

# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

---

## MEMORANDUM

**TO:** Board of Directors

**DATE:** March 4, 2022

**FROM:** General Manager

**SUBJECT:** **FY22 Second Quarter Financial Report (QFR)**

The FY22 Second Quarter Financial Report (October – December 2021) is attached. Additional explanatory detail is provided in this memo and a one-page ridership summary is shown on the last page of this package.

The District's net operating result was balanced through the second quarter. Over the first half of the fiscal year, fare revenue trended over budget expectations, while operating expenses finished under budget. On an operating basis, the District collected \$127.2M less in revenues than it spent. The gap was made up with the use of federal funds allocated through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARP). These funds allow the District to show a balanced net result at the end of the second quarter.

### Ridership

**Ridership** totaled 8.3M exits in the second quarter of FY22, 6% under budget. This was more than double the same period a year ago, but 71% below the same period in FY20, prior to the pandemic. Average weekday ridership during the second quarter was 108,197 exits, 9% below budget, 115% higher than a year ago, and 73% below FY20. Over the first two quarters, ridership totaled 15.8M exits, 8% above budget; the positive variance is driven by first quarter ridership exceeding expectations by 28%.

Second quarter FY22 ridership was higher than the previous quarter, as concerns about the COVID Delta variant began to subside, with case rates dropping at the end of September. From October to early December, ridership increased steadily as businesses continued to reopen. Large events, such as MLB baseball games and San Francisco Fleet Week, also bolstered ridership. In mid-December, the region experienced a surge in cases due to the Omicron variant. While late-December ridership is typically low due to the holidays, it is likely that the Omicron surge further suppressed ridership during this time.

### Operating Revenue

**Operating Revenue** was \$7.8M (11.7%) above budget through the second quarter of FY22.

**Net passenger revenue** was \$5.7M (10.7%) above budget YTD, driven largely by higher-than-expected ridership during the first quarter, which began to taper off toward the end of the second quarter. **Parking revenue** was \$1.6M (43.5%) favorable, due to parking demand associated with higher-than-expected ridership. **Other Operating Revenue** was \$0.5M (4.9%) above budget as a result of several factors, including revenues from special fees and permits (\$1.6M above budget) and fiber optics revenue (\$0.4M above budget). This variance was offset by below-budget revenues in fines and forfeitures and miscellaneous other revenues.

### Operating Uses

**Total Operating Expense** was \$44.2M (10.3%) below budget through the second quarter of FY22.

**Wages, Benefits & Other Labor** was \$52.9M (13.1%) below budget through the second quarter, driven by a higher-than-expected vacancy rate, with 590 (13.0%) operating and capital positions vacant at the end of the second quarter. This favorability was slightly offset by \$2.8M of unbudgeted California Supplemental Paid

Sick Leave (SPSL) use for COVID-19 related reasons. **Total Overtime** was \$13.8M (57.0%) unfavorable to budget through the second quarter on a gross basis, though on a net basis, this variance was offset by \$12.3M of capital-funded overtime; the net result to the operating budget was \$1.5M unfavorable. All but one major department with a significant overtime budget is under budget halfway through the fiscal year. The exception is Rolling Stock & Shops, which has more on overtime than anticipated reliance in order to maintain older revenue vehicles as service levels increased while new car deliveries were paused, as well as to perform enhanced cleaning of cars despite significant vacancies. **Capital Labor Reimbursements** totaled \$72.5M through the same period, \$22.9M (24.0%) unfavorable to budget; this was driven by higher-than-expected capital vacancy rates. **Other Reimbursements** were \$0.3M unfavorable.

**Non-labor** was below budget through the second quarter by \$16.0M (15.2%). Electric Power was \$0.3M unfavorable due an increase in energy supply and transmission costs. **Other Non-Labor** was \$16.2M favorable to budget, with most of the variance in Professional Fees, followed by Material Usage, Rental Expense, and Miscellaneous Expense. Professional Fees were \$9.3M better than budget due to underspending attributed to efforts to reduce spending across the District as well as timing of invoices and payments. Material Usage was \$3.2M favorable due to timing of material purchases and procurement timelines. Rental Expense was \$1.7M favorable due to lower-than-expected end of lease expenses for the District's former office space at 300 Lakeside Drive as well as accounting entries for lease reporting to comply with GASB87. Miscellaneous expense was \$1.4M lower than budget, primarily due to timing of bank card and Clipper fees. Other Utilities was \$0.7M favorable while Repairs and Maintenance was \$0.1M unfavorable.

### Financial Assistance

**Sales tax** revenue was \$20.2M (15.2%) favorable through the second quarter of FY22. This positive result was driven by robust retail sales and a pandemic shift from spending on services, which do not generate sales tax, to durable goods, which do. Preliminary state data 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 \$1.9M (6.8%) favorable. **VTA Financial** and **SFO Extension Financial Assistance** were a combined \$1.9M (4.7%) above budget; note that by formula, revenues from these sources increase in response to below-budget fare revenue.

**Other Assistance** was \$9.0M (37.0%) unfavorable. Through December, Low Carbon Fuel Standard (LCFS) credit sales were \$5.2M unfavorable due to recent softness in market pricing. This was offset by above-budget revenues from the Low Carbon Transit Operations Program (\$2.2M) and several smaller funding sources (a combined \$0.5M of county-level measures).

**Debt Service and Allocations** show a \$118.1M unfavorable variance due to an additional, unbudgeted \$40.1M deposit into the Operating Reserve – CRRSAA for use later in FY22 and \$74.0M deposit into the Operating Reserve – ARP (discussed in previous paragraph). Debt Service is on budget. Other Capital Allocations was \$3.4M over budget from two operating to capital allocations that were budgeted in Non-Labor expenses.

**Federal Emergency Assistance**, which comprises both CRRSAA and ARP, is used to offset operating deficits. The attached report displays results on a budget basis; Appendix 1 shows awards, draw downs, uses, and reserve balances. Through the first two quarters of the fiscal year, federal emergency assistance use was \$127.2M, \$62.4M below budgeted levels. This variance represents the sum of all variances compared to budget described in this memo.

## FY22 Year -End Forecast

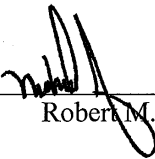
The final column of the attached report shows a year-end forecast, which is provided to show how staff expect the remainder of the fiscal year to play out. The outlook remains very challenging. Though the District required \$62.4M less federal assistance than expected, that positive variance is reduced to \$18.5M in the year-end forecast.

Overall revenue variance is low compared to budget, but contains two largely offsetting factors. First, the effects of the Omicron variant depressed ridership and associated fare revenue; a weaker recovery forecast in these areas creates a large negative variance from budget (\$31.7M) in the second half of the fiscal year. This is mostly offset by strong sales tax performance, which is projected to surpass budget by \$35.6M.

On the expense side, savings were generated primarily by vacancies and non-labor seasonality effects (invoices generally come in more slowly in the first half of the fiscal year); thus over the course of the year, as vacancies are filled and purchasing catches up to budget, the overall expense savings are projected to finish the year \$20.4M below budget.

At this time, staff estimate a current year estimated operating deficit of \$367.2M, which will be closed with Federal Assistance. This estimate is an \$18.5M improvement over the \$385.7M included in the FY22 adopted budget; this difference will be applied to offset future deficits. Staff will continue ongoing work to manage expenses and build ridership in order to extend the fiscal runway.

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

  
\_\_\_\_\_  
Robert M. Powers

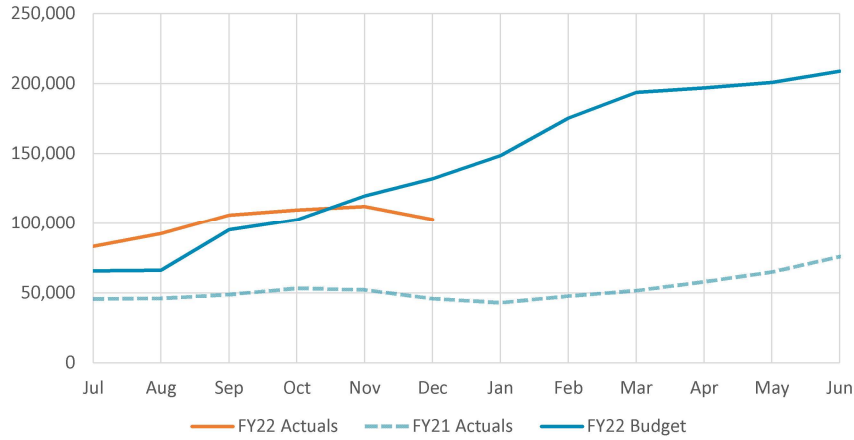
cc: Board Appointed Officers  
Deputy General Manager  
Executive Staff

**Bay Area Rapid Transit District**  
**Quarterly Financial Report - Second Quarter FY22**

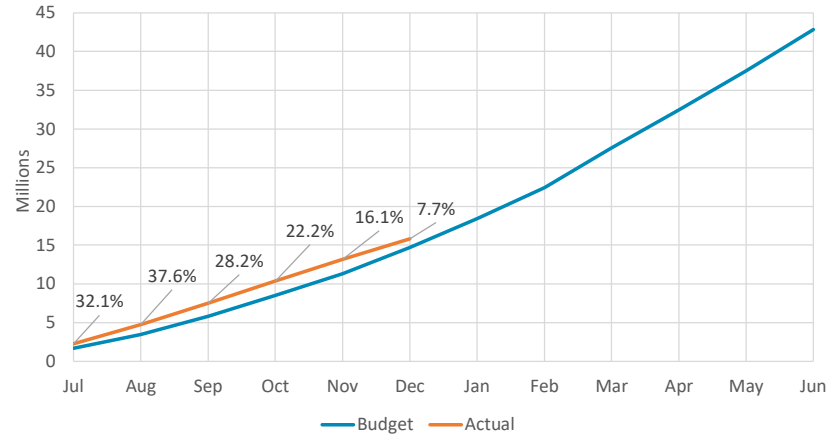
(\$ Millions)	Q1 Actuals	Q2 Actuals	Q2 Budget	Q2 Variance	YTD Actuals	YTD Budget	YTD Variance	YTD % Variance	Year-End Forecast	Annual Budget	Annual Variance
<b><u>Operating Revenue</u></b>											
Net Passenger Revenue	25.2	34.0	34.8	(0.8)	59.2	53.5	5.7	● 10.7%	132.8	166.4	(33.6)
Parking Revenue	3.0	2.4	2.0	0.4	5.4	3.8	1.6	● 43.5%	10.8	9.4	1.4
Other Operating Revenue	5.5	4.8	4.5	0.3	10.3	9.8	0.5	● 4.9%	20.2	19.8	0.5
<b>Total Net Operating Revenue</b>	<b>33.7</b>	<b>41.2</b>	<b>41.2</b>	<b>(0.0)</b>	<b>74.9</b>	<b>67.0</b>	<b>7.8</b>	● <b>11.7%</b>	<b>163.9</b>	<b>195.5</b>	<b>(31.7)</b>
<b><u>Non Operating Revenue</u></b>											
Interest and Investment Income	0.4	(0.0)	0.0	(0.1)	0.4	0.1	0.3	● 535.9%	0.4	0.1	0.3
<b><u>Financial Assistance</u></b>											
Sales Tax	78.0	75.0	68.9	6.1	153.1	132.9	20.2	● 15.2%	297.3	261.7	35.6
Property Tax	2.8	26.6	25.6	0.9	29.3	27.5	1.9	● 6.8%	56.4	54.5	1.9
State Transit Assistance	0.0	0.0	7.1	(7.1)	0.1	7.1	(7.0)	● -99.3%	21.1	28.4	(7.3)
VTA Financial Assistance	9.5	9.5	8.8	0.7	19.1	17.6	1.5	● 8.4%	38.1	35.2	2.9
SFO Ext Financial Assistance	11.4	11.6	9.4	2.2	23.0	22.6	0.4	● 1.8%	23.0	22.6	0.4
Other Assistance	7.6	7.8	6.1	1.7	15.3	17.3	(2.0)	● -11.5%	30.8	35.0	(4.1)
<b>Total Financial Assistance</b>	<b>109.3</b>	<b>130.5</b>	<b>126.0</b>	<b>4.5</b>	<b>239.9</b>	<b>225.0</b>	<b>14.9</b>	● <b>6.6%</b>	<b>466.8</b>	<b>437.3</b>	<b>29.4</b>
<b>Total Sources</b>	<b>143.4</b>	<b>171.7</b>	<b>167.2</b>	<b>4.4</b>	<b>315.1</b>	<b>292.1</b>	<b>23.0</b>	● <b>7.9%</b>	<b>631.1</b>	<b>633.0</b>	<b>(1.9)</b>
<b><u>Operating Expense</u></b>											
Wages, Benefits, Other Labor	176.6	174.0	202.6	28.6	350.6	403.5	52.9	● 13.1%	762.6	806.5	43.9
Total Overtime	18.4	19.6	12.1	(7.5)	38.0	24.2	(13.8)	● -57.0%	77.2	48.4	(28.7)
Capital Reimbursements - Wages & Fringe	(36.9)	(35.6)	(47.7)	(12.1)	(72.5)	(95.4)	(22.9)	● -24.0%	(161.2)	(189.3)	(28.1)
Capital Reimbursements - OT	(6.0)	(6.3)	-	6.3	(12.3)	-	12.3	● -	(24.7)	-	24.7
Other Reimbursements	(3.7)	(4.0)	(4.0)	0.0	(7.7)	(8.0)	(0.3)	● -4.4%	(14.9)	(16.0)	(1.1)
Electric Power	12.6	11.7	10.7	(0.9)	24.3	24.0	(0.3)	● -1.1%	46.0	48.9	2.9
Purchased Transportation	6.5	6.6	6.6	(0.0)	13.1	13.2	0.1	● 0.6%	7.3	26.3	19.1
Other Non Labor	22.9	29.1	32.4	3.3	52.0	68.2	16.2	● 23.7%	141.9	134.6	(7.3)
<b>Total Operating Expense</b>	<b>190.3</b>	<b>195.2</b>	<b>212.7</b>	<b>17.6</b>	<b>385.5</b>	<b>429.7</b>	<b>44.2</b>	● <b>10.3%</b>	<b>834.2</b>	<b>859.6</b>	<b>25.4</b>
<b><u>Non Operating Expense</u></b>											
Int Exp ROU Leases GASB 87	0.1	0.6	-	(0.6)	0.8	-	(0.8)	● -	0.8	-	(0.8)
<b><u>Debt Service and Allocations</u></b>											
Debt Service	14.2	14.2	14.3	0.1	28.5	28.6	0.1	● 0.4%	57.2	57.2	-
Capital and Other Allocations	26.3	0.5	0.4	(0.1)	26.8	23.4	(3.4)	● -14.7%	95.3	91.9	(3.4)
Pension Allocations	0.0	(0.1)	-	0.1	(0.1)	-	0.1	● -	10.0	10.0	-
GASB 87 Adj. Offset	0.4	0.4	-	(0.4)	0.8	-	(0.8)	● -	0.8	-	(0.8)
<b>Total Debt Service and Allocations</b>	<b>40.9</b>	<b>15.1</b>	<b>14.7</b>	<b>(0.4)</b>	<b>56.0</b>	<b>52.0</b>	<b>(4.0)</b>	● <b>-7.8%</b>	<b>163.3</b>	<b>159.1</b>	<b>(4.2)</b>
<b>Total Uses</b>	<b>231.4</b>	<b>210.9</b>	<b>227.4</b>	<b>16.5</b>	<b>442.3</b>	<b>481.7</b>	<b>39.4</b>	● <b>8.2%</b>	<b>998.3</b>	<b>1,018.7</b>	<b>20.4</b>
<b>Net Result Before Financial Assistance</b>	<b>(88.0)</b>	<b>(39.2)</b>	<b>(60.2)</b>		<b>(127.2)</b>	<b>(189.6)</b>	<b>62.4</b>	<b>33%</b>	<b>(367.2)</b>	<b>(385.7)</b>	<b>18.5</b>
<b>Federal Assistance Applied</b>	<b>88.0</b>	<b>39.2</b>	<b>63.7</b>		<b>127.2</b>	<b>193.1</b>	<b>(65.9)</b>	<b>-34%</b>	<b>367.2</b>	<b>385.7</b>	<b>(18.5)</b>
<b>Net Result</b>	<b>-</b>	<b>-</b>	<b>3.5</b>	<b>(3.5)</b>	<b>-</b>	<b>3.5</b>	<b>(3.5)</b>	● <b>-100.0%</b>	<b>(367.2)</b>	<b>(0.0)</b>	<b>(367.2)</b>
<b>Operating Result (Deficit)</b>	<b>(156.7)</b>	<b>(154.0)</b>	<b>(171.5)</b>	<b>17.5</b>	<b>(310.7)</b>	<b>(362.7)</b>	<b>52.0</b>	● <b>14.3%</b>			
<b>System Operating Ratio</b>	<b>17.7%</b>	<b>21.1%</b>	<b>19.4%</b>	<b>-1.7%</b>	<b>19.4%</b>	<b>15.6%</b>	<b>3.8%</b>				
<b>Rail Cost / Passenger Mile (\$)</b>	<b>1.62</b>	<b>1.51</b>	<b>1.55</b>	<b>(0.08)</b>	<b>1.56</b>	<b>1.88</b>	<b>0.31</b>				

## FY22 YTD (Jul - Dec) Ridership Stats

Average Weekday Ridership

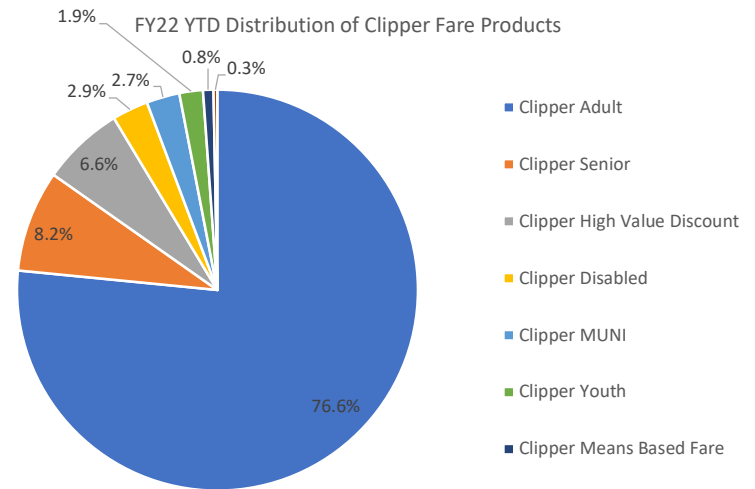


FY22 Cumulative Budget to Actual Variance



Exits	Actual	Budget	Actual
	FY21 YTD	FY22 YTD	FY22 YTD
Weekday	48,550	96,365	101,143
Saturday	25,572	52,784	64,134
Sunday	18,464	37,463	43,410
<b>Total</b>	<b>7,377,203</b>	<b>14,702,295</b>	<b>15,828,364</b>

FY22 YTD Actual vs.	
FY21 YTD Actual	FY22 YTD Budget
208.3%	105.0%
250.8%	121.5%
235.1%	115.9%
214.6%	107.7%



**Appendix 1 - Federal Emergency Assistance**

<b>Award amounts (\$M)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>Total Awarded</b>
CARES	251	126	0	377
CRRSAA	0	378	0	378
ARP	0	0	582	582
<i>Subtotal - all awards</i>	<i>251</i>	<i>504</i>	<i>582</i>	<i>1,337</i>

<b>Draw downs (\$M) - funds received</b>	<b>FY20 Actual</b>	<b>FY21 Actual</b>	<b>FY22 Actuals (6 months)</b>	<b>Total Drawn Down</b>
CARES	186	191	0	377
CRRSAA	0	211	167	378
ARP	0	0	74	74
<i>Subtotal - all drawdowns</i>	<i>186</i>	<i>402</i>	<i>241</i>	<i>829</i>

***Remaining federal funds to be drawn down (\$M)*** **508**  
*As of FY22 Q2 end*

<b>Expenditures (\$M) - applied to offset incurred expenses</b>	<b>FY20 Actual</b>	<b>FY21 Actual</b>	<b>FY22 Actual (6 months)</b>	<b>Total Applied</b>
CARES	121	256	0	377
CRRSAA	0	41	127	168
ARP	0	0	0	0
<i>Subtotal - all expenditures</i>	<i>121</i>	<i>297</i>	<i>127</i>	<i>545</i>

***Remaining federal funds to be used to offset expenses (\$M)*** **792**  
*As of FY22 Q2 end*