



▶ FY21 Budget Outlook

August 27, 2020



FY21 Adopted Budget

**In the matter of approving
The Annual Budget for the
San Francisco Bay Area Rapid
Transit District and authorizing
Expenditures for the Fiscal Year
July 1, 2020, to June 30, 2021**

Resolution No. 5445

BE IT FURTHER RESOLVED that through Fiscal Year 2021, the District commits to undertake a rigorous stakeholder process on new approaches that emphasize responding to homelessness, behavioral health and substance use without relying on armed police. This effort answers public calls to dramatically change how BART addresses these societal problems in our system. The Board and the General Manager will jointly lead this effort to develop recommendations for staffing and funding services that do not require sworn personnel that will be presented in October when adjustments to the budget are considered.

Where We Left Off a Month Ago – What’s Changed

Recap of 7/23 Board Meeting:

Current Status:

Ridership and economic recovery depend on suppressing COVID-19 pandemic

- Confirmed COVID-19 cases continue to increase in the Bay Area and United States
- BART ridership remains low, and riders remain concerned about the risk of contracting or spreading the virus on transit
- BART ridership is unlikely to recover substantially as long as these conditions persist

Unchanged

Looking Ahead

- Continuing to advocate for additional federal emergency assistance
 - Expecting news mid-August or later
- Monitoring public health guidance and medical developments
 - Return to shelter in place would push ridership back down
 - First vaccine news could come in August

No federal deal currently

Paused re-openings
Vaccine approval TBD

What Staff Are Doing Now

- Focus on providing service that meets demand under current social distancing guidelines
- Keeping employees and passengers safe with enhanced cleaning, face covering rules
- Suppressing all non-essential spending

Unchanged



Key Indicators Staff Are Monitoring

Revenue Category	Outcome	Impact
Estimated FY20 Year-end Result	FY20 projected to close better than April estimate	
COVID Containment	Containment still distant, with all Bay Area county re-openings paused; California reporting errors leave trends unclear	
Fare Revenue	Ridership levelled off at 12% of pre-COVID baseline	
FY21 Sales Tax	BART sales tax receipts 10% above budget through August (reflects April-June sales activity); forward-looking picture unclear	
FEMA reimbursement	Reimbursement assumptions lowered, partially due to lower COVID costs incurred	
Federal Emergency Assistance	Talks in Congress broke off on August 7, with state & local assistance a major point of disagreement; Senate back in session 9/8	

BART is projected to finish FY20 under budget

Three factors improved the FY20 year end projection made in April:

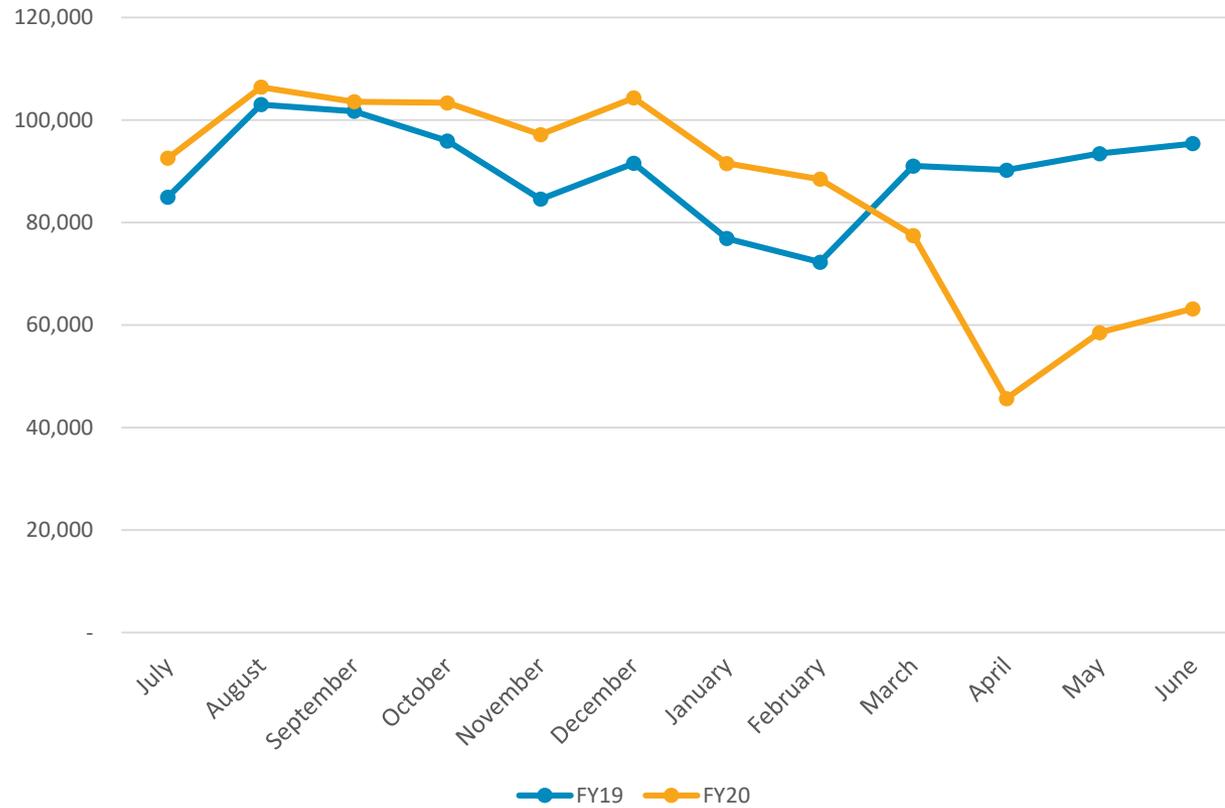
1. Successfully managed **overtime** (with support of labor partners)
2. **Accelerated capital projects** to shift labor & benefits to capital budgets
3. Better sales tax receipts (likely supported by federal stimulus) & other financial assistance stretch more CARES revenues into FY21

FY20 Year-End (Estimated)				
Regular Sources (\$M)	Budget	April Estimate	August Estimate	Change since April Estimate
Rail Passenger Revenue	480	341	342	1
Parking Revenue	37	25	28	3
Other Operating Revenue	29	27	29	2
Sales Tax Proceeds	277	253	267	14
Other Financial Assistance	125	118	136	18
TOTAL - REGULAR SOURCES	947	764	802	38
Regular Uses				
Labor & Benefits	592	609	588	(21)
Power	46	43	41	(2)
Other Non-Labor	162	152	158	6
Bond Debt Service	47	47	46	(1)
Regular Allocations	100	100	107	7
TOTAL - REGULAR USES	947	951	939	(12)
NET RESULT (REGULAR SOURCES & USES)	-	(187)	(137)	50
FY20 CARES drawdown (source)	-	187	187	-
Allocation to CARES carryover reserve (use)			50	50
TOTAL NET RESULT	-	-	-	-

Labor & Benefits estimate includes load shedding savings planned in April

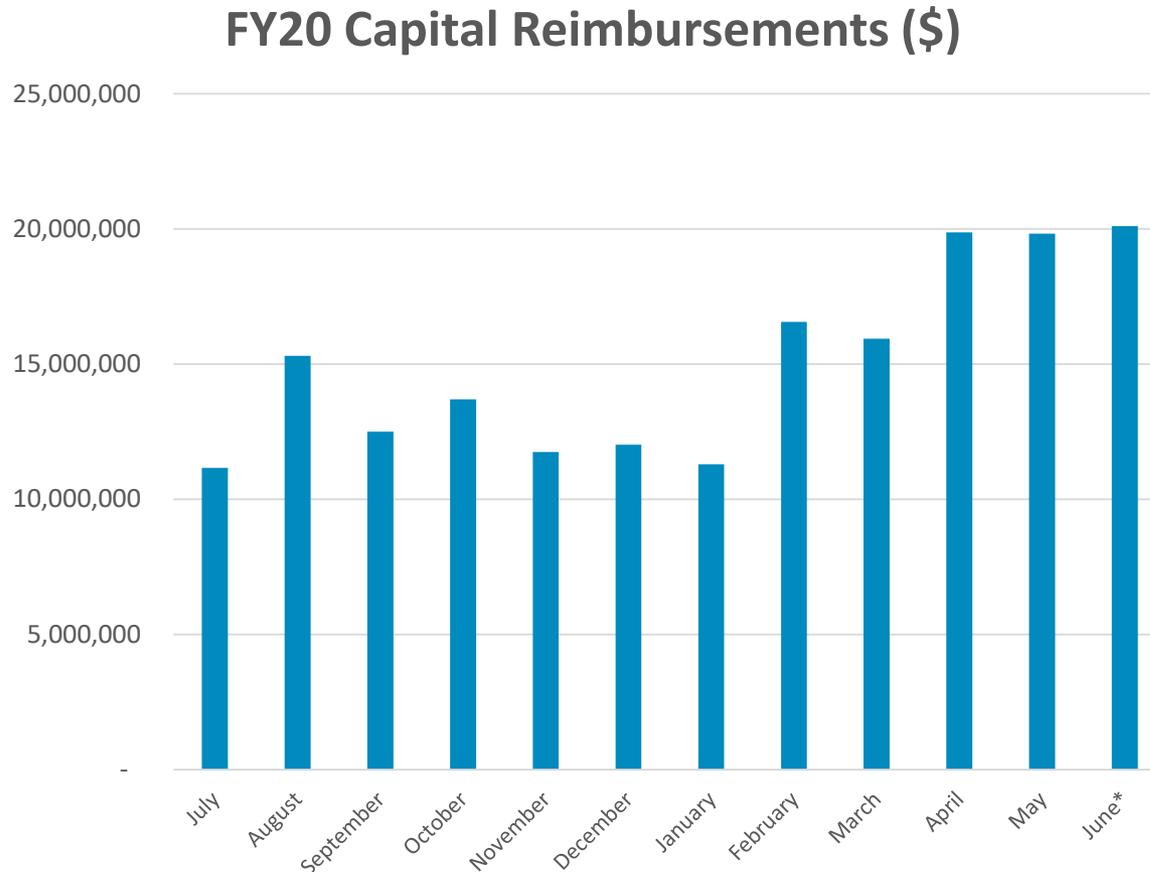
Expenditure savings were driven in large part by reduced overtime...

FY19 and FY20 Gross Overtime (Hours)



} May/June overtime increase largely driven by accelerated capital work

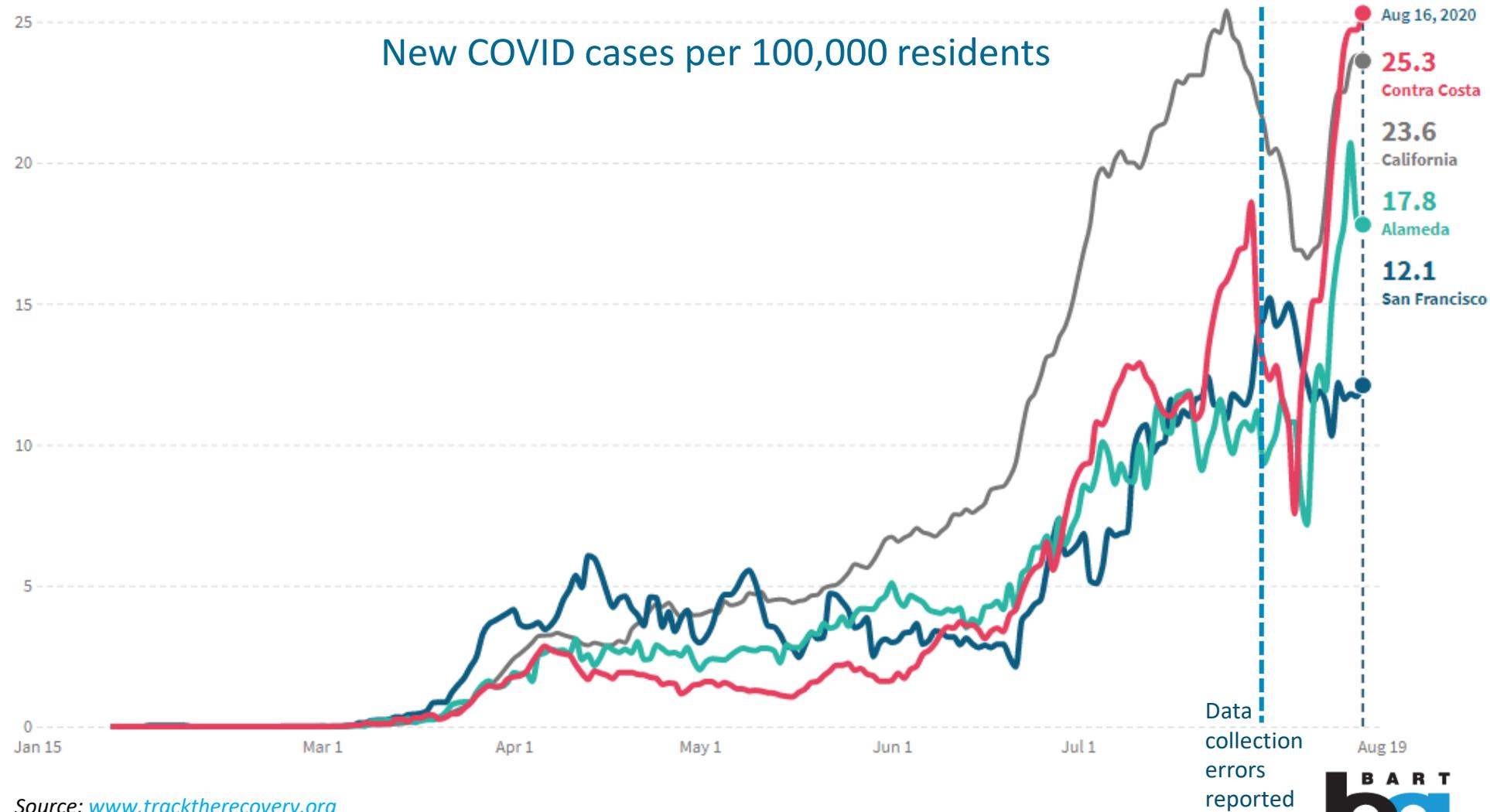
...while capital project acceleration shifted labor costs off the Operating Budget



** June data estimated, pending final year-end close*

New cases below July peak, but still elevated; data collection errors make it difficult to assess trends

New COVID cases per 100,000 residents



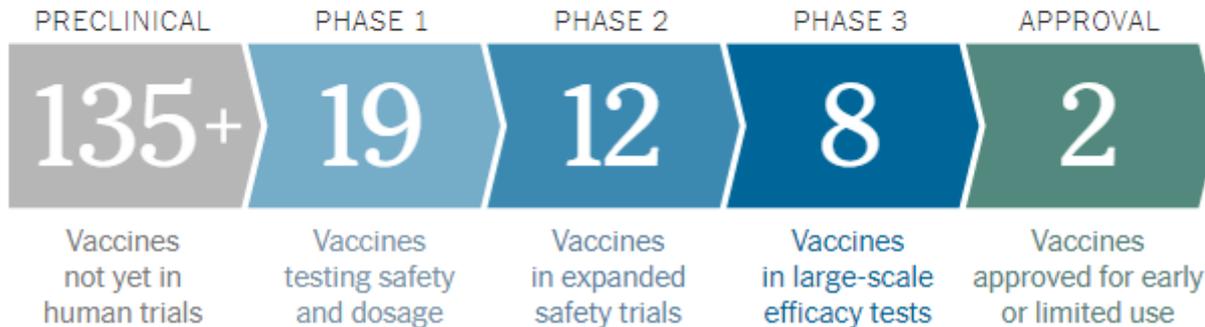
Source: www.tracktherecovery.org
 Accessed 8/19/20



Ridership recovery largely dependent on vaccine development progress

Coronavirus Vaccine Tracker

By Jonathan Corum, Denise Grady, Sui-Lee Wee and Carl Zimmer Updated August 18, 2020

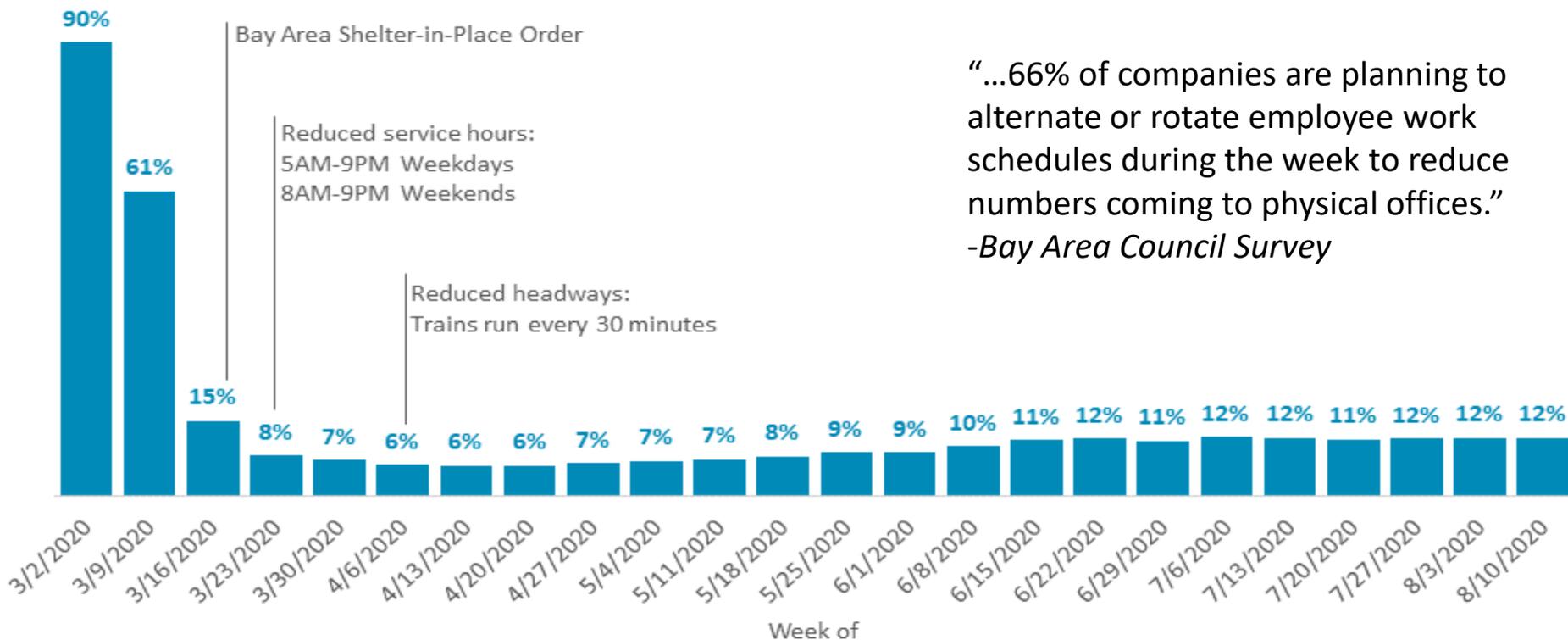


Source: NYTimes.com
Accessed 8/19/20

- **Vaccine research has proceeded rapidly**
- **Experts are cautiously optimistic** that at least one vaccine will be publicly distributed in calendar year 2021 (possibly as early as 2nd quarter)
- **Major uncertainty:** How soon can a vaccine be approved? How effective will it be? How quickly can it be made widely available? How much and how quickly will it result in behavior change?
- **Other active research** with potential to influence travel behavior before a vaccine: monoclonal antibody treatments; rapid testing

Persistently high new case numbers and offices remaining closed have caused ridership recovery to stagnate

BART Weekly Ridership Tracker during COVID Pandemic
% of Expected Baseline Ridership



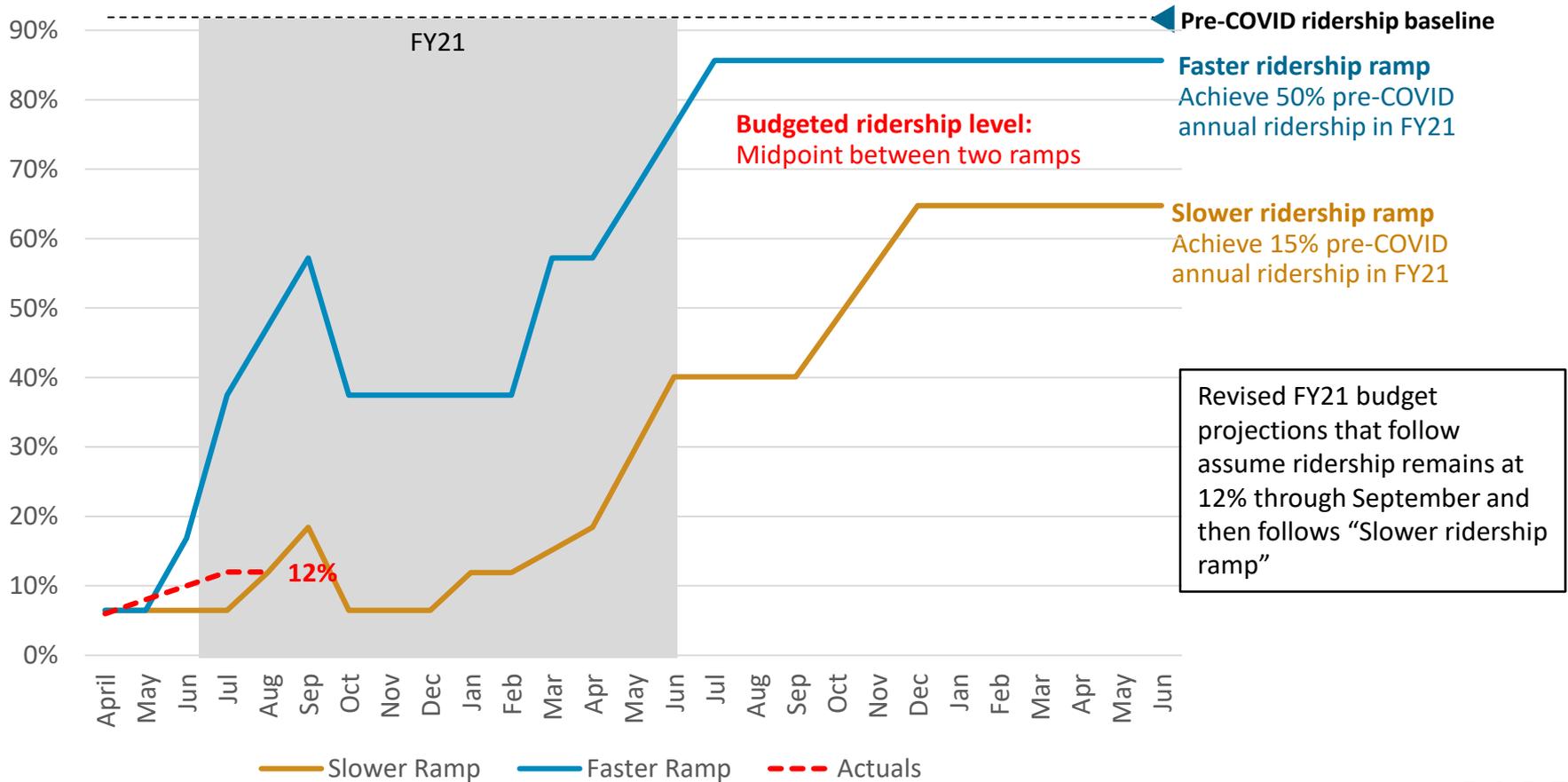
“...66% of companies are planning to alternate or rotate employee work schedules during the week to reduce numbers coming to physical offices.”
 -Bay Area Council Survey



Source: Survey completed May 13-14, 2020 by 123 Bay Area Council member companies.

<https://www.bayareacouncil.org/press-releases/new-ceo-survey-finds-dramatic-workplace-changes-in-response-to-covid-19/>

Fare revenue is below budget, trending toward the lower of the two ridership ramps contemplated during FY21 budget development



Sales Tax, FEMA, and Additional Federal Assistance

Sales Tax

- Receipts for FY21 trending 10% above budgeted levels
- Outlook for remainder of FY21 uncertain due to expiration of federal stimulus on 7/31

FEMA Reimbursement

- Reimbursements expected to be below budget, reflecting changing guidance on eligible activities and below budget expenditures

Additional Federal Assistance

- Nationwide ask for at least \$32 billion of additional emergency funding for public transit was made in July
- Public transit assistance included in HEROES Act
- No assistance for public transit in HEALS Act
- Talks to reach a deal stalled as of August 7
- Senate on recess until at least September 8

FY21 revenues are projected to be below budget, driven by lower ridership

Sources (\$M)	Adopted Budget	August Projection	Change
Fare revenue	148	70	(78)
Parking	10	5	(5)
Other operating	24	18	(6)
Sales tax proceeds	239	239	-
SFO & SVBX assistance	73	84	11
Other assistance	110	110	-
<i>Subtotal - Operating & Financial Assistance</i>	<i>604</i>	<i>526</i>	<i>(78)</i>
Additional Sources			
CARES tranches 1 & 2 (includes FY20 carry over)	251	240	(11)
FEMA reimbursement of COVID expenses	20	6	(14)
Defer FY20 rail car allocation	40	40	-
<i>Subtotal - Additional Sources</i>	<i>311</i>	<i>286</i>	<i>(25)</i>
Total Sources	915	812	(103)

Totals may not sum due to rounding

Efforts to Gain More Riders

Digital ads promoting clean and safe BART service

Targeted at essential workers who are currently driving or using ride share services

Redeeming free radio ads to promote BART

Follow up correspondence with large employers on updates to our 15 Step Welcome Back Plan

Communicating progress on mitigation steps we've made since the virtual town hall meetings

Conveying we are ready to serve workers

Earned media from launch of Bay Area Healthy Transit Plan

Widely shared social media tweet about ventilation and air flow in trains

How air circulates through BART cars

Supply air is pulled through the HVAC units (located under the car floor), filtered and conditioned (cool/warm) before being sent up through the walls where it enters the cabin from above, or from the lower window masks.

Circulated air is then pulled back through the return ducts to the HVAC units. At the same time, 30% **fresh air** is pulled in through fresh air intakes on the sides of the car.

Fresh and circulated air are then mixed in the HVAC units where the process starts over.



Cabin air refresh time

The time it takes for all air in cabin to be replaced is approximately 70 seconds.

BART is testing new technologies

Testing denser MERV-14 filters in five train cars that trap more particles.

Testing UV light in one train car that zaps pathogens.



Staff is mitigating revenue shortfalls with expense reductions

Annual savings shown below are linked to assumption of current service plan (30-minute headways, early close/late weekend opening) until Q4 of FY21

Increased service would reduce savings considerably

Reduction	(\$M)	Notes
Extend hiring freeze through FY21	6	Salary savings achieved by not filling vacancies, including frontline staff
Continued load shedding	21	Continuing current schedule allows for load shedding and acceleration of capital projects by taking advantage of longer blanket, reduced operating hours
Reduced schedule savings	8	Power, materials & supplies, contracts
COVID expenditure savings	17	Reduced schedule allows for re-allocation of staff to COVID-related activities instead of needing to hire additional staff
Total	52	

Totals may not sum due to rounding

FY21 shortfall estimate: \$51M, more work needed

Sources (\$M)	FY21 Budget	Mid-August FY21 Estimate	Change
Fare revenue	148	70	(78)
Parking	10	5	(5)
Other operating	24	18	(6)
Sales tax proceeds	239	239	-
SFO & SVBX assistance	73	84	11
Other assistance	110	110	(0)
<i>Subtotal - Operating & Financial Assistance</i>	<i>604</i>	<i>526</i>	<i>(78)</i>
CARES tranches 1 & 2	251	240	(11)
FEMA reimbursement of COVID expenses	20	6	(14)
Defer FY20 rail car allocation	40	40	-
<i>Subtotal - Additional Sources</i>	<i>311</i>	<i>286</i>	<i>(25)</i>
Total Sources	915	812	(103)
Uses			
Labor & Benefits	601	574	(27)
Power	48	43	(5)
Non-labor	158	155	(3)
Additional COVID-related costs (labor)	23	20	(4)
Additional COVID-related costs (non-labor)	20	8	(13)
<i>Subtotal - Operating</i>	<i>851</i>	<i>799</i>	<i>(52)</i>
Debt service	47	47	-
Allocations	17	17	-
<i>Subtotal - Debt Service & Allocations</i>	<i>64</i>	<i>64</i>	<i>-</i>
Total Uses	915	863	(52)
Net Result	-	(51)	(51)

Totals may not sum due to rounding

Solving future year projected deficits requires ongoing expenditure reductions

FY22 PRELIMINARY INCOME STATEMENT		
Sources	PRELIMINARY ESTIMATES – SUBJECT TO CHANGE	(\$M)
Fare revenue		273
Parking		12
Other operating		23
Sales tax proceeds		254
SFO & SVBX assistance		43
Other assistance		115
Additional federal emergency assistance		-
Total Sources		720
Uses	PRELIMINARY ESTIMATES – SUBJECT TO CHANGE	
Labor & Benefits		622
Power		46
Non-labor		155
Additional COVID-related costs		-
<i>Subtotal - Operating</i>		<i>823</i>
Debt service		57
Allocations		17
<i>Subtotal - Debt Service & Allocations</i>		<i>74</i>
Total Uses		897
Net Result		(177)

Totals may not sum due to rounding

Staff is working on options to reduce FY21 shortfall and plan for FY22

Two broad types of solutions under consideration

1. Expense reductions (mostly ongoing, as 1x options have been exhausted)
2. Re-allocation of past/planned capital funds, allocations, or reserves to replace lost revenues to support spending levels

Savings Evaluation Framework



Considerations

- Value:
 - 1x or ongoing?
 - When is impact felt?
 - Certainty of \$ savings
- Impact:
 - Service (headways, transfers)
 - System reliability
 - Regional mobility
 - Essential workers
 - Workforce
 - Equity
 - Capital program

Additional Potential Solutions – One-time Funds

Description	Potential Savings (\$M)	Notes
Capital Funds		
Repurpose LCFS Capital Funds	14	Reduces future sustainability funding availability
FY19 Railcar Allocation	28	Reduces project contingency
Other Prior Operating Allocations	33	Requires re-allocating from existing/underway projects
Operating Reserves		
Pension Reserve	20	FY19 + FY20 contribution amounts
LCFS Operating Reserve	19	
Economic Uncertainty	25	
Controller Reserves	54	

Preliminary list. Each item is a one-time solution. List includes items that may require external approval and exact dollar amounts may change.

Summary

Ridership recovery continues to depend on suppressing COVID-19 pandemic and normal travel patterns (including commute) resuming

- BART ridership is unlikely to recover substantially as long as pandemic conditions persist
- Increasing concern for FY22 and out years

BART continues to advocate for additional emergency funding

- If this comes, it will most likely occur sometime in early-mid 2021 (very late in the current fiscal year)

Staff is preparing to address a large shortfall in FY21 and an even larger one in FY22

- A budget revision will be presented for review and adoption over the course of the October Board meetings

Staff is planning to bring service scenarios at first Board meeting in October

Absent additional federal assistance, there is no “silver bullet” solution; expect a number of measures: “the kitchen sink”

- Closing these shortfalls will require difficult tradeoffs, and will limit our ability to provide frequent, reliable service in the near term or meet expected demand over the long term

Board Calendar

Planned Dates	Topic
August 27	FY21 Budget Update
September 10	FY21 Budget Update
September 24	[Tentative] FY20 Year End Close Resolution FY21 Budget Update
October 8	[Tentative] Budget revision sources and uses, potential service plans presentation
October 24	[Tentative] Board votes on budget revision



Discussion

