



Fiscal Year 2024 & Fiscal Year 2025 Preliminary Budget Overview

BART Board of Directors

April 13, 2023



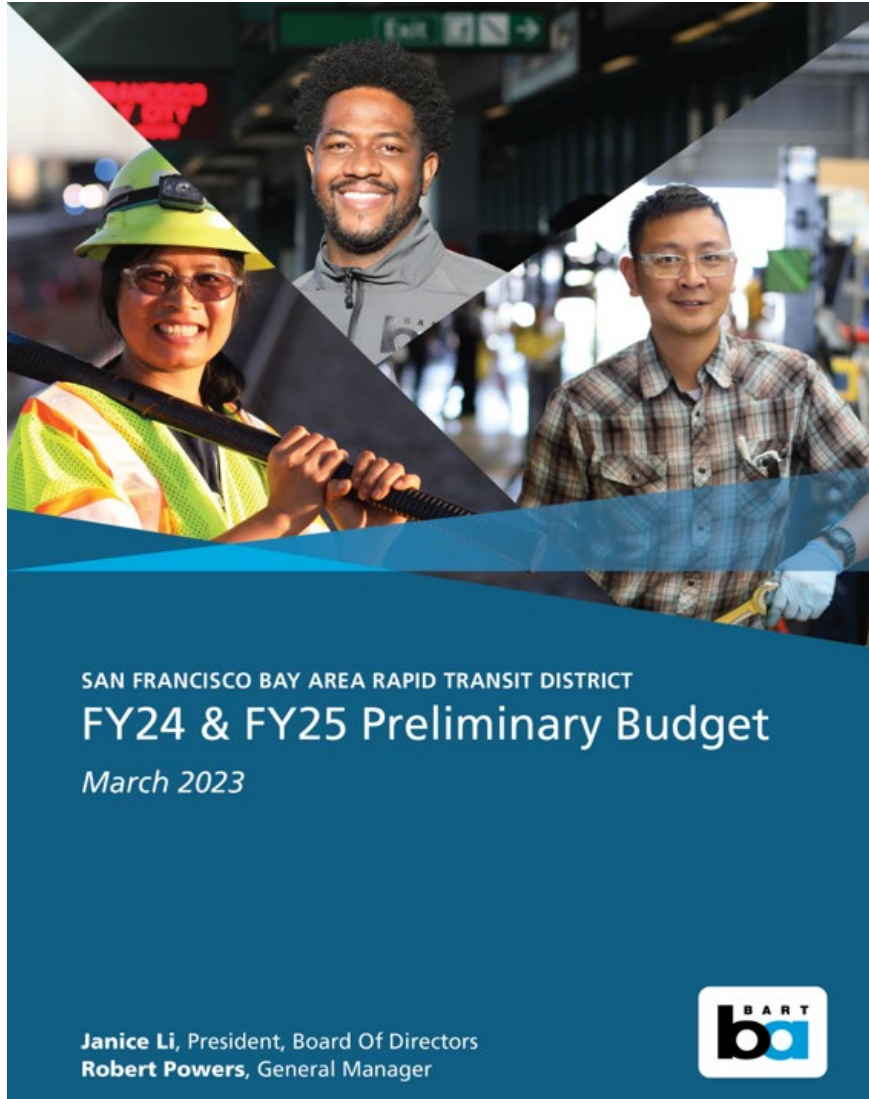
AGENDA

- FY23 Year-End Estimate
- FY24 & FY25 Preliminary Budget Memo (PBM) Overview
 - Changes since Board Workshop
 - Revenues
 - Expenditures
 - Fiscal runway update
- FY24 & FY25 capital budget overview
- Next steps and calendar

FY23 Year-End Estimate

- Second quarter financial report (QFR) on consent calendar
 - Through 12/31/2022, District underperformed budget by \$11.4M
 - Projecting to end the fiscal year with a net \$6.2M positive result against budget
- Operating revenue projected to be \$0.5M below budget by year-end
 - Ridership trending below budget
 - Financial assistance trending above budget, mostly due to sales tax
- Operating labor projected to be \$15M above budget by year-end
 - Labor expenses trending above budget, primarily due to overtime and reimbursements
 - Staff project that overtime restrictions and trailing reimbursements will improve budget to actuals performance by FY end
- Non-labor and allocations projected to be below budget primarily due to management actions
 - Reduction in payments to other operations (\$5.5M)
 - Allocation to Section 115 Pension Trust will not be made in June 2023 (\$10M); BART will still fulfill all CalPERS obligations
- District is taking action to slow down spending, particularly in overtime and non-labor; these actions are incorporated into year-end projection

FY24 & FY25 Preliminary Budget Overview



Executive Summary

- Confronting an extremely challenging fiscal environment
 - Extending BART's fiscal runway with expenditure reductions – fiscal cliff pushed back
 - Pursuing new revenues
- Maintaining safe, frequent, reliable service

To access full PBM, please visit www.bart.gov/budget

Not included in Preliminary Budget, to be incorporated before adoption:

- Expansion of Office of Inspector General (OIG) from \$1M to \$2.7M beginning in FY24
- New Office of Infrastructure Delivery (OID)
- District operating vacancy rate is currently 7.25%, below 7.5% budgeted in FY24; vacancy assumption may be adjusted, which would shorten runway

February Board Workshop Recap

	FY23	FY24	FY25	FY26	FY27	FY28
Operating Revenues	222	270	301	320	352	397
Financial Assistance	469	460	472	487	502	521
Total Regular Revenues	691	730	772	807	854	918
Operating Expense	860	921	959	975	995	1,105
Debt Service & Allocations	152	184	162	166	170	156
Total Uses	1,012	1,106	1,121	1,141	1,165	1,261
Operating Result	(321)	(376)	(349)	(334)	(311)	(343)
Total Federal Assistance	321	376	206	0	0	0
Total Net Result	0	0	(143)	(334)	(311)	(343)

Board Discussion Takeaways:

- Tradeoffs are necessary
- Protect service levels, maintain system hours and stations
- Primary focus is on securing sustainable new revenue source
- Revisit allocations and some capital programs

Summary of major changes since February Board Workshop

	FY25 Deficit (Increase)/Decrease	
(\$Millions)	FY24	FY25
Replace 11.4% fare increase with 5.5% increases in FY24 and FY25	(6.6)	(7.1)
STA & other financial assistance adjustments	(1.0)	(2.0)
Remove baseline capital allocation inflation	0.7	1.4
Defer priority capital allocation	14.0	0.1
Suspend pension allocation	10.0	10.0
Suspend sustainability allocation	3.3	3.3
Suspend travel, conferences, and food	0.1	0.1
Restrict overtime	8.0	8.0
Reduce transfer payments	5.5	5.5
Reduce leased parking capacity	0.1	0.1
Misc Rev/Exp Adjustments	(0.6)	(1.9)
Total	33.5	17.5

- Ongoing reductions mean savings beyond FY24 & FY25
- FY25 deficit is still very large; staff continuing to pursue options to reduce it further
- Reductions made so far will result in tradeoffs, discussed in detail in Preliminary Budget Memo
- Some items discussed by Directors at Board Workshop require additional scoping, costing, and feasibility; more to come

Five-Year Outlook

(\$Millions)	FY24	FY25	FY26	FY27	FY28
Operating Revenues	263	292	317	348	392
Financial Assistance	459	470	485	501	521
Total Regular Revenues	723	762	803	848	913
Operating Expense	912	949	968	985	1,097
Debt Service & Allocations	156	147	150	153	153
Total Uses	1,067	1,095	1,119	1,139	1,250
<i>Operating Result</i>	<i>(345)</i>	<i>(334)</i>	<i>(316)</i>	<i>(290)</i>	<i>(338)</i>
Total Federal Assistance	345	256	0	0	0
<i>Total Net Result</i>	<i>0</i>	<i>(78)</i>	<i>(316)</i>	<i>(290)</i>	<i>(338)</i>
Board Workshop Deficit	0	(143)	(334)	(311)	(343)
<i>Change since Board Workshop</i>	<i>0</i>	<i>65</i>	<i>18</i>	<i>21</i>	<i>5</i>

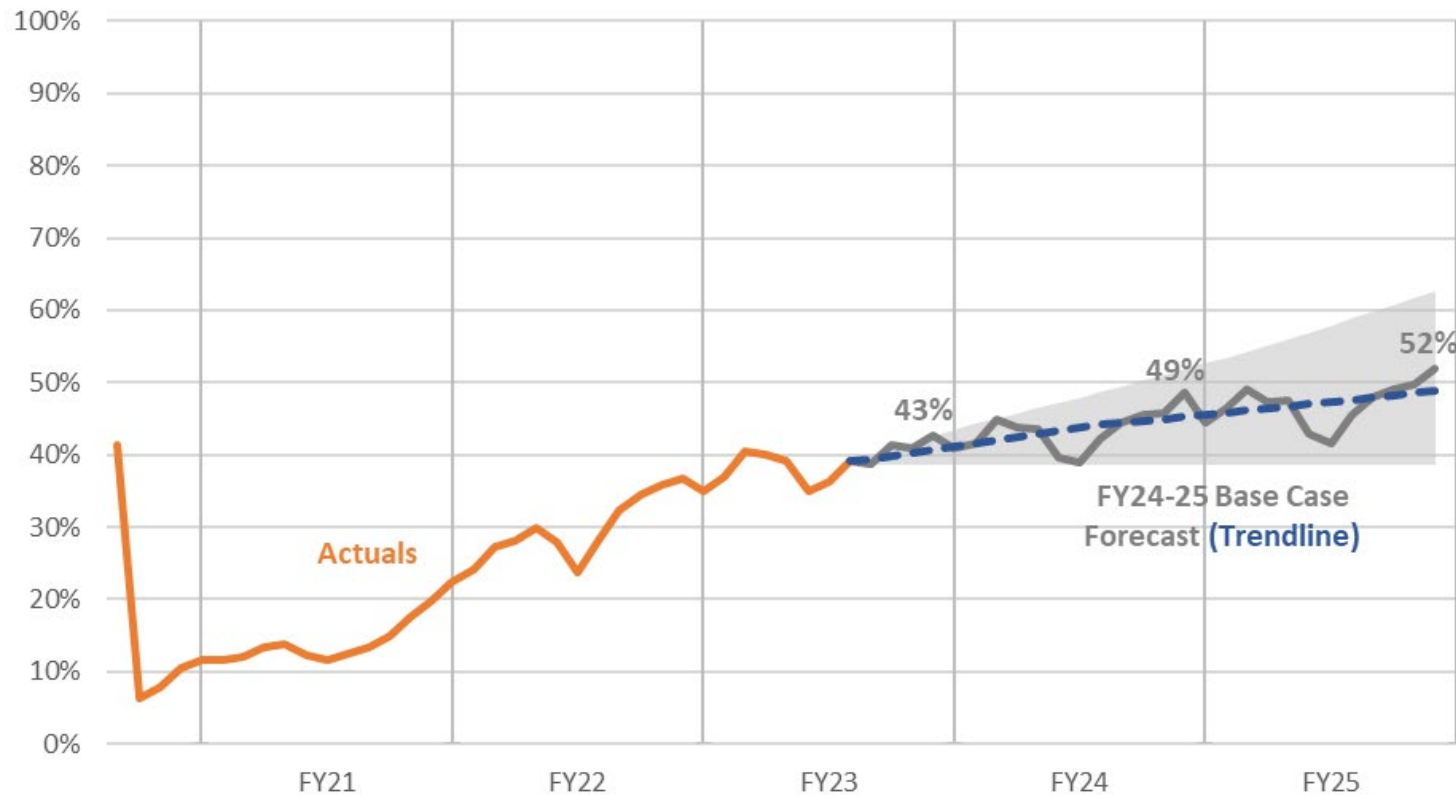
FY24 & FY25 Preliminary Sources and Uses Summary

SOURCES & USES (\$Millions)	Budget		Change		Budget	Change	
	FY23 Adopted	FY24 Prelim	\$	%	FY25 Prelim	\$	%
Operating Revenue	255.2	263.5	8.3	3%	291.6	28.1	11%
Financial Assistance	448.6	459.0	10.4	2%	469.9	10.9	2%
Federal Emergency Funding	313.6	344.9	31.3	10%	255.9	(89.0)	(26%)
<i>Total Sources</i>	<i>703.8</i>	<i>722.5</i>	<i>18.7</i>	<i>3%</i>	<i>761.6</i>	<i>39.1</i>	<i>5%</i>
Operating Expense	860.0	911.5	51.5	6%	948.5	37.0	4%
Debt Service & Allocations	157.4	155.9	(1.5)	(1%)	146.9	(9.0)	(6%)
<i>Total Uses</i>	<i>1,017.4</i>	<i>1,067.4</i>	<i>50.0</i>	<i>5%</i>	<i>1,095.4</i>	<i>28.0</i>	<i>3%</i>
Net Result Before Federal Emergency Assistance	(313.6)	(344.9)	(31.3)	10%	(333.9)	11.0	(3%)
Federal Emergency Assistance	313.6	344.9	31.3	10%	255.9	(89.0)	(26%)
Net Result After Federal Emergency Assistance	0.0	0.0	0.0	-	(78.0)	(78.0)	-

- Following slides show detail on each category in above chart
- Information is consistent with Preliminary Budget Memo released on March 31
- Revised revenue & expense and FY23 year-end projections will be presented at FY24 & FY25 Sources and Uses presentation scheduled for May 11th Board meeting

FY24 & FY25 Ridership Outlook

% of Pre-Pandemic Expectations:
Actuals and FY24-25 Budget Forecast



- FY23 Ridership 11% below budget as of the end of March
- Return-to-office has largely flattened; no longer forecast to be major driver in ridership growth
- Mode shift to transit and continued growth in non-work trips are modest drivers
- Exaggerated seasonality, observed in post-pandemic patterns, applied to forecast
- Average Weekday Forecast:
 - End of FY23: ~165,000
 - End of FY24: ~185,000
 - End of FY25: ~195,000

FY24 & FY25 Preliminary Sources: Operating Revenue

Operating Revenue	Budget		Change		Budget	Change	
(\$Millions)	FY23 Adopted	FY24 Prelim	\$	%	FY25 Prelim	\$	%
Rail Passenger Revenue	222.1	224.7	2.6	1%	254.1	29.4	13%
ADA Passenger Revenue	0.5	0.5	(0.0)	(1%)	0.5	0.0	3%
Parking Revenue	13.1	14.4	1.3	10%	14.3	(0.1)	(1%)
Other Operating Revenue	19.4	23.9	4.4	23%	22.8	(1.1)	(5%)
Subtotal - Operating Revenue	255.1	263.5	8.3	3%	291.6	28.1	11%

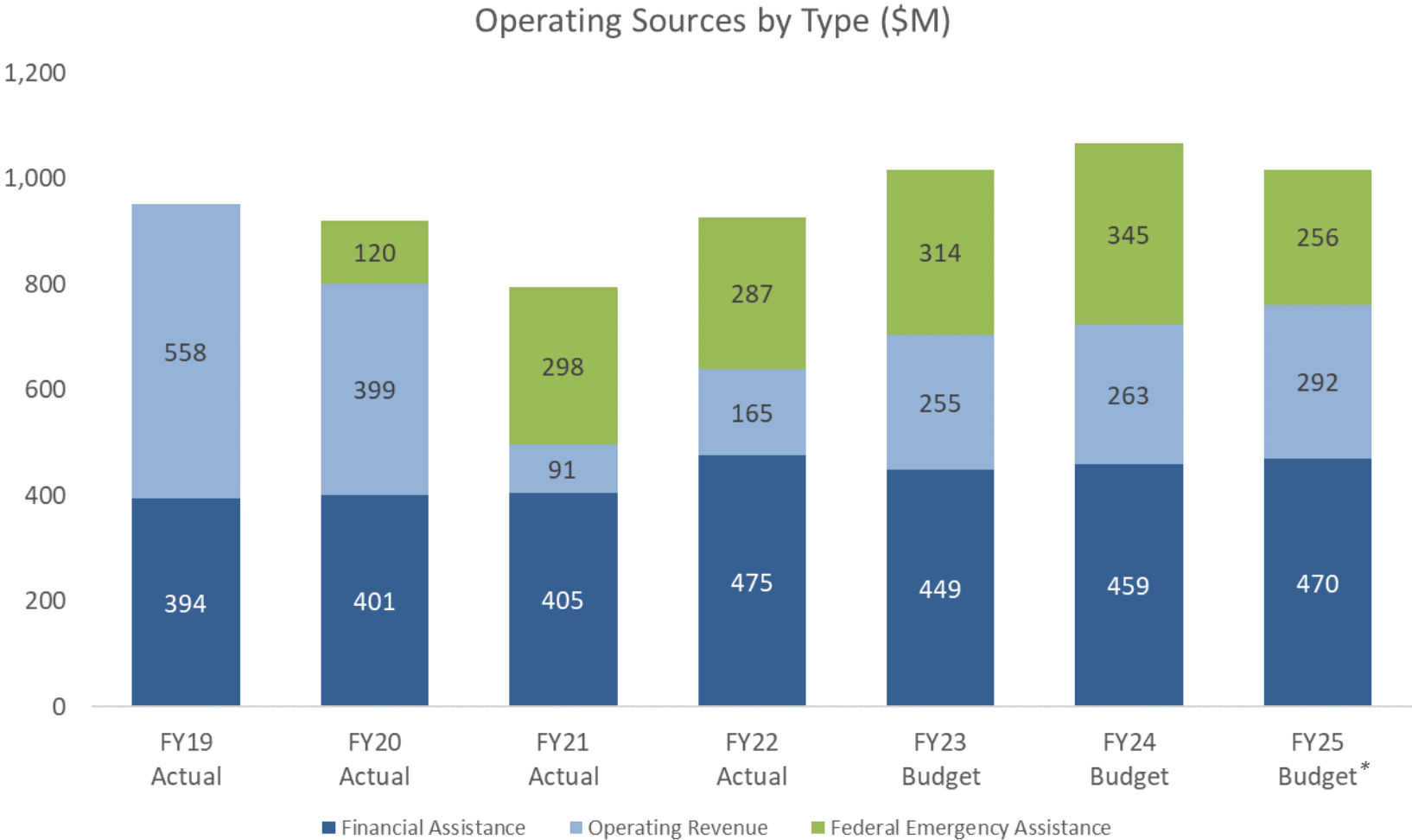
- FY23 fare revenue projected to be \$30-\$35M (14-16%) below budget
- FY24 preliminary operating revenue budget reflects a 17% increase over FY23 YE estimate of \$189.1M; FY25 budget reflects a further 11% increase
- Fare and parking revenue estimates based on FY24-25 ridership forecast
- Other operating revenue composed mostly of ground lease, telecom / digital railway, rentals

FY24 & FY25 Preliminary Sources: Financial Assistance

FINANCIAL ASSISTANCE	Budget		Change		Budget	Change	
(\$Millions)	FY23 Adopted	FY24 Prelim	\$	%	FY25 Prelim	\$	%
Sales Tax Proceeds	299.0	311.5	12.6	4%	318.7	7.2	2%
Property Tax Proceeds	58.0	61.2	3.2	6%	64.3	3.1	5%
VTA Financial Assistance	32.7	34.9	2.3	7%	35.0	0.1	0%
MTC Financial Assistance Clipper Start	0.3	0.5	0.2	57%	1.2	0.8	172%
State Transit Assistance	22.7	23.5	0.8	3%	23.2	(0.3)	(1%)
Low Carbon Transit Operations Program	10.3	10.3	0.0	0%	10.3	0.0	0%
Low Carbon Fuel Standard Program	16.6	6.5	(10.1)	(61%)	6.4	(0.1)	(2%)
Local & Other Assistance	9.1	10.6	1.5	16%	10.8	0.2	2%
Subtotal - Financial Assistance	448.6	459.0	10.4	2%	469.9	10.9	2%

- Sales tax FY23 year-end estimate is ~\$16M (5%) above FY23 budget; cautious growth assumption for FY24 & FY25 given economic uncertainty
- Property tax reflects county estimates
- State Transit Assistance assumes higher base revenue levels, tempered by expiration of hold harmless agreement
- Low Carbon Fuel Standard (LCFS) credit sales substantially reduced due to market conditions

Change in Operating Sources Since COVID



* Federal emergency assistance fully expended in mid-FY25

FY24 & FY25 Preliminary Uses: Labor

LABOR & BENEFITS (\$Millions)	Budget		Change		Budget		Change	
	FY23 Adopted	FY24 Prelim	\$	%	FY25 Prelim	\$	%	
Wages	480.2	519.5	39.3	8%	556.7	37.2	7%	
Overtime	70.8	76.8	5.9	8%	79.8	3.1	4%	
CalPERS Pension	128.0	136.3	8.3	7%	137.6	1.3	1%	
Other Pension Benefits	14.4	13.4	(1.0)	(7%)	14.0	0.6	4%	
Active Employee Medical Insurance	88.7	85.3	(3.4)	(4%)	87.0	1.7	2%	
Retiree Medical	45.7	30.8	(14.9)	(33%)	31.3	0.5	2%	
Workers' Compensation	17.2	20.7	3.5	20%	20.7	0.0	0%	
Capital Reimbursement Wages	(146.6)	(142.6)	4.0	(3%)	(151.9)	(9.2)	6%	
Capital Fringe	(73.7)	(68.2)	5.5	(7%)	(70.3)	(2.0)	3%	
Capital Overtime	(22.4)	(23.9)	(1.5)	7%	(24.8)	(1.0)	4%	
Other Labor*	29.9	29.5	(0.5)	(2%)	30.6	1.1	4%	
Subtotal - Labor & Benefits	632.2	677.5	45.3	7%	710.8	33.3	5%	

*Other labor includes Vision, Dental, Medicare, Life Insurance, Disability, Unemployment, Meal and Uniform Allowances, Temp Help, and Employee Wellness Benefits

- Budgeted wages increase due to negotiated wage increases in FY23, FY24, and FY25
- Vacancy factor adjustment decreases from 10% in FY23 to 7.5% in FY24 and 5% in FY25
- Most benefit costs dictated by outside entities or projected by independent third-party experts

FY23 to FY24 Preliminary Budget FTE Changes

FY23 to FY24 FTE Summary			
	Operating	Capital/Reimbursable	Total FTEs
FY23 Adopted Budget	3,493.70	1,092.25	4,585.95
FY23 to FY24 Adjustments			
Midyear Additions	8.0	5.0	13.0
Funding Conversions	31.25	(31.25)	0.0
Technical Adjustments	0.0	1.0	1.0
Total Adjustments	39.25	(25.25)	14.0
FY24 Preliminary Budget	3,533	1,067	4,600

- Midyear additions and technical adjustments:
 - Added 8 operating and 6 capital FTEs primarily for support divisions across the District
- Funding conversions: Converted 31 FTEs from capital to operating sources to reflect actual charging

FY24 & FY25 Preliminary Uses: Non-Labor

NON-LABOR	Budget		Change		Budget	Change	
(\$Millions)	FY23 Adopted	FY24 Prelim	\$	%	FY25 Prelim	\$	%
Clipper, Ticket Sales & Bank Fees	8.0	10.1	2.1	26%	8.9	(1.2)	(12%)
Insurance	9.6	9.9	0.3	3%	9.9	0.0	0%
Materials & Supplies	50.1	49.2	(0.9)	(2%)	49.2	0.0	0%
Professional & Technical Fees	48.3	51.2	2.9	6%	50.9	(0.3)	(1%)
Repairs & Maintenance	10.2	11.7	1.5	15%	11.7	0.0	0%
Rent	4.1	4.0	(0.1)	(3%)	4.0	0.0	0%
Power	52.7	56.5	3.8	7%	58.2	1.7	3%
ADA Paratransit	16.7	19.8	3.1	19%	20.4	0.6	3%
Purchased Transportation	12.7	7.9	(4.8)	(38%)	8.5	0.6	7%
Utilities	8.6	9.0	0.4	5%	9.1	0.0	1%
Other Miscellaneous	6.9	4.7	(2.1)	(31%)	7.0	2.3	48%
Subtotal - Non-Labor	227.8	234.0	6.3	3%	237.8	3.7	2%

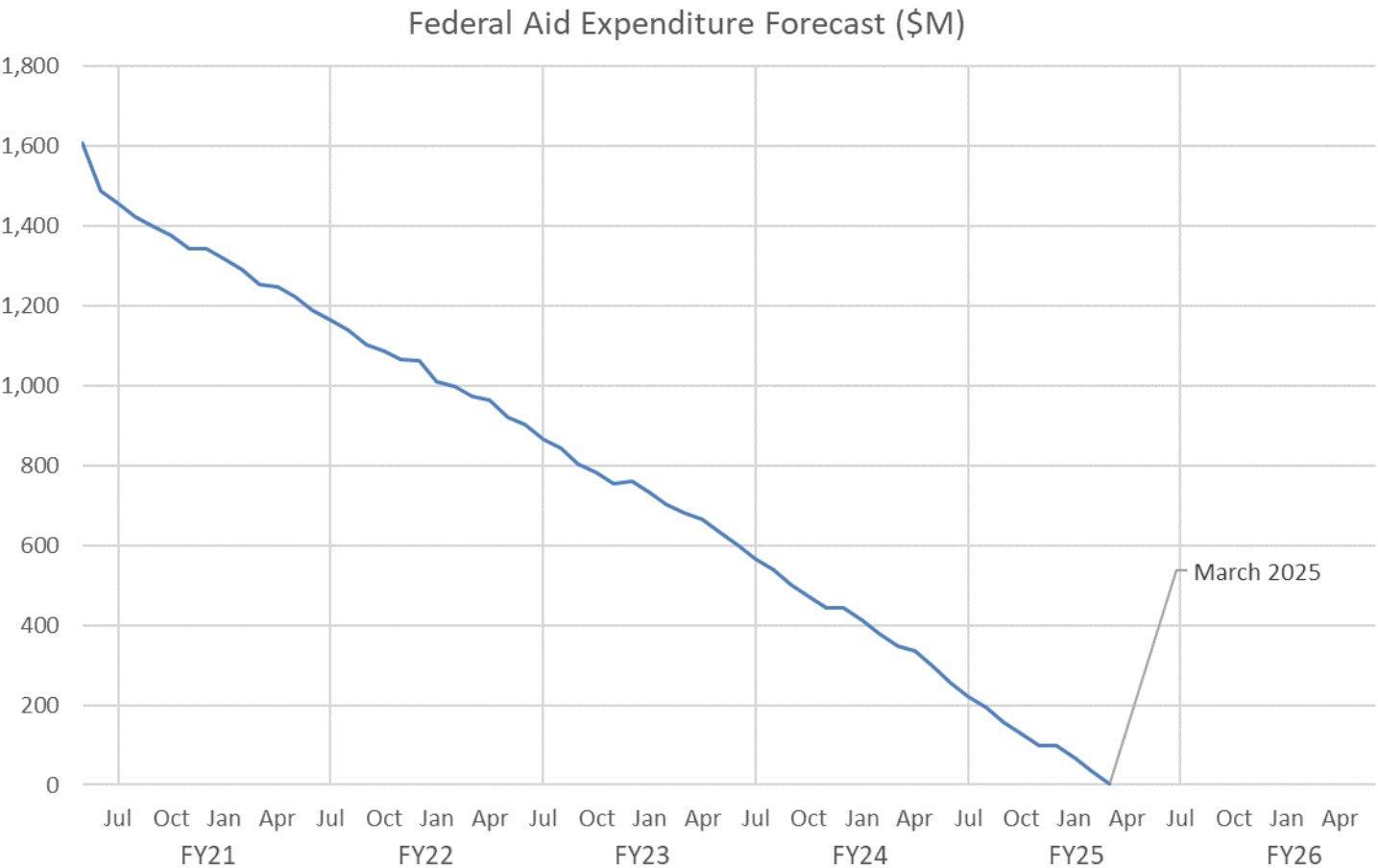
- FY24 Non-labor ongoing increases driven by traction power, paratransit, and professional & technical fees
- Clipper cost increase in FY24 only for transition to Clipper 2, reduced in FY25
- Most cost increases are driven by inflation and scheduled increases to contracts and leases

FY24 & FY25 Preliminary Uses: Debt Service & Allocations

DEBT SERVICE & ALLOCATIONS (\$Millions)	Budget		Change		Budget		Change	
	FY23 Adopted	FY24 Prelim	\$	%	FY25 Prelim	\$	%	
Debt Service	59.9	60.1	0.2	0%	60.2	0.0	0%	
Capital Reinvestment	36.5	34.2	(2.3)	(6%)	34.2	0.0	0%	
Priority Capital Projects/Programs	33.0	50.0	17.0	52%	51.0	1.0	2%	
Sustainability	6.4	0.0	(6.4)	(100%)	0.0	0.0	-	
Other	11.6	11.6	0.0	0%	1.6	(10.0)	(86%)	
Pension	10.0	0.0	(10.0)	(100%)	0.0	0.0	-	
Subtotal - Debt Service & Allocations	157.4	155.9	(1.5)	(1%)	146.9	(9.0)	(6%)	

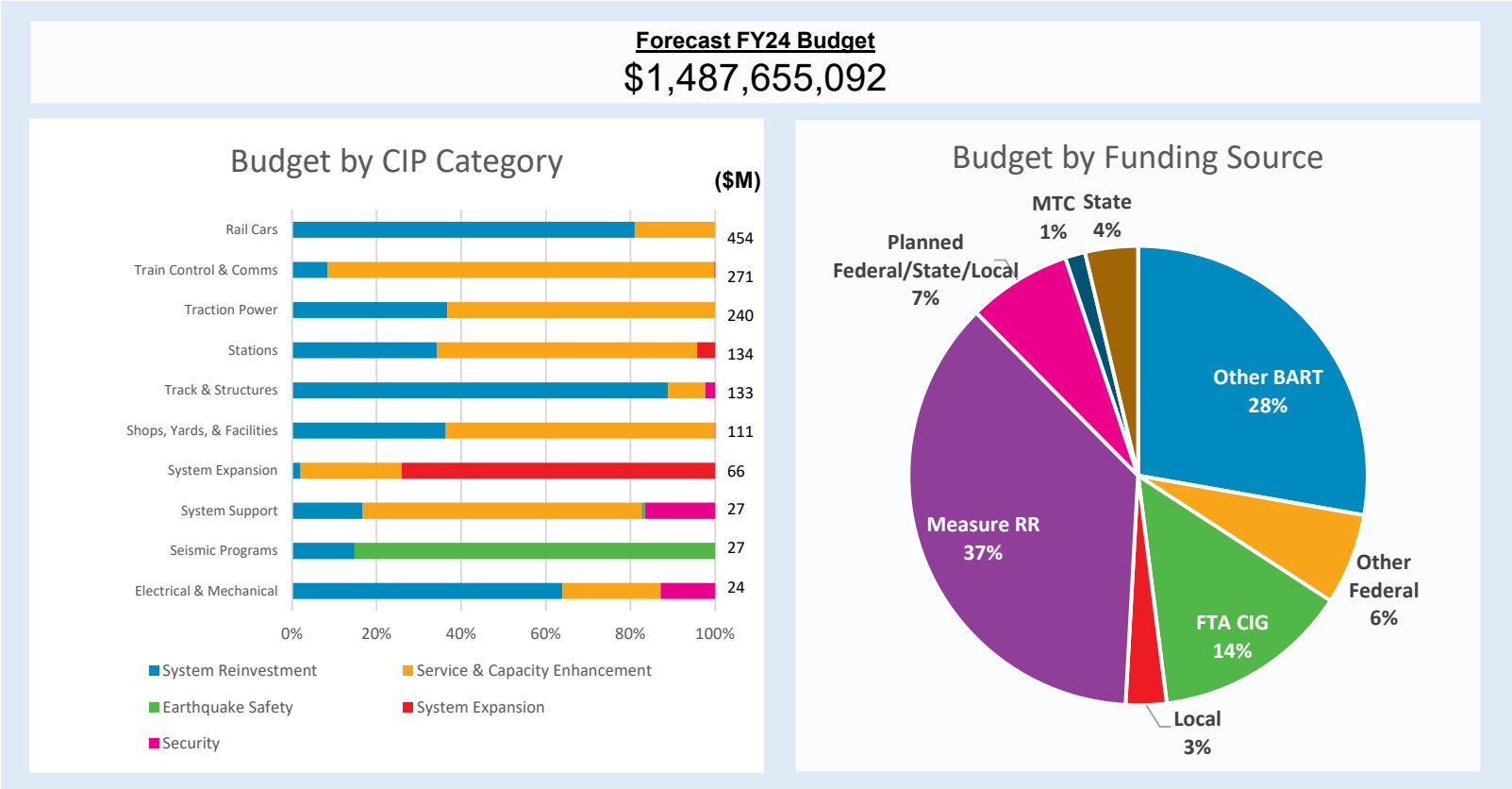
- Capital Reinvestment: No escalation; decrease in FY24 is due to end of one-time funding for underground restroom rehabilitation
- Priority Capital: increases from FY23, but \$14M originally scheduled for FY24 moved to out years based on project cash flow projections
- Sustainability and Pension allocations suspended in FY24 and FY25
 - All CalPERS obligations are fully funded in FY24 and FY25

Updated Fiscal Runway

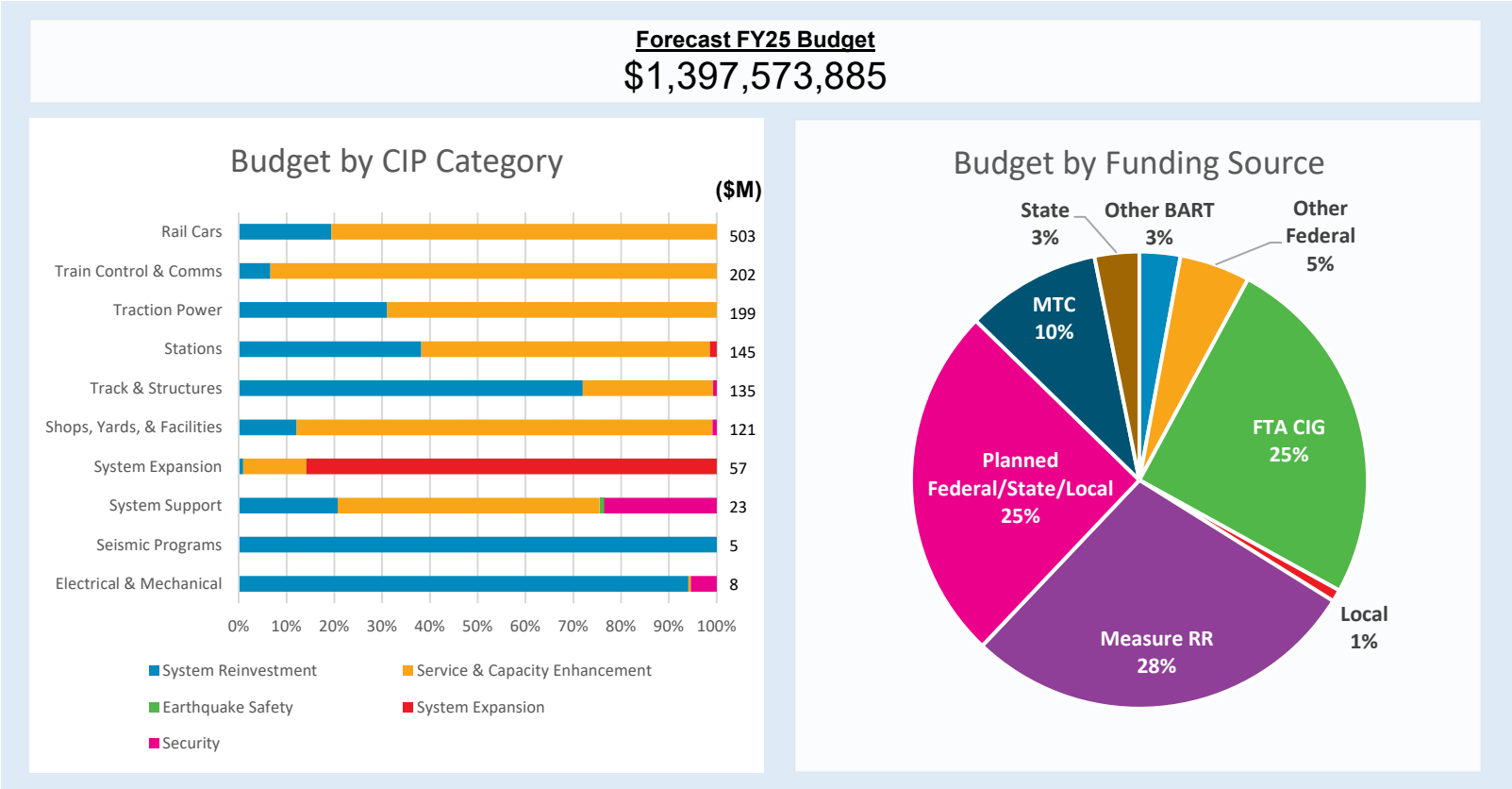


- Fiscal runway now ends in March 2025 (3rd quarter of FY25)
- Previously ended January 2025

FY24 Preliminary Capital Sources & Uses



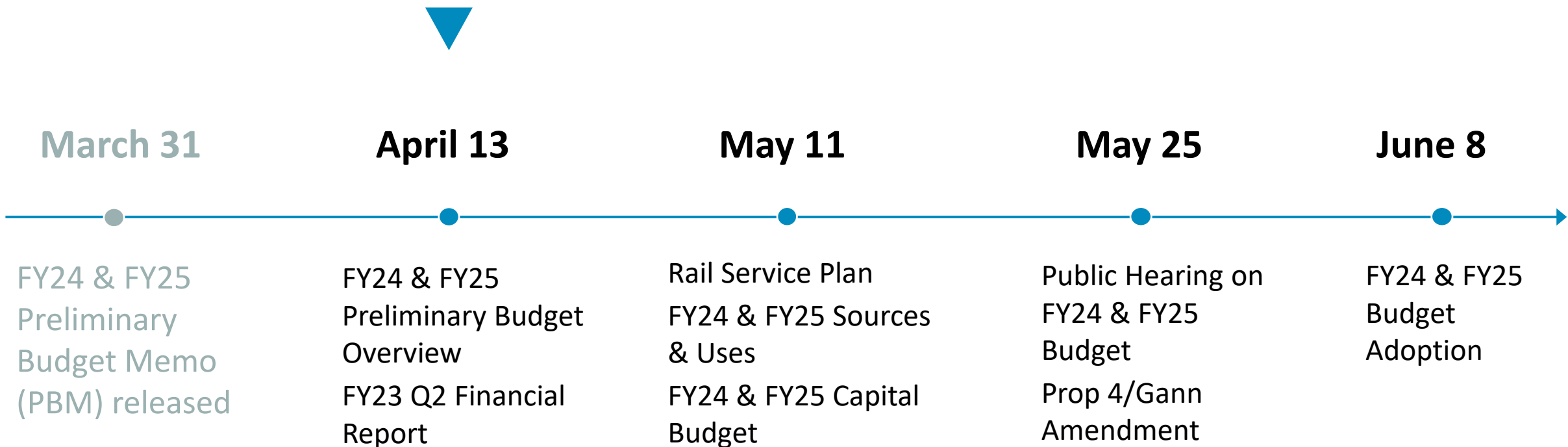
FY25 Preliminary Capital Sources & Uses



Next Steps

- Staff continue to work on identifying revenue and expenditure opportunities
- FY23 spending trends are concerning
 - Spending restrictions are being implemented
- Continuing to advocate for state assistance
- Further revenue and expenditure refinements at May 11 Sources and Uses presentation

Timeline and Next Steps



Discussion