BART

EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: 9/17/2020		GENERAL MANAGER ACTION REQ'D:		
DATE: 9/16/2020		BOARD INITIATED ITEM: No		
Originator/Prepared by: Christopher Simi Dept: Budget Admin Signature/Date:	General Counsel 9/17/20 [ ]	Controller/Treasurer Chris Gan 9/17/2020 [ ]	District Secretary [ ]	BARC [ ]

Fiscal Year 2020 Year-End Budget Revision

Purpose: To amend the Fiscal Year 2020 (FY20) Budget for year-end adjustments.

Discussion: The District finished FY20 with a balanced budget. A precipitous drop in revenues caused by the COVID-19 pandemic-related Shelter in Place (SIP) orders beginning in March was offset by one-time emergency federal assistance. Absent such assistance, the District would have finished the year with a \$120.3M deficit. Sources were \$54.3M (5.7%) favorable to budget and total expenses were \$14.6 M (1.8%) favorable. The financial results are summarized below, with more detail provided in the Background section and Attachments 1, 2, ~~and~~ 3.

FY20 Operating Results, Including Accounting Adjustments

FY20 Operating Results (\$ million)

		Budget	Actual	Var.	%
Sources	Operating Revenue	\$ 545.5	\$ 399.3	\$ (146.2)	-26.8%
	Sales Tax	277.0	266.9	(10.1)	-3.6%
	Other Assistance	124.8	335.3	210.6	168.8%
	Total Sources	**947.3**	**1,001.5**	**54.3**	**5.7%**
Uses	Labor	591.6	586.2	5.4	0.9%
	Non-Labor	208.1	198.9	9.2	4.4%
	Total Expense	**799.7**	**785.2**	**14.6**	**1.8%**
	Debt Service	47.2	45.9	1.3	2.8%
	Capital & Other Allocations	100.3	171.9	(71.6)	-71.4%
	Total Debt Service & Allocations	**147.5**	**217.8**	**(70.3)**	**-47.7%**
	Total Uses	**947.2**	**1,003.0**	**(55.7)**	**-5.9%**
	NBV of Fixed Assets Disposed [(1)]	-	*(1.4)*	*1.4*	
	Total Uses - After Adjustment	***947.2***	***1,001.5***	**(54.3)**	*-5.7%*
	NET RESULT	**\$ 0.0**	**\$ 0.0**	**\$ (0.0)**	

[(1)] Non cash transaction related to the net book value of fixed assets disposed not considered in the operating budget

Note: For clarity, the above table excludes Other Post Employment Benefit (OPEB) Unfunded Liability and GASB 68 and GASB 75 pension and OPEB adjustments, which do not impact the Net Result. Results including such adjustments are shown in Attachment 3.

BACKGROUND: FY20 was unlike any in BART history due to the onset of the COVID-19 pandemic and subsequent SIP orders in Bay Area counties. SIP orders were initiated in mid-March. Until then, the District was on a similar financial trajectory as in previous years; expenses (particularly labor) were above budget, but offset by better than expected financial assistance (notably Low Carbon Fuel Standard, or LCFS, credits). Overall ridership in February was within 1% of budget. Despite the pandemic, the District was able to finish FY20 balanced, as described below.

Between mid-March and the end of FY20, BART experienced three major variances from the adopted FY20 budget:

1. Ridership plummeted, to as low as 6% of the pre-COVID baseline, and slowly recovered to about 12% by the end of June. This, along with associated reductions in parking and other operating revenues, led to nearly $150M in revenue reductions when compared to budget.
2. Expenses, which had been above budget until SIP, decreased, primarily by limiting overtime and re-directing Operating Budget-funded staff to accelerate capital projects, the funding for which was not affected by the pandemic. By the end of FY20, overall expenditures had been held to just below budget. *The net result for the District before any emergency assistance would have been $120M deficit.*
3. BART was able to avoid finishing FY20 with a deficit due to the passage of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which created a new source of emergency federal aid available to the District. Per the federal formula, BART was able to draw down $186M in federal funding. This revenue allowed BART to balance FY20 without the use of reserves, instead making a deposit of $65.2M into the Reserve for Economic Uncertainty, which will be carried forward to offset operating deficits in FY21.

Total Operating Sources: $54.3M (5.7%) favorable to budget.

Operating Revenue was $146.2M unfavorable to budget, driven by low ridership stemming from COVID-19 related SIP orders.

- Passenger Revenue was unfavorable ($138.7M). Passenger trips totaled 83.7M, 27.9% unfavorable to budget and average weekday ridership was 288,271, 28.8% unfavorable.
- Parking Revenue was $8.3M unfavorable, with lower ridership impacting the daily non-reserve program.
- Other Operating Revenue was $0.8M favorable due to above budget investment

income and miscellaneous other revenue, offset by below budget advertising and traffic fines & forfeitures revenue.

Sales Tax was $10.1M below budget and Other Assistance was $210.6M better than budget due to the following:

- Sales Tax was unfavorable to budget by $10.1M for the year, with the 4th quarter results $13.9M (21.8%) below budget due to SIP orders and deferral of payments permitted under State emergency orders. Through the end of the 3rd quarter, Sales Tax was 1.8% over budget.
- The Federal CARES Act provided $185.5M of one-time assistance. Federal Transit Administration (FTA) rules for CARES Act drawdowns resulted in more funds drawn down to offset FY20 losses than needed in the fiscal year. $65.2M of funds that were not needed to balance FY20 will be deposited in the Reserve for Economic Uncertainty and are budgeted to help offset expected operating losses in FY21.
- Additional Financial Assistance ending the year above budget include: an additional $9.5M provided by SFO Extension Financial Assistance to offset below budget SFO Extension ridership; $1.2M from the Valley Transportation Authority (VTA) for Silicon Valley Berryessa Extension (SVBX) operations; $1.8M from unbudgeted County Block Grant funds provided through State Transit Assistance; $1.8M from Property Tax; and $2.1M for miscellaneous Financial Assistance categories. Also contributing to over budget Financial Assistance is the Low Carbon Fuel Standard (LCFS) Program, which was $8.7M favorable due to higher than anticipated sale of credits generated due to high market prices.

Total Operating Expenses: $14.6M (1.8%) favorable to budget. Before SIP, expenses were tracking above budget, but quickly enacted cost-cutting measures after SIP orders went into effect brought expenses below budget by year end.

- Net Labor and Benefits were $5.4M (1%) favorable to budget due to vacant operating positions, which increased in number during SIP, as well as the shifting of operating hours to accelerate work on capital-funded projects. Overtime in FY20 totaled $75.8M, with approximately $49M attributed to operating and $27M to capital. Over-budget Operating Budget Overtime totaled $16.9M, just over half the amount above budget in FY19. The decrease is due to the limiting of Overtime as a cost savings measure after SIP orders went into effect.
- Non-Labor expenses were $9.2M (4.4%) favorable to budget. Power was $5.0M favorable due to reduced service and reductions in transmission and distribution costs. Other Non-Labor items favorable to budget due to reduced ridership include ADA paratransit service ($2.3M favorable); Clipper Fees ($3.8M favorable); and credit card & interchange fees ($2.2M favorable). These savings were offset by increased

Maintenance and Repair ($2.6M unfavorable) costs for ongoing maintenance and station cleaning. An additional $2.1M was expended for enhanced COVID-related station, vehicle, and facility cleaning costs as well as personal protective equipment (PPE).

Debt Service and Allocations: $70.3M above budget. Planned allocations were generally held to budget, including those allocations linked to ridership or parking revenue, despite the reductions in revenues. The vast majority of the above budget sum consists of $68.7M deposited into reserves; $3.5M per the Financial Stability Policy and $65.2M in CARES Act funds to be carried forward into FY21.

- Debt Service was $1.3M under budget due to favorable debt refunding in the fall of 2019.
- $65.2M of one-time CARES Act funds drawn down in FY20 were directed to the Reserve for Economic Uncertainty to help balance the FY21 budget. $3.5M of the FY20 year-end positive result was allocated to District operating reserves per the Financial Stability Policy, which brings the reserve balance to $53.7M.
- $4.3M of over-budget Low Carbon Fuel Standard (LCFS) Program revenue was allocated to capital reserves for sustainability per the LCFS policy adopted by the Board.
- The Allocation to the Fiscal Stability Pension was $0.3M over budget due to investment earnings and Other Capital Allocations were $1.7M under budget due to a reversed allocation not budgeted in FY20.

The budget revision requires Board approval for adjustments that conform the final budget to Board Rules. These adjustments increase or decrease categories of expense, revenue, and allocations and fully offset each other. For example, the budget for revenue is decreased; budgets for various categories of financial assistance are increased; budgets for labor and non-labor are decreased; and certain allocations are increased as described in the Background section of this document.

FISCAL IMPACT: Board approval of the proposed allocations closes the fiscal year and results in a balanced FY20 Budget.

ALTERNATIVES: If the Board does not approve the adjustments, the District will still end the year balanced.

RECOMMENDATION: Approval of the motion below.

MOTION: Approval of the attached resolution "In the Matter of Amending Resolution No. 5401 regarding Fiscal Year 2020 Annual Budget."

BEFORE THE BOARD OF DIRECTORS OF THE
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

In the matter of amending Resolution No. 5401 regarding Fiscal Year 2020 Annual Budget

Resolution No. ____________

RESOLVED, that Resolution No. 5401 is amended by changing the following line items in Exhibit A thereof:

	Current Amount	Increase/ (Decrease) In This Resolution	Amended Amount
Fund Source Line Item:			
Operating Revenue	$ 545,493,392	$ (146,179,176)	$ 399,314,216
1/2 ¢ Sales Tax	$ 277,000,000	$ (10,104,905)	$ 266,895,095
CARES Act Funds	$ -	$ 185,509,587	$ 185,509,587
SFO Ext Financial Assistance	$ 5,814,899	$ 9,549,626	$ 15,364,525
VTA Financial Assistance	$ -	$ 1,183,052	$ 1,183,052
State Transit Assistance	$ 39,370,555	$ 1,768,367	$ 41,138,922
Property Tax	$ 50,622,254	$ 1,770,251	$ 52,392,505
Other Financial Assistance	$ 6,429,013	$ 2,057,299	$ 8,486,312
Low Carbon Fuel Standards Program	$ 14,149,560	$ 8,731,815	$ 22,881,375
Low Carbon Transit Operations Program (LCTOP)	$ 8,374,385	$ -	$ 8,374,385
Fund Use Line Item:			
Net Labor Expense	$ 591,627,445	$ (5,383,508)	$ 586,243,937
Net Labor Expense - GASB 68 and 75	$ -	$ 52,142,414	$ 52,142,414
Non-Labor Expense	$ 208,130,477	$ (9,186,281)	$ 198,944,196
Revenue Bond Debt Service	$ 47,237,727	$ (1,307,323)	$ 45,930,404
Allocations to Capital - Rehabilitation	$ 25,404,856	$ -	$ 25,404,856
Allocations to Capital - Priority Capital Program	$ 52,165,937	$ -	$ 52,165,937
Allocation - Operating Reserve for Economic Uncertainty	$ -	$ 65,206,043	$ 65,206,043
Allocation - Operating Reserve	$ -	$ 3,500,000	$ 3,500,000
Allocation to Sustainability from LCFS	$ 7,074,780	$ 4,351,064	$ 11,425,844
Allocation - Fiscal Stability Pension	$ 10,000,000	$ 294,375	$ 10,294,375
Allocations to Capital & Operating - Other	$ 8,140,117	$ (1,749,049)	$ 6,391,068
Reverse Operating Reserve	$ (2,527,281)	$ -	$ (2,527,281)
PERS Employer Current Year Contrib - (GASB 68)	$ -	$ 96,640,995	$ 96,640,995
PERS Pension Expense - Offset (GASB 68)	$ -	$ (156,783,409)	$ (156,783,409)
Non-Pension Employer Current Year Contrib - (GASB 75)	$ -	$ 43,633,000	$ 43,633,000
Non-Pension Expense - Offset (GASB 75)	$ -	$ (35,633,000)	$ (35,633,000)
NVB of Fixed Assets Disposed	$ -	$ (1,439,404)	$ (1,439,404)

Attachment 1
Quarterly Financial Report
Fourth Quarter
Fiscal Year - 2020

Revenue

- Due to the COVID-19 pandemic and associated shelter in place orders, average weekday trips for the quarter were 32,071, 92.1% under budget and 92.2% below the same quarter last year. For FY20, avg weekday ridership was 288,271, 28.8% under budget, and total trips were 83.7M, 27.9% under budget. Total trips were 29.1% lower than FY19.
- FY20 net passenger revenue was $138.7M unfavorable due to below budget ridership.
- Parking revenue was $8.3M unfavorable for FY20 mainly due to under budget daily non-reserve program.
- Other operating revenue was $0.8M favorable for FY20, with above budget investment income and miscellaneous other revenue offsetting below budget advertising and traffic fines & forfeitures revenue.

Expense

- Labor (excluding OPEB and GASB) was $5.4M favorable in FY20 due to savings from vacancies, offset by unfavorable overtime.
- Power was $5.0M favorable in FY20, mostly due to lower than expected electric consumption due to COVID-19 pandemic-related service reductions and lower transmission and distribution costs.
- Purchased Transportation was $2.4M favorable in FY20 due to COVID-19 related service reductions.
- Other Non Labor was under budget by $1.8M for the year. This result was driven by $5.0M favorable Miscellaneous Expense, mostly due to favorable interchange rates/fees and Clipper reimbursement. This savings was offset by $2.6M overspending in Repairs & Maintenance due to station cleaning, repairs to damaged commercial fiber network, inventory adjustments, and maintenance & fuel of all non-revenue vehicles as well as $1.0M of telecom and garbage and water utilities from increased usage and utility rates.

Financial Assistance and Allocations

- FY20 Sales Tax was 4.8% under FY19 and $10.1M unfavorable due to COVID-19 and Shelter in Place (SIP).
- Property Tax was $1.8M favorable. Other financial assistance was $12.8M favorable due to $9.5M from the SFO Extension reserves (San Mateo County financial assistance) for under budget ridership on the extension; $1.2M from VTA for SVBX operations; and $2.1M for miscellaneous over budget financial assistance.
- Emergency federal assistance from the CARES Act was $185.5M.
- State Transit Assistance was $1.8M favorable due to unbudgeted County Block Grant funds received.
- Low Carbon Transit Operations Program (LCTOP) revenue was on budget.
- Low Carbon Fuel Standard (LCFS) Program revenue for FY20 was $8.7M favorable due to higher than anticipated sale of credits generated as a result of high market prices.
- Debt service was $1.3M favorable due to savings from refunding.
- Capital and other allocations for FY20 were $71.6M above budget, with $65.2M allocated to the reserve for economic uncertainty (used to carry over funds into FY21). An additional $3.5M is allocated to operating reserves per Board policy.

Net Operating Result

- The Net Operating Result for Q4 was $26.7M favorable, driven by FTA Cares Act revenue of $185.5M. FY20 total year Net Operating Result was balanced, again, primarily due to the FTA Cares

Current Quarter Budget	Current Quarter Actual	Current Quarter Var	($ Millions)	Year to Date Budget	Year to Date Actual	Year to Date Var
			Revenue			
124.1	9.6	-92.3%	Net Passenger Revenue	480.2	341.6	-28.9%
9.3	2.3	-75.1%	Parking Revenue	36.5	28.2	-22.8%
7.0	5.1	-26.5%	Other Operating Revenue	28.7	29.5	2.8%
140.5	**17.1**	**-87.9%**	**Total Net Operating Revenue**	**545.5**	**399.3**	**-26.8%**
			Expense			
147.4	120.7	18.1%	Net Labor	591.6	586.2	0.9%
0.0	60.1	-	GASB 68 Pension Adjustment	0.0	60.1	-
0.0	(8.0)	-	GASB 75 OPEB Adjustment	0.0	(8.0)	-
11.4	9.5	16.7%	Electric Power	45.6	40.6	11.0%
7.9	5.6	28.9%	Purchased Transportation	31.6	29.2	7.6%
36.5	40.0	-9.5%	Other Non Labor	130.9	129.1	1.4%
203.2	**228.0**	**-12.2%**	**Total Operating Expense**	**799.8**	**837.3**	**-4.7%**
(62.7)	**(210.9)**	**-236.3%**	**Operating Result (Deficit)**	**(254.3)**	**(438.0)**	**-72.3%**
			Taxes and Financial Assistance			
63.7	49.8	-21.8%	Sales Tax	277.0	266.9	-3.6%
24.2	38.2	58.1%	Property Tax, Other Assistance	62.9	77.4	23.2%
0.0	185.5	-	Federal CARES Act Assistance	0.0	185.5	-
19.7	27.9	41.7%	State Transit Assistance (STA)	39.4	41.1	4.5%
0.0	(0.0)	-	Low Carbon Transit Op Prog	8.4	8.4	0.0%
3.5	5.3	51.0%	Low Carbon Fuel Std Prog	14.1	22.9	61.7%
(11.8)	(11.3)	4.2%	Debt Service	(47.2)	(45.9)	2.8%
(35.5)	(110.4)	-210.6%	Capital and Other Allocations	(100.3)	(171.9)	-71.4%
0.0	60.1	-	GASB 68 Pension Adj. Offset	0.0	60.1	-
0.0	(8.0)	-	GASB 75 OPEB Adj. Offset	0.0	(8.0)	-
0.0	1.4	-	NBV of Fixed Assets Disposed	0.0	1.4	-
63.8	**238.7**	**274.3%**	**Net Financial Assistance**	**254.3**	**438.0**	**72.3%**
1.0	**27.7**	**26.7**	**Net Operating Result**	**0.0**	**0.0**	**(0.0)**
69.1%	9.7%	-59.4%	**System Operating Ratio**	68.2%	50.9%	-17.4%
0.438 ¢	**4.889 ¢**	**-1015.1%**	**Rail Cost / Passenger Mile**	**0.436 ¢**	**0.604 ¢**	**-38.4%**

* Totals may not add due to rounding to the nearest million.

No Problem

Caution: Potential Problem/Problem Being Addressed

Significant Problem

Attachment 2

Explanation of GASB 68 and 75

Governmental Accounting Standards Board (GASB) Statements No. 68 and No 75 establish accounting and financial reporting standards and requirements related to pension liability and post-employment benefits other than pensions (Other Post-Employment Benefits or OPEB), respectively, for state and local government employers. GASB 68 applies to the District's pension program while GASB 75 applies to all OPEB programs, which include retiree medical, survivor benefits, and life insurance. The standards represent a shift from the "funding based approach" to an "accounting based approach" and are intended to provide standardization and additional transparency for public agency pension and OPEB reporting. The standards call for public agencies to report their present obligation to pay future benefits. These future benefits are recognized in the financial statements but not paid. Therefore, the expenses reported in the District's financial statements, which follow Generally Accepted Accounting Principles (GAAP) and GASB guidelines, will be different than the amounts required to be paid to CalPERS annually to fund the pension plans and contributions to OPEB. The District's annual operating budget accounts for actual payment to CalPERS as an expense based on the amount of funds contributed to pensions during the year and the amounts contributed to OPEB per actuarial calculations. The expenses determined under GASB 68 and GASB 75 are not funded by the District, so the recognized expenses are backed out as non-expense allocations to reconcile with the District's annual operating budget.

The main changes to financial statements from adopting the GASB 68 and 75 are that employers now report the pension and OPEB liabilities on their balance sheet, and expenses are calculated in a different manner than the payments required to fund the contributions. Local governments now receive two actuarial reports for each pension plan and OPEB program, one for funding contributions and a second valuation for financial reporting.

Attachment 3

FY20 Operating Results, Including Accounting Adjustments

FY20 Operating Results ($ million)

		Budget	Actual	Var.	%
Sources	Operating Revenue	$ 545.5	$ 399.3	$ (146.2)	-26.8%
	Sales Tax	277.0	266.9	(10.1)	-3.6%
	Other Assistance	124.8	335.3	210.6	168.8%
	Total Sources	**947.3**	**1,001.5**	**54.3**	**5.7%**
Uses	Labor	591.6	586.2	5.4	0.9%
	OPEB Unfunded Liability [1]			-	
	Pension - GASB 68 Adjustment [2]	-	*60.1*	*(60.1)*	
	Non-Pension - GASB 75 Adjustment [3]	-	*(8.0)*	*8.0*	
	Non-Labor	208.1	198.9	*9.2*	4.4%
	Total Expense	**799.8**	**837.3**	**(37.6)**	**-4.7%**
	Debt Service	47.2	45.9	1.3	2.8%
	Capital & Other Allocations	100.3	171.9	(71.6)	-71.4%
	Total Debt Service & Allocations	**147.5**	**217.8**	**(70.3)**	**-47.7%**
	Total Uses	**947.3**	**1,055.1**	**(107.9)**	**-11.4%**
	OPEB Unfunded Liability [1]	-	-	-	
	Pension - GASB 68 Adjustment Offset [2]	-	*(60.1)*	*60.1*	
	Non-Pension - GASB 75 Adjustment Offset [3]	-	*8.0*	*(8.0)*	
	NBV of Fixed Assets Disposed [4]	-	*(1.4)*	*1.4*	
	Total Uses - After Adjustments	***947.3***	***1,001.5***	**(54.3)**	***-5.7%***
	NET RESULT	**$ 0.0**	**$ 0.0**	**$ (0.0)**	

[1] OPEB Unfunded Liability: Other Post Employment Benefits, primarily life insurance (non-cash adjustment)

[2] GASB 68 requires restating of pension expense (non-cash adjustment)

[3] GASB 75 requires restating of non-pension post-employment expense (non-cash adjustment)

[4] Non cash transaction related to the net book value of fixed assets disposed not considered in the operating budget