

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** May 21, 2021
FROM: General Manager
SUBJECT: FY21 Third Quarter Financial Report

The FY21 Third Quarter Financial Report (January – March 2021) is attached. This report also includes a forecast for FY21 year-end results. Additional explanatory detail is provided in this memo and a one-page summary on ridership is shown on the last page of this package.

The net operating result remains balanced due to continued drawdowns from the District's Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). Fare revenue continues to trend substantially under budget expectations, remaining significantly below budgeted levels despite an increase in ridership levels over the course of quarter. Operating expenses finished the quarter under budget due to strict expenditure controls, a hiring freeze, and the shifting of operating budget-funded staff into work funded through other sources. Savings were muted by lump sum payouts to 287 retiring staff as part of the conclusion of the District Retirement Incentive Program (DRIP).

Ridership, which totaled 3.6 million (M) exits for the third quarter of FY21, was 57% under budget and 85% lower than in the same period of FY20 due to the ongoing impacts of the COVID-19 pandemic. Third quarter ridership was higher than the previous quarters, in part due to the resurgence in COVID-19 cases during the winter months as well as regular seasonal fluctuation. Year-to-date, total trips are 51% below budget expectations, with weekday trips, at 48,268 exits per day, 55% below budget and 87% below FY20.

Operating Revenue

Operating Revenue was \$49.2M (43.8%) below budget through the third quarter of FY21.

Net passenger revenue was \$47.0M (52.7%) unfavorable year-to-date (YTD) due to lower ridership. **Parking revenue** was \$1.3M (20.4%) unfavorable, due to below-expectation parking demand associated with low ridership. **Other Operating Revenue** was \$1.0M (5.7%) unfavorable as a result of several factors, including advertising revenue, which is \$3.0M below budget based upon the revised advertising agreement approved by the Board in August 2020. This variance was offset by above-budget ground lease revenue and permit fees.

Financial Assistance and Allocations

Sales tax revenue was \$13.1M (7.2%) favorable through the third quarter of FY21. This positive result was driven in part by larger than expected advance payments in March. Preliminary state data through April 2021 indicates that sales tax revenue continues to be above budget and BART sales tax revenues are expected to end the year above budget.

Property tax revenue was \$1.3M (4.5%) favorable. **State Transit Assistance** was \$3.1M unfavorable due to timing of payments, however, this fund source is expected to be above budget by FY21 year-end. **VTA Financial Assistance** and **SFO Extension Financial Assistance** were a combined \$9.7M (16.5% favorable); by formula, revenue from these sources increases in response to below-budget fare revenue.

Other Assistance was \$16.3M (46.0%) unfavorable due to below-budget FEMA assistance (\$13.3M unfavorable) and Low Carbon Fuel Standard (LCFS) credit sales (\$7.3M unfavorable). To-date, BART has spent less than budgeted on FEMA-reimbursable items. The reduced expenses combined with changing FEMA guidance and slower than expected application review have led staff to revise the expected FY21 reimbursement to zero. LCFS revenue was unfavorable due to a combination of below-budget LCFS credit generation related to reduced FY21 rail service levels and delaying sales of credits in order to obtain more advantageous pricing.

Federal CARES Act Assistance, which is drawn down according to FTA formula, was fully drawn down in the second quarter. No more revenue from this source will be received.

Federal CRRSAA Assistance, which is drawn down according to FTA formula, was not budgeted in FY21, as the enabling legislation was not passed until December 2020. In the third quarter, BART drew down \$103.7M in CRRSAA assistance. These revenues have been deposited into Operating Reserve – CRRSAA for use later in the fourth quarter of FY21 and in FY22.

Operating Uses

Total Operating Expense was \$69.9M (11.0%) below budget as of the third quarter of FY21.

Wages, Benefits & Other Labor in the third quarter was over budget by \$4.0M due to the District Retirement Incentive Program (DRIP) payment of \$14.1M to the 287 employees that opted into the program and retired in March. Year to date, spending is \$24.4M (4.2%) below budget, driven by a continued hiring freeze, which held an average of 281 operating and capital positions per month vacant. This monthly vacancy average increased in the third quarter due to the employees who accepted the DRIP package. The Families First Coronavirus Response Act (FFCRA) Emergency Paid Leave through March was \$6M and is offset by \$17.6M in under spending in the COVID-19 labor budget. **Total Overtime** was \$9.9M (37.7%) unfavorable to budget through the third quarter, though this variance was offset by \$15.1M of capital funded overtime; the net result to the operating budget was \$5.2M under budget. **Capital Labor Reimbursements** totaled \$148.1M through the same period, \$11.8M (8.7%) 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 is possible primarily due to lower service levels, particularly reduced revenue service hours. **Other Reimbursements** were \$2.1M favorable.

Non-Labor expenses were \$41.3M (25.1%) under budget through March. **Electric Power** was \$4.1M (11.3%) favorable due to lower electric loads and transmission & distribution delivery costs resulting from service reductions implemented by the District due to the COVID-19 pandemic. **Other Non-Labor** was \$37.2M (34.4%) favorable to budget, with most of the variance in the categories of Professional Fees, Miscellaneous Expenses, and Material Usage. Professional Fees were \$19.7M (53.0%) better than budget, with \$15.2M of favorable non-labor COVID-19 expenses and the remaining \$4.5M of underspending attributed to reduced spending across the District (\$2.7M) and timing of payments (\$1.8M). Miscellaneous Expenses was \$11.0M (46.4%) lower than budget, due to reduced bank card and Clipper fees, promotions, and document printing; these are driven by ridership levels. Material Usage was \$5.5M (23.6%) below budget due to reduced service, GO Card purchases, and timing of gas & diesel fuel payments. Rent Expense was \$1.5M favorable.

Debt Service and Allocations show significant variance from budget through the third quarter. Both Debt Service and Capital and Other Allocations are on budget through March. Additional detail is now shown for four unbudgeted allocations that will be made in the fourth quarter; these are reflected in the Year-End Forecast column.

Op Reserve – Econ Uncertainty, Op Reserve – CARES, and Op Reserve – CRRSAA are used for deposits and drawdowns of federal emergency assistance. Positive numbers represent deposits into the reserves, while negative numbers represent drawdowns. Per the FTA drawdown formula for CARES and CRRSAA, the District draws down revenues before they are needed, then applies the revenue to future months and fiscal years.

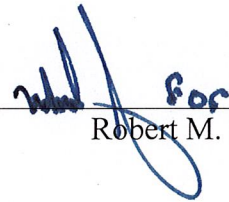
	\$(M)	FY20	FY21	FY22	Total
CARES draw down		185.5	191.5	-	377.0
CARES used		(120.0)	(257.0)	-	(377.0)
CARES allocated to reserve for use in following years		65.5	-	-	-
CRRSAA draw down		-	211.7	166.4	378.1
CRRSAA used/budgeted		-	(50.4)	(327.7)	(378.1)
CRRSAA allocated to reserve for use in following years		-	161.3	-	-

Year-End Forecast

As you are aware, the outlook for the remaining quarter of FY21 as well as future fiscal years remains extremely challenging, despite the current FY21 year-end forecast showing a balanced budget. The District has been able to achieve this result because of federal CARES and CRRSAA funding, which offset operating revenue deficits. Given the short-term nature of federal assistance, staff is making a number of targeted investments to increase capital and pension liability allocations.

While FY21 has been very difficult year all around, I am very proud of the excellent work by our BART team to reduce expenses, advocate for and secure federal emergency funding, remain focused on addressing projected deficits in upcoming fiscal years, all while delivering safe, reliable service.

If you have any questions about this report, please contact Pamela Herhold, Assistant General Manager, Performance and Budget, at (510) 464-6168.

 for

Robert M. Powers

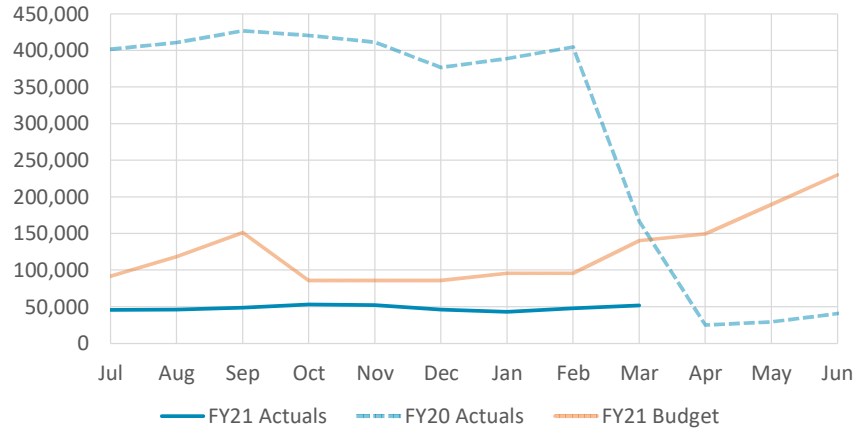
cc: Board Appointed Officers
Deputy General Manager
Executive Staff

Bay Area Rapid Transit District
Quarterly Financial Report - Third Quarter FY21

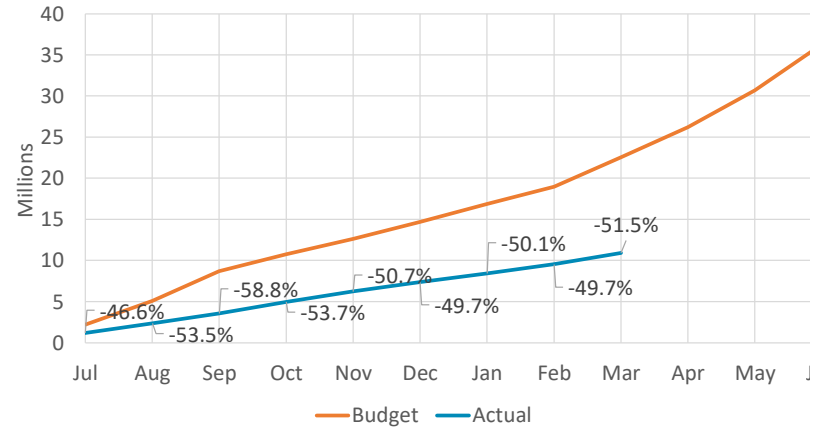
(\$ Millions)	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q3 Budget	Q3 Variance	YTD Actuals	YTD Budget	YTD Variance	YTD % Variance	Annual Budget	Year-End Forecast
<u>Operating Revenue</u>											
Net Passenger Revenue	13.9	14.7	13.6	32.0	(18.4)	42.2	89.2	(47.0)	● -52.7%	148.4	59.8
Parking Revenue	1.6	1.6	1.7	2.1	(0.4)	5.0	6.2	(1.3)	● -20.4%	10.5	7.0
Other Operating Revenue	6.3	5.1	4.4	5.1	(0.7)	15.9	16.8	(1.0)	● -5.7%	23.7	19.9
Total Net Operating Revenue	21.9	21.4	19.7	39.2	(19.5)	63.1	112.2	(49.2)	● -43.8%	182.5	86.7
<u>Financial Assistance</u>											
Sales Tax	65.2	65.5	63.9	61.9	2.0	194.6	181.6	13.1	● 7.2%	239.0	249.9
Property Tax	2.5	25.1	2.7	3.3	(0.6)	30.3	29.0	1.3	● 4.5%	50.6	53.7
State Transit Assistance	1.3	0.2	2.5	7.1	(4.6)	4.0	7.1	(3.1)	● -43.3%	28.5	30.8
VTA Financial Assistance	9.4	9.5	9.5	7.8	1.7	28.3	24.3	4.0	● 16.5%	30.3	41.9
SFO Ext Financial Assistance	13.5	13.3	13.2	11.0	2.2	40.0	34.4	5.6	● 16.4%	42.5	52.8
Other Assistance	4.0	6.7	8.3	18.3	(9.9)	19.1	35.3	(16.3)	● -46.0%	50.5	24.1
Federal CARES Act Assistance	126.8	64.7	-	-	-	191.5	251.0	(59.5)	● -23.7%	251.0	191.5
Federal CRRSAA Assistance	-	-	103.7	-	103.7	103.7	-	103.7	-	-	211.7
Total Financial Assistance	222.7	185.1	203.8	109.4	94.4	611.6	562.7	48.9	● 8.7%	692.4	856.5
Total Sources	244.6	206.6	223.5	148.5	75.0	674.7	675.0	(0.3)	● 0.0%	874.9	943.2
<u>Operating Expense</u>											
Wages, Benefits, Other Labor	187.2	177.8	198.4	194.3	(4.0)	563.3	587.7	24.4	● 4.2%	783.8	742.5
Total Overtime	12.7	10.8	12.6	8.7	(3.9)	36.1	26.2	(9.9)	● -37.7%	34.9	49.1
Capital Reimbursements	(51.0)	(45.0)	(52.1)	(44.8)	7.3	(148.1)	(136.3)	11.8	● 8.7%	(181.5)	(202.2)
Other Reimbursements	(4.0)	(4.2)	(3.6)	(3.2)	0.4	(11.8)	(9.7)	2.1	● 22.1%	(12.9)	(16.0)
Electric Power	12.7	10.3	9.0	12.0	3.1	32.0	36.1	4.1	● 11.3%	48.1	42.7
Purchased Transportation	6.9	6.9	6.9	6.9	0.0	20.6	20.7	0.1	● 0.3%	27.6	22.2
Other Non Labor	20.0	23.7	27.3	38.6	11.3	71.1	108.3	37.2	● 34.4%	150.8	111.0
Total Operating Expense	184.3	180.3	198.5	212.7	14.2	563.1	633.0	69.9	● 11.0%	850.9	749.2
<u>Debt Service and Allocations</u>											
Debt Service	11.8	11.8	11.8	11.9	0.1	35.3	35.6	0.3	● 0.7%	47.4	47.4
Capital and Other Allocations	10.6	4.9	1.0	0.4	(0.6)	16.5	16.2	(0.3)	● -1.9%	16.6	17.9
Allocation - MET Bldg.	-	-	-	-	-	-	-	-	-	-	12.7
Allocation - BART-to-Antioch	-	-	-	-	-	-	-	-	-	-	10.0
Allocation - Pension	0.0	0.1	(0.4)	-	0.4	(0.3)	-	0.3	-	-	10.0
Reverse Allocation - FY20 Rail Cars	-	-	-	-	-	-	-	-	-	(40.0)	-
Op Reserve - Econ Uncertainty	37.8	9.5	(47.4)	(59.0)	(11.6)	-	6.0	6.0	● 100.0%	-	-
Op Reserve - CARES	-	-	(43.7)	-	43.7	(43.7)	-	43.7	-	-	(65.3)
Op Reserve - CRRSAA	-	-	103.7	-	(103.7)	103.7	-	(103.7)	-	-	161.3
Total Debt Service and Allocations	60.3	26.3	25.0	(46.7)	(71.8)	111.6	57.7	(53.8)	● -93.2%	24.0	194.0
Total Uses	244.6	206.6	223.5	165.9	(57.6)	674.7	690.7	16.0	● 2.3%	874.9	943.2
Net Result	-	-	-	(17.4)	17.4	-	(15.8)	15.8	● 100.0%	(0.0)	0.0
Operating Result (Deficit)	(162.4)	(158.9)	(178.7)	(173.5)	(5.2)	(500.1)	(520.7)	20.7	● 4.0%	(668.4)	(662.5)
System Operating Ratio	11.9%	11.9%	9.9%	18.4%	-8.5%	11.2%	17.7%	-6.5%		21.4%	11.6%
Rail Cost / Passenger Mile (\$)	3.311	3.058	3.611	1.655	(1.956)	3.321	1.768	(1.553)		1.429	

FY21 (Jul-Mar) Ridership Stats

Average Weekday Ridership



FY21 Cumulative Budget to Actual Variance



Exits	Actual	Budget	Actual
	FY20 YTD	FY21 YTD	FY21 YTD
Weekday	376,902	106,631	48,268
Saturday	146,022	38,001	25,842
Sunday	99,762	25,875	18,605
Total	81,261,959	22,543,882	10,938,390

FY21 YTD Actual vs.	
FY20 YTD Actual	FY21 YTD Budget
-87.2%	-54.7%
-82.3%	-32.0%
-81.4%	-28.1%
-86.5%	-51.5%

FY21 YTD Distribution of Clipper Fare Products

