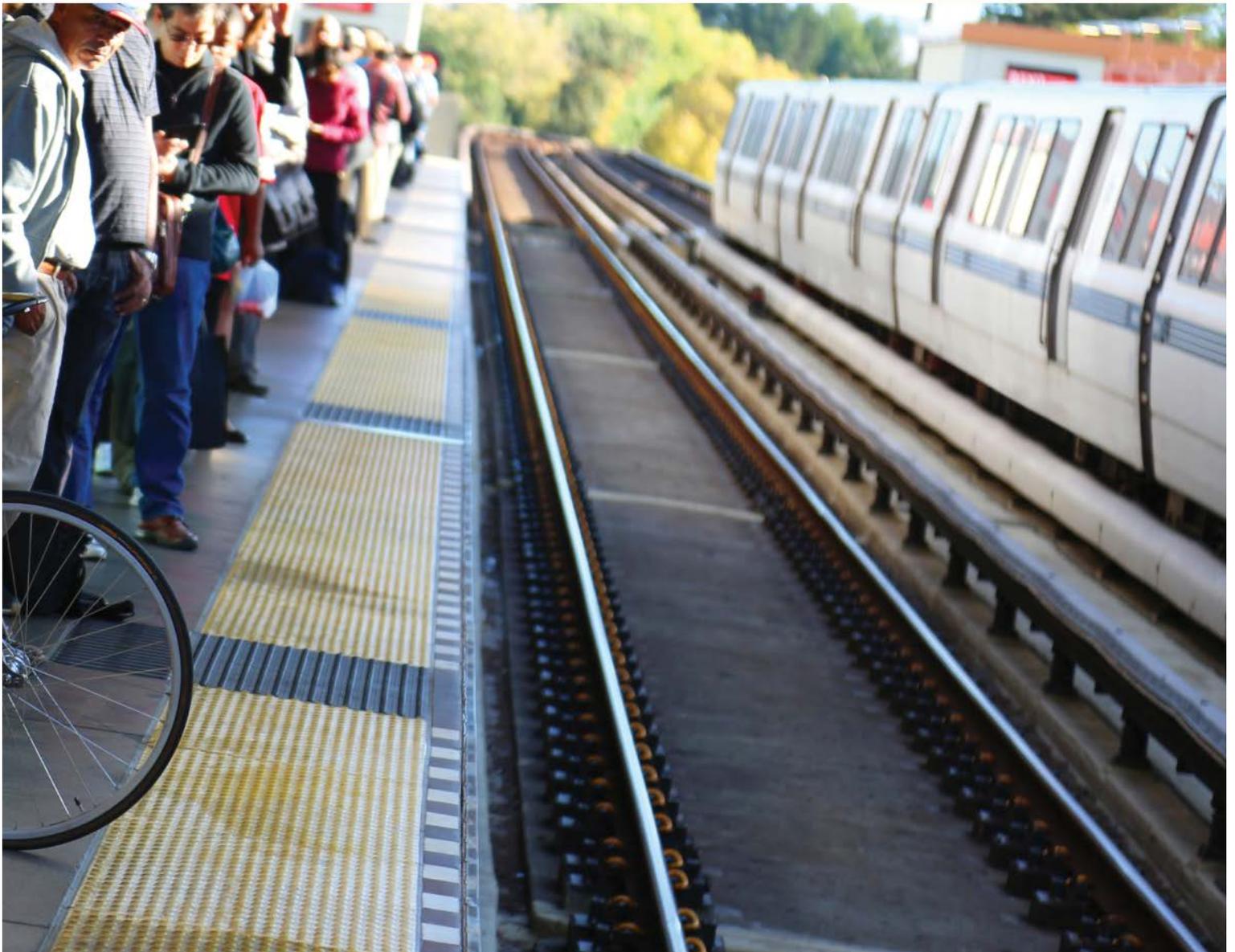




San Francisco Bay Area Rapid Transit District Preliminary Budget Memo Fiscal Year 2019

March 30, 2018



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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors

DATE: March 30, 2018

FROM: General Manager

SUBJECT: Fiscal Year 2019 Preliminary Budget

As we develop the FY2019 (FY19) Preliminary Budget, we continue to address challenges faced over the last few years--declining ridership and fare revenue, aging infrastructure and increased operating expenses---at the same time we are moving forward with major system reinvestments and opening extension projects.

Although the regional economy has continued to grow at a healthy pace, BART's previously strong ridership has declined by approximately 3% from previous years. Peak-period ridership remains the exception to this downward trend, with many Transbay trains at or above capacity, resulting in crowding for a short portion of the day. In addition, the region struggles with many quality-of-life issues. BART has begun to turn the corner on managing these issues within trains and stations but still feels the impact of the region's homelessness issues. Lastly, reinvesting in aging infrastructure while continuing to run revenue service leads to operational challenges and slows the pace of improvements.

The Strategic Plan continues to guide the District's decision-making. The main strategic focus for FY19 is "Quality of Life on BART," as discussed at the Board's February workshop. Quality of Life programs address the interrelated issues of homelessness, fare evasion, cleanliness, and safety. These issues affect our riders, our employees, and BART's infrastructure. Over the past several years, we have allocated substantial resources—approximately \$32 million between FY14 and FY18—to this effort, and in FY19 we are committed to continuing and refining Quality of Life programs. The FY19 budget is projected to be resource-constrained, and current human and capital assets are being assigned to meet Quality of Life challenges. Our priorities have been shifted very specifically to these interrelated efforts, each of which advances the Strategic Plan's goals and directly supports BART's mission: Provide safe, reliable, clean, quality transit service for riders.

Key Quality of Life initiatives include reducing fare evasion by enclosing elevators, raising railings, and alarming swing gates; the San Francisco Homeless Outreach Team's engaging the homeless population at the four downtown San Francisco stations; providing attended restroom facilities in the most challenged areas of San Francisco with the Pit Stop program; rolling-out the Elevator Attendant pilot program in April 2018 to bring attendants to the street and platform elevators at Powell Street and Civic Center Stations; and Maintenance & Engineering's implementing its comprehensive plan to improve station cleanliness, which incorporates the findings from the 2017 TRA Station Cleaning Study and input from ISSA, a worldwide cleaning association and benchmarking organization.

Access to stations has been one constraint on ridership, particularly in the off-peak. Similar to providing funding to address fare evasion, the FY19 budget makes near-term investments for

dedicated parking management to improve the customer experience and to strengthen parking enforcement in order to allow more paying customers to access BART throughout the day.

In FY19, one extension is scheduled to be in service and another to open. Work on the two-station BART to Antioch project that connects Pittsburg/Bay Point Station to eastern Contra Costa County is nearly complete and testing and training continue; revenue service is expected to begin in May 2018. The two-station, 10-mile Silicon Valley Berryessa Extension (SVBX) project connects Santa Clara County to the Warm Springs/South Fremont Station and is expected to open sometime in FY19. The Santa Clara Valley Transportation Authority (VTA) in cooperation with BART manages SVBX construction. SVBX will have no financial impact on BART as VTA is responsible for all extension capital, operating and maintenance costs.

Regarding new rail cars—one of BART’s top three capital priorities—the car builder’s current schedule reflects delivery of 30 cars by the end of FY18. Production of new cars will continue to ramp up through early FY19. A new fleet will improve reliability, decrease maintenance costs, relieve crowding, and help meet growing demand associated with regional population growth and system expansion.

Several service modifications are also anticipated in FY19, including the deployment of the new rail cars and a 5 am system opening time on Monday through Friday. The 5 am opening is necessary to support the Transbay Tube seismic retrofit work; BART plans to leverage the additional work hours to advance rebuilding projects—and in many cases, we will be able to reduce project cost and project duration. While service hour reductions are never ideal, opening at 5 am is expected to impact the fewest number of riders.

The FY19 Preliminary Budget is outlined in the attached document, with greater detail to be provided in discussions with the Board this spring. We have prioritized investing in programs to continue to improve Quality of Life on BART and to address a limited number of other critical areas, but our projections show the District will continue to face financial challenges in the coming years. This budget funds the quality service our customers deserve and expect, and I look forward to working with you to finalize it in the coming months.



Grace Crunican

cc: Board Appointed Officers
Deputy General Manager
Executive Staff

1. Overview

The Fiscal Year 2019 (FY19) Preliminary Budget presents a continuation of the challenges BART faced in FY18, with declining ridership and fare revenue, aging infrastructure and increased operating expenses, while initiating a major system reinvestment program and opening extension projects. The Preliminary Budget presented here supports BART's commitment to deliver safe, reliable, clean, quality transit service while balancing this commitment with limited resources.

Highlights of the FY19 budget include:

- Addressing Quality of Life on BART
- Opening the BART to Antioch Extension
- Adding New Rail Cars to revenue service
- Utilizing the expanded Hayward Maintenance Complex
- Preparing for the Silicon Valley Berryessa Extension

As with each annual budget, development has been informed by the long-term outlook, in this case, the FY17 Short-Range Transit Plan/Capital Improvement Program (SRTP/CIP) adopted by the Board in July 2017. The SRTP/CIP projected an operating shortfall of slightly more than \$285 million over 10 years and \$5.7 billion of unfunded capital needs over 15 years. This provides valuable context for considering the long-term financial and operational impacts of FY19 budget decisions, with priority given to projects and programs that are focused on the customer, reinvestment, and one-time in nature.

Quality of Life on BART

The main strategic focus for FY19 is "Quality of Life on BART" as discussed at the Board's February workshop. Quality of Life programs address the interrelated issues of fare evasion, homelessness, cleanliness, and safety. These issues affect BART's riders, employees, and infrastructure. Since FY14, substantial resources have been allocated – approximately \$32 million (M) – to this effort, and in FY19 the District is committed to continuing and refining Quality of Life programs.

Fare Evasion

To address fare evasion, the following projects will be completed by the end of FY18:

- Enclosed elevators in paid areas at South Hayward and Berkeley Stations
- Raised railings at Downtown Berkeley and Civic Center Stations
- Alarmed emergency doors at Coliseum and Fruitvale Stations
- Alarmed swing gates at 16th Street/Mission, 24th Street/Mission, Embarcadero, Civic Center, and Downtown Berkeley Stations

For FY19, the planned projects to reduce fare evasion are:

- Raise the railing at Embarcadero, Richmond, Daly City and Balboa Park Stations
- Alarm swing gates at Montgomery, Powell, Balboa Park, Glen Park and Daly City Stations
- Enclose elevators at El Cerrito del Norte Station
- Develop and implement an elevator faregate solution for Montgomery Station

In addition, the BART Police Department's proof-of-payment team is enforcing the Board-approved ordinance that allows Community Service Officers to check for proof of payment. This is a visual confirmation of BART's commitment to fairness and equity to all riders who pay to ride the system. BART Police has also undertaken operations focused on fare evasion and train rides with the intent to prevent crime, increase visibility and enforce violations as necessary.

Homelessness

Homeless Outreach Teams. BART, San Francisco Municipal Transportation Agency (SFMTA), and the San Francisco Department of Homeless and Supportive Housing partnered to roll out the San Francisco Homeless Outreach Team (SF HOT) in November 2017. This team works closely with BART staff, the San Francisco Police Department, and SFMTA staff to engage the homeless population at the four downtown San Francisco stations. From November 2017 through January 2018, the team has made 258 contacts, 128 referrals, and 266 connections. There is interest in expanding Homeless Outreach Teams to other stations and counties in FY19 to more effectively tackle the homelessness issue throughout the entire BART system.

BART Police Department Community Outreach. A member of the BART Police Department continues to coordinate the identification of homeless resources and partnerships throughout the four counties BART serves and is the current chairperson of the Alameda County Homeless Task Force, which meets each month at the BART Police Department.

Pit Stops. The Pit Stop Program, managed by the San Francisco Department of Public Works, provides attended restroom facilities in the most challenged areas of San Francisco. BART and Public Works partnered to provide Pit Stop facilities at 16th Street/Mission and Powell Street Stations in FY17 and FY18, and will continue this partnership in FY19 for both stations, while adding a new facility at Montgomery Station. San Francisco funds a Pit Stop located next to Civic Center Station as well.

Elevator Attendants. BART and SFMTA are partnering to bring attendants to the street and platform elevators at Powell Street and Civic Center Stations to address elevator cleanliness, safety, security, availability, and accessibility issues. Roll-out for this six-month pilot is anticipated in April 2018. Data will be collected and analyzed before and after implementation, with the appropriate performance metrics applied.

Security Measures. Security measures will be taken on prioritized BART properties to reduce encampments in Alameda, Contra Costa, and San Mateo counties which could include fencing, signage, cameras, and other strategies.

Station Cleanliness

Maintenance & Engineering developed a comprehensive plan for station cleaning improvements that incorporated the findings from the 2017 TRA Station Cleaning Study and input from ISSA, a worldwide cleaning association and benchmarking organization. The following initiatives are part of the Station Cleanliness effort:

- Hired 21 more cleaners.
- Restructured the System Service group to provide more management oversight, increased ownership and accountability. Created five geographic zones and for each zone, established dedicated supervision and workforce, with greater resources deployed at largest and most challenging stations.

- Hired an Employee Development Specialist to advance BART's training program.
- Working to achieve ISSA certification including development and training in standard cleaning tasks.
- Developed and implemented Key Performance Indicators (KPI) aligned by new zones to measure and monitor attendance, overtime and safety performance. Additional KPIs under development.
- Developed a project plan for implementation over the next year of a station cleaning material and tooling inventory system, with initial focus on downtown San Francisco stations.
- Partnered with BART Police and other station personnel in downtown San Francisco to create a sense of community and to begin to address issues related to drug use and trespassing in stations.
- Holding monthly customer meet-and-greet sessions at stations throughout the system to hear from customers on ways to improve their experience.

Safety

Much of the work described above will also bolster safety for BART's passengers and employees. In addition, the BART Police Department participates in safety-related programs as follows:

- Participates in the LEAD (Law Enforcement Assisted Diversion) Program in San Francisco that allows low-level offenders to be diverted to the necessary social services as opposed to being booked for low-level crimes.
- Joined the Alameda County Narcotics Task Force, which will serve as a force multiplier to enforce narcotics related violations as necessary.

BART to Antioch Extension

Work is nearly complete and testing and training continue on the two-station BART to Antioch rail project, which will provide a key linkage to eastern Contra Costa County. BART to Antioch will use 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 at the Pittsburg/Bay Point station, and approximately 10 miles of track. Revenue service is expected in May 2018.

New Rail Cars

BART is replacing its aging rail car fleet and expanding the current fleet from 669 to at least 775 rail cars, and as many as 1,081. This new fleet will improve reliability, decrease maintenance costs, relieve crowding, and help meet growing demand associated with regional population growth and system expansions. The car builder's current schedule reflects the delivery of 30 cars by the end of FY18. Production of the new cars will continue to ramp-up through FY19.

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 opened in fall 2017 and will have additional car servicing capacity added in FY19. The new 160,000 square foot Component Repair Shop is scheduled to open by the end of FY18, and the contract for the central parts warehouse was recently awarded. The contract for the new

Maintenance and Engineering repair shop should be advertised in the second half of FY19, and the Vehicle Heavy Repair and Overhaul Shop design is 35% complete.

Silicon Valley Berryessa Extension

The two-station, 10-mile Silicon Valley Berryessa Extension (SVBX) into Santa Clara County will connect to the Warm Springs/South Fremont Station in southern Alameda County. 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.

An opening date is expected to be announced in spring 2018. Until the opening date is finalized, BART will include the positions to support SVBX revenue service in the FY19 budget as capital, reimbursable by VTA, and will not budget ridership, fare revenue and financial assistance. Regardless of whether the project is included in the operating budget, BART will be ready to provide revenue service on opening day. 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.

FY19 Preliminary Budget

The following sections start with a discussion of rail service plans, followed by the FY19 Preliminary Budget Income Statement. Operating and capital sources and uses are shown together in a combined Income Statement to present a comprehensive picture of BART's financial situation. This is followed by descriptions of operating and capital sources and expenses. The final sections of the memo summarize a limited number of proposed new budget initiatives for FY19.

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

2. Rail Service Plan

BART ridership during the peak hours in the peak direction continues to be robust and experiences significant crowding, despite a decline in total ridership in FY18. To expand capacity, BART has taken measures to increase the standing area by modifying train cars with alternative seating configurations. Additionally, FY18 saw the first of the new rail cars go into service, increasing overall system capacity.

BART will open new service on two extensions in successive years: BART to Antioch, opening May 2018, and the Silicon Valley Berryessa Extension (SVBX), opening in FY19. Both extensions will require significant changes to BART schedules and more trains to perform the service.

For FY19, along with the SVBX major service change, there will be several additional changes that affect the rail service plan, described in more detail below. Due to the uncertain nature of the timing for the various service changes, the FY19 service snapshot in the table below shows the cumulative effects of all service changes.

Service Snapshot	End of FY18	End of FY19
New Service	BART to Antioch	SVBX Extension
Total Peak Vehicle Requirement	556	651
Total Fleet	748	890
Peak Period Trains	62	68
Total Car Hours (million)	2.6	2.7
Total Car Miles (million)	80.3	87.1

Extensions

The Silicon Valley Berryessa Extension (SVBX) service is expected to begin during FY19 and will necessitate significant schedule changes and three additional trains on the Green (Fremont-Daly City) Line to serve the new stations. In addition, one additional peak commute train will supplement peak service on the Green Line. The Title VI equity analysis for SVBX is complete and is pending approval by the BART Board. Per Federal Transit Administration (FTA) requirements, the analysis will be brought to the BART Board for approval six months prior to the start of revenue service.

Transbay Tube Earthquake Safety Service Plan

Starting in September 2018 or February 2019, construction will begin on the BART Transbay Tube Earthquake Safety Retrofit project. The work will require starting weekday BART service at 5 am, one hour later than usual. Additionally, evening service on weekdays and Sundays after 9:30 pm will be reduced from 20-minute headways to 24-minute headways to allow for single tracking in the Transbay Tube to accommodate the transport of construction equipment. There is currently a study underway to determine the overall fiscal impact of this service reduction, which includes savings from operational costs and loss in fare revenue. While this temporary service change does not require a Title VI analysis, BART staff is conducting a Service Change Impact Study to determine the impact on low-income and minority riders.

Other Service Changes

In addition to the major service changes described above, there are several additional changes slated for FY19:

- BART is planning to extend the Orange (Richmond-Fremont) Line service to include all day weekday service to the Warm Springs Station starting in September 2018. To maintain existing headways, one additional train will be added to the schedule on weekdays.
- In late FY19, an additional peak commute train is planned to be added on the Yellow (Pittsburg/Bay Point-San Francisco International Airport) Line to serve demand generated by BART to Antioch service.
- The M Line 34.5KV Cable Project, funded by Measure RR, will replace electrical cable between Embarcadero Station and 24th Street/Mission Station. The project will require single-tracking trains through San Francisco between those stations and will reduce service systemwide on Sundays between 8 am and 7 pm.

New Rail Cars

BART's first 10 new rail cars went into revenue service in January 2018. As additional new rail cars become available for revenue service, BART will identify opportunities to lengthen trains across the system with the goal of eventually running 10-car trains on all Transbay routes by 2020.

Concurrently, BART intends to use the increasing inventory of cars to raise the fleet spare ratio toward the industry standard of 20%. 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 10-car maximum.

3. FY19 Preliminary Budget Income Statement

(\$millions)	Adopted	Preliminary	Change	
	FY18*	FY19	\$	%
Revenue				
Rail Passenger Revenue	510.8	485.0	(25.8)	-5%
ADA Passenger Revenue	0.9	0.9	0.0	2%
Parking Revenue	35.2	36.7	1.5	4%
Other Operating Revenue	31.9	29.0	(2.9)	-9%
Total Operating Revenue	578.8	551.5	(27.3)	-5%
Financial Assistance				
Sales Tax Revenue	252.5	264.6	12.2	5%
Property Tax	42.2	46.8	4.6	11%
VTA Financial Assistance	7.1	-	(7.1)	-100%
State Transit Assistance (STA)	26.8	31.7	4.8	18%
Low Carbon Fuel Standard Program (LCFS)	4.0	6.5	2.5	63%
Local & Other Assistance	6.2	5.4	(0.8)	-13%
Total Financial Assistance	338.8	355.0	16.2	5%
OPERATING SOURCES, Subtotal	917.5	906.4	(11.1)	-1%
CAPITAL SOURCES	997.9	1,418.3	420.4	42%
TOTAL OPERATING & CAPITAL SOURCES	1,915.4	2,324.7	409.3	21%
Net Labor and Benefits	541.9	560.3	18.4	3%
OPEB Unfunded Liability	3.1	3.6	0.6	18%
Traction/Station Power	43.3	43.8	0.5	1%
Other Non-Labor	125.1	133.1	7.9	6%
ADA Paratransit Service	15.0	16.1	1.1	7%
Purchased Transportation	14.3	14.1	(0.2)	-2%
Total Operating Expense	742.7	771.0	28.3	4%
Debt Service & Allocations				
Bond Debt Service	50.8	46.6	(4.1)	-8%
Capital Allocations	127.1	92.4	(34.7)	-27%
Total Debt Service & Allocations	177.9	139.1	(38.8)	-22%
OPERATING USES, Subtotal	920.6	910.1	(10.6)	-1%
OPEB Unfunded Liability	3.1	3.6	0.6	18%
NET OPERATING RESULT	0.0	(0.0)	(0.0)	0%
System Reinvestment	673.1	1,130.9	457.8	68%
Safety & Security	70.4	77.8	7.4	11%
Earthquake Safety	100.6	102.8	2.2	2%
Service & Capacity Enhancement	74.8	65.5	(9.3)	-12%
System Expansion	73.5	34.4	(39.1)	-53%
Reimbursable/Other	5.5	6.9	1.4	25%
CAPITAL USES TOTAL	997.9	1,418.3	420.4	42%
TOTAL OPERATING & CAPITAL USES	1,918.5	2,328.4	409.8	21%
NET RESULT	0.0	0.0		
Average Weekday Trips	431,708	410,500	-21,208	-5%
Total Annual Trips (M)	125.9	119.7	-6.2	-5%
Farebox Recovery Ratio	68.9%	63.0%	-5.9%	-9%
Operating Ratio	77.9%	71.5%	-6.4%	-8%
Rail Cost/Passenger Mile	\$ 0.380	\$ 0.414	\$ 0.034	9%

* Note: FY18 Includes six months of SVBX. No SVBX service budgeted for FY19 as an opening date has not been finalized.

4. Operating Sources

BART's operating sources consist of two main categories: Operating Revenue, which is dependent on ridership, 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. Recently, other transportation options, such as Transportation Network Companies (TNCs) like Uber and Lyft, have had a growing but unquantifiable impact on BART ridership. BART financial assistance can also be impacted by the State budget and legislative actions.

(\$millions)	Adopted FY18*	Preliminary FY19	Change \$	%
Revenue				
Rail Passenger Revenue	\$ 510.8	\$ 485.0	\$ (25.8)	-5%
ADA Passenger Revenue	0.9	0.9	0.0	2%
Parking Revenue	35.2	36.7	1.5	4%
Other Operating Revenue	31.9	29.0	(2.9)	-9%
Total Operating Revenue	578.8	551.5	(27.3)	-5%
Financial Assistance				
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Local & Other Assistance	6.2	5.4	(0.8)	-13%
Total Financial Assistance	338.8	355.0	16.2	5%
OPERATING SOURCES, Total	\$ 917.5	\$ 906.4	\$ (11.1)	-1%

* Note: FY18 Includes six months of SVBX. No SVBX service budgeted for FY19 as an opening date has not been finalized.

Operating Revenue

Ridership and Passenger Revenue

Recent Trends

Ridership during FY18, which serves as the base for the FY19 ridership forecast, has continued to decline following the trend that started in early FY17. Recent analysis has shown that while there is continued growth of longer trips taken during the peak periods in the Transbay and Intra-East Bay markets, these gains have been overshadowed by ridership loss in most other trip types. While longer trips generate higher-than-average fare revenue, longer trips generally utilize the most capacity constrained segments of the system.

Total trips for FY18 through February are 2.9% below budget¹, and 3.3% lower than the same period in FY17. Average weekday trips are currently below budget by 2.6%, and 2.7% below the same period in the last fiscal year. Saturdays and Sundays are below budget projections by 2.2% and 4.0%

¹ The FY18 budget included the SVBX opening in January 2018. To more clearly show the trending of current ridership, the FY18 ridership budget has been adjusted here to exclude SVBX trips.

respectively and are lower than the same period last year by 7.1% and 5.7% respectively.

	FY18 YTD Budget*	FY18 YTD Actual	% Change	FY17 YTD Actual	FY18 YTD Actual	% Change
Total Trips (millions)	81.9	79.5	-2.9%	82.2	79.5	-3.3%
Avg Weekday Trips	424,907	413,881	-2.6%	425,353	413,881	-2.7%
Avg Saturday Trips	182,584	178,526	-2.2%	192,121	178,526	-7.1%
Avg Sunday Trips	131,653	126,379	-4.0%	133,991	126,379	-5.7%

* Note: Adjusted to remove SVBX budgeted trips

Based upon FY18 year-to-date (YTD) ridership trends, total annual ridership for the fiscal year is estimated to be approximately 120.8M. This revised estimate is 2.5% less than the FY18 adjusted budget of 123.9M, and 2.7% lower than FY17's actual ridership of 124.2M.

Ridership Forecast

The preliminary FY19 ridership budget uses current FY18 ridership as a baseline and is modified for factors expected to impact ridership such as recent trends, the opening of BART to Antioch, and the start of the Transbay Tube Earthquake Safety Retrofit Project affecting early morning and evening service. Recently, measures that have in the past served as good indicators of BART ridership trends, including regional employment and population, have become less strongly correlated with ridership, as these factors continue to increase while BART ridership declines. Data shows that this trend is not unique to BART and is affecting most transit operators around the country. Additional challenges for forecasting ridership are uncertainties around the impact of alternative modes that compete well with BART for certain trips, such as TNCs, bike share, and other shared services.

The FY19 budget is based on a preliminary FY19 ridership estimate of approximately 119.7M annual trips and 410,500 average weekday trips. This forecast reflects the following factors:

- Uncertainty about core ridership growth
- First full year of BART to Antioch service
- Impact of service reductions due to the Transbay Tube retrofit project
- SVBX trips not currently included in the budget

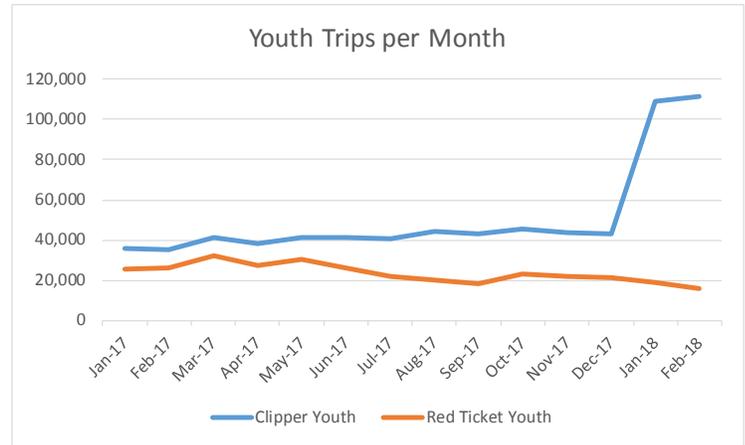
FY18 Fare Changes

BART made the following fare changes effective January 1, 2018, and these changes also will impact the FY19 budget.

Magnetic Stripe Ticket Surcharge. To encourage riders to use the Clipper smart card, fares paid with blue magnetic stripe tickets now have a 50-cent per trip surcharge applied; this surcharge is prorated down by 62.5% for discounted red (people with disabilities) and green (senior) tickets to approximately 19 cents and by 50% for red (youth) and orange (student) tickets to 25 cents. BART supports transitioning as many trips as possible to Clipper because of the smart card's benefits, which include a single durable card compatible with most transit operators in the region, the ability to autoloading money from a bank or debit/credit card, integration with transit benefit programs, balance protection in the event a card is lost or stolen, automatic transfer discounts, and trip history. In addition to these direct benefits, Clipper helps to reduce queues at vending and add-fare machines, reduces wear on fare equipment, discourages fare evasion and fare cheating, and provides a more seamless travel experience for customers.

The surcharge's effect to date has been significant. Clipper card use on BART has increased from 68% of trips in October to 81% in February, and over 170,000 Clipper cards have been sold through BART station vending machines since installation began in October 2017. Comparing the first two months of 2018 to the same time period in 2017, blue mag stripe ticket trips decreased by 1.9M trips, or 32.7%; adult Clipper trips increased by 1.3M trips, or 16.3%; and Clipper High Value Discount trips grew by 0.08M trips, or 3.0%. The net result is a decrease of approximately 0.5M trips year-to-year, which could be a result of the surcharge or the overall general decline in ridership. Two months of the surcharge have generated almost \$2M; however, surcharge revenue is projected to decrease each month as more riders switch to Clipper to avoid the fee.

50% Discount for Youth age 5-18. To make BART's youth discount more consistent with the rest of the region, the youth discount eligibility age was increased from age 12 to age 18, with a reduction in the youth discount rate from 62.5% to 50%. This change has been very successful in generating more trips by youth, as the total number of youth trips to date has more than doubled since the discount became available to riders through age 18 on January 1, 2018.



Passenger Revenue

Passenger revenue through February of FY18 is also below budget, although less so than ridership. BART's strongest trip market is Transbay trips, which have a higher average fare paid per rider than declining market segments in the East Bay and West Bay. Transbay trips, as a share of total trips, continue to grow and the associated higher fares have helped increase BART's systemwide average fare. Fare revenue projections for FY19 have been adjusted to include the higher average fare from longer trips, the impact of the mag stripe surcharge and increased use of the youth discount, as well as the anticipated ridership loss from the 5 am start.

Overall rail fare revenue for FY19 is estimated at \$485.0M. This includes incremental fare increase revenue of \$42.9M. However, base rail passenger revenue available to operate rail service is projected to be down \$29.9M from the FY18 budget, with \$11.3M of the reduction related to the SVBX project, which will not open in FY18.

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

Passenger Fare Revenue (\$millions)	Budget			
	FY18	FY19	Change	%
	Adopted	Preliminary		
Rail Passenger Revenue	\$ 471.9	\$ 442.1	\$ (29.9)	-6%
Incremental Fare Increase Revenue	38.8	42.9	4.0	10%
Subtotal, Rail Fare Revenue	510.8	485.0	(25.8)	-5%
ADA Paratransit Revenues	0.9	0.9	0.0	2%
TOTAL	\$ 511.7	\$ 485.9	\$ (25.8)	-5%

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 may either increase or decrease, depending upon whether the facility's utilization is above or below 95% capacity. The daily fee maximum is \$3 at all stations, except West Oakland Station, which does not have a cap and is currently at \$10, and South Hayward, which is currently \$2. Parking revenue generated at stations on the SVBX extension will be collected by VTA and will not be budgeted by BART. The FY19 preliminary parking revenue budget is \$36.7M.

Under the current parking fee 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 \$16.2M of the FY19 parking revenue is generated by the demand-based parking fee program, with \$10.5M funding ongoing initiatives implemented between FY14 and FY18, such as additional station cleaners and station improvement efforts. The remaining approximately \$5.7M will fund new programs in FY19, as described in the Initiatives section. Within the next several months, staff will propose revisions to the Station Access Fund policy for Board consideration.

The Board has expressed interest in reviewing the District's parking program to better serve customers, to meet BART's access goals, and to increase ridership. In the next few months, staff also plans to bring for Board consideration recommendations on a revised demand-based, variable pricing policy and an implementation plan to include modernized parking fee collection equipment. New fee collection equipment will work in conjunction with an updated enforcement system, with the goals to ensure greater compliance with the rules of BART's parking programs and to offer more flexibility in BART's pricing policies.

Parking Revenue (\$millions)	Budget			
	FY18		FY19	
	Adopted	Preliminary	Change	%
Daily	\$ 24.9	\$ 26.0	\$ 1.1	4%
Monthly Reserved	8.2	8.5	0.4	4%
Single Day Reserved	1.4	1.4	0.1	4%
Airport/Long Term	0.6	0.6	0.0	4%
Coliseum Special Events	0.2	0.1	(0.1)	-46%
TOTAL	\$ 35.2	\$ 36.7	\$ 1.5	4%

Other Operating Revenue

BART also generates operating revenue from non-passenger sources, the value of which is expected to be \$29M in FY19. The two largest sources are advertising and the Commercial Communications Revenue Program (CCRP), budgeted at \$11.7M and \$8.4M, respectively. Smaller revenue sources include fines and forfeitures, investments, building and ground leases, concessions, and other miscellaneous revenues.

BART has 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, plus additional revenue for digital screens and train wraps. Total ad revenues for FY19 are assumed to be the same as FY18, pending award of a new agreement for the period beginning October 1, 2018.

The Commercial Communications Revenue Program (CCRP), managed by the Office of the Chief Information Officer (OCIO), works to expand the District’s commercial fiber and wireless telecommunications revenue footprint. In FY18, BART completed scoring on a public commercial invitation for a proposal to develop new license agreements with firms interested in large fiber optic and wireless projects both around the District and within the San Francisco Municipal Transportation Agency (SFMTA) underground, a new business opportunity established in FY17 under the BART/SFMTA Communications Agreement. CCRP is estimated to generate \$10.3M in FY18 due to an influx in new license agreements, and \$8.4M in FY19 as the focus shifts to new construction, with revenue increasing steadily thereafter as new fiber optic and wireless assets come online.

Parking citation revenue, noted in the table below as fines and forfeitures, is budgeted at \$3.3M in FY19, an increase of \$0.4M from the FY18 budget. The approved citation fee increases were implemented in January 2017.

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 FY19 is \$1.1M.

“Other” revenue, budgeted at \$4.4M in FY19, 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; the Capitol Corridor Joint Powers Authority’s overhead recovery; and other miscellaneous sources.

Other Operating Revenue (\$millions)	Budget			
	FY18 Adopted	FY19 Preliminary	Change	%
Advertising	\$ 11.7	\$ 11.7	\$ -	0%
Telecommunications	10.3	8.4	(1.9)	-18%
Fines and Forfeitures	2.9	3.3	0.4	13%
Building and Ground Leases	1.1	1.1	(0.0)	-2%
Other	5.9	4.4	(1.4)	-24%
TOTAL	\$ 31.9	\$ 29.0	\$ (2.9)	-9%

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 California Department of Tax and Fee Administration

indicates that the largest economic segments driving BART sales tax include restaurants, retail, and new auto sales, and one of the fastest growing sources of sales tax revenue is business to business sales, all of which are susceptible to Bay Area economic cycles. The largest generator of tax revenue is retail which has been undergoing a major shift from brick-and-mortar sales locations to the internet. Initially, this resulted in the loss of sales tax because many internet sellers did not collect sales tax, relying on the purchaser to report it as use tax. Now, more large internet sellers are collecting and remitting sales tax to the state.

Annual sales tax growth for the five years prior to FY18 ranged from 2.3% to 6.8%, 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 FY18, with a budgeted growth of 2.1%. With three quarters of actual FY18 data, sales tax is \$4.6M above budget and has grown 4.6%. Some of the increased revenue growth seen in FY18 is due to one-time events, such as re-directed allocations resulting from audit efforts by BART's sales tax consultant, and one-time corrections. Audits by BART's sales tax consultant can result in one-time corrections of several years of misallocations, or be corrections that, once made, can go on indefinitely. Currently, FY18 is projected to end the year at \$257.7M, which is \$5.2M above the adopted budget.

Based upon the FY18 results and the growth rate over the past few quarters, FY19 is projected to grow 2.7% to \$264.6M, in line with BART's sales tax consultant's 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 FY19.

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 counties². This legacy property tax was originally enrolled in 1957 to fund planning and pre-development costs associated with construction of the original BART system, and since then has been permanently dedicated to fund ongoing operating needs.

County assessors are responsible for assessing the value of all taxable, non-exempt property on January 1st 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. The BART tax rates were fixed in place by Proposition 13 and remain a relatively small fixed percentage of the 1% general levy. However, since the tax is based on assessed property values, the revenue it generates has increased over the years proportionately to rapidly rising property values. 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.

BART FY18 property tax revenue is projected at \$44.5M (\$2.3M or 5.6% over budget), and FY19 is expected to grow an additional 5% to \$46.8M. BART's annual projections for property tax growth substantially mirror those generated by the three District counties, and the increase in actuals, as compared to budget, reflects the continuing unprecedented acceleration in property values the Bay Area has experienced in recent years. BART will continue to budget these revenues conservatively as history has demonstrated that periods of rapid growth ultimately are followed by corrections.

² BART has a separate tax levy for general obligation bond debt service associated with the 2004 seismic retrofit program and for the 2016 system renewal program. For the FY18 tax year, the enrolled rate was \$6.30 and \$2.10 per \$100,000 of assessed value, respectively.

**Sales Tax and Property Tax Proceeds
(\$millions)**

		Sales Tax	Year Change	Property Tax	Year Change
Actual	FY13	208.6	6.8%	31.3	5.3%
	FY14	221.1	6.0%	32.5	3.8%
	FY15	233.1	5.4%	34.3	5.7%
	FY16	241.5	3.6%	38.1	11.0%
	FY17	247.2	2.3%	41.6	9.3%
	FY18 Adopted	252.5	2.1%	42.2	1.4%
	FY18 Estimate	257.7	4.2%	44.5	7.0%
	FY19 Preliminary	\$ 264.6	2.7%	\$ 46.8	5.0%

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 in recent years, 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 3.5%, generating approximately \$250M per year to be used for transit capital and operations purposes. SB1 also implements another 0.5% increase on the incremental sales tax on diesel fuel, generating approximately \$40M per year to intercity passenger and commuter rail systems.

SB1 establishes a new “Transportation Improvement Fee” (TIF) under the Vehicle License Fee law. The TIF is based on a vehicle’s current market value and ranges from \$25 to \$175. 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 travel corridors in California, including public transit projects. The TIF will be adjusted annually for inflation starting July 1, 2020.

Efforts are currently underway to repeal SB1 and enact a constitutional amendment requiring certain vehicle fuel taxes and fees be submitted to voters for approval. Proponents of the repeal have until May 21, 2018 to collect the valid signatures needed to qualify for the November 2018 ballot. If SB1 is repealed, the Metropolitan Transportation Commission (MTC) estimates that BART could lose approximately \$14M to \$15M of STA funds in FY19, and close to \$22M in FY20 and beyond. Staff is currently developing funding contingency plans should SB1 be repealed in November.

For FY19, MTC estimates BART will receive approximately \$32.6M of revenue-based STA funds and \$6.1M of State of Good Repair revenue-based STA funds. From this amount, MTC will direct \$7.1M to feeder bus operators providing service to BART stations, leaving a net of \$31.6M for BART.

VTA Financial Assistance

Upon commencement of SVBX revenue service, VTA will be 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 FY18 budget anticipated that SVBX would be in revenue service for the second half of FY18. The opening of the extension is delayed to FY19, with a new opening date expected to be announced in spring 2018. As with fare revenue and expense, until an opening date is set, VTA financial assistance will not be included in the budget.

Low Carbon Transit Operations Program

BART is eligible to receive funding from the Low Carbon Transit Operations Program (LCTOP), one of several programs of the Transit, Affordable Housing, and Sustainable Communities Program (Senate Bill 862) established in 2014 by the California legislature. The LCTOP provides transit agencies with operating and capital assistance for programs to reduce greenhouse gas emissions and improve mobility and prioritizes serving disadvantaged communities. LCTOP revenues are derived from Cap and Trade auction proceeds.

No LCTOP was budgeted for FY18 due to previously low auction proceeds and uncertainty surrounding the future of the program, which has since been resolved. Better than expected recent auction results have resulted in \$5.6M in unbudgeted funds for FY18, which, when received this June, will be directed to help fund BART's annual allocation to the rail car program. MTC has advised that BART could expect approximately \$10.4M of LCTOP in June of 2019, which will be programmed for use in FY20.

Low Carbon Fuel Standard Program

The Low Carbon Fuel Standard Program (LCFS) is a state program administered by the California Air Resources Board (CARB). The purpose of the program is to move state energy production toward less carbon-intensive fuel sources. Under CARB's fixed guideway regulations, which became effective in 2016, electric railroad operators such as BART are permitted to generate and sell credits to producers of higher-carbon-intensity fuels for the purpose of meeting their program compliance obligations.

In June 2017, the BART Board adopted an LCFS revenue policy, and BART proceeded to sell credits that had been carried over from 2016 as well as credits generated in 2017. The retained inventory from 2016, plus exceptionally favorable LCFS market conditions in late 2017, resulted in higher than forecast LCFS revenues. BART's FY18 LCFS revenue budget was \$4M, while actual fiscal year sales will likely exceed \$18.5M. Revenues collected from the LCFS credits depend on the LCFS credit market and the timing of BART's sales. BART budgeted \$6.5M for FY19, though actual revenues in future years are unpredictable and will depend on market conditions at the time.

Other Assistance

Other Assistance to BART in FY19 includes budgeting \$2.3M 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. The FY19 budget also includes \$0.9M paid by Caltrain for the Millbrae Station Use, Operations, and Maintenance Agreement, and \$85,000 from Contra Costa County's Measure J sales tax measure.

Other Assistance (\$millions)	Budget			
	FY18 Adopted	FY19 Preliminary	Change	%
State Transit Assistance (STA)	\$ 26.8	\$ 31.7	\$ 4.8	18%
Financial Assistance - VTA	7.1	-	(7.1)	-100%
Low Carbon Transit Operations Program	-	-	0.0	
Low Carbon Fuel Standard Program	4.0	6.5	2.5	63%
Measure B/Millbrae UOM/Other	6.2	5.4	(0.8)	-13%
TOTAL	\$ 44.1	\$ 43.6	\$ (0.5)	-1%

5. Operating Uses

Operating Uses includes two main categories: Operating Expenses, which are expenses related to the day-to-day operations of the system, and Debt Service and Allocations, which include debt payments and allocations to fund capital and other projects. Operating Uses decreased by \$10.6M mostly due to the reduction of allocations. In addition, operating expenses for SVBX were removed from the operating budget in FY19 due to the delay in revenue service. This decrease was offset by an operating expense increase of \$28.3M or 4%. The main drivers of the expense increase are funding the BART to Antioch extension, expansion of the Hayward Maintenance Complex to accommodate more rail cars, contractual wage increases, and other various non-labor investments detailed in the following pages.

Operating Uses (\$ millions)	Budget		Change	
	FY18 Adopted*	FY19 Preliminary	\$	%
Labor	\$541.9	\$560.3	\$18.4	3%
OPEB Unfunded Liability	3.1	3.6	0.6	18%
ADA Paratransit	15.0	16.1	1.1	7%
Purchased Transportation	14.3	14.1	(0.2)	-2%
Power	43.3	43.8	0.5	1%
Other Non-Labor	125.1	133.1	7.9	6%
OPERATING EXPENSES TOTAL	742.7	771.0	28.3	4%
Debt Service	50.8	46.6	(4.1)	-8%
Capital Rehabilitation	29.2	29.9	0.7	2%
Rail Car Sinking Fund	39.0	0.0	(39.0)	-100%
Priority Capital Projects/Programs	38.8	42.9	4.0	10%
SFO Operations/New Car Allocation	7.5	4.8	(2.7)	-36%
Stations/Access Projects	5.0	3.7	(1.3)	-25%
Other (Leases, OAC CARP, Met Bldg)	3.5	4.6	1.1	32%
Allocation to LCFS/Reserves	4.0	6.5	2.5	63%
DEBT SERVICE AND ALLOCATIONS TOTAL	177.9	139.1	(38.8)	-22%
OPERATING USES TOTAL	\$920.6	\$910.1	(\$10.6)	-1%

* Note: FY18 Includes six months of SVBX. No SVBX service budgeted for FY19 as an opening date has not been finalized.

Labor: Wages and Benefits

The table below shows changes in headcount from the FY18 adopted budget to the FY19 preliminary budget.

FY18 to FY19 Headcount Summary

	Operating	Capital/Reimb	Total FTEs
FY18 Adopted Budget	3,518.0	900.5	4,418.5
FY18 Adjustments	4.0	12.0	16.0
FY19 Adjustments	(2.0)	1.8	(0.3)
SVBX*	(162.0)	162.0	-
BART to Antioch	4.0	(2.0)	2.0
New Rail Cars	34.0	-	34.0
Hayward Maintenance Complex	10.0	-	10.0
FY19 New Initiatives	22.3	-	22.3
FY19 Capital Adjustments**	-	-	-
Total Adjustments	(89.8)	173.8	84.0
FY19 Preliminary Budget	3,428.3	1,074.3	4,502.5

*SVBX position conversions from operating to capital due to delay in start of revenue service that was anticipated in FY18.

**Capital headcount is based on capital funds available in FY19. The capital headcount is still under development.

A total of 84 positions³ are proposed to be added in the FY19 budget. This is net of the following changes:

- 4 full time equivalent positions (FTE) net increase in operating and 12 FTEs net increase to capital during FY18
- 0.3 FTEs net reduction due to operating and capital reductions, additions, and conversions
- 162 SVBX positions converted from operating to capital due to delay in start of revenue service
- 4 additions for BART to Antioch for facilities maintenance, offset with 2 reductions
- 34 additions for fleet, system, and facilities expansion related to the new rail cars
- 10 additions for the expanded Hayward Maintenance Complex (HMC)
- 22.3 additions for new budget initiatives

The capital headcount is still being developed and will be finalized and presented during the budget process. Additional details on the proposed FY19 new budget initiatives positions can be found in FY19 Proposed Initiatives.

³ The position count is the total added by the end of the year. It does not include the weighted impact of partial year positions (e.g., if a position is added on January 1, 2019 it is listed as 1.0 position, rather than 0.5 FTE).

Labor (Wages and Benefits) (\$ millions)	Budget		Change	
	FY18 Adopted*	FY19 Preliminary	\$	%
Wages	\$422.9	\$459.4	\$36.4	9%
Overtime	21.1	23.8	2.7	13%
PERS Pension	80.8	94.0	13.2	16%
Other Pension	13.0	13.7	0.8	6%
Retiree Medical	35.6	39.5	3.9	11%
Medical	81.0	80.8	(0.3)	0%
Worker's Compensation	16.4	13.4	(3.0)	-18%
Capital Labor Credits	(156.0)	(189.6)	33.6	22%
Other Labor**	27.1	25.3	(1.8)	-7%
OPEB Unfunded Liability	3.1	3.6	0.6	18%
Net Labor	\$545.0	\$564.0	\$19.0	3%

* FY18 Includes six months of SVBX. No SVBX service budgeted for FY19 as an opening date has not been finalized.

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

The FY19 labor budget is projected to total \$564M. This includes the cost of the new positions as well as scheduled wage increases. The lowering of the discount rate in addition to other changes in actuarial assumptions resulted in an increase of \$13.9M for pension funding. Other major labor cost drivers are:

- Increase in capital labor credit due to delay in the planned start of SVBX revenue service
- Increase in the retiree medical liability due to changes in actuarial assumptions
- Increase in overtime due to position increases and anticipated wage growth
- Decrease in workers compensation by \$3.0M to maintain required funding level of reserve
- Decrease in dental and long-term disability due to projected lower costs

CalPERS Pension

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

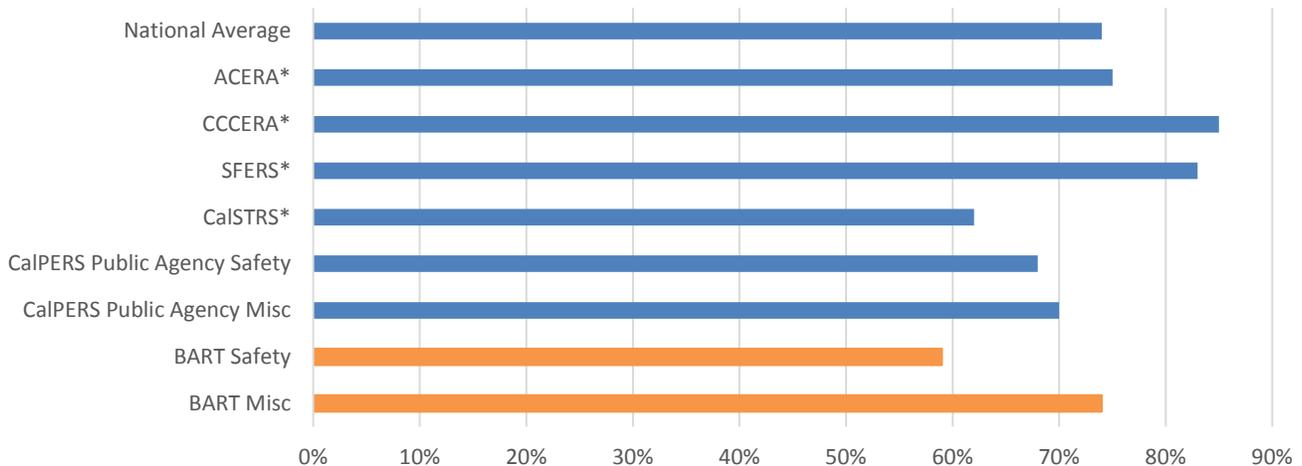
As of the latest actuarial valuation reports for FY19 (based on data as of June 30, 2016)⁴, BART's funded ratio is 74% for the Miscellaneous plan and 59% for the Safety plan. The funded ratio measures plan assets vs. plan liabilities. Both ratios have decreased slightly from last year's valuation reports as the unfunded accrued liabilities (UAL) increased, mostly due to changes in actuarial assumptions and lowering of the discount rate (CalPERS's assumed rate of return on investments).

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 funding ratios were much higher; in FY10 the Miscellaneous Plan was 112% funded and the Safety Plan was 92% funded, although factors other than investment return, such as CalPERS's stabilization policy, have impacted the plan ratios.

⁴ There is a three-year lag from the data CalPERS uses for the annual valuation to the fiscal year the valuation applies to.

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 on par with most of the other agencies.

Pension Funded Ratios



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

FY19 Employer Contribution

CalPERS has implemented a number of actions to improve the stability of the pension fund and guard against market downturns. In December 2016, the CalPERS board voted to lower the discount rate from 7.5% to 7%. This would be phased in over three years starting in FY19, with an assumed discount rate of 7.375%. This lower discount rate in addition to the amortization of prior year losses and assumption changes significantly impacts BART’s pension contribution. For FY19, BART is required to contribute 8.243% and 25.432% of payroll for the normal cost for the Miscellaneous and Safety plans respectively. This is estimated to be \$42.6M. BART is also required to contribute \$42.7M towards the unfunded accrued liabilities for both plans. The total employer contribution is projected to increase by \$13.2M (18%) over FY18.

FY19 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.⁵ BART pays the remainder, which for FY19 is estimated to be \$8.8M.

⁵ Prior to FY14, BART funded the entire employee contribution as a benefit to employees.

FY19 PERS Contributions		SAFETY	MISC	DISTRICT BUDGET
Classic (Non-PEPRA)	Employer Rate	25.432%	8.243%	\$ 26,806,450
	Employee Rate			
	<i>Paid by District</i>	5.000%	3.000%	8,764,049
	<i>Paid by Employee</i>	4.000%	4.000%	
PEPRA	Employer Rate	25.432%	8.243%	15,751,677
	Employee Rate			
	<i>Paid by Employee</i>	13.000%	6.250%	
All employees	Employer UAL Lump Sum	\$ 8,137,254	34,569,728	42,706,982
				\$ 94,029,158

As pension costs continue to increase (see the 10-year forecast below), the Board of Directors has directed BART staff to develop a funding strategy that pays down the unfunded liability, and mitigates against unexpected increases in required contributions. Strategies employed by other public agencies include setting up an IRS Section 115 pension trust, contributing more to CalPERS by way of a shorter amortization schedule, or paying off a specific portion of the liability. Staff is working closely with an independent actuary and the Board of Directors to explore these options.

District Employer Contributions Forecast
(\$ millions)



Other Pension Benefits

In addition to the PERS pension, BART contributes to a defined contribution retirement plan (401(a)), the Money Purchase Pension Plan (MPPP). BART's contribution consists of 6.65% of base wages, but contributions are capped at an annual amount of \$1,868.65 per employee. The total BART MPPP is projected to be \$8.5M in FY19.

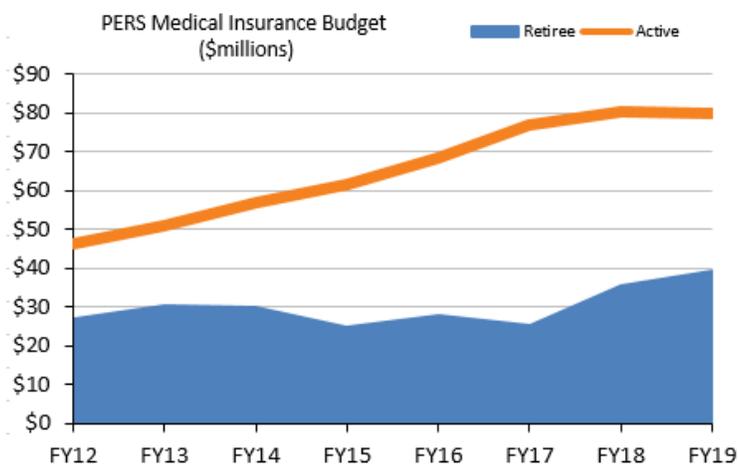
An additional 1.627% of wages is contributed for all employees except sworn police. Per labor agreements, the following is deducted from this portion of the contribution:

- 0.0888% is withheld as per the current labor contracts
- Also, \$37 per month for represented employees in AFSCME, ATU and SEIU⁶ 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 FY19 is \$5.3M.

Active Employee Medical Insurance

The FY19 cost of healthcare insurance for active employees is projected to be \$80M, which is a \$0.3M decrease from FY18. This amount includes an accounting credit of \$4.3M for an "implied subsidy" from the Retiree Medical cost actuarial report (see Retiree Medical section below). Another factor contributing to the decrease are offsetting rate changes for the two major healthcare plans (Blue Shield and Kaiser) causing a 0.41% decrease in the composite calendar 2018 rate of all plans. The calendar 2019 estimated health insurance premium rate increase is 5.5% over 2018.⁷



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 \$3.21 per employee per month starting on January 1, 2019, bringing the "base" employee contribution to \$110.14
- 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 BPMA⁸ 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

⁶ AFSCME – American Federation of State, County, and Municipal Employees; ATU – Amalgamated Transit Union; SEIU – Service Employees International Union.

⁷ Overall weighted average premium was slightly down (-0.41%) from 2017 to 2018. Health insurance rates are known for the first half of FY19 (CY18), and estimated for the second half (CY19). Blue Shield and Kaiser have the largest BART employee enrollment. The weighted average premium rate had a 3.5% annual increase over the five-year period through 2018.

⁸ BPOA – BART Police Officers' Association; BPMA – BART Police Managers' Association

to cover payments for the long-term liability of current employees.

The draft FY19 actuarial report⁹ included an increase to the ADC due to a decrease in the discount rate and changes in assumptions for increasing medical cost trends. The preliminary FY19 ADC is \$39.5M¹⁰ which is a 11% increase from FY18, however \$4.3M of the increase is the implied subsidy which is subtracted from the active medical insurance budget.

The unfunded liability decreased by \$5.5M and the funded ratio increased from 44.1% in FY18 to 47.8% in FY19. BART's funding plan remains the same and follows a 30 year "closed" amortization schedule, with the unfunded liability scheduled to be paid off by 2034.

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

The FY19 workers' compensation budget is \$13.4M, \$3.0M lower than FY18. Through this action, BART is reducing the Workers' Compensation reserve by \$4.6M to match the actuary's projected FY19 target level, since the reserve for Workers' Compensation is overfunded. The workers compensation budget amount in future years will likely increase to match the actuary's projected loss.

Non-Labor

Traction & Station Power

Electrical traction and station power costs are projected to be \$43.8M in FY19, an increase of \$0.5M or 1.2% above the adopted FY18 budget¹¹. The largest driver of the increase is moderately higher forecasted energy use in FY19 compared with FY18, offset by a 2.5% drop in unit energy costs. Energy use forecasts affect both energy supply and energy delivery (transmission and distribution) costs. PG&E's higher energy delivery rates applicable to all utility customers taking delivery service, including BART, will drive up transmission and distribution costs. The cost for energy (power) supply is expected to decrease significantly for the second year in a row from \$25.9M in FY17 to \$23.9M in FY18 and now to \$22.9M in FY19, due to the significantly lower prices BART has secured for energy supply from 2017 through mid-2020. Energy supply is purchased separately from delivery services.

BART made the following assumptions in developing its FY19 power budget:

- **Transmission:** Transmission delivery costs are expected to be modestly higher than FY18 (an increase of 5%), due to mostly stable energy use and an expected increase in utility rates.
- **Distribution:** Distribution delivery costs are expected to increase 11% due to higher utility rates for distribution service.
- **Supply:** Costs for electric power supply are expected to be 4% lower in FY19 than in FY18, because of lower electricity supply prices. BART has secured nearly all its forecast energy

⁹ The final FY19 actuarial report is expected to be released in April. The adopted budget will incorporate the final ADC.

¹⁰ \$39.5M ADC includes the \$4.3M implied subsidy credit which is subtracted from the active medical insurance budget. This assumes that a portion of the cost for premiums (\$4.3M) for active employees is "subsidizing" the higher claims cost for retirees.

¹¹ Approximately 76%, or \$33.4M, of BART's energy costs in FY19 are for traction power (train propulsion and on-board uses), while 24%, or \$10.4M, are for non-traction power (stations, shops, ventilation, trackside electronics, etc.).

supply needs for 2017 through mid-2020 from nearly 100% low- and zero-carbon sources at favorable prices, and expects new long-term fixed-price renewable supplies to come online in late-2020.

- For 2018 and 2019, 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.
- **Northern California Power Agency (NCPA) Member Expenses:** Costs for NCPA membership are increasing by approximately \$0.1M, or 12%.

Traction & Station Power (\$ millions)	Budget		Change	
	FY18	FY19	\$	%
	Adopted	Preliminary		
NCPA, Western, BART Power Supply	\$ 23.9	\$ 22.9	\$ (1.0)	-4%
Transmission Services	10.4	10.9	0.5	5%
Distribution Services	8.0	8.9	0.9	11%
NCPA Member Expenses	1.0	1.1	0.1	12%
TOTAL	\$ 43.3	\$ 43.8	\$ 0.5	1%

For FY19, BART expects its power portfolio will be between 97% and 100% low- and zero-carbon (including renewables), respectively, but only 2% to 5% will be qualified renewable under state law. In line with BART priorities to maintain low and stable energy operating costs and continue to increase its renewable and carbon-free electricity portfolio content, BART (under statutory authority granted in 2015 by Senate Bill 502) in 2017 executed two long-term renewable supply contracts for wind and solar at favorable and fixed prices. These contracts will begin delivery in late 2020 and will provide BART with clean, renewable power for approximately 75% of its energy supply needs through 2040. BART also continues to explore supply opportunities from small-scale, on-site renewables for the balance of its energy supply needs not met through large-scale contracts.

Purchased Transportation

BART has agreements with other agencies for various transit services to directly or indirectly support and augment BART service. BART’s cost of purchased transportation is projected to be \$30.2M in FY19, an increase of \$0.9M over the adopted FY18 budget. The FY19 preliminary budget does not extend Late Night Bus Service beyond August 2018.

Purchased Transportation (\$ millions)	Budget		Change	
	FY18	FY19	\$	%
	Adopted	Preliminary		
Paratransit	\$ 15.0	\$ 16.1	\$ 1.1	7%
Muni Purchased Transportation	3.5	3.7	0.2	5%
AC Transit Feeder Agreement	4.2	3.9	(0.2)	-6%
Late Night Bus Service	0.4	-	(0.4)	-100%
Purchased Transportation - OAC	6.3	6.5	0.2	3%
TOTAL	\$ 29.3	\$ 30.2	0.9	3%

Paratransit

BART participates in the East Bay Paratransit Consortium (EBPC) for service in the East Bay and pays SFMTA for a share of paratransit services in the West Bay. BART also provides funding to other local bus operators in the BART service area. Paratransit expenses are estimated to be \$16.1M in FY19, an increase of \$1.1M, or 7%, over the adopted FY18 budget. These costs include vehicle and fuel costs, as well as increases in provider costs, which included wage and benefit increases to retain and recruit more drivers and staff. Ridership has been slowly increasing to levels seen before the economic downturn. FY19 is the start of a five-year contract for EBPC and the cost of providing service has increased in kind.

San Francisco Municipal Transportation Agency/AC Transit Feeder Agreements

BART has agreements with SFMTA and AC Transit that 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 FY19 budgeted payments are \$3.7M for SFMTA and \$3.9M for AC Transit. In addition, MTC directs over \$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 FY19 estimated O&M cost is \$6.5M¹².

Other Non-Labor

Other Non-Labor for FY19 is \$133.1M, or \$7.9M higher than the FY18 Adopted Budget. Major increased costs are in Rent, Professional Services and Clipper fees, as well as Other Misc. Increases are offset by decreases from projected lower non-traction power utilities and delayed SVBX revenue service. The table below summarizes Other Non-Labor by category.

¹² 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 (\$ millions)	Budget		Change	
	FY18	FY19	\$	%
	Adopted	Preliminary		
Clipper, Tickets Sales, & Bank Fees	\$ 16.2	\$ 16.9	\$ 0.7	4%
Insurance	9.8	10.1	0.3	3%
Materials & Supplies	35.3	34.0	(1.3)	-4%
Professional/Tech, Consulting, Svcs, Fee	30.1	33.9	3.9	13%
Maintenance & Repairs	13.1	13.1	0.0	0%
Rent	11.6	14.7	3.1	27%
Utilities	4.8	4.3	(0.5)	-10%
Other Misc	4.4	6.1	1.7	39%
TOTAL	\$ 125.1	\$ 133.1	\$ 7.9	6%

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

Major Other Non-Labor account groups are:

- Clipper and bank fees includes credit card and interchange fees, Clipper program fees, ticket sales commissions and bank service charges
- Insurance funding pays for premiums, reserve contributions and self-insured losses for public liability, damage to property and risk-related services ¹³
- 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, 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, 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
- Building Space Rental includes funds for administrative building leases and other lease expenses
- Utilities includes other electrical energy, trash collection, natural gas, water, sewer, telephones and other utilities, etc.
- Miscellaneous Other Non-Labor includes dues and memberships, promotion expense, diesel and gasoline, county filing fees, miscellaneous supplies, etc.

¹³ Non-Labor Insurance does not include active employee health insurance, workers' compensation, Medicare, unemployment and other insurance categories included in the labor budget.

The other non-labor changes include:

- \$0.7M increase in Clipper and related costs due to forecasted increase in FY19 Clipper usage as a result of mag-stripe surcharge
- \$0.3M increase in the overall District insurance and loss provisions due to insurance price escalation provision in FY19
- \$1.3M decrease in Materials & Supplies due to delayed SVBX revenue service which offset the increase in material usage
- Professional and Technical Services increases consisting of \$3.1M for FY19 New Initiatives, \$0.4M higher operating costs for the MetroCenter building, and \$0.4M for IT and other non-labor costs
- \$3.1M increase in rent includes higher operating expenses (\$0.7M) and elimination of one-time lease savings (\$2M) for BART's downtown Oakland Lakeside headquarters office (one-time lease saving realized in FY18)
- \$0.7M decrease in other electricity from grouping all District non-traction power usage into same supply with favorable pricing
- Other Misc Non-Labor increase includes a \$1.5M election expense added for CY2018

Other Operating Expenses

Extensions and Expansions

The BART to Antioch extension is scheduled to open towards the end of FY18. In FY19, BART will continue ramping up the expanded HMC facility, transition to maintaining a growing fleet of new rail cars while maintaining the legacy fleet, and preparing for the opening of the Silicon Valley Berryessa Extension (SVBX). Expenditures and activities are detailed below.

FY19 Extensions Expenses

(\$ millions)

	FTE	Labor	Non-Labor	Total Expenses
BART to Antioch	72.0	\$ 12.6	\$ 1.6	\$ 14.3
HMC	73.0	9.9	3.0	12.9
New Rail Cars	34.0	4.2	-	4.2
SVBX	162.0	22.6	-	22.6
Total*	341.0	\$ 49.3	\$ 4.7	\$ 54.0

**FTE and expenses indicate both existing baseline positions and expenses, plus new FY19 positions and expenses. FTE and expenses include both operating and capital.*

BART to Antioch is expected to begin revenue service in May 2018. BART to Antioch will provide rail service east of BART's Pittsburg/Bay Point Station to stations at Pittsburg Center and Antioch. The FY19 budget adds the final four positions for BART to Antioch, resulting in a total of 72 positions to provide the service.

BART is expanding and upgrading its existing maintenance facility in Hayward. The Hayward Maintenance Complex will (a) accommodate the planned fleet of 775 new rail cars plus the legacy

fleet, (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. Forty-four operating and five capital positions will be added in FY19 to accommodate BART's transition to the new rail cars and to maintain the expanded HMC. Additional FTEs are expected to be added in subsequent fiscal years as HMC ramps up.

The opening date for SVBX is expected to be announced in spring 2018. SVBX will connect to the Warm Springs/South Fremont Station in Alameda County, and extend into Santa Clara County with two stations. As noted in Section 1 (Overview), VTA is funding all construction costs and will reimburse BART for all costs associated with rail service including operations, maintenance, core system impacts, and funding of a capital reserve account for future capital reinvestment expenses. BART is phasing-in the hiring of SVBX positions assuming an early 2019 opening date, but will adjust that phasing when an opening date is announced. In FY18, 162 SVBX positions were converted to operating, these positions were converted to capital positions in FY19. SVBX positions will convert to operating when revenue service begins.¹⁴ A total 187 SVBX positions are estimated to be needed for two-line service on the extension.

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. Prior ongoing operating and capital allocations of \$3.7M are increased by \$2.3M to a total of \$6M in FY19. This will fund equipment purchases; software upgrades; licenses; modernization of BART's trip planning tool; enhancement of Human Resources and Procurement processes; as well as improvements in SharePoint and Digital Strategy.

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

Joseph P. Bort MetroCenter (MET) Building

The increase of approximately \$0.4M from FY18 to FY19 includes professional fee funding for the BART-owned MET building operation and management contract and additional funding for general building maintenance. These operating costs were not budgeted in FY18 despite being needed, and as a result will be added as ongoing costs to the FY19 budget.

Debt Service

BART issues bonds, backed by BART's dedicated sales tax revenues, to fund capital costs for system improvement and renovation. In December 2017 there was a full refunding of outstanding Series 2010, and a partial refunding of Series 2012A and 2012B revenue bonds that will result in savings of \$5.5M for FY19 and \$5.1M for FY20, and ongoing annual savings of varying amounts in succeeding years. The debt service budget in FY19 is \$46.6M for outstanding Series 2012A, 2012B, 2015A, 2016A, 2017A, and 2017B revenue bonds.

¹⁴ Positions for extensions are generally added as capital during construction and development, and these positions convert to operating when revenue service commences.

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, serve as 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 available operating funds, including fare and parking revenue, as well as actual program needs. The major categories of planned allocations are described below.

- **Baseline Capital Allocation \$22.3M:** These allocations typically serve as the local match for federal grants or to fund ongoing capital projects for which grants are not typically available, such as stations and facilities renovation, inventory buildup, non-revenue vehicle replacement, tools and other capitalized maintenance.
- **Additional Capital Initiatives \$7.6M:** Allocations include \$1.5M directed to the Train Control UPS Renovation (FY15-19) and \$4.1M ongoing to the OCIO as discussed previously. An allocation to the Millbrae Tail Track project replaces an equal amount of Prop 1A High Speed Rail bond funds shifted to the HMC project. Pre-revenue hiring, training and expenses for the BART to Antioch project required allocations of \$9.6M in FY18. With this project opening at the end of FY18, just \$0.3M is needed for FY19, substantially reducing the allocation need in this category. Quality of Life initiatives, which include homelessness, fare evasion, cleanliness, and safety/security, are addressed with an allocation of \$0.6M. A one-time initiative of \$0.5M for pigeon abatement is included to reduce the pigeon populations at BART stations.
- **Rail Car Sinking Fund \$0M:** The FY18 allocation completes BART's 2012 commitment to fund \$298M for the first 410 cars of the Rail Car Replacement Program. Future BART funding for the Rail Car Replacement Program will be directly from incremental fare revenue, as planned in BART's Short Range Transit Plan and noted in the Priority Capital Program allocation below. Of the \$298M BART-funded allocations for the rail car program, \$134M has been drawn down, leaving a balance of \$164M as of March 2018.
- **Priority Capital Program Allocations \$42.9M:** Incremental fare revenue from BART's inflation-based fare increase program, beginning in 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. Thus, in times of declining ridership, this allocation will decrease as well. Including estimated FY18 allocations, \$126M has been allocated to the reserve from fare increase revenue and \$99M has been drawn down, leaving a balance of \$27M.
- **SFO Operations/New Car Allocation \$4.8M:** 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. Actual allocations are dependent upon ridership and fare revenue. 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 FY18 estimated results, a total of \$80M is in the reserve account.
- **Station/Access Projects \$3.7M:** 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 \$16.2M in FY19, of which \$12.3M will fund continuing station and access programs, including 74 positions, implemented in FY14 through FY19. The remaining \$3.7M is directed to new capital projects initiatives. Further detail is in Section 7, FY19 Proposed Initiatives.

- **BART-to-OAK CARP \$1.0M:** BART allocates funds to the Capital Asset Replacement Program (CARP) for BART-to-Oakland International Airport (OAK) to provide a reserve for 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 20 years of the agreement. DCC is required to fund costs in excess of the CARP.
- **Joseph P. Bort MetroCenter (MET) Building \$3.1M:** This allocation is 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 used to purchase the building, totaling approximately \$20M. The FY19 budget is \$3.1M.
- **Low Carbon Fuel Standard (LCFS) Program \$6.5M:** Based upon the Board-approved LCFS policy, proceeds from LCFS credit sales are divided equally between the Sustainability Program and BART's operating fund, with the operating portion currently placed in operating reserves. The FY19 budget includes an estimated \$6.5M from credit sales, with \$3.3M allocated to each account.
- **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			
	FY18 Adopted	FY19 Preliminary	Change	%
Debt Service	\$ 50.8	\$ 46.6	\$ (4.1)	-8%
Allocations				
Baseline Capital Allocation	14.4	22.3	7.9	55%
Additional Capital Initiatives	14.8	7.6	(7.2)	-49%
Rail Car Sinking Fund	39.0	-	(39.0)	-100%
Priority Capital Programs	38.8	42.9	4.0	10%
SFO Operations/New Car Allocation	7.5	4.8	(2.7)	-36%
Stations/Access Projects	5.0	3.7	(1.3)	-25%
BART-to-OAK (CARP)	0.9	1.0	0.0	3%
MetroCenter Building	2.0	3.1	1.1	54%
LCFS Allocation to Sustainability	2.5	3.3	0.8	30%
LCFS Allocation to Reserves	1.5	3.3	1.8	117%
Other	0.6	0.6	0.0	0%
TOTAL	\$ 177.9	\$ 139.1	\$ (38.8)	-22%

6. Capital Sources and Uses

Capital Uses

The FY19 Capital Program budgets \$1,418M across five program areas: System Reinvestment (80%), Service and Capacity Enhancement (5%), Safety (5%), Security (1%), Earthquake Safety (7%), and System Expansion (2%) and \$7M of reimbursable expenses. The following table “FY19 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 FY19 and as well as capital funds awarded in prior years.

Highlights of the FY19 capital program include:

- **Continued investment in high priority capital projects.** Planned investments include:
 - Fleet replacement: \$604M is budgeted for payment to Bombardier Transportation for new rail cars and progress milestones.
 - Hayward Maintenance Complex (HMC): \$34M is budgeted for investment in the central warehouse, the new Maintenance & Engineering shop, and related track work.
 - Train Control Modernization Program: An RFQ/RFP was issued in August 2017, and the procurement process will continue through FY19, with \$21M budgeted for engineering and program development.
- **Measure RR-funded System Renewal Plan:** The FY19 capital budget includes \$402M in RR funds to support:
 - Increasing the pace of track replacement and guideway structural rehabilitation.
 - Continuation of a multi-year program to replace aging traction power infrastructure. The FY19 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 FY19 capital program includes \$89M 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:** During FY19, VTA funds will support completion of Phase 1 of the system extension to Berryessa (SVBX). BART will also continue to study other expansion projects, including Livermore Extension environmental studies and a study of a potential Transbay Crossing project.

Capital Sources

Major funding for BART's FY19 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, and Earthquake Safety Program bonds. Santa Clara County's VTA will contribute to costs related to the SVBX extension. Funding amounts in the following table "FY19 BART Capital Program - Summary of Sources" are preliminary and will be updated in May for review by the Board.

Major FY19 fund sources will include:

- **BART and Voter Approved Funds**
 - System Renewal Program (Measure RR): Measure RR will provide funds to support the most critical investments in safety, reliability, and crowding relief.
 - Earthquake Safety Program (ESP) Bonds: Staff expects to use ESP Bond funds to support Transbay Tube work planned for FY19.
 - Operating Allocations to Capital: 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 through FY22 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 Automatic Fare Collection (AFC) equipment.
 - MTC Fleet Replacement Funds: MTC-controlled federal funds will support procurement of 775 new rail cars.
- **County Funding**
 - VTA will reimburse BART for cost incurred for construction support, testing, and training related to SVBX; and will provide funds toward its share of rail cars and its share of HMC.
 - Contra Costa Measure J, and Alameda Measures B/BB will support station modernization and access investments at several stations.
 - San Francisco's Proposition A will support replacement of escalators and installation of canopies at downtown San Francisco stations
- **State Funding**
 - California State infrastructure bonds (Propositions 1A & 1B) approved by voters in 2009 have now been fully committed. Out of the funds allocated to BART, funds are budgeted for rail car replacement and HMC. Most of the balance will support station modernization projects.

FY19 BART Capital Program - Summary of Uses

Program	Major Example Projects (FY19)	Expense (millions)	% of Program
System Reinvestment		\$1,131	80%
Rolling Stock	<ul style="list-style-type: none"> \$604M is budgeted for payment to Bombardier Transportation for new rail cars 	\$627	44%
Mainline	<ul style="list-style-type: none"> Continuation of a multi-year program of traction power infrastructure replacement. The FY19 budget includes replacement of traction power cables in San Francisco and Oakland and traction power substation replacement Guideway infrastructure investment, including rail replacement, trackway structural rehabilitation, and renewal of tunnels and structures 	\$290	20%
Facilities	<ul style="list-style-type: none"> Continuing investment in the Hayward Maintenance Complex (HMC), Phase 1, focusing on construction of the central warehouse and Maintenance & Engineering shop Preliminary engineering for HMC Phase 2 	\$36	2.5%
Stations	<ul style="list-style-type: none"> A major program to replace escalators and install canopies for station entrances along Market Street in San Francisco Station Modernization investments at El Cerrito del Norte, 19th Street, Downtown Berkeley, Concord, and Powell Stations 	\$104	7%
Controls and Communications	<ul style="list-style-type: none"> Planning and Engineering for the Train Control Modernization Program Renewing components of the existing train control system, including transformers, switch machines, and speed encoding equipment at stations 	\$70	5%
Work Equipment	<ul style="list-style-type: none"> Maintenance and replacement of non-revenue vehicles and shop equipment Engineering for new car lifts at Richmond and Daly City maintenance shops 	\$4	0.3%
Service & Capacity Enhancement		\$65	5%
Stations	<ul style="list-style-type: none"> Station access improvements, including major investments in bus intermodals at Union City, Concord, Balboa Park, and Stations Hub station signage and wayfinding improvement project phases 2, 3, and 4 	\$63	4%
Mainline	<ul style="list-style-type: none"> Track projects designed to make the system more resilient and flexible, including an extension of tail tracks at Dublin/Pleasanton and Millbrae Continued Core Capacity project development 	\$3	0.2%
Earthquake Safety	<ul style="list-style-type: none"> Transbay Tube seismic retrofit Engineering for Berkeley Hills Tunnel creep mitigations 	\$103	7%
System Expansion	<ul style="list-style-type: none"> Design support and connectivity for SVBX (reimbursed by VTA) BART to Livermore Environmental Studies 	\$34	2%
Security	<ul style="list-style-type: none"> System hardening and CCTV projects 	\$11	1%
Safety	<ul style="list-style-type: none"> Stations emergency lighting upgrades Tunnel and station lighting replacement Replacement of cross-passage doors in the Transbay Tube 	\$67	5%
Reimbursable	<ul style="list-style-type: none"> Reimbursable expenses related to Capitol Corridor/other 	\$7	.05%
Total		\$1,418	100%

FY19 BART Capital Program - Summary of Sources

Capital Funding Source	FY19 Funding Summary	Amount (millions)	% of Program
BART/Voter Approved Funds		\$713	50%
Measure RR	<ul style="list-style-type: none"> Measure RR will provide a total of \$3.5B to fund the most critical investments in safety, reliability, and crowding relief In FY19, Measure RR funding will support investment in focusing on traction power, electrical systems, rail replacement, crowding relief, and station access 	\$402	28%
Earthquake Safety Program GO Bonds	<ul style="list-style-type: none"> Earthquake Safety bond sale proceeds will fund the Transbay Tube seismic retrofit 	\$90	6%
BART Operating Allocations	<ul style="list-style-type: none"> In FY19, new allocations from operating to capital as well as allocations reserved from prior years, will go toward to 775 car rail car procurement, HMC, and local match of federal funding for State of Good Repair projects and fund station access projects 	\$221	16%
Federal and Regional Funds Distributed by MTC		\$488	34%
Rail Car Joint Account & MTC Funding	<ul style="list-style-type: none"> BART and MTC have reserved funds in a joint account to pay for the costs of replacing BART's fleet. \$390M of these funds are budgeted for use toward rail car replacement costs in FY19 	\$390	1%
Federal Funds	<ul style="list-style-type: none"> MTC allocates approximately \$53M per year of FTA Section 5337 State of Good Repair funds toward BART's needs; FY19 as well as prior-year 5337 allocations will be invested in traction power; train control; rail, way and structures; and AFC equipment 	\$83	6%
Regional Bridge Tolls	<ul style="list-style-type: none"> RM1, RM2, and AB664 bridge toll funds will be invested in HMC, remaining BART to Antioch and Warm Springs capital costs, and several system reinvestment projects 	\$15	1%
Local Funding		\$94	7%
VTA	<ul style="list-style-type: none"> VTA will reimburse BART for cost incurred during construction of SVBX, provide funds toward rail cars, and funds toward HMC 	\$61	4%
County Measures	<ul style="list-style-type: none"> Contra Costa's Measure J supports investments in BART to Antioch, as well as station modernization and station access projects in Contra Costa County Alameda County's Measures B/BB will support station modernization and station access projects in Alameda County San Francisco will support replacement of escalators and installation of canopies at downtown San Francisco stations 	\$33	2%
State Funding		\$122	9%
State Proposition 1A & 1B Bonds	<ul style="list-style-type: none"> California State infrastructure bonds (Propositions 1A & 1B) approved by voters in 2009 have now been fully committed. Out of the funds allocated to BART, funds are budgeted for rail car replacement and HMC. Most of the balance will support station modernization projects. 	\$101	7%
Other State Funding	<ul style="list-style-type: none"> California Low Carbon Transit Operations Program (LCTOP) for rail car procurement Reimbursable expenses related to Capitol Corridor/other 	\$21	1%
Total		\$1,418	100%

7. FY19 Proposed Initiatives

FY19 General Fund Strategic Initiatives

The FY19 Preliminary Budget includes new prioritized budget initiatives to be paid from the General Fund that focus on BART's focus on Quality of Life on BART. In addition, initiatives are included that address other priorities, including service reliability, process improvement and best practices, information systems safety and security, police staffing, and items for BART to stay in compliance with federal and state regulations.

The list below reflects the highest priority initiatives ranked by the General Manager and BART executives. Staff is working on funding strategies for other high priority initiatives for which funding is not currently available.

OPERATING	FTE	Labor	Non-Labor	Total
Quality of Life: Homelessness	-	\$ -	\$ 1,000,000	\$ 1,000,000
Quality of Life: Fare Evasion	2.0	202,018	-	202,018
Transbay Tube Technician Coverage	8.0	1,059,928	-	1,059,928
Process Improvement for Admin Services	-	-	700,000	700,000
IT Safety, Security, and Applications	3.0	604,293	-	604,293
Police Dispatchers	2.0	267,196	-	267,196
Uniform Tracking	1.0	181,296	-	181,296
Budget Staffing	1.0	173,000	-	173,000
System Safety Data Analysis	1.0	154,838	-	154,838
Title VI	0.3	42,634	-	42,634
OPERATING TOTAL	18.3	\$ 2,685,203	\$ 1,700,000	\$ 4,385,203

CAPITAL	FTE	Labor	Non-Labor	Total
Quality of Life: Homelessness	-	\$ -	\$ 600,000	\$ 600,000
Pigeon Abatement	-	-	500,000	500,000
CAPITAL TOTAL	-	\$ -	\$ 1,100,000	\$ 1,100,000

Quality of Life: Homelessness

\$1.0M Operating, \$0.6M Capital

As discussed in Section 1 (Overview), BART is taking steps to address Quality of Life concerns, which include homelessness, fare evasion, cleanliness, and safety/security. This initiative will fund: 1) Elevator Attendants to address elevator cleanliness, safety and security; 2) Homeless Outreach Teams to engage the homeless population at the downtown San Francisco stations; 3) the Pit Stop Program to provide attended restroom facilities at four stations in downtown San Francisco; and 4) increased security measures to reduce encampments on BART properties.

Quality of Life: Fare Evasion

2.0 FTE, \$0.2M Operating

Two additional Community Service Officers will be added to the team of designated fare inspectors to assist with fare evasion prevention efforts throughout the stations and onboard trains.

Transbay Tube Technician Coverage

8.0 FTE, \$1M Operating

The Transbay Tube Coverage pilot project started in January 2017 and provides additional

staffing to cover rail car failures in the Transbay Tube (TBT), successfully mitigating system-wide service delays. Currently, staffing is provided through the use of overtime. The 8 additional FTE will increase staffing to cover 50% of the trains going through the TBT during peak hours. The new positions will reduce overtime and are expected to result in a slight reduction in overall labor costs.

Process Improvement for Administrative Services **\$0.7M Operating**

This is a joint initiative put forth by Human Resources, Budget, and Finance that would engage consultants to review and assess Support Service departments and recommend improvements and best practices. Studies of interest include budget controls, overtime controls, optimal staffing guidelines, inventory management, and updating administrative policies and procedures.

IT Safety, Security, and Applications **3.0 FTE, \$0.5M Operating**

BART will add 1 Cybersecurity Engineer and 2 Senior Applications Analysts positions to support the Office of the CIO in its new and ongoing tasks to mature various platforms. This includes: 1) protecting systems, networks, and programs from digital attacks, and 2) operational maintenance of the Salesforce and SharePoint platforms and workflows used externally and internally.

Police Dispatchers **2.0 FTE, \$0.3M Operating**

The existing staffing level of the police dispatch center has not changed since 2006. This proposal will add two police dispatchers to meet the additional workload due to increased daily patrol staffing, special event staffing, special operations, increased ridership, and new crime reporting technology.

Uniform Tracking **1.0 FTE, \$0.18M Operating**

The Uniform Issuance and Associated Database tracks uniforms issued to BART employees. Tracking is required to improve compliance with reporting requirements for employee compensation. BART will add an Administrative Analyst to maintain the uniform database.

Budget Staffing **1.0 FTE, \$0.17M Operating**

The Budget Office is engaging in efforts to improve overall budget processes and systems to align with best practices. These efforts include addressing and establishing budget controls and improving tracking and reporting of District expenses. Increased staffing will expand the capacity of the Budget Office to assess, develop, and implement budget improvements to better control costs and support District operations.

System Safety Data Analysis **1.0 FTE, \$0.15M Operating**

FTA is requiring implementation of Safety Management System (SMS) at BART which includes increased safety data analysis and reporting. BART will hire 1 Administrative Analyst to implement Maximo Employee safety and perform SMS data analysis in compliance with FTA regulations.

Title VI **0.25 FTE, \$0.04M Operating**

The Office of Civil Rights Title VI / Environmental Justice (EJ) unit is increasing its emphasis on monitoring operating activities including distribution of new rail vehicles, transit amenities, parking, fare studies, and major service changes. The unit will continue to monitor the District's

Language Assistance Program including language assistance measures for transit ticket vending/Clipper/add-fare machines. The additional 0.25 FTE will reduce capital headcount and will allow Title VI and EJ activities to be ongoing operating functions.

Pigeon Abatement

\$0.5M Capital

This initiative provides one-time funding to permanently seal off and modify pigeon roosting areas to reduce the pigeon populations at BART stations to address issues of station cleanliness, safety, and overall customer experience.

FY19 Stations & Access Initiatives

Stations & Access Initiatives are funded by estimated revenue from Parking Program fee modifications (described in Section 4). Key criteria in FY19 recommendations were to:

1. Align with FY19 station priorities.
2. Prioritize one-time expenditures, and minimize addition of new on-going expenses.
3. Leverage and advance projects eligible for BART Measure RR capital funds.
4. Improve BART's operational efficiency and effectiveness.

OPERATING	FTE	Labor	Non-Labor	Total
Parking Program Manager	1.0	230,000	-	\$ 230,000
Parking Enforcement & Management	3.0	357,000	-	357,000
Automated Parking System Feasibility Analysis	-	-	168,000	168,000
Satellite / Shared-Use Parking Pilot	-	-	450,000	450,000
Art Program Collection Conservation	-	-	200,000	200,000
Bike / Ped Gap Study, Ph. 2	-	-	250,000	250,000
Dynamic Bus Intermodal Feasibility Study	-	-	150,000	150,000
BART Ridership Model	-	-	150,000	150,000
Station Profile 2020 Preparation	-	-	40,000	40,000
OPERATING TOTAL	4.0	\$ 587,000	\$ 1,408,000	\$ 1,995,000

CAPITAL	FTE	Total
Quality of Life: Fare Evasion (Station Hardening)	9.0	\$ 1,220,140
Quality of Life: Fare Evasion (Prevention in Station Modernization)	-	1,018,000
Parking Enforcement & Management	-	480,000
Satellite / Shared-Use Parking Pilot	-	50,000
Art Program Collection Conservation	-	25,000
Maintenance Fund to Reconfigure Access Facilities	-	250,000
Station Access Wayfinding and Signage Program	-	250,000
Regional Transit Information Displays	-	250,000
Station Experience Design Guidelines - BFS Specifications	-	200,000
CAPITAL TOTAL	9.0	\$ 3,743,140

Quality of Life: Fare Evasion (Station Hardening)

9.0 FTEs, \$1.2M Capital

As part of BART's initiative to make it easier for patrons to pay fares, and more difficult for fare evaders to by-pass fare gates, this investment is to increase BART Maintenance & Engineering forces dedicated to design and construct station hardening improvements. The FY18 capital investment will be converted to 9.0 FTEs and funding for equipment and materials.

Quality of Life: Fare Evasion (Prevention in Station Modernization)

\$1.02M Capital

Fare gates, and other equipment, will be purchased to improve customer convenience, and reduce fare evasion. This investment contributes towards items that were updated, or initially outside of scope and unfunded, in earlier generations of Station Modernization designs (either for 19th Street Station Modernization and accessible fare gates or El Cerrito del Norte Station Modernization contract).

Parking Program Manager **\$0.23M Operating**

A Parking Program Manager is needed to more effectively manage the District's 48,000 parking spaces. The goal is to provide excellent customer service, more effectively manage existing assets, and optimize parking (and fare) revenues, consistent with the Board-adopted Station Access Policy. In addition to managing existing assets, this position will identify opportunities to create partnerships for non-BART owned parking facilities and manage the relationship with the South Hayward BART Station Joint Powers Authority (JPA).

Parking Enforcement and Management **3.0 FTEs, \$0.36M Operating, \$0.48 Capital**

To more effectively manage and enforce regulations at 48,000 existing BART parking spaces, this initiative adds two Community Service Officers (CSO), four patrol vehicles, and one Senior Financial Analyst. The program is intended to improve customer service, parking validation, and parking revenues.

Automated Parking System Feasibility Analysis **\$0.2M Operating**

As part of the parking discussion for the Dublin / Pleasanton Station, the Board directed staff to evaluate the feasibility of Automated Parking System (APS) parking at sites where BART seeks to cost-effectively expand structured parking (for commuters or in Transit Oriented Development (TOD)). This will include further analysis of public-private partnership opportunities.

Satellite / Shared-Use Parking Pilot **\$0.45M Operating, \$0.05M Capital**

Implement pilot satellite or shared-use parking for BART commuters (primary focus on the C-Line & L-Line corridors) by connecting at least one BART station to an existing surface parking lot via walk, or shuttle, to a BART station. Includes assessment of cost-effectiveness of the investments for future years. Staff will seek matching funds, as available.

Art Program Collection Conservation **\$0.2M Operating, \$0.03M Capital**

Begin to implement elements of the BART Art Master Plan with focus on Art Program Collection Management, Maintenance, and Conservation: 1) Local match for the National Endowment for the Arts (NEA) grant; 2) Document collection in Maximo (asset management); 3) Triage maintenance on key artworks: repair Orinda mural; clean Colma art; clean/stabilize Embarcadero art; stabilize/repair El Cerrito mosaic tiles (both stations).

Bike / Pedestrian Gap Study, Phase 2 **\$0.25M Operating**

To achieve BART Board adopted Station Access Policy goals, this investment will build on the 2018 gap analysis of 10 stations, to identify specific pedestrian and bicycle improvements that will make access more attractive and safer at 15 stations. Analysis includes prioritization and identification of capital investments, and sets the stage for Station Access capital improvements that can be engineered and funded by BART Measure RR.

Maintenance Fund to Reconfigure Access Facilities **\$0.25M Capital**

Provides funding to reconfigure BART intermodal and parking facilities by relocating signs, poles, bike racks, and bus shelters, as well as by applying the appropriate curb painting, to ensure that space is properly allocated to create the most efficient use of BART property for its various access programs.

Station Access Wayfinding and Signage Program **\$0.25M Capital**

Update station wayfinding design and design guidelines in areas outside the faregates and extending to property lines. These will provide guidance on vehicle circulation and parking zones, curb uses, pedestrian and Americans with Disabilities Act (ADA) features, bicycle facilities, and nearby areas of interest. This project would provide updates to the BART Facilities Standards (BFS) and be the first phase of a larger effort to update and improve station access wayfinding at all appropriate stations. Capital investments would be eligible for BART Measure RR funds.

Regional Transit Information Displays **\$0.25M Capital**

Update bus maps and schedules to improve customer experience and bus transit connections. MTC has defined "Transit Hub" stations at a limited number of key BART stations. MTC funds the update and maintenance of Transit Information Displays (TIDs) and information kiosks at Transit Hub stations, including bus schedules, routes, and maps. The contractor (currently AC Transit) maintains the TIDs and kiosks on a regular basis. BART funds would provide accurate and updated maps and information at non-Transit Hub stations.

Dynamic Bus Intermodal Feasibility Study **\$0.15M Operating**

To maximize efficiency of limited curb space near station entrances, develop a Dynamic Bus/Shuttle Feasibility Study to identify design and operational best practices, technology options, interface requirements with operators, criteria for implementation by station type, and a concept design for implementation at a pilot station.

BART Ridership Model **\$0.15M Operating**

Upgrade the BART Ridership Model (BRM) to inform station area planning, TOD, station modernization projects, and budget scenarios. Improve to reflect 2015 Station Profile, Plan Bay Area 2017, local access changes, and other technical improvements.

Station Experience Design Guidelines - BFS Specifications **\$0.2M Capital**

Advance next phase of Station Experience Design Guidelines to create a more consistent customer experience at stations, reduce capital costs, and more efficiently manage long-term O&M and capital replacement expenses. Develop a BART "Kit of Parts" set of common architectural and landscape elements for piloting at 2 stations, which may include: Architectural Elements, Landscape / Furnishing elements, and station interior elements. Develop design specifications for "Kit of Parts" elements for BART Facilities Standards.

Station Profile 2020 Preparation **\$0.04M Operating**

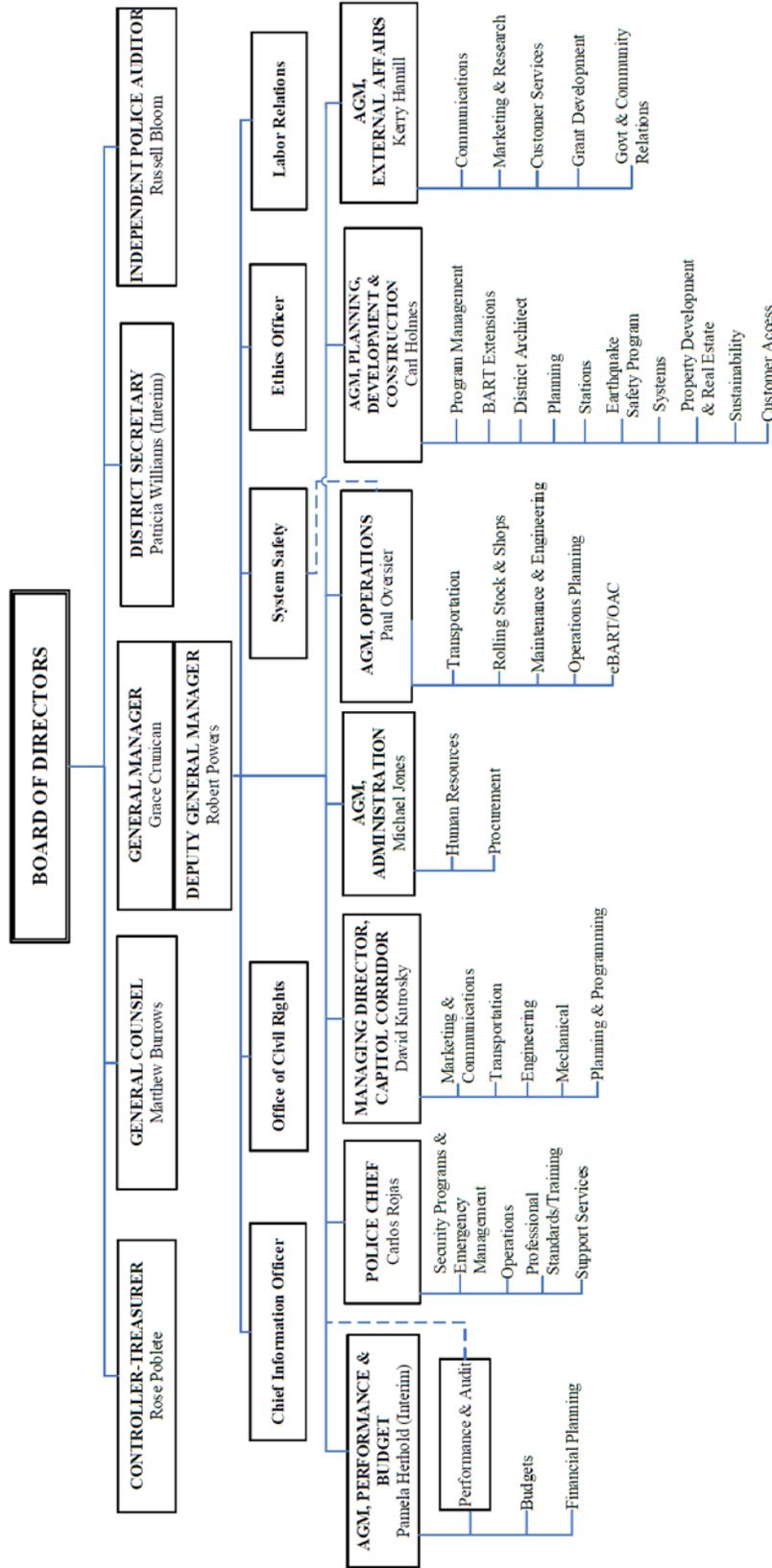
BART Board-adopted Station Access performance targets require consistent data to assess performance. These funds will begin preparation for the 2020 Station Profile, which in part will be funded by MTC. There will be additional funding requests in FY20 and FY21 for survey implementation and analysis.

8. FY19 Budget Board Review Schedule

Meeting Date	Budget Item
3/22/2018	Board Meeting: FY19 Budget Outlook
3/30/2018	FY19 Preliminary Budget release
4/26/2018	Board Meeting: FY19 Preliminary Budget Overview FY19 Budget Procedural Actions: Set Date for Public Hearing & Publish Pamphlet
5/10/2018	Board Meeting: FY19 Preliminary Budget Sources, Uses, Service Plan, & Capital Budget
5/24/2018	Board Meeting: Public Hearing on FY19 Annual Budget Board Action: Consider resolution to adopt the annual Proposition 4 Limit
6/14/2018	Board Meeting & Action: Consider resolution to adopt the FY19 Annual Budget

9. FY19 Preliminary Budget Organization Chart

SAN FRANCISCO BAY AREA RAPID TRANSIT ORGANIZATION CHART FY19 Preliminary Budget



HEADCOUNT		
	Total	Allocation Net
Operating	3,428.3	(48.0)
Capital*	-	-
Reimbursable	41.5	-
		41.5

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