March 30, 2012

Fiscal Year 2013 Preliminary Budget Memo

San Francisco Bay Area Rapid Transit District

CONTENTS

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
MEMORANDUM

TO: Board of Directors **DATE:** March 30, 2012

FROM: General Manager

RE: Fiscal Year 2013 Preliminary Operating Budget

The Fiscal Year 2013 (FY13) Preliminary Operating Budget contains recommendations that will allow for strategic reinvestment in critical projects and programs after years of difficult financial trade-offs. Our financial position is due in part to the Board's adoption of financially sound policies over the past ten years, and making prudent decisions during good and bad economic times. However, as the BART system ages, to accurately appraise the District's overall financial situation, the Operating Budget and BART's Capital Program must be considered together. This joint assessment reveals a substantial shortfall between BART's capital needs and identified funding.

I am recommending a FY13 budget that takes the first step in narrowing the capital funding shortfall. In the coming years, we will work with you to close the gap so that BART can continue to provide the safe, reliable service our customers value and expect.

The attached document describes in detail the FY13 Preliminary Operating Budget, including the data and assumptions used to develop the budget, as well as staff recommended budget initiatives for the upcoming fiscal year. These initiatives include funding for the first increment of a multiyear commitment to the Rail Vehicle Replacement Program and other State of Good Repair projects. The FY13 budget also addresses specific operating needs, including a structural issue in the Transportation Department and continued investment in the three-year seat replacement program. During the last recession, the District reduced headcount in some critical areas and the Preliminary Budget proposes a moderate increase in staffing to ensure that the District continues to operate efficiently and reliably.

In closing, I believe the recommendations in the FY13 Preliminary Operating Budget balance the expectations of our customers and begin to address the District's long term capital funding needs, while maintaining the District's financial stability. I look forward to your feedback as we finalize the upcoming budget.

Grace Crunican

Grace Crunican

cc: Board Appointed Officers
Deputy General Manager
Executive Staff

1 Introduction

This document presents the District's Preliminary Operating Budget for Fiscal Year 2013 (FY13). The document begins with the summary level Income Statement and a list of the major budget assumptions. Further detail for each major budget area follows in the Operating Sources and Operating Uses sections, in the same order as the Income Statement. Following these sections is a summary of proposed initiatives for FY13.

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

Background

The FY12 budget was developed in spring 2011, during the beginning of the Bay Area's economic recovery from the recent recession. Due to the uncertainty of the strength of the recovery, the assumptions used in developing the FY12 budget, adopted in June 2011, were fairly conservative. As FY12 has progressed BART's two main sources of revenue, passenger fares and sales tax, are both growing at a much better rate than would have seemed reasonable to project earlier in 2011. As a result, revenues for FY12 are estimated to be better than budget.

Meanwhile, the expense budget has been tight the past two years because of increasing ridership and continual budget reductions made over the past decade. In the last recession, BART implemented a number of expense reductions, including elimination of 252 operating positions in FY10 and FY11. These reductions followed six successive years of budget cuts (FY02 to FY07) in response to the "dot com" recession. In FY12, with recovering ridership and sales tax, some funds were directed towards areas of concern as reported by BART customers in the biennial Customer Satisfaction Survey and other priorities such as regulatory and compliance requirements, train cleanliness and escalator availability. However, the most critical priority addressed by the FY12 budget was BART's Capital Program funding shortfall and State of Good Repair (SGR) needs, with a $47.1 million (M) allocation. Limiting new ongoing expenses helped maintain fiscal stability.

FY13 Preliminary Operating Budget

Projections for FY13 show BART's Preliminary Operating Budget to be on solid financial ground. The positive result is due in part to implementing Board-adopted financial policies over the past ten years and to making careful decisions during good and bad economic times. However, to accurately appraise the District's overall financial state, the Operating Budget and BART's Capital Program must be considered together. This joint assessment reveals a serious shortfall between BART's capital needs and identified funding.

Operating sources for FY13 are projected to increase $52M over the adopted FY12 budget, due to very strong ridership and sales tax growth during FY12. Operating expenses are projected to increase by $23M, including $9.6M of proposed new operating initiatives discussed in Section 3.4. The FY13 Preliminary Operating Budget also proposes to direct additional funds to capital: $20.7M to the Rail Vehicle Replacement Program, in addition to the previously programmed $25.0M, and $3.1M to one-time capital expenses.

It must be noted that the FY13 Preliminary Operating Budget figures, particularly for revenue, are projections based upon the best currently available information. If the economic recovery slows or stalls, or state budget issues impact the State Transit Assistance program, a lower amount of funds may be available to BART. Given these uncertainties, the FY13 budget strategically dedicates the majority of the projected revenue increase to one-time expenses and does not build in a large amount of ongoing operating expenses that will continue to require funding in future years. Included in this strategy is an allocation directing $45.7M to BART's share of the Rail Vehicle Replacement Program. This allocation will help BART leverage a multi-billion dollar commitment of federal funding for this project.

The FY13 Preliminary Operating Budget does address specific operating needs including the structural issue with the Transportation Department budget and continued investment in the three-year seat replacement program. In addition, BART reduced headcount during the last recession and the FY13 Preliminary Operating Budget proposes a moderate increase in staffing of 62 operating positions to ensure the District continues to operate reliably and efficiently.

FY13 Capital Budget

BART's capital program is a complex collection of projects and programs of varying sizes funded with a variety of local, regional, state and federal resources in addition to BART's own funds. Projects range from the multi-billion dollar Rail Vehicle Replacement Program to programs of tens to hundreds of millions of dollars. Many of these capital projects, such as renovation of the traction power and train control systems, and the Station Modernization Program, are part of the larger State of Good Repair Program and essential to keeping the system operating reliably.

BART has the region's largest transit capital asset inventory and has maintained its good performance to date through preventative maintenance, rehabilitation and reinvestment. As it approaches 40 years of service, however, the District is preparing for the replacement of its 669 rail car fleet and the beginnings of a major SGR reinvestment program. In FY13 the District will begin the largest capital project ever completed since the system was originally built – the replacement of the aging 669 car fleet with new, more reliable rail cars. This project is currently estimated to cost over $3 billion, with actual bid costs to be known in late April 2012. At the same time, many of the District's assets are already beyond their recommended replacement life and much needed renovation funding must be secured. Reliability will deteriorate if these assets are not maintained or replaced. Underfunding either the Rail Vehicle Replacement Program or other SGR needs will have a negative impact on performance, travel time, passenger capacity, and ultimately the environment as potential riders switch to driving due to delays or increased travel time due to slower train speeds.

While the District's capital asset replacement needs have grown, transit capital funding has become more complex and difficult to secure. Competition among the transit operators within the region is keen and has increased as the needs have increased. Funding for the capital program comes from a variety of sources. The Rail Vehicle Replacement Program, for example, will be primarily funded with federal formula funds, with a significant financial contribution required from BART. These funds will consist of allocations from the District's net operating result and State bond funds, should they be issued. Funding for just the base order of 200 new railcars could take more than ten years to fully materialize, with funding for the additional options possibly taking even longer. This kind of multi-year funding commitment from federal and District funds is unprecedented and an indication that the replacement of the fleet is of the highest regional priority.

The beginning of a major SGR reinvestment program, beyond the replacement of the fleet, is BART's second highest capital priority. Federal formula grants with bridge toll or BART local match provide the minimal annual amount necessary to continue renovating our traction power and train control systems, replace worn track, and perform guideway (subway and aerial structure) rehabilitation. Increasingly larger investments have become necessary to maintain adequate performance levels as systems reach or exceed the end of their useful life. The District has begun an outreach campaign to local and regional elected officials to educate them about the growing need for major reinvestment in the District's capital asset inventory to maintain reliability and performance without degradation.

In addition to these reinvestment projects, BART continues to expand with projects such as the Warm Springs Extension, Oakland Airport Connector, and the Eastern Contra Costa Extension (eBART). Environmental work on a potential extension to Livermore is also underway. District expansion projects are typically funded with dedicated voter-approved sales taxes, together with Federal, State, and regional/local bridge toll funds that are limited to expansion projects.

Every year, BART must make at least a minimal baseline allocation of operating funds to capital in order to provide the required local match funds to federal grants and to address various capital needs that do not qualify for federal or state grants. The mandatory local match to grants requires an allocation of $10M to $15M of BART funds, which leverages grant funds of approximately four times that amount. In addition, another $10M to $15M must be allocated annually to continue grant-ineligible annual upkeep such as station relamping, parking lot repaving, facilities repair, signage, the replacement of police and maintenance vehicles, and capitalized maintenance. In March 2012, staff presented to the Board FY13 Financial Priorities, which highlighted numerous near-term capital funding needs beyond the normal baseline allocation amount.

The Metropolitan Transportation Commission's (MTC) 2009 Regional Transportation Plan (RTP) indicates that BART's capital asset inventory needs exceed $15 billion, and only 50% of that amount has funding identified over the next 25 years. Although the Rail Vehicle Replacement Program is assumed to be fully funded in the RTP, it requires a significant BART local match. In 2010 the Board of Directors and the MTC Commission approved a preliminary funding plan for the project that requires an $805M contribution from the District, preliminarily funded with allocations from the net operating result. As discussed above, in FY13 the District plans to allocate a baseline amount of $25M, which will be supplemented by an additional $20.7M for a total $45.7M contribution to the BART Rail Car Sinking Fund. This action is a step forward in the District's efforts to bring BART infrastructure up to a higher level of SGR.

In addition to the baseline capital allocations described in Section 3.3.3, staff proposes that a number of projects be considered for allocations to the capital program, described in Section 3.4, Proposed FY13 Initiatives.

Summary

As the BART system ages, it is increasingly clear that successful service depends on both investment in capital assets and adequate funding for operations. Most BART customers are "choice" riders, in that they choose to ride BART over other available modes of transportation, including their own automobiles. BART customers also consistently report that on-time, reliable service is one of the most important attributes and a key driver in their customer satisfaction.

For budget projection purposes, the FY13 Preliminary Operating Budget assumes implementation of a 1.4% fare increase in July 2012. This is the last increase in the productivity-adjusted CPI-based fare increase program adopted by the Board in 2003. The extension of a program of small, regular fare increases, a strategy detailed in the Board-adopted Financial Stability Policy, is integral to BART's long-term fiscal health, and assumed in all of BART's long-term financial projections.

As BART's operating financial outlook improves, the addition of new ongoing operating costs will be carefully evaluated and considered in light of funding critical SGR needs, including new rail vehicles. The FY13 Preliminary Operating Budget recommends investing a limited amount of funds in the District's priority areas in the Operating Budget. By directing the majority of projected available funds to the Capital Program, the District takes a strategic first step to meet its local match obligation for the Rail Car Replacement Program.

INCOME STATEMENT

($millions)	Budget		Change	
	FY12 Adopted	FY13 Preliminary	$	%
SOURCES				
Passenger Revenue	$ 345.7	**$ 380.2**	$ 34.5	10%
Parking Revenue	14.7	**15.6**	0.9	6%
Other Operating Revenue	18.7	**19.3**	0.6	3%
OPERATING REVENUE TOTAL	**379.1**	**415.1**	**36.0**	**9%**
Sales Tax	180.6	**204.2**	23.6	13%
Property Tax	29.7	**30.3**	0.6	2%
State Transit Assistance	21.7	**17.3**	(4.4)	-20%
Allocation from SFO Reserve	1.6	**-**	(1.6)	-100%
Other Assistance/Allocations	4.8	**2.4**	(2.4)	-50%
TAX & FINANCIAL ASSISTANCE TOTAL	**238.4**	**254.2**	**15.9**	**7%**
SOURCES TOTAL	**617.5**	**669.4**	**51.9**	**8%**
USES				
Net Labor & Benefits	364.3	**380.6**	16.3	4%
OPEB Unfunded Liability	1.6	**0.9**	(0.7)	-45%
Purchased Transportation	15.7	**16.0**	0.3	2%
Traction & Station Power	35.2	**38.1**	2.9	8%
Other Non-Labor	90.1	**94.5**	4.4	5%
OPERATING EXPENSES TOTAL	**506.9**	**530.0**	**23.2**	**5%**
Debt Service	53.7	**57.1**	3.4	6%
MTC Loan Repayment	8.6	**8.4**	(0.2)	-3%
Allocation to WSX Project	-	**3.2**	3.2	n/a
Other Allocations	2.8	**2.1**	1.0	-25%
Capital Rehabilitation Allocations	47.1	**23.7**	(23.4)	-50%
State of Good Repair Rail Car Allocation	-	**25.0**	25.0	n/a
Additional FY13 Rail Car Allocation	-	**20.7**	20.7	n/a
ALLOCATIONS TOTAL	**112.2**	**140.2**	**28.0**	**25%**
USES TOTAL	**619.1**	**670.2**	**51.1**	**8%**
OPEB Unfunded Liability	**(1.6)**	**(0.9)**	**0.7**	n/a
NET RESULT	**$ -**	**$ -**	**$ -**	
KEY PERFORMANCE INDICATORS				
Operating Ratio	74.8%	**78.3%**	3.5%	4.7%
Farebox Recovery Ratio	68.2%	**71.7%**	3.5%	5.2%
Average Weekday Trips	348,845	**376,475**	27,630	7.9%
Rail Cost / Passenger Mile	33.2¢	**32.8¢**	(0.4¢)	-1.2%

FY13 Preliminary Budget Major Assumptions

Sources

- **Ridership:** Average weekday trips for FY12 estimated to be 365,510 (4.8% over budget); FY13 projection of 376,475 up 3.0% compared to FY12 year-end estimate.
- **Rail passenger revenue:** FY12 estimated to be $19M over budget; FY13 up 4.3% compared to FY12 year-end estimate, assuming a 1.4% fare increase on July 1, 2012 and 3.0% trip growth.
- **Parking revenue:** Assumes increased revenue due to increased rider demand.
- **Sales tax:** FY12 projected $14M over budget; FY13 up an additional 5.0%.
- **Property tax:** FY12 projected to be on budget; FY13 up 2.0%.
- **State Transit Assistance:** FY12 likely $4.5M under budget; FY13 assumes Governor's January 2012 budget approved, subject to economy/state budget.
- **SFO Operations**: No funds from SFO reserve in FY13 due to strong ridership.
- **Other Assistance:** One-time $2.2M in FY12 not continued into FY13.

Uses

- **Net Labor:** Majority of increase is caused by higher costs for medical insurance ($4.5M), retiree medical ($3.0M) and workers compensation insurance ($3.3M). The increase is also due to 56 additional positions ($6.3M) in proposed budget initiatives.
- **Other Post Employment Benefit (OPEB) Unfunded Liability:** Non-cash recognition of difference between full Annual Required Contribution (ARC) and actual annual payments according to the "ramp-up" funding plan. FY13 payments are close to the full ARC, thus the unfunded portion continues to decline substantially. Full ARC will be funded in FY14.
- **Purchased Transportation:** Includes ADA Paratransit ($13.1M), Muni Transfer Payment ($2.8M), and AirBART ($0.2M).
- **Power:** Increased budget for FY13 due to higher delivery charges, increased usage, and initial estimates for carbon/greenhouse gas fees beginning in FY13.
- **Other Non-labor:** Most non-labor accounts received a 2% inflation escalation. Majority of increases are due to proposed budget initiatives ($3.3M), debit /credit card fees ($1.5M), inflation to base department non-labor budgets ($0.9M) and District elections ($1.0M). Approximately $3.2M in one-time FY12 costs was removed.
- **Debt Service:** Assumes placeholder amount of $6.0M for upcoming prior debt refunding and new debt issuance for Oakland Airport Connector project.
- **Capital Rehabilitation Allocations**: FY12 includes baseline of $20.6M, plus $3.1M in capital initiatives.
- **State of Good Repair Allocations**: FY13 includes a recommended additional allocation of $20.7M directed towards BART's share of the Rail Car Replacement Program.
- **Allocation to WSX Project**: Projected FY13 $3.2M positive net result for SFO Extension allocated to the Warm Springs Expansion project per agreement.

2 Operating Sources

This section provides detail on BART's operating sources, which consist of two main categories, Operating Revenue and Tax and Financial Assistance, as listed in the Income Statement and shown in the table below. The amount of fare and other revenues, taxes and financial assistance BART takes in depends largely on interrelated factors such as employment, fuel prices, business activity, population growth, housing, tourism, traffic congestion and the State budget.

Although the last recession officially ended in late 2009, ridership and sales tax did not start to recover until early 2011. Since then these two main sources of BART's funds have grown at an extraordinarily strong rate. Ridership in Calendar Year (CY) 2011 grew 5.5% over 2010. Similarly, sales tax receipts, which dropped almost $40M between FY08 and FY10, have increased for two years, and are projected to gain back about $30M of that loss by the end of FY12. Most current economic reports and indicators project a continued recovery, both in California and across the nation, but estimate that future long-term growth will occur at a much slower pace than in the past.

For BART, the recovery means higher estimates of FY12 year-end and FY13 Preliminary Budget revenues than would have been projected a year ago. However, long-term projected growth remains conservative, an outlook shared by many economic forecasts. Much of the budget increase shown below is because FY12 results are projected to finish significantly higher than budget, while a smaller portion comes from anticipated growth in FY13.

($millions)	Budget		Change	
	FY12 Adopted	FY13 Preliminary	$	%
SOURCES				
Passenger Revenue	$ 345.7	**$ 380.2**	$ 34.5	10%
Parking Revenue	14.7	**15.6**	0.9	6%
Other Operating Revenue	18.7	**19.3**	0.6	3%
OPERATING REVENUE TOTAL	**379.1**	**415.1**	**36.0**	**9%**
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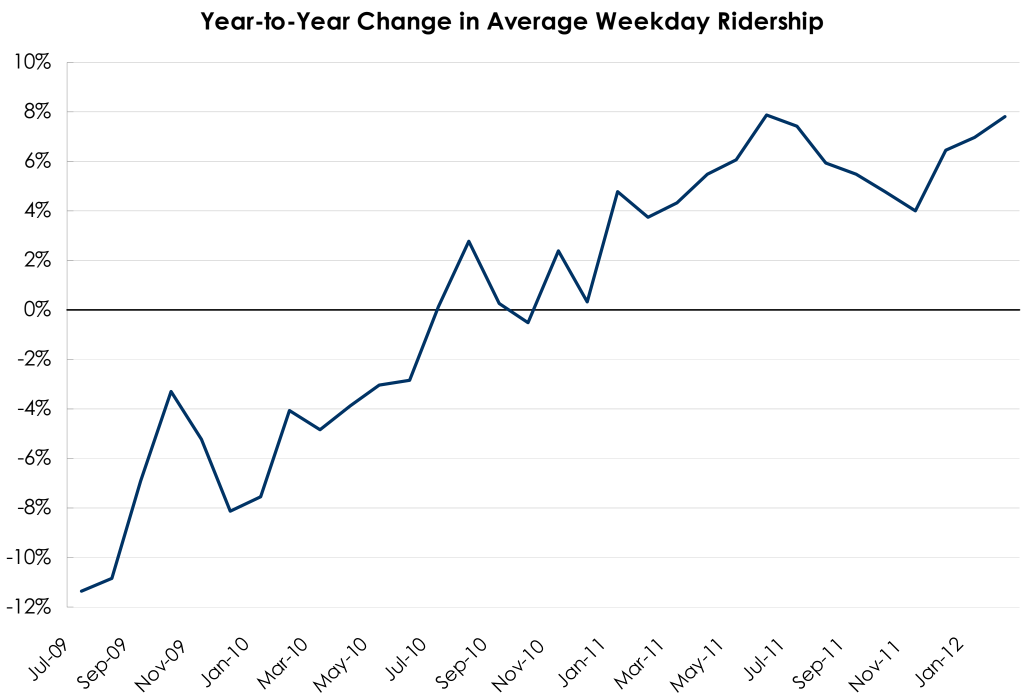
Allocation from SFO Reserve	1.6	**-**	(1.6)	-100%
Other Assistance/Allocations	4.8	**2.4**	(2.4)	-50%
TAX & FINANCIAL ASSISTANCE TOTAL	**238.4**	**254.2**	**15.9**	**7%**

2.1 OPERATING REVENUE

2.1.1 Ridership and Passenger Fare Revenue

Ridership

BART ridership has rebounded from the recent recession, close to levels experienced in mid-2008, immediately prior to the recession. For most of 2009, ridership was down significantly, with year-to-year declines over 10% during the summer. Monthly ridership loss persisted until July 2010, when trips started to grow very slightly, although compared to a much lower base ridership number. Although moving in a positive direction, ridership growth was inconsistent until early 2011, when the growth of around 4% to 6% grew stronger each month and has continued for the past 12 months. The following graph illustrates BART's recent ridership trends. Gains in employment and the recent increases in gas prices are likely helping to make BART a more attractive option compared to the automobile.



Some other recent trends and events affecting ridership include:

- Transbay average weekday ridership was up 5.9% in 2011 compared to 2010, to an estimated 174,440 trips. The Bay Bridge toll increase in July 2010 could help explain this increase, which outpaces the 5.5% systemwide growth in trips.
- Open in February 2011, the West Dublin/Pleasanton Station currently averages about 4,500 weekday entries and exits combined. About two-thirds of these trips are estimated to be new riders, with the rest of the trips existing riders shifting from the Dublin/Pleasanton Station.
- Estimated BART ridership to and from Giants' games increased from 520,000 during the 2010 season to 710,000 during the 2011 season, a 35% increase, translating to about 2,300 additional BART trips per game day. Increased attendance for the 2011 season is the result of the Giants' winning the 2010 World Series championship.
- Ridership growth on the SFO Extension in San Mateo County continued to outpace

systemwide growth, with year-over-year increases of 13% at San Bruno Station, 9% at Millbrae Station, and 11% at the San Francisco International Airport Station.

- Other stations with large increases included Ashby (12%), Hayward (9%), and North Concord/Martinez (12%). The increase at Ashby was helped by the April 2011 opening of the Ed Roberts Campus. Available parking at Hayward and North Concord/Martinez, compared to lack of parking availability at nearby stations, may have contributed to ridership growth.

The table below shows ridership data for FY11, FY12 Budget, FY12 year-end estimate, and FY13 Preliminary Budget. Ridership and passenger revenue for the five stations on the SFO Extension into San Mateo County are tracked separately from the core system in order to reconcile the net operating result, as described in Section 2.2.4.

Based on year-to-date trends and seasonality, FY12 is projected to end with core system trips up 5.4% and SFO Extension trips up 9.5% compared to FY11. In FY13, trips are budgeted to grow 2.9% for the core system and 4.0% on the SFO Extension. The average weekday ridership projections for FY12 and FY13, of 365,510 and 376,475 respectively, represent BART's highest-ever fiscal year ridership. The previous record of 357,775 average weekday trips in FY08 is nearly 20,000 trips less than the FY13 projection.

The outlook for FY13 is more modest growth than anticipated for FY12, primarily because the baseline (i.e. the prior year) represents a post-recession period of higher than typical ridership growth. However, ridership and train loading are closely monitored and if needed, budget expectations for passenger revenue and potentially service levels will be revised during FY13.

	FY11 Actual	FY12 Budget	FY12 Estimate	FY13 Prelim Budget
Average Weekday Trips				
Core System	306,970	309,705	323,582	332,882
SFO Ext	38,287	39,140	41,928	43,593
Total	345,256	348,845	365,510	376,475
Total Annual Trips (M)				
Core System	91.8	92.9	97.1	99.9
SFO Ext	11.9	12.3	13.2	13.7
Total	103.7	105.2	110.2	113.6
Growth in Weekday Trips				
Core System		0.9%	5.4%	2.9%
SFO Ext		2.2%	9.5%	4.0%
Total		1.0%	5.9%	3.0%

Rail Fare Revenue

The FY12 rail fare revenue was budgeted at $344.8M. However, due to the strong ridership growth, FY12 rail fare revenue is currently projected to end the year nearly $19M over budget. For FY13, with the projected 3% ridership growth, rail fare revenue is expected to be $379.2M, assuming a small fare increase implemented in July 2012 as discussed below.

BART’s current inflation-based fare increase program has been invaluable to keeping BART’s service safe and reliable. The last of the program’s four increases, valued at 1.4%, is scheduled to become effective July 1, 2012. A 1.4% fare increase is estimated to generate $4.8M in FY13. BART is seeking public input on the inflation-based increase by holding ten outreach meetings during March 2012 at locations throughout the District. At these meetings, public comment is transcribed and a survey (translated into Spanish, Chinese, Korean and Vietnamese) asking for the public’s opinion is distributed. In addition to the outreach meetings, the public can submit comments on the options by telephoning or e-mailing BART. The public can also complete the survey online, via telephone, and through the mail.

ADA Paratransit Revenue

BART receives 31% of the paratransit fare revenue collected from East Bay Paratransit Consortium trips, while AC Transit receives 69%. For FY13, BART's share is expected to be $1.0M. Paratransit fare revenue covers 8% of BART’s paratransit operating cost contribution.

Passenger Fare Revenue ($millions)	Budget FY12 Adopted	Budget FY13 Preliminary	Change	%
Net Rail Passenger Revenue:				
Core	$ 300.3	**$ 328.7**	$ 28.3	9%
SFO Extension	44.4	**50.5**	6.1	14%
Subtotal, Rail Fare Revenue	344.8	**379.2**	34.4	10%
ADA Paratransit Revenues	0.9	**1.0**	0.1	7%
TOTAL	**$ 345.7**	**$ 380.2**	**$ 34.5**	**10%**

2.1.2 Parking Revenue

BART has over 46,350 parking spaces at 33 of its 44 stations. Parking fees were implemented at certain stations in FY03, and the program has since expanded as described below. The FY13 Preliminary Budget of $15.6M in parking revenue assumes no changes to current parking fees or programs but does reflect increased rider demand.

- The Daily Parking Fee program for the core system (including Daly City) is expected to generate $7.3M in FY13, the same as FY12. Most stations with daily fees have been filling for FY12. Daily parking fees have been implemented at most stations with parking, the exceptions being Concord, North Concord, Hayward, South Hayward and Coliseum Stations. Riders now also have the option of using their Clipper cards to pay daily parking fees. Adding Richmond Station to the program has been put on hold until construction of the parking garage is completed. Daily parking demand at Daly City Station will be evaluated in April 2012 and may trigger a $1 daily fee increase, although not included in the FY13 budget at this time.
- The Core Monthly Reserved parking program is in place at all East Bay stations and the Daly City Station. For FY13, it is projected to generate $4.5M, reflecting an increase in ridership and utilization of this program over the FY12 budget.
- The West Bay parking program includes Monthly Reserved, Airport/Long-Term and Daily Parking Fee programs at the four SFO Extension Stations. For FY13, these programs combined are expected to generate $2.7M as a result of increased ridership and available parking spaces at West Bay stations.

- The Core Single Day Reserved program allows riders to purchase a single day permit and park in the Reserved area, generating a projected $0.9M in FY13. BART's growing ridership has increased utilization of this program.
- The Core (East Bay) Airport/Long-Term parking program was designed to accommodate Bay Area airport passengers who need to park for more than 24 hours. For FY13, it is projected to generate $0.3M at stations in the East Bay.

Parking Revenue ($millions)	Budget			
	FY12 Adopted	FY13 Preliminary	Change	%
Core Daily	$ 7.3	**$ 7.3**	$ 0.0	0%
Core Monthly Reserved	4.3	**4.5**	0.2	4%
West Bay	2.2	**2.7**	0.5	22%
Core Single Day Reserved*	0.6	**0.9**	0.3	41%
Core (East Bay) Long Term	0.3	**0.3**	(0.0)	0%
TOTAL	**$ 14.7**	**$ 15.6**	**$ 0.9**	**6%**

* Includes Coliseum Event Parking

2.1.3 Other Operating Revenue

BART also generates operating revenue from non-passenger revenue sources which are used to help offset BART's operating costs. The sources are detailed below.

Telecommunications Revenue

For FY13, current agreements provide for $4.4M in annual revenues from 15 fiber optics carriers, $2.2M from cell sites, and $0.1M for support cost reimbursement. In FY13, compared to the FY12 year-end estimate, cell site revenue is projected to increase $0.3M due to the installation of underground cell coverage on the SFO Extension, contract fee escalation, and new cell sites.

Advertising Revenue

FY13 advertising revenue is budgeted at $7.8M, based on the contracted amount with the District's advertising vendor.

Other Revenue

Other revenue includes fines and forfeitures, interest earnings, public telephones, building lease revenue, concessions, and other miscellaneous revenues. Also included is ground lease revenue related to the Pleasant Hill and West Dublin/Pleasanton stations, which is discussed in more detail in Section 3.3.2.

Other Operating Revenue ($millions)	Budget			
	FY12 Adopted	FY13 Preliminary	Change	%
Telecommunications	$ 6.4	**$ 6.7**	$ 0.3	4%
Advertising	7.1	**7.8**	0.7	11%
Other	5.2	**4.8**	(0.4)	-8%
TOTAL	**$ 18.7**	**$ 19.3**	**$ 0.6**	**3%**

2.2 TAX & FINANCIAL ASSISTANCE

2.2.1 Sales Tax

Sales tax is BART's second largest source of revenue after passenger fares, and represents one-third of total sources. The proceeds are derived from a dedicated 75% share of a one-half cent sales tax levied in San Francisco, Alameda and Contra Costa counties. The remaining 25% is shared equally between AC Transit and the San Francisco Municipal Transportation Agency.

Sales tax receipts are highly dependent on the overall health of the economy. After peaking at nearly $203M in FY08, sales tax declined $36M or 18% over two years to $167M in FY10. Sales tax for FY11 grew 8.6% from FY10 and FY12 year-end is estimated to grow another 7.6% to $194M. This recovery happened more quickly and strongly than recoveries from past recessions, likely because of pent-up consumer and business demand following severe spending cuts made during the recession. This 'catch-up' in spending after several years of cutting back is anticipated to be temporary, after which sales tax growth is projected to return to a more sustainable level for the long term. Sales tax for FY13 is budgeted to grow 5% to $204M, bringing revenue back to the same level as five years earlier. The source of this projection is analysis of District tax receipt trends, as well as projections by local and regional economic research organizations.

2.2.2 Property Tax

BART receives property tax revenue for operating purposes from a permanent, dedicated assessment in the three BART counties. Assessed values as of January 1, 2012 determine BART's FY13 property tax revenues. Since it can take a year or more for reduced housing values to be reflected in lower assessed values, BART's property tax receipts could still be impacted by the housing downturn.

The District experienced relatively small declines in property tax receipts over the past two years, which is somewhat surprising given the state of the Bay Area housing market. Through the first half of FY12, property tax payments to BART are up 5% compared to the same period in FY11, with Alameda and Contra Costa counties increasing 8% and 6%, respectively. Payments from San Francisco remained fairly flat, growing just 1%. Some of the increase may be due to timing of payments from the counties. At this time, FY12 is expected to remain on budget at $29.7M and FY13 is expected to grow 2.0% to $30.3M.

Sales Tax and Property Tax Proceeds
($millions)

	Sales Tax	Year-to-Year Change	Property Tax	Year-to-Year Change
FY07	198.8	3.7%	27.4	12.7%
FY08	202.6	1.9%	29.0	5.6%
FY09	184.3	-9.1%	30.4	4.8%
FY10	166.5	-9.6%	30.1	-0.8%
FY11	180.8	8.6%	29.5	-2.0%
FY12 Adopted	180.6	-0.1%	29.7	0.6%
FY12 Estimated	194.5	7.6%	29.7	0.6%
FY13 Preliminary	**$ 204.2**	**5.0%**	**$ 30.3**	**2.0%**

2.2.3 State Transit Assistance

State Transit Assistance (STA) is a funding source that can be dependent on the state budget and in past years has been highly volatile. California constitutional changes passed in 2011 now require STA to be continuously appropriated based upon revenue generated by actual receipts from the sales tax on diesel fuel, so the final amount received by BART could vary from budget.

The Governor's proposed FY13 Budget, released in January 2012, forecasts $420M of STA statewide. Of this amount, BART is eligible for $25.9M, of which $5.0M will be directed by the MTC to feeder bus service expense, as detailed in Section 3.2.5, Purchased Transportation. An additional $3.6M will be held by MTC in FY13 for AC Transit, with $2.5M directly allocated to AC Transit and an additional $1.1M held in reserve pending the outcome of discussions between AC Transit and BART regarding a new feeder agreement. Combined with set-asides from FY11 and FY12, a total of $3.1M is currently held by MTC.

2.2.4 Other Assistance

Measure B, Measure J and Other Funding

Alameda County Measure B is a one-half cent transportation sales tax that provides assistance for paratransit service within Alameda County until 2022. BART's share is projected at $1.5M for FY13. An additional $60,000 of funds for the Berkeley Bike Station is also included. No Contra Costa County Measure J funding is expected for FY13.

Federal Section 5307 Hillcrest Park and Ride

In FY12, Eastern Contra Costa County Transit Authority is anticipated to direct $2.2M of federal preventive maintenance grant funds to BART, with BART allocating an equal amount for the construction of station parking and bus intermodal at the eBART Hillcrest Station in Antioch. The offsetting allocation is discussed in Section 3.3.2. The net result to the FY12 budget's bottom line of this one-time action is zero.

Millbrae Use, Operations, and Maintenance Agreement

As part of operating service to the joint BART/Caltrain station at Millbrae, Caltrain is required to pay for the use, operating, and maintenance costs at the station applicable to Caltrain service and passengers. An inflation-based payment schedule effective from FY09 through FY13 has been authorized by the Board.

Allocation from SFO Extension Reserve

Pursuant to the terms of the 2007 agreements among BART, the MTC, and SamTrans, BART has full responsibility over operations of the SFO Extension in San Mateo County. Monetary contributions from SamTrans (one-time and ongoing) and the MTC (one-time) offset the cost of providing service outside of BART's district. These contributions are held in a reserve account and are used first to fund any operating deficit on the Extension and then to contribute to the cost of construction of the Warm Springs Extension project.

BART tracks passenger trips and fare revenue generated on the five-station SFO Extension. Operating expenses are calculated based upon the agreements, and any net operating deficit after fares are applied is covered first by a share of San Mateo County's Measure A sales tax revenues and then by funds in the SFO Extension Reserve. Although an operating deficit was anticipated for FY12, extension ridership has performed much better than budgeted and both FY12 and FY13 are expected to show a modest positive result. Per the terms of the 2007 agreements, any such funds will be allocated to a reserve account and used for the Warm Springs Extension project, as shown in Section 3.3.2, Other Allocations.

Allocation from West Dublin/Pleasanton Station Reserve

The infill West Dublin/Pleasanton Station began operations in February 2011, and ridership at the station has been growing each month since opening. One year after opening, the station has approximately 4,500 daily entries and exits, with an estimated 3,000 of these trips new to BART.

Prior to station opening, Alameda County and the Cities of Dublin and Pleasanton contributed $8.0M to a reserve fund for the station. At the end of FY12, all of the reserve will have been used to cover construction debt service and operating costs. In FY13, fare and parking revenues cover station operating expense, but are not projected to be sufficient to also cover the entire annual debt service of $3.1M. The shortfall, currently estimated at $1.4M in FY13, will be covered by BART's general fund.

Other Assistance ($millions)	**Budget** FY12 Adopted	FY13 Preliminary	**Change**	**%**
State Transit Assistance	$ 21.7	**$ 17.3**	$ (4.4)	-
Allocation from SFO Reserve	1.6	**-**	(1.6)	-100%
Msr B/Other Assistance	1.6	**1.6**	0.0	2%
Fed 5307	2.2	**-**	(2.2)	-100%
Millbrae UOM	0.8	**0.8**	0.0	3%
Allocation from WD Reserve	0.3	**-**	(0.3)	-100%
TOTAL	**$ 28.1**	**$ 19.7**	**$ (8.4)**	**-30%**

3 Operating Uses

3.1 SERVICE PLAN

BART Operations Planning staff periodically reviews ridership and train loading, adjusting train lengths when feasible to provide a high standard of customer service while balancing the maintenance requirements of an aging fleet. As part of FY13 Preliminary Budget development, staff examined current service levels and reviewed customer comments to identify opportunities to improve the customer experience and mitigate crowding at the beginning and end of commute hours. Continuing increases in ridership and the opening of the West Dublin/Pleasanton Station have resulted in more customers per BART car and additional standees. Daily service requires 573 vehicles (including spare trains), demanding 86% availability of BART's operating fleet of 666 cars. Additional increases in rush hour car requirements are only marginally sustainable and may begin to negatively impact car reliability. Altering the times that trains are lengthened and shortened will cause a small increase in the total car hours operated, without increasing the number of cars required for daily service.

Within these constraints, a proposed enhancement to Red Line weekday service would increase the evening service by one hour and provide four additional trips in each direction between Richmond and Millbrae. This service enhancement will provide additional direct Richmond and Millbrae service for commuters and add Transbay capacity in the late commute period. During the transition from 15 minute to evening 20 minute service the shift from four to two routes will be more gradual and headways during this period will be shortened resulting in improved passenger distribution and reduced platform crowding. Reinstating 15 minute X-service would have more significantly increased the accumulation of car miles and the frequency that vehicles would need to be removed from service for required scheduled maintenance and unscheduled repairs. Past experience with this level of service indicated a steady decline in overall car availability as demands on the car fleet exceeded the production capacity of the shops. Fleet replacement and expansion is still a few years away and therefore careful allocation of the existing fleet is necessary.

The current service configuration was instituted in September 2009 and remains unchanged for FY13. Weekday service base headways are 15 minutes, while evening and weekend headways remain at 20 minutes. On weekdays, peak period extra trains serve the Pittsburg/Bay Point line, which has the highest ridership. During the evening and Sunday time periods, single route, instead of two-route, service operates to SFO Extension stations south of Colma, with a direct connection between Millbrae and the San Francisco Airport.

RAIL SERVICE PLAN	**FY12 Adopted**	**FY13 Preliminary**
Peak Trains	62	**62**
Peak Cars	534	**534**
Daily Car Requirement	573	**573**
Total Car Hours *(millions)*	2.11	**2.15**
Passengers *(millions)*	105.2	**113.6**
Passenger Miles *(billions)*	1.48	**1.58**

3.2 OPERATING USES

This section provides an overview of Operating Uses, which is comprised of Operating Expenses and Allocations. "Operating Expenses" include wages, benefits, materials, power, other labor and non-labor expenses. "Allocations" are made to cover debt service, maintain reserves, and fund capital needs.

Staff recommendations for FY13 new budget initiatives are summarized in Section 3.4. The expenses for these initiatives are included in the budget and incorporated into the summaries in each section. The following table summarizes operating expenses and allocations for FY13.

OPERATING USES ($ millions)	Budget FY12 Adopted	Budget FY13 Preliminary	Change $	Change %
Labor	$ 364.3	$ 380.6	$ 16.3	4%
OPEB Unfunded Liability	1.6	0.9	(0.7)	-45%
Traction/Station Power	35.2	38.1	2.9	8%
Other Non-Labor	90.1	94.5	4.4	5%
Purchased Transportation	15.7	16.0	0.3	2%
OPERATING EXPENSES TOTAL**	**506.9**	**530.0**	**23.2**	**5%**
Debt Service	53.7	57.1	3.4	6%
MTC Loan Repayment	8.6	8.4	(0.2)	-3%
Capital Rehabilitation Allocations	47.1	23.7	(23.4)	-50%
State of Good Repair Allocations	-	45.7	45.7	n/a
Allocation to WSX Project	-	3.2	3.2	n/a
Other Allocations	2.8	2.1	(0.7)	-25%
ALLOCATIONS TOTAL	**112.2**	**140.2**	**28.0**	**25%**
OPERATING USES TOTAL	**$ 619.1**	**$ 670.2**	**$ 51.1**	**8%**

OPEB unfunded liability is a non-cash accounting entry to record the difference between the Annual Required Contribution and the total of the Retiree Health Benefits Trust payments per the ramp-up schedule plus the "pay-as-you-go" retiree premium payments.

3.2.1 Operating Expenses Summary

Expenses increase from $506.9M in FY12 to $530.0M in FY13, which is an increase of $23.2M or 5%. The major drivers for the increase in labor are higher lump sum payments to employees and higher benefit costs. In non-labor, the major drivers for the increase include a 2% inflation escalation for basic non-labor items and additional funding for specific non-labor items (i.e. credit card and interchange fees, district elections). In addition, the FY13 Preliminary Budget includes $9.6M for labor and non labor increases for Title VI, other compliance requirements and proposed budget initiatives.

3.2.2 Operating and Capital Positions

The FY13 Preliminary Budget proposes a total of 3,347.5 positions, consisting of 2,930.1 operating and 417.4 capital and reimbursable positions. This is an increase of 66.3 positions over the 3,281.3 positions approved in the FY12 Adopted Budget. The increase of 66.3 positions includes a proposed net increase of 62.1 operating and 4.2 capital and reimbursable positions.

HEADCOUNT SUMMARY	(FTE)		
	Operating	Capital/ Reimb	Total
FY12 Adopted Budget	**2,868.1**	**413.2**	**3,281.3**
FY12 Additions	6.0	12.0	**18.0**
FY13 New Initiatives	54.8	1.0	**55.8**
Conversions - New Initiatives	1.5	(1.5)	**-**
One Time Items - FY12	(0.2)	(7.3)	**(7.5)**
Total Adjustments	**62.1**	**4.2**	**66.3**
FY13 Preliminary Budget	**2,930.1**	**417.4**	**3,347.5**

The net increase of 62.1 operating positions includes 6.0 positions added during FY12 and 56.3 proposed new positions in FY13 for new initiatives. The positions added for new initiatives includes a conversion of 1.5 positions from capital to operating, which is associated with the re-organization within the Real Estate and Property Development Department which will be discussed further in section 3.4. The operating reductions consist of 0.2 FTE for a one-time Title VI addition in FY12.

The 6.0 new positions added during FY12 are comprised of five Elevator/Escalator workers in Maintenance & Engineering and a Strategic Program Manager in Communications. The Elevator/Escalator workers were added in order to continue to address performance in escalator availability and reliability. The added labor resources will improve elevator and escalator repair efforts currently underway, focus on preventative maintenance, reduce return-to-service times on escalator availability and improve service to our patrons. The Strategic Program Manager of External Affairs position was added to support the restructure of the Communications Department.

For FY13, a majority of the new proposed 56.3 operating position additions, 44.8 positions, are in Operations to facilitate more effective staffing levels for service delivery and to provide additional service. For Administration, External Affairs, Finance, and Planning & Budget, 8.0 positions are proposed. The remaining 3.5 positions are recommended for the Office of Civil Rights, for continued work on the Title VI Program Compliance and the recently implemented Disadvantaged Business Enterprise (DBE) Program with Small Business Elements. These proposed additions will be described more fully in Section 3.4. Of the 56.3 operating positions for FY13 new initiatives, 53.8 are full time and 4.0 are part-time positions equal to 2.5 FTEs.

For capital and reimbursable positions, FY13 has a total net addition of 4.2 positions, which includes the addition of 13 new positions, a reduction of 7.3 positions and a conversion of 1.5 positions from capital to operating. The capital process is still underway. After project requirements are evaluated and capital funding availability is confirmed, further adjustments in positions will likely be made prior to the adoption of the FY13 budget.

LABOR (WAGES AND BENEFITS) ($ millions)	Budget		Change	
	FY12 Adopted	FY13 Preliminary	$	%
Wages & Overtime	$ 270.9	$ 275.8	$ 4.9	2%
PERS Pension	56.4	57.7	1.3	2%
PERS Medical Insurance	46.2	50.8	4.6	10%
Retiree Medical-"Pay-As-You-Go"	15.8	18.0	2.2	14%
Retiree Medical-Actuarial	11.4	12.2	0.8	7%
OPEB Unfunded Liability	1.6	0.9	(0.7)	-45%
Worker's Compensation	8.8	12.1	3.3	37%
Capital Labor Credits	(66.1)	(67.4)	(1.2)	2%
Other	21.0	21.3	0.4	2%
NET LABOR	365.9	381.4	15.6	4%

Labor (Wages and Benefits)

Labor and benefit expenses total $381.4M in FY13, which is a 4% increase over the FY12 Adopted Budget. The increase is primarily driven by higher benefit costs, particularly in medical insurance for active employees and retirees ($7.6M) and workers compensation ($3.3M). The FY13 budget assumes no wage increase, other than a lump sum payment of $1,500 each for most employees (except for members of BPMA and sworn members of BPOA). The FY13 Preliminary budget also includes $6.3M in labor expenses from proposed budget initiatives and compliance requirements.

3.2.4 PERS Pension

The District's pension plan, which the California Public Employee Retirement System (PERS) administers, is funded by employer and employee contributions, both of which the District pays. There are two types of pension plans: the Safety Plan for sworn police officers and the Miscellaneous Plan for all other employees.

PERS PENSION ($millions)	Budget		Change	
	FY12 Adopted	FY13 Preliminary	$	%
Employee	$ 19.2	19.5	$ 0.3	2%
Employer	37.2	38.2	1.0	3%
TOTAL	$ 56.4	$ 57.7	$ 1.3	2%

For FY13, the PERS pension expense is estimated to slightly increase by $1.3M or 2% compared to FY12. Rates for FY13 are determined by PERS, and as shown in the table to the right, the Safety Plan rate will increase from 38.00% to 41.57% and the Miscellaneous Plan rate will decrease slightly from 11.99% to 11.74%. The table displays a recent history of the employer required contribution rates, FY13 rates, and PERS estimates for the following two fiscal years. These forecasts were prior to the March 2012 PERS decision to lower investment return assumptions, the impact of which is discussed later in this section. There are two primary reasons for the increase in the employer portion of the PERS pension cost in FY13. The majority of the cost increase is due to the rate increase for the Safety Plan; however, such an increase was partially offset by the rate decrease for the Miscellaneous Plan, which is the plan that covers the majority of the employees. The second reason for the FY13 increase is due to the 66.3 FTE increase to the FY12 headcount. The new positions are covered by the Miscellaneous Plan.

Employer Contribution Rates

	Safety		Miscellaneous
FY09	32.98%		9.74%
FY10	33.48%		9.31%
FY11	32.32%		9.45%
FY12	38.00%		11.99%
FY13	**41.57%**		**11.74%**
FY14	41.90%	*	12.10%
FY15	42.30%	*	12.50%

* Projected

The employee share is fixed and will remain at 9% for the Safety Plan and 7% for the Miscellaneous Plan.

The employer rates for both Safety and Miscellaneous plans consist of two parts: the normal cost and the unfunded actuarial accrued liability. The normal cost is the annual cost of service accrual for all active employees under retirement age. The unfunded actuarial accrued liability includes costs associated with plan amendments, changes in actuarial assumptions, changes in actuarial methodology, and all investment gains or losses. Plan amendments, changes in actuarial assumptions and changes in actuarial methodology are amortized over a 20-year period and all gains or losses are amortized over a 30-year period. The increase to the FY13 Safety Plan employer rate is due to increases to the unfunded actuarial accrued liability rate and a slight increase in the normal cost rate. The decrease to the FY13 Miscellaneous Plan employer rate is due to a decrease in the normal cost rate, which is offset by a slight increase in the unfunded actuarial accrued liability rate.

The PERS rate stabilization policy, or "smoothing" of employer contributions, spread the effect of the investment loss from FY09 over 30 years rather than the typical 15. The smoothing policy should result in relatively stable contribution rates and may be mitigated somewhat if PERS experiences better than projected investment returns, but it would take returns well in excess of PERS investment return assumptions to prevent a steady rise in employer rates. Beginning in FY14, PERS will decrease the projected investment return assumption from 7.75% to 7.50%. PERS estimates this will increase Miscellaneous Plans by approximately 1-2% and Safety Plans by approximately 2-3%. To decrease the impact of the costs, PERS will increase the rates over a two-year smoothing period by phasing in 50% of the change in the first year and the full 100% of the change in the second year. Based solely on the new rate change, a 1-2% Miscellaneous Plan increase would cost the District in the order of $3.4M to $5.9M annually, and the estimated 2-3% Safety Plan increase would roughly be an additional $1.0M to $1.2M annually. This new rate increase does not include any other typical annual rate changes related to the normal cost and the unfunded actuarial accrued liability. Therefore, until the FY14 rate of increase for BART is finalized by PERS, it is unknown at this time what the actual cost increase would be to the PERS pension. The table shows PERS rate forecasts for FY14 and FY15 prior to the assumption change.

Active Employee Medical Insurance

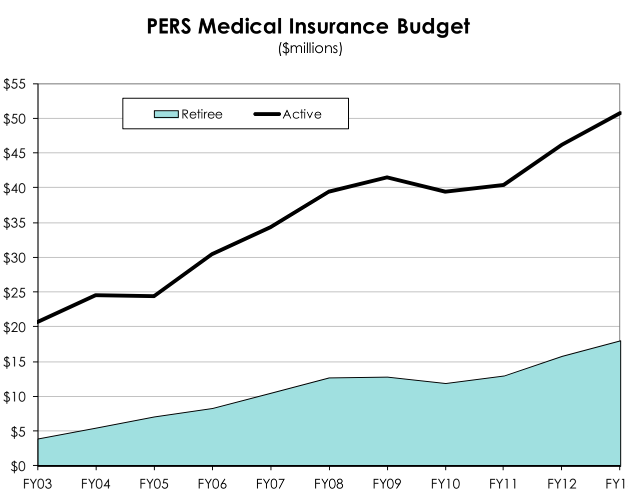
The rate of increase for the five active employee medical insurance plans between calendar year 2011 and calendar year 2012 ranges from 1.9% and 15.1%. The Blue Shield Bay Area Basic plan monthly premium is $711.10 for single and $1,848.86 for family, which is a 5.3% increase. The Kaiser monthly premium is $610.44 for single and $1,587.14 for family, which is a 7.3% increase. The PERS Care monthly premium, the largest rate increase, is $1,029.23 for single and $2,676.00 for family, which is a 15.1% increase. The PERS Choice monthly premium is $574.15 for single and $1,492.79 for family, which is a 1.9% increase. Finally the insurance provided by the Peace Officers Research Association of California (PORAC) is $556.00 for single and $1,323.00 for family, which is a 5.5% increase. Such rates are valid for the first six months of FY13. For CY 2013, the actuarial projection estimates an overall increase of 7.0% from the CY 2012 rate level. The average change of active employee medical insurance plan rates over the past ten years has been approximately 10.5%. The actuarial projection of rate changes for the next ten years ranges between 4.0% and 7.0%.

In the FY10 labor negotiations, the District established a medical premium contribution cap at the higher of the two available HMO plans, Blue Shield or Kaiser, which has resulted in lower District contributions than would otherwise occur but, despite the cap, the expense escalates substantially in FY13 due to the rate increases stated previously and the proposed increase in headcount. For FY13, the District will budget $50.8M for active employee medical insurance, which is an increase of $4.6M from FY12 total amount of $46.2M.

Employee contributions increase by 3% each January, bringing the employee monthly contribution from $89.55 to $92.24 effective January 1, 2013. The net composite premium cost for the District is approximately $1,238 per month per employee. Employee contributions will total approximately $3.5M in FY13, which is about 7.0% of the total premium. Also, a $100 per month incentive is offered to employees who choose to opt out of BART medical coverage. The total opt-out incentive expense in FY13 is estimated to be $0.2M for the District.

PERS Retiree Medical Insurance

The chart to the right shows the rapid increase in both active medical and retiree medical insurance premiums over the last ten fiscal years. Active employee’s costs have increased by approximately 246% since FY03, increasing from $20.6M to $50.8M in FY13. Current retiree “pay-as-you-go” premium costs (described below) increase by approximately 458% from $3.9M in FY03 to $18.0M in FY13, which is due to the increase of retirees from 802 in FY03 to an estimated 1,722 in FY13. Both retiree and active medical costs have increased due to the double-digit rate increases over the past 10 years. The chart also shows how the increase was



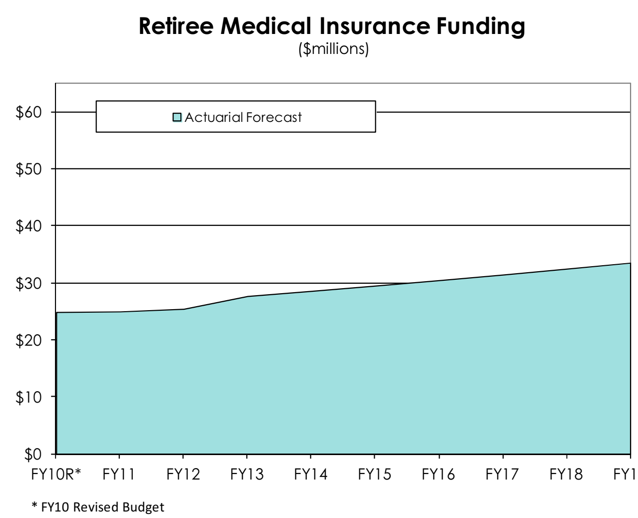
moderated in FY10 (effective January 1) by BART's change to capping the District contribution of medical insurance premium costs. This plan change reduced the medical costs in FY10 and has lowered the rate of increase in FY11, FY12 and FY13.

The FY13 Preliminary Budget includes three components of retiree medical expenses: "pay-as-you-go," the scheduled annual required contribution (ARC) per the District's "ramp-up" funding plan, and the OPEB unfunded liability, which is the difference between the total of the pay-as-you-go and the ramp-up payment and the full ARC. The following are the components of FY13 retiree medical:

Pay-as-you-go: Pay-as-you-go refers to the cost of retiree medical insurance premiums and other post employee benefits for current BART retirees in FY13. It is budgeted at $18.0M, compared to $15.8M in FY12. Rates for the first half of the year are known, the second half premium rates are estimated to increase by 7.0% on January 1, 2013.

The ARC and Scheduled Ramp-up Trust Contribution: The actuarially-based annual required contribution (ARC) to BART's long-term retiree medical liability and non-retiree medical post employment benefits (life insurance, survivor's benefits) for FY13 is $31.1M, which includes the pay-as-you-go expense of $18.0M, trust contribution of $12.2M, the unfunded liability for other non-retiree medical post employment benefits of $0.9M, and the unfunded liability for retiree medical which is $0 (described below). The scheduled ramp-up contribution for retiree medical-actuarial trust contribution is budgeted at $12.2M for FY13, compared to $11.4M in FY12. BART's plan to fully fund post-employment benefits calls for gradually increasing the annual percentage ("ramping-up") until contributing the full ARC in FY14. The lower amounts funded during the ramp-up years will be made up by paying higher amounts in future years. The FY13 funded contribution is made for both capital and operating positions and has been calculated at a rate of 4.27% of the wage base. The ARC was reduced from approximately $40M per year to the current $31.1M because of the HMO cap implemented in FY10. This also levels the ramp-up progression so that the conversion to funding the full ARC in FY14 is much more gradual than it was previously, and also reduces the unfunded liability.

The ARC for retiree medical from FY10R (revised budget) through FY19 is shown in the chart at the right, which includes pay-as-you-go expense, trust contribution, and unfunded medical liability. Total funding for retiree medical for FY13 is $30.2M, which includes the $18.0M pay-as-you-go expense, $12.2M trust contribution and $0 for unfunded medical liability. The unfunded retiree medical liability is zero because FY13 pay-as-you-go expense and trust contribution totaling $30.2M exceeds the actuarially-based FY13 ARC amount of $27.7M.



Based on the actuarial forecast, dated March 10, 2011, the FY14 annual payment is projected at $28.6M, when the full ARC will be paid. The $28.6M for FY14 is currently lower than FY13 retiree medical cost because the latest actuarial report excludes the FY13 headcount increase. An updated actuarial forecast is expected within the next month; however the funding amounts are not expected to change substantially.

OPEB Unfunded Liability (Difference between the ARC and Ramp-Up plus Pay-As-You-Go funding): According to Governmental Accounting Standards Board (GASB) regulations, state and local governmental agencies, such as BART, are required to recognize medical and OPEB expenses on an accrual basis. This means that the agency is required to recognize the actuarially-calculated ARC for retiree medical costs as an expense and the unfunded portion of the ARC as a liability. For FY13, the ARC is $31.1M. This total, less the pay-as-you-go payments and trust funding payments of $30.2M, leaves an unfunded liability of $0.9M. Since this liability is not an actual cash outlay, it is offset on the income statement below total uses of funds and does not affect annual net results.

Workers Compensation

The workers compensation actuarial forecast received in May of 2011 projected an increase in outstanding losses. While the forecast projected a decrease in small claims less than $200,000, the forecast recognized the continuing increase both in the frequency and cost of medical interventions over the lifetime of individuals with larger claims. In accordance with the recommendation from the actuarial forecast, the FY11 reserve funding was increased by $3M to a total of $11.3M at year end.

The FY13 preliminary budget estimate of $12.1M incorporates this additional $3M into the annual budget on the assumption that the continuing increase in overall medical costs is likely to be reflected in the next annual actuarial report that will be available in May 2012. At that time, the District will further evaluate forecast amounts and reserve levels based on the more recent information. Depending on the results of the report, FY12 funding may need to be supplemented as was done last year, and a final decision can also be made regarding FY13 funding requirements.

Other Labor & Benefits

These include other employee benefits such as dental, disability and life insurance, money purchase pension plan, Medicare, uniform and meal allowances, and other labor budget items. The FY13 Preliminary Budget forecasts an increase of 1.7%, from $21.0 to $21.3M in FY13.

Capital Labor Credits

Capital and reimbursable credits reflect labor charges that are reimbursed by either a capital project or a third party. FY13 Preliminary Budget capital credits are slightly higher than FY12, primarily due to changes in the wage base and the increases in benefits and retiree medical expenses. FY13 Preliminary Budget capital and reimbursable credits are $56.4M, 2% higher than the amount budgeted for FY12. After project requirements are evaluated, capital funding availability is confirmed and the FY13 capital budget is finalized, further adjustments in positions are likely to be made prior to the FY13 budget adoption. Other labor credits total $1.7M for FY13 and include reimbursements from other agencies, and consist mainly of payments from Muni for joint

Labor Credits and Cost Allocation

($ millions)	Budget: FY12 Adopted	Budget: FY13 Preliminary	Change: $	Change: %
Capital Credits	$ (55.5)	**$ (56.4)**	$ (0.9)	2%
Other Reimbursement	(1.4)	**(1.7)**	(0.3)	20%
Capitol Corridor Reimbursement	(3.2)	**(3.3)**	(0.1)	3%
Cost Allocation Plan	(6.0)	**(6.0)**	-	0%
TOTAL	**$ (66.1)**	**$ (67.4)**	**$ (1.2)**	**2%**

use station maintenance. The District also receives reimbursement for labor and benefit costs of Capitol Corridor staff.

Cost Allocation Plan

The FTA-approved plan allows BART to offset the operating cost of administering capital programs, such as payroll, legal services and contract management. In addition, the Cost Allocation Plan (CAP) covers allocations for overhead costs (e.g., office space, utilities, and supplies). As illustrated in the following chart, the CAP permits these costs to be captured and charged back to capital projects and to the original funding sources, and thus offsets the costs of approximately 48 operating positions.

COST ALLOCATION PLAN
($millions)

Budget	Cost Allocation Plan	Equivalent Reimbursable Staff
FY12 Adopted	$ (6.0)	48
FY13 Preliminary	**$ (6.0)**	**48**

3.2.5 Purchased Transportation

Paratransit

BART and its paratransit partners are continuing to work to control costs while providing 100% of all eligible trips, as required by the Americans with Disabilities Act (ADA). The cost control efforts continue in spite of the fact that many social service agency transportation systems lost funding and have shifted their riders to ADA paratransit.

The FY13 Preliminary Budget currently estimates paratransit expenses of $13.1M, an increase of $0.1M compared to the FY12 Adopted Budget. The small estimated increase is due to a continued increase in ridership and obligated rate increases for contracted services offset by cost saving measures that were implemented by the District's partners, the San Francisco Municipal Transportation Agency (SFMTA) and the East Bay Paratransit Consortium.

PURCHASED TRANSPORTATION
($ millions)

	Budget		Change	
	FY12 Adopted	FY13 Preliminary	$	%
Paratransit	$ 13.0	**$ 13.1**	$ 0.1	0%
Muni Purchased Transportation	2.5	**2.8**	0.2	9%
AirBART Shuttle Service	0.1	**0.2**	0.0	22%
TOTAL	**$ 15.7**	**$ 16.0**	**$ 0.3**	**2%**

Muni Purchased Transportation (Feeder)

Previously, the Muni Purchased Transportation (Feeder) payment had been based on the percentage change in BART sales tax receipts over the prior two fiscal years. At this time, BART and the SFMTA are working together to develop a new formula, based on the number of transferring riders between the two transit systems. Until an agreement is finalized, the estimated payment for FY13 will be calculated under the prior sales tax method. For FY13, the payment is estimated at $2.8M, $0.3M higher than the FY12 budget. However, both annual amounts may be changed by the new agreement.

Feeder Bus Service
The MTC transfers BART-eligible STA funds to local bus operators that provide feeder service to BART. In addition, some BART-eligible STA funds are held by the MTC for AC Transit, with a portion allocated directly to AC Transit and the rest subject to the outcome of agreement negotiations between the two agencies. These transfers are deducted from BART STA funds by the MTC and do not appear as expense items in the District's budget. In past years, when BART-eligible STA funding was insufficient to meet the required payment in a given fiscal year, BART contributed up to $2.5M from its general fund to the operators, which was booked as an expense.

In FY12, MTC directed $4.5M to the feeder bus operators. In FY13, MTC is directing $5.0M to the feeder bus operators. In addition, the MTC will allocate $2.5M to AC Transit and hold another $1.1M subject to the outcome of a new agreement under continued negotiation by BART and AC Transit. Section 2.2.3 provides more detail on STA revenues.

AirBART Shuttle Service
BART and the Port of Oakland jointly operate a bus service between the BART Coliseum Station and the Oakland International Airport and share equally the revenues and expenses. For FY13, revenue and operating expenses are projected to be slightly higher than FY12, an increase of $0.03M. An expense of $0.2M is anticipated for FY13.

3.2.6 Traction & Station Power
The electrical power budget is projected at $38.1M for FY13. This is an increase of $2.9M over FY12. BART's power supply is provided primarily through forward (long-term) market purchases. These purchases are made on the District's behalf by the Northern California Power Agency (NCPA) and provide approximately 70 percent of the District's power supply need.

The District is a participant in the NCPA Lodi Energy Center (LEC), an efficient natural gas power plant. Approximately 25 percent of the District's power supply need will be provided by LEC, with the commercial operation beginning in July 2012.

The remainder of the District's power need for FY13, amounting to approximately five percent, is provided from a combination of solar energy supplies, day-ahead market purchases, federal power contracts and PG&E service. Three new solar systems will begin operations in FY13, adding to production from existing BART facilities at the Hayward and Richmond shops. The District's solar farm in Gridley, CA, operated under an agreement with NCPA, is scheduled to start generating power in July 2012. In addition, the solar canopy systems at the Lafayette and Orinda stations are planned to begin operations in FY13.

TRACTION & STATION POWER ($millions)	Budget			Change	
	FY12 Adopted	**FY13 Preliminary**		**$**	**%**
Power Supply	$ 23.6	**$ 24.8**		$ 1.2	5%
Transmission Services	4.0	**4.0**		-	0%
Distribution Services	6.6	**7.3**		0.8	12%
Regulatory Pass-Through Costs	0.4	**0.4**		-	0%
NCPA Member Expenses	0.7	**0.7**		0.1	9%
AB 32 Carbon Allowance Fees	-	**1.5**		1.5	n/a
Carbon Allowance Offsets	-	**(0.6)**		(0.6)	n/a
TOTAL	**$ 35.2**	**$ 38.1**		**$ 2.9**	**8%**

Power supply costs increase by $1.2M in FY13 due to an adjustment to reflect actual power usage for the District's operations and the proposal to expand service on the Red Line. PG&E delivers the District's power and the cost of these services increase by $0.8M, over FY12, due to higher tariff charges. The remaining increase of $0.9M in the power budget is due to costs from the implementation of AB32 (Global Warming Solutions Act) cap-and-trade program. Beginning January 1, 2013, the District will incur new regulatory charges, assessed as a carbon allowance fee, on its electrical power use. The cost of the carbon fees is estimated at $1.5M. A rulemaking proceeding of the California Public Utilities Commission (CPUC) is expected to provide a partial offset to these costs. Under this proceeding, the CPUC will determine how to allocate PG&E allowance fee revenue stemming from the cap-and-trade program to its customer base, including BART. While a preliminary decision by the CPUC is not expected before June 2012, the FY13 budget reflects the assumption that the District will receive monetary credit from PG&E amounting to $0.6M. Thus the net cost for AB32 compliance, reflecting expenses during the second half of FY13, is $0.9M.

3.2.7 Other Non-Labor

The following list separates "Other Non-Labor" into the major account groups. Examples of the types of expenses are included for each category.

- **Material Usage:** Maintenance-related inventory withdrawals and purchases for rail cars, which include compressors, bearings, aluminum wheel assemblies, encoders, circuit boards, fuses, seat cushions, windows and battery assemblies. This category of expenses also includes assorted parts for infrastructure maintenance, elevators, escalators, automated fare equipment and ticket stock and other materials.
- **Professional & Technical Fees:** Audit and legal services, benefit and insurance administration fees, printing, computer hardware and software service contracts, environmental fees, specialized consulting contracts and professional services contracts.
- **Maintenance, Repair & Other Contracts:** Graffiti removal, traction motor rewinds, painting, equipment overhaul and elevator pit cleaning.
- **Insurance:** Premiums and self-insured losses for public liability, damage to BART property and risk-related services. It does not include active employee health insurance, workers' compensation, Medicare, unemployment and other types of insurance that are part of the labor budget.
- **Building Space Rental**: Administrative building leases and other lease expenses.
- **Equipment Rental**: Rental of equipment and vehicles.
- **Miscellaneous Other Non-Labor**: Utilities, trash collection, natural gas, telephones, credit

card and interchange fees, Clipper fees, and miscellaneous supplies.

OTHER NON-LABOR ($millions)	**Budget**		**Change**	
	FY12 Adopted	**FY13 Preliminary**	**$**	**%**
Material Usage	$ 25.9	**$ 26.6**	$ 0.7	3%
Professional and Technical Fees	17.8	**17.9**	0.1	0%
Maint., Repair & Other Contracts	11.8	**12.1**	0.3	2%
Insurance	6.3	**6.4**	0.1	2%
Building Space Rental	11.1	**11.2**	0.1	0%
Equipment Rental	0.7	**0.8**	0.0	2%
Misc. Other Non-Labor	16.3	**19.5**	3.2	19%
TOTAL	**$ 90.1**	**$ 94.5**	**$ 4.4**	**5%**

As shown in the table above, Other Non-Labor for FY13 Preliminary Budget is $4.4M higher than the FY12 Adopted Budget. The overall increase in Other Non Labor is primarily due to the addition of $3.3M for FY13 proposed budget initiatives and expenses relating to Title VI and DBE compliance expenses, which are described in further detail in section 3.4. Also included are increases to contractual obligations such as building rent, debit and credit card fees, and an inflation escalation of 2% ($0.9M) to departmental base non-labor accounts. These increases are partially offset by removal of one-time FY12 budget items.

A good portion of the increase to Miscellaneous Other Non-Labor is due to $1.5M for increased debit and credit card fees in the Finance Department, as well as a provision of $1.0M for district elections for the Board of Directors. The escalation for inflation was also incorporated in the Professional and Technical Fees accounts, but the change between fiscal years remains flat largely due to removal of the budget initiative of $3.0M in one-time FY12 funding for technical support consultants for continued support the Business Advancement Plan (BAP) in the Information Technology Department.

3.3 ALLOCATIONS

3.3.1 Debt Service

BART makes regular debt service payments on a series of bonds sold in 2001, 2005, 2006 and 2010. These bond revenues are backed by the District's dedicated sales tax revenues and fund capital costs for system improvement and renovation. BART has not issued new debt since 2006 (the 2010 issue was a refunding of past debt issues) and several issues from the 1990s have been paid off or refunded over the past few years; therefore debt service expense is declining. BART also makes annual payments for a 2002 Airport Premium Fare bond issue for construction costs on the SFO Extension. The debt service is backed by the Premium Fare surcharge charged at the SFO Station, which is currently $4.00. Combined annual debt service for these existing bonds decreases to $51.1M in FY13 from $53.7M in FY12.

However, for FY13 BART is evaluating refunding several issues at more favorable interest rates. Although still in the preliminary stage, debt service could be reduced by approximately $1M, starting in FY13. Also planned for FY13 is the issuance of $120M in additional debt for the Oakland Airport Connector (OAC) Project. Depending on how the debt is structured, annual debt service could increase in the range of $5M to $7M annually. Replacing Airport Premium Fare bond debt with lower cost debt backed by sales tax revenue is also under consideration.

Based upon the expected outcome of refunding and new OAC debt issuance, the FY13 Preliminary Budget includes a net $6.0M increase for the refunding and anticipated OAC bond sale, bringing the FY13 Preliminary Budget for debt service to $57.1M.

MTC Loan Repayment
In 2006, BART and MTC entered into an agreement for BART to repay a $60M loan in 1999 for the SFO Extension project. Under the terms of the agreement BART repays MTC over nine years, through FY14.

3.3.2 Other Allocations
Additional allocations are made to offset an equal amount booked as Other Revenue or Financial Assistance.

- At the Pleasant Hill Station, a $534K allocation relates to a ground lease agreement for a parking garage constructed by Contra Costa County. BART recognizes the value of the garage received as lease revenue over 96 years – the remaining term of the lease at the time of transfer.
- At the West Dublin/Pleasanton Station, $54K is amortized and allocated annually as part of a $5M payment from CREA/Windstar Pleasanton LLC for a 95-year ground lease for station land for future construction of apartments or office and hotel.
- The Lakeside Lease Adjustment is a $1.5M allocation to offset reduction in accumulated net revenue in prior years from timing difference in recognizing rent expense related to the Kaiser Building lease between cash and accrual basis of accounting.
- On a one-time basis in FY12, BART plans to allocate $2.2M of Federal 5307 Financial Assistance for a station parking and bus intermodal project at the eBART Hillcrest Station in Antioch. Additional information is in Section 2.2.4.

Allocation to Warm Springs Project (WSX)
As discussed earlier in Section 2.1.1, SFO Extension ridership and fare revenue has been growing at a rapid pace and is starting to cover operating expenses as calculated by the agreement formula. In FY13, a net positive result of $3.2M is anticipated and will be allocated to the Warm Springs Reserve Account, per the terms of the 2007 agreements reliving SamTrans of financial responsibility for the extension into San Mateo County. A smaller, unbudgeted positive result also anticipated in FY12.

3.3.3 Allocation to Capital Rehabilitation
The baseline allocation consists of categories of ongoing capital investment for which grants are not typically available. The baseline allocation in FY12 was $20.3M. Also included in the FY12 budget was an additional $26.8M of new inititaives targeting areas directly related to declines in passenger survey ratings or critical maintenance issues, or sometimes both. Some of the larger projects funded by the additional $26.8M were escalator refurbishment, increasing car seat replacement to a 3-year cycle, and an allocation to the Hayward Maintenance Complex.

In addition to the baseline allocation of $20.6M for FY13, staff is proposing additional allocation of $3.1M as part of the proposed budget initiatives. This includes $1.4M for replacement of 30 car floors, $1.0M for continuing the 3-year seat replacement cycle, and $0.7M related to equipment for the information systems security initiative.

The $20.6M baseline allocation represents a minimal level of reinvestment in the BART system, as detailed below:

- Local match requirement – $10.0M
    - Necessary to match Section 5307 and 5309 Federal grants (net of bridge tolls)
- Stations and Facilities renovation – $6.3M
    - Activities ineligible for most grant funds, such as relamping, shop and station reroofing, lot repaving, facilities repair, signage
- Inventory buildup – $1.0M
    - Maintains fleet service reliability and availability
- Non-revenue vehicle replacement – $1.4M
    - Scheduled replacement of police cars and maintenance vehicles
- Capitalized Maintenence and Engineering maintenance – $1.2M
- Capitalized tools and equipment – $0.7M

3.3.4 Allocation to State of Good Repair

For FY13, all funds in the State of Good Repair allocation will be directed towards the Rail Car Replacement Program, as discussed in further detail in Section 3.4.

Debt Service/Allocations ($millions)	**Budget** FY12 Adopted	FY13 Preliminary	Change	%
Debt Service	$ 53.7	**$ 57.1**	$ 3.4	6%
MTC Loan Repayment	8.6	**8.4**	(0.2)	-3%
Allocation to WSX Project	-	**3.2**	3.2	
Other Allocations	2.8	**2.1**	(0.7)	-25%
Capital Rehabilitation Alloc	47.1	**23.7**	(23.4)	-50%
SGR Rail Car Allocation	-	**25.0**	25.0	
Additional Rail Car Allocation	-	**20.7**	20.7	
TOTAL	**$ 112.2**	**$ 140.2**	**$ 28.0**	**25%**

3.4 PROPOSED FY13 INITIATIVES

Described and detailed below are the proposed FY13 operating and capital initiatives. Included are $9.6M in operating initiatives, with $6.3M in labor (56.3 positions) and $3.3M in non-labor. Proposed FY13 capital initiatives total $3.1M, with an additional allocation of $20.7M proposed to fund the new rail car program. A number of other capital initiatives are planned to be funded with projected FY12 year-end results totaling $14.9M. A summary table listing the total amount for each initiative follows the detailed descriptions below.

FY13 Operating Initiatives

Transportation Department: Structural Issue – Historically, overtime levels in the Transportation Department have been very high. In FY11, Transportation was $11.1M over budget for labor and benefits, primarily due to an $8.0M unfavorable overtime variance. Transportation overtime has been driven by a structural imbalance in staffing and because it is a "schedule-driven" department, meaning that all vacant shifts have to be filled. The main driver of the labor variance was insufficient staffing levels for the extra board (the extra board fills in for planned and unanticipated vacancies in the scheduled work plan). BART has experienced a sharp increase in absences in recent years, particularly in the train operator job classification. To address the structural problem in the Transportation budget, a series of analyses and reviews were conducted to determine appropriate staffing levels and methods to reduce overtime, which included reviewing the scheduled work plan, determining staff availability (time worked) and unavailability (absences), and assessing and tracking causes of overtime.

Based on the analyses and reviews, the budgeted staffing levels for Train Operators and Station Agents were determined to be insufficient for Transportation to meet service deliverables without using considerable overtime. The FY11 minimum unavailability of Train Operators and Station Agents is approximately 26.9% for Train Operators and 22.7% for Station Agents, which should be covered by the respective extra boards. However, the budgeted extra board for FY12 is approximately 17.8% for Train Operators and 21.0% for Station Agents. If the FTEs of Train Operators and Station Agents are increased to the proposed extra board levels, Transportation has committed to decrease overtime by approximately $4.2 million. The proposed initiative totals $4,070,089 and would increase the operating headcount by 41.9 FTEs, which includes 35 Train Operators (35 FTEs), one part time Train Operator (.625 FTE), five Station Agents (5 FTEs), and two part time Station Agents (1.25 FTEs).

Information Technology Department: Post Production Support – As part of the Business Advancement Program (BAP), the Information Technology Department (IT) has completed the implementation of PeopleSoft for Human Resources, Financials and MAXIMO for Asset Management. While software implementation was successful, IT continues to work on transferring knowledge from the consultants to District IT staff. MAXIMO and other maintenance systems installations were delayed due to ongoing system refinements and the development of additional capabilities in FY12. These were the most complex systems installed as part of BAP Phase II. There have been difficulties in successfully filling the six new positions that were approved in the FY12 budget. All six positions required specialized skill sets necessary to carry out IT's work program. While four of the six positions have been filled, two unfilled positions remain that require extraordinary recruitment strategies to complete due to the very competitive job market for MAXIMO professionals. The proposed initiative totals $800,000 for non-labor.

Disadvantaged Business Enterprise Program & Small Business Development - Effective February 28, 2011, Federal Disadvantaged Business Enterprise (DBE) Program rules require more quantitative and qualitative analysis in the District's DBE Program. In FY12, a position was added to manage and coordinate all department data analysis functions, prepare all reports to the Federal agencies, the Board of Directors and other relevant stakeholders, and support other DBE functions such as goal setting, monitoring, contract compliance and labor compliance.

In an effort to provide additional outreach, technical, and planning support to small and disadvantaged businesses that are interested in participating District contracting, the Office of Civil Rights is requesting two additional positions. The two proposed positions would have the following responsibilities: work with small and disadvantaged businesses to get certification as Disadvantaged Business Enterprises; support implementation of the Small Business Elements to include unbundling, set asides for small business prime contractors; assistance with goal setting; certification of small businesses and monitoring of small businesses as required by the new regulations; and administer and maintain a database for payment tracking, reporting and compliance. Additionally, the Office of Civil Rights is requesting $400,000 in non-labor for three to four years to conduct outreach, technical and planning support to small and disadvantaged businesses that are capable of providing service to the District. The proposed initiative totals $694,973 ($294,973 for labor and $400,000 for non-labor) and would increase the operating headcount by 2.0 FTE.

Human Capital Management System Update - Human Capital Management System (HCM) and Enterprise Portal (WebBART), which includes Human Resources & Benefits, Time and Labor, and Employee Self Service, was implemented in 2006. An upgrade of the system was performed by MAXIMUS® in 2008 as part of the implementation at an estimated cost of $1.5M. The Information Technology Department has been maintaining HCM since the upgrade was completed. The HCM software provider Oracle will no longer support the current version of HCM after December 2012. To facilitate continuation of support from Oracle, the enterprise portal needs to be upgraded. Information Technology has most of the resources necessary for the upgrade, but the newer version of the application includes a major change in technology, functionality and introduces new capabilities which staff is not familiar with. The proposed funding supports three consultants to assist in the software update for approximately nine months and totals $648,000.

Increased Richmond-Daly City (Red) Line Weekday Evening Service - BART ridership has grown substantially, resulting in some instances of higher train loading. Staff analysis determined that the increased loading could be mitigated by extending the period of operation of the Richmond-Daly City line for approximately one hour, to serve both the Transbay and San Francisco peninsula markets. Currently train loading between several San Francisco stations reaches peak period levels for short distances immediately after 7:00 pm weekday evenings, when the Red (Richmond-Daly City) and Green (Fremont-Daly City) Lines cease operation. Extending Red Line service for an additional hour Monday through Friday provides a viable solution to mitigating the loading conditions currently experienced until 8:00 pm on weekdays.

Adding four additional trips in each direction would provide balanced service and reduce headways as the evening commute concludes. This alternative also extends even headways of 7.5 minutes between Daly City and San Bruno stations, while reducing trip time for commuters heading to Millbrae, who must currently travel via San Francisco International Airport (SFO) after

Red Line service stops. Capacity on the SFO Yellow (Pittsburg- SFO) Line would also be increased by providing direct Millbrae service for the additional hour.

The cost of providing the increased Red Line trips would be $379,142 for vehicle maintenance and additional traction power. Train operator costs would include converting six part time train operators to full time. One additional part time train operator would also be needed, bringing the labor and benefits costs to a total of $228,599.

Staff considered resuming 15 minute "X" service. However, "X" service:

- would, given the fleet condition and maintenance capability, result in decreased fleet availability during the commute peaks when the maximum number of cars are required to maintain scheduled service
- operating costs would be many times higher requiring 23 FTEs (23 FTEs for the staffing plan only and not including 3 FTEs for extra board) and 2.8 million additional car miles than the Red Line service proposed

Given the options and constraints, staff recommends increasing Red Line service. The proposed initiative totals $607,742 and would increase the operating headcount by 2.9 FTEs.

Small Business Bonding Assistance Program - The District encourages the participation of Small Businesses in BART contracts. However, one of the obstacles to small business participation in construction contracts is the requirement under California Civil Code 3247 that these contracts be bonded. A Small Business Bonding Assistance Program may provide the necessary support to overcome these barriers. It provides professional consultation from Certified Public Accountants and brokers, a guarantee from the District to limit risk to participating sureties, as well as performance monitoring throughout the life of the contract to avoid potential problems. The District is in the process of updating its Small Business and DBE programs to comply with Federal law and to create additional opportunities for small businesses. Where these opportunities involve construction, the Small Business Bonding Assistance Program is expected to enable the District to award contracts to firms that were previously unable to be bonded. The proposed initiative totals $500,000 in ongoing expense.

Title VI and Environmental Justice Compliance - The District is committed to ensuring compliance with Title VI of the Civil Rights Act of 1964 and Environmental Justice as described in Executive Order 12898. In FY13, Title VI efforts include ongoing implementation of the District's Language Assistance Plan (LAP) for limited English proficient (LEP) populations. Implementation of the LAP will require continued outreach to LEP populations and development of pictograms to assist translation requirements. Expenses include translation of vital documents (such as brochures, passenger bulletins, briefing materials and other items), community outreach, materials/document printing, Geographical Information System (GIS) mapping, demographic data analysis, an equity analysis for parking program modifications and other expenses. Outreach efforts in FY13 include public outreach for the BART "Metro" concept and possible parking program modifications. The base budget for FY13 had already been increased by $0.2M for LAP implementation. The proposed expenses would add $412,768 to the existing budget in various departments, bringing the total amount for Title VI-related expenses to $1.1M. It would add two ongoing positions to the Office of Civil Rights, with half of one position funded by capital projects, increasing the operating headcount by 1.5 FTE.

Real Estate & Property Development Departments: Reorganization - In July 2011 the Real Estate and Property Development Departments were combined into one department within the office of Planning and Budget. In order to more effectively and efficiently fulfill its obligations, operating funds have been identified to reorganize the new department and more realistically address efforts not funded by the capital budget. The proposed initiative totals $401,958 and would increase the operating headcount by 2.5 FTEs, which includes adding 1.0 FTE for an analyst position and converting portions of existing positions from capital to operating. Funding for this effort is partially offset by savings from lowering the second department manager to a division manager position.

Human Resources Department: Recruitment Positions - In FY10, Human Resources cut eight positions to assist in District wide budget cuts. The majority of the position cuts were from the recruitment and staffing section. As a result of the position cuts along with increases in recruitment and staffing workloads in the last several fiscal years, the section has been unable to meet recruiting and other service deliverables in a timely manner. The proposed initiative would restore two core recruitment and staffing analyst positions in Humans Resources. The proposed initiative totals $270,853 and would increase the operating headcount by 2.0 FTE.

Police Department Special Enforcement Team - The BART Police Department's new Special Enforcement Team (SET Team) will be formed with the specific goal of helping to achieve a 10% reduction in property crimes within the BART System. This new team will consist of two officers, working closely with the Investigations Division, to identify and respond to emerging crime issues. The Department had to eliminate a similar unit in January 2010 due to budgetary constraints. The new SET Team will focus on property crime concerns like the electronic device theft problem, vehicle burglaries, and bicycle thefts. Costs consist of overtime for backfill purposes. The proposed initiative totals $250,000.

Information Systems Security Management (ISMP) - As the District modernizes its business systems there is increased use of web and social media technology to provide information and user-friendly tools to employees and customers, the need to ensure that such information remains secure increases. Recent "cyber attacks" directed against the District's information infrastructure emphasize the need for information security. As part of a multi-year project, the ISMP will address end point security, basic identity management, intrusion detection/prevention, and external hosted site security in FY13. The proposal totals $900,000 for non-labor, which includes operating costs of $200,000 for consultants and $700,000 in capital funds for hardware and software.

Strategic Opportunity Assessment: Project Performance Assessment - As part of the proposed extension to Livermore discussion on February 10, 2012, the Board directed staff to secure funding and prepare a project performance/cost effectiveness assessment of other capacity, infill, and system expansion projects identified as viable candidate projects. This funding enhances the existing Strategic Opportunity Assessment effort by expanding the scope and budget to provide a more robust Project Performance Assessment and outreach process for candidate projects. The proposed initiative totals $200,000 ($40,000 for labor and $160,000 for non-labor) and will consist of two tasks, including 1) Performance Assessment (project definition, ridership forecasting, criteria assessment) and 2) Outreach.

Finance Department: Accounts Payable Positions - When the new financial system went "live" in the spring of FY11, a major part of the invoice handling and processing responsibilities transferred from each of the District's departments to Accounts Payable. The District is committed to pay vendors accurately and timely and has been unable to fulfill that commitment consistently due to the transfer of responsibilities. The proposed initiative would fund two additional positions to process invoices into the system and resolve system-identified exception issues. The proposed initiative would help the Finance department reduce the overtime and temporary help costs, which is due to being understaffed. These positions will also assist in speeding up the payment to vendors in a timely manner. The proposed initiative totals $189,269 and would increase the operating headcount by 2.0 FTEs.

Communications Department Reorganization - In the fall of FY12, the Communications Department transitioned their public communications approach of using a single spokesperson to using subject matter experts from departments to address specific media inquiries. To ensure that the new public communications method is successful, the department needs an additional Communications Officer. The two Communications Officers will share media response duties to ensure 24 hour coverage and will work with the subject matter experts. Additionally, the District is implementing a recommendation made by the National Organization of Black Law Enforcement Executives (NOBLE) as part of its extensive review of the BART Police Department to establish a Public Information Officer (PIO) for the BART Police Department. The BART Police Department PIO will work with the Communications Officers to more effectively respond to all media requests for information on BART Police matters. The proposed initiative totals $176,248 and would increase the operating headcount by 1.0 FTE.

Enterprise License Agreement for ESRI Software - Enterprise Geographical Information System (EGIS) is a data management system that will visualize Maximo, Optram, Fusion, RAILS, Earthquake Safety Program, Real Estate and State of Good Repair data. ESRI, a leader in GIS software, produces sophisticated mapping and analysis software. An enterprise license agreement (ELA) is the most cost effective way to deploy the District's EGIS. An ELA provides unlimited access to ESRI software without the need for individual maintenance agreements and multiple procurements. Staff proposes to consolidate several different disconnected ESRI accounts currently at BART into one contract which would allow the District to save over $300,000 in direct software costs in the first three years. This three-year contract would include $150,000 in each year: FY13, FY14, and FY15 with a two-year fixed price extension option.

Office of the District Secretary: Temporary Help - The Office of the District Secretary has identified a need for additional support for the following areas: records management, contract/procurement management, communications, and Board Room technical support. The Office's overall workload has increased resulting in difficulty meeting performance objectives. The proposed initiative would provide the Office of the District Secretary with funding for temporary help totaling $70,000.

Human Resources Department: Performance and Learning Position - In FY10, a Principal Administrative Analyst, which led the Performance and Learning group, was transferred to Maintenance and Engineering to conduct training, and was partially funded by capital. The proposed initiative would return the position back to Human Resources as a full operating position and would increase the operating headcount by 0.5 FTE. The conversion is funded by a corresponding reduction in the department non-labor budget.

FY13 Capital Initiatives

Rail Car Replacement Program - In 2010, the Board of Directors and the MTC Commission approved a joint Resolution with a two-phased funding plan for the project. MTC Resolution No. 5134 requires a total BART contribution of $805 million toward the preliminary $3.22 billion cost for the replacement of the entire fleet of 669 cars. The Phase 1 funding plan totals $1.025 billion and requires a $155 million BART contribution. In 2010, the District planned to use $150 million of State Proposition 1A High Speed Rail (HSR) bond funds for its Phase 1 funding contribution. When HSR funds failed to materialize, State Proposition 1B funds were briefly considered. Due to ongoing and continuing state budget problems, these funds also failed to materialize in amounts required for the full Phase 1 contribution and the award of the planned base order of 200 cars in May, 2012.

At both the Board of Director's Special Board Meeting in November 2011 and the FY13 Budget Financial Priorities discussion in March 2012, a multi-year commitment requiring annual operating to capital allocations to a Rail Car Sinking Fund was discussed as the most secure and reliable funding strategy for the award of the base contract. To date, approximately $22 million of the BART contribution has been funded, including a FY11 year-end operating allocation and local match to a prior year, federal grant. Consistent with the discussions at Board meetings, staff is proposing a baseline SGR contribution of $25 million and a fiscal year 2013 capital initiatives contribution of $20.7 million to the program. When added to prior year funding, this brings the cumulative BART Rail Car Sinking Fund contribution through FY13 to $68,106,689, or approximately 44% of the Phase 1 required BART contribution. Total FY13 capital initiative amount is $20,706,689.

Rail Car Interiors
The District is in the process of upgrading rail cars with new sub flooring and rubber floor surface material. The FY13 budget of $1.0M provides funds for replacement of floors on 30 cars. The District changed to a three-year seat replacement cycle in FY12. The FY13 budget provides funding of $1.35M for an additional 100 car sets of vinyl seats to continue this seat replacement initiative. FY13 total initiative amount is $2,350,000.

Information Systems Security Management (ISMP) - See full initiative description in Operating Initiatives section above. The proposed initiative totals $900,000 for non-labor, which includes $700,000 in capital funds for hardware and software and $200,000 in operating funds for consultants.

Potential FY12 Year End Capital Funding
The District is projecting a favorable result for the current year, and there are a number of projects that are candidates for funding from this source, as follows.

Powell Street Station Concourse Ceiling and Waterproofing - Original construction of the Powell Street Station was by cut and cover method, and a waterproofing membrane was installed over the top of the station box from inside the station. The waterproofing membrane appears to have deteriorated over the years as evidenced by water leaks throughout the station. The scope of the Powell Street Station Water Intrusion Prevention project is to resolve water intrusion issues throughout the station. This will be accomplished by the placement of a "positive side" waterproofing membrane on the exterior of the station box. As exposing the station box will be very disruptive and cost prohibitive, the new waterproofing membrane will be installed from the inside of the station by drilling through to exterior surfaces and injecting the waterproofing product. In addition the existing, exposed ceiling will be covered along with installation of a new lighting system. Total $7,500,000

C Car – HVAC Renovation - The C 1 and C2 Car Heating, Ventilation, and Air Conditioning (HVAC) system has insufficient capacity to operate reliably during hot weather. As currently designed, this system becomes compromised at an ambient 95 degrees Fahrenheit. Under optimal conditions this system is only capable of achieving a temperature differential between outside ambient air and car interior of 15 degrees. On a 100 degree day a fully functioning C Car interior will be 85 degrees. The failure rate on these days is very high. This project will not only redesign the circuitry to not fail in hot weather conditions, but will also increase the cooling capacity of the units by 10 percent. This will allow the cars to cool down faster and maintain a temperature differential 20 degrees lower. This is a two year program, with half of the 230 C 1&2 Car fleet upgraded each year. Total $2,274,985 per year.

C Car – Auxiliary Power Supply Equipment (APSE) Replacement - The original APSE on the 150 C1 Cars has reached the end of its useful life. The parts needed to maintain this equipment can no longer be procured from distributors or after market sites. 70 units have been replaced. The parts from the replaced units have created a pool of spare parts for maintaining the remaining 80 units in service. This pool of parts is being depleted rapidly and the remaining 80 units need to be replaced. These funds will replace 10 of the remaining 80 APSE units. Total $1,300,000

C Car - Propulsion Motor Control Box (MCB) Renovation - Based on current fleet utilization, revenue service vehicle enhancement can only occur by improving the reliability and availability of the C1 & C2 Car fleet. The propulsion system in these cars has become obsolete and has reached the end of its useful life. Electromechanical devices within the MCB configure the circuits for the mode of operation being requested (acceleration/braking). It is these components that now wear out at a very high rate. Modern available system improvements have eliminated the high failure rate components that currently exist within the MCB. If not rebuilt, the unreliable operation of the components not only causes propulsion failures, but also become difficult to troubleshoot due to the combined errors introduced by so many malfunctioning components within the MCB. This is a two year program, with half of the fleet upgraded each year. Total $1,125,000 per year.

Pigeon Abatement – Begin installation of netting and deterrents at 3 new locations: El Cerrito Plaza, El Cerrito Del Norte Station, and West Oakland Station. Finish work at 5 stations: 16th St. & Mission, 24th St. & Mission, San Leandro, Colma, and Hayward. Total $1,000,000

Enterprise Storage of Electronic Information - Enterprise Storage is designed for large-scale, high-technology environments, which allows for high level data of storage, recovery and continuity. BART utilizes Storage Area Networks (SANs) to store all electronic information. The District's two SANs units have a normal life expectancy of five years. Both are over eight years old and are currently at 95% of their capacity. Continued reliance on these units jeopardizes reliability, scalability, and ultimately business continuity. Conversion to current generation SANs units would provide increased confidence in continuity of current business operations and take the next step in addressing the growing data storage needs of the District. The proposed initiative totals $500,000 for non-labor.

Fare Evasion Mitigation – Fare evasion continues to represent a meaningful loss of operating revenue to the District and creates an atmosphere of disrespect to both our fare paying patrons and the public that supports BART. This initial program of station improvements at selected stations is designed to make fare evasion more difficult. This year's efforts will include the installation of swing gate alarms and raised barrier heights at selected stations. Total $500,000

Repair Damaged Vehicle – On March 13, 2011 a derailment occurred at the C57 interlocking resulting in the damage of four revenue vehicles. Two of the four vehicles involved are damaged beyond the ability to repair in-house. These funds will be used to contract out the repair of the lesser damaged of the two cars, Car 1605. Total $500,000

Replacement of Eight Treasury Servers – Reconciling cash receipts against Data Acquisition System (DAS) records and the ticket serial number hotlist, used to identify and block cloned tickets and tickets purchased with a stolen credit card, help safeguard District revenues. These efforts are accomplished largely through the use of data servers. These servers are also used for the San Francisco Airport and Airline Employee Discount Programs (AEDP 1 & 2) and the EZ Rider Parking Program. This investment will replace eight data servers which are approaching the end of their useful lives. Total $250,000

Unfunded FY13 Operating and Capital Initiatives

The unfunded operating and capital initiatives sections in the summary tables following this section include additional items that were requested by BART departments during the budget process. This represents only a partial list of funding needs, for example there is a long list of capital projects/programs that would benefit from additional funding.

<u>Other Possible FY13 Initiatives</u>
The Board of Directors has identified other potential funding needs or programs that are not currently included in the FY13 Preliminary Budget, but could substitute for the staff proposed initiatives or could be undertaken if revenue projections increased or other funding sources were identified.

Late Night Express Bus Service
For many years, BART customers have requested BART to operate throughout the night or for longer hours, particularly on the weekends, to provide reliable transit to employment and entertainment options in the City. Because BART utilizes the overnight hours for system maintenance, it cannot extend train service to cover a 24-hour period. An express bus service could provide workers and other BART patrons an alternative way to get home after the system has closed. Currently there is no existing bus or train service from San Francisco to certain areas of the East Bay. AC Transit's Route 800 provides late night service along the Red (Richmond) Line terminating at the Richmond BART station.

BART is proposing a one-year pilot in order to evaluate ridership and the financial and operational feasibility of late night express bus service in the Yellow (Pittsburg/ Bay Point) and Green (Fremont) Line corridors. The planned service is express; therefore no transfers would be required. Additionally the service would not stop at every BART station so that run times can be minimized to serve the high-demand destination and end-of-line stations. In order to minimize the time needed to implement this service, BART would not operate this service directly, but rather it would rely on existing bus operators who serve the Yellow and Green Line corridors (County Connection and AC Transit).

The proposed Yellow Line Owl Express Bus service would run eastbound-only from the Market Street Corridor in downtown San Francisco to BART station stops at Civic Center BART, Powell Street BART, Montgomery BART, Transbay Terminal (Beale and Howard Sts.), Rockridge BART, Walnut Creek BART, Pleasant Hill BART, and Pittsburg/Bay Point BART. Service would begin at approximately 12:25 a.m. at Market and Van Ness and operate at 30-minute headways until the last bus leaves the Transbay Terminal at 2:00 a.m. (4 runs per night).

The proposed Green Line Owl Express Bus service would run eastbound-only from the Market Street Corridor to the downtown San Francisco stops as described above and then to the East Bay BART station stops at Lake Merritt BART, Fruitvale BART, Bay Fair BART, Hayward BART, Union City BART, and Fremont BART. Service would begin at approximately 12:25 a.m. at Market and Van Ness and operate at 20-minute headways until the last bus leaves the Transbay Terminal at 1:45 a.m. (5 runs per night).

The net operating cost of the proposed pilot one year is $800,000. BART is seeking regional State Transit Assistance Lifeline grant funds from the Alameda County Transportation Commission and the Contra Costa Transportation Authority to subsidize $500,000 of the pilot. The remaining cost of $300,000 would be funded with BART operating funds ($200,000) and fare revenue generated from the bus service ($100,000).

Equity Analysis of Existing Fare Structure
Although compliance with Title VI does not require an equity analysis of BART's existing fare structure, a request for such an analysis has been made. BART's fare structure is distance-based

and has a minimum fare, with all other fares calculated based on distance traveled, with surcharges applied for certain trips. While the goals and methodology of an equity analysis remain to be determined, including how to assess and measure equity, an equity analysis could look at the existing mileage ranges and charges for various trip lengths and alternative fare structures. A possible outcome of examining the existing structure is identification of changes that could impact existing riders and the fares they pay. An important consideration of an analysis would be to maintain BART's current level of fare revenue and be consistent with the Financial Stability Policy and Fare Policy. The estimated cost of an equity analysis and public outreach is $250,000.

FY13 Proposed Initiatives - OPERATING

Staff Recommendations - Funding included in the Preliminary Budget

Title	Description	Pos.	Labor	Non Labor	Total
Transportation Department Structural Issue	Properly size staffing levels of Train Operators and Station Agents in order to achieve adequate staffing in the work program & extra board	41.9	$ 4,070,089	$ -	$ 4,070,089
Information Technology Department Post Production Support	Post production support for new systems. IT has identified gaps in the current employee knowledge base and will need specialized support from consultants to complete the knowledge transfer to newly hired and existing IT staff.	-	-	800,000	800,000
DBE Program and Small Business Development	Support for the DBE program certification and revised FTA program with Small Business elements. Addition of 2.00 FTE in Office of Civil Rights and funding for consultant services for technical support, outreach and identification of small businesses.	2.0	294,973	400,000	694,973
HCM System Update	Upgrade Human Capital Management System (HCM) and Enterprise Portal, (WebBART) which includes HR, Payroll, Time and Labor, Benefits. The upgrade is a major change in technology and functionality. Nine months of support consultant support needed during the upgrade.	-	-	648,000	648,000
Increased Red Line Weekday Evening Service	Extend the Red Line for an additional one hour of service from Monday through Friday. Adds costs for additional car miles and labor.	2.9	228,599	379,143	607,742
Small Business Bonding Assistance Program	Program to help small business contractors qualify for surety bonds, which would allow them to be eligible for contracting opportunities. Program cost - $400K and Guarantee Bond assistance - $100K	-	-	500,000	500,000
Title VI & Environmental Justice Compliance	Support & outreach for Parking Policy, BART Metro Plan, Language Assistance Program and other FY13 Title VI & Environmental Justice related compliance efforts. Addition of 1.5 FTE in Office of Civil Rights. Total FY13 Title VI cost: $1,060,091 including ongoing funding from previous fiscal year.	1.5	271,591	141,177	412,768

FY13 Proposed Initiatives - OPERATING (cont.)

Title	Description	Pos.	Labor	Non Labor	Total
Real Estate and Property Development Departments Reorganization	Conversion of positions from capital to operating and adding one position due to Property Development/Real Estate reorganization. Funding for this effort is partially offset by savings from changing a department manager position to a division manager.	2.5	$ 401,958	$ -	$ 401,958
Human Resources Dept. Recruitment Positions	Additional support in staffing and compensation to facilitate employee recruitments	2.0	270,853		270,853
Police Dept. Special Enforcement Team (SET)	Team will consist of two officers working to identify and respond to emerging crime issues.	-	250,000	-	250,000
Information Systems Security Management (ISMP)	As part of a multi-year project, the ISMP will increase system and web security by addressing end point security, basic identity management, intrusion detection/prevention, and external hosted site security. Includes Operating ($0.2M) and Capital ($0.7M) portions	-	-	200,000	200,000
Strategic Opportunity Assessment - Project Performance Assessment	One-time study to enhance the Strategic Opportunity Assessment efforts by conducting performance assessment (project definition, ridership forecasting, criteria assessment) and outreach.	-	40,000	160,000	200,000
Finance Dept. Accounts Payable Positions	Addition of two Junior Accountants for additional assistance in invoice handling and processing.	2.0	189,269	-	189,269
Communications Department Reorganization	Restructure of the Communications department, including changing external communication methods from a single spokesperson to multiple subject matter experts.	1.0	176,248	-	176,248
Enterprise License Agreement - ESRI	An ESRI Enterprise License Agreement to deploy the District's Enterprise Geographic Information System (EGIS).	-	-	150,000	150,000

FY13 Proposed Initiatives - OPERATING (cont.)

Title	Description	Pos.	Labor	Non Labor	Total
Office of District Secretary Temporary Help	Additional support for DSO in responsibilities relating to records management, contract/procurement management, communications, and board room technical support	-	$ 70,000	$ -	$ 70,000
Human Resources Dept. Performance & Learning Position	Transfer of Performance and Learning Staff from Maintenance and Engineering to support Human Resources	0.5	78,375	(81,896)	(3,522)
Operating Total		**56.3**	**$ 6,341,954**	**$ 3,296,424**	**$ 9,638,379**

FY13 Proposed Initiatives - CAPITAL

Title	Description	Total
Rail Car Replacement Program	Additional FY13 rail car allocation. Part of a multi-year funding requirement to provide local match to regional rail car funding from MTC, bringing the total local match to date to $68.1M.	$ 20,706,689
Rail Car Interiors	Includes A2B2 interior Modifications to the floors of 30 cars ($1.0M) and vinyl seats ($1.35M) of 100 cars	2,350,000
Information Security Management Program (ISMP) - Capital Portion	Capital (hardware and software) for ISMP system and web security project.	700,000
Capital Total		**$ 23,756,689**

FY13 Initiatives - for Additional Discussion

Title	Description	Total
Equity Analysis of Existing Fare Structure	Equity analysis and outreach of Existing Fare Structure	$ 250,000
Late Night Express Bus Service	Operating Costs for a one-year limited Late Night Bus Service pilot project (Friday and Saturday service only). The total cost is $800,000, of which $500,000 would be funded by counties (through State Transit Assistance Lifeline grant funds), $200,000 would be funded with BART operating funds and $100,000 would be funded with fare revenue generated from the bus service. Implementation is dependent on receiving grant funding.	200,000
Additional Discussion Total		**$ 450,000**

Fund at FY12 Year End - CAPITAL

Title	Description	Total
Powell St. Station - Waterproofing	Install waterproofing membrane on exterior of station box to resolve water intrusion issues throughout station.	$ 5,500,000
Powell St. Station - Concourse Ceiling	Complete lighting and ceiling for Powell Street Station Concourse started, but unfinished, within the Station Modernization Program	2,000,000
C Car HVAC Renovation	Conduct C Car HVAC Upgrade for 115 cars	2,274,985
Auxiliary Power Supply Equipment Replacement	Replace 10 APSE's on 10 C-1 Cars	1,300,000
C Car Propulsion Motor Control Box Renovation	Conduct Propulsion Motor Control Box renovation for 115 cars	1,125,000
Pigeon Abatement	Continue improvement of pigeon mitigation using architectural features versus netting. This will also include refurbishment of Hayward Station ceiling and lighting.	1,000,000
Enterprise Storage of Electronic Information	BART uses SAN's to store all electronic information. The existing units are eight years old and at 95% of the 60 terabyte capacity. The new units are current generation and include both high availability and high recovery and consolidation to accommodate higher capacity needs.	500,000
Fare Evasion Mitigation	Installation of swing gate alarms and raised barrier heights at selected stations.	500,000
Repair Damaged Vehicle	Repair Rail Car damaged in March 2011 derailment (Car 1605)	500,000
Replacement of 8 Treasury Servers	Replace eight data servers which are approaching the end of their service lives. Servers are used to reconcile cash receipts against Data Acquisition System (DAS) records and the ticket serial number hotlist, identify and block cloned tickets and tickets purchased with a stolen credit card, and help safeguard District revenues.	250,000
FY12 Year End		**$ 14,949,985**

FY13 Unfunded Initiatives - OPERATING

Considered, but not funded

Title	Description	Labor	Non Labor	Total
Network Upgrade of Remote Locations	Upgrade network connection to the remote shops and yards from current 1GB to 10GB to manage current and future needs.		$ 900,000	$ 900,000
MAXIMO Upgrade	Upgrade MAXIMO to version 7.5 for transportation, which will provide new features needed by the user departments.		1,200,000	1,200,000
Enhance Document Management System	Purchase licenses that are required for the deployment of the Fusion document management system and consolidate the various methods of document management deployed around the District.		600,000	600,000
PC Replacement Program	Restore funding to program to replace staff personal computers that are over five years old.		500,000	500,000
Cyber Liability Insurance	Purchase liability insurance to cover any personal data loss due to breach of cyber security.	-	500,000	500,000
Additional Property & Energy Systems Insurance	Purchase additional insurance to cover Property and the Energy System damage and/or loss.	-	1,000,000	1,000,000
Peace Officer ID Cards	Create a new part-time Sr. Clerk to continue issuing ID cards to Peace Officers in neighboring jurisdictions.	64,693	12,093	76,786
Record Storage and Retention	Create a new Warehouse Clerk to eliminate unnecessary records not needed by the District and assist with other record warehouse responsibilities.	92,477		92,477
Grievance Management System	Create a new Administrative Technician to support the Grievance Management System.	99,329		99,329
Advertising	Restore budget for advertising, which had been cut as cost saving measure in previous fiscal years.		2,250,000	2,250,000
Police Support Services	Create a new position for Support Services Manager to oversee Support Services.	211,102		211,102

FY13 Unfunded Initiatives - OPERATING (cont.)

Title	Description	Labor	Non Labor	Total
Dispatch Call Takers	Create five Community Service Officers for the Intergrated Security Response Center (ISCR)/Dispatch Center to handle call reporting via text and security camera monitoring.	$ 479,232	$ 24,100	$ 503,332
Deputy Police Chief and Police Admin. Specialist	Create a new Police Deputy Chief for the Emergency Prepareness & Security Programs and create a new Police Administrative Specialist to provide administrative support.	401,478		401,478
Supervisory Staff in Operations	Create four additional Operations Supervisor for night and weekend coverage.	619,626		619,626
Transit / Shuttle / Accessibility Staff	Create a new Access Coordinator to provide transit and shuttle coordination and to coordinate patron accessibility projects and activities.	116,180		116,180
Station Parking & Access Survey	Fund consultant services for a station parking and access survey to collect data on vehicle/bicycle parking inventory and usage and also, bus routes and shuttles service serving each BART station.		50,000	50,000
Enterprise Geographic Information System (EGIS)	Fund additional staffing support needed to provide modern survey data to update and maintain the EGIS property layers.	95,564		95,564
Budget and Financial Analysis	Financial analyst to provide support to Financial Planning and the Operating Budgets divisions. Indirectly would also provide for administrative support throughout Executive Office by freeing up another position.	138,138		138,138
Environmental Compliance	Create a new Environmental Engineer to maintain the District's environmental compliance, which will improve environmental performance.	144,435	-	144,435
Considered But Unfunded Total		**$ 2,462,253**	**$ 7,036,193**	**$ 9,498,446**

FY13 Unfunded Initiatives - CAPITAL

Considered, but not funded

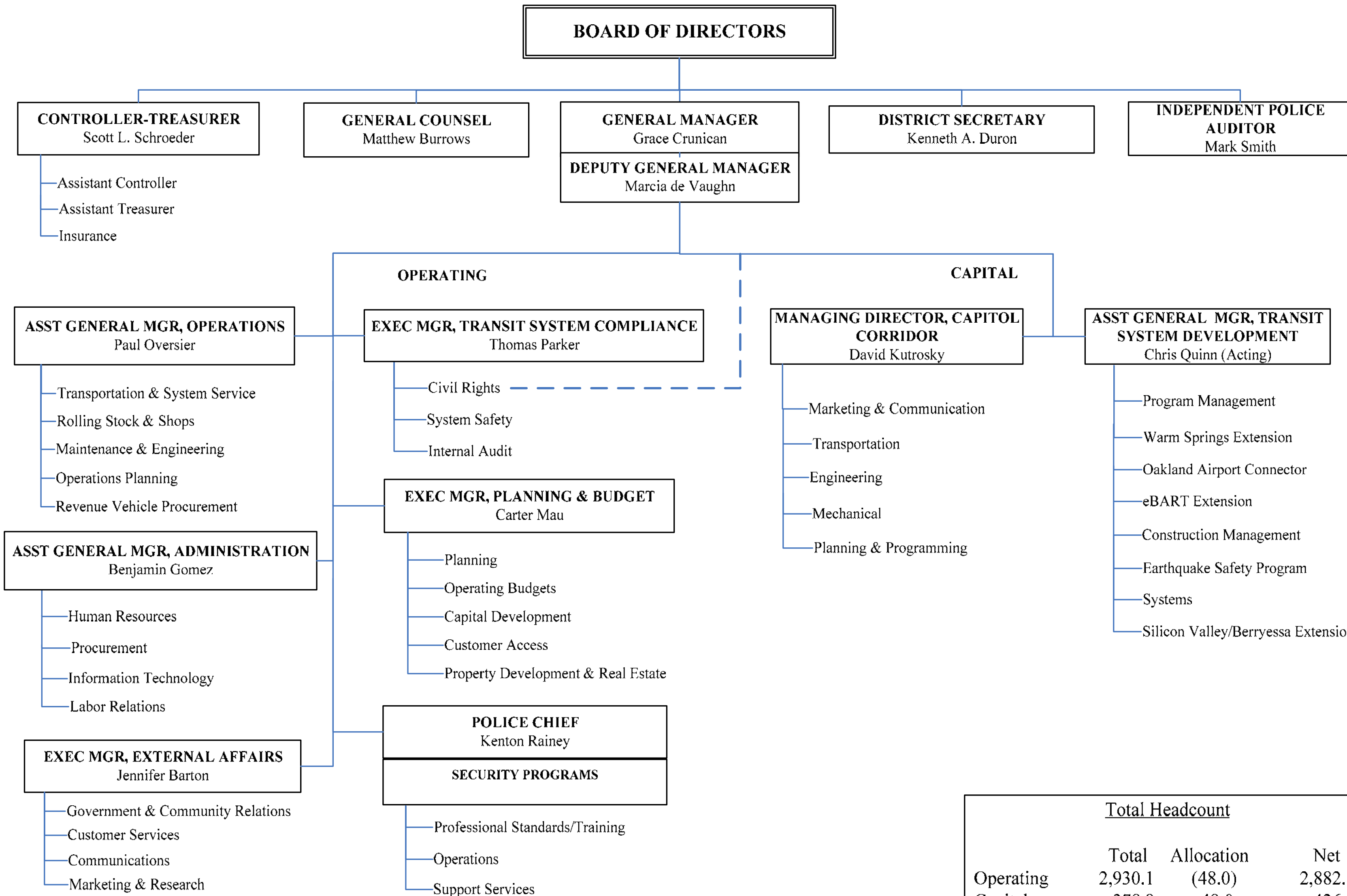
Title	Description	Total
Powell Station Platform Ceiling	Complete lighting, ceiling, and architectural finishes for platform.	$ 3,000,000
Montgomery Station Ceiling	Complete lighting, ceiling, and architectural finishes for platform and concourse.	3,000,000
Heavy Equipment	Crane to replace both 1967 wrecker and RC-60 crane and two hybrid trucks to be used in tunnel work.	1,100,000
Richmond Station Intermodal	Augment $900K of funding to improve pedestrian and ADA access pathways and parking and improve aspects of station intermodal area.	2,000,000
Repair of Second Accident Car	Accident Car Repair (Car 1604)	750,000
Balboa Station Eastside Walkway and Station area improvements:	Access Improvements at Balboa Park Station and a connection to a new Eastside entrance plaza with a Muni boarding area on the Eastside north end of the existing station architecture. Grants and programming in place are $3.8M, estimated additional need of $4-5M pending completion of 35% cost estimate.	5,000,000
24th & Mission Street Station Plaza Redesign:	Improve pedestrian, bicycle and disability access to the 24th Street & Mission BART Station. Installation of curb-bulbouts, crosswalk overlays, accessible (ADA) curb ramps, pedestrian countdown signals, bicycle parking, wayfinding signage and BART Plaza streetscape improvements (bollards and artistic fence) are included. Grants and programming in place are $3.5M, an additional need of $1 - $3M is estimated.	3,000,000
Considered But Unfunded Total		**$ 17,850,000**

4 Attachments

FY13 Budget Board Review Schedule
(Staff presentation unless otherwise noted*)

Board Meeting Date	Title
03/08/12	FY13 Financial Priorities
04/12/12	FY13 Preliminary Budget Overview *Receive FY13 Preliminary Budget Resource Manual: Budget summaries, organization charts, goals and objectives Actions: Consider motion to release annual Budget Pamphlet Consider motion to set date for public hearings on FY13 Preliminary Budget
05/10/12	FY13 Preliminary Budget Operating Sources, Uses and Service Plan
05/24/12	FY13 Capital Budget FY13 Proposition 4 Limit: Calculation of annual spending limitation Public Hearing on FY13 Annual Budget
06/14/12	Actions: Consider resolution to adopt annual Proposition 4 Limit Consider resolution to adopt the FY13 Annual Budget

SAN FRANCISCO BAY AREA RAPID TRANSIT
FY13 Preliminary Budget
ORGANIZATION CHART



Total Headcount

	Total	Allocation	Net
Operating	2,930.1	(48.0)	2,882.1
Capital	378.8	48.0	426.8
Reimb.	38.6	-	38.6
Staff	3,347.5	-	3,347.5

Operating Expense Budget by Department

$ Millions

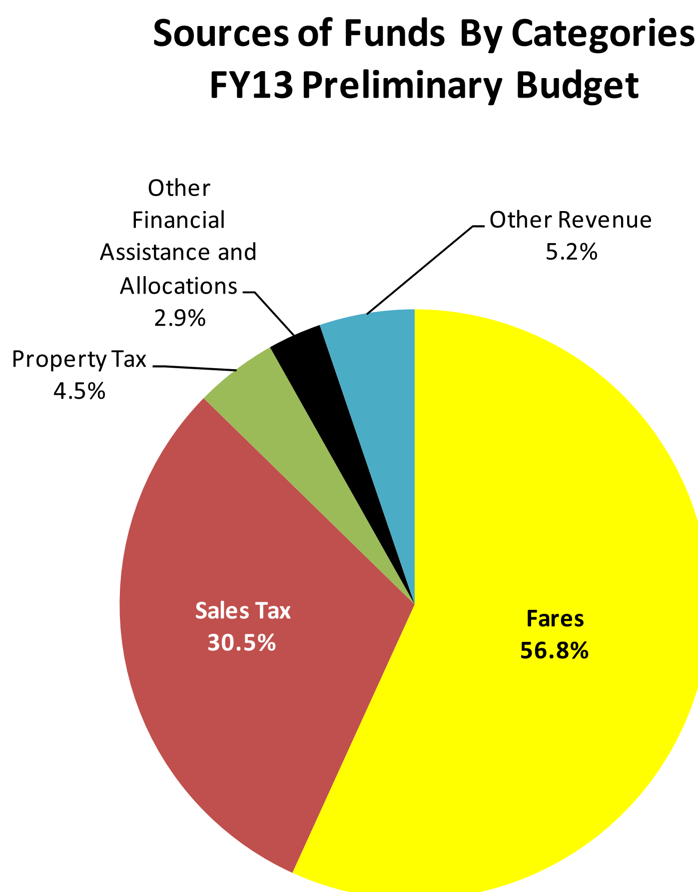
Execeutive Office/ Department	FY12 Adopted	FY13 Preliminary
General Manager	**$ 1.4**	**$ 1.4**
Legal	**3.8**	**4.0**
Finance	**29.0**	**31.7**
District Secretary	**1.7**	**2.7**
Administration	0.4	0.4
Human Resources	5.8	6.3
Procurement	10.8	10.9
Information Technology	12.7	12.2
Labor Relations	1.2	1.2
Administration Office	**30.9**	**31.0**
Administration	0.4	0.4
Marketing and Research	2.7	2.8
Communications	2.2	2.6
Government and Community Relations	1.5	1.7
Customer Services	2.4	2.4
External Affairs	**9.2**	**9.8**
Police	**48.2**	**52.2**
Administration	0.5	0.5
Maintenance and Engineering	90.5	92.2
Rolling Stock and Shops	93.1	94.8
Operations Planning	1.9	2.0
Transportation and System Service	120.0	126.8
Operations	**306.0**	**316.3**
Transit System Development	**0.4**	**0.4**
Administration	0.5	0.6
Customer Access	17.7	18.1
Real Estate and Property Development	13.4	13.7
Operating Budgets and Analysis (Includes Power)	39.4	42.3
Planning	1.2	1.4
Capital Development and Control	1.9	1.9
Planning and Budget	**74.0**	**77.9**
Administration	0.4	0.4
Internal Audit	1.3	1.3
System Safety	2.4	2.4
Civil Rights	2.0	3.1
Transit System Compliance	**6.0**	**7.2**
Capital Corridor[1]	**-**	**-**
Independent Police Auditor	**0.6**	**0.6**
SUBTOTAL	**511.3**	**535.1**
OPEB Unfunded Liability	**1.6**	**0.9**
Cost Allocation Plan	**(6.0)**	**(6.0)**
TOTAL	**$ 506.9**	**$ 530.0**

[1] As governed and reimbursed by the Joint Powers Board and supervised by the Executive Director of the Joint Power Board.

FY13 PRELIMINARY BUDGET
Staffing Comparision
FTE

EXECUTIVE OFFICE	Budget FY12 Adopted			FY13 Preliminary		
	Operating	Capital/ Reimb.	Total	Operating	Capital/ Reimb.	Total
General Manager	4.0	0.0	4.0	4.0	0.0	4.0
Legal	16.0	4.0	20.0	16.0	4.0	20.0
Finance	98.0	2.0	100.0	100.0	2.0	102.0
District Secretary	6.0	0.0	6.0	6.0	0.0	6.0
Administration	163.1	11.5	174.6	162.6	7.0	169.6
External Affairs	45.8	3.0	48.8	47.8	3.0	50.8
Police	290.0	0.0	290.0	291.0	0.0	291.0
Operations	2,172.2	279.6	2,451.8	2,218.3	284.3	2,502.5
Transit System Development	1.0	73.0	74.0	1.0	72.0	73.0
Planning and Budget	38.0	7.5	45.5	47.0	11.0	58.0
Transit System Compliance	31.0	9.0	40.0	33.5	10.5	44.0
Capital Corridor*	0.0	23.6	23.6	0.0	23.6	23.6
Independent Police Auditor	3.0	0.0	3.0	3.0	0.0	3.0
Sub-Total	2,868.1	413.2	3,281.3	2,930.1	417.4	3,347.5
Cost Allocation Plan	(48.0)	48.0	0.0	(48.0)	48.0	0.0
Total	**2,820.1**	**461.2**	**3,281.3**	**2,882.1**	465.4	**3,347.5**

* As governed and reimbursed by the Joint Powers Board and supervised by the Executive Director of the Joint Power Board.


Sources of Funds By Categories
FY13 Preliminary Budget
Other Financial Assistance and Allocations 2.9%
Other Revenue 5.2%
Property Tax 4.5%
Sales Tax 30.5%
Fares 56.8%

Uses of Funds By Categories
FY13 Preliminary Budget