



FY21 Budget Outlook

October 22, 2020



Executive Summary



BART and peer agencies continue to struggle with low ridership. BART ridership hovers at 13% of pre-COVID levels today and may not exceed 40% by the end of FY21. **As a result, BART and its peers are planning for for substantially reduced fare revenue in FY21, FY22, and beyond.**



Staff created a 7-point plan for how to address anticipated short-term and longer-term deficits – quickly, equitably, and strategically. The plan minimizes impacts to labor while maintaining service in line with demand.



Today, two elements of the plan are discussed:

- ***Support spending efficiencies*** - Staff is seeking to reduce spend in areas that support direct service while streamlining processes to gain greater efficiency.
- ***Service plan modifications*** - Staff is conducting projected ridership analyses to better align service with anticipated demand through September 2021. These analyses will inform the evaluation of different “rider first” service scenarios that attempt to balance ridership levels, equity impacts, financial savings, capacity recovery capabilities, and public health guidance.



Next month, staff will present an update on 7-point plan progress.

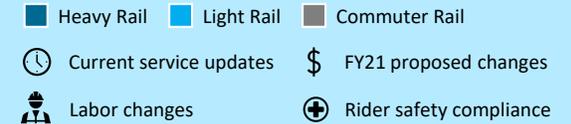
To address budget challenges, staff has developed a 7-point plan for service and organizational changes

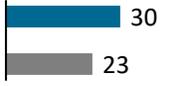
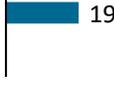
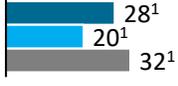
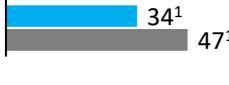
Process underway to right size costs with a structured, intentional approach

-  Pursue efficiencies around contracting and other reductions to BART's non-labor budget
-  Continue hiring freeze; eliminate most current vacancies
-  Pursue retirement incentive program
-  Re-assign or re-train staff wherever possible to fill critical gaps created by departures
-  Fill critical capital budget vacancies with operating staff wherever possible
-  Load shed service dependent staff to capital projects to accelerate capital program delivery (dependent on service plan selected)
-  Explore additional cost savings measures with labor partners and non-represented employees (if needed)

Note: If layoffs are necessary, Board action will be required to approve WARN Act notices 60 days in advance.

Peer rail agencies face similar challenges and are contemplating budget cuts, service reductions, or layoffs



System	Update	Latest changes	Latest rail ridership % of pre-COVID
 New York City	2nd Oct.	💰 MTA considering a 40% service reduction due to current financial gap ⊕ Actively enforcing riders wear masks, increased compliance from 87% to 95% 🕒 HR continues pre-COVID schedule; service suspended from 1 AM-5 AM	
 Washington, DC	26th Sept.	💰 Evaluating ~\$200M spending cut for FY21, 2/3rds from service adjustments (including reducing trains / operators through leveraging turnbacks) 🕒 Proposing standardizing of current service, operating at 12min (instead of 8min) headways, with 9pm weekday closures (instead of 11pm)	
 Boston	6th Oct.	💰 Proposed reductions based on ridership and transit criticality, increasing average weekday headways to 12.5min (from 5 min) and reducing hours by 3 hours 🕒 Currently operating at regular service levels on all lines, except for CR (modified)	
 Chicago	27th Sept.	🕒 Operating at normal service levels	
 Los Angeles	26th Sept.	💰 Board approved \$1.2B FY21 cut by slowing down infrastructure development 🕒 Operating service at 81% of pre-COVID revenue hours, plans to continue level through FY21	
 Atlanta	21st Sept.	🕒 Continues to operate modified Sunday schedule on weekdays, with 20 min headways (instead of 10min)	
 Denver	5th Oct.	💰 Proposed rebalancing services based on ridership demand and under performing services , consolidating 4 lines into 2 and increasing average weekday headways to 22.5 min (from 7.5 min) and reducing service hours 👤 Considering reducing layoff target (500+ jobs), reviewing management salaries 🕒 Majority of lines operate Sunday schedules (~60% service level), rebalanced to service areas with high demand	
 Bay Area	2nd Oct.	👤 💰 Proposing weekend service suspension, contract operator furloughs into FY21 🕒 Weekday service runs 70 trains per day, 3 trains per hour per direction	
 Bay Area	14th Sept.	🕒 Added peak weekday trips at 15 minute headways for 3 busiest lines, reduced weekend headways to 30 minutes	

Themes for the week

In the US, transit agencies continue proposing service changes via public hearings before approving reduced services/schedules through FY2021

International peers

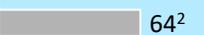
28th Sept.



London



100% service levels on TfL Rail



Proposed service cuts and lay offs based on funding

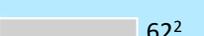
28th Sept.



Paris



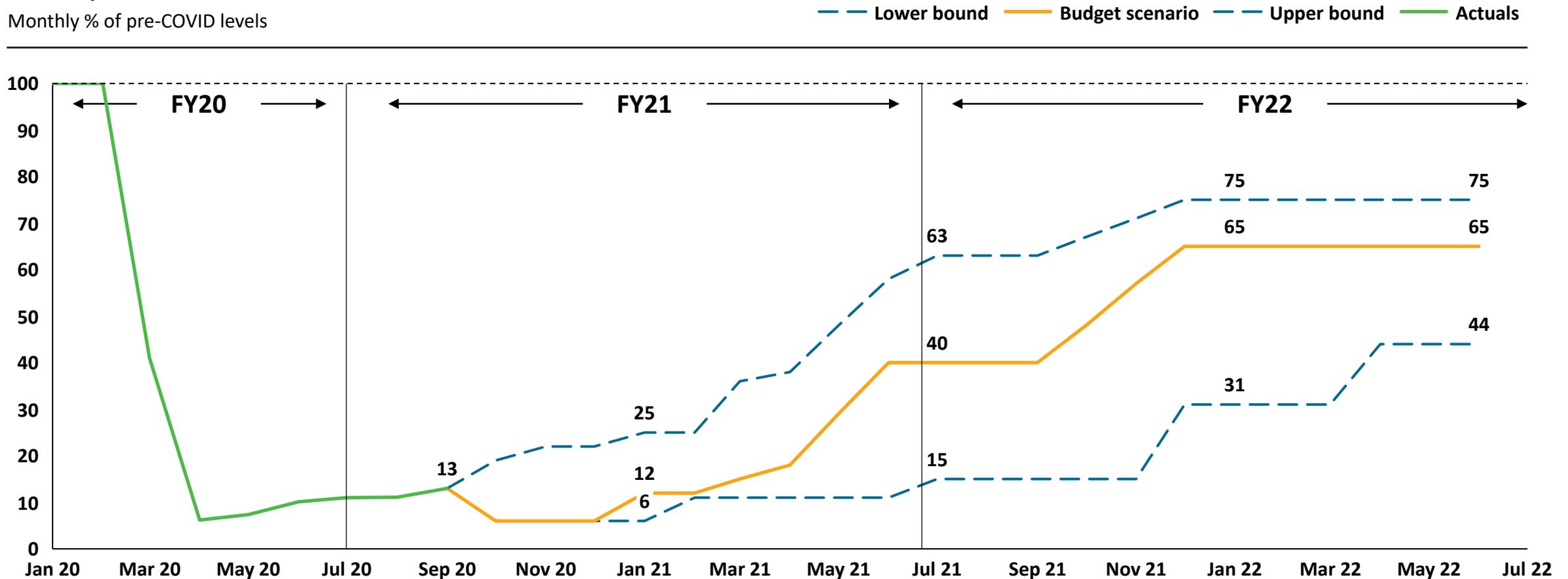
Operating at 75% service level



Pre-COVID-19 BART ridership levels not expected before end of FY22

Ridership

Monthly % of pre-COVID levels



Source (scale): BART FY2021 monthly ridership forecasts, BART rider segmentation survey data, BART historical monthly ridership, Oxford Economics unemployment projections, Bureau of Labor Statistics historical unemployment, BART ridership data, Consumer Survey April 2020, Oxford economics jobs by industry in Bay Area counties, Slack HQ, Gartner, KFF

Source (timing): BART budget team, San Francisco public health department and the California Department of Public Health, SF Chronicle, pharmaceutical company press releases, Center for Disease Control, New York State press coverage, FDA guidance, White House press conferences, World Health Organization, September 16th testimony of CDC Director, McKinsey "When will the COVID-19 pandemic end?"



Emergency funding stabilizes BART's operating budget through Q3 of FY21

FY21 Quarterly Cashflow Projection

	Q1 FY21	Q2 FY21	Q3 F21	Q4 FY21
Revenue	FY21	FY21	FY21	FY21
Regular Revenues	111	124	119	172
Emergency Funds ¹	105	93	93	10
Total Sources	216	217	212	182
Expense	194	200	200	202
Debt Service & Allocations	22	17	12	13
Total Uses	216	217	212	215
Net Result	0	0	0	-33

1. Federal CARES Act funding, FEMA funding, and rail car allocation reversal

CARES funding stabilizes BART's cashflows through Q3 of FY21, providing the opportunity to examine operating changes thoughtfully.

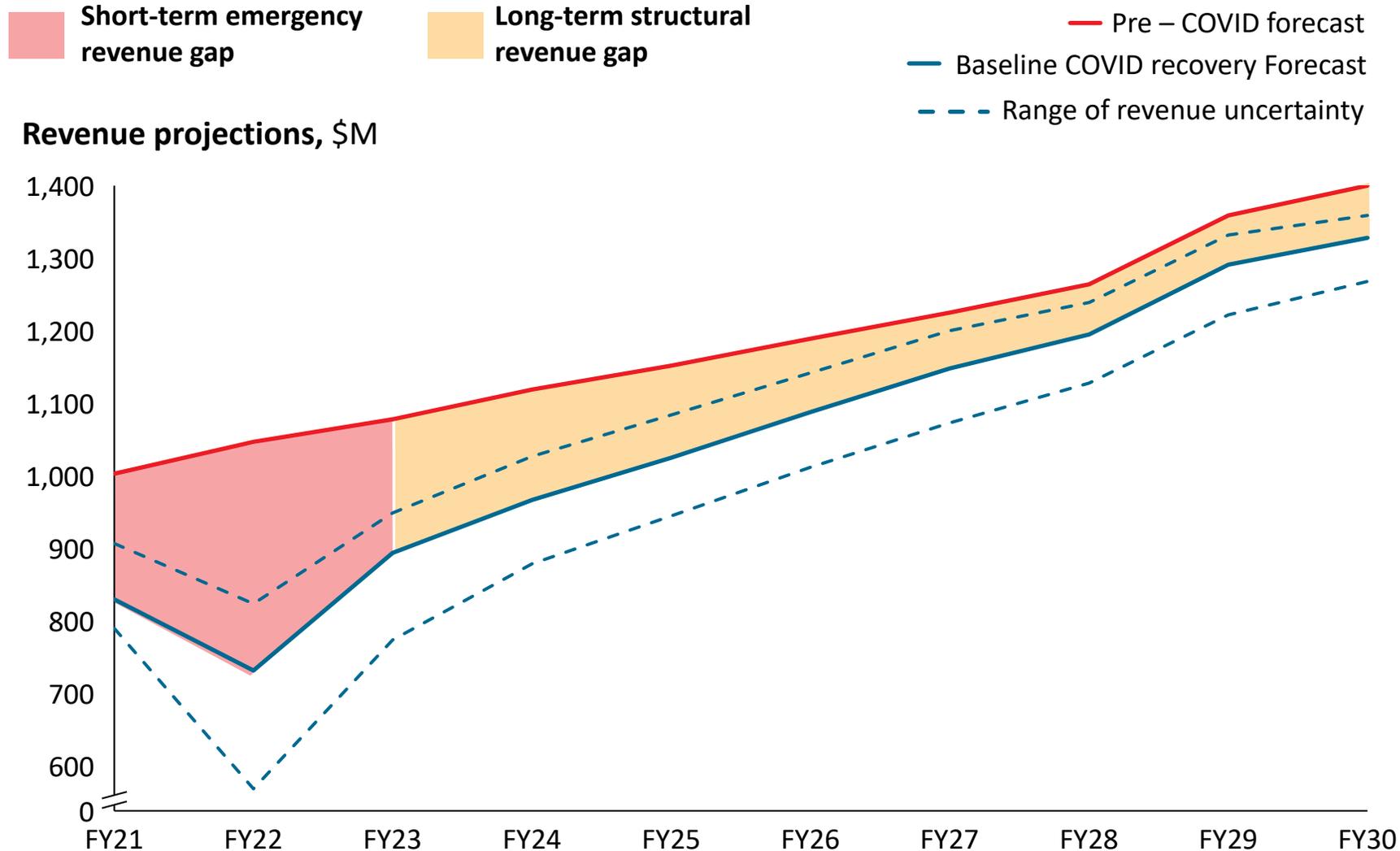
Staff monitors information actively; however, there is **no material shift in expectations that necessitates a formal budget revision at this time.**

There may be a need to formally revise the budget in January or February, given greater certainty around COVID-19 health guidance and corresponding changes to rider demand.

In the meantime, **staff is working on a number of initiatives to reduce expenditures.** These will be discussed over the course of this presentation.



However, BART faces a significant revenue gap in FY22 and a structural revenue short fall from FY23 onward



Near-term assumptions

- Active pandemic has resulted in acute health and economic crises
- High unemployment and widespread remote work
- High perceived risk of crowded spaces
- CARES Act funding (FY21 only)

Long-term assumptions

- Post vaccine pandemic recovery
- Some structural shift to remote work (amount unknown)
- Pace of employment recovery unknown

BART has four tools to address its short term and ongoing budget challenges

 Details follow

Item	Duration	Control
1 Support spending efficiencies and revenue generation	Ongoing	BART
2 Service reductions and/or operational improvements	Short term and ongoing	BART
Emergency assistance (uncertain)	Short term	External
Reserves and other one time sources	Short term	BART

Discussing the first two tools today

- Staff will update the Board as information about emergency assistance emerges
- Reserve drawdowns will probably be necessary but are considered a last resort; amount needed is a function of the first three items

1: Staff is pursuing annual savings in BART's support functions, with the potential to capture more savings to meet benchmarks

Area of opportunity	Relative magnitude of potential savings	Example initiatives being explored
Procurement		<ul style="list-style-type: none">• Master contracting (e.g. Grainger) to aggregate demand and streamline purchasing process• Reduce cycle times and improve process efficiency
Finance		<ul style="list-style-type: none">• Size and deploy cash handling function to better match demand for cash utilization
HR		<ul style="list-style-type: none">• Evaluate and reduce discretionary third-party spend (i.e. recruitment marketing, leadership training)• Automate back-office processes to reduce workload

2: Staff are using five priorities to balance tradeoffs in service modifications

Prioritization may change over different time horizons (e.g. 6 months, 12 months, 24 months)

Priorities	Possible optimization	Example metrics
Ridership	How can we maximize resources to attract more riders as people return to work and make transportation decisions?	Number of riders served
Financial	What service is the most cost effective for BART's limited budget while minimizing impacts to labor?	Monthly operating expense Cost per rider Jobs impacted
Equity¹	How can we minimize impacts to protected populations?	Risk of equity impact
Capacity recovery	How responsive is the service plan in preserving the capability and expertise necessary to scale-up to assist in the economic recovery of the Bay Area as counties re-open and ridership potential grows?	Time required to re-staff to 15-minute headways and 12am last dispatch
Health guidance	How well do service levels meet public health guidelines and aid in regaining confidence from riders and employers contemplating bringing workers back into the office?	Riders exceeding health guidance standards (6-foot and 3-foot physical distancing)

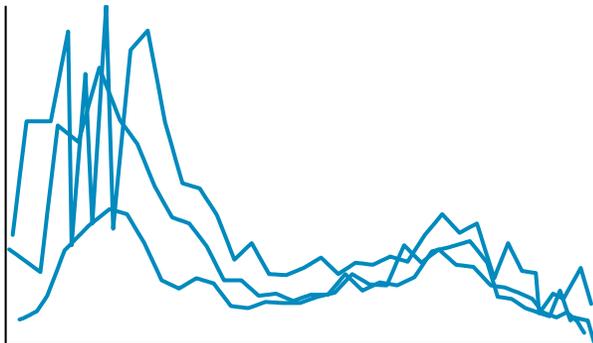
¹ Changes made during the COVID-19 shelter-in-place order do not require an analysis under Title VI. Any permanent changes made would require a Title VI analysis.

2: Staff are determining potential service adjustments with a ridership-backed approach

Step 1 Ridership investigation

Description Analyze current passenger flow and capacity

Example analysis



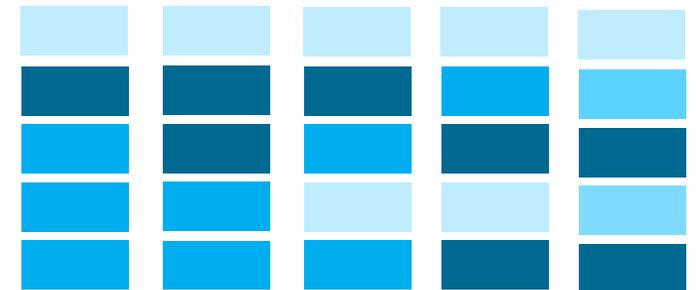
Step 2 Adjustment analysis

Quantify impacts of specific adjustments (e.g., hours, train length, and routes)



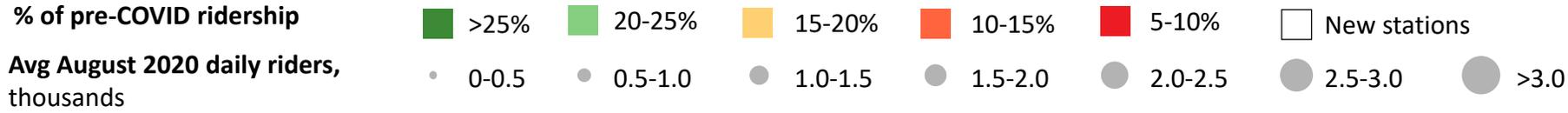
Step 3 Scenario evaluation

Combine individual adjustments into scenarios and evaluate cumulative impacts



2: Example analysis: Station utilization

Average exits and entries, August 2020



Weekday



Weekend

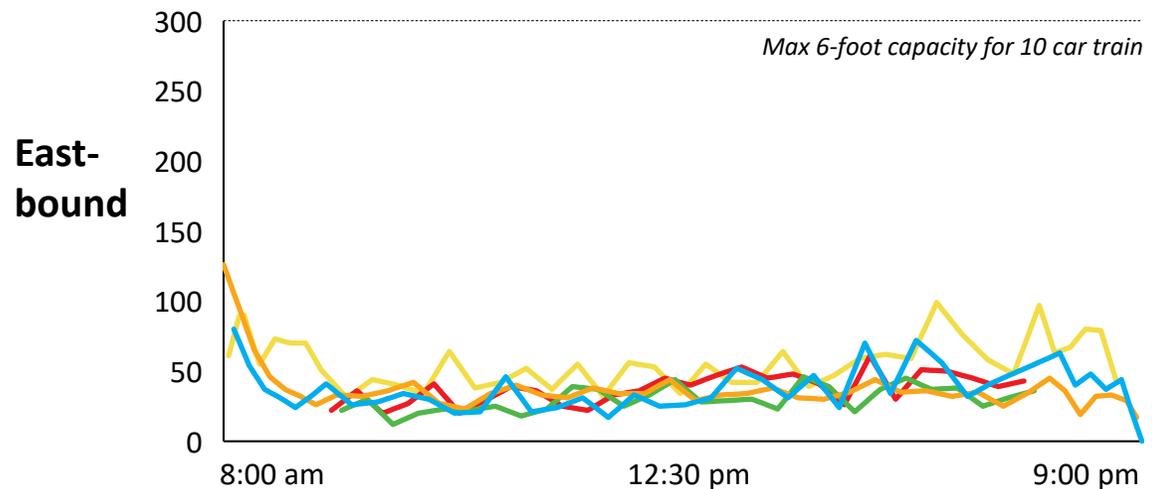
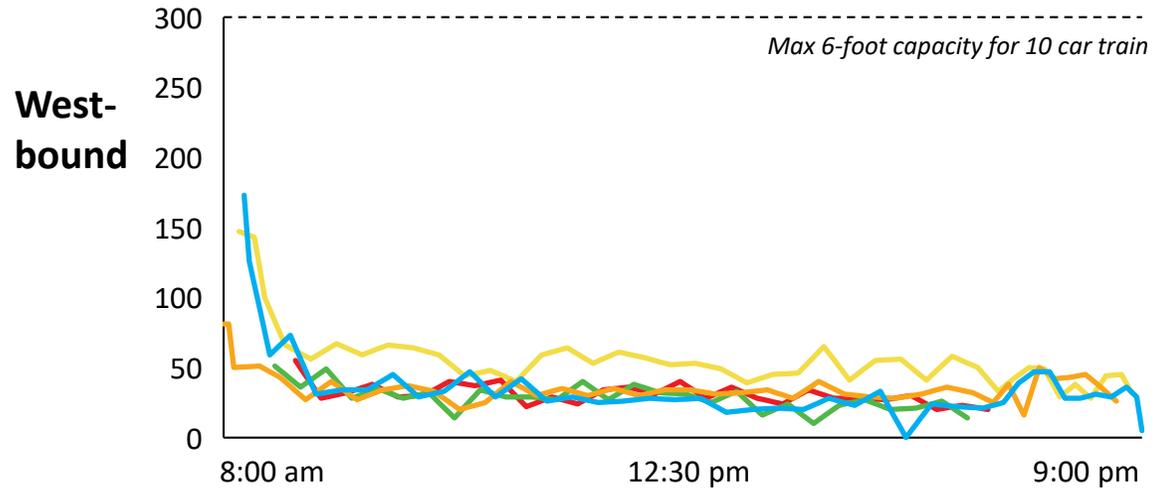


2: Example analysis: Weekend capacity

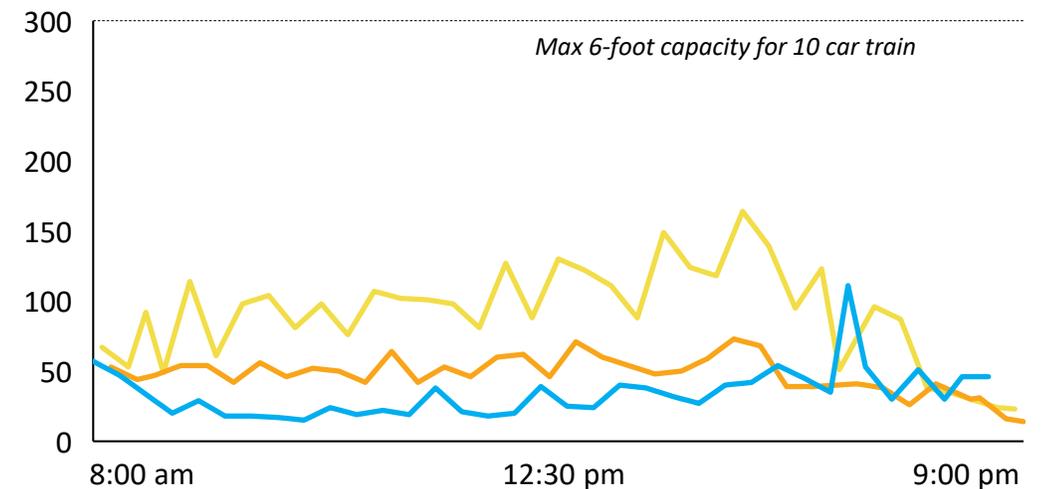
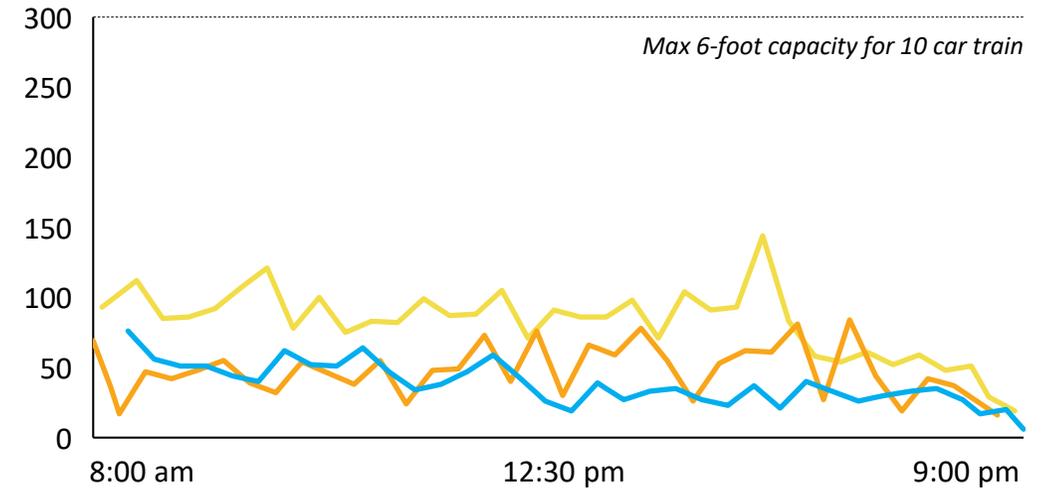
Maximum passenger load by train and dispatch time, August 2020

BART line Yellow Red Green Orange Blue

Saturday (5-route), 28,000 daily riders¹



Sunday (3-route), 22,000 daily riders¹



1. As of October 2020



2: Four service scenarios are being actively considered

Current staffing level
 Change from above plan

Scenario name	Description	Train schedule ¹	Hours and stations ¹
Current Staffing Level²	Pre-COVID staffing levels	15-minute headways 5-route service	12am last dispatch
A Current Service (as of Sept 14)	Maintain: Balanced approach to support essential workers while mitigating cost	30-minute headways with 26 commute trips 3-route on Sunday 10-car trains	9pm last dispatch
B Optimized Current Service	Maintain: Balanced approach with further correction to better align to weekend ridership demand	30-minute headways with 26 commute trips Plus 3-route on weekends Variable weekend train lengths	9pm last dispatch
C Scenario B + Select Station Closures	Scale down: Targeted station closures to drive financial savings with low ridership and equity impact	30-minute headways with 26 commute trips Plus 3-route on weekends Variable weekend train lengths	9pm last dispatch Station closures ³
D Scenario C + Weekend Shutdown	Scale down: Targeted system shutdowns to drive significant financial savings	30-minute headways with 26 commute trips	9pm last dispatch Station closures ³ Saturday and Sunday close

¹ Changes made during the COVID-19 shelter-in-place order do not require an analysis under Title VI. Any permanent changes made would require a Title VI analysis.

² Due to opening of Berryessa Extension, additional hiring would be required to return to full pre-COVID service.

³ Potentially stations with <500 daily riders and downtown stations in close walking distance to an alternative station.

2: Each of the four service scenarios optimizes for different priorities

Impact of service scenarios compared to current staffing level across priorities

Scenario	<u>Ridership</u>	<u>Financial</u>	<u>Equity¹</u>	<u>Capacity recovery</u>	<u>Health guidance</u>
	% change of avg monthly riders served	% reduction in monthly operating expense	Risk of equity impact	Time required to re-staff 15-minute headways and 12 am last dispatch	Likelihood of exceeding health guidance standards
Current Staffing Level	<i>(2.9M riders / month)</i>	<i>(\$28.4M / month)</i>	<i>(No risk)</i>	<i>(0 FTEs to ramp up)</i>	<i>(Little to no impact)</i>
A Current Service	Staff is currently evaluating full impacts across priorities				
B Optimized Current Service					
C Scenario B + Select Station Closures					
D Scenario C + Weekend Shutdown					

1 Changes made during the COVID-19 shelter-in-place order do not require an analysis under Title VI. Any permanent changes made would require a Title VI analysis.

Today, Directors are being asked to approve an Executive Decision Document (EDD):

“Direct staff to identify additional revenue enhancement and cost saving measures in order to balance the FY21 operating budget by fiscal year end. Staff will report back to the Board by February 2021.”

At the November Board meeting, Directors will be asked to:

- 1 Review preferred service plan to take effect in February
- 2 Hear update regarding savings initiatives identified, in-process, and planned

Potential upcoming agenda items over the coming months:

