

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors

DATE: June 3, 2022

FROM: General Manager

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

The FY22 Third Quarter Financial Report (January – March 2022) 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 third quarter. On an operating basis, the District collected \$216.7M 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). These funds allow the District to show a balanced net result at the end of the third quarter.

Ridership

Ridership totaled 8.1M exits in the third quarter of FY22, 37% under budget. This was more than double the same period a year ago, but 72% below the same period in FY19, prior to the pandemic. Average weekday ridership during the third quarter was 105,896 exits, 39% below budget, 122% higher than a year ago, and 74% below FY19. Over the first three quarters, ridership totaled 23.9M exits, 13% below budget.

Third quarter FY22 ridership was slightly lower than the previous quarter, as concerns about the COVID Omicron variant manifested sharply at the end of December and beginning of January. Ridership grew steadily for the remainder of the quarter, reaching early-December levels of ridership in mid-March.

Operating Revenue

Operating Revenue was \$14.1 (11.2%) below budget through the third quarter of FY22.

Net Passenger Revenue was \$13.2M (12.6%) below budget YTD, driven largely by the Omicron surge in late December. **Parking Revenue** was \$1.9M (30.7%) favorable, as parking demand increased during Q3 despite a drop in ridership. **Other Operating Revenue** was \$2.8M (19.2%) below budget. Sub-items of note include Advertising Revenue (\$0.6M below budget due to lower-than expected advertising sales), Traffic Fines and Forfeitures (\$0.6M below budget due to low parking enforcement levels), Fiber Optics Revenue (\$0.4M below budget), and several smaller, miscellaneous sources.

Financial Assistance

Sales Tax revenue was \$31.0M (15.4%) favorable through the third quarter. This positive result was driven by robust retail sales and a pandemic-induced 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's sales tax revenues are expected to end the year substantially above budget.

Property Tax revenue was \$1.6M (5.4%) favorable. **State Transit Assistance** was \$8.4M (59.1%) unfavorable due to timing of payments. However, both sources of financial assistance are expected to end the year above budget.

SFO Extension Financial Assistance was \$7.8M (34.7%) above budget expectations. By policy, this line item is funded by the SFO reserve account, and is forecast to be exhausted by the end of FY22. The YTD variance is due to a larger-than-forecast balance in the SFO reserve account at the start of FY22.

Other Assistance was \$1.0M (3.8%) favorable. Through March, Low Carbon Fuel Standard (LCFS) credit sales were \$4.4M unfavorable due to recent softness in market pricing. This was offset by above-budget revenues from several federal grant sources (\$3.8M), Low Carbon Transit Operations Program (\$1.1M), and several smaller funding sources.

Federal Emergency Assistance, which comprises both CRRSAA and the American Rescue Plan (ARP), is used to offset operating deficits. Through the first three quarters of the fiscal year, federal emergency assistance use was \$216.7M, \$74.7M below budgeted levels. This variance represents the sum of all variances compared to budget described in this memo.

Operating Uses

Total Operating Expense was \$55.4M (8.6%) below budget through the third quarter of FY22.

Wages, Benefits & Other Labor was \$77.4M (12.7%) below budget through the third quarter, driven by a higher-than-expected vacancy rate, with 584 (13.0%) operating and capital positions vacant at the end of Q3. This favorability was slightly offset by \$4.1M of unbudgeted California Supplemental Paid Sick Leave (SPSL) use for COVID-19 related reasons. **Total Overtime** was \$21.8M (59.9%) unfavorable to budget through the third quarter on a gross basis, though on a net basis, this variance was offset by \$18.9M of capital-funded overtime; the net result to the operating budget was \$2.9M unfavorable. All but one major department with a significant overtime budget is under budget three quarters of the way through the fiscal year. The exception is Rolling Stock & Shops, which has required a larger-than-anticipated reliance on overtime to maintain older rolling stock during increased service levels, as well as to perform enhanced cleaning of cars despite significant vacancies. **Capital Labor Reimbursements** totaled \$106.4M through the same period, \$35.7M (25.1%) unfavorable to budget; this continues to be driven by higher-than-expected capital vacancy rates. **Other Reimbursements** were \$1.1M unfavorable.

Non-labor was below budget through the third quarter by \$17.6M (11.4%). Electric Power was \$1.0M unfavorable due to an increase in energy supply and transmission costs, which have shown signs of persistent escalation throughout the fiscal year. **Other Non-Labor** was \$18.7M favorable to budget, with most of the variance in Professional Fees, followed by Material Usage, Rental Expense, and Miscellaneous Expense. Professional Fees were \$8.1M better than budget due to efforts to reduce spending across the District as well as timing of invoices. Material Usage was \$4.3M favorable due to timing of material purchases and procurement delays. Rental Expense was \$2.9M favorable mostly due to lower-than-expected end of lease expenses for the District's former office space at 300 Lakeside Drive. Miscellaneous Expense was \$2.7M lower than budget, primarily due to lower bank card and Clipper fees associated with lower ridership, fewer vandalism repairs, and printing costs. Other Utilities was \$1.2M favorable while Repairs and Maintenance was \$0.5M unfavorable.

Debt Service and Allocations

Debt Service is on budget. Other Capital Allocations is slightly over budget from two operating to capital allocations that were budgeted in Non-Labor expenses.

FY22 Year -End Forecast

The attached report includes a year-end forecast, which is provided to show how staff expect actuals for the remainder of the fiscal year to perform against budget. Though the District required \$74.7M less federal assistance than expected and the positive variance is increased to \$101.6M in the year-end forecast, the outlook remains challenging with an estimated need of \$284.1M to close the gap.

Overall revenue variance is positive 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 created a large negative variance from budget (\$32.3M) in the first three quarters of the fiscal year. This variance is offset by strong performance in sales tax and State Transit Assistance, which are projected to surpass budget by \$35.6M and \$7.8M, respectively.

On the expense side, savings were generated primarily by vacancies and non-labor seasonality effects (invoices generally come in later in the fiscal year). Though over the course of the year, vacancies will be filled and purchasing activities generally increase, overall expenses are projected to finish the year \$83.1M below budget.

At this time, staff estimate a current year estimated operating deficit of \$284.1M, which will be closed with Federal Emergency Assistance. The current estimate is an \$101.6M improvement over the \$385.7M included in the FY22 adopted budget; this difference will be used 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.

DocuSigned by:

Michael Jones

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Robert M. Powers

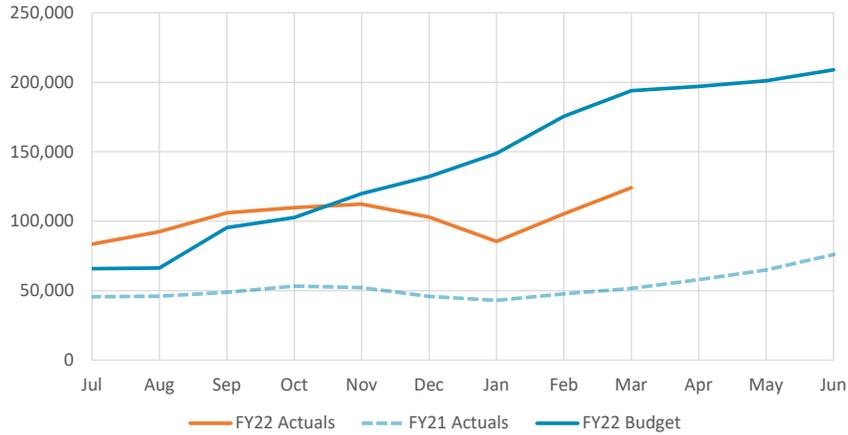
cc: Board Appointed Officers
Deputy General Manager
Executive Staff

Bay Area Rapid Transit District
Quarterly Financial Report - Third Quarter FY22

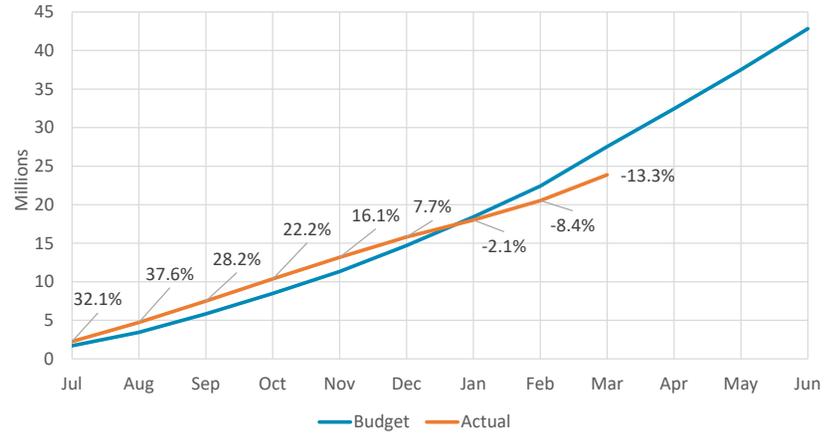
(\$ Millions)	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q3 Budget	Q3 Variance	YTD Actuals	YTD Budget	YTD Variance	YTD % Variance	Year-End Forecast	Annual Budget	Annual Variance
<u>Operating Revenue</u>												
Net Passenger Revenue	25.2	34.0	32.1	51.0	(18.9)	91.3	104.4	(13.2)	● -12.6%	134.0	166.4	(32.3)
Parking Revenue	3.0	2.4	2.7	2.5	0.3	8.1	6.2	1.9	● 30.7%	11.0	9.4	1.6
Other Operating Revenue	5.5	4.8	1.5	4.8	(3.3)	11.8	14.6	(2.8)	● -19.2%	16.9	19.8	(2.8)
Total Net Operating Revenue	33.7	41.2	36.3	58.2	(21.9)	111.2	125.3	(14.1)	● -11.2%	162.0	195.5	(33.6)
<u>Non-Operating Revenue</u>												
Interest and Investment Income	0.4	(0.0)	(1.1)	0.0	(1.1)	(0.7)	0.1	(0.8)	● -846.4%	(0.6)	0.1	(0.8)
<u>Financial Assistance</u>												
Sales Tax	78.0	75.0	79.9	69.0	10.9	232.9	201.9	31.0	● 15.4%	297.3	261.7	35.6
Property Tax	2.8	26.6	2.8	3.1	(0.2)	32.1	30.5	1.6	● 5.4%	56.4	54.5	1.9
State Transit Assistance	0.0	0.0	5.8	7.1	(1.3)	5.8	14.2	(8.4)	● -59.1%	36.2	28.4	7.8
VTA Financial Assistance	9.5	9.5	9.5	8.8	0.7	28.6	26.4	2.2	● 8.4%	38.1	35.2	2.9
SFO Ext Financial Assistance	11.4	11.6	7.4	-	7.4	30.4	22.6	7.8	● 34.7%	30.4	22.6	7.8
Other Assistance	7.6	7.8	11.8	8.8	3.0	27.1	26.1	1.0	● 3.8%	31.7	35.0	(3.2)
Total Financial Assistance	109.3	130.5	117.2	96.7	20.5	357.0	321.7	35.3	● 11.0%	490.2	437.3	52.8
Total Sources	143.4	171.7	152.5	155.0	(2.5)	467.6	447.1	20.5	● 4.6%	651.5	633.0	18.5
<u>Operating Expense</u>												
Wages, Benefits, Other Labor	176.6	174.0	179.6	204.1	24.4	530.2	607.6	77.4	● 12.7%	691.4	806.5	115.1
Total Overtime	18.4	19.6	20.1	12.1	(7.9)	58.1	36.3	(21.8)	● -59.9%	79.7	48.4	(31.2)
Capital Reimbursements - Wages & Fringe	(36.9)	(35.6)	(33.9)	(46.7)	(12.8)	(106.4)	(142.1)	(35.7)	● -25.1%	(149.4)	(189.3)	(39.8)
Capital Reimbursements - OT	(6.0)	(6.3)	(6.6)	-	6.6	(18.9)	-	18.9	-	(26.7)	-	26.7
Other Reimbursements	(3.7)	(4.0)	(3.3)	(4.0)	(0.7)	(11.0)	(12.0)	(1.1)	● -8.8%	(15.5)	(16.0)	(0.5)
Electric Power	12.6	11.7	12.0	11.2	(0.8)	36.3	35.2	(1.0)	● -2.9%	48.1	48.9	0.9
Purchased Transportation	6.5	6.6	6.6	6.6	(0.0)	19.7	19.8	0.0	● 0.2%	21.1	26.3	5.3
Other Non Labor	22.9	29.1	28.9	31.3	2.4	80.9	99.5	18.6	● 18.7%	126.4	134.6	8.2
Total Operating Expense	190.3	195.2	203.4	214.6	11.2	588.9	644.3	55.4	● 8.6%	775.0	859.6	84.6
<u>Non-Operating Expense</u>												
Int Exp ROU Leases GASB 87	0.1	0.6	0.4	-	(0.4)	1.1	-	(1.1)	-	-	-	-
<u>Debt Service and Allocations</u>												
Debt Service	14.2	14.2	14.2	14.3	0.1	42.7	42.9	0.2	● 0.4%	57.2	57.2	-
Capital and Other Allocations	26.3	0.5	21.1	23.0	1.9	47.9	46.4	(1.5)	● -3.3%	93.4	91.9	(1.5)
Pension Allocations	0.0	(0.1)	3.6	5.0	1.4	3.4	5.0	1.6	● -31.4%	10.0	10.0	-
GASB 87 Adj. Offset	0.4	0.4	(0.7)	-	0.7	0.2	-	(0.2)	-	-	-	-
Total Debt Service and Allocations	40.9	15.1	38.3	42.3	4.0	94.2	94.2	(0.0)	● 0.0%	160.6	159.1	(1.5)
Total Uses	231.4	210.9	242.0	256.9	14.9	684.3	738.6	54.2	● 7.3%	935.6	1,018.7	83.1
Net Result Before Financial Assistance	(88.0)	(39.2)	(89.6)	(101.9)		(216.7)	(291.5)	74.7	● 25.6%	(284.1)	(385.7)	101.6
Federal Assistance Applied	88.0	39.2	89.6	101.9		216.7	295.0	78.3		284.1	385.7	
Net Result	-	-	-	-	-	-	3.5	(3.5)	● -100.0%	-	(0.0)	0.0
Operating Result (Deficit)	(156.7)	(154.0)	(167.1)	(156.4)	(10.7)	(477.7)	(519.1)	41.3	● 8.0%	(613.0)	(664.0)	(51.0)
System Operating Ratio	17.7%	21.1%	17.9%	27.1%	-9.3%	18.9%	19.4%	-0.6%		20.9%	22.7%	-1.8%
Rail Cost / Passenger Mile (\$)	1.624	1.506	1.647	1.066	(0.582)	1.591	1.497	(0.093)			1.446	

FY22 YTD (Jul - Mar) Ridership Stats

Average Weekday Ridership



FY22 Cumulative Budget to Actual Variance



Exits	Actual	Budget	Actual
	FY21 YTD	FY22 YTD	FY22 YTD
Weekday	48,268	122,152	102,727
Saturday	25,841	64,464	63,769
Sunday	18,605	45,663	43,197
Total	10,938,264	27,540,282	23,881,303

FY22 YTD Actual vs.	
FY21 YTD Actual	FY22 YTD Budget
212.8%	84.1%
246.8%	98.9%
232.2%	94.6%
218.3%	86.7%

FY22 YTD Distribution of Clipper Fare Products

