



EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: <div style="float: right; border: 1px solid black; padding: 2px;"> <small>DocuSigned by:</small> <i>Michael Jones</i> <small>47000790F2D7463...</small> </div>		GENERAL MANAGER ACTION REQ'D:		
DATE: 5/26/2023 5/31/2023		BOARD INITIATED ITEM: Yes		
Originator/Prepared by: Katherine Alagar Dept: Operating Budgets <div style="border: 1px solid black; padding: 2px; margin-top: 10px;"> <small>DocuSigned by:</small> <i>Katherine Alagar</i> <small>697EB8AE6F87469...</small> </div> Signature/Date: <div style="text-align: right;">5/30/2023</div>	General Counsel <div style="border: 1px solid black; padding: 2px; margin-top: 10px;"> <small>DocuSigned by:</small> <i>Jana Belan</i> <small>F8FD7B3A73E74E8...</small> </div> <div style="text-align: right;">5/30/2023 []</div>	Controller/Treasurer <div style="border: 1px solid black; padding: 2px; margin-top: 10px;"> <small>DocuSigned by:</small> <i>Chris Gan</i> <small>EE11C8CEEEA04FD...</small> </div> <div style="text-align: right;">5/30/2023 []</div>	District Secretary <div style="text-align: right;">[]</div>	BARC <div style="border: 1px solid black; padding: 2px; margin-top: 10px;"> <small>DocuSigned by:</small> <i>Pamela Herhold</i> <small>3BB24D65B8724F5...</small> </div> <div style="text-align: right;">5/30/2023 []</div>

Two Year Annual Budget Resolution for Fiscal Year 2024 and Fiscal Year 2025

PURPOSE:

Authorize adoption of the Fiscal Year 2024 and Fiscal Year 2025 Two-Year Annual Budget Resolution (Budget Resolution).

DISCUSSION:

Approval by the Board of Directors is required for the Fiscal Year 2024 and Fiscal Year 2025 (FY24 & FY25) operating and FY24 & FY25 capital budgets. The total proposed FY24 combined operating and capital budget is \$2.6 billion (B), while the FY25 operating and capital budget is \$2.5B. The FY24 operating budget of \$1.1B is balanced, while the FY25 operating budget of \$1.1B has a deficit of \$93M. The capital budget totals \$1.5B in FY24 and \$1.4B in FY25.

The proposed FY24 & FY25 budgets are summarized in Attachments 1 and 2, which summarize BART's operating and capital sources and uses.

The budget includes an adjustment to the budgeted FY24 vacancy rate, which now includes both an operating vacancy rate and a capital vacancy rate. The operating vacancy rate is assumed to be 6% while the capital vacancy rate is assumed to be 18%. The current actual rates are around 6.5% and 24.6%, respectively. Being able to apply two separate rates is intended to bring the capital reimbursements budget closer to actuals.

The proposed budget was presented to the Board of Directors on April 20, 2023, May 11, 2023, and at a public hearing on May 25, 2023.

FY24 & FY25 Operating Budget



The FY24 & FY25 operating budget continues to be highly constrained by reduced operating revenues stemming from the continued effects of remote work on BART ridership.

The proposed operating budget authorizes FY24 and FY25 expenditures of \$1.08B and \$1.12B, respectively, while funding 3,544.5 operating FTEs in FY24 and FY25.

Included in the Labor Budget:

- 3.0% wage increase for AFSCME, ATU, SEIU, and non-represented employees as well as a 2% increase for BPOA/BPMA employees
- Addition of 4 new positions for the Office of Inspector General
- Conversion of 34 positions from Capital to Operating and removal of 24 capital position

Included in the Non-Labor Budget:

- \$5.5M of planned savings from the District eliminating payments to other operators
- Increase of \$2.5M in Power from the FY24 Preliminary Budget
- Increase of \$2.8M in diesel fuel and gas

Included in Debt Service and Allocations:

- Elimination of the pension allocation contributions of \$10M
- Elimination of the Sustainability allocations
- Removal of \$10M allocation in FY24 for employee-facing facilities
- Transfer of \$4.5M from non-labor to capital allocations to account for capital work in operations

Operating revenues in the FY24 revenue budget are \$9 million (M) higher than the adopted FY23 budget. The revenue budget projects \$264M of operating revenue in FY24 and \$293M in FY25, which includes (pending Board approval) the adjusted inflation-based fare increase of 5.5% in both FY24 and FY25. This includes \$225M of rail passenger revenue in FY24 and \$254M in FY25. Financial assistance is budgeted at \$469M in FY24 and \$481M in FY25. This includes \$320M of sales tax, \$61M of property tax, \$35M of VTA Financial Assistance, and \$24M of State Transit Assistance in FY24. Federal Emergency Funding of \$351M in FY24 balances the budget and the remaining funds of \$250M will be applied in FY25 leaving a deficit of \$93M. BART's single largest revenue source is no longer fare revenue; one-time federal emergency assistance (projected to be fully exhausted in FY25) and sales tax are BART's two largest revenue sources in FY24 and FY25.

FY24 & FY25 Capital Budget

The Capital Budget proposes FY24 expenditures of \$1.5B and funds 997.0 FTEs.

At nearly \$1.5B, the FY24 capital budget is roughly the same magnitude as the FY23 capital budget. Nearly one third of that is allocated to the continued first phase of Rail Car Procurement, focused mostly on replacement of our legacy fleet. Train Control Modernization Program and Traction Power investments, including the 34.5kv cable project, Core Capacity Traction Power Substations, and Next Generation Fare Gates, are also significant projects in FY24. Roughly one third of the FY24 capital budget is funded with Measure RR, with another third funded with federal funds and the remainder with state, regional, and local funding.

The Capital Budget proposes FY25 expenditures of \$1.4B and funds 997.0 FTEs.

At nearly \$1.4B in FY25, Rail Car Procurement is again the largest forecast capital expenditure at over one third of the total; note that in FY25 the second phase of the procurement with Core Capacity Program expansion rail cars begins. As in FY24, implementation of the Train Control Modernization Program, 34.5kv cable installation, Core Capacity Traction Power Substations, and Next Generation Fare Gates will continue in FY25. Measure RR and federal funds remain the largest sources of funding in FY25 at a little less than one third each. The remaining third will come from other sources.

FY24 & FY25 Budget Resolution

Staff recommends approval of the attached Resolution to adopt the Fiscal Year 2024 and Fiscal Year 2025 Two-Year Annual Budget. As in previous years, the Budget Resolution includes authorizations that allow the General Manager or the General Manager's designee to apply to different bodies for grant funds (including, but not limited to, Transportation Development Act, State Transit Assistance, Bridge Toll, Federal Emergency Management Agency, and Federal Transit Administration). It also includes authorizations that allow the General Manager or the General Manager's designee to execute agreements that may require payments to regional partner governments and agencies. The Budget Resolution incorporates provisions referring to the SFO Extension and Silicon Valley extension service plans.

For FY24 and FY25, the budget suspends the Low Carbon Fuel Standard Policy, adopted July 27, 2017 which allocates revenues to be directed toward sustainability-related projects.

The Budget Resolution language includes the General Manager's permanent position authorization of 100 positions in each fiscal year. This provides the flexibility necessary to meet operational needs as they arise over the course of the fiscal year.

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

FISCAL IMPACT:

The proposed Fiscal Year 2024 and Fiscal Year 2025 Two-Year Annual Budget is balanced in the 1st year with a deficit of \$93M in year two. It may be revised as conditions and actuals change over the course of the fiscal year.

ALTERNATIVES:

Do not adopt the budget or adopt a budget that differs from what has been presented to the Board of Directors. Rules of the Board of Directors require that the budget be adopted prior to June 30; adoption of the Budget Resolution by June 30 is required to authorize expenditures in FY24.

RECOMMENDATION:

Adoption of the following motion.

MOTION:

The Board adopts the attached Resolution in the matter of approving the Annual Budget for the San Francisco Bay Area Rapid Transit District and authorizes expenditures for the fiscal years July 1, 2023 to June 30, 2024 and July 1, 2024 to July 30, 2025.

Attachment 1
FY24 and FY25 District Operating Budget
Sources and Uses Detail

	FY24 Preliminary Budget	FY24 Adopted Budget	Delta from Preliminary Budget	FY25 Preliminary Budget	FY25 Adopted Budget	Delta from Preliminary Budget
Rail Passenger Revenue	\$ 224,731,024	224,950,190	219,166	254,110,010	254,360,596	250,586
ADA Passenger Revenue	482,695	482,695	-	497,176	497,176	-
Parking Revenue	14,380,288	14,840,694	460,406	14,250,605	14,910,930	660,325
Other Operating Revenue	23,891,056	23,891,056	-	22,772,148	22,772,148	-
Subtotal - Operating Revenue	263,485,063	264,164,635	679,572	291,629,939	292,540,850	910,911
Sales Tax Proceeds	311,543,017	319,842,152	8,299,135	318,716,755	327,198,783	8,482,028
Property Tax Proceeds	61,200,000	61,200,000	-	64,260,000	64,260,000	-
MTA Financial Assistance	34,949,001	34,732,657	(216,344)	35,039,899	34,794,917	(244,982)
MTC Financial Assistance Clipper Start	451,595	451,669	74	1,229,057	1,229,157	100
Local & Other Assistance	10,595,515	12,695,516	2,100,001	10,813,206	13,599,154	2,785,948
State Transit Assistance	23,518,508	23,518,508	-	23,207,071	23,207,071	-
Low Carbon Transit Operations Program	10,258,949	10,258,949	-	10,258,949	10,258,949	-
Low Carbon Fuel Standard Program	6,500,000	6,500,000	-	6,400,000	6,400,000	-
Subtotal - Financial Assistance	459,016,585	469,199,451	10,182,866	469,924,937	480,948,031	11,023,094
TOTAL - OPERATING SOURCES	722,501,648	733,364,086	10,862,438	761,554,876	773,488,881	11,934,005
Labor & Benefits	677,477,234	700,497,999	23,020,765	710,756,059	726,761,731	16,005,672
ADA Paratransit	19,809,557	18,795,000	(1,014,557)	20,403,843	20,403,843	-
Purchased Transportation	7,928,921	7,928,921	-	8,516,618	8,516,618	-
Power	56,498,783	59,000,000	2,501,217	58,202,906	60,704,123	2,501,217
Other Non-Labor	149,806,256	147,293,281	(2,512,975)	150,629,566	148,081,512	(2,548,054)
Subtotal - Operating Expense	911,520,751	933,515,201	21,994,450	948,508,992	964,467,827	15,958,835
Bond Debt Service	60,131,289	60,131,289	-	60,163,276	60,163,276	-
Allocation - Capital Rehabilitation	44,181,377	38,897,646	(5,283,731)	34,181,377	38,647,646	4,466,269
Allocation - Priority Capital Programs	50,000,000	50,000,000	-	51,000,000	51,000,000	-
Allocation - Other	1,604,149	1,604,149	-	1,604,149	1,604,149	-
Allocation - Sustainability from LCFS	-	-	-	-	-	-
Allocation - Pension	-	-	-	-	-	-
Subtotal - Debt Service & Allocations	155,916,815	150,633,084	(5,283,731)	146,948,802	151,415,071	4,466,269
TOTAL - USES	1,067,437,566	1,084,148,285	16,710,719	1,095,457,794	1,115,882,898	20,425,104
Net Result Before Federal Emergency Assistance	\$ (344,935,918)	\$ (350,784,199)	\$ (5,848,281)	\$ (333,902,918)	\$ (342,394,017)	\$ (8,491,099)
Federal Emergency Assistance	344,935,918	350,784,199	5,848,281	255,936,173	249,600,586	8,491,099
NET RESULT	\$ -	\$ -	\$ -	\$ (77,966,745)	\$ (92,793,431)	\$ -
Average Weekday Trips	167,500	167,500	-	181,600	181,600	-
Total Ridership	51,262,600	51,262,600	-	55,416,500	55,416,500	-
Rail Farebox Recovery Ratio	25%	24%		27%	26%	
Operating Ratio	29%	28%		31%	30%	

Attachment 2

FY24 and FY25 Capital & Reimbursable Budget Headcount and Planned Expenditures Program Summary by Category

Program Category	FY24 and FY25 Headcount*	FY24 Planned Expenditures	FY25 Planned Expenditures
System Reinvestment			
Mainline	150.2	\$ 222,914,903	\$ 179,593,251
Rolling Stock	247.9	\$ 367,884,908	\$ 97,319,193
Stations	38.0	\$ 56,393,329	\$ 62,269,836
Controls & Communications	19.6	\$ 29,152,095	\$ 9,017,968
Facilities	22.9	\$ 33,989,621	\$ 10,005,492
Work Equipment	0.0	\$ 67,237	
Total System Reinvestment	478.8	\$ 710,402,093	\$ 358,205,740
Service & Capacity Enhancement			
Mainline	116.9	\$ 173,434,218	\$ 178,990,405
Rolling Stock	58.2	\$ 86,334,846	\$ 405,419,685
Stations	57.8	\$ 85,808,586	\$ 93,015,489
Controls & Communications	180.5	\$ 267,880,535	\$ 198,801,929
Facilities	42.6	\$ 63,186,106	\$ 87,807,244
Work Equipment	1.9	\$ 2,744,997	\$ 8,577,196
Total Service and Capacity Enhancement	457.9	\$ 679,389,288	\$ 972,611,949
Safety & Security	7.5	\$ 11,167,389	\$ 7,931,588
Earthquake Safety	15.9	\$ 23,605,125	\$ 224,850
System Expansion	36.9	\$ 54,754,498	\$ 51,109,218
TOTAL CAPITAL	997.0	\$ 1,479,318,394	\$ 1,390,083,345
<u>FY24 and FY25</u>			
<u>Reimbursable Headcount</u>	<u>Headcount</u>		
Capitol Corridor**	23.0		
Reimbursable***	19.5		
TOTAL REIMBURSABLE	42.5		
Cost Allocation Plan	48.0		

* Total authorized permanent positions.

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

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