



# EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: <i>Robert M. Pearson</i> 7 OCT 2021		GENERAL MANAGER ACTION REQ'D:		
DATE: 10/1/2021		BOARD INITIATED ITEM: No		
Originator/Prepared by: Katherine Alagar Dept: Operating Budgets	General Counsel	Controller/Treasurer	District Secretary	BARC
Signature/Date: <i>[Signature]</i> 10/6/21	<i>[Signature]</i>	<i>Chris Gan</i> 10/6/2021	<i>[Signature]</i> 10-7-21	<i>[Signature]</i> 10/6/21

## FY2021 Year End Budget Revision

**PURPOSE:** To amend the Fiscal Year 2021 (FY21) Budget for year-end adjustments.

**DISCUSSION:** The District finished FY21 with a balanced budget due to emergency federal assistance. This funding offset a precipitous drop in revenues caused by the COVID-19 pandemic and associated decline in ridership. Absent such assistance, the District would have finished the year with a \$298.1M deficit. The financial results are summarized below, with more detail provided in the Background section and Attachments 1, 2, and 3.

### BACKGROUND:

In FY21, BART faced extraordinary challenges primarily due to the continued impact of the COVID-19 pandemic. The net result for the District before any federal emergency assistance was a \$298.1M deficit.

BART was able to balance FY21 with emergency federal aid. It is important to note that BART drew down and expended federal aid at different levels than assumed in the FY21 budget. Federal Transit Administration (FTA) rules for emergency assistance drawdowns resulted in more funds drawn down in FY21 than needed in the fiscal year. In addition, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was passed in December of 2020, and thus not included in the adopted FY21 budget. Per the federal formula, BART drew down \$191.5M in Coronavirus Aid, Relief, and Economic Security (CARES) and \$210.9M in CRRSAA funds over the course of the fiscal year. This revenue allowed BART to balance FY21 and deposit \$169.5M into a CRRSAA reserve fund, which will be carried forward to offset operating deficits in FY22 and potentially in subsequent fiscal years. In addition, to balance FY21, BART also used \$65.2M in CARES reserve funds carried forward from FY20.



**FY21 Operating Results, Excluding Accounting Adjustments**

(\$ million)		<b>Budget</b>	<b>Actual</b>	<b>Var.</b>	<b>%</b>
<b>Sources</b>	Operating Revenue	\$ 182.5	\$ 91.1	\$ (91.4)	-50.1%
	Sales Tax	239.0	258.5	19.5	8.2%
	Emergency Assistance	251.0	402.4	151.4	60.3%
	Other Assistance	242.3	197.8	(44.5)	-18.4%
	<b>Total Sources</b>	<b>914.9</b>	<b>949.8</b>	<b>35.0</b>	<b>3.8%</b>
<b>Uses</b>	Labor	624.3	568.3	56.0	9.0%
	Non-Labor	226.5	183.2	43.3	19.1%
	<b>Total Expense</b>	<b>850.9</b>	<b>751.6</b>	<b>99.3</b>	<b>11.7%</b>
	Debt Service	47.4	47.1	0.3	0.7%
	Capital & Other Allocations	16.6	151.2	(134.6)	-811.4%
	<b>Total Debt Service &amp; Allocations</b>	<b>64.0</b>	<b>198.3</b>	<b>(134.3)</b>	<b>-209.8%</b>
	<b>Total Uses</b>	<b>914.9</b>	<b>949.8</b>	<b>(35.0)</b>	<b>-3.8%</b>
	<b>NET RESULT</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

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

**Total Operating Sources: \$35.0M (3.8%) favorable to budget.**

Operating Revenue was \$91.4M unfavorable to budget, driven by low ridership stemming from COVID-19 related Shelter in Place (SiP) orders and limited office reopenings after SiP orders were lifted.

- Passenger Revenue was \$85.8M unfavorable to budget. Passenger trips totaled 16.1M, 55.5% unfavorable to budget, and average weekday ridership was 52,922, 28.8% unfavorable. The extension of SiP orders and additional surges of COVID-19 cases after the FY21 budget was adopted contributed to lower than expected ridership.
- Parking Revenue was \$3.3M unfavorable, with lower ridership having the highest impact on the daily non-reserve program.
- Other Operating Revenue was \$2.3M unfavorable due to below budget advertising and traffic fines & forfeitures.

Sales Tax was favorable to budget by \$19.5M for the year. The forecasted drop in consumer sentiment did not materialize and sales tax revenue growth proved to be strong over the fiscal year.



Emergency Assistance was \$151.4M better than budget due to the following sources:

- CARES Act provided \$191.5M of one-time assistance, with all CARES funds exhausted in FY21. This was \$59.5M less than budgeted as additional funds were drawn down late in FY20 and carried forward into FY21.
- CRRSAA provided \$210.9M of unbudgeted one-time assistance. \$169.5M of funds not needed to balance FY21 were deposited in the CRRSAA Reserve Account and are budgeted to offset expected operating losses in FY22.

Other Assistance was \$44.5M unfavorable to budget due to the following sources:

- Financial Assistance line items ending the year above budget include: \$9.9M provided by SFO Extension Financial Assistance to offset below budget SFO Extension ridership; \$7.5M from the Valley Transportation Authority (VTA) for Silicon Valley Berryessa Extension (SVBX) operations; \$4.3M from Property Tax; and \$1.7M for State Transit Assistance.
- Financial Assistance line items ending the year below budget include: A planned reversal of prior year rail car allocation of \$40M was not needed due to federal assistance \$20M of budgeted FEMA assistance was not awarded and \$7.9M of other miscellaneous categories.

**Total Operating Expenses: \$99.3M (11.7%) favorable to budget.**

Net Labor and Benefits were \$56.0M (9.0%) favorable to budget driven by a continued hiring freeze and in the last quarter an increase in vacancies from the District Retirement Incentive Program (DRIP), as well as the shifting of operating hours to capital-funded projects where appropriate.

- The Families First Coronavirus Response Act (FFCRA) Emergency Paid leave and State Supplemental Paid Sick Leave expense was \$9.6M and was offset by \$23.5M in under spending in the COVID-19 labor budget.
- Overtime in FY21 decreased by \$25.9M from FY20. Total Overtime was \$50M, including \$28.7M of operating overtime and an \$21.3M of capital-funded overtime. Net Operating overtime was \$6.2M under budget.
- Capital Labor Reimbursements totaled \$196.4M, \$14.9M (8.2%) favorable to budget, as BART continued to redirect positions from the operating budget to accelerate critical capital reinvestment projects. This practice is known as “load shedding” and was possible due to lower service levels, particularly reduced revenue service hours.

Non-Labor expenses were \$43.3M (19.1%) favorable to budget due to the following Non-Labor categories:



- Professional Fees were \$19.5M favorable, mostly from under spending in the COVID-19 non-labor budget.
- Purchased Transportation was \$8.2M (29.6%) favorable due to significantly fewer paratransit trips.
- Electric Power was \$7.8M favorable due to reduced service and reductions in transmission and distribution costs.
- Miscellaneous Expenses was \$6.1M (19.5%) favorable to budget, with \$12.4M of reduced bank card and Clipper fees due to lower ridership. This favorability was offset by \$7.9M of unfavorable insurance claim settlements.
- Material Usage was \$3.6M (10.3%) below budget due to increased focus on capital projects, reduced service levels and lower maintenance needs.
- Rent, Repair & Maintenance, Other Utilities and Travel & Meeting categories were a combined \$1.7M unfavorable.

**Debt Service and Allocations: \$134.3M above budget.** Bond debt service for FY21 was \$0.3M better than budget. The adopted FY21 budget also included \$16.6M in planned allocations, representing a fraction of previous year allocation levels. Subsequent to the passage of CRRSAA, staff elected to direct a share of the emergency assistance toward investments need for critical capital projects or to reduce medium- and long-term operating expenses. These include:

- An additional \$20.3M to fund critical capital reinvestment needs and to pay down exiting debt related to the MET building purchase.
- \$10.0M to restore an allocation to the Pension Trust that was eliminated prior to FY21 budget adoption.
- \$169.5M of one-time CRRSAA funds drawn down in FY21 were directed to the CRRSAA Reserve for Economic Uncertainty to offset expenses in future fiscal years.
- A \$65.2M reverse allocation of CARES Act funds placed in reserve in FY20 were used to offset expenses in FY21.

This budget revision requests 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 above.

**FISCAL IMPACT:** Board approval of the proposed allocations closes the fiscal year and results in a balanced FY21 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. 5445 regarding Fiscal Year 2021 Annual Budget."

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

In the matter of amending Resolution No. 5445 regarding Fiscal Year 2021 Annual Budget

Resolution No. \_\_\_\_\_

RESOLVED, that Resolution No. 5445 is amended by changing the following line items in Exhibit A thereof:

<u>Fund Source Line Item:</u>	<u>Current Amount</u>	<u>Increase/ (Decrease) In This Resolution</u>	<u>Amended Amount</u>
Operating Revenue	\$ 182,480,671	\$ (91,355,155)	\$ 91,125,516
Sales Tax	\$ 239,026,007	\$ 19,496,195	\$ 258,522,202
Property Tax	\$ 50,622,254	\$ 4,262,047	\$ 54,884,301
SFO Ext Financial Assistance	\$ 42,476,726	\$ 9,921,897	\$ 52,398,623
VTA Financial Assistance	\$ 30,257,595	\$ 7,461,254	\$ 37,718,849
Other Financial Assistance	\$ 58,989,783	\$ (6,185,043)	\$ 52,804,740
CRRSAA Funding	\$ -	\$ 210,851,686	\$ 210,851,686
CARES Funding	\$ 251,000,000	\$ (59,456,133)	\$ 191,543,867
FEMA Reimbursed COVID-19 Expenses	\$ 20,000,000	\$ (20,000,000)	\$ -
Reversal of FY20 Railcar Allocation	\$ 40,000,000	\$ (40,000,000)	\$ -
<u>Fund Use Line Item:</u>			
Net Labor Expense	\$ 624,347,672	\$ (56,001,187)	\$ 568,346,485
Net Labor Expense - GASB 68 and 75	\$ -	\$ 9,674,629	\$ 9,674,629
Non-Labor Expense	\$ 226,505,493	\$ (43,290,623)	\$ 183,214,870
Revenue Bond Debt Service	\$ (47,407,197)	\$ 344,075	\$ (47,063,122)
Allocations to Capital - Baseline	\$ (15,000,000)	\$ (200,000)	\$ (15,200,000)
Other Capital and Misc Operating Allocations	\$ (1,592,674)	\$ (20,125,720)	\$ (21,718,394)
Operating Reserve CARES	\$ -	\$ 65,206,043	\$ 65,206,043
Operating Reserve CRRSAA	\$ -	\$ (169,512,957)	\$ (169,512,957)
Allocations - Fiscal Stability Pension	\$ -	\$ (10,000,000)	\$ (10,000,000)
PERS Employer Current Year Contrib - (GASB 68)	\$ -	\$ 104,014,284	\$ 104,014,284
PERS Pension Expense - Offset (GASB 68)	\$ -	\$ (154,843,575)	\$ (154,843,575)
Non-Pension Employer Current Year Contrib - (GASB 75)	\$ -	\$ 47,008,000	\$ 47,008,000
Non-Pension Expense - Offset (GASB 75)	\$ -	\$ (5,853,338)	\$ (5,853,338)



**Attachment 1**  
**Bay Area Rapid Transit District**  
**Quarterly Financial Report - Fourth Quarter FY21**

(\$ Millions)

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	Q4 Budget	Q4 Variance	YTD Actuals	YTD Budget	YTD Variance	YTD % Variance
<b>Operating Revenue</b>										
Net Passenger Revenue	13.9	14.7	13.6	20.3	59.2	(38.9)	62.5	148.4	(85.8)	● -57.9%
Parking Revenue	1.6	1.6	1.7	2.2	4.2	(2.0)	7.2	10.5	(3.3)	● -31.3%
Other Operating Revenue	6.3	5.1	4.4	5.5	6.8	(1.3)	21.4	23.7	(2.3)	● -9.5%
<b>Total Net Operating Revenue</b>	<b>21.9</b>	<b>21.4</b>	<b>19.7</b>	<b>28.1</b>	<b>70.2</b>	<b>(42.2)</b>	<b>91.1</b>	<b>182.5</b>	<b>(91.4)</b>	● -50.1%
<b>Financial Assistance</b>										
Sales Tax	65.2	65.5	63.9	63.9	57.5	6.4	258.5	239.0	19.5	● 8.2%
Property Tax	2.5	25.1	2.7	24.6	21.6	3.0	54.9	50.6	4.3	● 8.4%
State Transit Assistance	1.3	0.2	2.5	26.1	21.4	4.8	30.2	28.5	1.7	● 5.9%
VTA Financial Assistance	9.4	9.5	9.5	9.4	6.0	3.5	37.7	30.3	7.5	● 24.7%
SFO Ext Financial Assistance	13.5	13.3	13.2	12.4	8.1	4.3	52.4	42.5	9.9	● 23.4%
Reversal of FY20 Railcar Allocation	-	-	-	-	40.0	(40.0)	-	40.0	(40.0)	● -100.0%
Other Assistance	4.0	6.7	8.3	3.6	15.2	(11.6)	22.6	50.5	(27.9)	● -55.2%
Federal CARES Act Assistance	126.8	64.7	-	-	-	-	191.5	251.0	(59.5)	● -23.7%
Federal CRRSAA Assistance	-	-	103.7	107.1	-	107.1	210.9	-	210.9	-
<b>Total Financial Assistance</b>	<b>222.7</b>	<b>185.1</b>	<b>203.8</b>	<b>247.1</b>	<b>169.7</b>	<b>77.4</b>	<b>858.7</b>	<b>732.4</b>	<b>126.4</b>	● 17.3%
<b>Total Sources</b>	<b>244.6</b>	<b>206.6</b>	<b>223.5</b>	<b>275.2</b>	<b>239.9</b>	<b>35.3</b>	<b>949.8</b>	<b>914.9</b>	<b>35.0</b>	● 3.8%
<b>Operating Expense</b>										
Wages, Benefits, Other Labor	187.2	177.8	198.4	167.2	196.1	29.0	730.5	783.8	53.4	● 6.8%
Total Overtime - op & cap	12.7	10.8	12.6	13.9	8.7	(5.2)	50.0	34.9	(15.1)	● -43.1%
Capital Reimbursements	(51.0)	(45.0)	(52.1)	(48.3)	(45.3)	3.0	(196.4)	(181.5)	14.9	● 8.2%
Other Reimbursements	(4.0)	(4.2)	(3.6)	(3.9)	(3.2)	0.6	(15.7)	(12.9)	2.8	● 21.5%
<i>GASB 68 Pension Adjustment</i>	-	-	-	50.8	-	(50.8)	50.8	-	(50.8)	-
<i>GASB 75 OPEB Adjustment</i>	-	-	-	(41.2)	-	41.2	(41.2)	-	41.2	-
Electric Power	12.7	10.3	9.0	8.3	12.0	3.7	40.3	48.1	7.8	● 16.1%
Purchased Transportation	6.9	6.9	6.9	(1.2)	6.9	8.1	19.4	27.6	8.2	● 29.6%
Other Non Labor	20.0	23.7	27.3	52.4	42.6	(9.8)	123.5	150.8	27.4	● 18.1%
<b>Total Operating Expense</b>	<b>184.3</b>	<b>180.3</b>	<b>198.5</b>	<b>198.1</b>	<b>217.9</b>	<b>19.8</b>	<b>761.2</b>	<b>850.9</b>	<b>89.6</b>	● 10.5%
<b>Debt Service and Allocations</b>										
Debt Service	11.8	11.8	11.8	11.8	11.9	0.1	47.1	47.4	0.3	● 0.7%
Capital and Other Allocations	10.6	4.9	1.0	20.4	0.4	(20.0)	36.9	16.6	(20.3)	● -122.5%
Pension Allocations	0.0	0.1	(0.4)	10.3	-	(10.3)	10.0	-	(10.0)	-
Op Reserve - Econ Uncertainty	37.8	9.5	(47.4)	-	(6.0)	(6.0)	-	-	-	-
Op Reserve - CARES	-	-	(43.7)	(21.5)	-	21.5	(65.2)	-	65.2	-
Op Reserve - CRRSAA	-	-	103.7	65.8	-	(65.8)	169.5	-	(169.5)	-
<i>GASB 68 Pension Adj. Offset</i>	-	-	-	(50.8)	-	50.8	(50.8)	-	50.8	-
<i>GASB 75 OPEB Adj. Offset</i>	-	-	-	41.2	-	(41.2)	41.2	-	(41.2)	-
<b>Total Debt Service and Allocations</b>	<b>60.3</b>	<b>26.3</b>	<b>25.0</b>	<b>77.0</b>	<b>6.3</b>	<b>(70.8)</b>	<b>188.6</b>	<b>64.0</b>	<b>(124.6)</b>	● -194.7%
<b>Total Uses</b>	<b>244.6</b>	<b>206.6</b>	<b>223.5</b>	<b>275.2</b>	<b>224.1</b>	<b>(51.0)</b>	<b>949.8</b>	<b>914.9</b>	<b>(35.0)</b>	● -3.8%
<b>Net Result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15.8</b>	<b>(15.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	● 100.0%
<b>Operating Result (Deficit)</b>	<b>(162.4)</b>	<b>(158.9)</b>	<b>(178.7)</b>	<b>(170.1)</b>	<b>(147.6)</b>	<b>(22.4)</b>	<b>(670.1)</b>	<b>(668.4)</b>	<b>(1.7)</b>	● -0.3%
<b>System Operating Ratio</b>	11.9%	11.9%	9.9%	14.9%	32.2%	-17.3%	12.1%	21.4%	-9.3%	
<b>Rail Cost / Passenger Mile (\$)</b>	3.311	3.058	3.611	2.430	0.918	(1.512)	3.033	1.429	(1.604)	

## 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 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

#### FY21 Operating Results, Including Accounting Adjustments

##### FY21 Operating Results (\$ million)

		Budget		Actual	Var.	%
<b>Sources</b>	Operating Revenue	\$ 182.5		\$ 91.1	\$ (91.4)	-50.1%
	Sales Tax	239.0		258.5	19.5	8.2%
	Emergency Assistance	251.0		402.4	151.4	60.3%
	Other Assistance	242.3		197.8	(44.5)	-18.4%
	<b>Total Sources</b>	<b>914.9</b>		<b>949.8</b>	<b>35.0</b>	<b>3.8%</b>
<b>Uses</b>	Labor	624.3		568.3	56.0	9.0%
	<i>Pension - GASB 68 Adjustment <sup>(1)</sup></i>	-		50.8	(50.8)	
	<i>Non-Pension - GASB 75 Adjustment <sup>(2)</sup></i>	-		(41.2)	41.2	
	Non-Labor	226.5		183.2	43.3	19.1%
	<b>Total Expense</b>	<b>850.9</b>		<b>761.2</b>	<b>89.6</b>	<b>10.5%</b>
	Debt Service	47.4		47.1	0.3	0.7%
	Capital & Other Allocations	16.6		151.2	(134.6)	-811.4%
	<b>Total Debt Service &amp; Allocations</b>	<b>64.0</b>		<b>198.3</b>	<b>(134.3)</b>	<b>-209.8%</b>
	<b>Total Uses</b>	<b>914.9</b>		<b>959.5</b>	<b>(44.7)</b>	<b>-4.9%</b>
	<i>Pension - GASB 68 Adjustment Offset <sup>(1)</sup></i>	-		(50.8)	50.8	
	<i>Non-Pension - GASB 75 Adjustment Offset <sup>(2)</sup></i>	-		41.2	(41.2)	
	<b>Total Uses - After Adjustments</b>	<b>914.9</b>		<b>949.8</b>	<b>(35.0)</b>	<b>-3.8%</b>
	<b>NET RESULT</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>	

<sup>(1)</sup> GASB 68 requires restating of pension expense (non-cash adjustment)

<sup>(2)</sup> GASB 75 requires restating of non-pension post-employment expense (non-cash adjustment)