SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** April 7, 2023

FROM: General Manager

SUBJECT: **FY23 Second Quarter Financial Report**

The FY23 Second Quarter Financial Report (October – December 2022) 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 second quarter (Q2) 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 $67.2M operating deficit (the difference between revenues and expenses incurred) over the three month period of October 1 to December 31, 2022. Over the first two quarters of the fiscal year, the District required a total of $167.7M in emergency federal assistance.

Ridership totaled 22.6M exits through Q2 FY23, 7% below budget. This was 43% more than the same period a year ago, but 62% below the same period in FY20, prior to the pandemic. Average weekday ridership during this time period was 146,466 exits, 9% below budget, 45% higher than a year ago, and 64% below FY20 levels.

Second quarter FY23 ridership was lower than the previous quarter. On a month-to-month basis, average weekday ridership decreased across the quarter: October (159K), November (150K) and December (130K). These monthly fluctuations are consistent with expected seasonality trends: a September-October peak followed by declines through the end of the calendar year.

Operating Revenue

Operating Revenue was $13.0M (11%) below budget through the second quarter of FY23.

Net Passenger Revenue was $12.3M (12.1%) below budget through Q2 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 $0.4M (5.6%) favorable. **Other Operating Revenue** was $1.0M (10.5%) below budget.

Financial Assistance

Sales Tax revenue was $15.8M (10.4%) favorable through the first two quarters of FY23. This positive result was a result of inflation (driven significantly by high fossil fuel prices), strong consumer demand for durable goods and continued increases in consumer spending on 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 $9.0M (30.8%) unfavorable through Q2 FY23 due to a later-than-expected receipt of San Francisco City and County property tax revenue but is expected to be on budget by year end. **VTA Financial Assistance** was $1.4M (8.6%) favorable to budget because of revised cost estimates.

Other Assistance through the first two quarters of FY23 was $4.4M (26%) favorable. Low Carbon Fuel Standard (LCFS) credit sales were $3.3M unfavorable. The LCFS credit market value decreased from approximately $125/ton in mid-March 2022 to approximately $70/ton at the end of December 2022. Offsetting this was above-budget revenue from the Low Carbon Transit Operations Program ($3.7M) and several Federal ($1.9M) and Local ($2.0M) funding sources.

Operating Uses

Total Operating Expense was $10.1M (2.3%) higher than budget through the second quarter of FY23.

Total gross **Wages, Benefits & Other Labor** was $35.3M (8.7%) below budget. This overall favorability was slightly offset by $3.2M of unbudgeted California Supplemental Paid Sick Leave (SPSL) use for COVID-19 related reasons, $1.6M of unbudgeted Principal Mutual Life Medical Insurance, Bereavement and Grievance Handling, and a $1.3M negative variance in Sick Pay. However, net Wages, Benefits & Other Labor finished the quarter $5.3M (1.8%) unfavorable to budget. Total gross **Overtime** was $12.4M (35.1%) unfavorable to budget; when capital reimbursements are accounted for, net overtime variance is reduced to $10.9M (45.1%) unfavorable to budget.

On a net basis, the District exceeded its operating labor budget through the second quarter by $16.3M (5.1%); this unfavorable variance was driven by two factors. First, as in Q1, an unbudgeted 3.5% wage increase was implemented on July 1. Secondly, overtime was significantly above budget throughout the period. The need to cover shifts, especially in Transportation, RS&S, and Police, drove this unfavorable variance. Note that as of December 31, the operating vacancy rate was 9.6%, which is very close to 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 the first half of FY23. These negative variances are partially offset by savings on fringe benefits, which came in $20.8M (13.0%) under budget.

On the capital and reimbursable side, vacancies ended the second quarter at 23.6%, 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, hours worked by capital-funded staff that are charged to the operating budget did generate a negative operating variance during the period in question.

Non-labor was below budget through the second quarter by $6.2M (5.6%). Electric Power was $3.0M unfavorable (11.4%) due to increased distribution delivery rates implemented by PG&E. **Other Non-Labor** was $9.1M favorable to budget, with most of the variance in Material Usage, Professional Fees, and Other Utilities. Material Usage was $7.6M favorable mostly due to credit for FY23 Fleet of the Future Train Warranty parts and material returns. Professional Fees was $1.3M under budget, primarily due to timing, but this favorability typically diminishes in the second half of the fiscal year. Other Utilities were $1.0M lower than budget mostly due to timing of invoices and payments; this favorability is also expected to decrease by year end. Miscellaneous Expense was $0.5M favorable, partially offset by $1.2M of unfavorable Repairs & Maintenance.

Debt Service and Allocations show a $2.2M unfavorable variance because the full FY23 Sustainability allocation of $6.4M was made in Q1 instead of being spread over four quarters. Subsequent quarters will show positive offsetting variances, with a net neutral variance by the end of the fiscal year.

Federal Emergency Assistance and Outlook

The District needed a total of $167.7M in ARPA funding to cover the difference between operating revenues and expenses through the second quarter of FY23. This amount is $11.4M (7.3%) more than anticipated in the budget. Less federal assistance was needed in the second quarter, with the difference largely coming from the timing of property tax financial assistance payments, which are distributed twice a year.

The District has fully expended its allocation of CARES and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funding, and is relying on ARPA funding for the foreseeable future. As of Q2 end, of the total $1.6B of federal emergency assistance allocated to the District since 2020, $871M (54.3%) has been expended, with $736M (45.7%) 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 $36.5M under budget, primarily driven by lower than expected ridership. Strong financial assistance revenues, especially sales tax, almost entirely offset the negative operating revenue variance. When combined, the District expects overall revenues to end FY23 very close to budget.

On the expense side, labor costs are expected to end the year above budget, though variance as a proportion of the whole is projected to be lower than at calendar year end due to actions being taken over the course of the third and fourth quarters to reduce spending, particularly in Overtime. Overtime restrictions have begun; though overtime is often necessary to put out service, staff expect that the growth in utilization will stop—and perhaps decrease—by the end of the fiscal year. Staff also expect some improvement in capital reimbursements as lagging actuals from the first six months of the year are posted, as well as some year-end savings on fringe benefit costs.

Two District actions to reduce non-labor spending in the current year will generate a total of $15.5M in positive variance by year-end. First, The District will reduce its budgeted payments to other operators, saving $5.5M in Other Non Labor. Secondly, the District will not make a $10M budgeted contribution to its Section 115 Pension Trust, generating a positive variance in Capital and Other Allocations. The savings generated from these two actions are assumed in the deficit projections included in the FY24 & FY25 Preliminary Budget released on March 31, 2023.

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

DocuSigned by:
Michael Jones
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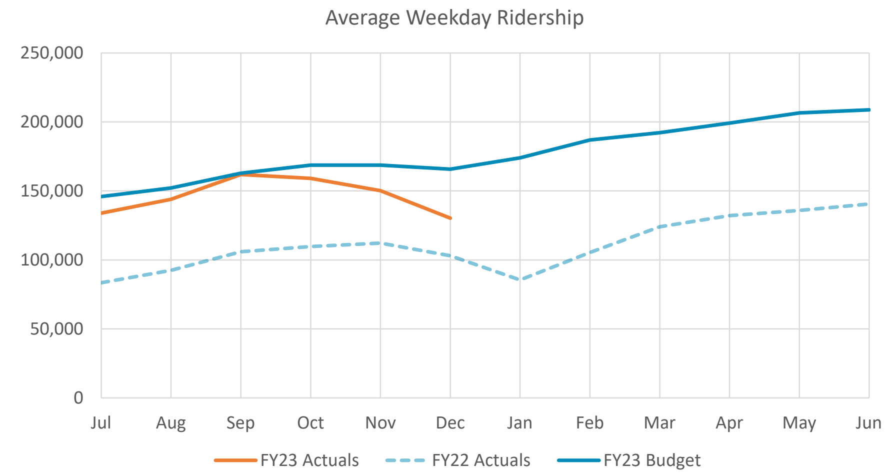
Robert Powers

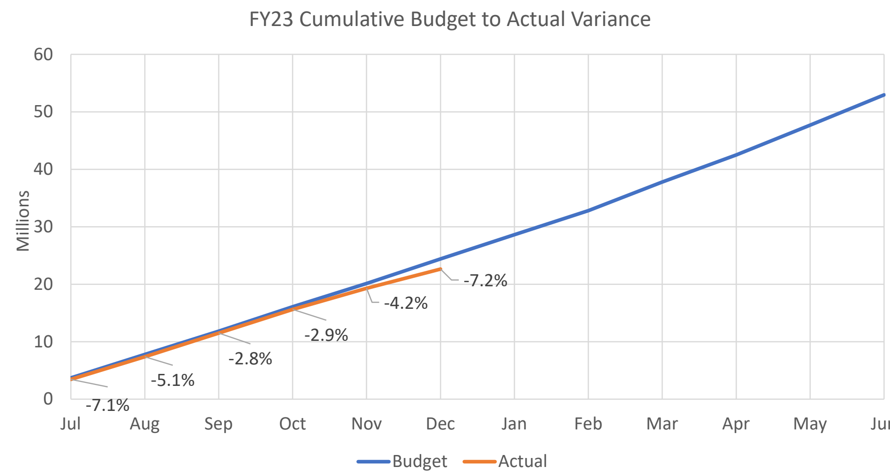
cc: Board Appointed Officers
Deputy General Manager
Executive Staff

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

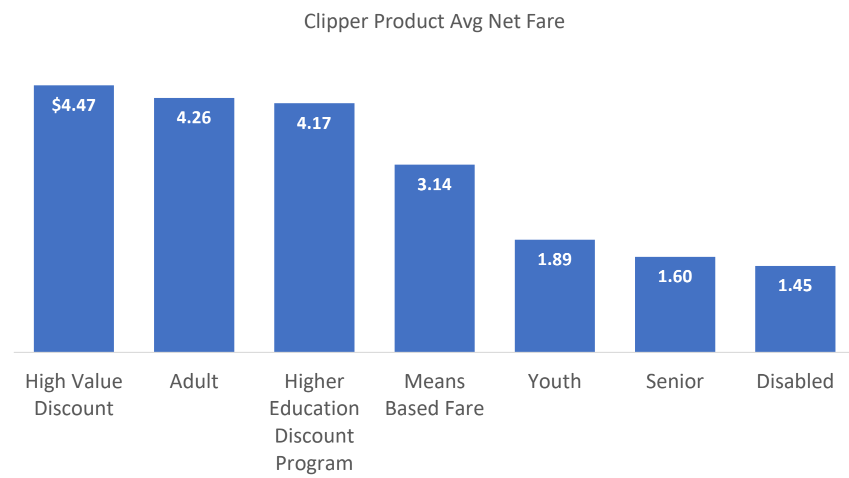
($ Millions)	Q1 Actuals	Q2 Budget	Q2 Actuals	Q2 Variance	YTD Budget	YTD Actuals	YTD Variance	YTD % Variance	Year-End Forecast	Annual Budget	Projected Year-End Variance
Operating Revenue											
Net Passenger Revenue	42.2	52.3	47.6	(4.7)	102.2	89.8	(12.3)	-12.1%	189.1	222.6	(33.5)
Parking Revenue	3.3	3.3	3.5	0.2	6.5	6.9	0.4	5.6%	13.5	13.1	0.4
Other Operating Revenue, Net of GASB 87	4.3	4.9	4.3	(0.5)	9.7	8.6	(1.0)	-10.5%	15.8	19.2	(3.4)
Total Net Operating Revenue	**49.8**	**60.5**	**55.5**	**(5.0)**	**118.3**	**105.3**	**(13.0)**	**-11.0%**	**218.4**	**254.9**	**(36.5)**
NonOperating Revenue - Investment Income	2.2	0.1	3.3	3.2	0.1	5.5	5.3	4458.1%	3.8	0.2	3.56
Total Revenue	**52.0**	**60.6**	**58.8**	**(1.8)**	**118.4**	**110.8**	**(7.6)**	**-6.5%**	**222.2**	**255.2**	**(33.0)**
Financial Assistance											
Sales Tax	82.8	78.7	84.8	6.1	151.8	167.7	15.8	10.4%	314.8	299.0	15.8
Property Tax	1.9	27.3	18.3	(8.9)	29.2	20.2	(9.0)	-30.8%	58.0	58.0	0.0
State Transit Assistance	0.0	5.7	1.3	(4.3)	5.7	1.4	(4.3)	-75.7%	28.3	22.7	5.6
VTA Financial Assistance	6.3	8.2	11.4	3.2	16.3	17.7	1.4	8.6%	34.9	32.7	2.2
SFO Ext Financial Assistance	0.6	0.5	0.6	0.1	1.1	1.2	0.1	11.6%	2.2	2.2	-
Other Assistance	10.8	6.7	10.6	4.0	17.0	21.4	4.4	26.0%	42.9	34.1	8.8
Total Financial Assistance	**102.4**	**127.0**	**127.2**	**0.1**	**221.1**	**229.6**	**8.5**	**3.8%**	**481.1**	**448.6**	**32.5**
Total Sources	**154.5**	**187.6**	**185.9**	**(1.7)**	**339.6**	**340.4**	**0.8**	**0.2%**	**703.3**	**703.8**	**(0.5)**
Operating Expense											
Gross Wages, Fringe & Other Labor	188.2	200.6	183.6	17.0	407.1	371.8	35.3	8.7%	735.9	804.1	68.3
Reimbursements - Wages, Fringe & Other Labor	(36.4)	(55.4)	(33.9)	(21.5)	(110.9)	(70.3)	(40.6)	-36.6%	(149.6)	(220.4)	(70.8)
Subtotal - Net Wages, Fringe & Other Labor	151.8	145.2	149.7	(4.5)	296.2	301.5	(5.3)	-1.8%	586.3	583.8	(2.5)
Gross Overtime	24.1	17.7	23.8	(6.0)	35.4	47.8	(12.4)	-35.1%	86.4	70.8	(15.6)
Reimbursements - Overtime	(6.8)	(5.6)	(5.9)	0.3	(11.2)	(12.7)	1.5	13.3%	(25.5)	(22.4)	3.1
Subtotal - Net Overtime	17.3	12.1	17.9	(5.7)	24.2	35.2	(10.9)	-45.1%	60.9	48.4	(12.5)
Total Labor	**169.1**	**157.3**	**167.5**	**(10.2)**	**320.4**	**336.7**	**(16.3)**	**-5.1%**	**647.2**	**632.2**	**(15.0)**
Electric Power	15.3	12.9	13.7	(0.8)	26.1	29.0	(3.0)	-11.4%	54.7	52.7	(2.0)
Purchased Transportation	8.4	11.1	11.0	0.1	19.5	19.4	0.1	0.6%	23.2	29.4	6.3
Other Non Labor, Net of GASB 87	22.7	32.2	32.9	(0.7)	64.7	55.6	9.1	14.0%	139.7	145.7	6.0
Total Non Labor	**46.4**	**56.2**	**57.6**	**(1.4)**	**110.3**	**104.1**	**6.2**	**5.6%**	**217.6**	**227.8**	**10.2**
Total Operating Expense	**215.6**	**213.5**	**225.2**	**(11.6)**	**430.7**	**440.7**	**(10.1)**	**-2.3%**	**864.8**	**860.0**	**(4.8)**
Debt Service and Allocations											
Debt Service	15.0	15.0	15.0	0.0	30.0	30.0	0.0	0.0%	59.9	59.9	0.0
Capital and Other Allocations	24.4	14.6	12.9	1.6	35.2	37.4	(2.2)	-6.1%	86.0	97.5	11.5
Total Debt Service and Allocations	**39.4**	**29.5**	**27.9**	**1.6**	**65.2**	**67.3**	**(2.2)**	**-3.3%**	**145.9**	**157.4**	**11.5**
Total Uses	**255.0**	**243.1**	**253.1**	**(10.0)**	**495.9**	**508.1**	**(12.2)**	**-2.5%**	**1,010.7**	**1,017.4**	**6.7**
Net Result Before Financial Assistance	**(100.6)**	**(55.5)**	**(67.2)**	**(11.7)**	**(156.3)**	**(167.7)**	**(11.4)**	**-7.3%**	**(307.4)**	**(313.6)**	**6.2**
Federal Assistance Applied	100.6	55.5	67.2	11.7	156.3	167.7	11.4	7.3%	307.4	313.6	(6.2)
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)**
Operating Result (Deficit)	**(165.8)**	**(153.0)**	**(169.7)**	**(16.6)**	**(312.4)**	**(335.4)**	**(23.0)**	**-7.4%**	**(646.4)**	**(605.1)**	**41.3**
System Operating Ratio	23.1%	28.3%	24.8%	-3.5%	27.5%	24.0%	-3.5%		25.3%	29.6%	-4.4%
Rail Cost / Passenger Mile ($)	1.20	1.05	1.28	(0.22)	1.10	1.24	(0.14)			1.18	

FY23Q2 YTD Ridership Stats





Exits	Actual FY22	Budget FY23	Actual FY23	FY23 YTD Actual vs. FY22 YTD Actual	FY23 YTD Actual vs. FY23 YTD Budget
Weekday	101,143	160,500	146,466	144.8%	91.3%
Saturday	64,134	84,611	85,288	133.0%	100.8%
Sunday	43,410	61,543	62,585	144.2%	101.7%
Total	15,828,364	24,394,194	22,637,680	143.0%	92.8%



Federal Emergency Assistance to BART (Updated April 5, 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 12/31/22	**FY20 Actual**	**FY21 Actual**	**FY22 Actual**	**FY23 Q2**	**Total Drawn Down**
CARES	186	191	0	0	377
CRRSAA	0	211	167	0	378
ARPA	0	0	277	217	494
ARPA Add'l Assistance	0	0	0	0	0
Subtotal - all drawdowns	*186*	*402*	*444*	*217*	*1,249*

Remaining federal funds to be drawn down after 12/31/22 ($M) ***359***

Expenditures ($M) - applied to offset incurred expenses as of 12/31/22	**FY20 Actual**	**FY21 Actual**	**FY22 Actual**	**FY23 Q2**	**Total Applied**
CARES	121	256	0	0	377
CRRSAA	0	41	287	50	378
ARPA	0	0	0	118	118
ARPA Add'l Assistance	0	0	0	0	0
Subtotal - all expenditures	*121*	*297*	*287*	*168*	*872*

Funds in BART reserves as of 12/31/22 ($M) ***377***

Remaining federal funds to be used to offset expenses after 12/31/22 ($M) ***736***