SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** May 19, 2023

FROM: General Manager

SUBJECT: **FY23 Third Quarter Financial Report (QFR)**

The FY23 Third Quarter Financial Report (January – March 2023) is attached. Additional explanatory detail is provided in this memo; summaries of ridership performance and drawdowns of federal emergency assistance are also included in this package.

The District's net operating result was balanced through the third quarter (Q3) of FY23 due to the continued use of federal emergency assistance funds allocated through the American Rescue Plan Act (ARPA). These funds enabled the District to cover a $82.3M operating deficit (the difference between revenues and expenses incurred) over the three month period of January 1 to March 31, 2023. Over the first three quarters of the fiscal year, the District required a total of $250.0M in emergency federal assistance.

Ridership totaled 33.5M exits through Q3 FY23, 11% below budget. This was 40% more than the same period a year ago, but 34% below the same period in FY20. Average weekday ridership during this period was 146,223 exits, which was 13% below budget, 42% higher than a year ago, and 54% below FY20 levels.

Third quarter FY23 ridership was higher than the previous quarter. On a month-to-month basis, average weekday ridership increased and then stayed relatively flat: January (134K), February (151K) and March (151K). These monthly fluctuations are consistent with expected seasonality trends: an increase in ridership after the holiday season and into the beginning of spring.

Operating Revenue

Operating Revenue was $22.3M (12.2%) below budget through the third quarter of FY23.

Net Passenger Revenue was $22.6M (14.3%) below budget through Q3 FY23 due in part to lower-than-budgeted ridership and the September 2022 Fare Promotion, which was not accounted for in the budget. **Parking Revenue** was $0.7M (6.8%) favorable. **Other Operating Revenue** was $0.4M (2.7%) below budget.

Financial Assistance

Sales Tax revenue was $19.9M (8.6%) favorable through the first three quarters of FY23. This positive result was due in part to persistent but easing inflation along with consistently strong demand for consumer goods as well as restaurants and hotels. Preliminary state data indicates that sales tax revenues will continue to perform strongly, suggesting a favorable fiscal year-end variance.

Property Tax revenue was $2.4M (7.3%) favorable through Q3 FY23. **VTA Financial Assistance** was $2.1M (8.6%) favorable to budget because of revised cost estimates.

Other Assistance through the first three quarters of FY23 was $1.9M (7.5%) favorable. Low Carbon Fuel Standard (LCFS) credit sales were $7.2M unfavorable because BART paused sales of its LCFS credits due to market uncertainty. Offsetting this was above-budget revenue from the Low Carbon Transit Operations Program ($2.6M) and several Federal ($2.6M) and Local ($4.1M) funding sources.

Operating Uses

Total Operating Expense was $29.2M (4.5%) higher than budget through the third quarter of FY23.

Total gross **Wages, Benefits & Other Labor** was $43.0M (7.1%) below budget. This overall favorability was slightly offset by $3.7M of unbudgeted California Supplemental Paid Sick Leave (SPSL) use for COVID-19 related reasons, $2.4M of unbudgeted Principal Mutual Life Medical Insurance, Bereavement and Grievance Handling, and a $2.8M unfavorable variance in Sick Pay. However, net Wages, Benefits & Other Labor finished the quarter $16.9M (3.8%) unfavorable to budget. Total gross **Overtime** was $17.4M (32.7%) unfavorable to budget; when capital reimbursements are accounted for, net overtime variance is reduced to $16.2M (44.5%) unfavorable to budget.

On a net basis, the District exceeded its operating labor budget through the third quarter by $33.1M (6.9%); this unfavorable variance was driven by three factors. First, an unbudgeted 3.5% wage increase was implemented on July 1, resulting in higher wages. Second, overtime was significantly above budget throughout the period. Third, as of March 31, the operating vacancy rate was 7.2%, which is below the 10% level assumed in the budget. In recent years, the District has generated significant labor savings from having more vacant positions than anticipated; this is not the case through Q3 of FY23. These negative variances are partially offset by savings on fringe benefits, which came in $24.5M (10.2%) under budget.

On the capital and reimbursable side, vacancies ended the third quarter at 24.2%, reducing reimbursements. The District assumed a 10% capital vacancy rate in FY23; the difference in budgeted and actual rates results in gross wage savings as well as offsetting capital reimbursements, which generates a net zero effect on the operating budget. However, the negative impact to the operating budget from missed reimbursements exceeds the amount that can be attributed to vacancies. February saw higher capital reimbursements as additional credits posted from Rolling Stock and Shops for time spent on Fleet of the Future modifications.

Non-labor was below budget through the third quarter by $3.8M (2.3%). Electric Power was $11.9M unfavorable (30.7%) due to higher natural gas prices, while the hydro power BART typically fills its power portfolio with was a constrained resource through much of Q3 due to prolonged drought in the West. **Other Non-Labor** was $15.4M (15.4%) favorable to budget, with most of the favorable variance in Material Usage, Miscellaneous Expenses, and Other Utilities. Material Usage was $11.5M favorable mostly due to credit for FY23 Fleet of the Future Train Warranty parts and material returns, which results in less spending for materials/parts. Miscellaneous Expenses was $3.1M under budget, primarily due to timing of election costs and incurred fewer vandalism losses than anticipated. Other Utilities were $1.2M lower than budget mostly due to timing of invoices and payments; this favorability is also expected to decrease by year end. Professional Fees were $0.6M favorable, partially offset by $0.8M of unfavorable Repairs & Maintenance.

Debt Service and Allocations show a $0.6M favorable variance due to reverse allocations that were originally capital costs, but later deemed to be operating costs.

Federal Emergency Assistance and Outlook

The District needed a total of $250.0M in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and ARPA funding to cover the difference between operating revenues and expenses through the third quarter of FY23. This amount is $20.0M (8.7%) more than anticipated in the budget. More federal assistance was needed in the third quarter, with the difference largely coming from a decrease in financial assistance payments along with increases in operating expenses compared to the second quarter.

The District has fully expended its allocation of CRRSAA funding, and is relying on ARPA funding for the foreseeable future. Through March, of the total $1.6B of federal emergency assistance allocated to the District since 2020, $955M (59.4%) has been expended, with $653M (40.6%) remaining for use in future quarters.

Looking ahead, staff project to end FY23 close to budget, with some notable variances. Operating revenue is expected to end the year $25.3M under budget, primarily driven by lower than expected ridership and the unbudgeted September 50% off fare promotion. Strong financial assistance revenues, especially sales tax, offset the negative operating revenue variance. When combined, the District expects overall revenues to end FY23 $8.8M favorable to budget.

On the expense side, labor costs are expected to end the fiscal year $20.1M above budget. Variance as a proportion of the whole is projected to be lower than at calendar year end due to actions being taken in the fourth quarters to reduce spending, particularly in Overtime. Staff also expect some year-end savings on fringe benefit costs.

Non-labor costs are projected to end the fiscal year $11.5M under budget. Electric power is projected to end the year $13.0M above budget, which is offset by $24.5M in projected savings in other Non-labor costs, including a reduction in budgeted payments to other operators.

Debt Service and Allocations are projected to finish the fiscal year $10.0M under budget due to the District's proposed cancellation of a $10M budgeted contribution to the Section 115 Pension Trust.

Overall expense in FY23 is projected to be $1.4M below budget. Combined with the projected $8.8M favorable variance in revenues, staff project that the District will need $10.2M less in federal emergency assistance to balance the budget in FY23. These savings will be used to offset deficits in future fiscal years.

If you have any questions about this report, please contact Christopher Simi, Budget Director, at csimi@bart.gov.

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Michael Jones
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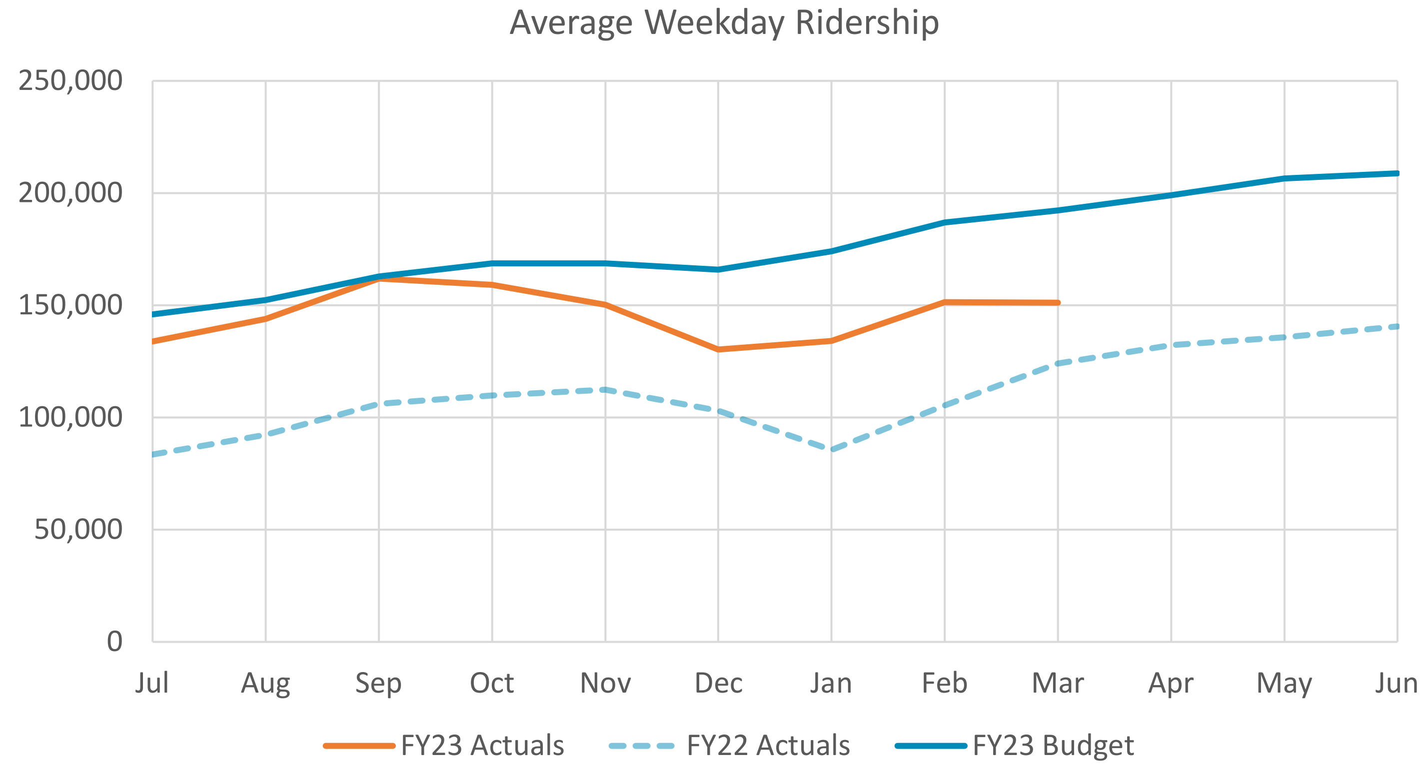
Robert Powers

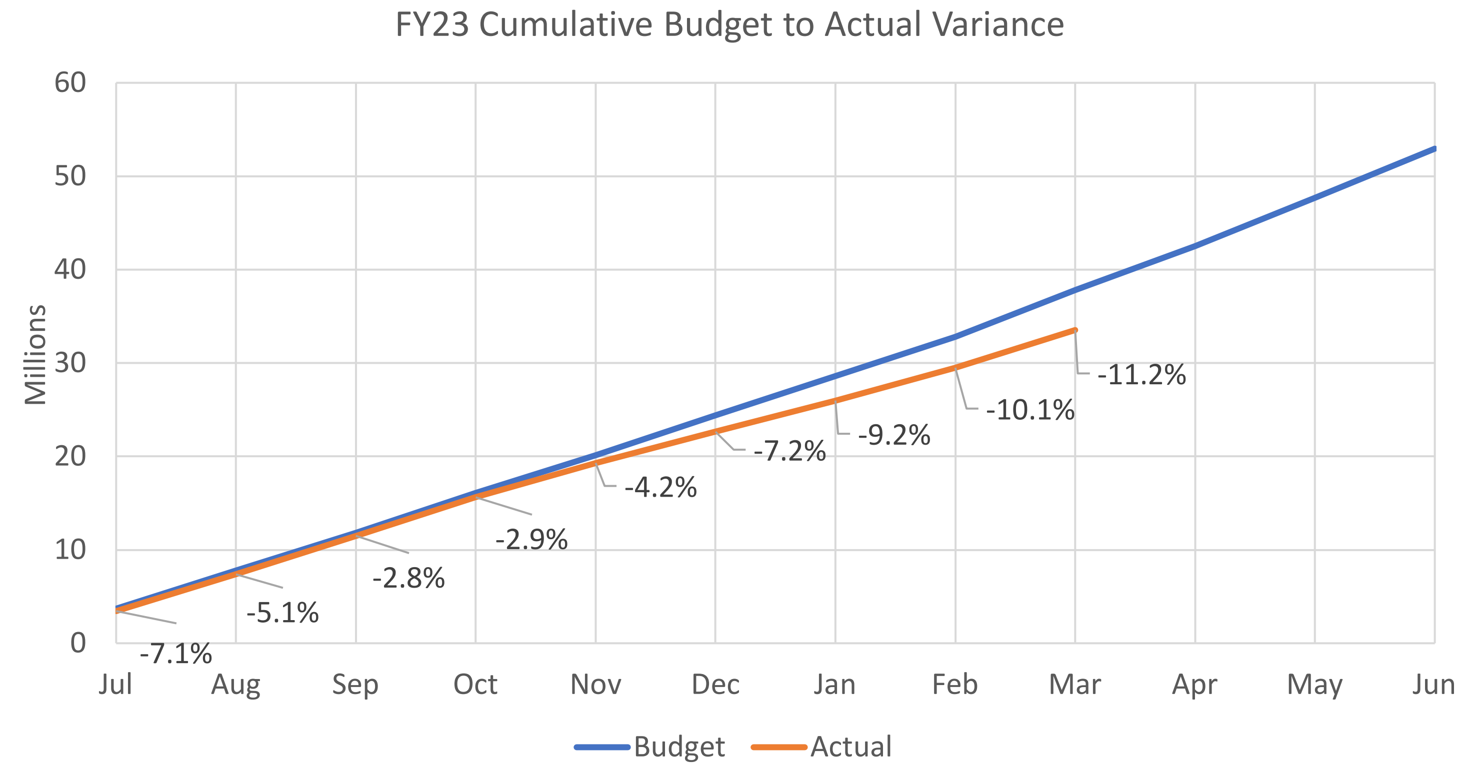
cc: Board Appointed Officers
Deputy General Manager
Executive Staff

Bay Area Rapid Transit District
Quarterly Financial Report - Third Quarter FY23

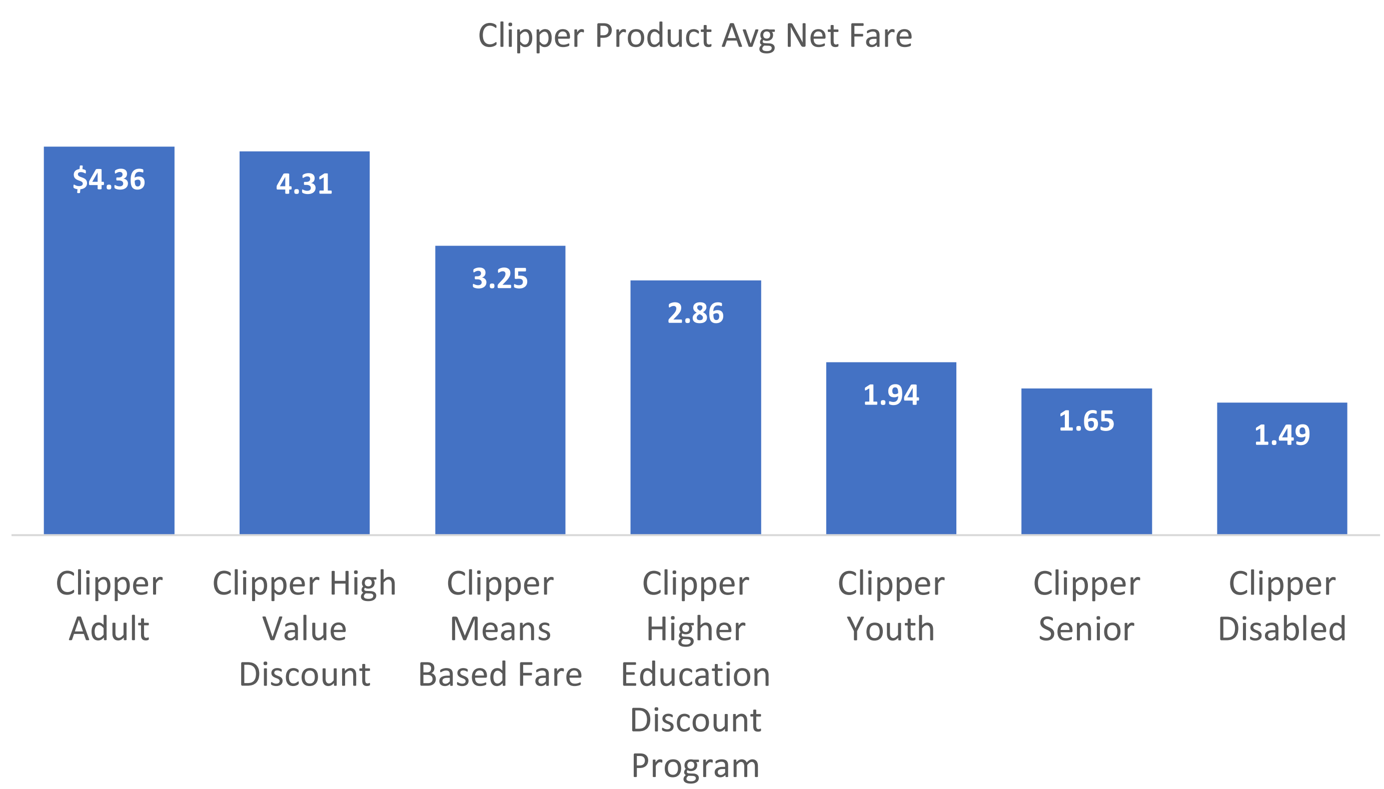
($ Millions)	Q1 Actuals	Q2 Actuals	Q3 Budget	Q3 Actuals	Q3 Variance	YTD Budget	YTD Actuals	YTD Variance	YTD % Variance	Year-End Forecast	Annual Budget	Projected Year-End Variance
Operating Revenue												
Net Passenger Revenue	42.2	47.6	56.3	46.0	(10.2)	158.4	135.8	(22.6)	-14.3%	189.4	222.6	(33.2)
Parking Revenue	3.3	3.5	3.2	3.5	0.3	9.7	10.3	0.7	6.8%	14.0	13.1	0.9
Other Operating Revenue, Net of GASB 87	4.3	4.3	5.1	5.7	0.6	14.8	14.4	(0.4)	-2.7%	17.9	19.2	(1.3)
Total Net Operating Revenue	**49.8**	**55.5**	**64.6**	**55.2**	**(9.3)**	**182.9**	**160.5**	**(22.3)**	**-12.2%**	**221.3**	**254.9**	**(33.6)**
NonOperating Revenue - Investment Income	2.2	3.3	0.1	5.4	5.4	0.2	10.9	10.7	5949.3%	8.6	0.2	8.4
Total Revenue	**52.0**	**58.8**	**64.6**	**60.6**	**(4.0)**	**183.1**	**171.4**	**(11.6)**	**-6.3%**	**229.9**	**255.2**	**(25.3)**
Financial Assistance												
Sales Tax	82.8	84.8	78.8	82.9	4.1	230.6	250.5	19.9	8.6%	324.1	299.0	25.1
Property Tax	1.9	18.3	3.2	14.6	11.4	32.5	34.8	2.4	7.3%	58.0	58.0	0.0
State Transit Assistance	0.0	1.3	5.7	3.7	(1.9)	11.4	5.1	(6.3)	-55.0%	34.9	22.7	12.2
VTA Financial Assistance	6.3	11.4	8.2	8.9	0.7	24.5	26.6	2.1	8.6%	35.0	32.7	2.3
SFO Ext Financial Assistance	0.6	0.6	0.6	0.6	0.1	1.6	1.8	0.2	11.1%	2.2	2.2	-
Other Assistance	10.8	10.6	8.6	6.1	(2.5)	25.6	27.5	1.9	7.5%	28.5	34.1	(5.6)
Total Financial Assistance	**102.4**	**127.2**	**105.1**	**116.8**	**11.7**	**326.2**	**346.4**	**20.2**	**6.2%**	**482.7**	**448.6**	**34.1**
Total Sources	**154.5**	**185.9**	**169.7**	**177.4**	**7.8**	**509.2**	**517.8**	**8.6**	**1.7%**	**712.6**	**703.8**	**8.8**
Operating Expense												
Gross Wages, Fringe & Other Labor	188.2	183.6	198.7	191.0	7.7	605.8	562.8	43.0	7.1%	680.3	804.1	123.8
Reimbursements - Wages, Fringe & Other Labor	(36.4)	(33.9)	(54.4)	(35.1)	(19.3)	(165.3)	(105.4)	(59.9)	-36.2%	(93.1)	(220.4)	(127.3)
Subtotal - Net Wages, Fringe & Other Labor	151.8	149.7	144.3	155.9	(11.6)	440.5	457.4	(16.9)	-3.8%	587.2	583.8	(3.4)
Gross Overtime	24.1	23.8	17.7	22.7	(5.0)	53.1	70.5	(17.4)	-32.7%	90.1	70.8	(19.3)
Reimbursements - Overtime	(6.8)	(5.9)	(5.6)	(5.3)	(0.3)	(16.8)	(18.0)	1.2	7.4%	(25.0)	(22.4)	2.6
Subtotal - Net Overtime	17.3	17.9	12.1	17.3	(5.2)	36.3	52.5	(16.2)	-44.5%	65.1	48.4	(16.7)
Total Labor	**169.1**	**167.5**	**156.4**	**173.2**	**(16.8)**	**476.8**	**509.9**	**(33.1)**	**-6.9%**	**652.3**	**632.2**	**(20.1)**
Electric Power	15.3	13.7	12.5	21.4	(8.9)	38.6	50.4	(11.9)	-30.7%	65.7	52.7	(13.0)
Purchased Transportation	8.4	11.0	10.2	10.1	0.2	29.7	29.5	0.3	0.9%	23.5	29.4	5.9
Other Non Labor, Net of GASB 87	22.7	32.9	35.6	29.2	6.3	100.3	84.9	15.4	15.4%	127.1	145.7	18.6
Total Non Labor	**46.4**	**57.6**	**58.3**	**60.7**	**(2.4)**	**168.6**	**164.7**	**3.8**	**2.3%**	**216.3**	**227.8**	**11.5**
Total Operating Expense	**215.6**	**225.2**	**214.7**	**233.9**	**(19.2)**	**645.4**	**674.6**	**(29.2)**	**-4.5%**	**868.6**	**860.0**	**(8.6)**
Debt Service and Allocations												
Debt Service	15.0	15.0	15.0	15.0	0.0	44.9	44.9	0.0	0.0%	59.9	59.9	0.0
Capital and Other Allocations	24.4	12.9	13.7	10.9	2.8	48.9	48.3	0.6	1.3%	87.5	97.5	10.0
Total Debt Service and Allocations	**39.4**	**27.9**	**28.7**	**25.9**	**2.8**	**93.8**	**93.2**	**0.6**	**0.7%**	**147.4**	**157.4**	**10.0**
Total Uses	**255.0**	**253.1**	**243.4**	**259.8**	**(16.4)**	**739.3**	**767.9**	**(28.6)**	**-3.9%**	**1,016.0**	**1,017.4**	**1.4**
Net Result Before Financial Assistance	**(100.6)**	**(67.2)**	**(73.7)**	**(82.3)**	**(8.6)**	**(230.0)**	**(250.0)**	**(20.0)**	**-8.7%**	**(303.4)**	**(313.6)**	**10.2**
Federal Assistance Applied	100.6	67.2	73.7	82.3	8.6	230.0	250.0	20.0	8.7%	303.4	313.6	(10.2)
Net Result before GASB	**0.0**	**0.0**	**0.0**	**(0.0)**	**(0.0)**	**0.0**	**0.0**	**(0.0)**	**0.0%**	**0.0**	**0.0**	**(0.0)**
Operating Result (Deficit)	**(165.8)**	**(169.7)**	**(150.2)**	**(178.7)**	**(28.5)**	**(462.6)**	**(514.1)**	**(51.5)**	**-11.1%**	**(647.3)**	**(605.1)**	**42.2**
System Operating Ratio	23.1%	24.7%	30.1%	23.6%	-6.5%	28.3%	23.8%	-4.5%		25.5%	29.6%	-4.2%
Rail Cost / Passenger Mile ($)	1.20	1.28	1.00	1.38	(0.38)	1.07	1.28	(0.22)			1.18	

FY23 YTD (Jul-Mar) Ridership Stats





Exits	Actual FY22	Budget FY23	Actual FY23	FY23 YTD Actual vs. FY22 YTD Actual	FY23 YTD Actual vs. FY23 YTD Budget
Weekday	102,727	168,573	146,223	142.3%	86.7%
Saturday	63,769	85,108	83,592	131.1%	98.2%
Sunday	43,197	58,706	59,803	138.4%	101.9%
Total	23,881,303	37,781,707	33,533,130	140.4%	88.8%



Federal Emergency Assistance to BART (Updated May 15, 2023)

Award amounts ($M)	**FY20**	**FY21**	**FY22**	**FY23**	**Total Awarded**
CARES	251	126	0	0	377
CRRSAA	0	378	0	0	378
ARPA	0	0	582	0	582
ARPA Add'l Assistance	0	0	271	0	271
Subtotal - all awards	*251*	*504*	*853*	*0*	*1,608*

Draw downs ($M) - funds received as of 3/31/23	**FY20 Actual**	**FY21 Actual**	**FY22 Actual**	**FY23 Q3**	**Total Drawn Down**
CARES	186	191	0	0	377
CRRSAA	0	211	167	0	378
ARPA	0	0	277	321	598
ARPA Add'l Assistance	0	0	0	0	0
Subtotal - all drawdowns	*186*	*402*	*444*	*321*	*1,353*

Remaining federal funds to be drawn down after 3/31/23 ($M) ***255***

Expenditures ($M) - applied to offset incurred expenses as of 3/31/23	**FY20 Actual**	**FY21 Actual**	**FY22 Actual**	**FY23 Q3**	**Total Applied**
CARES	121	256	0	0	377
CRRSAA	0	41	287	50	378
ARPA	0	0	0	200	200
ARPA Add'l Assistance	0	0	0	0	0
Subtotal - all expenditures	*121*	*297*	*287*	*250*	*955*

Funds in BART reserves as of 3/31/23 ($M) ***398***

Remaining federal funds to be used to offset expenses after 3/31/23 ($M) ***653***