



Board Budget Workshop: Financial Context

October 26, 2023



Meeting Overview

Item 1: Financial Context

- Context
- Deficit Revision
- Potential New Funding Sources
- Discussion

-- *Get Lunch*--

Item 2: Strategies to Reduce the Deficit

- Strategies to Reduce the Deficit
- Discussion



Context: Leading With Service

BART has deployed federal emergency assistance as directed – to maintain service levels and support the Bay Area’s economic recovery



Federal Transit Administration

FTA guidance: “funds shall, to the maximum extent possible, be directed to payroll and operations of public transit ”

<https://www.transit.dot.gov/frequently-asked-questions-fta-grantees-regarding-coronavirus-disease-2019-covid-19#CARES>

San Jose Mercury News

Thursday, July 1, 2021

BART to restore service four weeks earlier than planned

The agency will also run later weekend trains as more businesses and events open up

By KATE SELIG



OAKLAND, CA – JUNE 15: A BART passenger is photographed on the platform of the Fruitvale Station on Tuesday, June 15, 2021 in Oakland, Calif. As COVID-19 restrictions are eliminated across the state, face masks are still required on public transportation. (Aric Crabb/Bay Area News Group)

<https://www.mercurynews.com/2021/07/01/bart-to-restore-service-four-weeks-earlier-than-planned/>

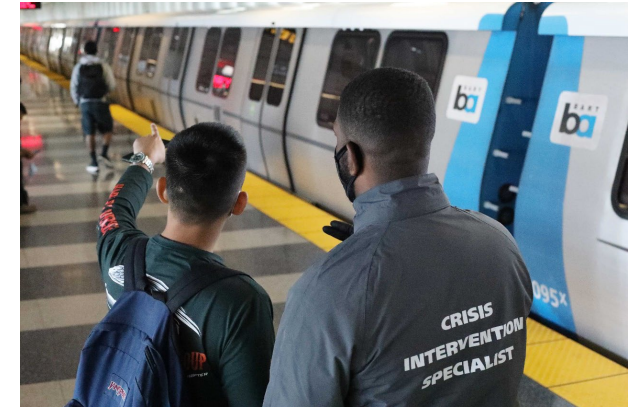


Context: BART's Focus on the Rider Experience

Even with fewer work commuters, BART's role remains essential

BART's efforts to regain ridership start with safety

- Launched Safe & Clean Plan outlining commitments to the riders
- Doubling officer presence systemwide and using unarmed Crisis Intervention Specialists, Ambassadors and Fare Inspectors for additional patrols
- Running shorter trains to enhance safety



Investing in ridership growth opportunities

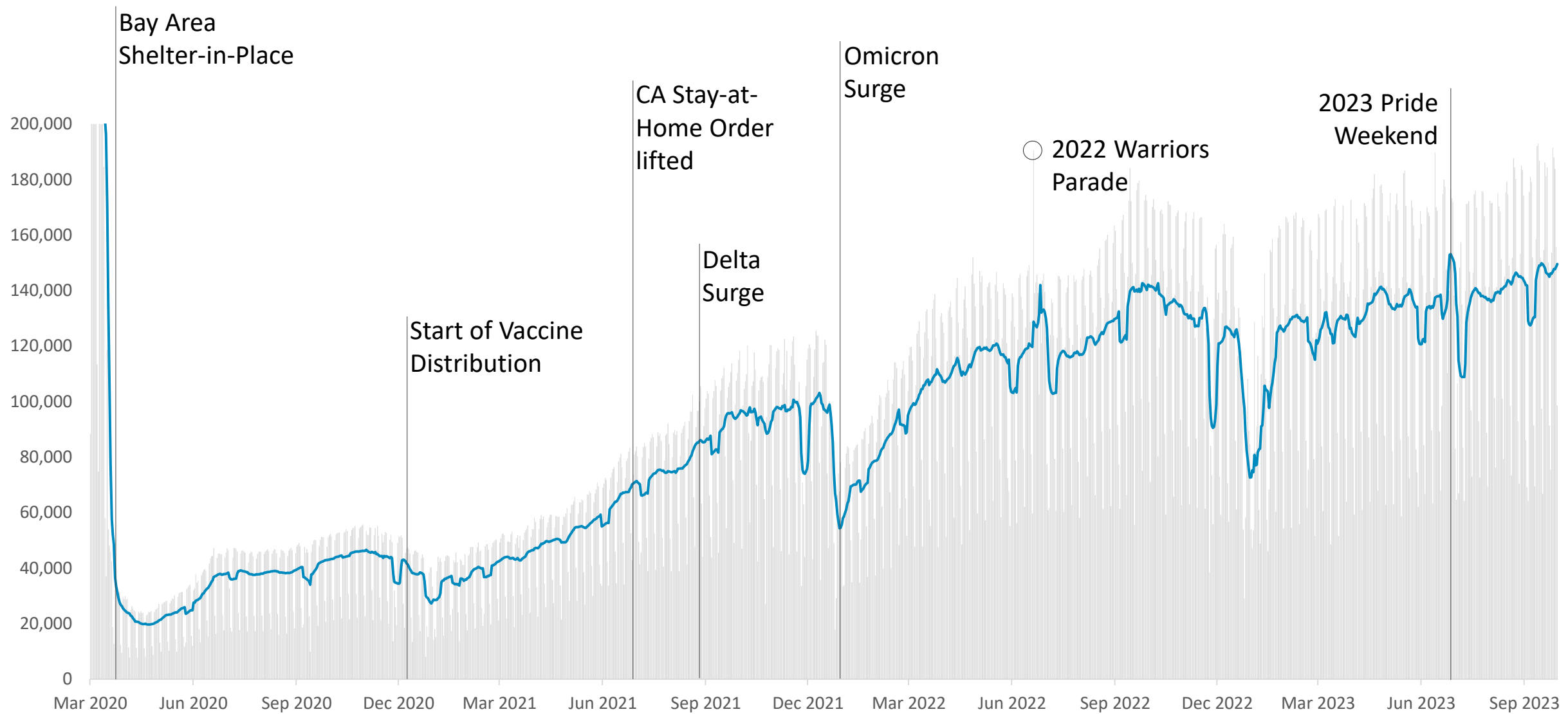
- New service pattern relies less on commute models & encourages leisure and other non-work trips
- Clipper BayPass pilot has encouraged thousands more trips by students and affordable housing residents

Prioritizing Improvements to the Rider Experience

- Focus on improving reliability and cleanliness systemwide
- New faregates to improve accessibility and reliability and deter fare evasion

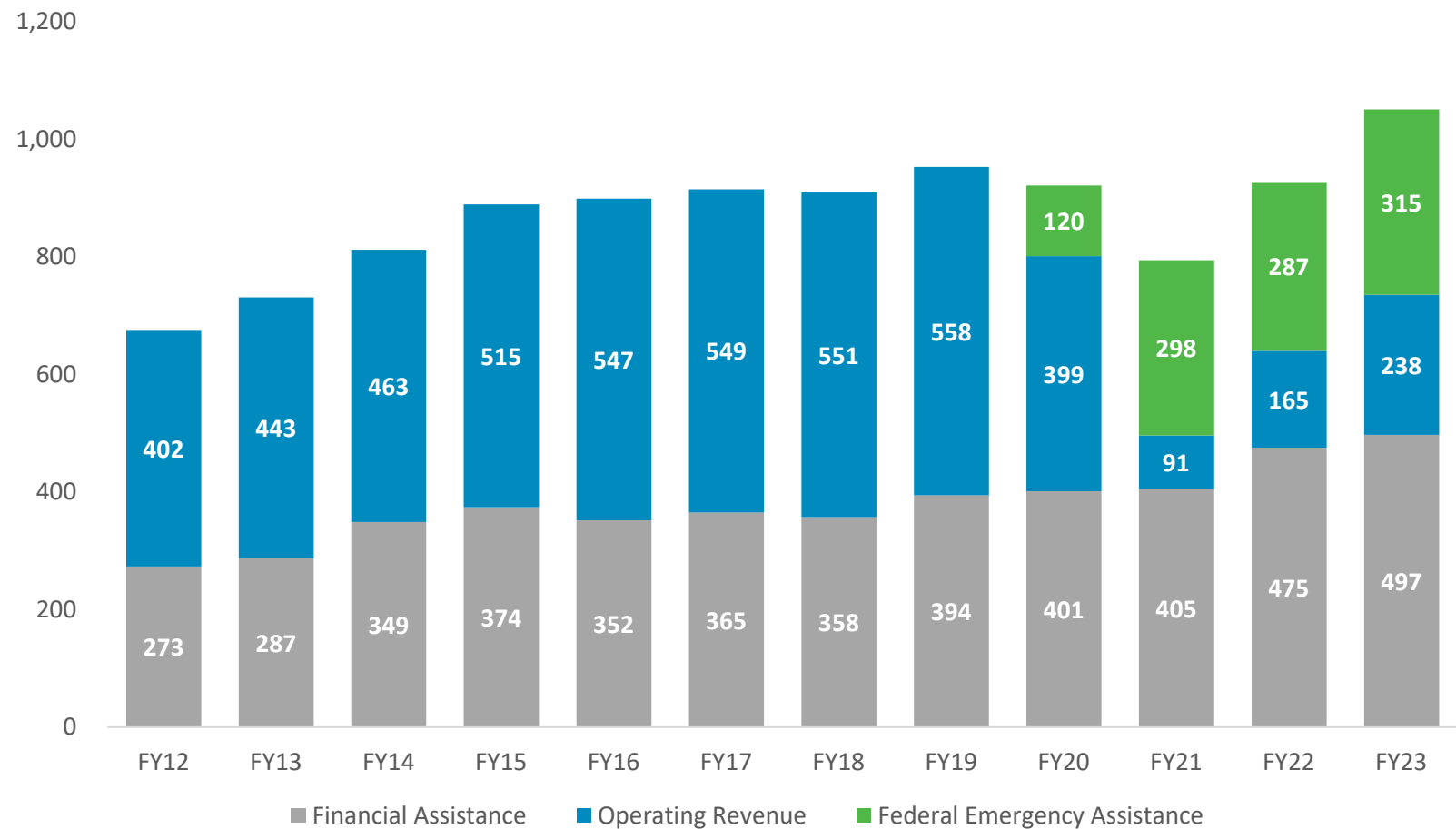


Context: Ridership Since COVID



Context: Changed Funding Structure

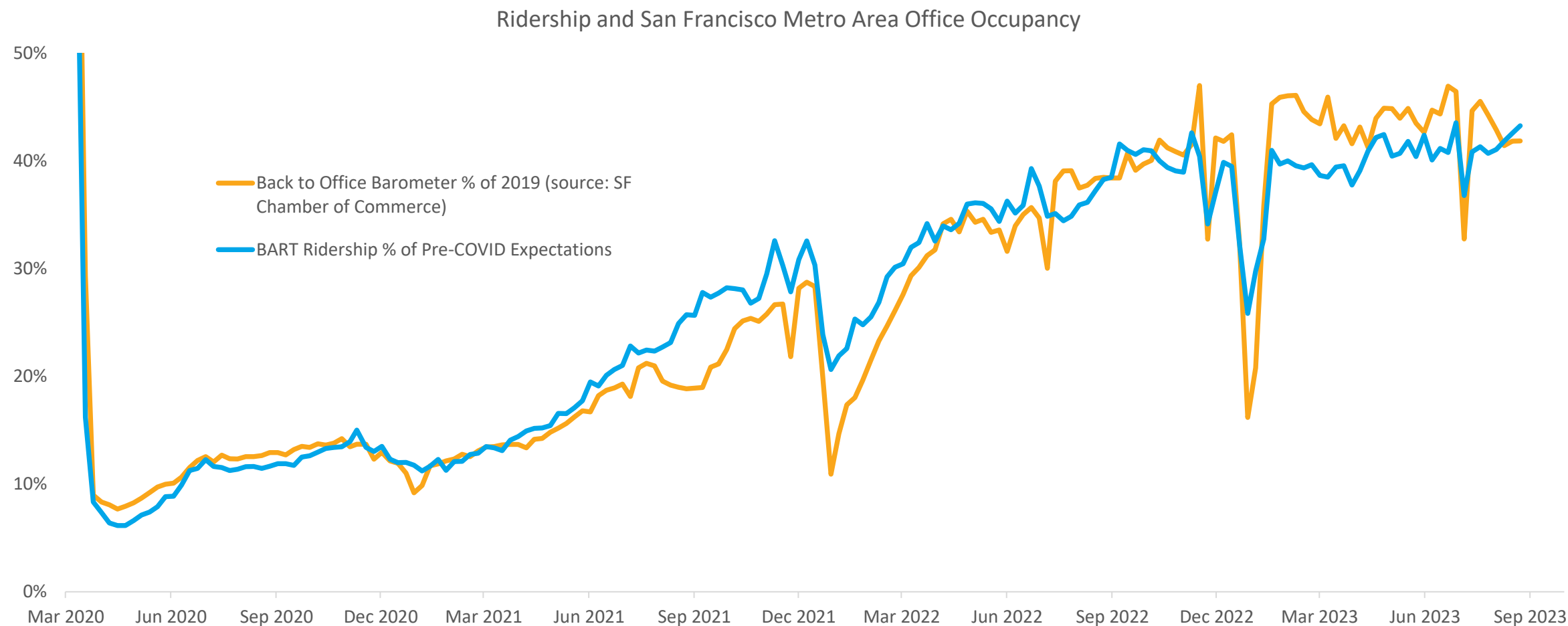
Operating Sources by Type (\$M)



BART’s funding model has been inverted

- Prior to pandemic, operating revenue covered ~60% of expense
- In FY23, operating revenue covered ~23%

Context: Ridership / Office Occupancy Since COVID



Deficit Revision

Deficit Revision: Changes Since Budget Adoption

Change (\$M)	FY24	FY25	FY26	FY27	FY28	FY29
Beginning Deficit from June 2023 Adopted Budget*	0	(102)	(322)	(298)	(342)	(282)
Revisions to Sources						
STA hold harmless & payment timing	28	22	20	0	0	0
VTA financial assistance	(0)	0	1	1	5	6
Sales tax projections	(2)	(4)	(5)	(5)	(5)	(8)
SB125	TBD	TBD	TBD	TBD	0	0
<i>Subtotal - Sources</i>	26	18	16	(4)	0	(2)
Revisions to Uses						
Railcar contingency	10	11	14	14	28	0
Change to Core Capacity service expansion date	0	0	0	0	71	73
BPD wage increase	(12)	(12)	(13)	(13)	(13)	(13)
CalPERS UAL increase	3	(5)	(13)	(21)	(30)	(40)
Misc other increases	(6)	(6)	0	0	0	0
Shorter trains	7	9	9	9	9	9
<i>Subtotal - Uses</i>	2	(3)	(2)	(11)	65	29
Total - Deficit Changes	29	16	14	(15)	65	27
Revised Deficit after Federal Aid	0	(58)	(307)	(313)	(277)	(255)

FY25 adopted deficit increased from \$93M to \$102M to reflect \$9M in additional federal emergency funding required to balance FY23

Numbers may not sum due to rounding

Deficit Revision: Changes Since Budget Adoption

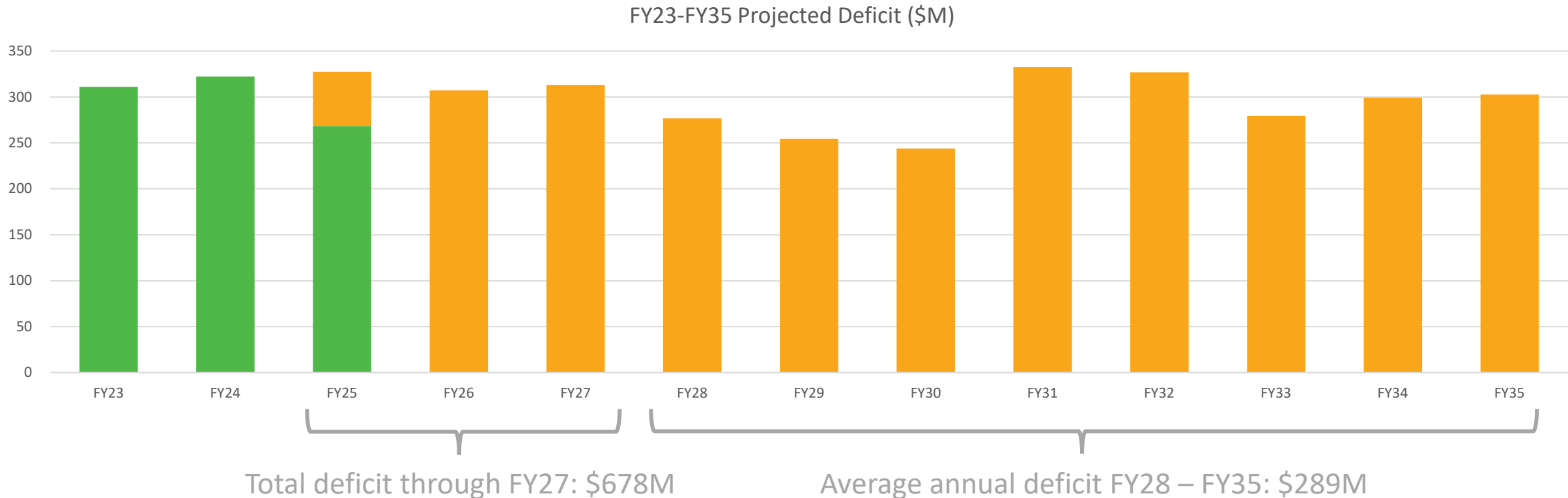
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Sales tax projections	(2)	(4)	(5)	(5)	(5)	(8)
MTC staff proposed state and regional relief*	0	58	294	0	0	0
<i>Subtotal - Sources</i>	26	76	310	(4)	0	(2)
Revisions to Uses						
Railcar contingency	10	11	14	14	28	0
Change to Core Capacity service expansion date	0	0	0	0	71	73
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* Pending MTC Commission approval of SB125, TIRCP, and regional contributions

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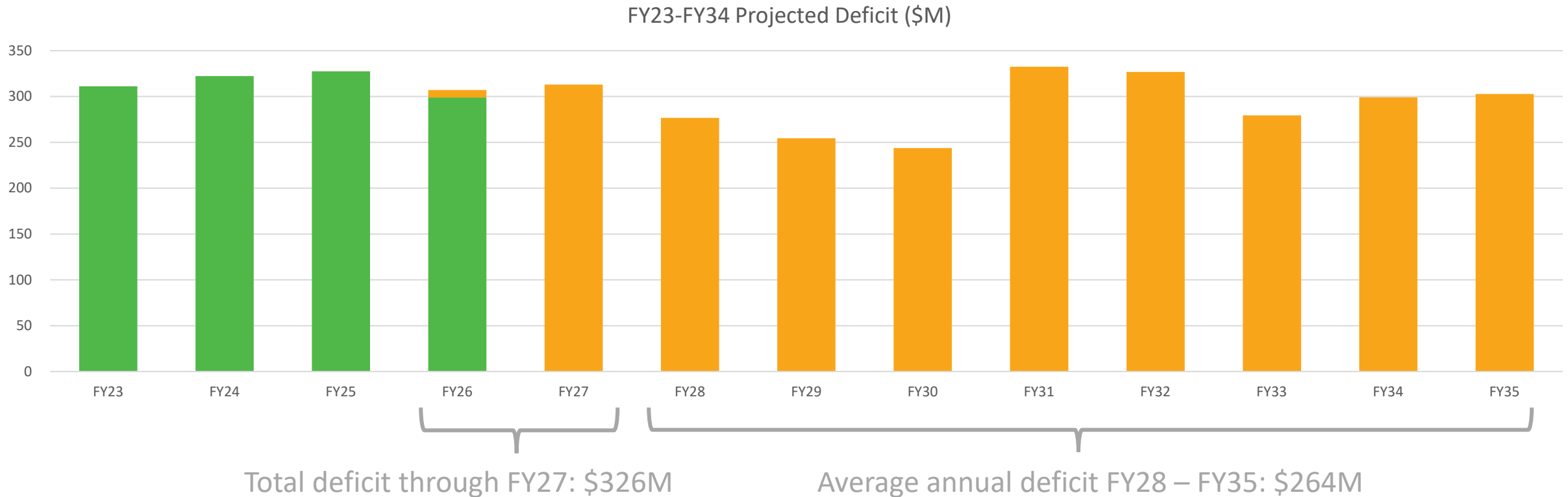
Deficit Revision: Long Term Outlook



- BART must close a \$678M gap before FY28
- Without permanent new operating support, BART faces annual deficits of approximately \$289M per year through FY35



Deficit Revision: Long Term Outlook



- BART must close a \$326M gap before FY28
- Without permanent new operating support, BART faces annual deficits of approximately \$289M per year through FY35

Potential New Funding Sources

2023 Fiscal Cliff Advocacy

In 2023 BART's General Manager, Directors, staff, advocates, and labor partners engaged in an array of advocacy efforts to address BART's fiscal cliff:

- Weekly regional and statewide working groups
- Frequent meetings with Bay Area elected officials, State Legislators, and the Governor's Office
- Participation in several committee hearings
- Regional and statewide coalition letters
- Attendance at multiple press events



State Funding for Operating Relief and Transit Capital

SB 125 – Budget Act of 2023

- Restores \$2 billion in funding for the Transit and Intercity Rail Capital Program (TIRCP) over two years, maintaining a total of \$4 billion in investments
- Provides \$1.1 billion in *new* funding for a Zero-Emissions Transit Capital Program (ZETCP) over four years
- Both funding programs have been made flexible for use on transit operations and transit capital
- Establishes a Statewide Transit Transformation Task Force focused on developing recommendations to grow transit ridership, improve the transit experience, and address long-term operational needs
- Creates accountability by requiring a short-term financial plan for each region by Dec 2023, compilation of key transit operator data points, and a long-term financial plan for each region by June 2026

Regional Allocations and Deliverables

TIRCP Funding

- \$770 million available over two years for MTC's TIRCP Augment 2
 - \$350 million proposed for BART Core Capacity
 - \$375 million proposed for BART to Silicon Valley Phase II
 - \$45 million directed to transit operations reserve

ZETCP Funding

- \$402 million over four years directed to MTC for regional allocation
- Preliminary distribution presented to MTC on October 25 and finalized on November 15
- MTC's initial allocations package and regionally compiled transit operator data due to CalSTA by December 31, 2023

MTC Regional Contribution

- MTC identified \$300 million to be directed to fund operations
- Redirection of funds will require significant trade offs

3-Year “Standardized” Need Framework



Confirm in 2024



Revisit in 2025

Amounts are reported in millions

	FY 23-24	FY 24-25	FY 25-26	Total (\$)	Total (%)
SFMTA	\$0	\$99	\$209	\$309	39%
BART	\$0	\$58	\$294	\$352	45%
AC Transit	\$0	\$4	\$29	\$33	4%
Caltrain	\$0	\$0	\$25	\$25	3%
Golden Gate Transit	\$0	\$3	\$29	\$32	4%
Other Operators/Focused Funding	\$0	\$20	\$20	\$40	5%
Bay Area Total	\$0	\$185	\$606	\$791	100%

The numbers in the table above represent the shortfalls forecasted under standardizing assumptions provided by MTC.

To adapt to changing circumstances, the distribution will be reassessed on a rolling basis, beginning prior to FY24-25.



Other Near-Term Funding Opportunities

SB 532 (Wiener)

- Passed the Assembly Transportation Committee, subsequently paused before hearing in Assembly Appropriations
- Senator interested in a menu of options, in addition to a bridge toll, to provide multi-year funding until a regional revenue measure passes
- Planning to convene the Select Committee on Bay Area Public Transit in November

Other Opportunities within 2024 Legislative Session

- Transportation Development Act
- Shifting of federal highways funds
- Innovative Clean Transit relief
- Low Carbon Fuel Standards Program



Long-Term Solution: A Regional Transportation Measure

A regional measure, coordinated by the Metropolitan Transportation Commission (MTC), is an opportunity to generate a new source of reliable, long-term funding for Bay Area transit operators.

MTC's Regional Measure Goal and Focus Areas

Goal: Create a climate-friendly transportation system that is safe, accessible and convenient for all

MTC's Focus Areas:

- Protect and Enhance Transit Service
- Make Transit Faster, Safer and Easier to Use
- Enhance Mobility & Access for All

MTC's Proposed Funding Categories



Transit Transformation

Sustain and/or expand transit service levels on bus, rail, and ferry lines to serve both current and future riders. Accelerate Transformation Action Plan improvements to the customer experience and help fund the zero-emission transit transition.



Safe Streets

Transform local roads to better address safety and achieve equity and climate goals, such as through expanded sidewalks and/or protected bicycle infrastructure, safety enhancements, traffic signal timing, improved pavement conditions.



Connectivity

Fund mobility improvements that close gaps and relieve bottlenecks in the existing transportation network in a climate-neutral manner. Example project types include express lanes, rail- grade separations, rail extensions, and interchange modernizations.



Climate Resilience

Fund planning, design and/or construction activities that protect transportation infrastructure from rising sea levels, flooding, wildfires, and extreme heat.

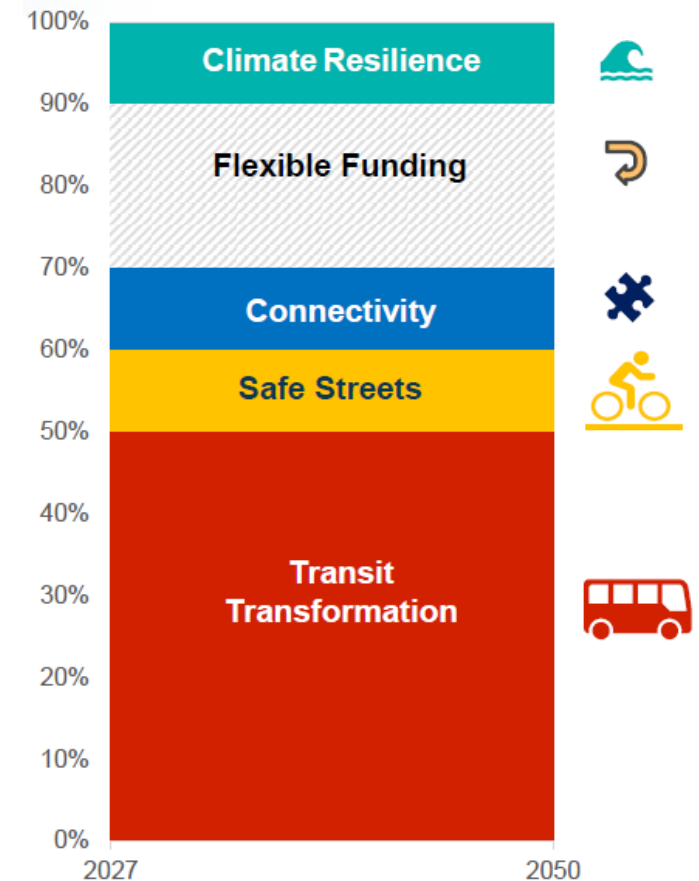
MTC's Expenditure Plan Concept: Adaptable

Concept: Specify a minimum share for each spending category but allow percentages to be adjusted over time, subject to public input and demonstration of need.

Flexible Funding: Reserve portion of funds for a “flexible” category to enhance ability of measure’s revenues to be responsive to future needs.

How Much for Each Category?

Recommend MTC adopt an initial concept without minimum percentages to allow for maximum consensus and coalition building during early part of legislative process. Shares shown at right are for illustration purposes only.



Tax Revenue Options Analyzed by MTC

Tax Type	Description	Tax Rate
Sales tax	Regional sales tax on the sale of tangible items. Some groceries are exempt.	0.5-cents
Income tax	Regional supplemental income tax paid by taxpayer – withheld from paycheck (can be limited to those with an income above a specified threshold and/or include tiered rates)	0.17%
Payroll tax	Employer-based tax on wages paid to employees, like Social Security. Can be structured to exempt small businesses.	0.36% taxable wages
Corporate head tax	Employer-based tax per employee. Can be structured to exempt small businesses.	\$216/employee
Parcel tax	Flat tax per parcel of real property, can exempt certain taxpayers (e.g., seniors). Note: option to impose per square foot.	\$467/parcel
Road usage charge	Tax based on miles driven. Also known as a Vehicle Miles Traveled (VMT) fee. Only exists on a pilot, voluntary basis today.	\$0.0152/mile

Tax rates estimated for each revenue source based on rate needed to generate approximately \$1 billion/year.

** Adapted from MTC Partnership Board Meeting - October 23, 2023*

Regional Transportation Measure Legislation: MTC Actions in Fall 2023

Stakeholder Engagement

- Continue dialogue with partners and stakeholders on goals, principles, tradeoffs associated with expenditures, and revenue options
- Brief the region's state and federal elected officials on key concepts

Public Opinion Poll

- Poll underway of Bay Area voters to seek feedback on measure's goals, potential revenue options and expenditure plan priorities to inform enabling legislation
- Results available by December

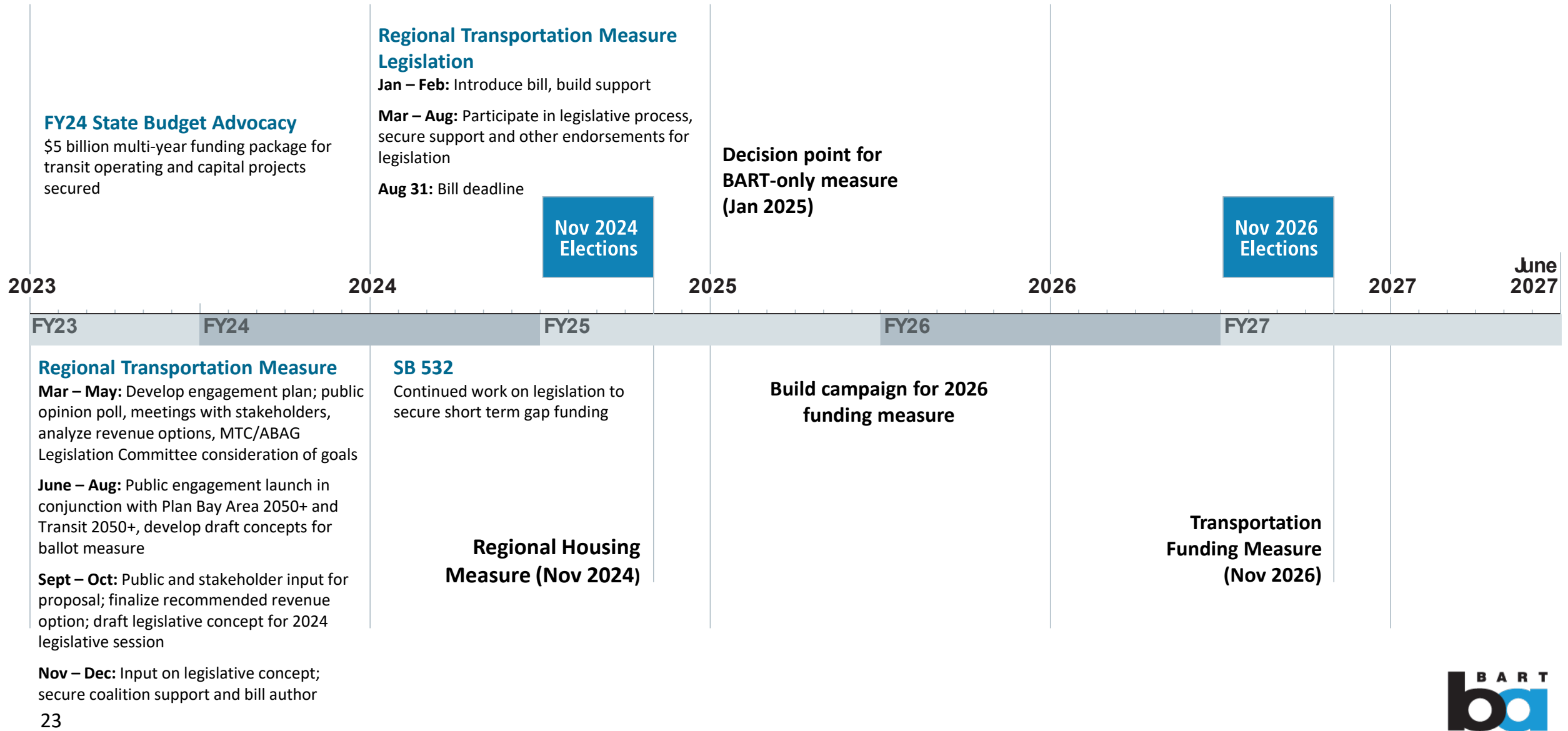
Revenue Option Analysis

- Integrate operator financial data to align revenue options with financial needs for different expenditure categories
- Recommendation for revenue option(s) shared with Joint Legislation Committee & Policy Advisory Council in November

Enabling Legislation

- Approval of key concepts for enabling legislation by Joint Legislative Committee & Commission in December

Multi-Year Outlook for Short- and Long-Term Funding



Board Involvement in Fiscal Cliff Advocacy

- Education campaign on BART's Safe and Clean Plan
- Advocacy trip to Washington, D.C. with General Manager and Board Members
- Participation in discussions regarding transportation measure expenditures and revenue options
- Continued engagement on SB 532 and stop gap funding options
- Support efforts to pass enabling legislation for a regional transportation measure



Public Comment & Board Discussion