## Workshop Agenda

<table>
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<th>Session</th>
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<td>Introductory Remarks</td>
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<td>Break</td>
<td>Regional Context and Financial Outlook</td>
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<tr>
<td>Break</td>
<td>Financial Stability: Short- and Long-term Strategy</td>
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<td>Break</td>
<td>Working Lunch: Customer Satisfaction Survey</td>
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<td>Break</td>
<td>Improving Customer Experience</td>
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<td>Break</td>
<td>Summary Wrap Up</td>
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Regional Context and Financial Outlook

Board Workshop
February 23, 2023
Presentation Overview

• Regional Context and Trends
  • Economic Trends and Recovery
  • Employment Trends
  • Remote Work Trends
  • Travel and Ridership Trends
  • Climate Policy

• Financial Outlook
  • Ridership Trends and Projections
  • Operating Revenue and Expense Projections
  • Fiscal Runway and Next Steps
Regional Context and Trends
Economic Trends & Recovery

• Downtown San Francisco activity lagging post-COVID

Economic Recovery Score (out of 100%)

- Economic recovery score uses metrics related to jobs, people, investment, economic activity, and costs

Source: Bay Area Council Economic Institute (January 2022)

Compare Downtown Mobile Phone Activity

North American cities Spring 2022 compared to Spring 2019

Source: UC Berkeley/University of Toronto – Downtown Recovery Study
Employment Trends

• National indicators of a labor shortage
  • 2.8 M fewer workers than pre-pandemic
  • Two times more job openings than unemployed workers
• Regional unemployment rates lower than state and nation
• Hiring challenges felt across region

Source: Bureau of Labor Statistics
Remote Work Trend

- Global average is around two days per week
- Higher in US for information, finance, professional and business services

Number of Days Working from Home for University Graduates Globally

Number of Days Working from Home by Sector (US only)

Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, Work from Home Research: Survey of Work Arrangements, 2021-2022 Data
Bay Area On-Site Work Trends

• Average two to three days per week
• Tuesday, Wednesday, and Thursday most common

**Frequency On-Site Each Week:**
*Right Now vs. 6 Months From Now*

**Days of the Week On-Site**

Source: January 2023 Bay Area Council (BAC) Employer Network Poll Results
Office Market Trends

• High office vacancy rates in San Francisco and regionally

• Survey of Bay Area employers* indicates:
  • 32% have reduced office space
  • 21% plan to reduce total office space
  • 11% plan to increase total office space

* Source: January 2023 BAC Employer Network Poll Results, Bay Area Council Economic Institute

Bay Area Office Vacancy Rates

Source: CBRE Bay Area Office Snapshot (Quarter 4 2022)
Travel Trends

• BART ridership aligns more closely with downtown San Francisco office occupancy than other modes

Source: San Francisco Chamber of Commerce: Downtown Economic Indicators Data Dashboard
Transit Ridership Recovery

- Transit ridership has not recovered to pre-pandemic levels
- BART recovering slower than peer agencies

Ridership Recovery for BART and Peer Services

<table>
<thead>
<tr>
<th>Service</th>
<th>2022 (%)</th>
<th>2019 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYC Subway</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>Long Island Railroad</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Metro North (NY, CT)</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>NJ Transit Rail (NY-NJ)</td>
<td>64%</td>
<td></td>
</tr>
<tr>
<td>WETA Ferry (SF Bay Area)</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>LA Metro Rail</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>MBTA Rail (Boston)</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>CTA Rail (Chicago)</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>MARTA Rail (Atlanta)</td>
<td>54%</td>
<td></td>
</tr>
<tr>
<td>Metra (Chicago)</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>SEPTA Rail (Philadelphia)</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>Metrolink (SoCal)</td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>WMATA (DC)</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Golden Gate Transit - bus and ferry (SF Bay Area)</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>BART (SF Bay Area)</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Caltrain (SF Bay Area)</td>
<td>33%</td>
<td></td>
</tr>
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</table>

Source: National Transit Database, November 2022 compared to November 2019

Monthly Ridership
2019: 9.7M trips
2022: 3.9M trips
Farebox Recovery

- 2019 to 2021 farebox revenue comparison
  - Decreased for all transit agencies
  - BART had largest drop among peer agencies

Farebox 2019: $482 M
2021: $91 M

Source: National Transit Database
BART Ridership Recovery Trends

• Stations serving people of color and low-income riders tend to have higher recovery rates
• Stations serving commute markets have the highest ridership numbers but the lowest recovery rates
• Ridership profile
  • 31% live in households with income under $50,000
  • 44% do not have a vehicle
  • 67% identify as non-white
  • 49% are ages 25 to 44
  • 7% have a disability

Sources: BART average monthly ridership from December 2022 and December 2019, BART Title VI 2022 Triennial Update
Climate Policy

- State looking to reducing vehicle miles traveled (VMT) to lower greenhouse gas (GHG) emissions
  - Air Resources Board GHG target for 2045\(^1\)
    - Zero emission vehicles not sufficient
    - Public transit must be a viable alternative
  - State Transportation Agency\(^2\)
    - Investment framework prioritizes VMT reducing projects

- Pre-pandemic, BART was pivotal to State/Region’s VMT reduction:
  - Half of regional transit passenger miles
  - A quarter of statewide transit passenger miles

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Source: 2022 Draft Scoping Plan, Air Resources Board

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(1) 2022 Scoping Plan
(2) Climate Action Plan for Transportation Infrastructure
Financial Outlook
Current Ridership

1. Large growth after COVID surge (spring)
2. Little growth through the summer
3. Large growth in the fall
4. Steady decline through the new year
5. Post-holiday rebound
Near-term Ridership Outlook

- FY23 year-to-date trending below budget
- Most companies are operating under “new normal”\(^1\)
- Forecast assumptions
  - Small increase in commute market due to further return-to-office
  - Slow recovery in transit mode share for all trip markets
- Forecast results
  - Downgraded ridership forecast for FY24-25 budget

\(^{1}\) Bay Area Council Survey
Sales Tax

• Sales tax is now BART’s single largest sustained operating revenue source

• Projections assume:
  • Strong recent growth
  • Future slowdown during FY24 FY25 budget period
  • 3% annual growth after 2025

• Sales tax is subject to economic cycles
## Operating Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Near-term assumptions</th>
<th>Medium/Long-term assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fares</strong></td>
<td>Reduced expectations for ridership recovery; Fare increase (January 2024)</td>
<td>High uncertainty</td>
</tr>
<tr>
<td><strong>Sales Tax</strong></td>
<td>Slowdown</td>
<td>3% annual growth after 2025</td>
</tr>
<tr>
<td><strong>Property Tax</strong></td>
<td>Stable, consistent with county government forecasts where available</td>
<td>2% annual growth (below historic due to reassessment of commercial real estate)</td>
</tr>
<tr>
<td><strong>State Transit Assistance</strong></td>
<td>Lower in FY24 due to expiration of “hold harmless” provision</td>
<td>Recovery proportional to fare revenue recovery</td>
</tr>
<tr>
<td><strong>State Low Carbon Fuel Standard</strong></td>
<td>Weak due to low market prices</td>
<td>High uncertainty</td>
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Operating Expenses

• Expense outlook is stable
  • Assumed vacancy rate decreases steadily
    • 10% (FY23); 7.5% (FY24); 5% (FY25 and thereafter)
  • Wages
    • Negotiated labor agreements for increases through FY25
    • 2% annual escalation thereafter
  • Fringe benefits
    • Increase with staffing assumptions
    • Third-party projections of retirement and other costs
  • Non-labor costs
    • 2% annual escalation beginning in FY25
  • Debt service and allocations
    • 2% escalation and other increases in accordance with capital program commitments

• Tradeoff: balancing service quality while reducing costs
Operating Uses: Actual and Projected

- More service than pre-pandemic
  - Berryessa extension
- Controlled costs
  - Same number of train operators
  - Limited operating budget-funded overtime

*Chart shows operating expense only (excludes allocations and debt service)*
Expense Detail

- **Allocations**
  - Capital commitments, Board policies

- **Fixed costs**
  - Must be paid regardless of service
    - Retirement liabilities, debt service, contractual obligations, etc.

- **Non-labor costs**
  - Primarily determined by service levels
    - Traction power, supplies, inventory, tools, fuel, etc.

- **Wages and fringe benefits**
  - Primarily determined by head count and collective bargaining agreements

FY24 Pro Forma Budget Breakdown

- **Allocations**
  - 12%

- **Other Non-Labor**
  - 11%

- **Power**
  - 5%

- **Overtime**
  - 6%

- **Fringe**
  - 11%

- **Wages**
  - 33%

- **Other Fixed**
  - 5%

- **Debt Service**
  - 5%

- **Fixed Benefit**
  - 12%

Percentages vary by fiscal year
Operating Outlook

• Key assumptions
  • Current service schedule
    • Additional service increases would increase deficit
  • Core Capacity service changes in FY28
  • Allocations schedule
    • Near-term needs of priority capital projects
    • Other capital program commitments

Operating Outlook Base Case ($M)

<table>
<thead>
<tr>
<th></th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
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<tbody>
<tr>
<td>Operating Revenues</td>
<td>222</td>
<td>270</td>
<td>301</td>
<td>320</td>
<td>352</td>
<td>397</td>
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<tr>
<td>Financial Assistance</td>
<td>469</td>
<td>460</td>
<td>472</td>
<td>487</td>
<td>502</td>
<td>521</td>
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<tr>
<td>Total Regular Revenues</td>
<td>691</td>
<td>750</td>
<td>772</td>
<td>807</td>
<td>854</td>
<td>918</td>
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<tr>
<td>Operating Expense</td>
<td>860</td>
<td>921</td>
<td>959</td>
<td>975</td>
<td>995</td>
<td>1,105</td>
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<tr>
<td>Debt Service &amp; Allocations</td>
<td>152</td>
<td>184</td>
<td>162</td>
<td>166</td>
<td>170</td>
<td>156</td>
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<tr>
<td>Total Uses</td>
<td>1,012</td>
<td>1,106</td>
<td>1,121</td>
<td>1,141</td>
<td>1,165</td>
<td>1,261</td>
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<tr>
<td>Operating Result</td>
<td>(321)</td>
<td>(376)</td>
<td>(349)</td>
<td>(334)</td>
<td>(311)</td>
<td>(343)</td>
</tr>
<tr>
<td>Total Federal Assistance</td>
<td>321</td>
<td>376</td>
<td>206</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Total Net Result</td>
<td>0</td>
<td>0</td>
<td>(143)</td>
<td>(334)</td>
<td>(311)</td>
<td>(343)</td>
</tr>
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Projected Federal Assistance Expenditures

- $914M (57%) out of $1.6B used through February 2022
- $25M to $30M average monthly utilization rate over previous six months
Conclusions

• Ridership outlook
  • Revised downward based on:
    • Recent actuals
    • Survey results
  • Result: Fare revenue substantially lower

• Updated forecast projects:
  • Federal funding expected to be fully spent by January 2025
  • Total deficit of $140M for FY25
  • Thereafter, operating deficits exceed $300M per year
Next Steps

• FY24 and FY25 preliminary budget
  • Staff will propose measures to minimize FY25 deficit
  • To be released on March 31

• Measures evaluated will include:
  • Limiting new expenses
  • Implementing strategic expense reductions while maintaining service quality
  • Reviewing capital allocation timing and amounts
  • Exploring options for additional revenues and financial assistance

• Short- and long-term funding strategy after the workshop break
Discussion
Morning Break 🍵

• Agenda Topics
  • Look Ahead
  • Regional Context and Financial Outlook
  • Financial Stability: Near- and Long-term Strategy
• Working Lunch: Customer Satisfaction Survey
• Improving Customer Experience
• Workshop Wrap Up