

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FISCAL YEAR 2009 BUDGET

The BART Board has adopted a balanced operating budget for Fiscal Year 2009 (July 1, 2008 through June 30, 2009). The FY09 budget reflects the cost of operating an aging system at unprecedented service levels and at a time of uncertainty regarding the economy. Economic forecasts are a concern, and a cautious outlook for next year has been reflected in projections for some of the District's major revenue sources for FY09. The health of the economy has typically had a large impact on ridership and sales tax, the District's two primary revenue sources, which combined constitute 79% of operating budget sources.

However, to date, the grim economic reports have been offset by rising gas prices, resulting in increasing demand for the BART system. On the other hand, the growing ridership requires record levels of service. Providing this service combined with an aging physical plant and rolling stock increases the pressure on maintaining service reliability and on-time performance, the two factors that customers consistently report as most important to their choice to use BART. The challenge for the District is to carefully prioritize funding "to keep up" with ridership growth and service requirements, while ensuring that FY09 investments help to create a more efficient and sustainable system.

In order to maintain current service quality, capital reinvestment remains a critical priority for the District. The District's capital needs for the next 25 years are estimated in the billions of dollars, and include the replacement of its rolling stock fleet.

In maintaining service quality and reliability and the necessary reinvestment in BART's physical plant as top priorities, BART acknowledges the important role it must play in creating a sustainable San Francisco Bay Area region. BART's riders already reduce 400,000 metric tons of greenhouse gas emissions on an annual basis, and increasing BART's role is critical if the region is to address the climate change challenge successfully.

Below is a brief overview of the District's FY09 budget, with the attached documents providing more detail.

Operating Sources and Uses

Operating sources for FY09 are \$673.5M, or \$44.3M more than the FY08 Revised Budget. This increase is mostly based on growth in passenger revenue and a one-time SamTrans financial contribution to SFO Extension operations, up \$25.1M and \$17.5M respectively. Passenger revenue growth is due mainly to higher-than-budgeted ridership growth of about 5% in FY08 and a full year of the 5.4% fare increase effective January 2008. For FY09, however, due to a slowing economy, a slower ridership growth rate of 2.8% has been assumed. The lower sales tax growth realized in FY08 of 2% is expected to continue into FY09 and is significantly below the long-term average. After passenger revenue, sales tax is the District's largest source of funds.

Although the FY09 Budget has \$673.5M in sources and \$674.8M in operating uses, it is balanced in terms of cash flow because the \$1.3M Other Post Employment Benefits (OPEB) unfunded liability is recognized as an expense; the OPEB unfunded liability is the difference between BART's "ramp-up" funding plan for retiree medical and the full actuarially calculated annual required contribution. Overall, operating uses are up \$44.3M compared to the FY08 Revised Budget. Significant factors in this increase include \$14.6M for one-time retiree medical "catch-up" funding for FY06 and FY07, a \$5M increase for FY09 retiree medical funding, \$9.6M more for other labor and benefits, and allocation of the \$17.5M SamTrans contribution into the SFO reserve for extension operations.

New Initiatives

Limited funding of \$4.1M is available in the FY09 Budget for new initiatives. This funding has been prioritized to help the District "keep up" with ridership growth and service requirements, and to ensure that the system is more efficient and sustainable. Initiatives for FY09 include funding for maintenance positions, rail car parts, system maintenance materials, energy conservation, and capital improvements.

State Transit Assistance Funding Uncertainty

The adopted FY09 Budget is balanced based on the District's receiving an estimated \$17.4M in State Transit Assistance (STA) funding, which the Governor has proposed to cut or eliminate to help address the State of California's budget shortfall. If the Governor's proposed cut becomes part of the state's adopted budget, staff will bring to the BART Board proposals and a recommendation to rebalance the District's FY09 Budget.

Capital Budget

The FY09 capital budget has expenditures of \$714.1M and funds 362 positions. The capital budget is primarily funded through capital grants; however, District-allocated funds are also needed for a portion of the required local match and for expenditures which do not qualify for grants. The largest capital expenditure for FY09 is in the program area of earthquake safety.

Attachments:

Attachment 1 - Operating Budget Sources and Uses Detail

Attachment 2 - Capital Budget Program Summary

ATTACHMENT 1
Fiscal Year 2009 District Operating Budget
Sources and Uses Detail

SOURCES	FY09 PRELIMINARY	Changes	FY09 ADOPTED
Rail Passenger Revenue	\$ 321,480,291	\$ 1,265,840	\$ 322,746,131
ADA Passenger Revenue	585,000	-	585,000
Parking Revenue	10,180,350	266,490	10,446,840
Other Operating Revenue	21,504,311	-	21,504,311
Sub-Total Operating Revenue	353,749,952	1,532,330	355,282,282
Sales Tax Proceeds	206,777,346	-	206,777,346
Property Tax Proceeds	30,718,800	-	30,718,800
STA & TDA Assistance	17,406,507	-	17,406,507
Measure B	2,060,688	-	2,060,688
Federal 5307 Preventive Maintenance (SMP Grant)	5,298,260	-	5,298,260
Federal 5307 Grant - Rail Car MTC Fund Swap	22,681,000	-	22,681,000
San Mateo County Financial Assistance	16,000,000	-	16,000,000
San Mateo County Measure A Sales Tax	653,700	-	653,700
San Mateo County STA Prop 42 TCRP Increment	801,024	-	801,024
Millbrae Use, Operating & Maint. Agreement	721,000	-	721,000
Allocation from SFO Reserve Account	6,172,605	-	6,172,605
Allocation from W. Dublin Project for Debt Service	3,130,964	-	3,130,964
Allocation from Operating Reserves	5,930,163	(139,155)	5,791,008
Sub-Total Financial Assistance & Allocations	318,352,057	(139,155)	318,212,902
TOTAL SOURCES	672,102,009	1,393,175	673,495,184
USES			
Labor	388,023,977	-	388,023,977
OPEB Unfunded Liability	1,343,904	-	1,343,904
ADA Paratransit	11,538,678	-	11,538,678
Purchased Transportation	2,884,647	-	2,884,647
Power	38,328,000	-	38,328,000
Other Non-Labor	93,809,272	127,335	93,936,607
Extraordinary Expense - Rail Car Fund Swap	22,681,000	-	22,681,000
Sub-Total Operating Expense	558,609,478	127,335	558,736,813
Debt Service	63,601,999	-	63,601,999
MTC Loan Debt Service	6,260,000	-	6,260,000
Allocation - To SFO Reserves	17,454,724	-	17,454,724
Allocation - Capital Rehabilitation	26,614,712	1,265,840	27,880,552
Allocation - Access Programs	625,000	-	625,000
Allocation - SFO Ancillary Revenue Reserve	280,000	-	280,000
Sub-Total Allocations	114,836,435	1,265,840	116,102,275
TOTAL USES	673,445,913	1,393,175	674,839,088
OPEB Unfunded Liability	(1,343,904)	-	(1,343,904)
NET RESULT	\$ -	\$ -	\$ -
Operating Ratio	66.0%		66.3%
Rail Farebox Recovery Ratio	61.6%		61.9%
Farebox Recovery Ratio	60.1%		60.3%

ATTACHMENT 2

FY09 Capital Budget Headcount and Planned Expenditures

Program Summary

Program Category	Capital Headcount*	Planned Expenditures
System Reinvestment		
Rolling Stock	20	\$5,313,482
Mainline	51	\$40,398,542
Stations	11	\$19,621,630
Controls & Communications	46	\$59,385,326
Facilities	5	\$6,859,125
Work Equipment	1	\$16,029,721
Subtotals	134	\$147,607,826
Safety & Security	15	\$30,704,449
Earthquake Safety	35	\$373,563,727
Service & Capacity Enhancement	45	\$43,442,394
System Expansion	53	\$107,233,606
Capitol Corridor**	16	\$2,541,763
Reimbursable***	16	\$8,987,917
Cost Allocation Plan	48	CAP costs are included in the line items above.
TOTALS	362	\$714,081,682

* Total authorized permanent positions ("high water").

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

*** Positions fully reimbursed by Muni, Caltrans, and businesses for BART staff expenses incurred in performing services for the those agencies and businesses.