



▶ FY21 Budget: Service Plan, Operating Sources, Uses, and Capital

May 28, 2020



GM Introduction

- On May 14th, the BART board met to discuss our post-COVID operations and approve a service plan (known as “**Option B**”) to incorporate into the FY21 budget
- Today covers a more detailed FY21 budget. It funds a rail service plan that provides for **safe and reliable BART service**, plans for COVID-19 operational measures, and thoughtfully manages costs
- The FY21 budget prioritizes **service and customer/employee safety**
- While ridership has dropped ~93% since the shelter-in-place order, BART remains committed to ensuring that the system **enables the recovery of the Bay Area economy**
- This budget is a snapshot in time but **considerable uncertainty remains**. The budget relies on reduced service, suspension of most capital allocations, further public investment, and an economic and epidemiological outcome that is in the midpoint of two possible scenarios
- Given the uncertainty, COVID-19 requires a **new way of working together to manage the budget**. We plan to shape what we can change, shorten our revision cycles, seek support from the board, and update the budget with new information to reduce uncertainty as quickly as possible

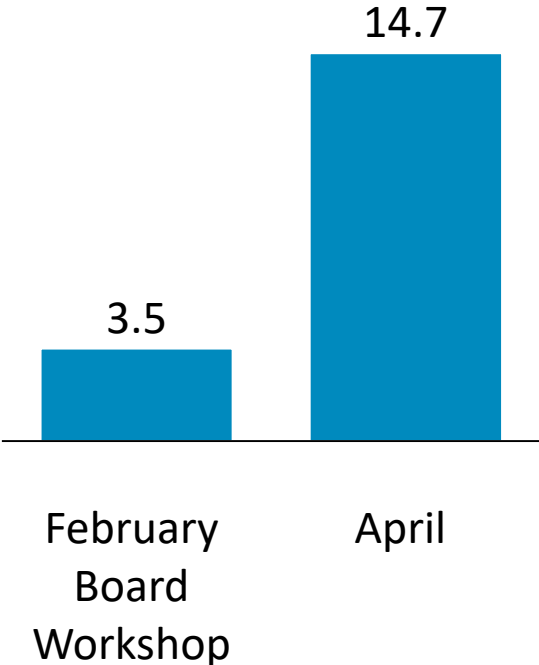
COVID-19 requires a new approach to managing the budget

- **Shape what we can change and monitor what we cannot.** BART plans to proactively shape what it can change (e.g., funding and costs) and actively monitor what it cannot (e.g., ridership and tax proceeds)
- **Shorten our revision cycles.** BART expects more changes to this budget than any prior budget it has issued. Staff therefore suggest more frequent meetings at the staff, executive, and Board level. Staff proposes a quarterly revision of our budget with the Board
- **Seek support from the Board.** For the first time in its history, BART will rely more on financial assistance than fares. At the same time, the system faces hard choices. The Board has an important role to play in:
 - Engaging at the regional, state, and national level
 - Guiding hard operational choices
 - Balancing across customer/employee safety, service levels, COVID measures, and expense demands
- **Update the budget with new information to reduce uncertainty as quickly as possible.** Staff is:
 - Regularly updating drivers of ridership, revenue, and expense outlooks
 - Embedding learnings from national and global peer sets into outlooks and operating practices

This is not business as usual: what BART has seen over the last 3 months

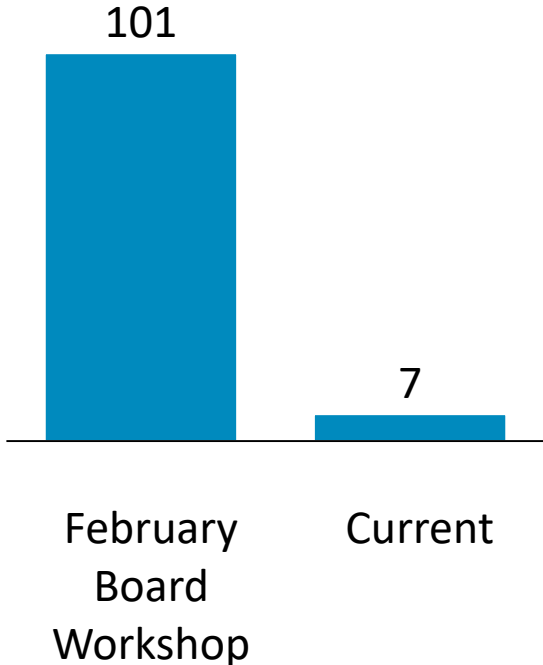
Economy

US unemployment rate, %



Current ridership

% vs. projected



Source: BART Operations, SF Chronicle, BART Performance & Budget



BART's Response to COVID

- **Reduced service** to reflect lower ridership while enabling social distancing
- Focus on **employee and rider safety**
- Implemented **aggressive cleaning protocols**
- **Worked with labor partners** to control costs
- **Accelerating capital projects** where safe and feasible
 - 34.5kv cable replacement
 - Track replacement
 - Rebuilding interlockings (C-25, A-65)
- **National leader** in conversation around COVID and transit, advocating for our needs at local, state, and federal levels

BART plans to proactively shape the areas of the budget where it has most control

Level of control



Sources

Primary sources

Fare revenue	Limited
Parking	Limited
Other operating	Limited
Sales tax proceeds	None
SFO & SVBX assistance	None
Other assistance	None

Additional Sources

CARES tranche 1 (FY20 remainder)	None
CARES tranche 2 (targeted)	Moderate
FEMA reimbursement of COVID expenses	Moderate
Additional emergency assistance	Moderate

Uses

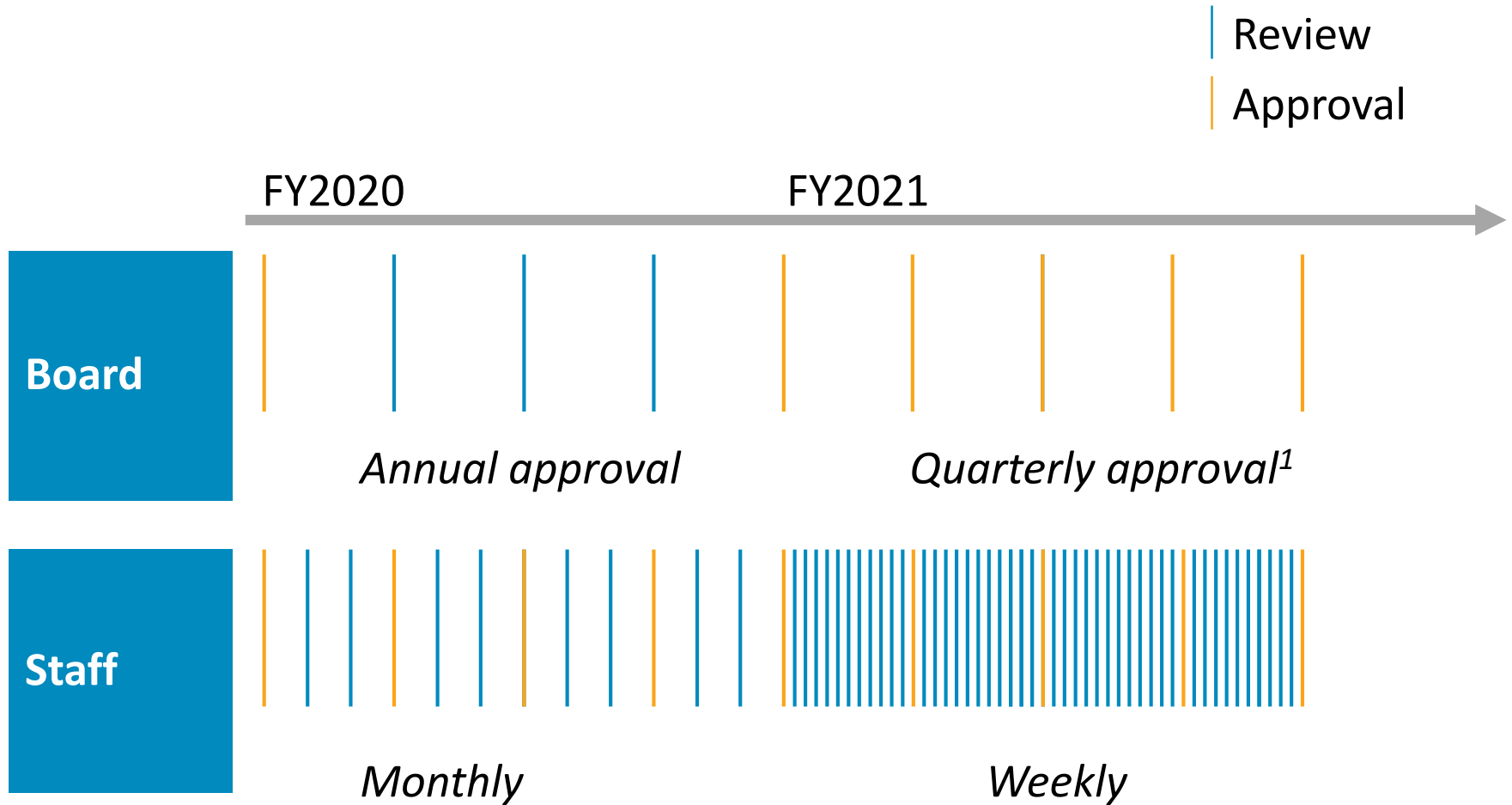
Labor & benefits	Limited
Power	Limited
Non-labor	Limited
Debt service	None
Allocations	Moderate
Additional COVID-related costs	Limited

Examples of actions BART and Board could take

- Provide safe, reliable, useful service
- Communicate with riders about BART COVID-19 operational measures
- Manage fares and pricing
- Engage at regional, state, and federal level
- Track and report COVID-related costs
- Adjust staffing and service levels
- Work with labor partners to manage costs
- Defer allocations
- Evolve COVID-19 operational measures

SOURCE: BART Performance & Budget

Planning to meet more frequently in order to manage the uncertainty in the budget



¹ Approvals as necessary

Source: BART Performance & Budget

BART will monitor a set of key questions to inform budgetary decision-making

Cadence	Questions	Level
Quarterly	<ul style="list-style-type: none"> • What level of service should BART plan and how might this impact labor need? • Are there reductions to other operating costs and what should those be? • How can we best support engagement at the regional, state, and federal levels? 	Board
Monthly	<ul style="list-style-type: none"> • Based on ridership trends and indicators, what changes need to be made to: <ul style="list-style-type: none"> • Distancing guidelines for the month ahead? • Enforcement of those guidelines? • Service provision (within current staffing)? • Other COVID-19-related measures (e.g., ramp up, retire, or add protocols/activities)? • How should we increase or adapt BART engagement at the regional, state, federal level? 	Executive
Weekly	<ul style="list-style-type: none"> • Are there operational changes needed to ensure BART spends every dollar wisely (e.g., supplier agreements, accounts payable)? 	Staff

Source: BART Performance and Budget



To answer these questions, BART will be informed by a regularly refreshed set of indicators

Type of indicator	Indicators	Source	
Historical	Ridership	<ul style="list-style-type: none"> - What is average weekday ridership and trends (absolute and fraction of historical)? - When does that ridership occur throughout the day? - What is maximum load per car? 	BART Operations
	Financials	<ul style="list-style-type: none"> - What is current cash position? - What is revenue and trends (absolute and historical)? - What is farebox revenue (e.g., average fare)? - What is non-fare revenue? - What is total spend? 	BART Performance & Budget BART Finance
Forward-looking	Timing	<ul style="list-style-type: none"> - What is the progress on the Bay Area County checklist? - Are those indicators stable? - What is the outlook for progress on testing/tracing, therapeutics, and vaccine? - What is the outlook for a possible viral resurgence in the fall? 	Bay Area County Health agencies
	Ridership Potential	<ul style="list-style-type: none"> - What is current guidance for vulnerable populations? - What is the outlook for unemployment? - To what extent will our passengers return to transit? - To what extent are passengers planning to work from home? 	Bay Area County Health agencies BART surveys City, state, and agency controllers

Source: BART Performance & Budget

FY21 Rail Service Plan and Working Budget

- The FY21 budget funds a rail service plan that prioritizes customer/employee safety and regular, consistent BART service
- Much has changed since Shelter In Place began in March, but we remain committed to ensuring that BART remains a pillar of the Bay Area economy, allowing residents to quickly and efficiently move around
- Transit agencies across the country face similar challenges; they are not unique to BART
- This budget is a snapshot of current situation; revenues have been conservatively estimated, but considerable uncertainty remains
- BART will revise as necessary to reflect changes in ridership, the economy, and pandemic containment

FY21 Rail Service Objectives

Help re-activate the Bay Area

- Provide safe, reliable train service consistent with COVID transit guidelines
- Schedule train service to allow for social distancing as long as possible
- Support essential businesses and workers

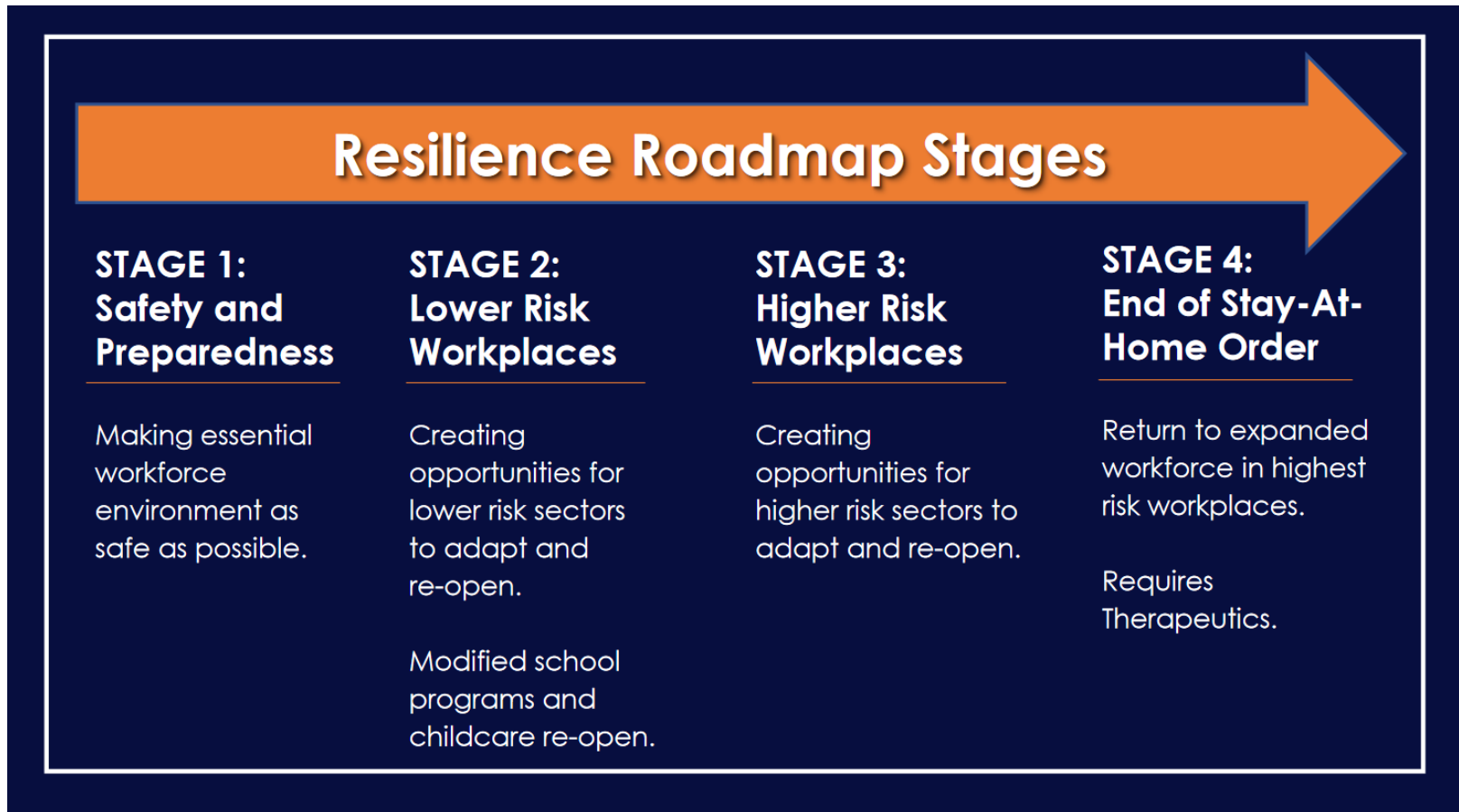
Efficiency

- Target available train and staff resources to match demand
- Leverage opportunities to accelerate SOGR work
- Recent accomplishments: accelerating 34.5 KV projects, SF/Oak/C-lines, W-line surfacing for track, accelerated track replacement, M-line insulators, tunnel waterproofing, train control interlocking mapping

Resilience

- Ensure safe work environment for all staff
- Expandable train service to allow some scaling up as ridership warrants

California plans to follow a phased re-opening

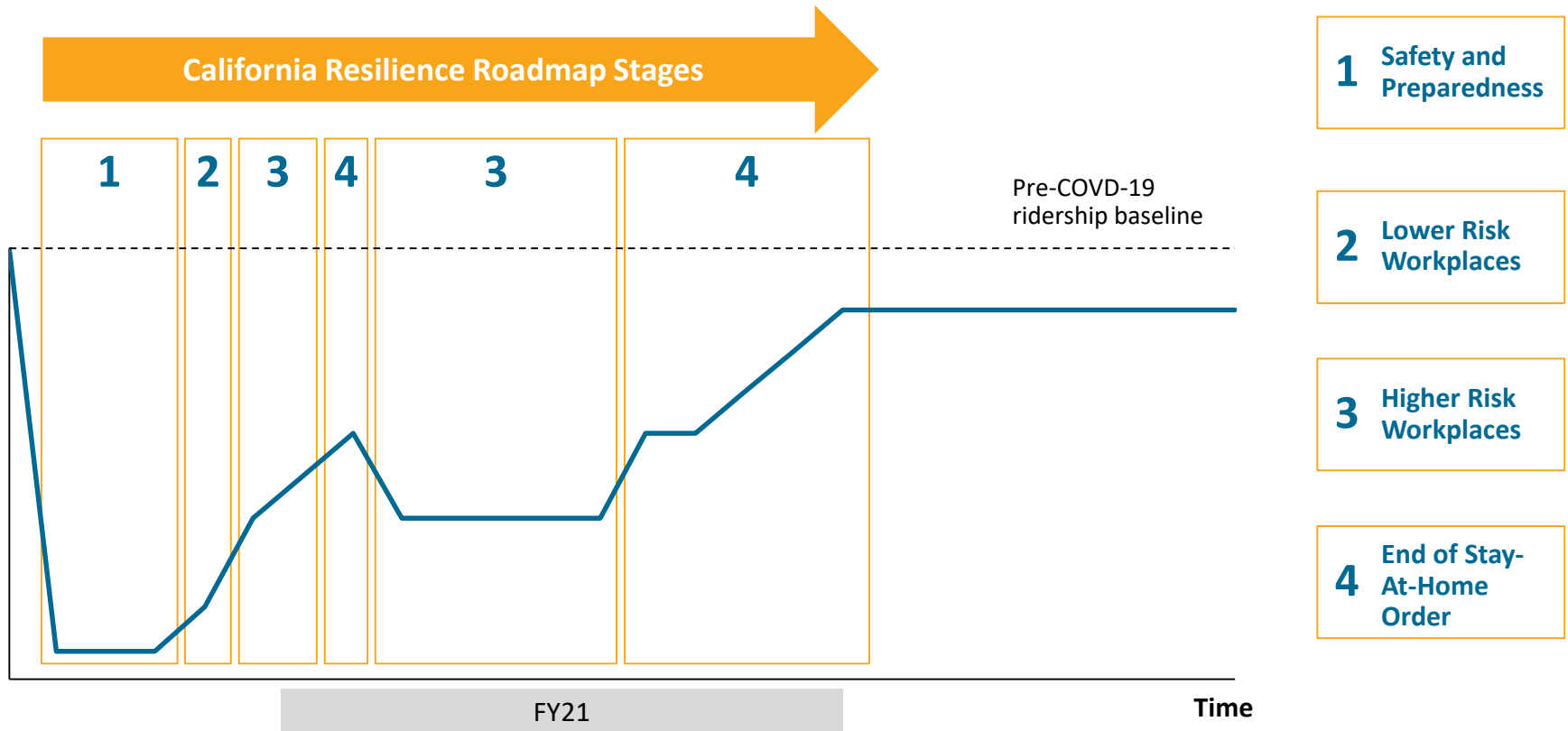


Source: State of California

BART will adapt its service to changes in ridership – possible increase by Stage of reopening

Ridership, % of pre-COVID under “Faster Ramp” scenario

California Resilience & Recovery Stages



Source (timing): SF.gov, San Francisco public health department and the California Department of Public Health, SF Chronicle, pharmaceutical company press releases, Center for Disease Control, New York State press coverage, FDA guidance, White House press conferences, World Health Organization

Source (scale): BART FY2021 monthly ridership forecasts, BART rider segmentation survey data, BART historical monthly ridership, Oxford Economics unemployment projections, Bureau of Labor Statistics historical unemployment, BART ridership data, Consumer Survey April 2020, Oxford economics jobs by industry in Bay Area counties, Slack HQ, Gartner, KFF



Rail Service Strategy: June to Sept 2020



Service Level:

- 30 minute base service
- Some 15 minute peak period trains
- Weekdays 5:00AM to 9:00PM
- Weekends 8:00AM to 9:00PM

Flexibility:

- Peak period trains added as ridership grows to maximize social distancing
- Anticipate Governor's Stage 2 of opening

Staffing Assumptions:

- Expand within the existing headcount

Rail Service Strategy: Sept 2020 to Feb 2021



Service Level:

- 30 minute base service, seven days a week
- 15 minute peak period trains
- Extended peak period
- Weekdays 5:00AM to 11:00PM
- Saturday 8:00AM to 11:00PM, Sunday 8:00AM to 9:00PM

Flexibility:

- Will be responsive to ridership
- Peak period trains added/ reduced
- Peak period can be expanded to maximize social distancing
- Anticipate entering Governor's Stage 3 of opening
- If ridership does not recover can revert to lower service level and make necessary reductions

Staffing Assumptions:

- Expand within the existing headcount

Rail Service Strategy: Second Half of FY21



Service Level:

- 15 minute weekday base service
- 30 minute weekend base service
- Extended peak period
- Weekdays 5:00AM to 12:00AM
- Weekends 8:00AM to 12:00AM

Flexibility:

- Responsive to ridership
- Anticipate Governor's Stage 3 of opening
- If ridership does not recover can revert to lower service level and make necessary reductions

Staffing Assumptions:

- Requires hiring and certification (4 to 6 months)

FY21 Working Budget Proposal

- COVID-19 pandemic impacting transit operators across the US
- BART resources are **highly constrained**; budget plans for controlled spending and flexibility
- This budget is **balanced but precarious** with very conservative but highly uncertain revenue assumptions; nearly all revenue sources are subject to unknown external factors
- Board will be provided with **regular updates** on revenues and expenditures over the course of FY21, providing transparency and accountability
- Staff will **revise budget in October** if needed to address current uncertainty around ridership, economy, pandemic status, public health guidance, federal/state assistance

FY21 Working Budget Income Statement

	(\$M)
Sources	
Fare revenue	\$151
Parking	10
Other operating	24
Sales tax proceeds	239
SFO & SVBX assistance	70
Other assistance	110
Subtotal - Operating & Financial Assistance	\$604
Additional Sources	
CARES tranche 1 (FY20 remainder)	87
CARES tranche 2 (targeted)	164
FEMA reimbursement of COVID expenses	20
Defer FY20 rail car allocation	40
Total Sources	\$915
Uses	
Labor & benefits	\$601
Power	48
Non-labor	157
Debt service	47
Allocations	17
Subtotal - Uses	\$871
<i>Additional COVID-related costs</i>	<i>44</i>
Total Uses	\$915
Net Result	\$0

FY21 Revenue Assumptions

- **Fare revenues** based on the midpoint of two pandemic scenarios (Slow Ramp/Faster Ramp): 70% below pre-COVID expectations. Considers capacity constraints under social distancing.
- **Parking** revenue reduced in proportion to ridership.
- **Non-Fare Operating Revenue:** Advertising and telecommunications may be at risk in an extended crisis; revenues reduced 25%.
- **Sales Tax.** Based on midpoint of economic recovery scenarios, sales tax expected to be 16% below pre COVID expectations for FY21. Based upon economic forecasts and Bay Area Controller office projections. Lower taxable sales offset by \$12M in payments deferred from Q4 FY20 into FY21 under CA executive orders.
- **SFO and SVBX assistance:** Inter-operator agreements require more financial assistance to offset extension operating deficits.
- **State Transit Assistance** impacted by falling diesel sales and prices. State guidance projects 40% reduction.
- **Property tax** assumes no appreciation from FY20 budget (6% below prior expectations).
- **Other:** LCFS credit revenue reduced by 20%; LCTOP stable; Means-based fare reimbursement down 60%.

FY21 Additional Assistance

- **CARES Tranche 1:** \$251M allocated by MTC is (32% of total tranche 1 allocation to region). With FY20 expense reductions, we hope to carry over up to \$87M into FY21.
- **CARES Tranche 2:** BART is targeting \$164M, or 32% of the second tranche of CARES act funding. Actual amount depends on outcome of regional process.
- **FEMA:** BART can seek reimbursement for up to 75% of eligible emergency response expenses through CalOES. We are targeting \$20M of reimbursement.
- **Defer Rail Car Allocations:** Due to COVID emergency, BART and MTC have agreed to delay part of BART's capital contribution to the fleet replacement project until FY26. \$40M of fare revenue originally allocated to rail cars in FY20 will be used to fund FY21 operations.

FY21 Uses Summary

Uses (\$M)	FY21 Prelim Budget	FY21 Working Budget	Change (\$M) %	
Labor	\$636	\$601	-\$35	-5%
Power	56	48	-8	-14%
Non-Labor	168	158	-10	-6%
<i>Subtotal - Operating Expenses</i>	<i>\$859</i>	<i>\$807</i>	<i>-\$52</i>	<i>-6%</i>
Debt Service	47	47	0	0%
Allocations	109	17	-92	-84%
<i>Subtotal - Debt Service/Allocations</i>	<i>\$156</i>	<i>\$64</i>	<i>-\$92</i>	<i>-59%</i>
Uses Total	\$1,016	\$871	-\$145	-14%
COVID Expenses	0	44	44	
Grand Total – Uses	\$1,016	\$915	-\$101	-10%

- Uses are **reduced by \$145M** from planned expenditures, with **savings** coming primarily from **Labor and Allocations**
- **COVID expenses add \$44M to total uses**, and include labor & non-labor (details on following slides)
- **Labor, power and non-labor costs** include addition of 177 FTEs and expenses required to operate SVBX extension, which adds 10 miles to system (8% increase)

Figures may not total due to rounding

FY21 Wages and Benefits

Wages & Benefits (\$M)	FY21 Prelim Budget	FY21 Working Budget	Change	
			(\$M)	%
Wages	\$558	\$477	-\$81	-15%
Overtime	35	35	0	0%
Fringe	278	256	-22	-8%
Capital Labor Credits	-253	-182	71	-28%
Other Labor	18	15	-3	-18%
Total Labor	\$636	\$601	-\$35	-5%
COVID Labor Expenses	0	25	25	
Grand Total - Labor	\$636	\$626	-\$10	-2%

- **Costs related to COVID** increase labor budget by \$24M – will be split between regular wages, overtime
- **Overtime** – will be closely monitored, not increasing
- **Reduction in Capital Labor Credits** reflects reduced capital budget headcount

Figures may not total due to rounding

FY21 Working Budget Positions

FY20 to FY21 FTEs	Operating	Capital/ Reimbursable	Total FTES
FY20 Adopted Budget	3,445	1,575	5,019
VTA-funded SVBX FTEs Converted to Operating	177	-177	0
FY20 Midyear Adds	3	-1	2
FY21 Reductions	-37	25	-12
FY21 Inactives	-251	-420	-672
<i>Total Adjustments</i>	<i>-109</i>	<i>-573</i>	<i>-682</i>
FY21 Working Budget	3,336	1,002	4,338

- **SVBX Positions** – 177 capital positions converted to operating to support SVBX revenue service
- **FY21 Reductions** – budget balancing solutions for position savings in cuts and Operating to Capital conversions
- **FY21 Inactives** – select number of vacant positions inactivated in response to the significant operating deficit from the COVID-19 pandemic

Figures may not total due to rounding

FY21 Non-Labor Expense

Non-Labor (\$M)	FY21 Prelim Budget	FY21 Working Budget	Change	
			(\$M)	%
Power	\$56	\$48	-\$8	-14%
Other Non-Labor	168	158	-10	-6%
Total Non-Labor	\$224	\$206	-\$18	-8%
COVID Expenses	0	19	19	
Grand Total - Non-Labor	\$224	\$225	\$1	1%

- **Power** – costs rising due to SVBX extension, fixed contracts
- **COVID Expenses** – primarily for PPE, cleaning supplies
- **Other Non-Labor** – reductions in fees, contracts, materials & supplies, and purchased transportation; increases in rent, utilities

Figures may not total due to rounding

FY21 Debt Service and Allocations

Debt Service & Allocations (\$M)	FY21 Prelim	FY21 Working	Change	
	Budget	Budget	(\$M)	%
Bond Debt Service	\$47	\$47	\$0	0%
Baseline Capital Allocation	22	15	-6	-39%
Additional Capital Initiatives	0	0	0	-100%
Priority Capital Projects/Programs	62	0	-62	-100%
Stations/Access Projects	2	0	-2	-100%
Other (Leases, OAC CARP, Met Bldg)	5	2	-3	-62%
LCFS Allocation to Sustainability	9	0	-9	-100%
Fiscal Stability - Pension	10	0	-10	-100%
Total Debt Service & Allocations	\$157	\$64	-\$92	-59%

- Baseline Capital **prioritizes local match funds**, minimal Ops/OCIO materials
- **Many programs deferred** (BART Priority Cap funds for rail cars) or **eliminated** for at least one year (LCFS funds for Sustainability Projects).

Figures may not total due to rounding

FY21 Operating Cost Reductions Summary

	FY21 Prelim	FY21 Working	Operating Increase (\$M)
Additional Costs			
<i>COVID-related labor & non-labor</i>	\$0	\$44	\$44
Labor Reductions			
Delay Police Dept new position adds	\$4	\$0	-\$4
COVID-19 Hiring Freeze	32	0	-32
Executive Staff Wage Freeze	0.4	0	-0.4
Lump Sum Payment Removal	4	0	-4
<i>Subtotal - Labor Reductions</i>	<i>\$41</i>	<i>0</i>	<i>-41</i>
Non Labor Reductions			
Travel	\$1	\$0	-\$1
Power	56	48	-8
Purchased Transportation	16	11	-4
ADA Paratransit	17	16	-1
Clipper Fees	11	8	-3
<i>Subtotal - Non Labor Reductions</i>	<i>\$101</i>	<i>\$84</i>	<i>-\$18</i>
Allocations Reductions			
Allocations	\$109	\$17	-\$92
FY20 Rail Car Reversal (applied as FY21 revenue)			-40
<i>Subtotal - Allocations Reductions</i>	<i>\$109</i>	<i>\$17</i>	<i>-\$132</i>
GRAND TOTAL			-\$146
GRAND TOTAL LESS INCREASED COSTS (REDUCTIONS ONLY)			-\$190

- **\$190M in cuts** made to Operating Budget since Shelter In Place began

Figures may not total due to rounding

COVID-Related Costs Summary

Planned COVID-19 expenses in FY21¹

FY21 cost (\$M)

Enhanced cleaning regimens	Trains	Disinfecting every day ² 2-3 people wiping at the end of line (~1 min per car)	11
	Stations and facilities	Hire ~50 temporary workers to perform cleaning currently performed by redirecting work	7
PPE and testing	Passenger	Donated facemasks at high traffic stations Hand sanitizer to 50% of customers	1
	Employee	PPE (i.e., facemasks, gloves, coveralls and sanitizer) Elective COVID tests available ³	11
Enforcing physical distance	Customer touchpoints	Expedite Clipper Card only, paperless stations Roll out parking app systemwide	0
	Physical layout	Decals, banners and station posters	<1
	Employee presence	6 fare inspectors and 5 officers during PM	2
Communications campaign		Production and media purchases for ridership rebuilding	1
Dynamic workforce planning		2.5% increase in OT driven by union agreements and absenteeism ⁵	11
New technologies		Ongoing regular evaluation of innovative technologies (e.g., UV, robotic cleaning) by current staff	0
Total			44

¹ Example COVID operating measures are assumed to be at constant levels throughout FY21, unless otherwise noted

² Today BART is using fogging to perform train disinfection and in ongoing evaluation of other disinfection methods

³ Assumes cost of tests is covered by insurer and not an additional cost to BART

⁴ Based on identifying high traffic stations in the AM (e.g., El Cerrito Del Norte, Millbrae, Warm Springs/South Fremont, Dublin / Pleasanton, Pleasant Hill / Contra Costa Centre) and PM (e.g., Civic Center/UN Plaza, Powell Street, Montgomery Street, Embarcadero, West Oakland)

⁵ Based on uptick in weekly overtime expenditures post-COVID and before the collective bargaining agreements with unions. 1.5% assumes a gradual decrease in OT for operations employees from 5% to 0% throughout FY21.

FY21 Capital Budget – Opportunities to Advance Major Projects

- Accelerating and stabilizing delivery and acceptance of **New Rail Cars**
- Implementing **Train Control Modernization Program** communications-based train control system
- Initiating procurement and construction contracts for **Core Capacity Program Hayward Storage Yard** and **Traction Power Substation**
- Focus on funding **Fare Gate replacement program**
- Initiating **Core Capacity Rail Cars** for follow on production
- Continuing to advance **System Reinvestment** work, including critical replacement of 34.5kv cables, to maintain a State of Good Repair
- Increased overnight work hours allows for **capital project acceleration with lower risk to revenue service**
- Advances **Station Modernization** projects, many of which include station hardening elements
- Funded amounts in FY21 Capital Budget assume **full use of all potential resources**

FY21 Capital Sources

Source Type	FY21 Amount (\$M)
Federal	\$191
State	82
MTC Rail Car Exchange Account	362
Local/Regional	142
Earthquake Safety GO Bond	39
Measure RR	600
BART Capital Funds (including local match)	89
Total Fund Sources	\$1,506

Figures may not total due to rounding

FY21 Capital Uses by Program/Project

Use Type	FY21 Amount (\$M)
System Reinvestment (including RR)	\$425
System Reinvestment – CBTC	118
System Reinvestment - Rail Car (775)	412
Serv & Cap Enhancement	78
Serv & Cap Enhancement - 306 Rail Cars	33
Serv & Cap Enhancement – CBTC	35
Serv & Cap Enhancement - HMC Phase 2	99
Serv & Cap Enhancement - Rail Car (775)	66
Earthquake Safety	67
Safety & Security	65
System Expansion	46
BHQ (2150 Webster)	54
Reimbursable	8
Total	\$1,506

Figures may not total due to rounding

Next Steps

- **Shape what we can control and monitor what we cannot.**
 - Continue to frame questions on operational choices, service, COVID measures and expenses
 - Continue to monitor and update key indicators – and adapt operations as needed
- **Shorten our cycle of revision.** Develop a revised budget for October and quarterly throughout FY21
- **Seek immediate support from the Board.** Engage immediately with the Board at the regional, state, and national level
- **Update the budget with new information to reduce uncertainty as quickly as possible.** Provide regular updates to key drivers of ridership, revenue, and expense outlooks

Timeline

Planned Dates	Topic
June 11	Budget Public Hearing
June 25	Budget Adoption
July 1	FY21 Begins
October Meeting	Q1 Budget Update, Checkpoint <u>Assess changes to:</u> Pace of ridership/fare revenue recovery Pace of economic recovery Public health mandates/added expense CARES Act 2 nd tranche allocation
January Meeting	Q2 Budget Update, Checkpoint
April Meeting	Q3 Budget Update, Checkpoint

Discussion