



# EXECUTIVE DECISION DOCUMENT

<b>GENERAL MANAGER APPROVAL:</b>		DocuSigned by: <i>Michael Jones</i> 47000790F2D7463...	<b>GENERAL MANAGER ACTION REQ'D:</b>		
<b>DATE:</b> 6/3/2024		6/7/2024	<b>BOARD INITIATED ITEM:</b> Yes		
<b>Originator/Prepared by:</b> Katherine Alagar <b>Dept:</b> Operating Budgets	<b>General Counsel</b>	<b>Controller/Treasurer</b>	<b>District Secretary</b>	<b>BARC</b>	
DocuSigned by: <i>Katherine Alagar</i> 697EB8AE6F87469...	DocuSigned by: <i>Amelia Sandoval</i> 2528C067C44147D...	DocuSigned by: <i>Smith Morgan</i> 998BB5CEE5E149F...		DocuSigned by: <i>Pamela Herhold</i> 3BB24D65B8724F5...	
<b>Signature/Date:</b> 6/5/2024	6/5/2024 [ ]	6/5/2024 [ ]	[ ]	6/5/2024 [ ]	

## Two-Year Budget Resolution for Fiscal Year 2025 and Fiscal 2026

### PURPOSE:

Authorize adoption of the Fiscal Year 2025 and Fiscal Year 2026 Two-Year Budget Resolution (Budget Resolution).

### DISCUSSION:

Approval by the Board of Directors is required for the Fiscal Year 2025 and Fiscal Year 2026 (FY25 & FY26) operating and capital budgets. The proposed combined operating and capital budget is \$2.4 billion (B) in FY25 and \$2.3B in FY26.

The proposed FY25 & FY26 budgets are summarized in Attachments 1 and 2, which include funding sources and uses of funds for the operating and capital budgets.

The proposed budget was presented to the Board of Directors at meetings in April and May 2024, concluding with a public hearing on May 23, 2024. Additional information can be found at [bart.gov/financials](http://bart.gov/financials).

### FY25 & FY26 Operating Budget

The FY25 & FY26 operating budget continues to be highly constrained by reduced operating revenues associated with lower ridership and lower sales tax receipts.

Operating revenues in the FY25 budget are \$33.4M higher than the adopted FY24 budget. The revenue budget projects \$297.5M of operating revenue in FY25 and \$309.9M in FY26. This includes \$235.1M of rail passenger revenue in FY25 and \$258M in FY26, incorporating



the previously approved, less-than-CPI 5.5% fare increase effective January 2025 as adopted by the Board on June 8, 2023.

Financial assistance is budgeted at \$500.3M in FY25 and \$510.7M in FY26. This includes \$320.3M of sales tax, \$64.3M of property tax, \$35.2M of VTA Financial Assistance, and \$48.8M of State Transit Assistance in FY25. Sales tax receipts are expected to slow from the prior year in light of rising consumer debt and diminishing personal savings, constraining household budgets.

The proposed operating budget authorizes FY25 and FY26 expenditures of \$1.1B and \$1.2B, respectively, while funding 3,770.1 operating and 44.5 reimbursable full-time equivalent positions (FTEs) and FTEs in FY25 and FY26.

The Labor Budget includes:

- A previously negotiated 4.0% wage increase in FY25 for AFSCME, ATU, SEIU, and non-represented employees as well as a 3.0% increase in FY25 and 3.5% in FY26 for BPOA/BPMA employees.
- Right sizing of Transportation frontline staff, with the addition of 61 FTE for Transportation, partially offset by eliminating 25 vacant positions in other Operations departments.
- The conversion of 186.3 FTEs in Maintenance from Capital to Operating to reflect actual charging patterns.
- The budget includes an operating position vacancy rate assumption of 6% and a capital position vacancy rate assumption of 18%. The current rates are 7.5% and 20%, respectively. Separate budgeting of these rates is intended to bring expected capital reimbursements budget closer to actuals.

The Non-Labor Budget includes:

- Power cost increases of \$2.6M in FY25 and \$3.4M in FY26, due to increased energy supply costs and distribution/delivery rates.
- An increase of \$3.7M in Paratransit in FY25 expected with new vendor contracts.
- One-time increases of \$5.0M for Clipper fees associated with the Clipper 2 transition and \$2.3M for November 2024 election costs.

Debt Service and Allocations include:

- Suspension of the pension allocation contributions of \$10M.
- Suspension of Sustainability allocations.
- Deferral of Priority Capital allocations based on projected cashflow needs of the associated capital projects.
- The shift of \$9.6M of Baseline Capital Reinvestment allocations from FY25 to FY26 to balance FY25 and align with the expected timing of SB 125 payments.

Emergency Funding of \$328.2M (\$270M remaining Federal Emergency Assistance and \$58M in State/Regional Emergency Assistance) in FY25 balances the budget. The remaining State/Regional Emergency Assistance of \$294M will be exhausted in FY26 leaving a \$35.4M deficit.

### **FY25 & FY26 Capital Budget**

The FY25 & FY26 Capital Budget anticipates a maximum investment of \$1.2B in both FY25 and FY26 in BART's capital assets and funds 812.4 FTEs.

The Two-Year Capital Budget provides an estimate of work planned to be completed in the coming two fiscal years. The majority (98%) of planned investments are in System Reinvestment and Service and Capacity Enhancement. The top 5 projects with the highest capital budgets represent 65% of the total FY25 Capital Budget. The largest investments are in the Core Capacity Program, including investment in Communications-based Train Control (CBTC) and Rail Cars, as well as significant investment in Next Generation Fare Gates. The remainder of the FY25 Capital Budget invests in Traction Power, Track & Structures, and Stations projects. The FY26 Capital Budget will be the last year with significant rail car expenditures and the largest investments will continue to be in the Core Capacity Program. The new BART Police Headquarters will be well underway in FY26. More than 60% of the Capital Budget is funded with regional, local and BART sources including Capital Allocations, BART Measure RR, county contributions and MTC Rail Car Exchange Account. The rest is funded from Federal and State grants, which includes State SB1 program funding, FTA Capital Investment Grant, and Federal Formula Funds.

### **FY25 & FY26 Budget Resolution**

Staff recommends approval of the attached Resolution to adopt the Fiscal Year 2025 and Fiscal Year 2026 Two-Year 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, SB 125, 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 FY25 and FY26, the budget suspends the Low Carbon Fuel Standard Policy, adopted July 27, 2017 which allocates revenues directed toward sustainability-related projects, and the Pension Funding Policy adopted March 28, 2019 which sets aside funds to pay down

pension liability in future years. The budget also defers priority capital allocations for FY25 and FY26.

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 2025 and Fiscal Year 2026 Two-Year Budget is balanced in FY25 (year one) with a deficit of \$35.4M in FY26 (year two). The fiscal outlook will be updated and the budget 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 FY25.

**RECOMMENDATION:**

Adoption of the following motion.

**MOTION:**

The Board adopts the attached Resolution in the matter of approving the Two-Year Budget for the San Francisco Bay Area Rapid Transit District and authorizes expenditures for the fiscal years July 1, 2024 to June 30, 2025 and July 1, 2025 to June 30, 2026.

**Attachment 1**  
**FY25 and FY26 District Operating Budget**  
**Sources and Uses Detail**

	FY25 Preliminary Budget	FY25 Proposed Budget	Delta from Preliminary Budget	FY26 Preliminary Budget	FY26 Proposed Budget	Delta from Preliminary Budget
Rail Passenger Revenue	\$ 240,432,789	\$ 235,136,259	\$ (5,296,531)	\$ 261,950,532	\$ 257,979,299	\$ (3,971,233)
ADA Passenger Revenue	590,000	590,000	-	620,000	620,000	-
Parking Revenue	16,463,286	16,463,286	-	16,008,707	16,008,707	-
Other Operating Revenue	47,158,537	45,327,963	(1,830,574)	46,148,070	35,334,483	(10,813,587)
<b>Subtotal - Operating Revenue</b>	<b>\$ 304,644,612</b>	<b>\$ 297,517,507</b>	<b>\$ (7,127,105)</b>	<b>\$ 324,727,309</b>	<b>\$ 309,942,489</b>	<b>\$ (14,784,820)</b>
Sales Tax Proceeds	323,484,631	320,309,800	(3,174,831)	332,336,221	327,905,080	(4,431,141)
Property Tax Proceeds	64,260,000	64,260,000	-	65,866,500	65,866,500	-
VTA Financial Assistance	35,274,857	35,167,085	(107,772)	35,179,557	34,572,565	(606,992)
MTC Financial Assistance Clipper Start	1,275,547	1,336,264	60,718	118,289	1,466,092	1,347,803
Local & Other Assistance	13,434,733	13,434,733	-	13,708,528	13,708,528	-
State Transit Assistance	48,781,274	48,781,274	-	49,337,465	49,337,465	-
Low Carbon Transit Operations Program	11,008,728	11,008,728	-	11,813,305	11,813,305	-
Low Carbon Fuel Standard Program	6,000,000	6,000,000	-	6,000,000	6,000,000	-
<b>Subtotal - Financial Assistance</b>	<b>\$ 503,519,770</b>	<b>\$ 500,297,884</b>	<b>\$ (3,221,886)</b>	<b>\$ 514,359,865</b>	<b>\$ 510,669,534</b>	<b>\$ (3,690,330)</b>
<b>TOTAL - OPERATING SOURCES</b>	<b>\$ 808,164,382</b>	<b>\$ 797,815,392</b>	<b>\$ (10,348,991)</b>	<b>\$ 839,087,173</b>	<b>\$ 820,612,023</b>	<b>\$ (18,475,150)</b>
Labor & Benefits	780,479,698	780,647,902	168,204	796,583,329	796,736,146	152,817
ADA Paratransit	22,495,000	22,495,000	-	23,000,000	23,000,000	-
Purchased Transportation	8,276,618	8,357,991	81,373	8,276,618	8,357,991	81,373
Power	61,613,235	61,613,235	-	64,996,543	64,996,543	-
Other Non-Labor	159,560,365	160,748,454	1,188,089	158,134,635	149,988,313	(8,146,322)
<b>Subtotal - Operating Expense</b>	<b>\$ 1,032,424,916</b>	<b>\$ 1,033,862,582</b>	<b>\$ 1,437,666</b>	<b>\$ 1,050,991,125</b>	<b>\$ 1,043,078,993</b>	<b>\$ (7,912,132)</b>
Bond Debt Service	60,163,276	60,163,276	-	60,178,575	60,178,575	-
Allocation - Capital Rehabilitation	38,647,646	29,059,075	(9,588,571)	34,181,377	43,869,948	9,688,571
Allocation - Priority Capital Programs	-	-	-	-	-	-
Allocation - Other	2,967,243	2,967,243	-	2,967,243	2,967,243	-
Allocation - Sustainability from LCFS	-	-	-	-	-	-
Allocation - Pension	-	-	-	-	-	-
<b>Subtotal - Debt Service &amp; Allocations</b>	<b>\$ 101,778,165</b>	<b>\$ 92,189,594</b>	<b>\$ (9,588,571)</b>	<b>\$ 97,327,195</b>	<b>\$ 107,015,766</b>	<b>\$ 9,688,571</b>
<b>TOTAL - USES</b>	<b>\$ 1,134,203,081</b>	<b>\$ 1,126,052,176</b>	<b>\$ (8,150,905)</b>	<b>\$ 1,148,318,320</b>	<b>\$ 1,150,094,759</b>	<b>\$ 1,776,439</b>
<b>Net Result Before Emergency Assistance</b>	<b>\$ (326,038,698)</b>	<b>\$ (328,236,784)</b>	<b>\$ (2,198,086)</b>	<b>\$ (309,231,146)</b>	<b>\$ (329,482,736)</b>	<b>\$ (20,251,590)</b>
<b>Emergency Assistance</b>	<b>\$ 326,038,698</b>	<b>\$ 328,236,784</b>	<b>\$ 2,198,086</b>	<b>\$ 283,076,857</b>	<b>\$ 294,048,000</b>	<b>\$ 10,971,143</b>
<b>NET RESULT</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (26,154,289)</b>	<b>\$ (35,434,736)</b>	<b>\$ (9,280,447)</b>
Average Weekday Trips	176,600	170,200	(6,400)	188,100	177,400	(10,700)
Total Ridership	53,296,800	51,726,900	(1,569,900)	56,543,700	53,905,800	(2,637,900)
Rail Farebox Recovery Ratio	23%	23%		25%	25%	
Operating Ratio	30%	29%		31%	30%	

## Attachment 2

### FY25 and FY26 Capital Budget Headcount and Planned Expenditures Program Summary by Category

Program Category	FY25 Planned Expenditures	FY26 Planned Expenditures
<b>System Reinvestment</b>		
Mainline	\$ 123,035,762	\$ 110,980,132
Rolling Stock	\$ 46,131,390	\$ 918,566
Stations	\$ 59,460,090	\$ 61,639,737
Controls & Communications	\$ 11,398,502	\$ 4,739,522
Facilities	\$ 10,486,572	\$ 10,155,836
Work Equipment	\$ 1,271	\$ -
<b>Total System Reinvestment</b>	<b>\$ 250,513,587</b>	<b>\$ 188,433,792</b>
<b>Service &amp; Capacity</b>		
Mainline	\$ 126,449,806	\$ 113,398,230
Rolling Stock	\$ 499,983,753	\$ 520,531,257
Stations	\$ 130,811,619	\$ 71,737,961
Controls &	\$ 164,383,726	\$ 197,521,023
Facilities	\$ 31,405,163	\$ 75,738,820
Work Equipment	\$ 8,037,921	\$ 1,955,407
<b>Total Service and Capacity Enhancement</b>	<b>\$ 961,071,987</b>	<b>\$ 980,882,698</b>
<b>Safety &amp; Security</b>	<b>\$ 3,500,117</b>	<b>\$ 1,049,538</b>
<b>Earthquake Safety</b>	<b>\$ 12,409,955</b>	<b>\$ 337,568</b>
<b>System Expansion</b>	<b>\$ 16,163,733</b>	<b>\$ 16,152,286</b>
<b>TOTAL CAPITAL</b>	<b>\$ 1,243,659,379</b>	<b>\$ 1,186,855,881</b>
<b>Total Authorized Capital Positions</b>	<b>812.4</b>	<b>812.4</b>