

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors

DATE: December 1, 2023

FROM: General Manager

SUBJECT: **FY24 First Quarter Financial Report (QFR)**

The Fiscal Year 2024 (FY24) First Quarter Financial Report (July – September 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 first quarter (Q1) of FY24 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 \$99.1 million (M) operating deficit (the difference between revenues and expenses incurred) over the three month period of July 1 to September 30, 2023.

Ridership totaled 12.7M exits through Q1 FY24, 1% below budget. This was 11% more than the same period a year ago, but 58% below the first quarter in FY20. Average weekday ridership during this period was 164,606 exits, 1% below budget, 12% higher than a year ago, and 60% below Q1 FY20 levels.

First quarter FY24 ridership was higher than the previous quarter. On a month-to-month basis, average weekday ridership increased: July (155,800), August (166,600) and September (172,000).

Operating Revenue

Operating Revenue was \$0.3M (0.5%) below budget through the first quarter of FY24. **Net Passenger Revenue** was nearly on budget, at just \$35,000 (0.1%) below budget expectations. **Parking Revenue** was \$0.2M (4.2%) favorable. **Other Operating Revenue** was \$0.4M (8.3%) below budget in part due to lower-than-expected advertising and lease revenues.

Financial Assistance

Sales Tax revenue was \$4.6M (5.9%) favorable through Q1 FY24. This positive result was driven in part by increasing activity in the restaurant and hotel industries, and by growth in new auto sales. **Property Tax** revenue was \$1.7M (83.9%) favorable through Q1 FY24. This positive variance is due to timing of payments to BART. **VTA Financial Assistance** was \$0.5M (5.9%) unfavorable to budget (less funds received from VTA) due to new projected costs attributed to the extension, which was updated after the FY24 budget was adopted.

Other Assistance through Q1 FY24 was \$0.4M (5.3%) unfavorable. Low Carbon Fuel Standard (LCFS) credit sales were \$1.0M favorable through Q1 FY24, along with several smaller assistance items totaling \$1.1M above budget. Offsetting this is a later-than-expected Low Carbon Transit Operations Program (LCTOP) payment that was budgeted at \$2.6M in Q1 FY24.

Operating Uses

Total Operating Expense was \$8.3M (3.6%) higher than budget in the first quarter of FY24.

Total gross **Wages, Fringe Benefits & Other Labor** was \$6.8M (3.2%) below budget. However, Net Operating Wages, Fringe Benefits & Other Labor finished the first quarter \$9.9M (6.1%) unfavorable to budget, driven by unfavorable Capital Labor Reimbursements of \$16.7M (34.6%). Vacancies partially drove the underperformance of Capital Labor Reimbursements; the District assumed an 18% capital vacancy rate in FY24 while the Q1 actual vacancy rate was 21%. The difference in budgeted and actual rates results in Gross Wages savings as well as offsetting Capital Labor Reimbursements, generating a net zero effect on the operating budget. However, the negative impact to the operating budget from missed Capital Labor Reimbursements exceeds the amount that can be attributed to vacancies. Some of the below budget results may be due to a delay in capital charges and will be booked in subsequent months.

Total gross **Overtime** was \$20.2M in Q1, slightly over budget by \$0.2M; however this was \$3.9M lower than FY23 Q1 results. When Capital Reimbursements Overtime is accounted for, net operating overtime variance is \$2.3M (15.9%) unfavorable to budget.

On a net basis, the District exceeded its operating labor budget in the first quarter by \$12.1M (6.9%), primarily driven by unfavorable Capital Labor and Capital Overtime Reimbursements, which were partially offset by favorable variance in Gross Wages.

Non-labor was below budget through the first quarter by \$3.8M (7.3%). Electric Power was \$1.4M unfavorable (9.5%) due to higher than anticipated summer electricity costs, in excess of the typically high prices assumed in the first quarter. The District began running shorter trains in mid-September, near the end of Q1, so the savings expected from that change are minimal in the first quarter. **Other Non-Labor** was \$5.0M (15.9%) favorable to budget, with most of the favorable variance in Professional Fees, Other Utilities, Material Usage, Repairs & Maintenance and Miscellaneous Expenses. Professional Fees was \$2.0M favorable, mostly due to timing of invoice payments and funding of capital projects with operating to capital allocations. Other Utilities was \$1.0M favorable due to timing of invoice payments, favorable contract negotiations and less Natural Gas used during the summer months. Material Usage was \$0.8M favorable mostly due to favorable variance due to timing of an expected write-off of obsolete Legacy car inventory. Repairs & Maintenance and Miscellaneous Expenses were both \$0.6M favorable, again, mostly due to timing of invoice payments.

Debt Service and Allocations show a \$0.1M (0.2%) unfavorable variance.

Federal Emergency Assistance

The District needed a total of \$99.1M in ARPA funding to cover the difference between operating revenues and expenses through the first quarter. This amount is \$4.6M (4.4%) less than anticipated in the budget and was driven by \$7.5M of favorable total revenues and \$5.5M of favorable financial assistance, offsetting the \$8.4M unfavorable total uses.

The District is relying on ARPA funding to close its operating deficit for the foreseeable future. Through September, of the total \$1.6B of federal emergency assistance allocated to the District since 2020, \$1.1B (69.7%) has been expended, with \$488M (30.3%) remaining for use in future quarters.

FY24 Preliminary Year-End Projection

The FY24 Q1 Financial Report includes a Preliminary Year-End Projection. It should be noted that projecting costs based on three months of data can generate low levels of confidence in the accuracy of the forecast, and year-end actuals are likely to vary significantly.

Looking ahead, staff currently project to end FY24 close to budget, with some notable variances. Total sources are expected to end the year \$32.7M (4.5%) above budget, driven by two substantive changes in the State Transit Assistance forecast: 1) the State's extension of the hold harmless agreement, previously forecast to expire at the end of calendar year 2023, and 2) MTC's timing of STA payments to BART, which shifted \$16M from FY23 to FY24.

On the expense side, gross labor costs are expected to end the fiscal year \$14.6M (1.7%) below budget. However, Net Operating Labor costs are expected to exceed budget by \$21.8M (3.4%), driven by a projected \$36.4M (18.9%) underperformance in Labor Reimbursements. The trends in Labor Reimbursements, particularly from capital sources, are concerning; staff is working to identify causes and address them over the course of the current fiscal year.

Gross Overtime is projected to end the year close to budget, with a \$3.3M (4.3%) negative variance. As with Labor costs discussed above, currently projected underperformance in Capital Reimbursements Overtime of \$7.2M (30.3%) will result in Net Operating Overtime coming in \$10.6M (20.0%) above budget.

Non-labor costs are projected to end the fiscal year \$10.7M (4.6%) below budget. Most of the savings are projected to come from Electric power, which is forecast to end the year \$9.2M (15.6%) below budget, though this figure may change as the District responds to passenger demand by modifying train lengths.

Debt Service and Allocations are projected to finish the fiscal year on budget.

Overall Uses in FY24 are projected to be \$21.6M (2.0%) above budget, driven primarily by the underperformance in Labor Reimbursements discussed above. Combined with the projected \$32.7M favorable variance in Sources, staff project that the District will need \$11.1M (3.2%) less federal emergency assistance to balance the budget. This variance 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.

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 - First Quarter FY24

(\$ Millions)	Q1 Budget	Q1 Actuals	Q1 Variance	YTD % Variance	Year-End Forecast	Annual Budget	% Annual Budget	Projected Year-End Variance
<u>Operating Revenue</u>								
Net Passenger Revenue	55.5	55.5	(0.0)	● -0.1%	225.4	225.4	24.6%	(0.0)
Parking Revenue	3.8	4.0	0.2	● 4.2%	14.8	14.8	26.9%	0.0
Other Operating Revenue, Net of GASB 87 & 94	5.2	4.8	(0.4)	● -8.3%	21.4	21.4	22.5%	(0.0)
Total Net Operating Revenue	64.6	64.3	(0.3)	● -0.5%	261.7	261.7	24.6%	(0.0)
NonOperating Revenue - Investment Income, Net of GASB 87	0.6	8.5	7.8	● 1255.9%	8.5	2.5	329.4%	6.0
Total Revenue	65.2	72.7	7.5	● 11.6%	270.1	264.2	27.5%	6.0
<u>Financial Assistance</u>								
Sales Tax	78.2	82.8	4.6	● 5.9%	318.1	319.8	25.9%	(1.7)
Property Tax	2.0	3.7	1.7	● 83.9%	61.2	61.2	6.1%	-
State Transit Assistance	-	0.0	0.0	-	52.0	23.5	0.1%	28.5
VTA Financial Assistance	8.7	8.2	(0.5)	● -5.9%	34.7	34.7	23.5%	-
Other Assistance, Net of Federal Emergency Assistance	7.0	6.6	(0.4)	● -5.3%	29.9	29.9	22.1%	(0.0)
Total Financial Assistance	95.9	101.4	5.5	● 5.7%	495.9	469.2	21.6%	26.7
Total Sources	161.1	174.1	13.0	● 8.1%	766.1	733.4	23.7%	32.7
<u>Operating Expense</u>								
Gross Wages, Fringe Benefits & Other Labor	210.8	203.9	6.8	● 3.2%	825.2	839.8	24.3%	14.6
Capital Labor Reimbursements - Wages, Fringe Benefits & Other Labor	(48.3)	(31.6)	(16.7)	● -34.6%	(155.8)	(192.2)	16.4%	(36.4)
Subtotal - Net Operating Wages, Fringe Benefits & Other Labor	162.5	172.4	(9.9)	● -6.1%	669.4	647.6	26.6%	(21.8)
Gross Overtime	19.9	20.2	(0.2)	● -1.1%	80.1	76.8	26.3%	(3.3)
Capital Reimbursements - Overtime	(5.7)	(3.7)	(2.0)	● -35.5%	(16.6)	(23.9)	15.5%	(7.2)
Subtotal - Net Operating Overtime	14.2	16.5	(2.3)	● -15.9%	63.5	52.9	31.1%	(10.6)
Total Operating Labor	176.7	188.8	(12.1)	● -6.9%	732.8	700.5	27.0%	(32.3)
Electric Power	14.3	15.7	(1.4)	● -9.5%	49.8	59.0	26.6%	9.2
Purchased Transportation	6.7	6.5	0.2	● 2.8%	26.7	26.7	24.3%	0.0
Other Non Labor, Net of GASB 87 & 96	31.4	26.4	5.0	● 15.9%	145.8	147.3	18.0%	1.5
Total Non Labor	52.4	48.6	3.8	● 7.3%	222.3	233.0	20.9%	10.7
Total Operating Expense	229.1	237.4	(8.3)	● -3.6%	955.1	933.5	25.4%	(21.6)
<u>Debt Service and Allocations</u>								
Debt Service	15.0	15.0	0.0	● 0.0%	60.1	60.1	25.0%	-
Capital and Other Allocations, Net of Federal Emergency Assistance	20.7	20.8	(0.1)	● -0.3%	90.5	90.5	22.9%	-
Total Debt Service and Allocations	35.7	35.8	(0.1)	● -0.2%	150.6	150.6	23.8%	-
Total Uses	264.8	273.2	(8.4)	● -3.2%	1,105.8	1,084.1	25.2%	(21.6)
Net Result Before Financial Assistance	(103.7)	(99.1)	4.6	● 4.4%	(339.7)	(350.8)	13.6%	11.1
Federal Assistance Applied	103.7	99.1	(4.6)	● -4.4%	339.7	350.8		(11.1)
Net Result before GASB	0.0	(0.0)	(0.0)	● 0.0%	0.0	0.0	0.0%	(0.0)
Operating Result (Deficit)	(164.5)	(173.2)	(8.6)	● -5.2%	(693.5)	(671.9)	25.8%	21.6
System Operating Ratio	28.2%	27.3%	-0.9%		27.4%	28.0%		-0.6%
Rail Cost / Passenger Mile (\$)	1.15	1.19	(0.04)			1.29		

Federal Emergency Assistance to BART (Updated November 29, 2023)

Award amounts (\$M)	FY20	FY21	FY22	FY23	FY24 Q1	Total Awarded
CARES	251	126	0	0	0	377
CRRSAA	0	378	0	0	0	378
ARPA	0	0	582	0	0	582
ARPA Add'l Assistance	0	0	271	0	0	271
<i>Subtotal - all awards</i>	<i>251</i>	<i>504</i>	<i>853</i>	<i>0</i>	<i>0</i>	<i>1,608</i>

Draw downs (\$M) - funds received as of 9/30/23	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Q1	Total Drawn Down
CARES	186	191	0	0	0	377
CRRSAA	0	211	167	0	0	378
ARPA	0	0	276	408	111	795
ARPA Add'l Assistance	0	0	0	0	0	0
<i>Subtotal - all drawdowns</i>	<i>186</i>	<i>402</i>	<i>443</i>	<i>408</i>	<i>111</i>	<i>1,550</i>

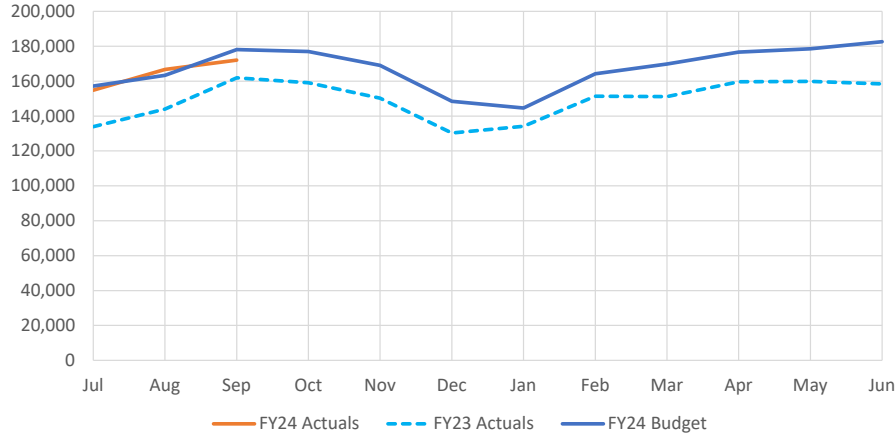
Remaining federal funds to be drawn down after 9/30/23 (\$M)***58***

Expenditures (\$M) - applied to offset incurred expenses as of 9/30/23	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Q1	Total Applied
CARES	120	257	0	0	0	377
CRRSAA	0	41	287	50	0	378
ARPA	0	0	0	266	99	365
ARPA Add'l Assistance	0	0	0	0	0	0
<i>Subtotal - all expenditures</i>	<i>120</i>	<i>298</i>	<i>287</i>	<i>316</i>	<i>99</i>	<i>1,120</i>

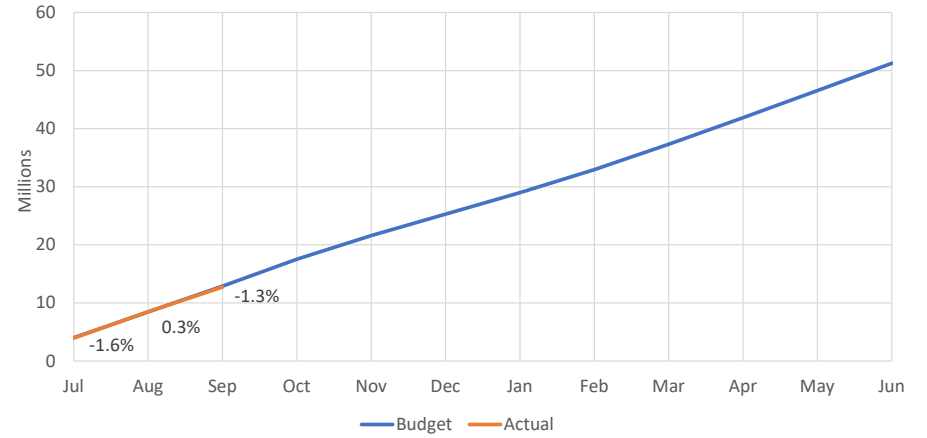
Funds in BART reserves as of 9/30/23 (\$M)***430******Remaining federal funds to be used to offset expenses after 9/30/23 (\$M)******488***

FY24Q1 (Jul-Sep) Ridership Stats

Average Weekday Ridership



FY24 Cumulative Budget to Actual Variance



Exits	Actual FY22	Budget FY23	Actual FY24
Weekday	149,574	166,062	164,606
Saturday	84,844	99,550	93,153
Sunday	62,573	70,585	71,098
Total	45,864,475	12,896,200	12,729,703

FY23 YTD Actual vs.	
FY22 YTD Actual	FY23 YTD Budget
110.0%	99.1%
109.8%	93.6%
113.6%	100.7%
27.8%	98.7%

Clipper Product Avg Net Fare

