

# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

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## MEMORANDUM

**TO:** Board of Directors

**DATE:** May 3, 2024

**FROM:** General Manager

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

### New Report Structure

This memo summarizes BART's Fiscal Year 2024 (FY24) third quarter (January – March 2024) financial performance, including BART's budget-to-actual results, use of emergency assistance, and updates on retiree benefit obligations, grants receivable, cash and investments, long-term debt obligations, and operating reserves.

The District's budget-to-actual performance is shown in tabular format in Attachment 1. Attachment 2 shows the District's allocations, drawdowns, and use of emergency assistance, while Attachment 3 is a summary of ridership trends during the period.

### Executive Summary

The District's net operating result was balanced through the third quarter (Q3) of FY24 due to the continued use of emergency assistance funds allocated through the American Rescue Plan Act (ARPA). These funds enabled the District to cover a \$262.2 million (M) operating deficit (the difference between operating revenues and expenses incurred) over the nine month period of July 1 to March 31, 2024.

**Ridership** totaled 36.8M exits through Q3 FY24, 1.3% below budget but 9.8% higher than the same period last year. Average weekday ridership during this period was 158,779 exits, 0.4% below budget, and 8.9% higher than a year ago. Third quarter FY24 ridership was 1.9% lower than the previous quarter. Average weekday ridership was 151,900 in January, 162,200 in February, and 162,500 in March, consistent with expected seasonal trends, but lower than expected.

### Operating Revenue

**Operating Revenue** was \$1.3M (0.7%) below budget through the first three quarters of FY24. **Net Passenger Revenue** was \$2.1M (1.3%) below budget expectations as ridership did not keep up with

budgeted growth in February and March. **Parking Revenue** was \$1.3M (11.4%) favorable. **Other Operating Revenue** was \$0.5M (3.3%) below budget in part due to lower-than-expected advertising and lease revenues.

**Investment Revenue** was \$23.6M favorable to budget through the first three quarters of FY24 due to BART having drawn down large amounts of emergency funding over the past several years, which has been held in reserves and accruing interest at higher than expected rates. Note that investment revenue is budgeted conservatively as market conditions are difficult to forecast and can also be negative.

### **Financial Assistance**

**Sales Tax** revenue was \$2.0M (0.8%) unfavorable and **Property Tax** was \$2.6M (7.7%) favorable through Q3 FY24. **VTA Financial Assistance** was \$0.1M (0.2%) unfavorable to budget (less funds received from VTA) due to projected costs attributed to the extension that were updated after FY24 budget adoption. **State Transit Assistance** was \$10.0M (84.9%) below budget and is attributed to the lumpy nature of funds disbursement by MTC.

**Other Assistance** through Q3 FY24 was \$11.5M (52.6%) favorable. This is due in part to earlier-than-expected Low Carbon Transit Operations Program (LCTOP) payments, which were budgeted to arrive in four equal quarterly payments of \$2.6M. Instead, BART received \$9.5M in Q2 2024 and \$0.7M in Q3 2024. Local financial assistance was also \$4.5M (48%) favorable versus budget through Q3 of FY24.

### **Operating Uses**

**Total Operating Expense** was \$31.5M (4.5%) higher than budget through the third quarter of FY24.

Total gross **Wages, Fringe Benefits & Other Labor** was \$14.8M (2.3%) below budget. However, net Operating Wages, Fringe Benefits & Other Labor finished the third quarter \$30.7M (6.3%) unfavorable to budget, driven by unfavorable Capital Labor Reimbursements of \$45.5M (31.5%).

Total gross **Overtime** was \$59.3M through Q3, slightly over budget by \$0.6M (1.0%) and \$11.2M lower than Q3 of FY23. However, when lagging Capital Reimbursements Overtime is accounted for, net operating overtime variance is \$6.3M (15.3%) unfavorable to budget.

On a net basis, the District exceeded its operating labor budget through the third quarter by \$37.0M (7.0%); this variance was almost entirely due to lower than budgeted capital labor reimbursements. As described in the previous quarter's memo, approximately half of the variance is neutral to the operating budget, stemming from technical issues; the remaining half is due to staff budgeted as capital-funded charging to the operating budget. BART staff have worked to identify and address issues related to capital labor reimbursements over the past two fiscal years; this has led to updated capital labor reimbursement assumptions in the FY25 & FY26 Preliminary Budget to account for the actual distribution of work across funding sources.

**Non-Labor** expense was below budget through the third quarter by \$5.5M (3.2%). Electric Power was \$0.8M unfavorable (1.9%) YTD due to unexpectedly high December and January market electricity and transmission costs; however Q3 was \$0.9M favorable. **Other Non-Labor** was \$6.1M (5.8%) favorable to budget, with most of the favorable variance in Professional Fees, Repairs & Maintenance and Other Utilities. Professional Fees were \$5.1M favorable, mostly due to timing of invoicing and payments to vendors. Repairs & Maintenance was \$1.5M favorable due to delayed station cleaning and glass repair contracts, timing of invoice payments, and harvesting of parts from decommissioned rail cars. Other Utilities were \$1.0M favorable mostly due to timing of garbage invoicing and other utility expenses booked to Material Usage and Repair accounts. This was offset by \$1.0M of unfavorable Material Usage, which contains \$9.1M of write-off of obsolete legacy "C" cars and associated inventory. One more substantial inventory write-off of approximately \$4M to \$5M is expected for June.

**Debt Service and Allocations** Debt Service is on budget and Allocations are \$10.5M (19.4%) favorable, mostly due to the reversal of a \$5.4M FY21 allocation for replacement of equipment on the BART-to-Antioch extension back into the operating budget. After February 2024, the District stopped making its allocation to Priority Capital because the remaining funds scheduled to be deposited were intended for a Railcar contingency that will not be necessary; this generated a \$4.2M positive variance in Q3, which will also be seen in the remaining months of the fiscal year.

### **Emergency Assistance**

The District used \$262.2M in ARPA funding to cover the difference between operating revenues and expenses through the third quarter. This amount is \$3.5M (1.3%) less than budget and was driven by \$22.3M of favorable total revenues and \$2.1M of favorable financial assistance, offsetting \$20.9M in unfavorable total uses. Through March, of the \$1.6 billion (B) of federal emergency assistance allocated to

the District since 2020, \$1.3B has been expended and \$325.0M, remains for future use. Over the next two years, the District will begin accessing an additional \$352M in SB125 State and Regional Assistance.

### **FY24 Year-End Projection**

Heading into the fourth quarter, staff projects to end FY24 requiring \$33.7M less emergency assistance than budgeted. Total sources are expected to end the year \$69.1 (9.4%) above budget. As noted in the two previous FY24 quarterly reports, approximately \$31M is driven by two substantive changes in the State Transit Assistance (STA) 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. Investment revenue, the other major driver of positive revenue variance, is projected to end FY24 \$32.6M above budget. Note that this source will decline over time as BART spends down its reserved emergency assistance, which will result in less principal upon which to generate interest and investment income. Finally, parking revenue is projected to end FY24 \$1.6M above budget, due to higher-than-budgeted parking utilization as well as the extension of special parking agreements. With fare revenue tracking below budget expectations in Q3, net passenger revenue is projected to end the year \$6.3M below budget.

On the expense side, labor costs are expected to end the fiscal year \$53.3M (7.6%) above budget due to lower-than-expected capital reimbursements. The capital labor reimbursements variance year-end projection has incrementally improved since the end of Q2, due to increased capital charging by BART staff. Operating overtime is projected to end the year \$9.5M (18.0%) above budget, compared with a \$10.1M above budget projection after Q2; gross overtime is still projected to finish the year close to budget.

Non-Labor costs are projected to end the fiscal year \$2.7M (1.2%) above budget, due to forecasted June material inventory write offs of legacy train parts. In addition, ADA Paratransit costs are forecasted to end the year above budget due to a combination of increased demand for paratransit trips and higher costs per trip. Traction power costs, while currently projected to end the year on budget, are still an area of concern due to uncertainty around electricity prices and pending California Public Utilities (CPUC) decisions around transmission and distribution rates, which are passed on to BART.

While Debt Service is projected to finish the fiscal year on budget, Allocations are projected to finish the fiscal year \$20.6M under budget due primarily to \$16.7M in downward revisions to needed Priority Capital funds.

Overall Uses in FY24 are projected to be \$35.4M (3.3%) above budget, driven primarily by the underperformance in capital reimbursements discussed above and material inventory write offs. Combined with the projected \$69.1M favorable variance in Sources, staff project that the District will need \$33.7M (9.6%) less emergency assistance to balance the budget by year-end. This positive variance will be used to offset deficits in future fiscal years.

## **Controller-Treasurer Update**

### **Post-Employment Benefits**

BART's post-employment benefits are generally updated at the end of each fiscal year, so there is little change to their status in the interim quarters. The most recent valuation date for BART's pension plan, managed by CalPERS, is June 30, 2022. As of that date, the District's Safety plan, which covers sworn staff, was 57.2% funded, while the Miscellaneous plan, which covers all other employees, was 72.3% funded. Both plans experienced losses in FY22, but preliminary results from FY23 show better performance, which should increase the funded ratio. The District also maintains a Section 115 Pension Trust to offset future pension liabilities; as of March 31, 2024, this trust was valued at \$39.6M.

Besides the pension plan, BART offers three additional retirement benefits, the unfunded obligations of which are accounted for as District liabilities. Retiree health benefits are funded via the Retiree Health Benefits Trust (RHBT), which was 70.5% funded at the end of FY23. Per the District's Collective Bargaining Agreements (CBAs), the RHBT must be fully funded by July 1, 2034. BART's other post-employment benefits are its retiree life insurance benefit and survivor benefits; the District has set aside a trust to fund the latter, which was 51.9% funded at the end of FY23. The liability associated with the retiree life insurance benefit was \$47.8M at the end of FY23; this program is funded on a pay as you go basis.

The assets of the RHBT, Survivors Benefit Trust (SBT), and Section 115 Pension Trust are held in trust by US Bank and administered by the District. Trust assets at the end of March 31, 2024 for the RHBT, SBT, and Section 115 Pension Trust all benefited from positive outlook in the stock and bond market due to expectation of lower interest rate. Investment returns in the 3<sup>rd</sup> quarter of FY24 were \$35.4M (6.4%) for the RHBT, \$692K (6.0%) for the SBT, and \$64K (0.2%) for the Section 115 Pension Trust. Fiscal year to-date returns were \$70.2M (13.6%) for the RHBT, \$1.4M (13.2%) for SBT, and \$1.5M (4.0%) for the Section 115 Pension Trust.

### **Accounts Receivable, Cash, and Investments**

As of March 31, 2024, \$131.5M in receivables was outstanding, with approximately two thirds of the outstanding balance were within 60 days after the invoices were issued. Receivables exceeding 120 days outstanding decreased from \$20.8M at the end of Q2 to \$12.5M at Q3 end. Since March 31, 2024, the District has collected \$96.2M, about 73% of the total outstanding balance.

BART's cash and investments continue to perform better than in recent years, due to higher interest rates. As of March 31, 2024, BART has \$935.9M in cash and investments between its capital and operating accounts. BART's weighted average return on investments in US government securities in the current quarter was 5.25%, closely similar to the 5.29% realized in the previous quarter.

### **Reserves**

BART continues to maintain several reserve funds. The largest reserve is the District's emergency assistance reserve ("Federal Assistance – ARP"). The District has drawn down all allocated federal emergency assistance and will use these funds to offset operating costs into FY25. For the quarter ended March 31, 2024, \$99.5M was drawn from this reserve.

BART's remaining operating reserve funds (Operating Reserve, Insurance Calamity Reserve, General Reserve for Economic Uncertainty, and Low Carbon Fuel Standards Credits) totaled \$106.5M as of March 31, 2024; the Working Capital Reserve contained \$88.9M.

If you have any questions about this report, please contact Christopher Gan, Interim Controller-Treasurer, at [cgan@bart.gov](mailto:cgan@bart.gov) or Christopher Simi, Budget Director, at [csimi@bart.gov](mailto:csimi@bart.gov).

DocuSigned by:  
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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 FY24

	Q1 Actuals	Q2 Actuals	Q3 Budget	Q3 Actuals	Q3 Variance	YTD Budget	YTD Actuals	YTD Variance	YTD % Variance	Year-End Forecast	Annual Budget	% Annual Budget	Projected Year-End Variance
<b>Operating Revenue</b>													
Net Passenger Revenue	55.5	53.2	53.9	52.1	(1.8)	162.8	160.7	(2.1)	● -1.3%	219.1	225.4	71.3%	(6.3)
Parking Revenue	4.0	4.1	3.5	4.3	0.8	11.1	12.4	1.3	● 11.4%	16.4	14.8	83.3%	1.6
Other Operating Revenue*	4.8	4.3	5.4	6.3	0.9	15.9	15.4	(0.5)	● -3.3%	22.4	21.4	72.1%	1.0
<b>Total Net Operating Revenue</b>	<b>64.3</b>	<b>61.6</b>	<b>62.8</b>	<b>62.7</b>	<b>(0.1)</b>	<b>189.9</b>	<b>188.5</b>	<b>(1.3)</b>	<b>● -0.7%</b>	<b>257.9</b>	<b>261.7</b>	<b>72.0%</b>	<b>(3.8)</b>
<b>Non Operating Revenue</b>													
Investment Income*	8.5	8.4	0.6	8.7	8.0	1.9	25.5	23.6	● 1259.1%	35.1	2.5	1080.6%	32.6
<b>Total Revenue</b>	<b>72.7</b>	<b>70.0</b>	<b>63.4</b>	<b>71.3</b>	<b>7.9</b>	<b>191.7</b>	<b>214.0</b>	<b>22.3</b>	<b>● 11.6%</b>	<b>293.0</b>	<b>264.2</b>	<b>81.0%</b>	<b>28.8</b>
<b>Financial Assistance</b>													
Sales Tax	82.8	80.4	84.3	81.5	(2.8)	246.8	244.7	(2.0)	● -0.8%	317.6	319.8	76.5%	(2.2)
Property Tax	3.7	30.1	3.4	3.1	(0.4)	34.3	36.9	2.6	● 7.7%	61.2	61.2	60.3%	-
State Transit Assistance	0.0	-	5.9	1.8	(4.1)	11.8	1.8	(10.0)	● -84.9%	57.4	23.5	7.6%	33.9
VTA Financial Assistance	8.2	8.8	8.7	9.0	0.3	26.0	26.0	(0.1)	● -0.2%	34.0	34.7	74.8%	(0.8)
Other Assistance,	6.6	15.6	7.6	11.3	3.7	22.0	33.5	11.5	● 52.6%	39.3	29.9	112.0%	9.4
Net of Federal Emergency Assistance													
<b>Total Financial Assistance</b>	<b>101.4</b>	<b>134.9</b>	<b>110.0</b>	<b>106.6</b>	<b>(3.3)</b>	<b>340.8</b>	<b>342.9</b>	<b>2.1</b>	<b>● 0.6%</b>	<b>509.4</b>	<b>469.2</b>	<b>73.1%</b>	<b>40.2</b>
<b>Total Sources</b>	<b>174.1</b>	<b>204.8</b>	<b>173.4</b>	<b>177.9</b>	<b>4.5</b>	<b>532.5</b>	<b>556.9</b>	<b>24.4</b>	<b>● 4.6%</b>	<b>802.4</b>	<b>733.4</b>	<b>75.9%</b>	<b>69.1</b>
<b>Operating Expense</b>													
Gross Wages, Fringe & Other Labor	203.9	202.8	212.3	210.8	1.4	632.4	617.5	14.8	● 2.3%	821.1	839.8	73.5%	18.7
Capital Reimbursements - Labor & Fringe	(31.6)	(32.0)	(47.8)	(35.3)	(12.5)	(144.4)	(98.9)	(45.5)	● -31.5%	(129.7)	(192.2)	51.5%	(62.4)
Subtotal - Net Operating Labor & Fringe	172.4	170.8	164.4	175.5	(11.1)	488.0	518.7	(30.7)	● -6.3%	691.4	647.6	80.1%	(43.8)
Gross Overtime	20.2	20.0	18.9	19.2	(0.3)	58.7	59.3	(0.6)	● -1.0%	78.7	76.8	77.3%	(1.9)
Capital Reimbursements - Overtime	(3.7)	(3.5)	(6.2)	(4.9)	(1.3)	(17.8)	(12.1)	(5.7)	● -31.8%	(16.3)	(23.9)	50.9%	(7.6)
Subtotal - Net Operating Overtime	16.5	16.5	12.7	14.3	(1.5)	40.9	47.2	(6.3)	● -15.3%	62.4	52.9	89.2%	(9.5)
<b>Total Operating Labor</b>	<b>188.8</b>	<b>187.2</b>	<b>177.2</b>	<b>189.8</b>	<b>(12.6)</b>	<b>528.9</b>	<b>565.9</b>	<b>(37.0)</b>	<b>● -7.0%</b>	<b>753.8</b>	<b>700.5</b>	<b>80.8%</b>	<b>(53.3)</b>
Electric Power	15.7	15.0	14.6	13.7	0.9	43.6	44.4	(0.8)	● -1.9%	59.0	59.0	75.2%	0.0
Purchased Transportation	6.5	6.6	6.7	6.8	(0.1)	20.0	19.9	0.2	● 0.8%	28.4	26.7	74.4%	(1.7)
Other Non Labor*	26.4	33.7	36.4	39.9	(3.5)	106.1	100.0	6.1	● 5.8%	148.4	147.3	67.9%	(1.1)
<b>Total Non Labor</b>	<b>48.6</b>	<b>55.3</b>	<b>57.6</b>	<b>60.4</b>	<b>(2.8)</b>	<b>169.8</b>	<b>164.3</b>	<b>5.5</b>	<b>● 3.2%</b>	<b>235.7</b>	<b>233.0</b>	<b>70.5%</b>	<b>(2.7)</b>
<b>Total Operating Expense</b>	<b>237.4</b>	<b>242.5</b>	<b>234.8</b>	<b>250.2</b>	<b>(15.4)</b>	<b>698.7</b>	<b>730.1</b>	<b>(31.5)</b>	<b>● -4.5%</b>	<b>989.5</b>	<b>933.5</b>	<b>78.2%</b>	<b>(56.0)</b>
<b>Debt Service and Allocations</b>													
Debt Service	15.0	15.0	15.0	15.0	0.0	45.1	45.1	0.0	● 0.0%	60.1	60.1	75.0%	-
Capital and Other Allocations, Net of Emerg	20.8	10.8	16.8	12.2	4.6	54.3	43.8	10.5	● 19.4%	69.9	90.5	48.4%	20.6
<b>Total Debt Service and Allocations</b>	<b>35.8</b>	<b>25.8</b>	<b>31.9</b>	<b>27.3</b>	<b>4.6</b>	<b>99.4</b>	<b>88.9</b>	<b>10.5</b>	<b>● 10.6%</b>	<b>130.0</b>	<b>150.6</b>	<b>59.0%</b>	<b>20.6</b>
<b>Total Uses</b>	<b>273.2</b>	<b>268.3</b>	<b>266.7</b>	<b>277.5</b>	<b>(10.8)</b>	<b>798.1</b>	<b>819.0</b>	<b>(20.9)</b>	<b>● -2.6%</b>	<b>1,119.6</b>	<b>1,084.1</b>	<b>75.5%</b>	<b>(35.4)</b>
<b>Net Result Before Emergency Assistance</b>	<b>(99.1)</b>	<b>(63.5)</b>	<b>(93.3)</b>	<b>(99.5)</b>	<b>(6.3)</b>	<b>(265.6)</b>	<b>(262.2)</b>	<b>3.5</b>	<b>● 1.3%</b>	<b>(317.1)</b>	<b>(350.8)</b>	<b>63.4%</b>	<b>33.7</b>
Emergency Assistance Applied	99.1	63.5	93.3	99.5	6.3	265.6	262.2	(3.5)	● -1.3%	317.1	350.8	(33.7)	
<b>Net Result before GASB</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>-</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>● 0.0%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>(0.0)</b>
<b>Operating Result (Deficit)</b>	<b>(173.2)</b>	<b>(180.9)</b>	<b>(172.0)</b>	<b>(187.5)</b>	<b>(15.5)</b>	<b>(508.8)</b>	<b>(541.6)</b>	<b>(32.8)</b>	<b>● -6.4%</b>	<b>(731.6)</b>	<b>(671.9)</b>	<b>80.6%</b>	<b>59.8</b>
System Operating Ratio	27.3%	25.4%	26.7%	25.0%	-1.7%	27.2%	25.8%	-1.4%	● -1.4%	26.1%	28.0%	28.0%	-2.0%
Rail Cost / Passenger Mile (\$)	1.19	1.28	1.27	1.36	(0.10)	1.21	1.28	(0.07)	● (0.07)	1.29	1.29	1.29	

## Emergency Assistance to BART (Updated May 3, 2024)

Award amounts (\$M)	FY20	FY21	FY22	FY23	FY24	Total Awarded
CARES	251	126	0	0	0	377
CRRSAA	0	378	0	0	0	378
ARPA + Add'l Assistance	0	0	853	0	0	853
SB125 State and Regional Assistance*	0	0	0	0	58	58
<i>Subtotal - all awards</i>	<i>251</i>	<i>504</i>	<i>853</i>	<i>0</i>	<i>58</i>	<i>1,666</i>

Draw downs (\$M) - funds received as of 3/31/24	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Actual	Total Drawn Down
CARES	186	191	0	0	0	377
CRRSAA	0	211	167	0	0	378
ARPA + Add'l Assistance	0	0	276	408	169	853
SB125 State and Regional 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>169</i>	<i>1,608</i>

**Remaining emergency funds to be drawn down after 3/31/24 (\$M)**

58

Expenditures (\$M) - applied to offset incurred expenses as of 3/31/24	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Actual	Total Applied
CARES	120	257	0	0	0	377
CRRSAA	0	41	287	50	0	378
ARPA + Add'l Assistance	0	0	0	266	262	528
SB125 State and Regional 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>262</i>	<i>1,283</i>

**Funds in BART reserves as of 3/31/24 (\$M)**

325

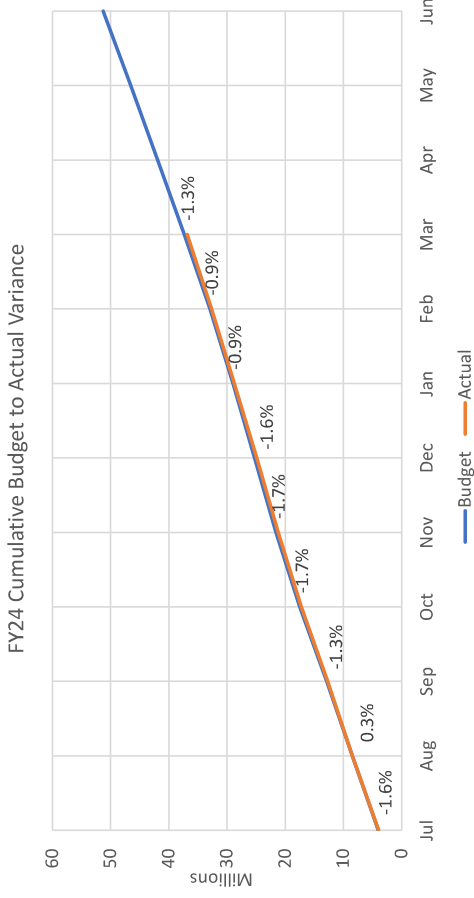
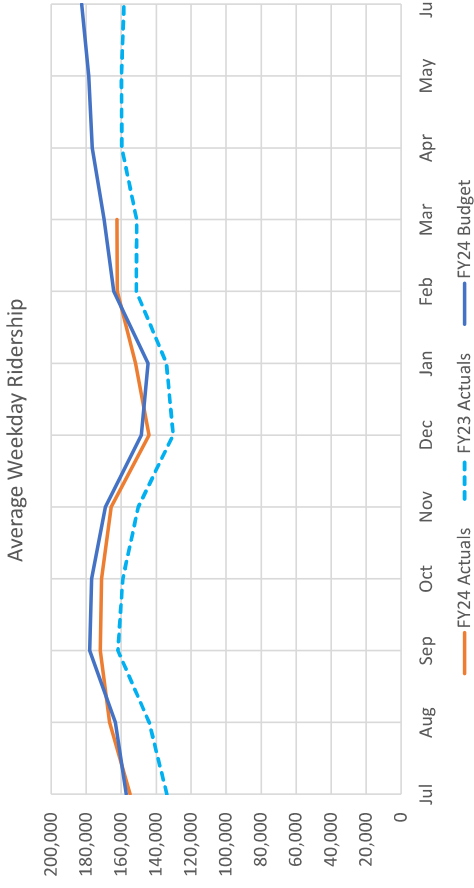
**Remaining funds to be used to offset expenses after 3/31/24 (\$M)**

383

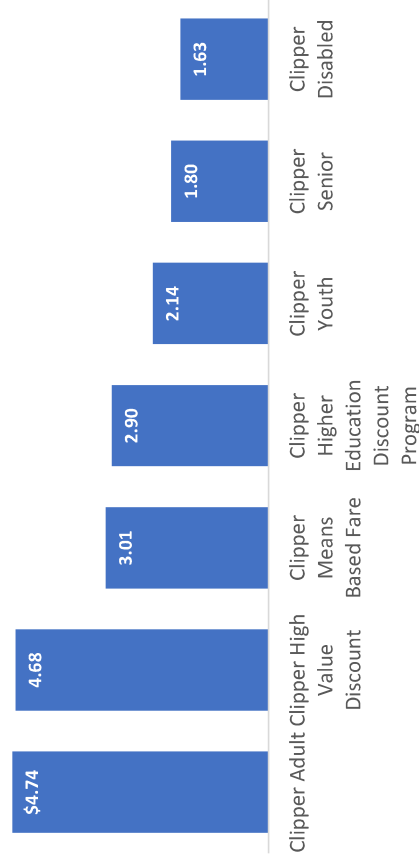
\*SB125 has been partially allocated; BART expects approximately \$352M in total over several years



## FY24Q3 (Jul-Mar) Ridership Stats



Clipper Product Avg Net Fare



Exits	Actual		Budget		Actual vs. Budget	
	FY23 YTD	FY24 YTD	FY23 YTD	FY24 YTD	FY23 YTD Actual	FY24 YTD Budget
Weekday	146,223	163,483	146,223	163,483	110.3%	98.7%
Saturday	83,592	92,375	83,592	92,375	108.1%	97.9%
Sunday	59,803	66,063	59,803	66,063	109.8%	99.4%
Total	33,533,130	37,311,300	33,533,130	37,311,300	109.8%	98.7%