FINANCIAL STABILITY POLICY

Adopted October 23, 2014

The San Francisco Bay Area Rapid Transit District has an important responsibility to its riders and the citizens of the Bay Area to wisely manage the District's finances in both the short and long term. In times of economic change and uncertainty, it is especially important for the District to make sure its ability to deliver service rests on a strong and stable financial foundation. To this end, the following are the District's financial stability goals and strategies for achieving those goals.

GOALS

A. Maintain an operating and capital financial base that is sufficient to deliver safe, quality service efficiently and cost-effectively to meet the level of demand.

B. Continuously improve productivity.

C. Preserve and maximize BART's fare revenue base, through a predictable pattern of adjustments, while retaining ridership.

D. Provide a fare and fee structure that is tied to the cost of providing service, optimizes use of the BART system, and provides BART customers with convenience, ease of use, and a good value for the money.

E. Establish and maintain prudent reserves sufficient to ensure that the District can adjust to economic downturns.

F. Maintain the highest possible credit rating and reputation for prudent financial management.

STRATEGIES

Operating Expenses

a) Adjust operating expenses as needed to reflect changes in service demand, technology, and productivity.

b) Endeavor to keep growth in rail operating expenses (as measured by a rolling average of growth in rail operating cost per passenger mile) at or below the rate of inflation by:
- Implementing technology and productivity advancements designed to reduce or avoid increasing operational costs.
- Exploring greater efficiency, effectiveness, and increased ridership.
- Working to increase and optimize ridership on the BART system through partnerships that foster transit oriented development and improve access to the BART system.

c) Regularly review productivity improvement programs and results as part of the annual budget process.

Capital Investment

a) Pursue grant funding for BART capital projects pursuant to priorities as addressed in the Capital Improvement Program.

b) Adopt an annual budget that includes an allocation to capital programs adequate to meet annual baseline reinvestment needs for programs which are essential to ensure system performance but not likely to receive grant funds. Such funding should also be available for local match to grants and for unforeseen needs and emergencies.

c) Use debt financing prudently to leverage local, regional, state, and federal funding for major cyclical capital investments such as transit vehicle, escalator and elevator, fare collection equipment, and train control renovation and replacement.

Fares and Other Revenues

a) To the extent revenue increases are needed as one part of a program to preserve BART's revenue base and financial stability, tie passenger revenue increases to service costs and system needs with particular consideration to:
   - Aligning fares with CPI-based cost growth.
   - Small regular fare increases tied to CPI-based cost increases or other major cost factors and to factors such as significant change in other revenues and productivity.
   - Small surcharges tied to capital needs such as rehabilitation or seismic retrofit.
   - A peak premium, at some point in the future when ridership is growing, tied to the need to optimize off-peak system use and to fund core system capacity improvements.

b) Increase customer satisfaction, when economically and technologically feasible, by giving consideration to:
   - Increasing discounts for high-value tickets to mitigate the impact of fare increases on regular BART riders.
   - Developing new interoperator and interagency partnerships to increase transit access.
   - Developing innovative partnership programs with major employers, educational institutions, and other rider generators.
   - Using time-limited passes to market BART for special events, weekends, and families, evaluating the impact on ridership of each pass program.

c) Increase revenue from other sources such as parking, advertising, concessions, and joint development while meeting customer needs and providing safe, reliable service.

Reserve for Economic Uncertainty

a) Maintain a prudent reserve to be used in times of significant revenue decline to preserve the District's ongoing ability to deliver safe and reliable service to the customer and to reinvest in capital.

b) Increase the Reserve for Economic Uncertainty from 5% of total annual operating expenses ($33 million) to 15% or $89 million for the current fiscal year. This increase yields a reserve fund goal which more closely matches a single month of District Expenses. The District shall also follow the "Best Practices" of the industry by installing an automatic funding mechanism. The funding of the reserve would be accomplished through a requirement to transfer 50% of any annual year-end positive result, up to $3.5 million, until the reserve is fully funded. The aforementioned reserve balance may be accessed only upon a finding that its use is necessary to provide either 1) emergency funding in the event of a major adverse natural event, or 2) to supplement the budget due to an economic downturn and no other funding options are deemed feasible, as determined by the Board of Directors. Either action shall require a Board Resolution making the necessary findings supported by a majority of the full board.