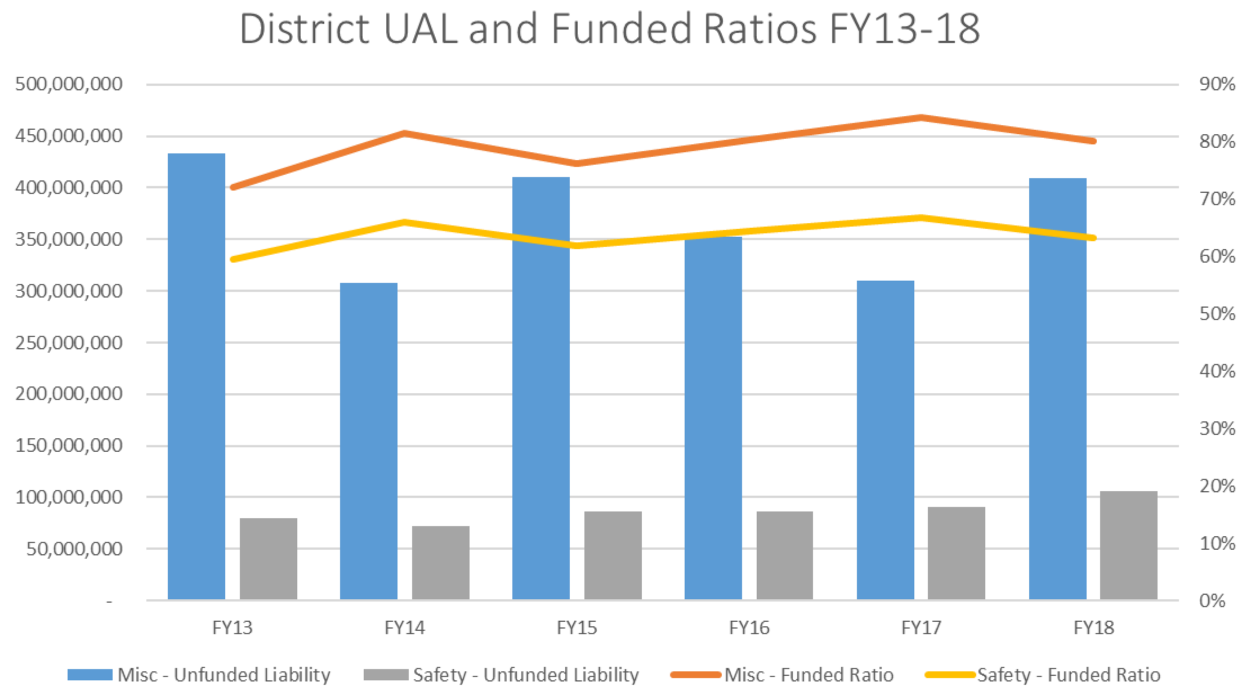
The FY18 labor budget is projected to total $545.0M. This includes the cost of new operating positions as well as scheduled wage increases. Changes in actuarial assumptions for BART's retiree medical liability resulted in an increase of $10.2M in retiree medical and an offsetting $3.1M decrease in active medical costs. Other major labor cost drivers are:

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

CalPERS Pension

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

Funded Status

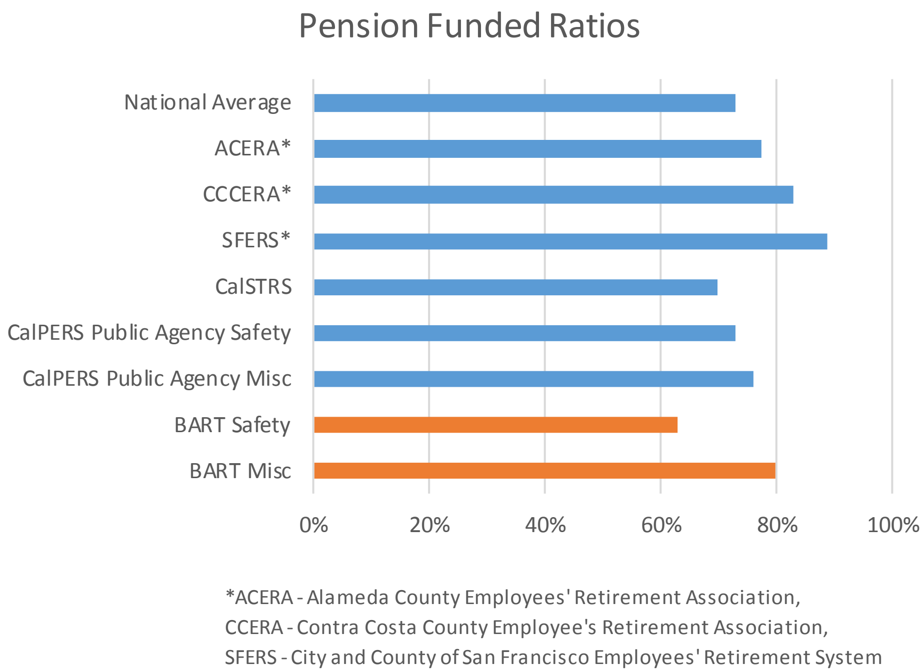


As of the latest valuation report for FY18 (based on data as of June 30, 2015), BART's funded ratio is 80% for the Miscellaneous plan and 63% for the Safety plan. The funded ratio measures plan assets vs. plan liabilities. Both ratios have decreased slightly from last year's valuation report and the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

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

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

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



FY18 Employer Contribution

Beginning in FY18, CalPERS changed employer payment calculations. In prior years, employers paid strictly a percentage of payroll. This was changed for FY18 to a combination of a percentage of pay for the normal cost portion of the employer payment plus a fixed dollar amount for the unfunded liability. For FY18, BART is required to contribute 7.9% and 24.7% of payroll for the normal cost for the Miscellaneous and Safety plans respectively. This is estimated to be $38.2M. BART is also required to contribute $33.8M towards the unfunded accrued liabilities for both plans.

FY18 Employee Contribution

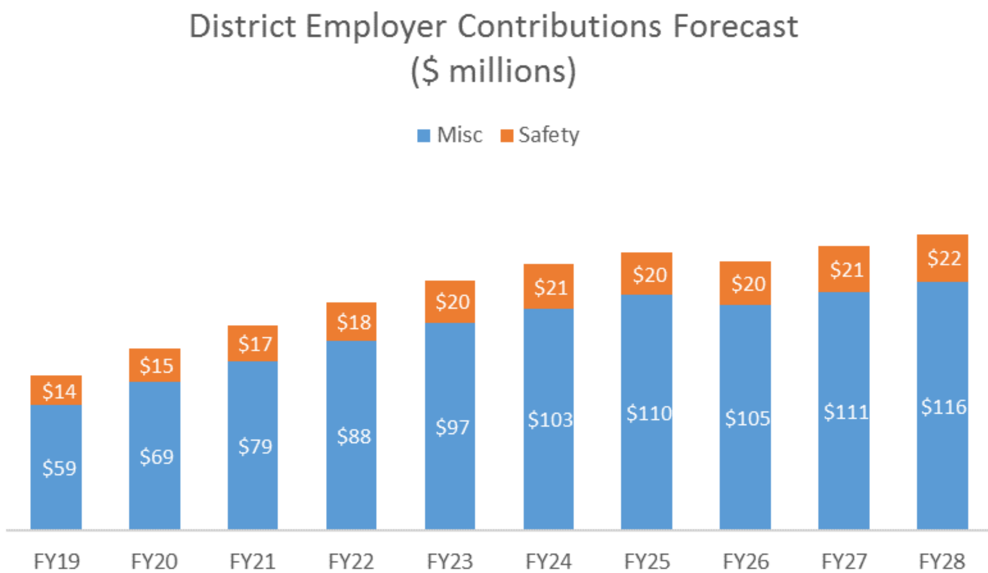
Employees subject to the California Public Employees' Pension Reform Act (PEPRA) pay 100% of the required employee contribution, which is 6.25% for miscellaneous and 13% for safety. Classic (Non-PEPRA) employees, per the current labor contracts, pay only a portion of the required employee contribution.[8] BART pays the remainder, which for FY18 is estimated to be $8.8M.

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

FY18 PERS Contributions		SAFETY	MISC	DISTRICT BUDGET
	Employer Rate	24.708%	7.931%	$ 25,488,790
Classic	Employee Rate			
(Non-PEPRA)	*Paid by District*	5.000%	3.000%	8,787,121
	Paid by Employee	4.000%	4.000%	
	Employer Rate	24.708%	7.931%	12,747,838
PEPRA	Employee Rate			
	Paid by Employee	13.000%	6.250%	
All employees	Employer UAL Lump Sum	$ 6,914,785	26,868,170	33,782,955
				$ 80,806,704

Rising Pension Costs

CalPERS is continuing to implement strategies intended to improve the long-term health of the pension fund and guard against future market downturns. Most recently, the CalPERS Board approved a decrease in the discount rate (assumed future investment return) from 7.5% to 7%. This change will be phased in over three years from FY19 to FY21 and will significantly increase BART's future contributions, adding to prior measures implemented in the past five years. BART's ten year projected contributions (forecast by an independent actuary) are provided in the table below.[9]



Other Pension Benefits

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

[9] The forecast is based on the FY18 CalPERS Annual Valuation Reports for Miscellaneous and Safety Employees as of June 30,2015.

MPPP is projected to be $8.2M in FY18.

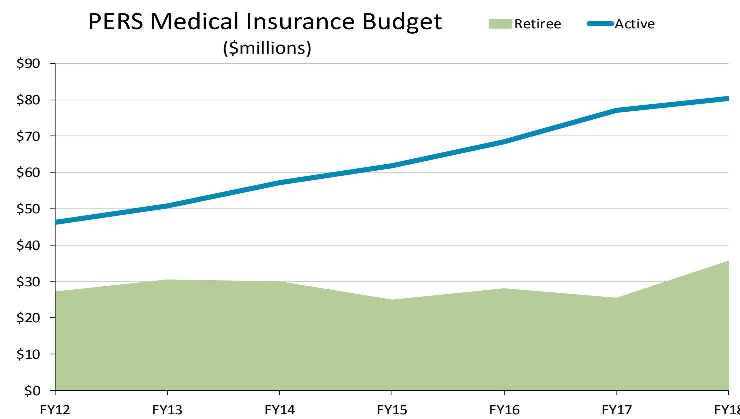
An additional 1.627% of wages is also contributed for all employees except sworn police. Per labor agreements, the following is deducted from this portion of the contribution:

- 0.0888% is withheld as per the current labor contracts
- Also, $37/month for represented employees in AFSCME, ATU and SEIU[10] is deducted and included as a contribution towards medical insurance.

BART's total estimated net cost for the additional 1.627% MPPP after these deductions in FY18 is $4.8M.

Active Employee Medical Insurance

The FY18 cost of healthcare insurance for active employees is projected to be $81.0M, which is a $3.1M increase from FY17. This amount includes accounting recognition of a $4.2M credit for "implied subsidy" from Retiree Medical cost according to actuarial methodology. Please see Retiree Medical section below. Another factor was flat rates for the two major healthcare plans for calendar 2017 and an overall 0% rate increase for the composite rate of all plans. The calendar 2018 estimated health insurance premium rate increase is 7% over 2017.[11]



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

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

Retiree Medical

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

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

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

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

The FY18 actuarial report included a significant increase in the unfunded actuarial accrued liability (UAAL) due to the newly recognized implied subsidy[12] and changes in assumptions for increasing medical cost trends, retirement rates, spouse coverage, and mortality improvement. The FY18 ADC is $35.6M[13] which is a 40% increase from FY17, however $4.2M of that increase related to the implied subsidy is subtracted from the active medical insurance line item.

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

Workers Compensation

BART is self-insured for workers' compensation and maintains a reserve for outstanding losses based on annual actuarial reports. Annual funding is calculated as a percent of wages and budgeted each year as part of the labor and benefit budget and put into a self-insurance reserve that pays out the claims, and if needed the claim reserve account is supplemented at the end of each fiscal year.

The FY18 Workers' Compensation budget is $16.4M, $1M lower than FY17. BART reduced the Workers' Compensation budget by $2M and increased the General Liability budget by $2M to true-up the reserve balance target level, since the reserve for Workers' Compensation is overfunded and a shortfall exists for General Liability insurance, which is also self-insured. In addition, per the actuarial report, recent regulatory reform may reduce the cost of providing medical services for workers' compensation. At this point, it appears that the impact of the reform will be neutral or positive for BART. The actuaries will continue to adjust estimates as the reform's impact becomes clearer.

Traction & Station Power

Electrical traction and station power costs are projected to be $43.3M in FY18, an increase of $2.3M or 5.7% above the adopted FY17 budget[14]. The largest driver of the increase is higher forecast energy use in FY18 due to new BART service to the Warm Springs/South Fremont, Milpitas, Berryessa, and Antioch (eBART) stations, which affects both energy supply and energy delivery (transmission and distribution) costs. A second significant driver is PG&E's increased energy delivery rates applicable to all utility customers taking delivery service, including BART. Despite the higher volume of power purchased for service expansion, the cost for energy (power) supply is expected to decrease from $25.9M in FY17 to $23.9M in FY18, due to the significantly lower power prices BART secured for 2017 and 2018. Energy supply is purchased separately from delivery services.

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

- Transmission: Transmission delivery costs are expected to increase by 39%, due to higher

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

[13] $35.6M ADC includes the $4.2M implied subsidy credit which is subtracted from the active medical insurance budget. This assumes that a portion of the cost for premiums ($4.2M) for active employees is "subsidizing" the higher claims cost for retirees. Basically, BART will record an accounting entry which will show a higher cost for retiree medical, but then credit the active medical insurance line item for the same amount.

[14] Approximately 74%, or $32.2M, of BART's energy costs in FY18 are for traction power (train propulsion and on-board uses), while 26%, or $11.1M, are for non-traction power (stations, shops, ventilation, trackside electronics, etc.).

energy use, higher utility rates, and additional (new) obligations to the California power grid operator that B ART assumed beginning in 2017.

- Distribution: Distribution delivery costs are expected to increase 19% due to higher total energy use and higher utility rates.
- Supply: Costs for electric power supply are expected to be 8% lower in FY18 than in FY17, despite higher energy use with added BART service, because of much lower electricity supply prices. BART has secured all its forecast energy supply needs for 2017 and 2018 from nearly 100% low- and zero-carbon sources at favorable prices, but faces a large open, unpurchased, position beginning in 2019.
    - For 2017 and 2018, approximately 90% of BART's energy needs will be met from low- and zero-carbon sources in the Pacific Northwest, which have a very low carbon content, but do not qualify as renewable under California state law.
    - Approximately 5% of BART's energy needs will be met with long-term federal hydroelectric power purchases from the Western Area Power Administration, which is zero-carbon but does not qualify as renewable under state law.
    - The remaining 5% of BART's energy needs will primarily be met with long-term renewable power contracts, including: the Gridley solar farm in the City of Gridley, CA, the Lake Nacimiento hydroelectric project in Central California, and several on-site solar projects on BART property. Due to the variable production that renewable resources provide, between 0% and 3% of BART's supply may come from unspecified system power to ensure a daily balanced power schedule.
- NCPA Member Expenses: Costs for NCPA membership are increasing by approximately $0.1M, or 13%, due to a new service (Scheduling Coordination) that NCPA is now providing for BART.

Traction & Station Power
($ millions)

	Budget		Change	
	FY17 Adopted	FY18 Adopted	$	%
NCPA, Western, BART Power Supply	$ 25.9	$ 23.9	$ (2.0)	-8%
Transmission Services	7.5	10.4	2.9	39%
Distribution Services	6.7	8.0	1.3	19%
NCPA Member Expenses	0.9	1.0	0.1	13%
TOTAL	**$ 41.0**	**$ 43.3**	**$ 2.3**	**6%**

For FY18, BART expects its power portfolio will be between 97% and 100% low- and zero-carbon (including renewables), but only 2% - 5% will be qualified renewable under state law. In line with BART's Board-adopted Wholesale Electricity Portfolio Policy[15], which mandates that procurement activities further the two goals of (i) supporting low and stable energy operating costs and (ii) maximizing the use of low-carbon, zero-carbon and renewable electric supply, BART (under statutory authority granted in 2015 by Senate Bill 502) is actively exploring opportunities for large-scale purchases of renewable energy supplies under favorable long-term, fixed price contracts for 2019 and beyond. BART also continues to explore supply opportunities from on-site small-scale renewables and other low- and zero-carbon sources for the balance of short and medium-term needs.

[15] BART Wholesale Electricity Portfolio Policy

Expansion

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

Extensions Total Expenses

		($ millions)		
	FTE	**Labor**	**Non-Labor**	**Total**
SVBX	162.0	$ 20.8	$ 6.6	$ 27.5
eBART	79.5	10.9	2.2	13.1
HMC	63.0	8.2	3.0	11.2
TOTAL*	**304.5**	**$ 39.9**	**$ 11.8**	**$ 51.7**

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

SVBX is expected to begin revenue service in FY18. SVBX will connect to the Warm Springs/ South Fremont Station in Alameda County, and extend into Santa Clara County with two stations. As noted in Section 2, VTA is funding all construction costs and will reimburse BART for all costs associated with rail service including operations, maintenance, core system impacts, and funding of a capital reserve account for future capital reinvestment expenses. Net four capital positions will be added in FY18 to the existing SVBX positions, with the total 162 SVBX support positions converting to operating when revenue service begins.[16]

eBART is expected to begin revenue service in May 2018. eBART will provide rail service east of BART's Pittsburg/Bay Point Station to stations at Pittsburg Center and Antioch. The FY18 budget adds 14 capital positions for eBART pre-revenue service training and testing, and the total 70.5 positions will convert to operating when revenue service begins. Additionally, 9 operating positions will be added to the Police Department in January to provide security for the eBART extension.

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

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

Purchased Transportation

BART's FY18 cost of purchased transportation is $29.3M, an increase of $1.3M over the adopted FY17 budget.

Purchased Transportation ($ millions)	Budget FY17 Adopted		Budget FY18 Adopted		Change $	Change %
Paratransit	$	14.2	$	15.0	$ 0.8	5%
Muni Purchased Transportation		3.4	$	3.5	0.1	3%
AC Transit Feeder Agreement		3.6	$	4.2	0.6	17%
Late Night Bus Service		0.7	$	0.4	(0.4)	-50%
Purchased Transportation - OAC		6.1	$	6.3	0.2	3%
TOTAL	**$**	**28.0**	**$**	**29.3**	1.3	**5%**

Paratransit

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

San Francisco Municipal Transportation Agency/AC Transit Feeder Agreements

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

BART-to-OAK

BART service to the Oakland International Airport opened in November 2014 and will be operated and maintained (O&M) for 20 years by a private contractor, Doppelmayr Cable Car (DCC). The FY18 estimated O&M cost is $6.3M[17] In its first year of operation, OAK experienced a 33% increase in ridership over the AirBART bus service, with associated fare revenue covering about 96% of its operating costs. FY17 average weekday ridership was 3,049 trips, 2.2% lower than FY16.

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

Other Non-Labor

The table below summarizes Other Non-Labor by category.

Other Non-Labor ($ millions)	Budget FY17 Adopted	 FY18 Adopted	Change $	 %
Clipper, Tickets Sales, & Bank Fees	$ 15.4	$ 16.2	$ 0.7	5%
Insurance	7.8	9.8	2.0	26%
Materials & Supplies	33.9	35.3	1.4	4%
Professional/Tech, Consulting, Svcs, Fees	25.4	30.1	4.6	18%
Maintenance & Repairs	11.6	13.1	1.4	12%
Rent	16.7	11.6	(5.1)	-30%
Utilities	3.3	4.8	1.5	46%
Other Misc	5.9	4.4	(1.5)	-26%
TOTAL	**$ 120.0**	**$ 125.1**	**$ 5.1**	**4%**

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

Other Non-Labor for FY18 is $125.1M, or $5.1M higher than the FY17 Adopted Budget. The increase includes costs in Materials & Supplies, Professional & Consulting, and Maintenance & Repairs for extensions and expansions, new initiatives, and information systems improvements, as discussed in other sections.

The other non-labor increase also includes:

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

Offsetting other non-labor decreases include:

- $5.1M in rent reductions due (a) one-time savings due to year 1 of discounted rent for the Lakeside lease and (b) ongoing rent savings due to the purchase of MetroCenter building[18]
- $3M one-time budget reduction for FY17 election expenses
- Other miscellaneous reductions including adjustments for prior one-time costs

Major Other Non-Labor account groups are described below:
Material Usage includes inventory withdrawals and purchases for required maintenance of rail cars, such as aluminum wheel assemblies, circuit boards, seat cushions, other materials used to keep cars in use, parts for infrastructure maintenance such as escalators, automated fare equipment, and materials required to keep stations accessible, supplies, etc.
Professional & Technical Fees include costs for audit and legal services, benefit and insurance administration fees, printing, computer hardware and software service contracts, environmental fees,

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

specialized consulting contracts, professional services contracts, etc.
Maintenance, Repair & Other Contracts fund graffiti removal, traction motor rewinds, painting, equipment overhaul, elevator pit cleaning and other maintenance and repair related contracts
Insurance funding pays for premiums, reserve contributions and self-insured losses for public liability, damage to property and risk-related services [19]
Building Space Rental includes funds for administrative building leases and other lease expenses
Miscellaneous Other Non-Labor includes utilities, trash collection, natural gas, county filing fees, telephones, credit card and interchange fees, Clipper program fees, miscellaneous supplies, etc.

Information Technology Systems Improvement

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

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

- $1.9M ongoing (network improvements, cybersecurity support and maintenance)
- $1.0M one-time (implement SharePoint; onboard Maximo Health, Safety, and Environment; recruitment/position control system upgrades; improve Salesforce customer relationship management platforms including social media integration, reporting, and case management)

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

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

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

Debt Service

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

Operating Allocations to Capital Projects and Programs

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

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

- **Baseline Capital Allocation $14.4M:** Anticipated baseline allocations of $20.6M for capital investment were reduced by $6.2M as part of the FY18 budget balancing solutions. These allocations typically serve as local match for federal grants or to fund ongoing capital projects for which grants are not typically available, such as stations and facilities renovation, inventory buildup, non-revenue vehicle replacement, tools and other capitalized maintenance. It is expected that unused prior year allocations will be used to mitigate the impacts of the shortfall created by the one-time FY18 reduction.
- **Additional Capital Initiatives $14.8M:** Allocations include $1.5M directed to the Train Control UPS Renovation (FY15-19) and $1.8M ongoing and $0.8M one-time to the OCIO as discussed in the previous section. An allocation to the Millbrae Tail Track project replaces an equal amount of Prop 1A High Speed Rail bond funds shifted to HMC project. Pre-revenue hiring, training and expenses for the eBART project require allocations of $9.7M. Between FY16 and FY18, just over $20M of operating funds have been allocated to eBART pre-revenue startup expenses.
- **Rail Car Sinking Fund $39.0M:** To help reduce the FY18 budget shortfall, the FY18 $45M allocation will be funded with $39M of operating allocations and $6M of LCTOP funds received in FY16 and FY17. This completes BART’s 2012 commitment to fund $298M for the first 410 cars of the Rail Car Replacement Program. Including FY17, operating allocations have funded $249M for the rail car program and $114M has been drawn down, leaving a balance of $135M as of June 2017.
- **Priority Capital Program Allocations $38.8M:** Incremental fare revenue from BART’s inflation-based fare increase program, effective January 2014, is directed to a fund for BART’s highest-priority capital programs - additional rail cars beyond the original 410 car commitment, HMC and the Train Control Modernization Project. Actual allocations are based upon actual ridership and fare revenue. Including estimated FY17 allocations, $89M has been allocated to the reserve from fare increase revenue and $45M has been drawn down, leaving a balance of $44M.
- **SFO Operations/New Car Allocation $7.5M:** Dependent upon ridership and fare revenue, net positive financial results from operations of the SFO Extension are allocated to a reserve account per the terms of the 2007 agreements relieving SamTrans of financial responsibility for the extension into San Mateo County. Per the terms of MTC’s 2013 Transit Core Capacity Challenge Grant Program (Resolution 4123), the first $145M in the SFO reserve account will be directed to the Rail Car Replacement Program. Including FY17 estimated results, a total of $75M is in the reserve account.
- **Station/Access Projects $5.0M:** Allocation to Stations and Access Programs are funded by incremental parking fee revenue generated by BART’s demand-based parking program. The incremental revenue is estimated at $15.1M in FY18, of which $10.1M will fund continuing station and access programs, including 64 positions, implemented in FY14 through FY17. The remaining $5.0M is directed to new operating initiatives detailed in Section 9.
- **BART-to-OAK (CARP) $0.9M:** Allocation to the Capital Asset Replacement Program (CARP) for the BART-to-OAK project to fund future renovation and replacement needs. Fund expenditure is controlled jointly by BART and the contract provider, Doppelmayr Cable Car (DCC), based upon actual needs for refurbishment and replacement over the twenty years. DCC is required to fund costs in excess of the CARP.
- **Joseph P. Bort MetroCenter (Met) Building $2M:** Allocation for the purchase of the MetroCenter building and one-time capital costs. There will be operating to capital allocations between FY18 and FY27 to fund repayment of the loan from BART cash reserves that will be used to purchase the building, totaling approximately $20M. The FY18

amount is $1.36M plus an additional $0.65M for one-time capital costs.

- **Low Carbon Fuel Standard (LCFS) Program Placeholder $4M:** BART's Board will consider a policy for allocating LCFS funds in July 2017. The FY18 Budget includes a $4.0M placeholder allocation until the policy is approved.
- **Other Allocations $0.6M:** This includes accounting entries of $0.6M to offset amounts booked as Other Revenue or Financial Assistance for the Pleasant Hill/Contra Costa Centre and MacArthur stations.

Allocations ($millions)	**Budget**			
	FY17 Adopted	**FY18 Adopted**	**Change**	**%**
Debt Service	$ 51.7	**$ 50.8**	$ (1.0)	-2%
Allocations				
Baseline Capital Allocation	23.3	**14.4**	(8.9)	-38%
Additional Capital Initiatives	11.3	**13.8**	2.5	22%
Rail Car Sinking Fund	45.0	**39.0**	(6.0)	-13%
Priority Capital Programs	35.4	**38.8**	3.5	10%
Additional Allocations	6.0	**1.0**	(5.0)	-83%
SFO Operations/New Car Allocation	13.3	**7.5**	(5.7)	-43%
Stations/Access Projects	5.2	**5.0**	(0.2)	-4%
BART-to-OAK (CARP)	0.9	**0.9**	0.0	3%
MetroCenter Building	-	**2.0**	2.0	
Allocation to Reserves (LCFS placeholder)	-	**4.0**	4.0	
Other	0.7	**0.6**	(0.2)	-25%
TOTAL	**$ 192.9**	**$ 177.9**	**$ (15.0)**	**-8%**

7. Capital Sources and Uses

Capital Uses

The FY18 Capital Program budgets $998M across five program areas: System Reinvestment (67%), Service and Capacity Enhancement (7%), Safety (3%), Security (4%), Earthquake Safety (10%), and System Expansion (7%) plus $5.5M of reimbursable expenses. The following table "FY18 BART Capital Program - Summary of Uses" summarizes planned work by program area. The capital budget includes all planned capital expenditures, including those paid for using funds BART expects to receive in FY18 and as well as capital funds awarded in prior years.

Highlights of the FY18 capital program include:

- **Continued investment in high priority capital projects:** Planned investments include:
  - Fleet replacement: $259M is budgeted for a milestone payment to Bombardier transportation toward procurement of 775 new rail cars.
  - Hayward Maintenance Complex (HMC): $71M is budgeted for investment in the central warehouse, the new Maintenance & Engineering shop, and related track work.
  - Train Control Modernization Program: Project staff plans to issue an RFP in FY18 for a contractor to build the new train control system.

- **Ramp-up of the Measure RR System Renewal Plan**: The FY18 capital budget will be the first since BART District voters approved Measure RR. The FY18 budget of $171M for RR funded work includes:
  - Increasing the pace of track replacement and guideway structural rehabilitation.
  - The start of a multi-year program to replace aging traction power infrastructure. The FY18 budget includes funds to replace obsolete traction power cables in San Francisco, as well as design and engineering for replacement of traction power substations throughout the system.
  - Station modernization and station access improvements, including a major program to replace escalators and add canopies at station entrances along Market Street in San Francisco.

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

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

Capital Sources

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

- BART and Voter Approved Funds
  - System Renewal Program (Measure RR): Measure RR will provide a total of $3.5B to fund the most critical investments in safety, reliability, and crowding relief. The first Measure RR bonds were sold in May 2017, and approximately $196M of Measure RR funding is budgeted in FY18.
  - Earthquake Safety Program (ESP) Bonds: Staff expects to use $101M in ESP Bond funds to support work planned for FY18.
  - Operating Allocations to Capital: $193M in allocations are budgeted in FY18 (including $127M of new allocations from the FY18 operating budget). Most of these funds will go to rail car procurement costs and HMC, with a smaller share going to match federal funds for state of good repair projects.

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

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

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

FY18 BART Capital Program - Summary of Uses

Program	Major Example Projects (FY18)	Expense (millions)	% of Program
System Reinvestment		**$637**	**67%**
Rolling Stock	• A major milestone payment to Bombardier Transportation for 775 rail car procurement	$287	29%
Mainline	• The start of a multi-year program of traction power infrastructure replacement. The FY18 budgets includes replacement of traction power cables in San Francisco and design and engineering for traction power substation replacement throughout the system • Guideway infrastructure investment, including rail replacement and trackway structural rehabilitation	$175	18%
Facilities	• Continuing investment in the Hayward Maintenance Complex, focusing on construction of the central warehouse and Maintenance & Engineering shop	$80	8%
Stations	• A major program to replace escalators and install canopies for station entrances along Market Street in San Francisco • Station Modernization investments at Powell, 19th Street, El Cerrito del Norte, Downtown Berkeley, and Concord Stations	$67	7%
Controls and Communications	• Reinvestment in the existing train control system, including switch machine replacement and replacement of speed encoding equipment at stations.	$64	6%
Work Equipment	• Planning and engineering for new car lifts at Richmond and Daly City maintenance shops	$0.1	0.01%
Service & Capacity Enhancement		**$75**	**7%**
Stations	• Station access improvements, including major investments in bus intermodals at Union City, Balboa Park, and Concord Stations • Wayfinding improvement project phases 2 and 3	$65	7%
Mainline	• Track projects designed to make the system more resilient and flexible, including a crossover track at 24th Street Station and an extension of tail tracks at Dublin/Pleasanton and Millbrae • Continued Core Capacity project development	$10	1%
Earthquake Safety	• Transbay Tube seismic retrofit	**$101**	**10%**
System Expansion	• Completion of Warm Springs and eBART extension projects. • Design support and connectivity for SVBX (reimbursed by VTA)	**$73**	**7%**
Security	• System hardening and CCTV projects	**$38**	**4%**
Safety	• Replacement of cross-passage doors in the Transbay Tube • Tunnel and station lighting replacement • Platform doors feasibility study	**$32**	**3%**
Reimbursable	• Reimbursable expenses related to Capitol Corridor/other	**$6**	**.6%**
Total		**$998**	100%

FY18 BART Capital Program - Summary of Sources

Capital Funding Source	FY18 Funding Summary	Funding (millions)	% of Funding
BART/Voter Approved Funds		**$465**	47%
Measure RR	• Measure RR will provide a total of $3.5B to fund the most critical investments in safety, reliability, and crowding relief. • $196M of Measure RR funding is budgeted in FY18, focusing on traction power, electrical systems, rail replacement, crowding relief, and station access	$171	17%
Earthquake Safety Program GO Bonds	• $101M in Earthquake Safety bond sale proceeds, most of which will be used for the Transbay Tube seismic retrofit.	$101	10%
BART Operating Allocations	• BART's FY18 operating budget includes $127M in new allocations from operating to capital. These new funds, combined with allocations reserved from prior years, will provide $193M toward the FY18 capital program • $93M will go toward to 775 car rail car procurement and HMC. The remainder will provide local match federal funding for state of good repair projects and fund station access projects	$193	19%
Federal and Regional Funds Distributed by MTC		**$279**	**28%**
Federal Funds	• MTC allocates approximately $53M per year of FTA Section 5337 State of Good Repair funds toward BART's needs; FY18 as well as prior-year 5337 allocations to be invested in traction power; train control; rail, way and structures; and AFC equipment • $114M of MTC-controlled federal funds will help to cover FY18 rail car procurement costs • $27M of federal security funding in system hardening/CCTV	$249	25%
Regional Bridge Tolls	• $28 M in RM1, RM2, and AB664 bridge toll funds will cover remaining eBART and Warm Springs capital costs in FY18 • The balance of this category will support several system reinvestment projects	$30	3%
Local Funding		**$98**	**10%**
VTA	• In FY18, VTA will reimburse BART for cost incurred during construction of SVBX, provide $19 M toward rail cars, and provide $13 M toward HMC.	$58	6%
County Measures	• Contra Costa's Measure J supports investments in eBART ($13 M), Concord Intermodal ($3M), El Cerrito Station Modernization ($5M), and access investment at Lafayette ($2 M). • Alameda County's Measures B/BB will support the Union City Intermodal ($7M) and Downtown Berkeley Station Modernization ($3M) • San Francisco's Proposition K will support the Balboa Park Eastside Improvement Project ($2M)	$40	4%
State Funding		**$157**	**16%**
State Proposition 1A & 1B Bonds	• California State infrastructure bonds (Propositions 1A & 1B) approved by voters in 2009 have now been fully committed. Out of the funds allocated to BART, $145M is budgeted in FY18, including $48M for rail cars and $25M for HMC. Most of the balance will support station modernization projects	$145	15%
Other State Funding	• California Low Carbon Transit Operations Program (LCTOP) for rail car procurement • Reimbursable expenses related to Capitol Corridor/other	$12	1%
Total		**$998**	100%

8. FY18 Budget Balancing Solutions

To address the $31M operating deficit projected for the FY18 Budget, expense reductions, fare increases, and adjustments to capital allocations are included to balance the FY18 Adopted Budget.

Shortly after BART released its FY18 Preliminary Budget, the passage of Senate Bill 1 (SB1) greatly improved BART's financial outlook. SB1 provides for new formula-based funding sources for public transit, with increases to the existing diesel sales tax rate augmenting the current State Transit Assistance (STA) program. BART anticipates approximately $16.2M in STA funds in FY18. Based upon this additional funding, staff proposed to remove service reductions and reducing the discount for seniors and riders with disabilities from consideration in the FY18 budget.

Expense Reductions

Position Reductions - $5.3M savings

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

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

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

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

Fare Increases

Staff brought several fare modification options for Board consideration at its March 9th Board meeting and the Board selected the following options for further study:

- Surcharge on trips made with magnetic stripe paper tickets
- Discount reduction from 62.5% to 50% for seniors, people with disabilities[20], and youth age 5 through 12

[20] Discount change for seniors and people with disabilities was removed from consideration with the April 2017 passage of SB1.

Staff have completed the Title VI fare equity analysis and public outreach required for these fare changes, and the following changes, approved by the Board on June 22, are included in the FY18 Budget effective January 2018.

Implement a Magnetic Stripe Ticket Per Trip Surcharge - $5.6M additional revenue
Currently, about one-third of BART trips are made with magnetic stripe tickets, and the remaining two-thirds with Clipper cards. By January 2018, BART anticipates having at least one Clipper card dispensing ticket vending machine at each station. Placing a surcharge on fares paid with magnetic stripe tickets could help shift riders to the Clipper card in support of the regional goal of optimizing Clipper use on transit. A mag stripe surcharge could also generate additional revenue. The flat surcharge is estimated to generate up to approximately $11.1M annually, or $5.6M for one-half of FY18.

Results from the Title VI fare equity analysis showed that low-income riders could be disproportionately impacted by either a flat or percentage surcharge. Of the 128 Title VI outreach respondents who chose to comment on this option, approximately 59% were not in favor. Survey option ratings show agreement and disagreement was split regarding a $0.50 flat surcharge, but more respondents disagreed with a percentage surcharge of up to 10%. To address potential adverse impacts on low-income riders, staff will implement a mitigation action plan to distribute free Clipper cards, which low-income riders can use to pay their fares and avoid the surcharge. A flat $0.50 surcharge on paper ticket fares, which is estimated to generate up to $5.6M for one-half of FY18, is assumed for the FY18 Budget.

Reduce to 50% the 62.5% Discount for Youth Age 5-12 - $0.1M additional revenue
Results from the Title VI fare equity analysis show that the discount reduction could result in an adverse impact on youth age 5 through 12, who are disproportionately minority and low-income. The option of offering a 50% discount to riders through age 18, however, was rated as “Excellent” or “Good” by almost 2/3s of surveyed parents of protected riders age 5-12. The mitigation for the discount reduction is the benefit to youth riders of a significant 50% discount for an additional six years.

The FY18 Budget includes a revenue gain of $0.1M from reducing the discount for youth age 5 through 12 years to 50%. The cost of extending the 50% discount to riders through age 18 is included in the FY18 Budget.

Operating to Capital Allocations

Reduce Baseline Capital Allocation - $6.2M savings
The FY18 Budget reduced the planned $20.6M baseline operating to capital allocation by $6.2M. These allocations typically serve as local match for federal grants or to fund ongoing capital projects for which grants are not typically available, such as stations and facilities renovation, inventory buildup, non-revenue vehicle replacement, tools and other capitalized maintenance. It is expected that unused prior year allocations to make up the shortfall from the one-time FY18 reduction and that priority for FY18 allocations will be given to local match needs.

Allocate LCTOP Funds to Rail Car Sinking Fund - $6.0M savings

- The FY18 Budget uses $6.0M of banked Low Carbon Transit Operations Program

(LCTOP) assistance to help fund the planned $45M operating to capital allocation to the Rail Car Sinking Fund. In FY16 and FY17, BART received a total of $6.5M of LCTOP funds that remain unspent. The LCTOP funds received in FY16 through FY18 were "anticipated to offset, in part, the FY16, FY17, and FY18 allocations to capital from the Operating Budget for the new car program." These funds had not been previously planned as part of the project cash flow and thus the Rail Car Sinking Fund will still receive the planned $45M annual allocation.

9. FY18 New Initiatives

FY18 General Fund Strategic Initiatives

Despite the projected deficit for FY18, certain investments to initiate or sustain critical initiatives were prioritized by the Board. New FY18 Initiatives include funding to address the growing problem of fare evasion, and to develop solutions to increase the personal security and safety of customers throughout the system. The FY18 New Initiatives are described below.

OPERATING	FTE	Labor	Non-Labor	Total	Fare Rev Reduction
Fare Evasion Control*	7.0	$ 740,748	$ 50,000	$ 790,748	
Weekend Ridership Promotion	-	-	300,000	300,000	
Upgrade Board Room Equipment	-	-	75,000	75,000	
Workforce Development Grant Match	-	500,000	-	500,000	
Transportation Department Efficiency Study			1,000,000	1,000,000	
Extend 50% Discount to Riders age 13-18					(1,500,000)
OPERATING TOTAL	**7.0**	**$ 1,240,748**	**$ 1,425,000**	**$ 2,665,748**	**$ (1,500,000)**

** Funding supplemented by Access funding below*

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

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

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

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

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

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

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

Weekend Ridership Program **$0.3M Operating**

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

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

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

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

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

Transportation Department Efficiency Study **$1.0M Operating**

To improve transportation department's overall performance and efficiency, management will engage professional study and review best practices to recommend improvements including the enhancing the staffing plan and scheduling effectiveness.

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

This approved initiative, as described previously, will extend the age at which BART offers a 50% discount to youth to through age 18. As this option extends a discount, there will be a cost to the program. The FY18 Budget assumes that approximately 75% of eligible riders would use the discount, for an estimated revenue reduction of $1.5M in FY18 based on an implementation date of January 2018.

FY18 Stations & Access Initiatives

FY18 Stations & Access Initiatives are funded by estimated revenue from Parking Program fee modifications (described in Section 5), and aim to directly improve customer experience at stations.

OPERATING	FTE		Labor		Non-Labor		Total
Public Safety & Security Initative	8.0	$	784,371	$	-	$	784,371
Bike Program Operations	-		-		150,000		150,000
OPERATING TOTAL	**8.0**	**$**	**784,371**	**$**	**150,000**	**$**	**934,371**

CAPITAL	Total
Fare Evasion Barriers & Control**	$ 1,855,000
Parking Enforcement Productivity Improvement	400,000
Parking Program Software Upgrades	300,000
Carpool Enhancement Program	100,000
Public Safety & Security Initiative	415,629
Brentwood Transit Center	400,000
Public Address System Modernization	525,000
Station Sustainability	500,000
Station Entrance Security	270,000
CAPITAL TOTAL	**$ 4,765,629**

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

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

As discussed in the Strategic Initiative section above, BART is taking steps to address fare evasion. The activities below will be funded by Access funding and the Strategic Initiatives section above details Fare Evasion activities funded by General Fund resources.

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

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

Technology Investment: BART needs accurate fare evasion data to guide prioritization of our capital plan and inform our fare evasion control teams. BART is piloting video analytics for fare evasion by using existing camera feeds to gather person counts and provide improved fare evasion data. With additional funding in FY18, BART can further develop fare evasion monitoring and analysis.

Minimum Balance Requirement for Magnetic Stripe Tickets: A common method of fare evasion is for passengers to gain access to the system with a minimum-fare ($1.95) ticket[21], then to leave the system at their destination station without processing their ticket at a fare gate. Initial hardening efforts have revealed the number of passengers using this strategy to pay much less than the valid fare for their trip. One strategy to deter this behavior is to increase the minimum balance required to purchase a magnetic stripe ticket from a ticket vending machine by a factor of at least two. This will reduce the number of potential trips for which this type of fare evasion is advantageous and increase the revenue that BART collects on trips where this method of evasion is employed, while minimizing the impact on customers acting in good faith. There is no cost to implement this strategy.

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

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

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

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

Carpool Enhancement Program **$0.1M Capital**

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

Public Safety and Security Initiative **8.0 FTE, $0.8M Operating, $0.4M Capital**

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

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

This initiative includes up to four Community Service Officers (CSOs) assigned to the downtown San Francisco stations. BART commuters and staff have identified significant public health concerns with the increased use of illegal injected drugs and related paraphernalia, which is especially problematic at the Civic Center and Powell Street stations. The CSOs would be dedicated to monitoring these two stations and reporting to BART police officers upon discovery of illicit activities. The constant presence of CSOs in troubled areas of the station should improve the station environment. The CSOs presence will be supplemented by four System Service Workers (SSWs) to provide additional attention to station cleaning in the Market Street stations, and other measures to activate these spaces to improve the station environment. To facilitate compliance, BART will install signage at the downtown San Francisco stations to clearly identify that disorderly conduct is not allowed.

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

Brentwood Transit Center **$0.4M Capital**

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

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

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

Station Sustainability **$0.5M Capital**

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

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

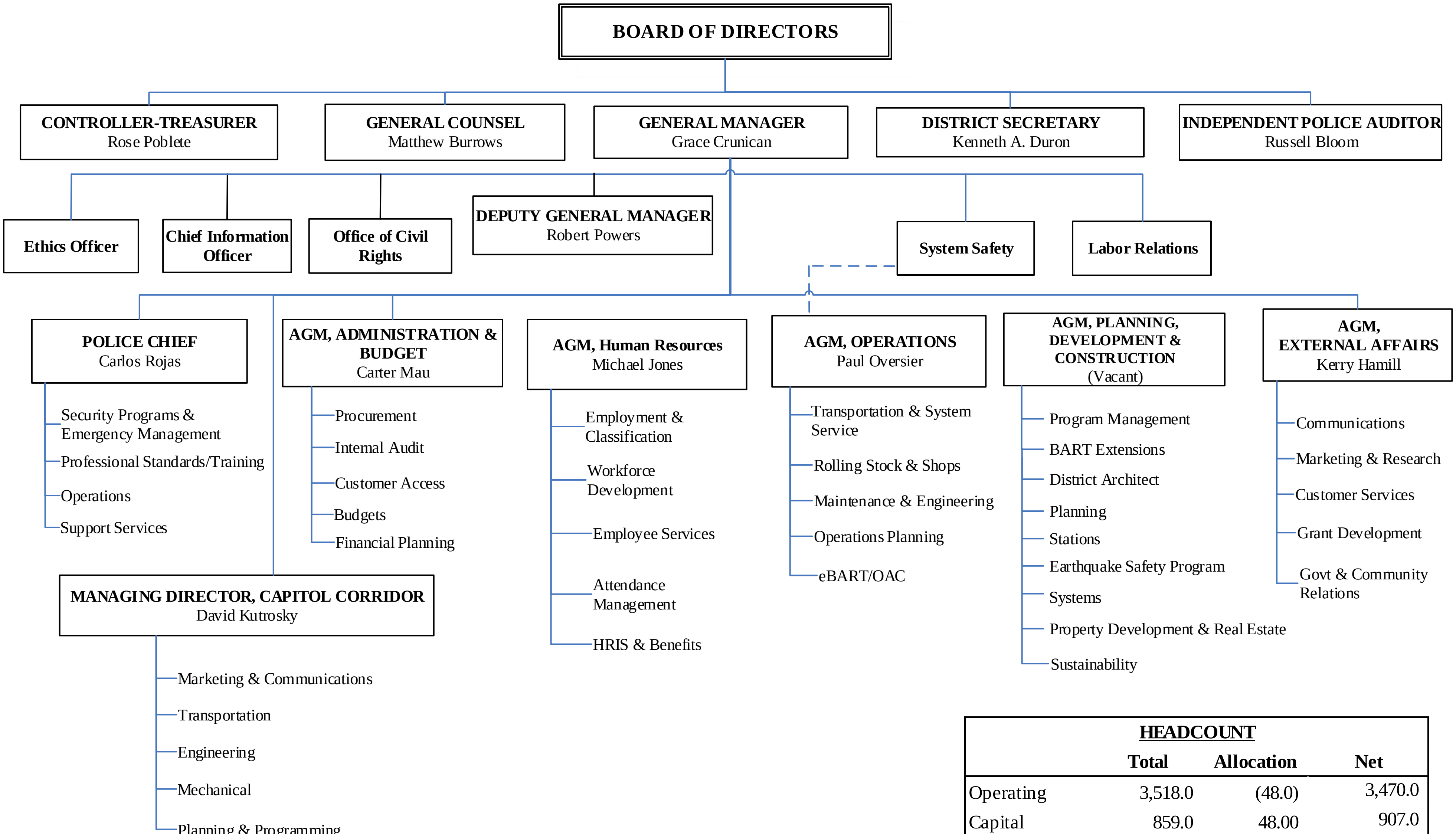
To address chronic cleanliness issues, BART will install entrance gates at the top of Market Street stairwells at downtown San Francisco stations. Previously installed gates have already improved safety and enhanced station cleanliness, and allowed system service workers to prioritize other cleaning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

Bike Program Operations **$0.15M Operating**

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

10. FY18 Adopted Budget Organization Chart

SAN FRANCISCO BAY AREA RAPID TRANSIT
FY18 Adopted Budget
ORGANIZATION CHART



HEADCOUNT

	Total	Allocation	Net
Operating	3,518.0	(48.0)	3,470.0
Capital	859.0	48.00	907.0
Reimbursable	41.5	-	41.5

Note: Annualized FTE as of FY18 year-end

11. BART Strategic Plan Framework

BART Strategic Plan Framework

Vision

BART supports a sustainable and prosperous Bay Area by connecting communities with seamless mobility.

Mission

Provide safe, reliable, clean, quality transit service for riders.

Goals

Leadership & Partnership in the Region
- ECONOMY
- EQUITY
- ENVIRONMENT

Riders & Public
- EXPERIENCE

Infrastructure & Service
- SYSTEM PERFORMANCE

Organization
- SAFETY
- WORKFORCE
- FINANCIAL STABILITY

Strategies *(FY2016-FY2020)*

- ENGAGE COMMUNITY
- CONNECT & CREATE GREAT PLACES
- ADVANCE SUSTAINABILITY
- EXPAND CAPACITY, MANAGE DEMAND
- FIX, MAINTAIN, & MODERNIZE
- ALIGN WORKFORCE WITH NEEDS
- MODERNIZE BUSINESS PRACTICES

12. Overview of Strategic Four-Year Workplans

The District's efforts can be categorized into two types of work: mission-driven, railroad-focused, day-to-day tasks; and strategic initiatives intended to advance the goals set by the Board-adopted BSP. Below is the summary level overview of each Four-Year Strategic Workplan, one for each of the seven BSP Strategies:

- Engage Community
- Connect and Create Great Places
- Advance Sustainability
- Expand Capacity, Manage Demand
- Fix, Maintain and Modernize
- Align Workforce with Needs
- Modernize Business Practices

The strategic activities listed in the overview are staff's work directed at achieving the Board's policy-level goals. For staff, the strategic activities are generally high profile, interdepartmental and interdisciplinary efforts.

Engage Community FY17-FY20 WORK PLAN

OVERVIEW

Lead Department: Office of External Affairs

Supporting Departments: BPD/OIPA/OCIO/Operations

Preparer/Owner: K. Hamill

Describe high level actions that make up the strategy, how BART will pursue, and how this Strategy supports the Strategic Plan goals and Key Performance Indicators.

Expand opportunities for interacting with and engaging the public and BART riders to strengthen relationships, to foster a better understanding of community concerns and to create interest and support for BART programs, projects and ongoing capital needs. BART will accelerate its use of a variety of efficient communication tools to reach our riders and the public, including social media, free media, staged outreach events and strategic partnerships to broaden the public's interest and to satisfy their concerns. Our near term focus will be to inform our constituents about the new rail car fleet, to introduce them to expanded service to three new stations (Warm Springs, Berryessa, Antioch), and to keep them apprised of the system improvements and enhancements that will be completed with the 2016 bond measure revenues.

Strategic Activities
1. Interacting With & Educating Constituencies
2. Increase Non-Fare Revenue
3. Salesforce/Maximo Integration
4. BART.gov Modernization

Connect & Create Great Places FY17-FY20 WORK PLAN

OVERVIEW

Lead Department: Planning, Development & Construction

Supporting Departments: Customer Access/BART Police/Operations/Government & Community Relations

Preparer/Owner: V. Menotti

Describe high level actions that make up the strategy, how BART will pursue, and how this Strategy supports the Strategic Plan goals and Key Performance Indicators.

BART will Connect & Create Great Places by investing in transit-oriented development (TOD), access, and placemaking enhancements at BART facilities and in surrounding neighborhoods. BART will lay the groundwork for expanded TOD and Station Access programs and establish a strong pipeline of projects for both. BART will continue to expand partnerships with local jurisdictions and community based organizations to implement Plan Bay Area. BART will also enhance the sense of safety and place in station areas through the Community-Based Policing and public art programs. Ultimately, these actions engage the public, increase ridership, and enhance the sense of safety and cleanliness at stations through activation of space.

Strategic Activities
1. Transit Oriented Development
2. Station Access Improvements
3. Community Based Policing
4. Station Cleanliness / Brightening
5. Placemaking (Art, Retail, Activation)
6. Enhance Capitol Corridor Customer Experience

Advance Sustainability FY17-FY20 WORK PLAN

OVERVIEW

Lead Department: Planning, Development & Construction

Supporting Departments: Operations/OCIO

Preparer/Owner: V. Menotti

Describe high level actions that make up the strategy, how BART will pursue, and how this Strategy supports the Strategic Plan goals and Key Performance Indicators.

BART will continuously pursue opportunities to improve sustainability focusing on ongoing reductions of the environmental footprint of BART and the Bay Area. Specifically, the BART Sustainability team will focus on opportunities to conserve energy and reduce our greenhouse gas emissions, reduce waste generation, conserve water, and adapt to climate changes. BART's efforts will align with its Sustainability Policy and follow best practices on sustainability from the transit industry.

Strategic Activities
1. Integrate Sustainability into BART Processes
2. Energy Efficiency, Shift Energy Portfolio To Zero/Low Carbon And Renewable Sources
3. Waste Reduction/Recycling
4. Water Conservation
5. Climate Change & Extreme Weather Adaptation

Expand Capacity, Manage Demand FY17-FY20 WORK PLAN

OVERVIEW

Lead Department: Operations **Supporting Departments: All**

Preparer/Owner: P. Oversier/V. Menotti/D. Kutrosky

Describe high level actions that make up the strategy, how BART will pursue, and how this Strategy supports the Strategic Plan goals and Key Performance Indicators.

BART is engaged in a wide range of activities to address BART's peak period, peak direction capacity constraints, and to increase BART's reach to more of the Bay Area. This strategy includes improvements to capacity at the core of the BART system through ongoing investment in the "Big 3:" fleet expansion, expansion of the Hayward Maintenance Complex and train control modernization. BART will also explore innovative, non-capital approaches to managing demand to relieve crowding by encouraging travel at other times of day.

The next four years will see the culmination of years of work on three expansion projects when the Warm Springs Extension (2017), eBART, and BART to Silicon Valley Phase I extensions open. BART will continue to study options to serve a larger geography in Alameda, Contra Costa and San Francisco Counties through possible future expansions and/or improvements to other modes of access. The Capitol Corridor will similarly work to update its infrastructure to meet significant increases in demand.

Strategic Activities
1. Modernize BART Infrastructure to Meet Demand
2. Expansion Projects
3. Manage Parking Efficiently
4. Innovations to Support Ridership
5. Fleet Management
6. Modernize Capitol Corridor Infrastructure to Meet Demand

Fix, Maintain, & Modernize FY17-FY20 WORK PLAN

OVERVIEW

Lead Department: Operations **Supporting Departments: All**

Preparer/Owner: P. Oversier

Describe high level actions that make up the strategy, how BART will pursue, and how this Strategy supports the Strategic Plan goals and Key Performance Indicators.

In the Fix, Maintain & Modernize Work Plan, BART is continuing its ongoing efforts to ensure that existing facilities can operate with minimal failures, and utilizing modern technology and equipment. This work will be greatly enhanced by Measure RR funds. Over the period from 2016 to 2020 BART's focus will be to enhance safety of passengers and employees through efforts such as the Earthquake Safety Program, track rehabilitation and replacement, traction power improvements, fire suppression upgrades, and various other efforts to eliminate potential incidents in the operating envelope. Work on the new Transit Operations Facility and the Train Control System will enable BART to operate both existing and new lines more effectively. Other state of good repair initiatives will help prevent future system failures by addressing degradation of BART's electrical systems, water leakage, and structural and erosion issues.

Strategic Activities
1. Complete Earthquake Safety Program
2. Design & Complete New Transit Operations Facility
3. Implement New Train Control System
4. Federal Stormwater Environmental Compliance (MS4)
5. Modernize Customer-Facing Station Infrastructure
6. Fare Evasion Suppression
7. Safety Upgrades for Employees & Infrastructure
8. Track Rehabilitation & Replacement
9. Improvements to the Traction Power System
10. State of Good Repair Initiatives

Align Workforce With Needs FY17-FY20 WORK PLAN

OVERVIEW

Lead Department: Human Resources/Labor Relations **Supporting Departments: All**

Preparer/Owner: M. Jones

Describe high level actions that make up the strategy, how BART will pursue, and how this Strategy supports the Strategic Plan goals and Key Performance Indicators.

Given that eighty-five (85) percent of BART's workforce is unionized, a key strategy for modernizing BART's workforce is developing agreed-upon initiatives and shared approaches between the District and BART's labor organizations. BART's Human Resources group is committed to revitalizing and modernizing core HR business process with a focus on documenting and implementing controls and efficient processes. This work plan provides a framework for aligning and integrating workforce planning into the District's overall prioritization and performance-identifying management efforts, core business processes, and budgeting activities. BART's focus on providing upward mobility is integral to workforce readiness. We are defining career pathways that engage our regional partners to support BART's and the Bay Area's focus on greater economic opportunity, shared prosperity and economic resilience.

Strategic Activities
1. Implement Road Map to Stabilize & Improve Labor Relations
2. Human Resources Internal Revitalization
3. Expand Regional Workforce Partnerships With The Community

Modernize Business Practices FY17-FY20 WORK PLAN

OVERVIEW

Lead Department: OCIO/Admin & Budget **Supporting Departments: All**

Preparer/Owner: R. Misra/C. Mau

Describe high level actions that make up the strategy, how BART will pursue, and how this Strategy supports the Strategic Plan goals and Key Performance Indicators.

BART's Modernize Business Practices Strategy focuses on cost reduction, improved service delivery, and agility to respond to the District's growth and increasing customer demand through technology and process improvements. In addition, this strategy focuses on building governance infrastructure to view emerging and evolving technology in a cohesive and integrated way. These efforts magnify and help transform the workforce through machine assisted learning, procedural efficiencies, and clear performance metrics.

Over the next four (4) years, this work plan will provide a framework for aligning, integrating and executing projects that will evolve and modernize Finance, Human Resources, Procurement and the Office of Civil Rights. This work plan will also strengthen collaboration, resilience and access to Documentation, System Safety, Asset Management, Cybersecurity and Telecommunications Revenue.

To this end, BART will evolve, mature, develop and advance key business functions through the adoption of modern best practices and technology.

Strategic Activities
1. Modernization via Leveraging Technology
2. Modernize Financial Systems
3. Modernize HR Business Processes
4. Modernize Systems for the Office of Civil Rights
5. Modernize Procurement Department Business Processes
6. Evolving System Safety Technology
7. Implement A Roadmap in Support of Asset Management
8. Cybersecurity and Stability
9. Collaboration Improvements

Attachment A: Executive Decision Document & Resolution Adopting the FY18 Budget

EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: 15 JUNE 2017		GENERAL MANAGER ACTION REQ'D:		
DATE: 6/8/2017		BOARD INITIATED ITEM: No		
Originator/Prepared by: Robert Umbreit Dept: Budget Signature/Date: 6/15/17	General Counsel 6/15/17 [ ]	Controller/Treasurer Chris Gan 6/15/17 [ ]	District Secretary 06/15/17 [ ]	BARC [ ]

ANNUAL BUDGET RESOLUTION FOR FISCAL YEAR 2018

PURPOSE:
To authorize adoption of the Annual Budget Resolution for Fiscal Year 2018 (FY18).

DISCUSSION:
Approval by the Board of Directors is required for the FY18 operating and capital budgets. The total proposed FY18 operating and capital budget is $1.92 billion. The FY18 operating budget is balanced, with $920.6 million (M) in uses, and the FY18 capital budget totals $997.9M.

The proposed FY18 annual budget is summarized in Attachments 1, 2, 3 and Exhibit A. The attachments summarize the budget including proposed initiatives and capital allocations that were reviewed in presentations to the Board of Directors at regular meetings of the Board and Committees from March through June. The capital budget has been updated for the finalized FY18 budgeted positions. The only other changes from the Revised Preliminary Budget are regarding the placeholder for Low Carbon Fuel Standard (LCFS) program funds, and a minor reclassification of revenue between parking and other revenue categories (no impact). The Revised Preliminary Budget had included the $4.0M placeholder (until a Low Carbon Fuel Standard Policy is approved by the Board) for use of the LCFS revenue in the budget as non-labor expense. The proposed Annual Budget now instead includes the placeholder in the budget as an allocation to operating reserves, pending approval of a policy.

FY18 Operating Budget
The FY18 budget includes funding to open the Silicon Valley Berryessa Extension, estimated to open in early 2018 and the eBART extension, estimated to open in May 2018. Despite a

challenging fiscal picture with declining ridership and slowing sales tax growth that limits available funding, the budget also includes $4.2M in initiatives including investments in controlling fare evasion, extending a 50% Youth Discount to ages 13-18, and other programs. In addition, per Board policy established in 2013, a portion of parking revenue funds a variety of station and access related projects, including a safety & security initiative, additional (capital) funding for fare evasion efforts, and other stations/access initiatives. The addition to ongoing projects totals $5.7M in FY18. Budget and stations/access initiatives for FY18 are listed in Attachment 3.

When the proposed FY18 operating budget was first developed, the projections were for a shortfall of $30.8M and $3.2M in budget initiatives were proposed, so a $34M shortfall needed to be addressed. The original Preliminary Budget proposed a variety of solutions, which were modified to the current proposal after the California Legislature passed SB 1 in April and increased State Transit Assistance funding by an estimated $16.2M. The proposed solutions include reductions in operating expense, a surcharge on magnetic stripe tickets, a one-time reduction in the baseline capital allocation, and usage of prior year Low Carbon Transit Operations Program funds to help meet the FY18 commitment of $45M in operating funds for the new rail car program. The proposed initiatives were also supplemented by adding initiatives for a Transportation and System Service Department efficiency study and funding the Late Night Bus program for FY18. Other changes from the original Preliminary Budget include adding 5 Police Officer and 4 Community Service Officer positions for the outer C-Line and adding 4 system service workers to the operating portion of the safety and security initiative (while reducing the capital portion of the initiative).

Approval of the FY18 operating budget as proposed is dependent on Board approval of fare changes related to the $0.50 surcharge on trips taken with magnetic stripe tickets, decreasing the discount for the Youth Discount from ages 5-12 from 62.5% to 50%, and offering a new Youth Discount of 50% to ages 13-18. If these are not approved the budget will need to be modified.

FY18 Capital Budget

The capital budget proposes FY18 expenditures of $998M and funds 948.5 positions. This is a decrease of $28M, or 3%, over the Preliminary Budget, with variances due to the ongoing refinement and sequencing of the multi-year Measure RR funded capital improvement program. Compared to the adopted FY17 capital budget, the FY18 proposed budget represents a 12% increase in capital expenditures. This is attributed to expenditure increases in several key capital program categories, including Service and Capacity Enhancement (54% increase to $74.8M), Earthquake Safety (66% to $100.6M), System Renovation and Reinvestment (15% increase to $673.1M), and Safety and Security (4% to $70.4M). Reflecting the "wind down" of Warm Springs and eBART extensions, System Expansion will be the only program category experiencing an expenditure decrease in FY18 (a 39% reduction from FY17 to $73.5M) Railcar replacement ($287M) and the Hayward Maintenance Complex ($71M) represent the largest individual project expenditures in the capital budget. Other major expenditures reflect the renewed emphasis on system reinvestment, including mainline rail and power distribution projects ($175M), train control and fare collection ($64M) and station modernization and renovation projects ($67M).

In November 2016, the capital program was provided with a substantial source of support with the passage of Measure RR and its authorization to issue up to $3.5B in general obligation bonds to fund certain capital improvements. As the Measure RR program gets under way, this source will become more prominent in the mix of federal, regional and local funds, which also includes a sizable commitment of BART operating allocations. The ongoing commitment of BART funds is an essential component of the capital program, particularly in meeting the long-term commitments required to deliver major capital projects such as rail car replacement and the Hayward Maintenance Complex. Other capital activities dependent on operating allocations are grant-ineligible projects and initiatives, routine but necessary capitalized maintenance projects, emergent safety and security projects, and equipment and inventory. Operating allocations derived from parking revenues are dedicated, per board policy, to a variety of station and access improvements, including signage, pedestrian improvements, station heavy cleaning, information displays, bike improvements, limited studies, and the sustainability program. As mandated by regional programming requirements, federal funds are directed to train control and traction power, trackway renovation, general mainline repairs, rail cars, fare collection, and ADA/system accessibility improvements. Other capital revenues are limited in their flexibility and many sources and grants are restricted to certain projects and/or activities as a condition of award. The FY18 capital budget contains modest but important contributions of state and local funds, including bridge toll allocations and county transportation sales tax funds, which are earmarked for station modernization and grant match. Proceeds from the Earthquake Safety general obligation bond are dedicated exclusively to the Earthquake Safety program. Additionally, there are smaller, defined purpose grants that are limited to specific projects.

FY18 Budget Resolution
Staff recommends approval of the attached Resolution to adopt the FY18 Annual Budget. As in previous years, the FY18 Resolution includes authorizations including the submittal of annual applications for Transportation Development Act (TDA), State Transit Assistance (STA) and Bridge Toll funds that are included in the FY18 capital budget, as appropriate. The Resolution also allows the General Manager or the General Manager's designee to execute the agreement with the City and County of San Francisco to provide annual transfer payments for feeder services to the San Francisco Municipal Transportation Agency for FY18. The Resolution also incorporates provisions referring to the SFO Extension service plan and certain District system-wide operating policies. The only changes to the authorizations for FY18 are authorizing the General Manager to waive minor irregularities in bid documents prior to recommending contract awards to the Board and removal of an authorization to file grant applications with the State of California for certain security grants since those grants are now completed.

Exhibit A (attached) of the Budget Resolution summarizes operating and capital budget totals. It includes modifications to the Preliminary Budget as outlined in the previous paragraphs. Exhibit B (attached) reflects current hourly pay rates or base pay ranges, as applicable, and management incentive pay, if any, for non-represented employees.

FISCAL IMPACT:
The proposed FY18 Annual Budget is balanced.

ALTERNATIVES:
Not adopt the budget or adopt a budget that differs from what has been presented to the Board of Directors. Rules of the Board of Directors require that the budget be adopted prior to June 30th; adoption of the Budget Resolution by June 30th is required to authorize expenditures in FY18.

RECOMMENDATION:
Adoption of the following motion.

MOTION:
Adoption of the attached Resolution in the matter of approving the Annual Budget for the San Francisco Bay Area Rapid Transit District and authorizing expenditures for the fiscal year July 1, 2017 to June 30, 2018.

Attachment 1
Fiscal Year 2018 District Operating Budget
Sources and Uses Detail

SOURCES	FY18 PRELIMINARY	Changes	FY18 ADOPTED
Rail Passenger Revenue	$ 511,668,779	$ (879,647)	$ 510,789,132
ADA Passenger Revenue	885,651	-	885,651
Parking Revenue	35,000,964	185,000	35,185,964
Other Operating Revenue	32,074,499	(185,000)	31,889,499
Sub-Total Operating Revenue	**579,629,893**	**(879,647)**	**578,750,246**
Sales Tax Proceeds	252,458,736	-	252,458,736
Property Tax Proceeds	42,190,202	-	42,190,202
Local & Other Assistance	6,227,910	-	6,227,910
State Transit Assistance	10,610,398	16,213,781	26,824,179
Low Carbon Fuel Standard Program	4,000,000	-	4,000,000
VTA Financial Assistance	7,090,778	-	7,090,778
Sub-Total Financial Assistance	**322,578,024**	**16,213,781**	**338,791,805**
TOTAL SOURCES	**902,207,917**	**15,334,134**	**917,542,051**
USES			
Labor & Benefits	535,812,876	6,113,020	541,925,896
OPEB Unfunded Liability	3,071,000	-	3,071,000
ADA Paratransit	14,955,478	-	14,955,478
Purchased Transportation	14,045,842	273,000	14,318,842
Power	42,868,815	460,185	43,329,000
Other Non-Labor	123,622,930	1,506,185	125,129,115
Sub-Total Operating Expense	**734,376,941**	**8,352,390**	**742,729,331**
Debt Service	50,770,050	-	50,770,050
Allocation - Capital Rehabilitation	25,422,703	3,790,366	29,213,069
Allocation - Rail Car Sinking Fund	39,000,000	-	39,000,000
Allocation - Priority Capital Programs	38,842,193	-	38,842,193
Allocation - Stations & Access Projects	5,807,097	(808,622)	4,998,475
Allocations - Other	3,521,525	-	3,521,525
Allocation - Rail Car Project from SFO Net Result	7,538,408	-	7,538,408
Allocation - Reserves	-	4,000,000	4,000,000
Sub-Total Allocations	**170,901,976**	**6,981,744**	**177,883,720**
TOTAL USES	**905,278,917**	**15,334,134**	**920,613,051**
OPEB Unfunded Liability	**(3,071,000)**	**-**	**(3,071,000)**
NET RESULT	**$ -**	**$ -**	**$ -**
Average Weekday Trips	431,084		431,709
Operating Ratio	78.9%		77.9%
Farebox Recovery Ratio	69.8%		68.9%

Attachment 2

FY18 Capital Budget
Headcount and Planned Expenditures
Program Summary by Category

Program Category	Capital Headcount* FY18	Planned Expenditures FY18
System Renovation		
Rolling Stock	51.3	287,346,211
Mainline	432.3	175,444,500
Stations	24.8	66,511,228
Controls & Communications	97.1	63,872,359
Facilities	27.7	79,826,248
Work Equipment	0.3	94,374
Total System Renovation	**633.5**	**673,094,920**
Safety & Security	16.5	70,440,845
Earthquake Safety	27.6	100,631,598
Service & Capacity Enhancement	21.4	74,802,778
System Expansion	160.4	73,452,797
Capitol Corridor**	24.0	**3,700,000**
Reimbursable***	17.0	**1,800,000**
Cost Allocation Plan	48.0	
TOTALS	**948.5**	**997,922,939**

* Total authorized permanent positions.

** All expenses for the Capitol Corridor service to be reimbursed as allocated to the Capitol Corridor Joint Powers Board in the Annual State Budget Act.

*** Positions fully reimbursed by Muni, Caltrans, and others for BART staff expenses incurred in performing services for those organizations.

Attachment 3

FY18 Operating and Capital Budget Initiatives (General Fund)

OPERATING	Pos.	Labor	Non-Labor	Total
Fare Evasion Control	7.0	740,748	50,000	790,748
Weekend Ridership Promotion		-	300,000	300,000
Upgrade Board Room Equipment and Agenda Web Page		-	75,000	75,000
Workforce Development Grant Match		500,000	-	500,000
Transportation Department Efficiency Study			1,000,000	1,000,000
Total Operating Expense	**7.0**	**1,240,748**	**1,425,000**	**2,665,748**

FARES	Revenue Loss
Extend 50% Youth Discount to Riders Age 13-18	**1,500,000**

CAPITAL	Total
Upgrade Board Room Equipment (capital portion)	50,000
CAPITAL TOTAL	**50,000**

FY18 Stations & Access Projects (from Parking Revenue)

OPERATING	Pos.	Labor	Non-Labor	Total
Safety & Security Initiative*	8.0	784,371	-	784,371
Bike Program Operations		-	150,000	150,000
OPERATING TOTAL	**8.0**	**784,371**	**150,000**	**934,371**

CAPITAL	Total
Fare Evasion Barriers	1,855,000
Safety & Security Initiative (capital portion)*	415,629
Parking Enforcement Productivity Improvement	400,000
Parking Program Software Upgrades	300,000
Carpool Enhancement Program	100,000
Brentwood Transit Center	400,000
Public Address System Modernization	525,000
Station Sustainability	500,000
Station Entrance Security	270,000
CAPITAL TOTAL	**4,765,629**

*Revised from Preliminary Budget to include 4 System Service workers, capital portion lowered to offset

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

In the matter of approving The Annual Budget for the San Francisco Bay Area Rapid Transit District and authorizing Expenditures for the Fiscal Year July 1, 2017, to June 30, 2018

Resolution No. 5345

WHEREAS, the Board of Directors of the San Francisco Bay Area Rapid Transit District published notices on May 5 and May 6, 2017 in newspapers of general circulation in the County of San Francisco, the County of Contra Costa, and the County of Alameda of its intention to adopt an Annual Budget for the Fiscal Year July 1, 2017, to June 30, 2018; and

WHEREAS, the Board of Directors of the San Francisco Bay Area Rapid Transit District desires to adopt an Annual Budget for the Fiscal Year July 1, 2017, to June 30, 2018; and

WHEREAS, the Board of Directors of the San Francisco Bay Area Rapid Transit District is required by Public Utilities Code Section 28767 to determine and create, by resolution, such number and character of positions as are necessary to properly carry out the functions of the District; and

WHEREAS, the Transportation Development Act (TDA), Public Utilities Code §99200, et seq., provides for the disbursement of funds from the Local Transportation Fund of the Counties of Alameda and Contra Costa for use by eligible claimants for the purpose of operating assistance; and

WHEREAS, the State Transit Assistance (STA) fund makes funds available pursuant to Public Utilities Code Section 99313.6 for allocation to eligible applicants to support approved transit projects; and

WHEREAS, as attested to by opinions of the Office of the General Counsel, the San Francisco Bay Area Rapid Transit District is an eligible applicant for Net Toll Revenues and MTC Rail Extension Reserve bridge toll revenues pursuant to Section 30892 of the Streets and Highways Code; and is an eligible claimant for TDA and STA funds pursuant to Public Utilities Code Section 99260; and

WHEREAS, the agreement between the San Francisco Bay Area Rapid Transit District and San Mateo County Transit District, dated April 27, 2007, states that the San Francisco Bay Area Rapid Transit District will provide service on the SFO extension in a manner consistent with BART's system-wide operating policies; and

WHEREAS, the system-wide operating plan for Fiscal Year 2018 was presented to the Board of Directors on May 11, 2017, in a presentation entitled Fiscal Year 2018 Preliminary Budget Operating Sources, Uses, Service Plan ; and

NOW, THEREFORE, BE IT RESOLVED that the attached Annual budget (marked Exhibit A and incorporated herein as though set forth at length) is hereby adopted; and

BE IT FURTHER RESOLVED that, subject to the resolved clauses, said Annual Budget includes appropriations of monies expected to be available in the General Fund, Capital Funds including Construction Funds and existing and anticipated Federal, State and local grants, for expenditures in the amounts and for the purposes set forth in said budget; and

BE IT FURTHER RESOLVED that the General Manager is authorized to enter into services agreements (including professional, technical, maintenance and repair agreements) and lease or license agreements for District use of real property, facilities, equipment and software provided that:

(1) The General Manager shall first determine that the work or services concerned, in the amounts authorized in a service agreement, cannot satisfactorily be performed by the officers or employees of the District;

(2) Agreements that are let by public bidding, service, lease, and license agreements, and amendments thereto, between $25,000 and $100,000, shall be reported bi-monthly to the Board of Directors;

(3) Prior authorization by the Board of Directors is required when:

a. The agreement, and amendments thereto, total in the aggregate $100,000 or more in the fiscal year; or

b. Amendments total in the aggregate $100,000 or more in any subsequent fiscal year;

(4) The General Counsel is authorized to enter into services agreements in amounts up to $100,000 with special counsel not previously designated by the Board without prior notice to the Board where the General Counsel determines that such immediate action is necessary to protect the legal interests of the District. Any such agreement shall be reported by the General Counsel to the Board within the calendar month thereafter.

(5) The General Manager's authority to take immediate remedial measures, as defined in Section 20224 of the California Public Contract Code, and as authorized in Resolution No. 4834 shall remain unchanged; and

BE IT FURTHER RESOLVED that the General Manager is authorized to exchange District goods and services for goods and services from others of approximately equal or greater value; and

BE IT FURTHER RESOLVED that all disbursements resulting from the exercise of authority granted the General Manager pursuant to this resolution shall be reported to the Board of Directors in the District's quarterly financial report; and

BE IT FURTHER RESOLVED THAT that the General Manager is authorized to waive minor irregularities in bid documents prior to recommending contract awards to the Board; and

BE IT FURTHER RESOLVED that Resolution No. 5324, adopted June 9, 2016, is repealed effective August 31, 2017, except as it applies to unexpended capital appropriations, and

BE IT FURTHER RESOLVED that the General Manager or the General Manager's designee is authorized to execute and file a Bridge Toll Application, a TDA Application and an STA Application along with necessary supporting documents, with the Metropolitan Transportation Commission for allocation of bridge toll revenues, TDA and STA funds in FY18; and

BE IT FURTHER RESOLVED that the San Francisco Bay Area Rapid Transit District's system-wide operating policies shall be generally as set forth in the May 11, 2017, presentation entitled Fiscal Year 2018 Preliminary Budget Operating Sources, Uses, Service Plan and Capital, subject to such adjustments that staff determines necessary to operate the service in the public's interest; and

BE IT FURTHER RESOLVED that the General Manager or the General Manager's designee is authorized to execute an agreement with the City and County of San Francisco (CITY) to provide a transfer payment in FY18, such transfer payment being paid by the District to CITY in order to facilitate the coordination of transit service and furnish an incentive to CITY for providing enhanced transfer services between MUNI and BART stations; and

BE IT FURTHER RESOLVED that the General Manager is authorized to make expenditures and incur liabilities against said funds within the limits set forth in said budget and the provisions of this Resolution, and to act on behalf of the District in connection with contracts arising thereunder, by following the procedures provided by law, and by Board of Directors' Resolutions and Board Rules, except that no contractual obligation shall be assumed by the District in excess of its ability to pay, and provided further that all expenditures shall be in conformance with statutory and other restrictions placed on the use of said funds; and

BE IT FURTHER RESOLVED that the General Manager is authorized to exceed Board Appointed Department/Executive Office budgets by more than ten percent (10%) ten (10) days after written notice of this intended action has been mailed to the Board of Directors, provided that the Total Net Operating Expense line item set forth in "Exhibit A" is not exceeded and such action is consistent with Board Rule 5-1.4 and provided further that the General Manager will prepare and send to the Board, a summary of Department budgets within approximately 30 days after the adoption of this budget; and

BE IT FURTHER RESOLVED that the General Manager is authorized to exceed the foregoing ten percent limitation for emergency expenditures which are made in accordance with Resolution No. 4834 and Public Contract Code Section 20224; and

BE IT FURTHER RESOLVED that the General Manager is authorized to act on behalf of the District, and to make expenditures and incur liabilities against all funds of the District as provided for in contracts which have been authorized by the Board of Directors of the District and that the Board's authorizations of such contracts also include the necessary appropriations for such contracts and change orders authorized by Rules approved by the Board, subject, however, to compliance with such specific appropriation resolutions as may be adopted by the Board from time to time; and

BE IT FURTHER RESOLVED that the General Manager or the General Manager's designee is authorized to issue free or discounted promotional tickets in FY18 for purposes of building ridership on the system, consistent with ridership development guidelines; and

BE IT FURTHER RESOLVED that effective July 1, 2017:

(1) The total number of permanent full and permanent part-time positions ("full time equivalent") as of July 1, 2017, budgeted for the District shall be 4,418.5 (a part-time position is counted as 0.625 positions). Additional permanent positions are authorized, as required, not to exceed 50 positions, of which not more than 25 positions may be charged to operating expense provided the budgeted Total Net Operating Expense is not thereby exceeded;

(2) The character and salary ranges of such positions, including officers appointed by the Board pursuant to Public Utilities Code Section 28811 shall be as set forth in the agreements entered into with Service Employees' International Union, Local 1021, Amalgamated Transit Union, Local 1555, American Federation of State and County Municipal Employees, Local 3993, the BART Police Officers Association and the BART Police Managers Association as to the employees represented thereby, and with other Bargaining Units for employees that may later be represented thereby, and for all other employees as set forth in the attached "Exhibit B", incorporated herein as though set forth at length. The employment benefits for non-represented employees shall be administered by the General Manager in accordance with Board Rule 4-1.2.

(3) The General Manager is authorized to make future adjustments to the Professional/Management Salary Ranges ("Exhibit B") for non-represented employees in accordance with applicable provisions of the Compensation Manual, which reflects the District policy and practice to evaluate such ranges on an annual basis and to establish the mid-points of the pay ranges for positions so that they approximate the 75th percentile of the average of salaries paid for similar jobs in the labor market and to promptly advise the Board of any and all such range adjustments. The General Manager is directed to initiate the annual review by October of each year.

(4) The District Secretary shall insure that an amendment to Exhibit B be prepared to reflect any adjustment to the hourly wage rates or professional/management pay bands as provided above or any adjustment to the Board appointed officers' salaries as a result of merit adjustments or scheduled increases provided in such officers'

employment agreements that take effect during the fiscal year. The District Secretary shall attach any such amendment to Exhibit B as an addendum to this resolution.

(5) The General Manager is authorized to pay non-represented employees on the merit plan who are eligible for a wage increase of up to 4.2214% as of July 1, 2017, and up to 2.5% as of January 1, 2018, that portion of their merit increase which exceeds the top of the base salary range with no increase to the employee's "base wage" above the top of the salary range. The amount over the top of the salary range shall be paid over the following twelve month period in equal pay period installments and will be discontinued after the expiration of the twelve month period unless the pay range is adjusted in accordance with (3), above, to incorporate that portion that is over the top of the salary range. Employees must have been rated "effective" or higher overall in their most recent performance evaluation to be eligible for any merit increase.

BE IT FURTHER RESOLVED that the General Manager or the General Manager's designee shall post all grant applications online to the public as they are submitted, except those that if made public would compromise the security of the system.

# # #

EXHIBIT A
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
ANNUAL BUDGET - FISCAL YEAR 2018

FUND SOURCES		**TOTAL**
FUND SOURCES FOR NET OPERATING EXPENSE BUDGET, DEBT SERVICE AND CAPITAL ALLOCATIONS		
Operating Revenue	$	578,750,246
Property Tax		42,190,202
1/2 ¢ Sales Tax		252,458,736
Measure B, BB, & J Assistance		4,734,214
FTA 5314 Technical Assistance & Workforce Development		500,000
Other Financial Assistance		110,000
Caltrain - Millbrae Station Joint Use		883,696
Valley Transportation Authority - Silicon Valley Extension		7,090,778
State Transit Assistance		26,824,179
Low Carbon Fuel Standard Program		4,000,000
Total Operating Sources		**917,542,051**
FUND SOURCE FOR CAPITAL BUDGET		
Capital Funds - Cash Flow FY18	**$**	**997,922,939**
TOTAL ESTIMATED FUND SOURCES	**$**	**1,915,464,990**
FUND USES		
FUND USES FOR NET OPERATING EXPENSE BUDGET, DEBT SERVICE AND CAPITAL ALLOCATIONS		
Net Labor Expense[(1)]	$	544,996,896
Non-Labor Expense		197,732,435
Total Net Operating Expense	**$**	**742,729,331**
Revenue Bond Debt Service		50,770,050
Allocations to Capital - Rehabilitation		29,213,069
Allocations to Capital - Rail Car Sinking Fund		39,000,000
Allocations to Capital - Priority Capital Programs		38,842,193
Allocations to Capital - Stations & Access Projects		4,998,475
Allocations to Capital - Other		3,521,525
Allocation to Rail Car Project from SFO Net Result		7,538,408
Allocation to Reserves		4,000,000
Total Operating Uses	**$**	**920,613,051**
Other Post Employment Benefits Unfunded Liability	**$**	**(3,071,000)**
FUND USES FOR CAPITAL BUDGET		
Capital Funds - Cash Flow FY18	**$**	**997,922,939**
TOTAL ESTIMATED FUND USES	**$**	**1,915,464,990**
NET FINANCIAL RESULT (DEFICIT)	**$**	**-**

EXHIBIT B

CHARACTER, BASE SALARIES, PAY BANDS, HOURLY WAGE RATES, AND MANAGEMENT INCENTIVE PAY OF MANAGEMENT AND NON-REPRESENTED CLASSIFICATIONS

CHARACTER OF POSITION/PAYROLL
CLASSIFICATION TITLE

HOURLY WAGE RANGE

CLERICAL & HOURLY	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	STEP 6
ADMINISTRATIVE TECHNICIAN	$29.3957	$ 30.6924	$ 31.8942	$ 33.1272	$ 34.3922	$ 34.8778
ADMINISTRATIVE SECRETARY	28.2997	29.5464	30.7011	31.8869	33.1035	33.5661
SENIOR SECRETARY	26.3536	27.3271	28.3307	29.5464	30.7321	31.1946
SENIOR CLERK	28.0477	29.2822	30.4264	31.6010	32.8057	33.2684
INTERMEDIATE CLERK	25.0963	26.1196	27.0835	28.0793	29.2822	29.7448
INTERMEDIATE CLERK P/T	27.5810	28.7066	29.7669	30.8623	32.1855	32.6944
PARALEGAL	35.0916	36.6375	38.0692	39.5397	41.0483	41.6219
P/T SURVEY TAKER (SINGLE RATE)	33.7548					
ENGINEER INTERN	18.0000					

NOTE: The clerical rates are effective 1/1/2017

PROFESSIONAL/MANAGEMENT PAY BANDS

PAY BAND	MINIMUM	MIDPOINT	MAXIMUM
14	$156,452	$199,479	$242,505
13	135,152	172,320	209,489
12	122,589	156,301	190,013
11	116,749	148,857	180,965
10	111,189	141,767	172,345
9	105,895	135,017	164,139
8	100,852	128,587	156,322
7	91,475	116,632	141,788
6	87,120	111,079	135,038
5	79,020	100,752	122,483
4	75,258	95,955	116,651
3	71,673	91,385	111,096
2	68,260	87,033	105,806
1	61,913	78,940	95,968

NOTE: The professional/ management pay bands were effective 01/01/2015.

MANAGEMENT INCENTIVE PAY (ANNUAL)	Amount	Effective
Assistant General Manager - Administration and Budget	$4,800	8/14/2006
Assistant General Manager - Operations	$4,800	6/28/1999
Assistant General Manager- External Affairs	$4,800	11/4/2013
Assistant General Manager- Human Resources	$4,800	1/30/2017
Chief Information Officer	$4,800	3/1/2013
Chief of Police	$4,800	5/22/2017
Deputy General Manager	$4,800	2/13/2017
Managing Director - Capitol Corridor	$4,800	11/21/2009

Due to the unique nature of these jobs as executive management employees reporting directly to the General Manager, these classifications are eligible to receive Management Incentive Pay of $4,800 annually (26 equal pay period installments of $184.61).

BOARD APPOINTED OFFICERS' ANNUAL SALARIES

Base Salaries	7/1/2017
DISTRICT SECRETARY	$198,380.34
CONTROLLER-TREASURER	$251,978.92
GENERAL COUNSEL	$278,598.98
GENERAL MANAGER	$375,989.61
INDEPENDENT POLICE AUDITOR	$189,757.26

Note: The Board approved the salary adjustments for the Board Appointed Officers on February 9, 2017.