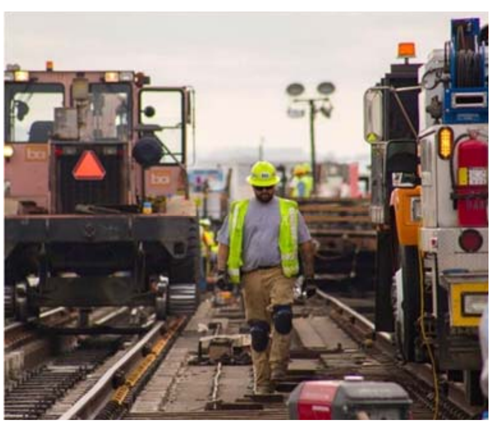
San Francisco Bay Area Rapid Transit District

Fiscal Year 2017 Preliminary Budget Memo

March 31, 2016



Contents

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
MEMORANDUM

TO: Board of Directors **DATE:** March 31, 2016

FROM: General Manager

SUBJECT: Fiscal Year 2017 Preliminary Budget

The Fiscal Year 2017 (FY17) Preliminary Budget supports the District's continued efforts to reinvest in the system, welcomes the first of at least 775 new rail cars and opens the Warm Springs/South Fremont station. However, limited funds are available for additional new programs as revenues are constrained due to a projected slowdown in ridership growth and sales tax income, which together account for 86% of BART's revenue sources.

BART ridership and regional employment have always been closely connected. The Bay Area continues to add jobs, but at a slower rate than in recent years as the counties that BART serves have recovered in terms of employment from the last recession. BART's Transbay trips are growing at a healthy 5% rate, however, trips made within the East Bay and West Bay are flat and weekend trips systemwide have declined from the prior year. Thus, the FY17 budget for weekday trips projects a moderate 2.3% increase, slightly lower than the 2.9% growth expected in FY16, and far less than the 6% growth seen in FY15.

BART continues investment in our aging infrastructure in FY17, at a level of self-help that is among the highest for a transit operator in the nation. Over the past five years, BART has reinvested over $500 million of operating funds into critical projects such as new rail cars and station renovation. The FY17 Capital Budget also prioritizes reinvestment, with 67% of the $876M budget programmed to system reinvestment projects.

In FY17, approximately $140 million in operating funds are planned for allocation to capital reinvestment. This includes $45 million to the Rail Car Replacement Program, an annual increment that the District has been setting aside as part of our contribution to the purchase of new rail cars. The District has awarded contracts to purchase 775 new vehicles, and is seeking funding to purchase an additional 306 vehicles. BART has just received the first new rail car and will receive more in the near future.

The FY17 budget includes a full year of the inflation-based fare increase that took effect in January 2016. This increase, combined with the January 2014 increase, is estimated to generate approximately $35 million for FY17, all of which are dedicated by Board policy to help fund BART's "Big 3" capital projects—new rail cars, the Hayward Maintenance Complex, and a modernized train control system.

Consistent with Board adopted policy, incremental revenues from demand-based parking fee increases are dedicated to station upgrades and station access improvements designed to improve the customer experience. The proposed budget includes an additional $6.5 million of station-related capital and operating initiatives. Programs to increase bicycle parking, provide crowd control at busy downtown San Francisco stations, design and implement a station wayfinding program, hire additional Community Service Officers, provide local match to leverage external funds for Concord Station improvements, and other important initiatives are outlined in this budget. We believe that these proposals will help to make our stations safer and easier to access, and create a more inviting station environment.

In FY17, BART plans to open the Warm Springs/South Fremont Station and is preparing to open two new extensions in FY18, the Silicon Valley Berryessa Project (SVBX) to Santa Clara County and the eBART Project to eastern Contra Costa County. The SVBX project, outside of the BART District, is funded entirely by the Santa Clara Valley Transportation Authority (VTA).

With Board policy dedicating increases in fares and parking fees to specific projects and programs, ongoing operations are dependent primarily on revenue growth. In years like FY17, with revenue growth slowing and the District facing ridership capacity constraints, this presents a budgetary challenge. The ongoing cost increases in the base budget requires the use of most of the FY17 revenue increase, and there is minimal funding available for new budget initiatives as compared to recent years.

While we look forward to welcoming the first of BART's new rail cars, our financial projections indicate considerable financial challenges in the upcoming years. Given the region's dependence on BART, it remains imperative that we continue to be a good steward of public funds and make the allocations and investments outlined in this budget to provide the quality service our customers deserve and expect. I look forward to working with you in the coming months to finalize the FY17 budget.

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cc: Board Appointed Officers
Deputy General Manager
Executive Staff

1. Overview

The FY17 Preliminary Budget continues to support BART's commitment to deliver safe, reliable service by rebuilding BART's aging infrastructure. The following sections summarize the FY17 Preliminary Budget's focus areas to help achieve this goal. New initiatives proposed for FY17 are described in Section 7.

Development of the FY17 Preliminary Budget has been informed by the FY15-FY24 Short-Range Transit Plan/Capital Improvement Program (SRTP/CIP) approved by the Board in 2015, which showed large annual operating deficits and $4.8 billion of unfunded capital needs over the ten-year forecast period. This provides context for considering the long-term financial and operational impacts of FY17 spending decisions and drove the decision to place a General Obligation bond measure on the November 2016 ballot. The sizable future shortfalls mean that ongoing expenses need to be carefully controlled and revenues enhanced to help meet current and future capital commitments and address high-risk needs.

In FY17, BART will also commence service to the Warm Springs/South Fremont community, with the single-station, 5.4 mile extension opening for revenue service upon completion of ongoing testing. This will enable a seamless connection to Santa Clara County via the Silicon Valley Berryessa Extension. Work continues on the two-station eBART rail project, which will provide a key linkage to eastern Contra Costa County. The FY17 budget funds 46 new capital positions for eBART pre-revenue service training and testing, described under Operating Allocations to Capital in Section 5.

Silicon Valley Berryessa Extension

The two station, ten-mile Silicon Valley Berryessa Extension (SVBX) Project into Santa Clara County will connect to the Warm Springs/South Fremont Station in southern Alameda County and is expected to open in 2017 (FY18).

Construction of the project is managed by the Santa Clara Valley Transportation Authority (VTA), in cooperation with BART. VTA is funding all construction costs of the project and will reimburse BART for all costs associated with rail service, including operations, maintenance, core system impacts, and funding of a capital reserve account for future capital reinvestment expenses. The project will have no financial impact on BART.

In preparation for revenue service in FY18, BART will add positions and certain non-labor expenses to the FY17 budget to support training and pre-revenue efforts. These additions will be reflected as VTA-funded positions in the final FY17 budget and are not shown in the Preliminary Budget.

FY17 Preliminary Budget

The following sections start with a discussion of rail service plans, followed by the FY17 Preliminary Budget Income Statement. Operating and capital sources and uses are shown together in a combined Income Statement in order to present an accurate picture of BART's financial situation. This is followed by descriptions of operating and capital sources and expenses. The final section is a summary of the limited initiatives proposed for FY17.

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

2. Rail Service Plan

In the first quarter of FY16, BART implemented a new service plan focused on increasing core capacity during the morning commute. Part of the capacity increase came from schedule changes that shifted additional service to the most congested segments of the system. Additional relief came from strategic investment in rail car maintenance, including funding additional shifts at maintenance facilities. This allowed for quicker turnaround of vehicles and made more cars available for the lengthening of select peak trains. The combined impact of these changes increased peak capacity by almost 7% during the morning commute. In November 2015, the service plan was revised to bring two additional morning trains to North Concord Station.

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

As new vehicles start becoming available for revenue service in FY17, BART will identify opportunities to lengthen trains with the goal of eventually running ten-car trains on all Transbay routes in the coming years.

Rail Service Requirements	FY16	FY17
Peak Cars	540	562
Ready Spares and Yard Logistics	39	39
Total Peak Vehicles	579	601
Total Cars	669	679
Total Fleet Availability	87%	89%
Peak Trains	61	62
Total Car Hours (mil)	2.39	2.45
Total Car Miles (mil)	72.4	74.2

Capacity Improvements

Faced with no additional car reserves to rely upon, BART looked to innovative solutions to increase capacity. In FY16, BART rolled out a pilot program to evaluate three different seating configurations on 20 test cars each. These configurations are intended to provide additional carrying capacity on already crowded commute trains and have the added benefit of encouraging passengers to move toward the center of the car. Additional benefits are anticipated with improved passenger boarding and alighting and reduced station dwell times during the busiest times of the day. As part of this pilot, feedback is being solicited from riders so BART can better understand the preferences of riders and how to better address their needs.

New Rail Cars

In March FY16, BART's first Fleet of the Future prototype arrived for the testing and approval process. When this process is completed, full rail car production, delivery, and testing will begin.

BART has developed a strategy for maximizing the benefit of these new cars as they start becoming available in FY17. Because the new cars and the existing rail cars cannot be combined on the same train, ten-car trains will be incorporated into the schedule when at least ten new rail cars are available for revenue service. At this point, the new train will replace a train currently in service, with the cars from the existing train then allocated to other peak trains, likely on the Red (Richmond to Daly City) or Green lines that currently operate trains with less than the ten-car maximum. This will provide much needed capacity relief to BART's customers during the busiest ridership periods.

3. FY17 Preliminary Budget Income Statement

($millions)	FY16 Adopted	FY17 Preliminary	Change $	Change %
Rail Passenger Revenue	$ 480.8	$ 510.0	$ 29.1	6%
ADA Passenger Revenue	0.9	0.9	0.0	1%
Parking Revenue	30.9	33.5	2.5	8%
Other Operating Revenue	26.7	27.5	0.8	3%
Sub-Total Operating Revenue	**539.3**	**571.8**	**32.5**	**6%**
Sales Tax Proceeds	244.6	249.2	4.6	2%
Property Tax Proceeds	34.7	38.6	3.9	11%
State Transit Assistance	16.5	14.0	(2.5)	-15%
Low Carbon Transit Operations Program	6.3	7.0	0.7	11%
Measure B / Other	6.2	6.4	0.2	3%
Sub-Total Financial Assistance & Allocations	**308.4**	**315.2**	**6.8**	**2%**
OPERATING SOURCES SUB-TOTAL	**847.7**	**887.0**	**39.3**	**5%**
Federal 5307 Grant - MTC Rail Car Fund Swap	**52.7**	**47.1**	**(5.6)**	**-11%**
CAPITAL SOURCES	**664.8**	**876.3**	**211.5**	**32%**
TOTAL OPERATING & CAPITAL SOURCES	**1,565.2**	**1,810.5**	**245.3**	**16%**
USES				
Labor	468.7	500.8	32.1	7%
OPEB Unfunded Liability	2.5	2.4	(0.0)	-2%
ADA Paratransit	13.6	14.2	0.6	5%
Purchased Transportation	13.1	13.8	0.7	5%
Power	40.3	41.0	0.7	2%
Other Non-Labor	117.9	120.5	2.6	2%
Sub-Total Operating Expense	**656.1**	**692.7**	**36.6**	**6%**
Extraordinary Exp. - MTC Rail Car Fund Swap	**52.7**	**47.1**	**(5.6)**	**-11%**
Debt Service	50.3	52.7	2.4	5%
Allocation - Capital Rehabilitation	52.4	43.5	(9.0)	-17%
Allocation - Rail Car Sinking Fund	45.0	45.0	0.0	0%
Allocation - Priority Capital Programs	27.0	35.4	8.4	31%
Allocation - Stations & Access Projects	5.5	5.2	(0.3)	-5%
Allocations - Other	1.6	1.7	0.0	3%
Allocation - Rail Car Proj. f/ SFO Net Result	12.2	13.3	1.0	8%
Sub-Total Debt Service & Allocations	**194.1**	**196.8**	**2.7**	**1%**
OPERATING USES TOTAL	**850.2**	**889.5**	**39.3**	**5%**
NET OPERATING RESULT	-	-	-	
System Renovation	365.0	584.5	219.4	60%
Safety & Security	49.0	68.0	19.0	39%
Earthquake Safety	33.9	60.6	26.6	79%
Service & Capacity Enhancement	37.9	48.6	10.7	28%
System Expansion	173.5	109.2	(64.3)	-37%
Reimbursable/Other	5.5	5.5	0.0	0%
CAPITAL USES TOTAL	**664.8**	**876.3**	**211.5**	**32%**
TOTAL OPERATING AND CAPITAL USES	**1,567.7**	**1,812.9**	**245.2**	**16%**
OPEB Unfunded Liability	**(2.5)**	**(2.4)**	**0.0**	**-2%**
NET RESULT, subtotal	-	-		
Unfunded Capital Need	**(480.0)**	**(480.0)**	-	
FINAL NET RESULT	**(480.0)**	**(480.0)**	-	
Average Weekday Trips	429,695	445,441	15,746	3.7%
Total Annual Trips (M)	129.4	132.4	2.9	2.3%
Farebox Recovery Ratio	73.4%	73.7%	0.3%	0.4%
Operating Ratio	82.2%	82.5%	0.3%	0.4%
Rail Cost/Passenger Mile (TSP Performance Measure)	$0.343	$0.347	0.0	1.1%

4. Operating Sources

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

($millions)	FY16 Adopted	FY17 Preliminary	Change $	Change %
Rail Passenger Revenue	$ 480.8	$ 510.0	$ 29.1	6%
ADA Passenger Revenue	0.9	0.9	0.0	1%
Parking Revenue	30.9	33.5	2.5	8%
Other Operating Revenue	26.7	27.5	0.8	3%
Sub-Total Operating Revenue	**539.3**	**571.8**	**32.5**	**6%**
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Sub-Total Financial Assistance & Allocations	**308.4**	**315.2**	**6.8**	**2%**
OPERATING SOURCES SUB-TOTAL	**847.7**	**887.0**	**39.3**	**5%**
Federal 5307 Grant - MTC Rail Car Fund Swap	**52.7**	**47.1**	**(5.6)**	**-11%**
CAPITAL SOURCES	**664.8**	**876.3**	**211.5**	**32%**
TOTAL OPERATING & CAPITAL SOURCES	**1,565.2**	**1,810.5**	**245.3**	**16%**

Operating Revenue

Ridership and Passenger Revenue

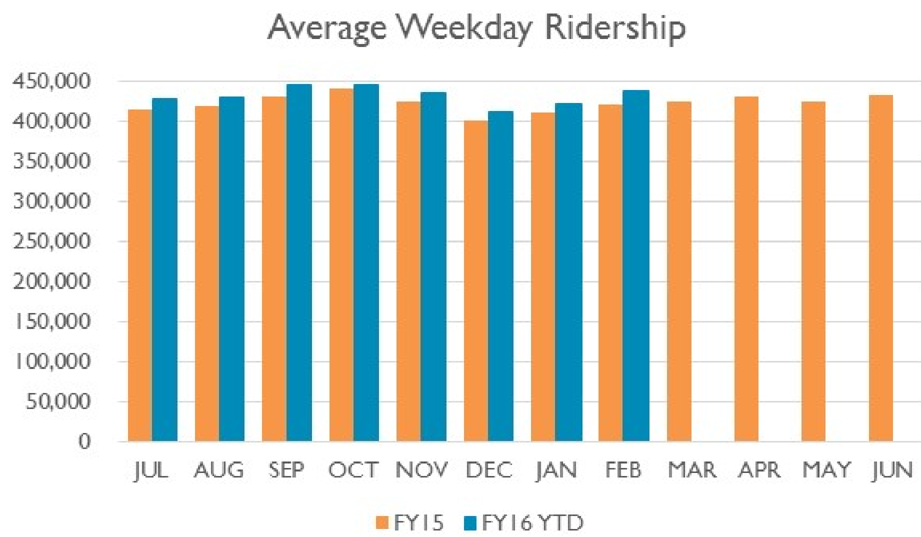
Based upon actual trends in FY16, ridership is projected to average 435,500 weekday trips by fiscal year-end, slightly over the budget of 429,695. Although this estimate is approximately 2.9% higher than FY15 ridership, the growth rate represents a substantial slowdown from the 6% growth seen in recent years. For FY17, weekday trips are expected to grow by 2.3% to 445,441, with approximately 2,000 weekday exits expected at the new Warm Springs/South Fremont Station. As with other newly opened BART stations, ridership is expected to start low and grow rapidly over the first few years of service.

While the continuation of this overall ridership growth trend is encouraging, more in-depth analysis reveals that most of the growth is concentrated in the peak periods and in the highly constrained Transbay corridor.

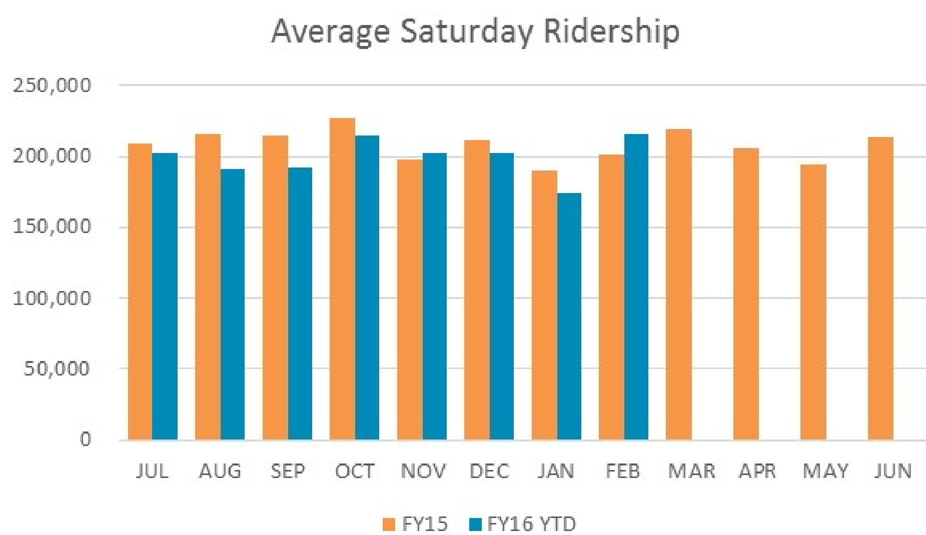
	FY15 Actual	FY16 Adopted	FY16 Estimate	FY17 Preliminary
Average Weekday Trips	423,120	429,695	435,500	445,441
Total Annual Trips (M)	126.0	129.4	129.4	132.4
		vs FY15	**vs FY15**	**vs FY16 est**
Average Weekday Trip Growth		1.6%	2.9%	2.3%
Total Annual Trip Growth		2.7%	2.7%	2.3%

Off-peak trips continue to grow, though at a slower rate, and weekend trips have declined when compared to FY15. As a result of the lower weekend ridership, total annual trips are projected to be on budget at 129.4M in FY16, in contrast with weekday trips, which are projected to be slightly over budget. Both weekday and annual trips are projected to grow 2.3% in FY17 from the FY16 estimate.

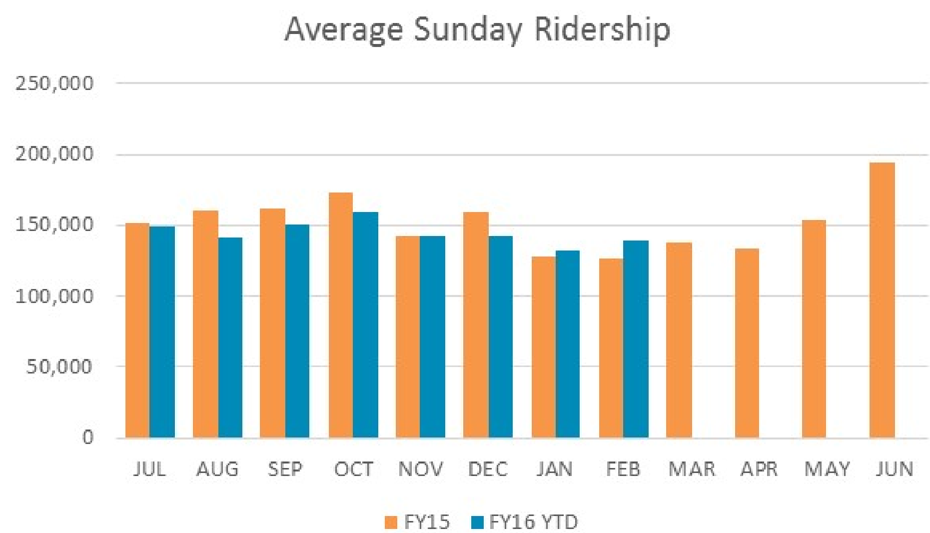
Through February of FY16, weekday ridership increased by 2.7% compared to the same period in FY15. Due to the scale and one-time nature of Super Bowl 50 activities, this growth rate excludes the first week of February 2016, when Super Bowl 50-related festivities in downtown San Francisco added over 600,000 trips to the week of ridership. In fact, Super Bowl 50 events led to BART's highest ever average weekday ridership of more than 446,650 in February. The above graph shows the monthly average weekday ridership in FY16 compared to FY15, with February 2016 adjusted to exclude the one-time impact of Super Bowl 50.



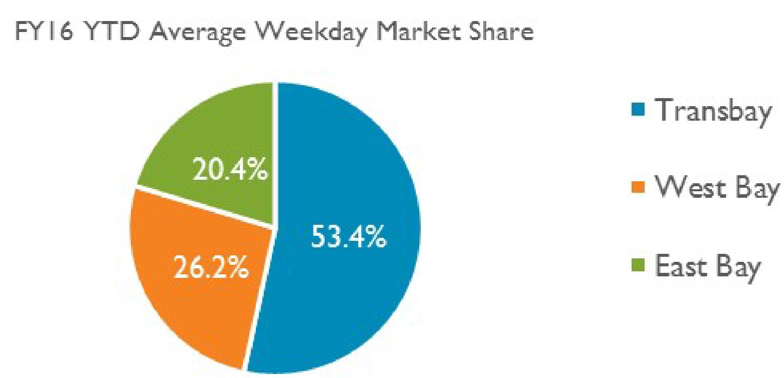
Through February of FY16, average Saturday and Sunday ridership has decreased by 3.2% and 4.2% respectively. Weekend trips fluctuate due to a variety of factors including the number of special events, BART weekend track maintenance closures, weather, gas prices, and whether Bay Area sporting teams are in playoff events. Estimates for FY16 and FY17 weekend ridership, which accounts for just 15% of total annual BART trips, take into account the reduced level of weekend ridership.



As with the average weekday trip data, these growth rates exclude Super Bowl 50 related events, which for a single Saturday in February, resulted in BART's all-time Saturday record of nearly 420,000 trips.



Since FY14, the Transbay market began to account for more than 50% of all BART trips. BART's Transbay market, as a share of all trips, has increased steadily by roughly 1% per year, putting additional pressure on BART's most constrained corridor. Over the same period, BART's East and West Bay market share have been declining by half a percent annually. Through the second quarter of FY16, the Transbay market accounts for 53.4% of all trips while the East and West Bay account for 26.2% and 20.4% respectively.



In addition to ridership, rail fare revenue has also grown substantially over the past few years. Beyond expected revenue growth from the increasing number of riders, fare revenue growth has also been fueled by a steady increase in the net average fare paid per rider, above and beyond implemented fare increases. Some of the increase in fare revenue is due to stronger growth in Transbay trips, which have a higher average fare of approximately \$4.50, as compared to the systemwide average of \$3.75. Increasing Transbay trips and the associated higher fare has helped increase BART's systemwide average fare. Fare revenue projections for FY17 have been adjusted to include the new, higher systemwide average fare and a full year of the January 2016 fare increase of 3.4%.

To help fund the system's extensive capital needs, the program of small regular inflation-based fare increases was renewed in 2013, with all incremental fare increase revenue dedicated to BART's "Big 3" capital needs. The fare increase amount is determined by averaging national and local inflation over a two-year period and then subtracting 0.5% to account for productivity improvements. Two increases to-date, January 1, 2014 and January 1, 2016, are currently projected to generate $35M in FY17. The next fare increase is planned for January 1, 2018. Overall rail fare revenue for FY17, including the incremental fare increase revenue, is estimated at $510M.

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

Passenger Fare Revenue ($millions)	Budget FY16 Adopted	Budget FY17 Preliminary	Change	%
Rail Passenger Revenue	$ 453.8	**$ 474.6**	$ 20.8	5%
Incremental Fare Increase Revenue	27.0	**35.4**	8.4	31%
Subtotal, Rail Fare Revenue	480.8	**510.0**	29.1	6%
ADA Paratransit Revenues	0.9	**0.9**	0.0	1%
TOTAL	**$ 481.7**	**$ 510.8**	**$ 29.1**	**6%**

Parking Fee Revenue

BART generates revenue from daily and permit parking fees charged at its 33 stations with parking facilities. Under a demand-based approach to pricing parking, daily parking fees are re-evaluated every six months. Costs for permits and fees may either increase or decrease, depending upon whether the facility's utilization is above or below 95% capacity. There is a daily fee maximum of $3 at all stations, with the exception of West Oakland Station, which does not have a cap and is currently at $7. Parking fees have now reached the $3 daily fee limit at 27 of the 33 stations with parking.

The FY17 parking revenue budget is $33.5M. Incremental revenue raised from the demand-based parking fee program, first implemented in 2013, is dedicated solely for investments in station access, station rehabilitation, and station modernization. Programs and projects funded by the increased parking revenue consist of both operating and capital efforts, some of which are one-time in nature and others ongoing. Approximately $14.5M of the FY17 parking revenue is generated by the demand-based parking fee program to fund access projects. Approximately $8.0M of the $14.5M is to continue access improvement projects implemented in prior years, such as additional station cleaners and station improvement efforts. The remaining approximately $6.5M will fund new programs in FY17, as described in the Initiatives section.

Parking Revenue ($millions)	Budget FY16 Adopted	Budget FY17 Preliminary	Change	%
Daily	$ 21.2	**$ 23.8**	$ 2.5	12%
Monthly Reserved	7.4	**7.8**	0.5	6%
Single Day Reserved	1.2	**1.3**	0.1	11%
Airport/Long Term	0.9	**0.6**	(0.2)	-26%
Coliseum Event Parking*	0.2	*		
TOTAL	**$ 30.9**	**$ 33.5**	**$ 2.5**	**8%**

* FY17 Coliseum Event Parking included in Other Operating Revenue

Other Operating Revenue

BART also generates operating revenue from non-passenger sources, the value of which is expected to be $27.5M in FY17. The two largest sources are the Commercial Communications Revenue Program (CCRP) and advertising, budgeted at $10.0M and $9.7M, respectively. Smaller revenue sources include fines and forfeitures, building and ground leases, concessions, and other miscellaneous revenues.

The CCRP is now managed by the Office of the Chief Information Officer (OCIO). Although gains in FY16 were substantial, the projected revenue increase did not meet the $5.5M growth expectation to meet the $12.1M budget, and instead are estimated to grow by only $3M due to an inability to meet the resource demands of BART's clients. In FY16, the OCIO filled two vacant positions in CCRP and the division is now fully staffed. In FY17, the OCIO will work with the Office of General Counsel to implement a more efficient deal processing workflow to expand the District's capacity for revenue generation and process the back-log of pending revenue agreements. The District anticipates that base revenues in CCRP will grow by at least 3.5% in FY17 from the FY16 estimate.

Parking citation revenue, noted as fines and forfeitures, is budgeted at $3.3M in FY17, an increase of $1.8M, as a result of additional dedicated parking enforcement officers and also because of higher fines for parking citations, which were approved by the BART Board in early 2016.

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 FY17 is $1.1M.

Other Operating Revenue ($millions)	Budget			
	FY16 Adopted	FY17 Preliminary	Change	%
Telecommunications	$ 12.1	**$ 10.0**	$ (2.1)	-17%
Advertising	9.2	**9.7**	0.6	6%
Fines and Forfeitures	1.5	**3.3**	1.8	121%
Building and Ground Leases	1.1	**1.1**	0.0	4%
Other	2.9	**3.3**	0.4	16%
TOTAL	**$ 26.7**	**$ 27.5**	**$ 0.8**	**3%**

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

Annual sales tax growth for the five years prior to FY16 ranged from 5 to 9%, but a return to a more sustainable, long-term rate was anticipated for FY16, with a budgeted growth of 4.0%. Subsequent to the budget adoption in June 2015, the fourth quarter of FY15 came in substantially under budget, with just 0.1% growth, lowering the results for FY15 and increasing the growth FY16 needed to stay on budget to 4.9%. With three quarters of actual FY16 data, sales tax is $1.7M below budget and has grown just 3.0%. Currently, FY16 is projected to end the year at $241M, which is $3.6M below the adopted budget.

Based upon the FY16 results and the slowing growth rate over the past four quarters, FY17 is projected to grow 3.4% to $249.2M. 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% to 4% for FY17 and beyond.

Property Tax Revenue

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

Since the BART tax is a small, fixed percentage of tax based on assessed property values, it has increased over the years with rising property values. County assessors are responsible for assessing the value of each home, as well as other residential and commercial property on January 1 of each year. That value is used to set the property tax bill that is due in December of that year and April of the following year. Although the actual BART property tax rate varies between the multitude of distinct tax rate areas which exist within each of the three counties, in FY16 BART's share of the 1% averaged approximately $6 per each $100,000 of assessed value.

BART FY16 property tax revenue is projected to end at $36.4M ($1.7M, or 4.8% over budget), and FY17 is expected to grow an additional 6% to $38.6M.

Sales Tax and Property Tax Proceeds ($millions)

		Sales Tax	Year Change	Property Tax	Year Change
Actual	FY11	180.8	8.6%	29.5	-2.0%
	FY12	195.2	8.0%	29.7	0.6%
	FY13	208.6	6.8%	31.3	5.3%
	FY14	221.1	6.0%	32.5	3.8%
	FY15	233.1	5.4%	34.3	5.7%
	FY16 Adopted	244.6	4.9%	34.7	1.1%
	FY16 Estimate	241.0	3.4%	36.4	6.0%
	FY17 Preliminary	**$ 249.2**	**3.4%**	**$ 38.6**	**6.0%**

State Transit Assistance

State Transit Assistance (STA) is based upon revenue generated by actual receipts from the sales tax on diesel fuel. In June 2015, BART's adopted budget for FY16 assumed $16.5M of STA funds, but declining diesel prices prompted the Metropolitan Transportation Commission (MTC) to adopt a revised STA estimate in September 2015, which resulted in a reduced $13M estimate for FY16.

The Governor's proposed FY17 Budget estimates statewide STA at $315M, with $122M directed to the Bay Area. Recently, MTC raised concerns that the state forecast may be too optimistic, as it assumes future increases to the price of diesel fuel. In addition, in 2015 the State Controller's Office (SCO) implemented substantial changes to the revenue-based portion of the STA program due to a legal challenge from several unnamed transit agencies. The SCO changes have significantly altered the total funding Bay Area operators are eligible to receive. Furthermore, the SCO now allocates STA to a region, not to individual operators. MTC, BART and other STA recipients are in the process of interpreting and understanding these changes. Due to this substantial change in the process, MTC is not able to issue revenue-based STA estimates for FY17 at this time. BART is estimating a slight increase to $14M as a placeholder value for the FY17 Preliminary Budget. If new information is available before adoption of BART's final FY17 budget, the STA revenue forecast will be revised.

Low Carbon Transit Operations Program

BART anticipates receiving funding from the Low Carbon Transit Operations Program (LCTOP), one

[1] BART has a separate tax levy for seismic retrofit general obligation bond debt service. For the FY16 tax year, the enrolled rate is $2.60 per $100,000 of assessed value.

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.

The Governor's budget initially estimated state-wide LCTOP funds at $100M for FY16, resulting in $6.3M for BART. In September 2015, the state revised its FY16 estimate down to $75M and BART's share was reduced to $5.6M. In addition, starting in FY16, the state will only pay out 75% of available LCTOP funds and will carry forward 25% for release in each subsequent fiscal year.

For FY17, the state is currently estimating $100M of LCTOP funds state-wide. Based upon this increase, and the 25% carry forward, BART is assuming $7.0M in LCTOP funds for FY17. However, the state uses the STA shares to determine the amount of LCTOP an operator should receive. As STA allocations are currently uncertain as described above, BART's FY17 LCTOP will be revised if new information is available before adoption of the final budget.

BART plans to program FY17 LCTOP funds to help offset the $45M annual allocation to the new Rail Car Program. This allocation is separate from the incremental fare increase revenue allocation to the "Big 3" projects. The new rail cars will increase BART's capacity, with additional riders on transit reducing greenhouse gases.

Other Assistance

Other Assistance to BART in FY17 includes $0.9M paid by Caltrain for the Millbrae Station Use, Operations, and Maintenance Agreement, $0.9M in federal funds for the Strategic Maintenance Program, and $80,000 from Contra Costa County's Measure J sales tax measure. BART is also budgeting $2.6M and $1.9M from Alameda County's Measure BB and Measure B, respectively, which will be used for paratransit and transit operations in Alameda County.

Other Assistance ($millions)	**Budget**			
	FY16 Adopted	**FY17 Preliminary**	**Change**	**%**
State Transit Assistance (STA)	$ 16.5	**$ 14.0**	$ (2.5)	-15%
Low Carbon Transit Operations Program	6.3	**7.0**	0.7	11%
Measure B/Other	5.4	**5.6**	0.2	3%
Millbrae UOM	0.8	**0.9**	0.0	2%
TOTAL	**$ 29.1**	**$ 27.4**	**$ (1.6)**	**-6%**

5307 Funds (Rail Car Fund Swap from MTC)

MTC allocates Federal Section 5307 Urbanized Area Formula Grant funds to BART for preventive maintenance work. Through an agreement with MTC, BART spends the federal funds and returns an equivalent amount of BART funds that MTC places in an interest-generating reserve account to help MTC fund its share of the new rail cars. There is no net impact to BART's operating budget bottom line as the Section 5307 funds are merely swapped for other funds. Including the $47.1M budgeted for FY17, a total of $386M has been directed to the MTC reserve account since FY07.

5. Operating Uses

Operating Uses includes two main categories: Operating Expenses, which are expenses related to operating the system, and Debt Service and Allocations, which include debt service payments and allocations to fund capital projects and allocations for other purposes. Operating Uses increase by $39.3M or 5% overall in FY17. The majority of the increase is due to impacts to the "base" budget for operating expenses such as contractual wage increases, higher benefit costs, non-labor inflation, one-time costs and other factors.

Operating Uses
($ millions)

	Budget		Change	
	FY16 Adopted	FY17 Preliminary	$	%
Labor	$468.7	$500.8	$32.1	7%
OPEB Unfunded Liability	2.5	2.4	(0.0)	-2%
ADA Paratransit	13.6	14.2	0.6	5%
Purchased Transportation	13.1	13.8	0.7	5%
Power	40.3	41.0	0.7	2%
Other Non-Labor	117.9	120.5	2.6	2%
OPERATING EXPENSES TOTAL	**656.1**	**692.7**	**36.6**	**6%**
Debt Service	50.3	52.7	2.4	5%
Allocation - Capital Rehabilitation	52.4	43.5	(9.0)	-17%
Allocation - Rail Car Sinking Fund	45.0	45.0	0.0	0%
Allocation - Priority Capital Programs	27.0	35.4	8.4	31%
Allocation - Stations & Access Projects	5.5	5.2	(0.3)	-5%
Allocations - Other	1.6	1.7	0.0	3%
Allocation - Rail Car Project from SFO Net Result	12.2	13.3	1.0	8%
DEBT SERVICE AND ALLOCATIONS TOTAL	194.1	196.8	2.7	1%
OPERATING USES TOTAL	**$850.2**	**$889.5**	**$39.3**	**5%**

Labor: Wages and Benefits

Labor and benefit expenses are projected to total $500.8M[2] in FY17. The FY17 labor and benefit budget includes the following increases in wages and pension contributions:

Wage and Pension Contribution Increases

	7/1/16	1/1/17
Wage Increases		
Non-represented employees	3.72%	-
Represented Employees	-	4.22%

Pension Contribution Rates	7/1/15	7/1/16	1/1/16	1/1/17
Non-represented employees	2.00%	3.00%	-	-
Represented Employees	-	-	3.00%	4.00%

Represented and Non-represented employees receive the same wage increase and contribute the same percentage for pension; however, the schedule for Non-represented employees lags Represented by six months.

[2] This excludes $2.4M in OPEB Unfunded Liability expenses.

A total of 76.1 positions[3] are proposed to be added in the FY17 budget, including:

- 10.1 FY16 midyear operating position additions[4]
- 6 FY16 midyear capital position additions[5]
- 46 for eBART for pre-revenue service testing and training
- 4 for new budget initiatives
- 10 for new Stations/Access projects

Headcount Summary	FTE		
	Operating	Capital /Reimb	**Total**
FY16 Adopted Budget	**3,221.6**	**524.8**	**3,746.4**
FY16 Adjustments	10.1	6.0	**16.1**
eBART	-	46.0	**46.0**
FY17 New Initiatives	4.0	-	**4.0**
FY17 New Initiatives - Stations,	10.0	-	**10.0**
Total Adjustments	24.1	52.0	**76.1**
FY17 Preliminary Budget	**3,245.7**	**576.8**	**3,822.5**

Silicon Valley Berryessa Extension (SVBX) additions for pre-revenue service testing and training are being finalized with Santa Clara Valley Transportation Authority (VTA) and will be included with the proposed adopted budget. Per the terms of the agreement governing construction and operation of the extension, these positions will be cost-neutral to BART. In addition, the capital headcount will change pending the finalization of the capital budget.

Labor (Wages and Benefits) ($ millions)	Budget		Change	
	FY16 Adopted	**FY17 Preliminary***	**$**	**%**
Wages	$326.9	$351.9	$25.1	8%
Overtime	16.2	18.4	2.2	14%
PERS Pension	69.8	77.8	8.0	11%
Other Pension	10.6	11.1	0.4	4%
Retiree Medical	28.0	25.0	(2.9)	-11%
Medical	69.3	75.5	6.1	9%
Worker's Compensation	16.4	16.9	0.4	3%
Capital Labor Credits	(91.3)	(102.5)	(11.1)	12%
Other Labor**	25.3	29.2	3.8	15%
OPEB Unfunded Liability	2.5	2.4	(0.0)	-2%
NET LABOR	**$471.2**	**$503.2**	**$32.0**	**7%**

**The changes in wages & benefits includes the increase of 76 additional positions.*

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

[3] The 76.1 positions is the total added by the end of the year. It does not include the weighted impact of partial year positions (e.g., if a position is added on 1/1/17 it is listed as 1.0 FTE, rather than 0.5 FTE).

[4] The 10.1 operating position additions include 4 transportation admin specialists for the Crew Office, 8 train operators (including 1 foreworker) for the increase in service on the red and yellow lines, 1 FTE in operations planning, less a reduction of 2.9 FTE in RS&S and Transportation.

[5] The 6 capital position additions include 1 Transportation Supervisor for new car testing, 1 Program Manager for the RAILS project, and 4 positions (1 Transportation Operations Manager, 1 Manager of Transportation Operations Support, 1 Senior Administrative Analyst, and 1 Principal Administrative Analyst) that were created for various projects in FY16.

The increase in individual line items in the summary includes the cost of the 76 proposed new positions. However, 52 of the positions are capital so the net operating labor cost is offset by the increase in capital labor credits. Pension and medical costs also increase due to rate increases for FY17. The Annual Required Contribution (ARC) for retiree medical declines due to a change in a key actuarial assumption, which is explained in the Retiree Medical section below. Other Labor increases are primarily driven by substantial anticipated rate hikes in life insurance.

PERS Pension

The California Public Employee Retirement System (CalPERS) administers and determines funding rates for the pension plan, which includes separate plans for Safety and Miscellaneous employees.[6]

PEPRA

In 2012, the State Legislature passed Assembly Bill (AB) 340, the California Public Employees' Pension Reform Act (PEPRA), which affects employees who began employment on or after January 1, 2013.[7] PEPRA employees are subject to: (a) reduced retirement formulas, (b) required employee contributions, and (c) capped compensation.

In 2013, the U.S. Department of Labor (DOL) declined to certify federal grants to transit agencies in California under Section 13(c) of the Urban Mass Transit Act on the grounds that PEPRA interfered with collective bargaining. The Federal District Court overruled this decision and PEPRA became effective on December 30, 2014.[8] Subsequent to the ruling, DOL again refused to certify grants on alternative grounds. This is, again, being challenged in Federal District Court and it is anticipated that a decision will be issued in 2016. If the DOL prevails, represented transit employees may ultimately be found to be exempt from the provisions of PEPRA and the District will be required to reimburse affected employees.

Although the DOL had taken the position that it could not certify grants to transit agencies, it did agree to certify those grants under certain terms and conditions. The District in 2015 was certified to receive $90M in grant funds after the District agreed that it would either refund the grants funds or return its employees to their pre-PEPRA status in the event that the DOL prevails.

For FY17, the forecasted PERS pension expense (employer plus BART-paid employee share) is estimated to be $77.8M, an $8.0M or 11% increase compared to $69.8M budgeted in FY16. Of the $77.8M, the estimated employer share is $67.9M and the BART-paid portion of the employee share is $9.9M. The increase is caused by a combination of higher wages, increases in employer contribution rates and the proposed increase in positions.

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[6] Safety employees include police and Miscellaneous employees are all other employees in the District.

[7] PEPRA does not apply to those who were employed by another PERS or reciprocal agency within six months prior to their hire date.

[8] The State of California (for Caltrans) and the Sacramento Regional Transit District filed litigation in federal court seeking to overrule the DOL. In FY14 the California Legislature passed AB1222, which temporarily exempted represented transit employees from PEPRA and reinstated transit agencies' eligibility for receipt of federal funds. On December 30, 2014, a Federal District Court granted summary judgment in favor of the State, and on February 25, 2015 CalPERS issued a circular (Circular Letter No.: 200-006-15) that specified: (a) represented employees hired on or after January 1, 2013 and before December 29, 2013 would be subject to PEPRA beginning December 30, 2014, and (b) all new represented employees hired on or after December 30, 2014 would be subject to PEPRA. Non-represented employees hired on or after January 1, 2013 have always been subject to PEPRA as they are not covered by Section 13(c) of the Urban Mass Transit Act.

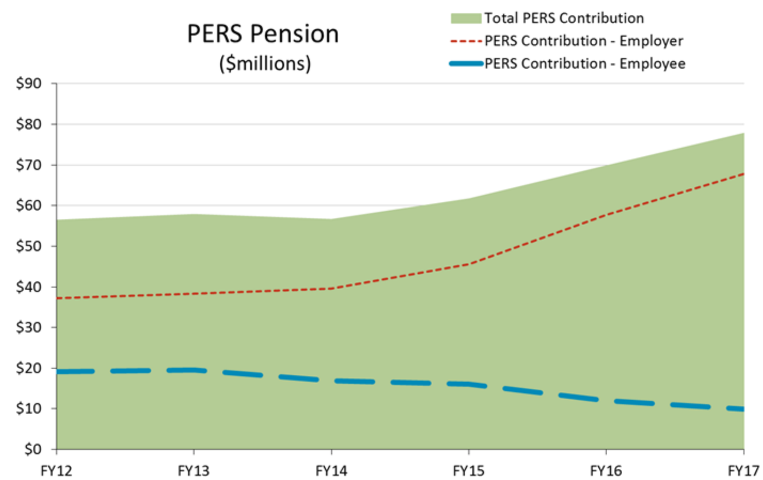
FY17 PERS Rates

	SAFETY	MISC	BUDGET
Employer Rate- Non-PEPRA	56.474%	16.383%	$ 50,303,019
Employer Rate - PEPRA	56.747%	16.383%	17,555,451
Employee Rate - Non-PEPRA			
Paid by District	5.500%	3.700%*	9,909,115
Paid by Employee	3.500%	3.300%*	
Employee Rate - PEPRA			
Paid by Employee	13.000%	6.250%	
Total Paid by District			**$ 77,767,586**

**The miscellaneous employee rate is a blended average of non-represented and represented employees. The District pays 4% for non-reps and 3.5% (Fiscal Year average) for other miscellaneous. The employees pay the remainder of the total required rate of 7%.*

Pursuant to the FY13-FY17 labor contracts, on July 1, 2013 employees began paying for an annually increasing portion of the PERS employee contribution. Prior to this date, the District funded the entire employee contribution as a benefit to employees.[9] In FY17, the District will pay $9.9M of the required CalPERS employee contribution for non-PEPRA employees. PEPRA employees will pay 100% of the required employee contribution as stipulated by PEPRA.

The historical trend of increased employer share pension rates is expected to continue. CalPERS has gradually implemented more conservative actuarial and investment return assumptions and rate "smoothing" policies designed to reduce volatility from year to year and to ensure the long-term health of the pension fund. The table below shows the CalPERS projections for employer contribution rates for the next five years.



Employer Contribution Rates

	Actual		*Projected*				
	FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
Safety	51.60%	56.50%	60.10%	63.70%	67.30%	68.60%	69.30%
Miscellaneous	14.80%	16.40%	18.10%	19.70%	21.40%	21.80%	22.30%

The pension unfunded liability for the Miscellaneous Plan decreased from $352M for FY16 to $310M for FY17, and the funding ratio increased from 80% in FY16 to 84% for FY17. The pension unfunded liability for the Safety Plan increased slightly from $86M in FY16 to $90M for FY17, but the funding ratio improved from 65% in FY16 to 67% in FY17. About half (8.3%) of the Misc. Plan employer rate and over half (31.4%) of the Safety Plan employer rate goes to paying down the unfunded liability.

[9] For non-PEPRA employees, the employee share contribution rates are fixed by CalPERS and will remain at 9% for the Safety Plan and 7% for the Miscellaneous Plan. The phase-in of represented employees paying a portion of the employee contribution coincides with contractual salary increase dates. The schedule and total employee contribution rate is:

- FY14: 0.5% on 7/5/13, 1% on 1/1/14
- FY15: 2% on 1/1/15
- FY16: 3% on 1/1/16
- FY17: 4% on 1/1/17

Non-represented employee contributions follow a similar schedule, but delayed six months to coincide with their scheduled wage increase dates.

PERS amortizes different portions of the liability over different periods of time, for example all new gains and losses since the June 30, 2013 valuation are recognized over a fixed 30-year period, while changes in the liability due to actuarial assumptions are amortized separately over a 20-year period.

Other Pension Benefits

In addition to the PERS pension, the District also contributes to a supplemental qualified retirement pension plan, the Money Purchase Pension Plan (MPPP), which is a 401(a) type plan. The District contribution consists of 6.65% of base wages, but contributions are capped at an annual amount of $1,868.65 per employee. The total District MPPP is projected to be $7.2M in FY17.

An additional 1.627% of wages is also contributed for all employees except sworn police. Per the 2013-2017 labor agreements, the following is deducted from this portion of the contribution:

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

The District's total estimated net cost for the additional 1.627% MPPP after these deductions in FY17 is $3.9M.

Active Employee Medical Insurance

In FY17, the District cost of medical insurance plans for active employees is projected to be $75.5M, an increase of $6.1M or 9% over the FY16 adopted budget. The 2017 estimated health insurance premium rate increase is 7% over 2016.[11]

To offset a portion of the District's medical insurance costs, the FY14-FY17 labor contracts include provisions to gradually increase the employee contributions:

- All employees are subject to the scheduled 3% annual contribution increase – an additional $3.02 per employee per month starting on January 1, 2017
- Non-represented employees pay the additional $37 per month directly in their medical contribution
- AFSCME, ATU, and SEIU members "redirect" $37 per month of the District's MPPP contribution to contribute towards medical insurance costs (see "Other Pension Benefits" section)
- BPOA and BPMA[12] members pay an additional $44 per month directly in their medical contribution

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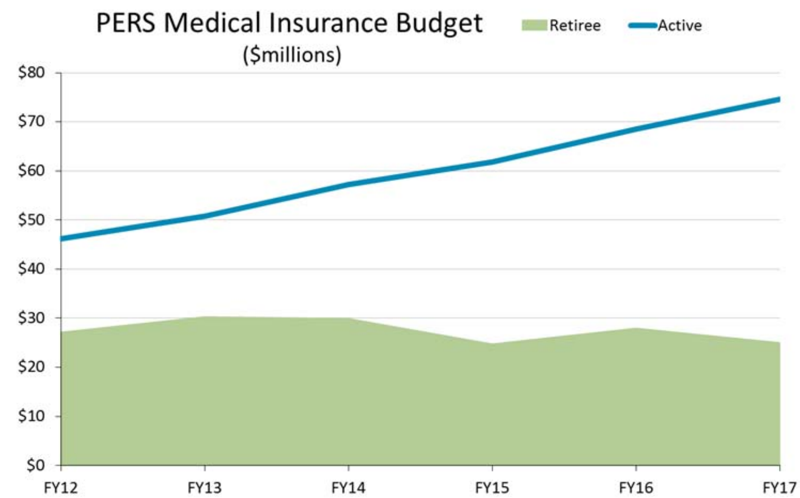
[10] AFSCME – American Federation of State, County, and Municipal Employees; ATU – Amalgamated Transit Union; SEIU – Service Employees International Union.

[11] Overall weighted average premiums increased by 6.9% from 2015 to 2016. Health insurance rates are known for the first half of FY17 (CY16), and estimated for the second half (CY17). Blue Shield and Kaiser are the District plans with the largest employee enrollment; these plans have increases of 9.4% and 4.48%, respectively.

[12] BPOA – BART Police Officers' Association; BPMA – BART Police Management Association.

Retiree Medical



The District's retiree medical cost is the amount of the Annual Required Contribution (ARC)[13] which covers insurance premiums for current retirees and builds funds into a retiree medical reserve to cover payments for current employees and the long-term liability. Retirees pay the same medical contribution as active employees, including the increase of $37 per month paid directly by the retirees in the form of a higher monthly contribution.

The FY17 retiree medical budget is based on the District's actuarial report.[14] Retiree medical costs are projected to be $25M which is an 11% decrease from previous year. The actuarial study included a comprehensive review of participation rates for both retirees and spouses which resulted in a reduction of the overall participation assumption from 92% to 89%, which is the primary reason for the decrease from FY16. The retiree medical unfunded liability decreased from $129M for FY16 to $111M for FY17, and the funding ratio increased from 61% in FY16 to 67% for FY17. The District began paying the full ARC in FY14 after "ramping up" with increasing trust contributions from FY06 – FY13. The retiree medical funding plan follows a 30 year "closed" amortization schedule, with the unfunded liability scheduled to be paid off by 2034. Retiree medical required funding levels have remained relatively steady over the past five years, with one of the contributing factors being relatively lower cost increases for Medicare health plans compared to basic health plans for employees under 65.

Workers Compensation

The District is self-insured for workers compensation and maintains a reserve for outstanding losses based on annual actuarial reports. Annual funding is calculated as a percent of wages and budgeted each year as part of the labor and benefit budget, and if needed the claim reserve account is supplemented at the end of each fiscal year.

The FY17 budget is $16.9M[15], $0.5M higher than FY16. The relatively modest 3% increase is driven by the annual increase in wages, which is offset largely by the actuarial projection of estimated unpaid liabilities and ultimate loss rate. In addition, per the actuarial report, recent regulatory reform may reduce the cost of providing medical services for workers compensation. At this point, it appears that the impact of the reform will be neutral or positive for BART. The actuaries will continue to true up estimates as the reform's impact becomes clearer. After several years of having to significantly increase the balance of the reserve with supplement funding supplied at year-end, the requirements have stabilized and it is projected that there are sufficient funds to meet actuarial reserve requirements for the current fiscal year and FY17.

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[13] Determined by the actuary
[14] received February 2016
[15] Based on the October 2015 actuarial report

Traction & Station Power

Electrical traction and station power is projected to be $41.0M in FY17, an increase of $0.7M or 1.7% above the adopted FY16 budget. Due to the expiration of most existing power arrangements on December 31, 2016, the FY17 power budget includes some uncertainty. Although the replacement agreements are not in place at this time and are currently being negotiated, the following reasonable assumptions can be made:

- Transmission costs are expected to increase by more than 50% (included in this increase are regulatory pass-through costs currently paid separately.)
- Distribution delivery costs are not expected to change substantially, as BART currently pays retail distribution cost components.
- Costs for electric power are expected to be lower overall than current costs.
    - Current power contracts including 1) preference power purchases from the Western Area Power Administration, 2) the Gridley solar farm, and 3) the Lake Nacimiento hydroelectric project will continue uninterrupted beyond December 31, 2016.
    - New power purchases to be entered into directly, under the statutory authority granted by SB 502, are expected to provide stable, long-term power supplies. BART will also pursue on-site renewable projects as appropriate.

Traction & Station Power ($ millions)	Budget		Change	
	FY16 Adopted	FY17 Preliminary	$	%
NCPA, Western, BART Power Supply	$ 26.2	$ 25.9	$ (0.3)	-1%
Transmission Services	4.8	7.5	2.7	56%
Distribution Services	6.5	6.7	0.2	3%
Regulatory Pass-Through Costs	0.4	-	(0.4)	-100%
NCPA Member Expenses	0.8	0.9	0.1	13%
AB32 GHG Costs	1.6	-	(1.6)	-100%
TOTAL	**$ 40.3**	**$ 41.0**	**$ 0.7**	**2%**

Purchased Transportation

BART's cost of purchased transportation is projected to be $28.0M in FY17, an increase of $1.3M over the adopted FY16 budget.

Purchased Transportation ($ millions)	Budget		Change	
	FY16 Adopted	FY17 Preliminary	$	%
Paratransit	$ 13.6	$ 14.2	$ 0.6	5%
Muni Purchased Transportation	3.2	3.4	0.1	5%
AC Transit Feeder Agreement	3.4	3.6	0.2	5%
Late Night Bus Service	0.7	0.7	0.0	2%
Purchased Transportation - OAC	5.7	6.1	0.4	6%
TOTAL	**$ 26.7**	**$ 28.0**	**$ 1.3**	**5%**

Paratransit

BART participates in the East Bay Paratransit Consortium (EBPC) for service in the East Bay and pays Muni for a share of paratransit services in the West Bay. BART also provides funding to other local bus operators in the BART service area. Paratransit expenses are estimated to be $14.2M in FY17, an increase of $0.6M, or 5%, over the adopted FY16 budget. These costs include vehicle and fuel costs, as well as wage increases to retain and recruit more drivers and staff. Ridership has increased to levels seen before the economic downturn, which has resulted in higher paratransit costs. Passenger demand for service on EBPC is budgeted at 739,000 passenger trips for FY17, a 2% increase in ridership from FY16 expected levels.

San Francisco Municipal Transportation Agency/AC Transit Feeder Agreements

BART has agreements with the SFMTA and AC Transit which link the annual Purchased Transportation (Feeder) payments to the rate of change in riders transferring between BART and the local operators and to changes in Bay Area inflation. The AC Transit agreement also includes a provision whereby 10% of the overall payment will be retained by MTC and used towards fare coordination efforts between the two agencies. A pilot project to study rider impacts of two different transfer discounts (15% BART discount with the purchase of an AC Transit monthly pass and a $1 single transfer discount) is currently underway. The FY17 budgeted payments are $3.4M for SFMTA and $3.6M for AC Transit, a combined increase of $0.3M over FY16.

Late Night Bus Service

The District will continue its partnership with AC Transit to provide a late night bus service during the nighttime hours, when BART trains are not in operation and daily track maintenance is being performed. In FY17, the Late Night Bus Service budget is $0.7M, a 2% increase from FY16.

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 FY17 estimated O&M cost is $6.1M.[16] In its first year of operation, OAK experienced a 33% increase in ridership over the AirBART bus service. Current average weekday ridership is 2,800 trips, about 7% growth over the first few months of service.

Other Non-Labor

Other Non-Labor for FY17 is $120.5M, or $2.5M higher than the FY16 Adopted Budget.
The increase includes:

- Expense increases for county filing fees of $2.0M for GO Bond and $1.0M District Board of Director elections
- Building rental expenses increase of $1.3M
- A 2% escalation factor applied to FY16 non-labor, resulting in an increase for FY17 of $1.2M

Offsetting decreases for FY16 one-time expenses, including:

- Professional and technical services net decreases of $2.5M
- Property damage insurance decreases of $0.3M
- Other non-professional service decreases of $0.2M

Major Other Non-Labor account groups are described below:

- <u>Material Usage</u> includes inventory withdrawals and purchases for required maintenance of rail cars, such as aluminum wheel assemblies, circuit boards, seat cushions, other materials used to keep cars in use, parts for infrastructure maintenance such as escalators, automated fare equipment, and materials required to keep stations accessible, supplies, etc.
- <u>Professional & Technical Fees</u> 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.

[16] 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.

- Maintenance, Repair & Other Contracts fund graffiti removal, traction motor rewinds, painting, equipment overhaul, elevator pit cleaning and other maintenance and repair related contracts
- Insurance funding pays for premiums, reserve contributions and self-insured losses for public liability, damage to property and risk-related services [17]
- Building Space Rental includes funds for administrative building leases and other lease expenses
- Miscellaneous Other Non-Labor includes utilities, trash collection, natural gas, county filing fees, telephones, credit card and interchange fees, Clipper program fees, miscellaneous supplies, etc.

Debt Service

BART issues bonds, backed by the District's dedicated sales tax revenues, to fund capital costs for system improvement and renovation. In FY16 there was a refunding of outstanding 2005 and 2006 revenue bonds, resulting in savings of $2.3M for FY16 and ongoing annual savings of $3.7M for FY17 and later. A refunding of outstanding 2006A revenue bonds is planned for the beginning of FY17.

Operating Allocations to Capital Projects

The FY17 Capital Rehabilitation Allocations of $43.5M are described below. The FY17 amount is $9.0M less than FY16, due to the completion of a two-year right-of-way fencing project and a three-year cyber security program and a $5M decrease in the Operations Control Center Project allocation. The five categories of planned allocations are described below.

Capital Rehabilitation Allocations of $43.5M consist of:

- Baseline allocation of $23.2M for capital investment to serve as local match for federal grants or to fund ongoing capital projects for which grants are not typically available, such as stations and facilities renovation, inventory buildup, non-revenue vehicle replacement, tools and other capitalized maintenance.
- Allocations of $8.4M to fund the eBART Project's pre-revenue service hiring, training and expenses. The project, scheduled to begin revenue service in FY18, will use Diesel Multiple-Unit (DMU) technology. Different from the rest of BART's system, eBART will require different union job classifications to operate and maintain. In FY17, 46 new positions will be phased in over the fiscal year to support eBART training and implementation needs before the start of revenue service.
- Allocations of $6.0M replace an equal amount of Prop 1A High Speed Rail bond funds shifted to the Hayward Maintenance Complex (HMC) project, with $5.0M directed to the Operations Control Center and $1.0M to the Millbrae Tail Track project.
- Total allocations of $3.4M to Train Control Room Battery Replacement (three-year program, FY15-FY17) and the Train Control UPS Renovation (five-year program, FY15-FY19).
- A total of $2.5M to fund the C-car window project and an update to the Enterprise Resource Planning Systems, as discussed in the Initiatives section, and a small allocation for capital equipment for the BART-to-OAK project.

The Rail Car Sinking Fund Allocation consists of BART's $298M commitment made in May 2012 to the first 410 cars of the Rail Car Replacement Program. BART has funded the annual allocations from

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

operating funds. With the FY17 $45M payment, BART has funded $257M of the program, leaving a remaining obligation of $41M.

Priority Capital Program Allocations direct incremental fare revenue from BART's inflation-based fare increase program, effective January 2014, to a fund for BART's highest-priority "Big 3" capital programs - additional rail cars beyond the original 410 car commitment, HMC and the Train Control Modernization Project. In FY17, the incremental fare increase revenue is projected to be $35.4M.

Net positive financial results from operations of the SFO Extension are allocated to a reserve account per the terms of the 2007 agreements relieving SamTrans of financial responsibility for the extension into San Mateo County. Per the terms of MTC's Transit Core Capacity Challenge Grant Program (Resolution 4123), adopted in December 2013, the first $145M in the SFO reserve account will be directed to the Rail Car Replacement Program. The net positive result for FY17 is expected to be approximately $13.3M.

Allocation to Stations and Access Programs are funded by the incremental parking fee revenue generated by BART's demand-based parking program. The incremental revenue is estimated to be $14.5M in FY17, of which $8.0M will continue funding of station and access programs, including 55 positions, implemented in FY14, FY15 and FY16. The remaining $6.5M is proposed to be allocated to new operating initiatives ($1.6M), most of which is ongoing, and new capital initiatives ($4.8M) that are generally one-time in nature. The FY17 investments include expanded bike and wayfinding programs, additional Community Service Officers, as well as additional staff to improve platform safety and facilitate passenger flow at downtown San Francisco stations during peak commute times. These new projects and programs are detailed in the Initiatives section.

Other Allocations include accounting entries of $0.7M to offset an equal amount booked as Other Revenue or Financial Assistance for the Pleasant Hill/Contra Costa Centre and West Dublin/Pleasanton stations and $0.9M to the Capital Asset Replacement Program (CARP) for the BART-to-OAK project. Annual allocations to the CARP will fund future renovation and replacement needs on the BART-to-OAK project. Expenditure of these funds is controlled jointly by BART and the contract provider, Doppelmayr Cable Car (DCC), based upon actual needs for refurbishment and replacement over the twenty years. DCC is required to fund costs in excess of the CARP and any funds remaining at the end of the term belong to DCC.

Allocations	**Budget**			
($millions)	**FY16 Revised**	**FY17 Preliminary**	**Change**	**%**
Debt Service	$ 50.3	**$ 52.7**	$ 2.4	5%
Allocations				
Capital Rehabilitation	52.4	**43.5**	(9.0)	-17%
Rail Car Sinking Fund	45.0	**45.0**	-	0%
Priority Capital Programs	27.0	**35.4**	8.4	31%
Rail Car Project from SFO Net	12.2	**13.3**	1.0	8%
Stations/Access Projects	5.5	**5.2**	(0.3)	-5%
Other	1.6	**1.7**	0.0	3%
TOTAL	**$ 194.1**	**$ 196.8**	**$ 2.7**	**1%**

6. Capital Sources and Uses

BART's FY17 capital program is shaping up to be one of the most significant since construction of the original core system, with the delivery of new rail cars, the continuation of substantial reinvestment in the core system, and the opening of the Warm Springs/South Fremont Station. Consistent with Board policy and direction, staff throughout the organization has focused on efforts necessary to fund and deliver a program of projects to repair and replace critical system infrastructure, improve station access and safety, and accommodate increased ridership. These activities are not only essential to addressing the needs of riders, but are in fact an investment in maintaining and improving the economic and social vitality of the region for all residents.

On the funding side, FY17 will mark the culmination of a lengthy and comprehensive process to secure voter approval of a General Obligation Bond to meet a portion of rehabilitation, capacity and access needs. BART's Board of Directors and staff have dedicated many hours to program development and outreach to educate transportation partners and the general public on the funding need, the focus on renewal, and the accountability and transparency that will be integral to the program. Funding from the measure is essential if BART is to meet the public expectation that it maintains system reliability and to more comprehensively address system capacity improvements. If the measure is successful this November, the funds will be allocated exclusively to the accompanying 2016 System Renewal Program Plan and will help augment future years' grant funds and BART operating allocations to capital.

Substantially increased reinvestment in BART's capital assets is required to sustain and enhance the BART system for the future. Historically, BART has relied upon federal formula and BART self–help funding, primarily through farebox and sales tax revenues that have been allocated to capital from operating. As federal funding has become stagnate and less reliable, BART has grown dependent on an ever-increasing amount of self-help funding. This practice has its risks by supporting long-term capital investments with revenues that are subject to short-term economic swings as well as potential changes in ridership. Recent events related to BART's aging infrastructure have supported the reality that the existing revenue stream is neither sufficient nor reliable enough to sustain the capital investment necessary to provide BART's historically dependable service and increase capacity to meet the region's growing demand for BART.

Although BART has increased its efforts to secure stable capital fund sources through the proposed bond and development of other local and regional sources, BART is also midstream in implementation of a robust capital reinvestment program that will be paid for with committed funds. Since every dollar available to capital is oversubscribed, BART makes every attempt to ensure that its funding is spent wisely. BART's Strategic Asset Management Plan (SAMP), developed from a basic asset database over the last decade, now provides detailed lifecycle and risk information necessary to allocate limited revenues. The prioritization of initiatives and investments also poses tradeoffs between investing in capital infrastructure replacement and investing in maintenance to extend the life of an asset. The SAMP supplies the data necessary to make these decisions. This allows BART to take a more systematic, risk-focused approach to prioritizing investment of scarce resources for both operating and capital needs.

As was the case for the last several budget cycles, the FY17 budget is driven primarily by the need to meet established programmatic commitments and maintain the necessary financial capacity to address the most acute emerging and longstanding needs required to maintain the safety and reliability of essential capital assets. As a result, the majority of BART's FY17 planned capital investment is in System Reinvestment. A summary of BART's FY17 capital program is shown by program area in the adjacent table[18]:

System Reinvestment

BART's System Reinvestment program is a collection of approximately 153 projects generally categorized as controls and communications, facilities, mainline, rolling stock, and work equipment. At $585M, System Reinvestment covers 67% of BART's FY17 capital budget.

Program Area	$M
System Reinvestment	584.5
Service and Capacity Enhancement	48.6
System Expansion	109.2
Safety and Security	68.0
Earthquake Safety	60.6
Reimburseable/Other	5.5
Total	**$ 876.3**

A major component of the System Reinvestment program is the "Big 3" projects -- the Rail Car Replacement Program, replacement and modernization of BART's train control system, and construction of the Hayward Maintenance Complex (HMC). FY17 will see major progress on the implementation of the "Big 3." The Rail Car Replacement Program will put new rail cars out on the track serving passengers as BART makes progress toward the replacement of its existing fleet. Likewise, the HMC project will celebrate the delivery of a number of program elements and will initiate the planning and engineering process for the Phase II East Storage component of the overall program.

The "Big 3" initiative cost in FY17 is $372M and represents 42% of the FY17 capital budget. Also in the System Reinvestment program are station investments and passenger and worker safety related projects (escalators/elevators, AFC machines, shops, ceiling/roofing and others). System Reinvestment expenditures overall have increased by $219M over FY16 due to prioritization of several reinvestment projects in operational areas of high risk exposure (track condition, traction power transformers and substations, rail tie/switch replacement, wayside equipment and existing train control rehabilitation).

Service and Capacity Enhancement

The $49M Service and Capacity Enhancement program area includes mainline track improvements such as additional crossover tracks and tail track extension projects. This program area also addresses stations-related projects as improvement and modernization of stations, including Balboa Park and Union City, and additional intermodal, wayfinding and Americans with Disabilities Act (ADA) improvements. The capital investment in service and capacity enhancements complements the substantial operating commitment in this area.

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

System Expansion

System Expansion expenditures are less in the FY17 budget compared to prior years as several expansion projects near completion. Approximately $73M will be directed to eBART, as that two-station project nears completion in FY18. Another $27M of funding is to finalize construction and support start-up efforts on the Warm Springs Extension; plus $6M towards construction support on the Silicon Valley Berryessa Extension (SVBX) project, all of which is reimbursed by VTA.

Safety and Security

The $68M Safety and Security program area includes projects such as track worker safety barriers to comply with California Public Utilities Commission-issued General Order 175 (GO175) governing roadway worker protection for rail transit workers in California, and security hardening for tunnels and stations. Safety and Security is almost exclusively funded by dedicated grants. While $68M in projects has been categorized in the Safety and Security program area, many projects in other program areas also have passenger and worker safety components.

Earthquake Safety

The Earthquake Safety Program anticipates $60M in FY17 expenditures. Planned activities focus on A-Line, R-Line, Oakland Spur and the Transbay tube, with program funding derived in its entirety from the proceeds of the 2004 Earthquake Safety General Obligation Bond program.

Reimbursable / Other

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

Capital Funding

There are significant differences in the budgeting process for capital sources and operating sources. In any given fiscal year, operating sources are generally revenues that are realized and booked within that period but capital sources spent in a given fiscal year often consist of funds committed or obtained over a period spanning several fiscal years. Consequently, the annual capital budget is by definition a balanced "cash flow" since commitments for capital expenditures cannot be made without cash on hand or binding reimbursement agreements.

Regardless of the year in which funds are expended, BART pursues most grant funds as part of an annual cycle, in addition to responding to grant and other funding opportunities whenever they materialize. As has been the case in the past, the main source of funding for the District's capital rehabilitation needs continues to be Federal formula and state of good repair/transit rehabilitation funds that are projected at approximately $100M for FY17. These funds are prioritized and distributed through the Metropolitan Transportation Commission (MTC), usually through multi-year programming commitments such as the triennial Transit Capital Priorities (TCP) program and the "Big 3"-focused Core Capacity Challenge Grant program. Although the majority of Federal funds are committed to system reinvestment activities, this source also provides smaller amounts for access, capacity and enhancement projects as well. As part of a continuing effort to close out older federal formula and transit rehabilitation TCP grants, System Reinvestment in FY17 will see greater expenditures from this source, as these older funds are combined with current TCP funds to pay for planned eligible projects.

In the last decade, State funding sources for capital have transitioned from annual allocations from the State Transportation Improvement Program to bond-funded programs such as Proposition 1A High-Speed Rail Bonds and Proposition 1B State Transportation and Infrastructure Bonds. Prop. 1A and 1B are one-time sources of funds and have been fully committed. BART anticipates receiving a final amount of $6M in FY17. State Cap-and-Trade Program funds have been authorized through 2020. BART will apply for funds under the Transit Intercity Rail Capital Program (TIRCP), which is a competitive program, pursuing an allocation for the HMC project in the near term and an allocation for the Train Control Modernization Project (TCMP) in the long term. BART also plans to apply for grants under the Affordable Housing and Sustainable Communities Program (AHSC), although the potential funding is substantially less, at about $1M annually.

At the local level, funds from the recent passage of Alameda County Measure BB and the modest remaining BART earmarks in existing San Francisco and Contra Costa County sales tax measures, revenue are projected at $20M in FY17. In addition, BART is actively engaged with BART counties to secure a multi-year local contribution to reinvestment and capacity needs for future years.

Other projected sources of funds include BART operating allocations and from the BART-sponsored General Obligation Bond Program, which funds BART's Earthquake Safety Program. In FY17, BART's operating allocations are approximately $140M, some of which will be spent down in FY17.

The balance of capital expenditures is derived from other dedicated sources and targeted grant programs for specific projects and activities.

General Obligation Bond

BART has been in service for 44 years and has provided more than 3 billion trips. In its FY15 – FY24 Short Range Transit Plan/Capital Improvement Program (SRTP/CIP), BART identified an unfunded 10 year capital need of $4.8 billion. That amount is likely to grow as the infrastructure ages, and BART's unfunded capital needs span beyond ten years. BART does not secure enough capital funding each year to pay for ongoing capital needs plus adequately reinvest in the system to replace infrastructure.

In response to the capital funding shortfall, BART prepared a Draft System Renewal Program Plan (Draft Plan). The Draft Plan provides guidance for BART's investment to renew its infrastructure and increase capacity. The main goals of the Draft Plan are to make BART safer, more reliable, relieve traffic, alleviate train crowding, and improve access for seniors and people living with disabilities. To fund the Draft Plan, the District is considering a $3.5 billion General Obligation bond measure, which could help pay for a large portion of BART's need. 90 percent of the Draft Plan is for repairing and replacing critical infrastructure, with the remaining 10 percent for crowding relief, traffic reduction, and expanded access to stations.

BART staff has embarked on an extensive educational outreach effort, which will inform the public and key stakeholders about the District's urgent needs to reinvest in the core system. The BART Board of Directors is scheduled to discuss the Draft Plan on May 26, 2016 and will vote to adopt the plan on June 9, 2016.

7. Initiatives

FY17 Proposed Initiatives

OPERATING	FTE	Labor	Non-Labor	Total
Enterprise Resource Planning	2.0	$ 187,858	$ -	$ 187,858
Recruitment Support	2.0	384,500	115,500	500,000
Workforce Development Grant Match	-	250,000	-	250,000
OPERATING TOTAL	**4.0**	**$ 822,357**	**$ 115,500**	**$ 937,858**

CAPITAL	Total
Enterprise Resource Planning	$ 1,812,142
C-Car Cab Window Replacement	600,000
CAPITAL TOTAL	**$ 2,412,142**

Enterprise Resource Planning $0.2 Operating, 2.0 FTE, $1.8 Capital

The District will continue modernizing business applications in FY17. This funding is for ongoing advancement of business systems and technology upgrades, including an upgrade for the Enterprise Resource Planning (ERP) Systems for Oracle PeopleSoft Human Capital Management (HCM), Oracle PeopleSoft Financials 9.2, and Oracle Business Intelligence Enterprise Edition (OBIEE). These upgrades allow the District to better address system challenges while developing and maintaining enhanced analytical data and Key Performance Indicators (KPIs). ERP Professional Services will assist in reviewing and improving the District's current business processes to increase efficiencies. Additionally, the District will add 2.0 FTE in FY17, one to support SharePoint and one to support Salesforce. Salesforce currently supports Customer Relationship Management within the Customer Services Department, allowing the District to derive useful intelligence to help shape both service delivery and District policy. Salesforce is now being developed as a tool for the Commercial Communications Revenue Program to help manage the telecommunications contracts and projects, including sales processing, tracking of customer interactions, and sales forecasts and performance. Microsoft SharePoint will replace and modernize the existing Lotus Notes Workflow applications and databases, provide a platform for improved document management and centralization, and ultimately improve collaboration.

Recruitment Support $0.5M Operating, 2.0 FTE

The District continues to rapidly add new positions to support efforts to increase capacity, fix aging infrastructure, and complete expansion plans. Additionally, the District's workforce base sustains over a hundred retirements annually. As a result, the District regularly has over four hundred vacancies to fill. The District will add 2.0 FTE in FY17 to support recruitment efforts. An additional $0.2M will fund temporary help and professional and technical services to support the District's recruitment processes and respond to the critical hiring needs of the District.

Workforce Development Grant Match $0.3M Operating

In August 2015, the U.S. Department of Transportation awarded the District a $750,000 grant under the Federal Transit Administration's Ladders of Opportunity Initiative. The grant supports the new Transit Career Ladders Training Program designed to meet the District's future workforce needs by offering 20 employees in non-technical positions an alternative pathway into Electrician and

Electronic Technician classifications. Planning began in October 2015, and the program is scheduled to launch in spring 2016 and conclude in January 2018. In FY17, $0.3M of funds will contribute to the grant match requirement and assist in the funding of development classes.

C-Car Cab Window Replacement $0.6M Capital

Due to inherent design issues and obsolescence of the original parts, the mechanical reliability of the District's C-Car cab windows has deteriorated over time, making it difficult for Train Operators to open these windows to perform the required 'look back' of the platform at each station stop. As part of the C-Car cab retrofit project, new hinged cab windows will be purchased and installed to replace some of the existing vertical sliding cab windows. This FY17 initiative will fund forty-three C-car cab window replacements in addition to the ten which have already been completed, and the forty-three which are expected to be completed by October 2016.[19]

FY17 Cost Neutral Initiatives

The District is planning to implement other cost neutral improvements in FY17 which aim to increase service for customers, implement process improvements, and provide increased training and employee development. These initiatives are "self-funded" and leverage existing funds rather than increasing the overall District budget.

Career Path Opportunities

The District continues efforts to promote career development and encourage employee retention. The District is implementing training programs to extend development opportunities so employees in entry-level job classifications may pursue careers as Elevator/Escalator Workers, Transit Vehicle Mechanics (TVMs), or Transit Vehicle Electronic Technicians (TVETs).

Strategic Maintenance & Training Compliance

The District is redirecting resources to fund six Expeditor Clerks to ensure that the data entered into the Maximo system is complete and accurate and conduct maintenance support, which will allow existing TVMs and TVETs to increase time spent on vehicle maintenance. Two Employment Development Specialist positions will be funded to conduct technical training.

Weekend Ridership Opportunities

In the coming year, Marketing plans to run ads to notify the public about weekend service outages for track safety repairs and other infrastructure work. For weekends that do not have outages, staff would instead run BARTable Community Calendar ads to encourage the public to get out and enjoy the Bay Area without having to worry about getting stuck in traffic. Later in the year, staff also plan to test a new promotional ticket type - free, time-limited round trip tickets that are valid on weekends only and can be distributed to weekday riders or mailed to households to encourage weekend BART use.

[19] The District has 230 C-Cars. Ten C-car cab windows were replaced as a part of the Pilot Program in FY15, and forty-three will be replaced between April and October of 2016.

FY17 Proposed Stations & Access Initiatives

Funded by estimated revenue from Parking Program fee modifications

OPERATING	FTE	Labor	Non-Labor	Total
M-Line Station Platform Controllers	5.0	$ 567,369	$ -	$ 567,369
Parking Community Service Officers	4.0	421,928	-	421,928
Station Project Manager	1.0	208,793	-	208,793
Public Safety Initiative	-	-	50,000	50,000
OPERATING TOTAL	**10.0**	**$1,198,090**	**$ 50,000**	**$ 1,248,090**

CAPITAL	Total
Wayfinding	$ 1,850,000
Concord Plaza	848,360
Bike Parking	650,000
Station Sustainability	475,000
Water Intrusion Remediation	455,000
Public Address System	350,000
Dublin/Pleasanton Station Access	250,000
Surface Parking	200,000
M-Line Station Platform Controllers	165,000
CAPITAL TOTAL	**$ 5,243,360**

M-Line Station Operations: Platform Controllers $0.6M Operating, 5.0 FTE, $0.2M Capital

To address overcrowding on station platforms and ensure the safety of riders, the District will create a new position, the Platform Controller, to staff downtown San Francisco stations during the morning and evening peak commute times. Five new Platform Controllers will help improve passenger traffic by directing patrons onto trains, stairs, and escalators. The Platform Controllers will also assist with medical emergencies, train door open/close problems, and communicate any issues to the Operations Control Center.

Parking Community Service Officers $0.4M Operating, 4.0 FTE

As ridership has grown and demand for parking has increased, there is a need to enhance monitoring of the District's 46,000 parking spaces. These four new Community Service Officers will be dedicated to parking enforcement in order to monitor and ensure parking compliance.

Stations Project Manager $0.2M Operating, 1.0 FTE

The Stations Project Manager will identify and deliver priority Station Modernization projects.

Public Safety Initiative: Outreach Team $0.05M Operating

The San Francisco Homeless Outreach Team (SFHOT) is jointly funded by the City and County of San Francisco and will engage chronically homeless individuals and help them in establishing care and permanent housing. The District will provide $50,000 in pass-through dollars to partially fund a new position that will lead the outreach team.

Wayfinding – Signage/Information $1.9M Capital

The Wayfinding program was created to enhance the customer experience by helping customers navigate the BART system and make connections to other transit and local destinations. This investment will leverage external funds and contribute to implementing Phase 4 of the program.

Concord Plaza/Intermodal Improvements $0.8M Capital

This initiative will refresh public spaces surrounding the Concord Station that will improve safety and multimodal access, and create better connections to the nearby downtown and surrounding neighborhoods. This funding matches the CCTA Measure J and State Proposition 1B Lifeline funds.

Bike Parking $0.7M Capital

Bicycle access to stations has dramatically increased over the last five years, and this investment includes the development of a bike parking capital plan aimed at meeting bike parking demand in 2022, match for grants that the District is currently applying for, and dollars to advance the design and engineering of three identified bike station projects. This group of projects will increase the amount of secure bike parking by expanding the lockers and racks available at stations with the greatest demand.

Station Sustainability $0.5M Capital

This funding will support BART's sustainability efforts at stations including designing, developing and securing funds for improvements to achieve water conservation, energy efficient lighting, recycling, sustainable landscaping, station access, and other energy efficiency or energy storage projects.

Water Intrusion Remediation $0.5M Capital

Several train control rooms located at stations have experienced water intrusion. This project will evaluate and prioritize repairs at three stations (Fruitvale, San Leandro, and Daly City).

Public Address System Improvements $0.4M Capital

The District's Public Address (PA) system provides one-way communication to patrons and employees at all stations. Improvements are needed to enhance the customer experience, ensure safety, and improve energy efficiency. This pilot investment will fund the design, purchase, and installation of modern speakers, amplifiers, and other accessories at two types of stations (underground and freeway median) to test different station environments. Staff will assess the performance of these pilot systems to guide future improvements.

Dublin/Pleasanton Station Access $0.3M Capital

This initiative will fund preliminary engineering for access improvements at the Dublin/Pleasanton Station, consistent with the draft Station Access Policy and station typologies.

Surface Parking – Pittsburg/Bay Point Station $0.2M Capital

Consistent with the emerging draft Station Access Policy, this funding will advance the preliminary engineering for a surface parking lot on land the District has secured adjacent to the Pittsburg/Bay Point BART Station. Over the long term, this land presents additional opportunities for Transit-Oriented Development.

FY17 Proposed Initiatives Not Recommended for Funding

The following initiatives were proposed by departments but unfortunately, due to the very limited uncommitted funding available in FY17, they are not funded.

FY17 Proposed Initiatives - Unfunded

	Initiative	FTE	Operating $	Capital $	Total $
1	Purchase Car Lifts for Shops	-	-	14,000,000	14,000,000
2	Purchase Wheel Truing Machine	-	-	14,000,000	14,000,000
3	Stations and Facilities Fire Alarm Upgrade	5.9	1,519,278	5,405,000	6,924,278
4	Enterprise Resource Planning*	5.0	563,321	5,434,003	5,997,324
5	Train Control Maintenance Staffing	31.0	4,810,747	-	4,810,747
6	Bank Note Recycling Units	-	-	3,450,000	3,450,000
7	Tunnel Lighting Conversion	4.7	1,471,668	1,605,000	3,076,668
8	Operations Foreworker	20.0	2,856,034	-	2,856,034
9	Additional Elevator / Escalator Maintenance Workers*	20.0	2,741,721	-	2,741,721
10	District Wide Lighting Crew	13.0	2,228,119	-	2,228,119
11	Training Staff for New Car Fleet and Strategic Maintanence Program*	13.0	2,153,509	-	2,153,509
12	3rd Rail Inspection /Replacement Crew	9.0	1,473,940	253,000	1,726,940
13	Communication Maintenance	12.0	1,672,215	-	1,672,215
14	Parking Permit Management	3.0	1,620,420	-	1,620,420
15	System Service Worker	15.0	1,380,111	155,250	1,535,361
16	Modernize Train Scheduling & Staffing	-	-	1,495,000	1,495,000
17	Increase Utility Worker Staffing	19.0	1,491,327	-	1,491,327
18	Expand Reach and Frequency of Public Notices and Marketing*	1.0	1,364,358	-	1,364,358
19	Grout Crew to Address Water Intrusion	7.0	961,482	299,000	1,260,482
20	Procurement Engineers	6.0	1,183,381	-	1,183,381
21	Transportation Supervisors	6.0	1,146,721	-	1,146,721
22	Maintenance & Engineering Asset Coordinator	6.0	1,045,503	-	1,045,503
23	Fire Alarm and Fire Suppression Personnel	6.0	906,085	138,000	1,044,085
24	Strategic Maintenance Program Support*	6.0	1,029,530	-	1,029,530
25	Staff to Inspect 480 Volt Distribution Panels	7.0	979,768	-	979,768
26	Logistics Staff to Support New Vehicles	9.0	976,251	-	976,251
27	Automatic Fare Coordination Weekend Swing Shift	7.0	973,193	-	973,193
28	Rail Joint Elimination Crew	7.0	973,193	-	973,193
29	Shop Maintenance Engineers	5.0	954,746	-	954,746
30	Documentation Modernization	6.0	911,460	-	911,460
31	Additional Track Equipment Operators	6.0	822,516	-	822,516
32	Platform Controllers*	7.0	813,789	(4,000)	809,789
33	Garbage Expenditure Shortfall	-	800,000	-	800,000
34	Material Expeditors to Secure Material and Track Procurements	6.0	767,396	-	767,396
35	Contract Compliance	1.0	765,825	-	765,825
36	Grounds Foreworkers/Supervisor	3.0	627,217	-	627,217
37	Track Relief Crew	4.0	548,344	57,500	605,844
38	Transportation Principal Reliability Engineer	2.0	601,650	-	601,650
39	Additional Staff for Recruitment*	2.0	584,801	-	584,801
40	Operations Control Center System Integration & Modernization	1.0	222,221	345,000	567,221
41	Station Brightening Crew Enhancement	4.0	511,907	50,000	561,907
42	District Capital Paint Crew	4.0	37,237	518,007	555,244
43	C/K Line Administrative Office	-	11,000	540,500	551,500
44	Expand Contract Administration Capacity	3.0	549,748	-	549,748

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FY17 Proposed Initiatives - Unfunded

	Initiative	FTE	Operating $	Capital $	Total $
45	Reliability Engineers	3.0	548,466	-	548,466
46	Trunked Radio System Replacement	-	-	517,500	517,500
47	Marketing and Research Position Conversions	3.0	487,314	-	487,314
48	3rd Rail Insulator Maintenance Crew	3.0	483,330	-	483,330
49	Maintenance Planning Expansion to Support Asset Management	3.0	478,683	-	478,683
50	Enhanced Paramedic Services	-	461,940	-	461,940
51	Wayside Lubricators	-	-	460,000	460,000
52	Transportation Internal Auditor	2.0	444,442	-	444,442
53	Payment Card Industry Compliance	1.0	421,961	-	421,961
54	System Service Equipment Storage	-	-	414,000	414,000
55	Police Dispatch Staffing	3.0	385,458	-	385,458
56	SCADA (Supervisory Control and Data Acquisition) System Replacement	-	-	382,375	382,375
57	Lost and Found Expansion	-	-	379,500	379,500
58	Workforce Development - Coaching & Consultant	2.0	374,848	-	374,848
59	Asset Mgmt: Int'l Standards Compliance Support (ISO-55000)	-	350,000	-	350,000
60	Procure 5 Trucks for Ground Crew	-	-	322,000	322,000
61	System Service Supervisor	2.0	312,728	-	312,728
62	Scanning Services for Records Retention	-	300,000	-	300,000
63	Ventilation Fan Parts for Underground Stations, Transbay Tube, and Tunnels	-	-	293,250	293,250
64	Integrated Control System (ICS) Improvements for Operation Control Center	-	-	280,148	280,148
65	State Annual Assessment Fee	-	277,137	-	277,137
66	System Service Foreworker	2.0	262,286	-	262,286
67	Customer Access Maintenance Workers	2.0	255,553	-	255,553
68	Transportation Labor Relations Position	1.0	245,000	-	245,000
69	Financial Planning Position Conversion	1.0	233,332	-	233,332
70	Track Circuit Monitoring Tool	-	-	230,000	230,000
71	Transportation Technology Specialist	1.0	225,721	-	225,721
72	EAP/Drug and Alcohol Program	-	217,000	-	217,000
73	Staffing for Car Repairs, Modifications and Upgrades	2.0	213,266	-	213,266
74	Contract Warranty Manager	1.0	211,638	-	211,638
75	Reestablish IT Auditor position	1.0	191,961	-	191,961
76	Transit Career Ladders Training Program*	-	165,949	-	165,949
77	Security Monitors to Combat Vandalism	-	45,000	120,750	165,750
78	Non-Revenue Vehicle Service Expansion	1.0	150,677	-	150,677
79	Board Room Systems Reinvestment	-	-	125,000	125,000
80	Police Evidence Facility and Equipment Upgrades	-	-	116,000	116,000
81	Safety Data Analyst	1.0	109,023	-	109,023
82	Board of Directors Agenda Management	-	75,000	18,000	93,000
83	Ongoing Paramedic Services Costs	-	85,019	-	85,019
84	UC Berkeley Earthquake Research Affiliates Program Membership	-	60,000	-	60,000
85	Diversity Initiative	-	57,500	-	57,500
86	Mobile Video Recording Upgrade	-	52,712	-	52,712
87	ISBeRG Intl Benchmarking Renewal	-	50,000	-	50,000
88	ELERTS App Modification	-	30,000	-	30,000
	TOTAL	**327.6**	**55,314,679**	**51,399,783**	**106,714,462**

*Starred initiatives are partially funded or funded by leveraging existing funds, and detail on these funded initiatives is included in the "Funded Initiatives" sections above. Unfunded amounts only are listed in this table.

Fare Modification for Future Consideration - Youth Discount Extension

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

Staff developed three options for extending the discount and calculated estimated ranges of annual revenue impacts based upon 2016 fares, as shown in the table below. Annual revenue impacts reflect giving the discount to current full fare riders as well as generating new revenue from new riders. The maximum value of the range assumes that all current full fare riders age 13-17 get the discount by obtaining a Clipper Youth card or red mag stripe ticket, and the range's lower end assumes that one-half of these riders do so.

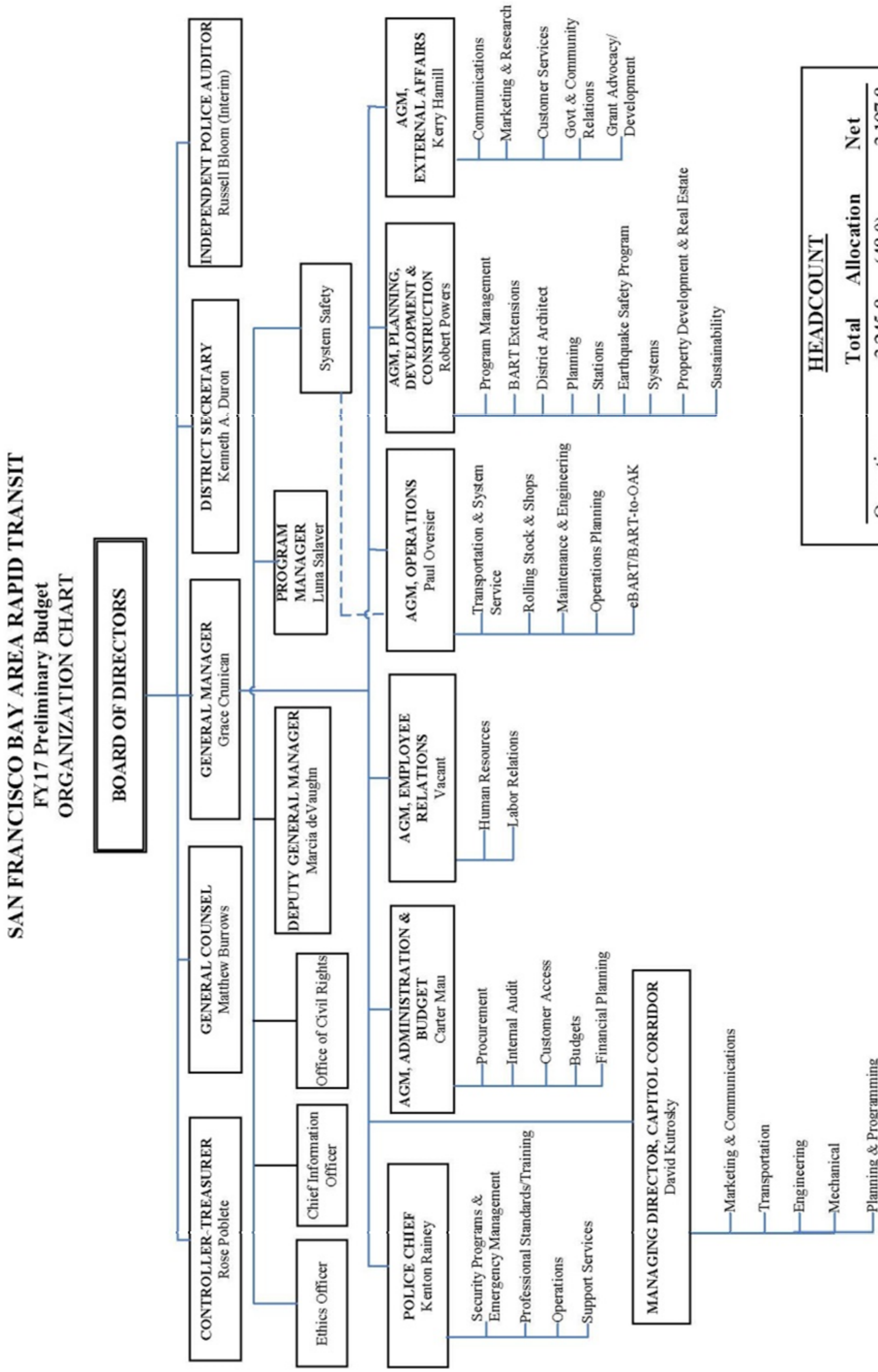
Annual Revenue Impact Estimate Range (in $Millions)	
A. 50% age 5 thru 17	$1.6-$3.2
A. 50% age 5 thru 18	$2.0-$4.0
B. 62.5% age 5-12; 50% age 13 thru 17	$1.9-$3.8
B. 62.5% age 5-12; 50% age 13 thru 18	$2.3-$4.6
C. 62.5% age 5 thru 17	$2.5-$5.0
C. 62.5% age 5 thru 18	$3.0-$6.0

Issues remain to be resolved regarding extending the youth discount, including the need for regional consistency of youth age definition and discount level offered; the necessary Clipper modifications and costs; and funding the revenue loss associated with extending the discount. Additionally, preliminary Title VI findings show that the age 5-12 rider group is more minority and low-income than BART's overall ridership.

8. FY17 Budget Board Review Schedule

Board Meeting Date	Budget Item
4/14/2016	FY17 Preliminary Budget Overview
4/28/2016	FY17 Budget Procedural Actions Action: Publish pamphlet, Set date for public hearing on Preliminary Budget
5/12/2016	FY17 Preliminary Budget Sources, Use and Service Plan, Capital Budget
5/26/2016	Public Hearing on FY17 Annual Budget Action: Adopt annual Proposition 4 Limit
6/9/2016	Action: Adopt FY17 Annual Budget

9. FY17 Preliminary Budget Organization Chart



HEADCOUNT

	Total	Allocation	Net
Operating	3,245.8	(48.0)	3,197.8
Capital	535.8	48.0	583.8
Reimbursable	41.0	-	41.0
Total	**3,822.5**	**-**	**3,822.5**