



FY23 & FY24 Budget Update

March 24, 2022



Agenda

- Impact of additional federal emergency assistance – supports current service levels through FY25
- BART's extended fiscal runway
- FY22 year-end forecast
- Extending fiscal runway through FY26
- Changes to FY23 & FY24 budget development process
- Preview of FY23 & FY24 operating budget
- Timeline & next steps

Increased Federal Emergency Assistance

On March 3rd, BART was allocated an additional \$271M in federal emergency assistance

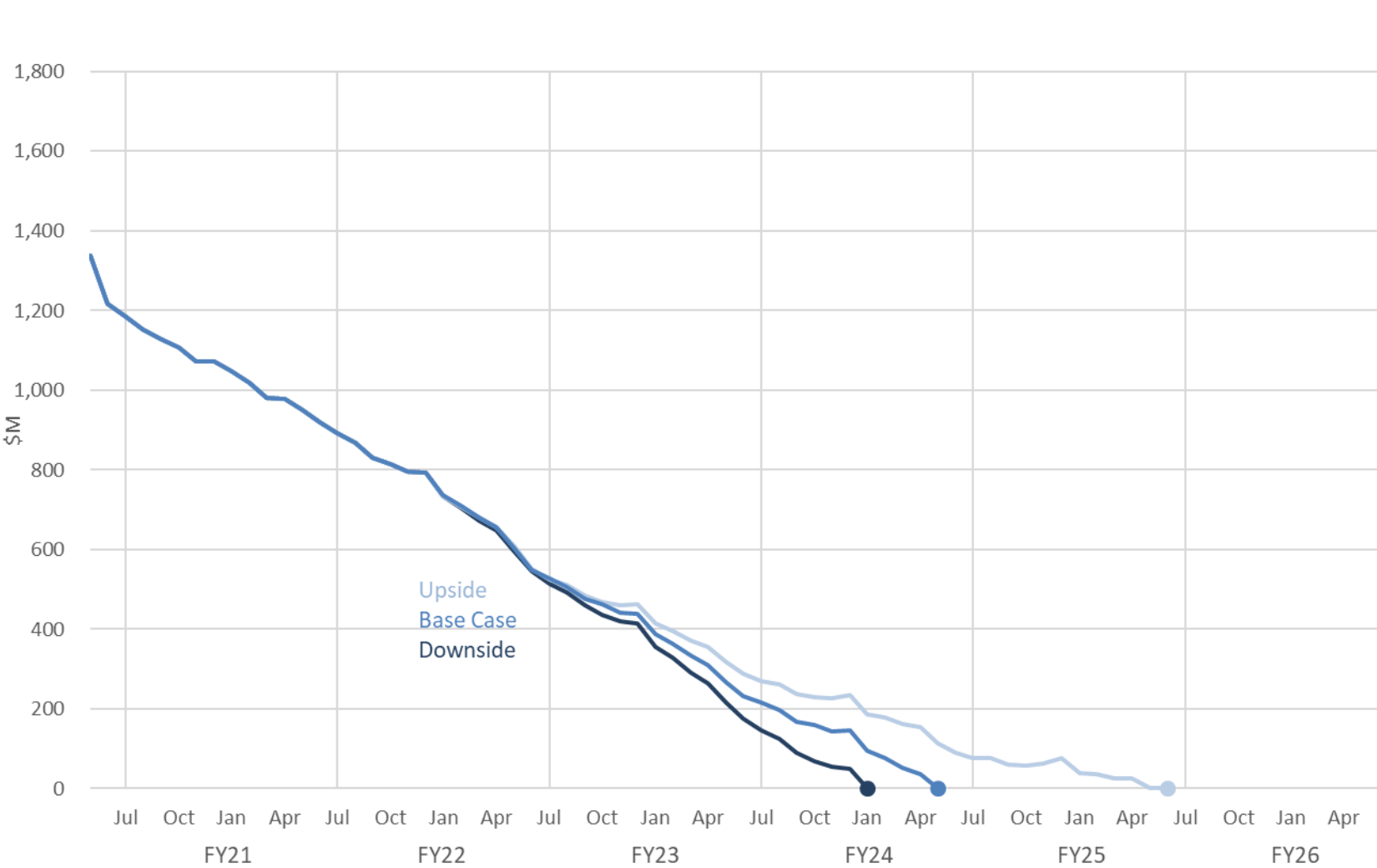
- This reflects FTA's acknowledgement of the extraordinary financial challenge BART faces

These funds allow BART to extend its fiscal runway—*and current service levels*—through FY25 in the Base Case ridership recovery scenario

A large fiscal cliff is now projected in FY26 instead of mid-FY24

Work remains to be done in order to ensure long-term fiscal stability

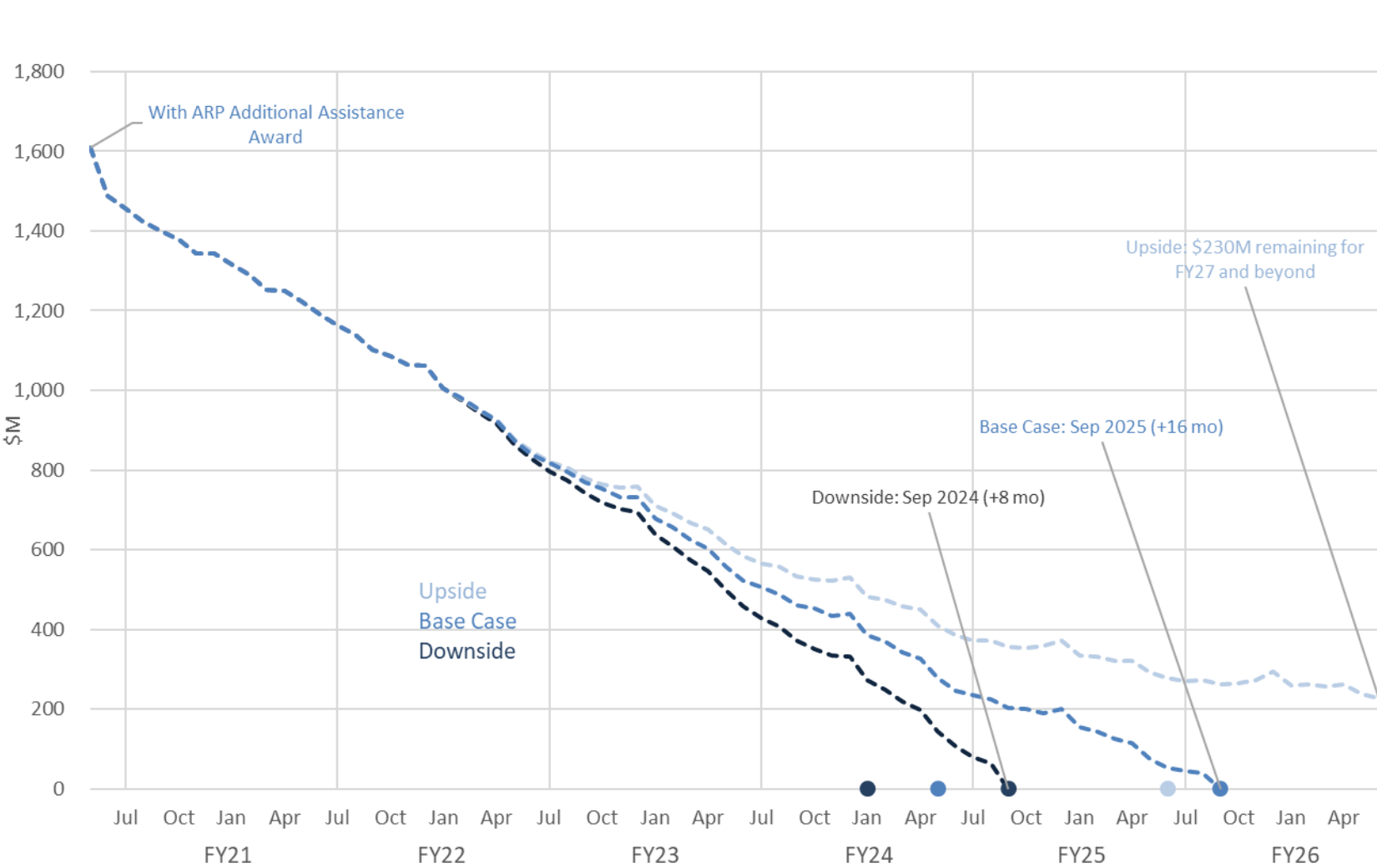
Award of \$270.8M in Additional ARP Extends BART's Runway



- In upside scenario, federal funding would last past FY26
- In the base case scenario, federal funding now covers projected deficits until Sept 2025 (extended 16 months)
- In downside scenario, federal funding lasts until September 2024 (extended 8 months)



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FY22 Year End Forecast

| (\$M) | YTD Actuals through Q2 | YTD Budget through Q2 | YTD Variance through Q2 | Year End Forecast | Annual Budget | Forecasted Annual Variance |
|---|------------------------|-----------------------|-------------------------|-------------------|----------------|----------------------------|
| Operating Revenue | 75.3 | 67.1 | 8.2 | 164.3 | 195.7 | (31.4) |
| Financial Assistance | 239.9 | 225.0 | 14.9 | 466.8 | 437.3 | 29.4 |
| <i>Total Sources</i> | <i>315.1</i> | <i>292.1</i> | <i>23.0</i> | <i>631.1</i> | <i>633.0</i> | <i>(1.9)</i> |
| Labor | 296.1 | 324.3 | 28.2 | 639.0 | 649.7 | 10.7 |
| Non-Labor | 90.2 | 105.4 | 15.2 | 196.0 | 209.9 | 13.9 |
| Debt Service & Allocations | 56.0 | 52.0 | (4.0) | 163.3 | 159.1 | (4.2) |
| <i>Total Uses</i> | <i>442.3</i> | <i>481.7</i> | <i>39.4</i> | <i>998.3</i> | <i>1,018.7</i> | <i>20.4</i> |
| Net Result Before Federal Assistance | (127.2) | (189.6) | 62.4 | (367.2) | (385.7) | 18.5 |
| Federal Assistance Applied | 127.2 | 189.6 | (62.4) | 367.2 | 385.7 | (18.5) |

FY22 Second Quarter Financial Report (QFR) Summary:

- By FY22 end, BART is projected to need \$18.5M less federal assistance than assumed in adopted FY22 budget
- \$18.5M projected to be available for use in future years (extends the runway)
- Variance is driven by below budget fare revenue and labor spending; above budget sales tax

10-Year Revised Projection

| (\$M) | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 |
|-------------------------------|------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating Revenues | 558 | 399 | 91 | 164 | 255 | 319 | 392 | 439 | 466 | 498 | 514 | 578 | 596 | 616 |
| Financial Assistance | 391 | 417 | 456 | 467 | 464 | 475 | 489 | 503 | 515 | 532 | 546 | 587 | 604 | 608 |
| Total Regular Revenues | 949 | 816 | 547 | 631 | 719 | 794 | 881 | 942 | 982 | 1,030 | 1,060 | 1,165 | 1,199 | 1,224 |
| Operating Expense | 758 | 783 | 752 | 835 | 873 | 890 | 907 | 913 | 930 | 1,042 | 1,071 | 1,161 | 1,194 | 1,216 |
| Debt Service & Allocation | 191 | 153 | 94 | 163 | 158 | 190 | 168 | 172 | 176 | 162 | 143 | 144 | 145 | 146 |
| Total Uses | 949 | 935 | 846 | 998 | 1,031 | 1,080 | 1,075 | 1,085 | 1,106 | 1,204 | 1,213 | 1,305 | 1,339 | 1,361 |
| Operating Result | 0 | -120 | -298 | -367 | -312 | -286 | -194 | -143 | -125 | -174 | -153 | -140 | -139 | -138 |
| Federal Assistance | | 120 | 298 | 367 | 312 | 240 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additional ARP Assistance | | | | | | 46 | 194 | 31 | | | | | | |
| Revised Net Result | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -112 | -125 | -174 | -153 | -140 | -139 | -138 |

Notes & Assumptions:

- FY22 shows year end projection; varies from adopted budget
- Service schedule as of February 2022
- Core Capacity service changes in FY28
- Silicon Valley Phase II in FY30
- Allocations reflect estimated near-term needs of Priority Capital projects and other commitments to capital program

Extending the Runway

Taking action now pays off later

BART faces a projected \$112M deficit in FY26, which would impact ability to provide service

Reducing the need for federal assistance beginning in FY23 allows BART to extend the runway through FY26 and into FY27

Smaller deficit reductions will be implemented beginning in FY23 to avoid drastic cuts in FY26

\$23M in annual deficit reductions eliminate the projected FY26 deficit

FY23 & FY24 Budget Process Changes

BART will adopt its first two-year rolling budget for FY23 & FY24

- Longer budget planning window enables more thoughtful fiscal planning
- Rolling two-year budget allows for modifications to be made to FY24 budget as part of FY24 & FY25 budget process
- BART will continue to develop budgets annually; next cycle will plan for FY24 & FY25

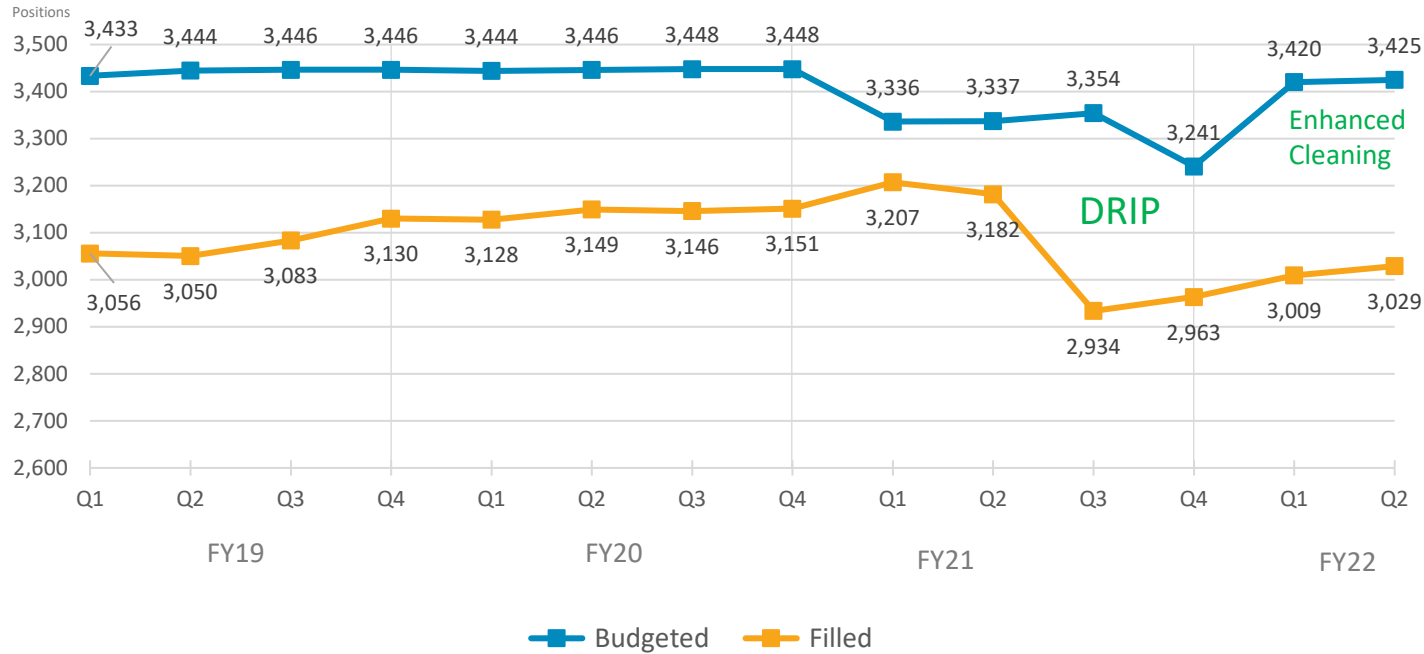
Continued efforts to reduce budget to actuals variance

- Non-labor budget rebuilt to more accurately reflect actuals
- Some filled positions re-assigned between capital and operating budgets to reflect actual time charging
- Expense calendarization improvements
- Vacancy assumptions rightsized
- Clearer reporting of overtime and capital labor reimbursements

Annual Budget Calendar

| Summer | Fall | Winter | Spring |
|--|---|---|--|
| <ul style="list-style-type: none"> ▪ Fiscal Year begins | <ul style="list-style-type: none"> ▪ Budget development begins ▪ Prior year financials closed out | <ul style="list-style-type: none"> ▪ Proforma (internal) budget developed, reviewed ▪ Board Workshop ▪ Adjustments made to reflect service, policy changes | <ul style="list-style-type: none"> ▪ Preliminary budget released ▪ Board discussions ▪ Public hearing ▪ Budget adoption by Board |

Budget Process Changes: Vacancy Assumptions Rightsized



The FY22 adopted budget contains a 3% vacancy factor

As of FY22 Q2 end, BART had a 12% vacancy rate

In FY23, the vacancy factor is being increased to 7.5%, then reduced to 5.5% in FY24, as more positions are expected to be filled

Vacancy Factor: Not all positions are filled for the whole year. Unfilled positions generate salary savings. Most budgets account for these savings by assuming a percentage of positions will be vacant at any given time and reducing the wages budget by that amount. This is generally expressed as a percentage.

Budgeted position count is unaffected by the vacancy factor.

Budget Process Changes: Clearer Overtime & Capital Labor Reimbursements

BART is changing how overtime is budgeted to better align with actuals

In FY23 & FY24, a new line will be added for overtime funded by capital (non-operating) sources

This change will make the gross overtime budget consistent with how wages & benefits are budgeted

The net amount of overtime funded by the operating budget is not changing

| (\$M) | FY22 Adopted | FY23 Working | FY22 to FY23 Change |
|-------------------------------|--------------|--------------|---------------------|
| Overtime | 48.4 | 70.8 | 22.4 |
| Capital Funded Overtime | 0 | (22.4) | (22.4) |
| Net Operating Overtime | 48.4 | 48.4 | 0.0 |

Benefits:

- All labor categories budgeted consistently
- Increased capital labor reimbursements detail by major expenditure category
- Simpler display of net wages, benefits, and overtime costs to operating budget



FY23 & FY24 Budget Preview: Projected Sources

| Revenue (\$M) | FY22 Adopted | FY23 Working | FY22-FY23 Change | FY24 Working | FY23 to FY24 Change |
|--|--------------|--------------|------------------|--------------|---------------------|
| Net Passenger Revenue | 166.4 | 222.2 | 55.9 | 282.6 | 60.4 |
| Parking Revenue | 9.4 | 13.1 | 3.7 | 14.3 | 1.2 |
| CCRP Revenue | 8.7 | 9.5 | 0.8 | 8.4 | (1.1) |
| Advertising Revenue | 2.4 | 1.7 | (0.7) | 6.3 | 4.6 |
| Other Operating Revenue | 8.8 | 8.3 | (0.5) | 7.9 | (0.4) |
| <i>Subtotal - Operating Revenue</i> | 195.7 | 254.8 | 59.1 | 319.5 | 64.7 |
| Sales Tax | 261.7 | 299.0 | 37.3 | 306.6 | 7.7 |
| Property Tax | 54.5 | 58.0 | 3.5 | 61.2 | 3.2 |
| State Transit Assistance | 28.4 | 37.8 | 9.4 | 38.6 | 0.8 |
| State - LCTOP | 4.4 | 10.3 | 5.9 | 10.3 | 0.0 |
| State - LCFS | 22.6 | 17.6 | (5.0) | 17.4 | (0.3) |
| VTA Financial Assistance | 35.2 | 34.3 | (0.9) | 33.4 | (0.9) |
| SFO Financial Assistance | 22.6 | 0.0 | (22.6) | 0.0 | 0.0 |
| Other Financial Assistance | 8.0 | 7.1 | (0.9) | 7.3 | 0.2 |
| <i>Subtotal - Financial Assistance</i> | 437.3 | 464.0 | 26.6 | 474.7 | 10.7 |
| <i>Total Revenues Before Federal Assistance</i> | 633.0 | 718.8 | 85.8 | 794.2 | 75.5 |

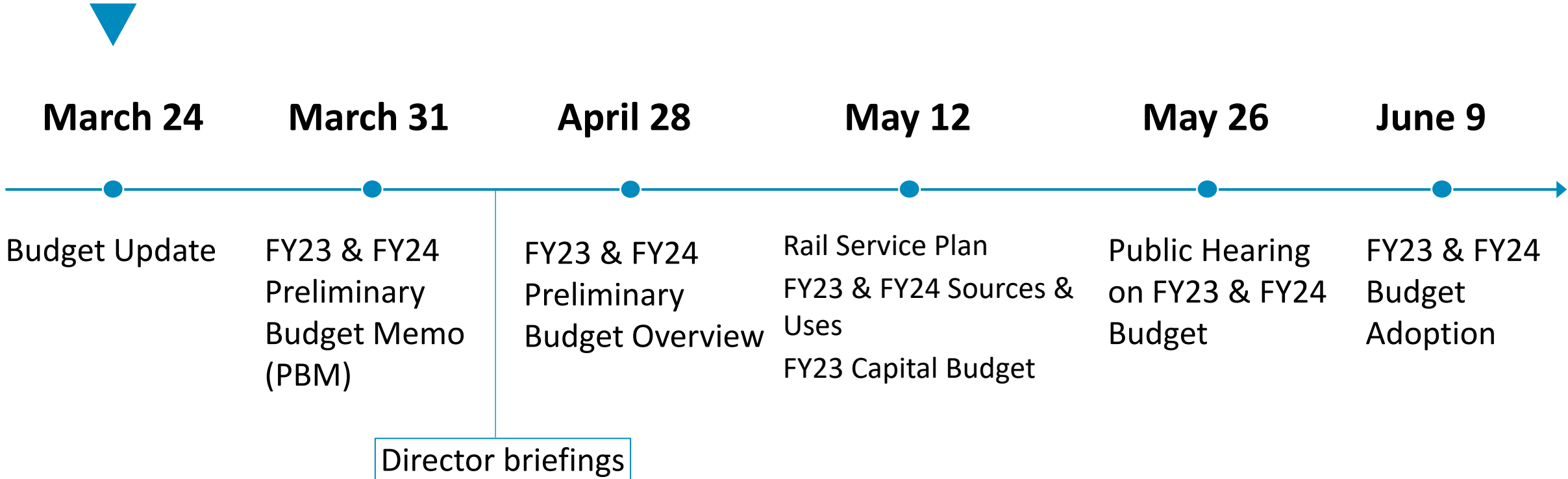
FY23 & FY24 Budget Preview: Projected Uses

| Expenditures (\$M) | FY22 Adopted | FY23 Working | FY22 to FY23 Change | FY24 Working | FY23 to FY24 Change |
|--|-----------------------|-----------------------|---------------------|-----------------------|---------------------|
| Wages | 437.3 | 417.7 | (19.7) | 431.2 | 13.5 |
| Benefits | 195.8 | 208.2 | 12.4 | 208.3 | 0.1 |
| Retirement | 173.3 | 187.9 | 14.5 | 188.3 | 0.5 |
| Overtime | 48.4 | 70.8 | 22.4 | 70.8 | 0.0 |
| Cap Reimbursements | (205.2) | (238.2) | (33.0) | (239.2) | (1.0) |
| <i>Subtotal - Labor</i> | <i>649.7</i> | <i>646.3</i> | <i>(3.4)</i> | <i>659.5</i> | <i>13.1</i> |
| Traction Power | 48.9 | 52.7 | 3.8 | 54.4 | 1.7 |
| Paratransit | 14.0 | 16.7 | 2.7 | 19.6 | 2.8 |
| Purchased Transportation | 5.5 | 5.5 | (0.0) | 5.5 | 0.0 |
| OAC | 6.8 | 7.0 | 0.2 | 7.2 | 0.2 |
| Other Non-Labor | 134.7 | 144.6 | 9.9 | 144.2 | (0.4) |
| <i>Subtotal - Non-Labor</i> | <i>209.9</i> | <i>226.5</i> | <i>16.6</i> | <i>230.9</i> | <i>4.4</i> |
| <i>Subtotal - Operating Expense</i> | <i>859.6</i> | <i>872.8</i> | <i>13.2</i> | <i>890.3</i> | <i>17.5</i> |
| Debt Service | 57.2 | 59.9 | 2.8 | 60.1 | 0.2 |
| Baseline Capital | 27.4 | 30.3 | 2.9 | 30.9 | 0.6 |
| Priority Capital | 34.0 | 33.0 | (1.0) | 64.0 | 31.0 |
| Other Capital | 28.9 | 23.2 | (5.8) | 23.1 | (0.0) |
| Pension | 10.0 | 10.0 | 0.0 | 10.0 | 0.0 |
| Misc Other Allocations | 1.6 | 1.6 | 0.0 | 1.7 | 0.0 |
| <i>Subtotal - Debt & Allocations</i> | <i>159.1</i> | <i>158.0</i> | <i>(1.1)</i> | <i>189.8</i> | <i>31.8</i> |
| Grand Total | <i>1,018.7</i> | <i>1,030.8</i> | <i>12.1</i> | <i>1,080.1</i> | <i>49.3</i> |

FY23 & FY24 Budget Preview: Projected Federal Assistance

| (\$M) | FY22 Adopted | FY23 Working | FY22-FY23 Change | FY24 Working | FY23 to FY24 Change |
|---|---------------------|---------------------|----------------------|---------------------|----------------------|
| Operating Revenue | 195.7 | 254.8 | 59.1 | 319.5 | 64.7 |
| Financial Assistance | 437.3 | 464.0 | 26.6 | 474.7 | 10.7 |
| <i>Total Revenues</i> | <i>633.0</i> | <i>718.8</i> | <i>85.8</i> | <i>794.2</i> | <i>75.5</i> |
| Labor | 649.7 | 646.3 | (3.4) | 659.5 | 13.1 |
| Non-labor | 209.9 | 226.5 | 16.6 | 230.9 | 4.4 |
| Debt Service/Allocations | 159.1 | 158.0 | (1.1) | 189.8 | 31.8 |
| <i>Total Uses</i> | <i>1,018.7</i> | <i>1,030.8</i> | <i>12.1</i> | <i>1,080.1</i> | <i>49.3</i> |
| Net Result | (385.7) | (312.0) | 73.6 | (285.9) | 26.1 |
| Projected Year End Result | 18.5 | | | | |
| <i>Federal Emergency Assistance Need</i> | <i>367.2</i> | <i>312.0</i> | <i>(73.6)</i> | <i>285.9</i> | <i>(26.1)</i> |

Timeline and Next Steps



Discussion