

# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

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## MEMORANDUM

**TO:** Board of Directors

**DATE:** March 5, 2024

**FROM:** General Manager

**SUBJECT: FY24 Second Quarter Financial Report (QFR)**

### New Report Structure

This memo summarizes BART's Fiscal Year 2024 (FY24) second quarter (October – December 2023) financial performance. In the past, BART staff have submitted two separate financial reports to the Board each quarter—an operating budget-focused report (known as the Quarterly Financial Report) and a separate report of the District's retiree benefit obligations, grants receivable, cash and investments, long-term debt obligations, and operating reserves (known as the Controller-Treasurer Report). These two reports have now been combined into a single document with the goal of improving financial reporting.

This cover memo summarizes the District's budget to actuals performance, which are shown in tabular format in Attachment 1. Attachment 2 shows the District's allocations, drawdowns, and use of emergency funding, while Attachment 3 is a summary of ridership trends during the period.

### Executive Summary

The District's net operating result was balanced through the second quarter (Q2) of FY24 due to the continued use of emergency assistance funds allocated through the American Rescue Plan Act (ARPA). These funds enabled the District to cover a \$162.6 million (M) operating deficit (the difference between operating revenues and expenses incurred) over the six month period of July 1 to December 31, 2023.

**Ridership** totaled 24.9M exits through Q2 FY24, 1.6% below budget but 10% higher than the same period last year. Average weekday ridership during this period was 162,590 exits, 1.8% below budget, and 11% higher than a year ago. Second quarter FY24 ridership was slightly lower than the previous quarter. On a month-to-month basis, average weekday ridership decreased: October (171,300), November (165,800) and December (144,000). This month-over-month decrease in weekday ridership from October to December is consistent with expected seasonal trends.

### Operating Revenue

**Operating Revenue** was \$1.2M (0.9%) below budget through the first two quarters of FY24. **Net Passenger Revenue** was nearly on budget, at just \$200,000 (0.2%) below budget expectations. **Parking Revenue** was \$0.5M (6.1%) favorable. **Other Operating Revenue** was \$1.4M (13.3%) below budget in part due to lower-than-expected advertising and lease revenues.

**Investment Revenue** was \$15.6M favorable to budget through the first two quarters of FY24 due to advantageous market conditions. Note that investment revenue is budgeted conservatively as market conditions are difficult to forecast and can also be negative.

### Financial Assistance

**Sales Tax** revenue was \$0.8M (0.5%) favorable and **Property Tax** was \$3.0M (9.7%) favorable through Q2 FY24. **VTA Financial Assistance** was \$0.4M (2.2%) unfavorable to budget (less funds received from VTA) due to new projected costs attributed to the extension, which were updated after the FY24 budget was adopted.

**Other Assistance** through Q2 FY24 was \$7.9M (55.0%) favorable. This is mostly due to an earlier-than-expected Low Carbon Transit Operations Program (LCTOP) payment, which was budgeted to arrive in four equal quarterly payments of \$2.6M. Instead, BART received \$9.5M in Q2 2024, which will be \$0.7M (7.0%) unfavorable versus budget when considered across the entirety of FY24. Local financial assistance was \$0.7M favorable versus budget through Q2 FY24.

### Operating Uses

**Total Operating Expense** was \$16.1M (3.5%) higher than budget through the second quarter of FY24.

Total gross **Wages, Fringe Benefits & Other Labor** was \$13.4M (3.2%) below budget. However, Net Operating Wages, Fringe Benefits & Other Labor finished the second quarter \$19.6M (6.1%) unfavorable to budget, driven primarily by unfavorable Capital Labor Reimbursements of \$33.0M (34.2%).

Total gross **Overtime** was \$40.1M through Q2, slightly over budget by \$0.3M; however this was \$7.7M lower than FY23 Q2 results. When Capital Reimbursements Overtime is accounted for, net operating overtime variance is \$4.7M (16.8%) unfavorable to budget.

On a net basis, the District exceeded its operating labor budget through the second quarter by \$24.3M (6.9%); this variance was almost entirely due to lower than budgeted capital labor reimbursements.

Much of variance is budget neutral, as it is the result of overestimates of expected capital labor contained in the FY24 Adopted Budget (due to technical issues implementing capital position vacancy assumptions and in adjusting the split of regular and overtime capital reimbursements). The amount of capital hours assumed in the budget was too high, so neither the gross wages nor the capital reimbursements were generated; as the two offset each other, there is no negative operating budget variance.

Approximately \$41M of the negative Capital Labor Reimbursements variance across Regular Wages and Overtime can be attributed to BART staff budgeted as capital-funded actually charging to the operating budget. This is the result of staff being redirected in recent years from capital to operating work, as needed work in the system shifted to maintenance and service delivery. Each hour budgeted as capital that is charged to the operating budget generates a negative capital reimbursement variance.

BART staff have been working to identify, size, and resolve issues related to capital labor reimbursements over the past two fiscal years, and will correct capital labor reimbursement assumptions in the upcoming FY25 & FY26 Preliminary Budget Memo to account for the actual distribution of work across funding sources.

**Non-labor** expense was below budget through the second quarter by \$8.2M (7.4%). Electric Power was \$1.7M unfavorable (5.8%) due to unexpectedly high December market electricity and transmission costs. **Other Non-Labor** was \$9.7M (13.8%) favorable to budget, with most of the favorable variance in Professional Fees, Miscellaneous Expenses, Other Utilities, Repairs & Maintenance and Material Usage.

Professional Fees were \$4.4M favorable, mostly due to timing of invoicing vendors and invoice payments. Miscellaneous Expenses were \$1.8M favorable, again, mostly due to timing of the California's Dept. of Industrial Relations invoice payment related to taxes and other fees owed for BART's self-insured (self-funded) Workers' Compensation program. Other Utilities were \$1.4M favorable due to timing of invoice payments and other utility expenses booked to Material and Repair accounts. Repairs & Maintenance was \$1.2M favorable due to delayed station cleaning contracts, timing of invoice payments and harvesting parts from decommissioned rail cars. Material Usage was \$1.0M favorable, due to the sooner than anticipated removal of legacy cars from revenue service; these savings were offset by a \$3.9M write-off of obsolete legacy "C" cars and associated inventory.

**Debt Service and Allocations** is \$6.0M (15.9%) favorable, mostly due to the reversal of a \$5.4M FY21 allocation for replacement of equipment on the BART-to-Antioch extension back into the operating budget.

#### **Emergency Assistance**

The District needed \$162.2M in ARPA funding to cover the difference between operating revenues and expenses through the second quarter. This amount is \$9.7M (5.6%) less than budget and was driven by \$14.4M of favorable total revenues and \$5.4M of favorable financial assistance, offsetting the \$10.1M unfavorable total uses. Through December, of the \$1.6 billion (B) of federal emergency assistance allocated to the District since 2020, \$1.2B (73.6%) has been expended and \$425M (26.5%) remains for future use.

#### **FY24 Year-End Projection**

Looking ahead, staff currently project to end FY24 requiring \$27.4M less Emergency Assistance than budgeted, with some notable variances. Total sources are expected to end the year \$50.4 (6.9%) above budget. As noted in the FY24 Q1 QFR, approximately \$31M is driven by two substantive changes in the State Transit Assistance (STA) forecast: 1) the State's extension of the hold harmless agreement, previously forecast to expire at the end of calendar year 2023, and 2) MTC's timing of STA payments to BART, which shifted \$16M from FY23 to FY24. Investment revenue is conservatively projected to end FY24 \$17M above budget. Finally, parking revenue is projected to end FY24 \$1.6M above budget, due to higher-than-budgeted parking utilization as well as the extension of special parking agreements.

On the expense side, labor costs are expected to end the fiscal year \$49.5 (5.2%) above budget due to lower-than-expected capital reimbursements. Operating overtime is projected to end the year \$10.1M (19.0%) above budget, with gross Overtime ending closer to budget.

At this time, staff do not expect further downward revisions to the capital reimbursements projection and will correct the issue in the FY25 & FY26 Preliminary Budget.

Non-Labor costs are projected to end the fiscal year \$0.8M (0.3%) below budget. Most of the savings are projected to come from Other Non-Labor, which is forecasted to end the year \$2.4M (1.7%) below budget most due to favorable Material Usage. Traction power costs, while currently projected to end the year on budget, are an area of concern due to uncertainty around electricity prices and pending California Public Utilities (CPUC) decisions around transmission and distribution rates, which are passed on to BART.

While Debt Service is projected to finish the fiscal year on budget, Allocations are projected to finish the fiscal year \$21.3M underbudget due primarily to \$17.0M in downward revisions to needed Priority Capital funds.

Overall Uses in FY24 are projected to be \$27.4M (2.5%) above budget, driven primarily by the underperformance in capital reimbursements discussed above. Combined with the projected \$50.4M favorable variance in Sources, staff project that the District will need \$23.0M (6.5%) less federal emergency assistance to balance the budget by year-end. This variance will be used to offset deficits in future fiscal years.

If you have any questions about this report, please contact Christopher Simi, Budget Director, at [csimi@bart.gov](mailto:csimi@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 - Second Quarter FY24**

		Q1	Q2	Q2	Q2	YTD	YTD	YTD	YTD %	Year-End	Annual	% Annual	Projected	
(\$ Millions)		Actuals	Budget	Actuals	Variance	Budget	Actuals	Variance	Variance	Forecast	Budget	Budget	Year-End	
													Variance	
<b>Operating Revenue</b>														
Net Passenger Revenue		55.5	53.4	53.2	(0.2)	108.9	108.6	(0.2)	●	-0.2%	225.9	225.4	48.2%	0.5
Parking Revenue		4.0	3.8	4.1	0.3	7.6	8.1	0.5	●	6.1%	16.4	14.8	54.4%	1.6
Other Operating Revenue, Net of GASB 87 & 94		4.8	5.3	4.3	(1.0)	10.6	9.2	(1.4)	●	-13.3%	21.4	21.4	42.8%	(0.0)
<b>Total Net Operating Revenue</b>		<b>64.3</b>	<b>62.5</b>	<b>61.6</b>	<b>(0.9)</b>	<b>127.0</b>	<b>125.9</b>	<b>(1.2)</b>	●	<b>-0.9%</b>	<b>263.7</b>	<b>261.7</b>	<b>48.1%</b>	<b>2.0</b>
<b>NonOperating Revenue</b> - Investment Income, Net of GASB 87		8.5	0.6	8.4	7.7	1.2	16.8	15.6	●	1246.4%	19.5	2.5	731.9%	17.0
<b>Total Revenue</b>		<b>72.7</b>	<b>63.1</b>	<b>70.0</b>	<b>6.9</b>	<b>128.3</b>	<b>142.7</b>	<b>14.4</b>	●	<b>11.2%</b>	<b>283.2</b>	<b>264.2</b>	<b>54.0%</b>	<b>19.1</b>
<b>Financial Assistance</b>														
Sales Tax		82.8	84.2	80.4	(3.8)	162.4	163.2	0.8	●	0.5%	318.1	319.8	51.0%	(1.7)
Property Tax		3.7	28.8	30.1	1.3	30.8	33.8	3.0	●	9.7%	61.2	61.2	55.3%	-
State Transit Assistance		0.0	5.9	-	(5.9)	5.9	0.0	(5.9)	●	-99.8%	54.3	23.5	0.1%	30.8
VTA Financial Assistance		8.2	8.7	8.8	0.1	17.4	17.0	(0.4)	●	-2.2%	34.6	34.7	48.9%	(0.1)
Other Assistance, Net of Federal Emergency Assistance		6.6	7.4	15.6	8.2	14.3	22.2	7.9	●	55.0%	32.2	29.9	74.2%	2.3
<b>Total Financial Assistance</b>		<b>101.4</b>	<b>134.9</b>	<b>134.9</b>	<b>(0.0)</b>	<b>230.8</b>	<b>236.2</b>	<b>5.4</b>	●	<b>2.4%</b>	<b>500.5</b>	<b>469.2</b>	<b>50.4%</b>	<b>31.3</b>
<b>Total Sources</b>		<b>174.1</b>	<b>198.0</b>	<b>204.8</b>	<b>6.8</b>	<b>359.1</b>	<b>378.9</b>	<b>19.8</b>	●	<b>5.5%</b>	<b>783.7</b>	<b>733.4</b>	<b>51.7%</b>	<b>50.4</b>
<b>Operating Expense</b>														
Gross Wages, Fringe Benefits & Other Labor		203.9	209.4	202.8	6.5	420.1	406.7	13.4	●	3.2%	811.1	839.8	48.4%	28.6
Capital Labor Reimbursements - Wages, Fringe Benefits & Other Labor		(31.6)	(48.3)	(32.0)	(16.3)	(96.6)	(63.6)	(33.0)	●	-34.2%	(124.1)	(192.2)	33.1%	(68.1)
Subtotal - Net Operating Wages, Fringe Benefits & Other Labor		172.4	161.1	170.8	(9.7)	323.5	343.1	(19.6)	●	-6.1%	687.0	647.6	53.0%	(39.4)
Gross Overtime		20.2	19.9	20.0	(0.1)	39.8	40.1	(0.3)	●	-0.8%	78.9	76.8	52.3%	(2.2)
Capital Reimbursements - Overtime		(3.7)	(5.9)	(3.5)	(2.4)	(11.6)	(7.2)	(4.4)	●	-37.9%	(16.0)	(23.9)	30.2%	(7.9)
Subtotal - Net Operating Overtime		16.5	14.0	16.5	(2.5)	28.2	32.9	(4.7)	●	-16.8%	62.9	52.9	62.2%	(10.1)
<b>Total Operating Labor</b>		<b>188.8</b>	<b>175.0</b>	<b>187.2</b>	<b>(12.2)</b>	<b>351.7</b>	<b>376.1</b>	<b>(24.3)</b>	●	<b>-6.9%</b>	<b>750.0</b>	<b>700.5</b>	53.7%	<b>(49.5)</b>
Electric Power		15.7	14.7	15.0	(0.3)	29.0	30.7	(1.7)	●	-5.8%	59.0	59.0	52.0%	0.0
Purchased Transportation		6.5	6.7	6.6	0.1	13.4	13.1	0.3	●	2.1%	28.4	26.7	49.0%	(1.7)
Other Non Labor, Net of GASB 87 & 96		26.4	38.3	33.7	4.7	69.8	60.1	9.7	●	13.8%	144.9	147.3	40.8%	2.4
<b>Total Non Labor</b>		<b>48.6</b>	<b>59.7</b>	<b>55.3</b>	<b>4.4</b>	<b>112.1</b>	<b>103.9</b>	<b>8.2</b>	●	<b>7.4%</b>	<b>232.2</b>	<b>233.0</b>	<b>44.6%</b>	<b>0.8</b>
<b>Total Operating Expense</b>		<b>237.4</b>	<b>234.7</b>	<b>242.5</b>	<b>(7.8)</b>	<b>463.9</b>	<b>479.9</b>	<b>(16.1)</b>	●	<b>-3.5%</b>	<b>982.2</b>	<b>933.5</b>	<b>51.4%</b>	<b>(48.7)</b>
<b>Debt Service and Allocations</b>														
Debt Service		15.0	15.0	15.0	0.0	30.1	30.1	0.0	●	0.0%	60.1	60.1	50.0%	-
Capital and Other Allocations, Net of Emergency Assistance		20.8	16.8	10.8	6.0	37.5	31.6	6.0	●	15.9%	69.2	90.5	34.9%	21.3
<b>Total Debt Service and Allocations</b>		<b>35.8</b>	<b>31.9</b>	<b>25.8</b>	<b>6.0</b>	<b>67.6</b>	<b>61.6</b>	<b>6.0</b>	●	<b>8.8%</b>	<b>129.3</b>	<b>150.6</b>	<b>40.9%</b>	<b>21.3</b>
<b>Total Uses</b>		<b>273.2</b>	<b>266.6</b>	<b>268.3</b>	<b>(1.7)</b>	<b>531.4</b>	<b>541.6</b>	<b>(10.1)</b>	●	<b>-1.9%</b>	<b>1,111.5</b>	<b>1,084.1</b>	<b>50.0%</b>	<b>(27.4)</b>
<b>Net Result Before Emergency Assistance</b>		<b>(99.1)</b>	<b>(68.6)</b>	<b>(63.5)</b>	<b>5.1</b>	<b>(172.3)</b>	<b>(162.6)</b>	<b>9.7</b>	●	<b>5.6%</b>	<b>(327.8)</b>	<b>(350.8)</b>	<b>34.6%</b>	<b>23.0</b>
<b>Emergency Assistance Applied</b>		99.1	68.6	63.5	(5.1)	172.3	162.6	(9.7)	●	-5.6%	327.8	350.8		(23.0)
<b>Net Result before GASB</b>		<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>-</b>	<b>(0.0)</b>	<b>(0.0)</b>	●	<b>0.0%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>(0.0)</b>
<b>Operating Result (Deficit)</b>		<b>(173.2)</b>	<b>(172.3)</b>	<b>(180.9)</b>	<b>(8.6)</b>	<b>(336.8)</b>	<b>(354.1)</b>	<b>(17.3)</b>	●	<b>-5.1%</b>	<b>(718.5)</b>	<b>(671.9)</b>	<b>52.7%</b>	<b>46.7</b>
<b>System Operating Ratio</b>		27.3%	26.6%	25.4%	-0.9%	27.4%	26.2%	-1.2%		26.8%	28.0%		-1.2%	
<b>Rail Cost / Passenger Mile (\$)</b>		1.19	1.22	1.28	(0.04)	1.18	1.23	(0.05)		1.29				

## Attachment 2 - Emergency Assistance

**Emergency Assistance to BART (Updated February 2, 2024)**

<b>Award amounts (\$M)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>Total Awarded</b>
CARES	251	126	0	0	0	377
CRRSAA	0	378	0	0	0	378
ARPA + Add'l Assistance	0	0	582	0	0	853
SB125 State and Regional Assistance*	0	0	0	0	58	58
<i>Subtotal - all awards</i>	<i>251</i>	<i>504</i>	<i>582</i>	<i>0</i>	<i>58</i>	<i>1,666</i>

<b>Draw downs (\$M) - funds received as of 12/31/23</b>	<b>FY20 Actual</b>	<b>FY21 Actual</b>	<b>FY22 Actual</b>	<b>FY23 Actual</b>	<b>FY24 Actual</b>	<b>Total Drawn Down</b>
CARES	186	191	0	0	0	377
CRRSAA	0	211	167	0	0	378
ARPA + Add'l Assistance	0	0	276	408	169	853
SB125 State and Regional Assistance	0	0	0	0	0	0
<i>Subtotal - all drawdowns</i>	<i>186</i>	<i>402</i>	<i>443</i>	<i>408</i>	<i>169</i>	<i>1,608</i>

**Remaining emergency funds to be drawn down after 12/31/23 (\$M)**

**58**

<b>Expenditures (\$M) - applied to offset incurred expenses as of 12/31/23</b>	<b>FY20 Actual</b>	<b>FY21 Actual</b>	<b>FY22 Actual</b>	<b>FY23 Actual</b>	<b>FY24 Actual</b>	<b>Total Applied</b>
CARES	120	257	0	0	0	377
CRRSAA	0	41	287	50	0	378
ARPA + Add'l Assistance	0	0	0	266	163	428
SB125 State and Regional Assistance	0	0	0	0	0	0
<i>Subtotal - all expenditures</i>	<i>120</i>	<i>298</i>	<i>287</i>	<i>316</i>	<i>163</i>	<i>1,184</i>

**Funds in BART reserves as of 12/31/23 (\$M)**

**425**

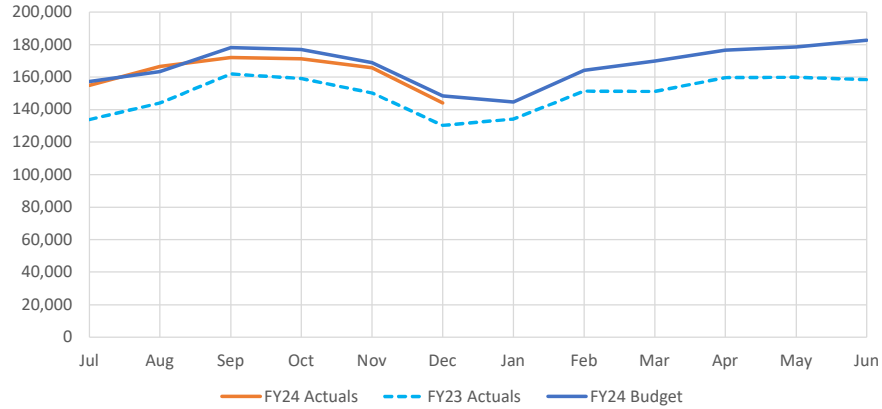
**Remaining funds to be used to offset expenses after 12/31/23 (\$M)**

**484**

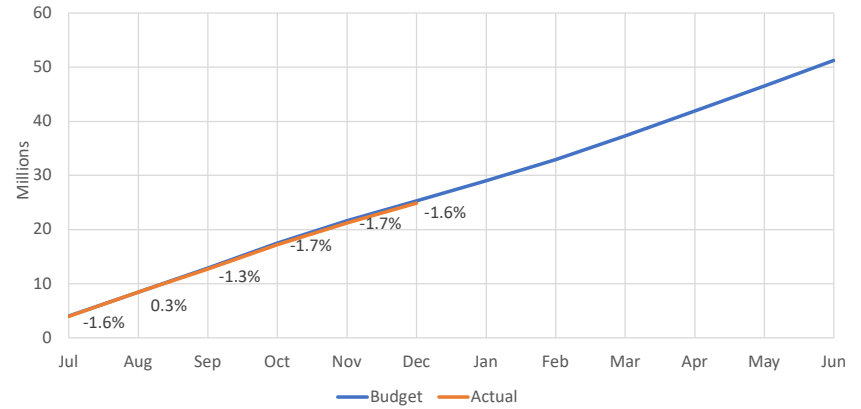
\*SB125 has been partially allocated; BART expects approximately \$352M in total over several years

## FY24Q2 (Jul-Dec) Ridership Stats

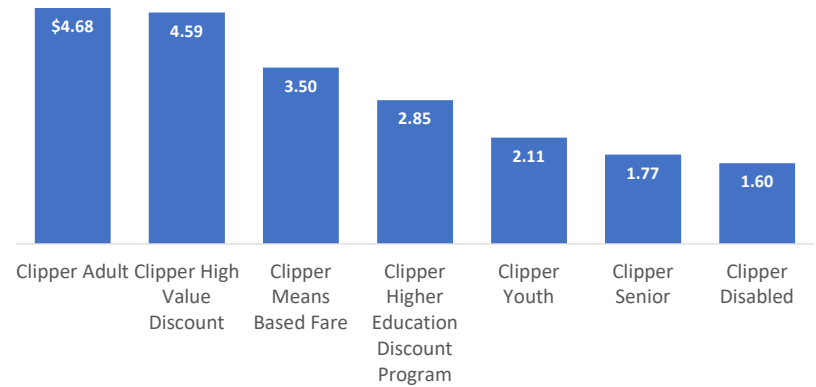
Average Weekday Ridership



FY24 Cumulative Budget to Actual Variance



Clipper Product Avg Net Fare



Exits	Actual FY23 YTD	Budget FY24 YTD	Actual FY24 YTD
Weekday	146,466	165,511	162,590
Saturday	85,288	94,556	92,737
Sunday	62,585	67,959	68,084
<b>Total</b>	<b>22,637,680</b>	<b>25,291,700</b>	<b>24,892,677</b>

FY24 YTD Actual vs.	
FY23 YTD Actual	FY24 YTD Budget
111.0%	98.2%
108.7%	98.1%
108.8%	100.2%
110.0%	98.4%



# ▶ FY24 Second Quarter Financial Report

BART Board of Directors

March 14, 2024





# Executive Summary

- New report format
  - Quarterly budget & actuals report with year-end projection
  - Controller-Treasurer report of BART's post-employment obligations, cash & investments, receivables, long-term liabilities, and reserves
  - Goal is to produce a more concise, transparent report
  
- FY24 Accomplishments
  - Combined reports consolidates reporting of budget & financial information
    - Outcome of new reporting structure
  - Faster monthly closing schedule

# Consolidated Report Format

## **Budget to Actuals**

- Q1 and Q2 budget to actuals report (sources, uses, net result)
- Emergency assistance allocations, drawdowns, usage
- Discussion of major variances

## **Controller-Treasurer Report**

- Pension
- Other Post-Employment Benefits (OPEB)
- Accounts Receivable
- Cash and Investments
- Bonds
- Reserves

# Operating Sources

## Quarterly Financial Report - Second Quarter FY24

(\$ Millions)

	Q1 Actuals	Q2 Budget	Q2 Actuals	Q2 Variance	YTD Budget	YTD Actuals	YTD Variance	YTD % Variance	Year-End Forecast	Annual Budget	% Annual Budget	Projected Year-End Variance
<b><u>Operating Revenue</u></b>												
Net Passenger Revenue	55.5	53.4	53.2	(0.2)	108.9	108.6	(0.2)	-0.2%	225.9	225.4	48.2%	0.5
Parking Revenue	4.0	3.8	4.1	0.3	7.6	8.1	0.5	6.1%	16.4	14.8	54.4%	1.6
Other Operating Revenue, Net of GASB 87 & 94	4.8	5.3	4.3	(1.0)	10.6	9.2	(1.4)	-13.3%	21.4	21.4	42.8%	(0.0)
<b>Total Net Operating Revenue</b>	<b>64.3</b>	<b>62.5</b>	<b>61.6</b>	<b>(0.9)</b>	<b>127.0</b>	<b>125.9</b>	<b>(1.2)</b>	<b>-0.9%</b>	<b>263.7</b>	<b>261.7</b>	<b>48.1%</b>	<b>2.0</b>
<b>Non Operating Revenue - Investment Income, Net of GASB 87</b>	8.5	0.6	8.4	7.7	1.2	16.8	15.6	1246.4%	19.5	2.5	731.9%	17.0
<b>Total Revenue</b>	<b>72.7</b>	<b>63.1</b>	<b>70.0</b>	<b>6.9</b>	<b>128.3</b>	<b>142.7</b>	<b>14.4</b>	<b>11.2%</b>	<b>283.2</b>	<b>264.2</b>	<b>54.0%</b>	<b>19.1</b>
<b><u>Financial Assistance</u></b>												
Sales Tax	82.8	84.2	80.4	(3.8)	162.4	163.2	0.8	0.5%	318.1	319.8	51.0%	(1.7)
Property Tax	3.7	28.8	30.1	1.3	30.8	33.8	3.0	9.7%	61.2	61.2	55.3%	-
State Transit Assistance	0.0	5.9	-	(5.9)	5.9	0.0	(5.9)	-99.8%	54.3	23.5	0.1%	30.8
VTA Financial Assistance	8.2	8.7	8.8	0.1	17.4	17.0	(0.4)	-2.2%	34.6	34.7	48.9%	(0.1)
Other Assistance, Net of Federal Emergency Assistance	6.6	7.4	15.6	8.2	14.3	22.2	7.9	55.0%	32.2	29.9	74.2%	2.3
<b>Total Financial Assistance</b>	<b>101.4</b>	<b>134.9</b>	<b>134.9</b>	<b>(0.0)</b>	<b>230.8</b>	<b>236.2</b>	<b>5.4</b>	<b>2.4%</b>	<b>500.5</b>	<b>469.2</b>	<b>50.4%</b>	<b>31.3</b>
<b>Total Sources</b>	<b>174.1</b>	<b>198.0</b>	<b>204.8</b>	<b>6.8</b>	<b>359.1</b>	<b>378.9</b>	<b>19.8</b>	<b>5.5%</b>	<b>783.7</b>	<b>733.4</b>	<b>51.7%</b>	<b>50.4</b>

- Revenues above budget driven primarily by investment income
- State Transit Assistance below budget at Q2 end due to timing of payments; projected to be above budget by FY end

# Operating Uses

## Quarterly Financial Report - Second Quarter FY24

(\$ Millions)

	Q1 Actuals	Q2 Budget	Q2 Actuals	Q2 Variance	YTD Budget	YTD Actuals	YTD Variance	YTD % Variance	Year-End Forecast	Annual Budget	% Annual Budget	Projected Year-End Variance
<b>Operating Expense</b>												
Gross Wages, Fringe Benefits & Other Labor	203.9	209.4	202.8	6.5	420.1	406.7	13.4	3.2%	811.1	839.8	48.4%	28.6
Capital Labor Reimbursements - Wages, Fringe Benefits & Other Labor	(31.6)	(48.3)	(32.0)	(16.3)	(96.6)	(63.6)	(33.0)	-34.2%	(124.1)	(192.2)	33.1%	(68.1)
Subtotal - Net Operating Wages, Fringe Benefits & Other Labor	172.4	161.1	170.8	(9.7)	323.5	343.1	(19.6)	-6.1%	687.0	647.6	53.0%	(39.4)
Gross Overtime	20.2	19.9	20.0	(0.1)	39.8	40.1	(0.3)	-0.8%	78.9	76.8	52.3%	(2.2)
Capital Reimbursements - Overtime	(3.7)	(5.9)	(3.5)	(2.4)	(11.6)	(7.2)	(4.4)	-37.9%	(16.0)	(23.9)	30.2%	(7.9)
Subtotal - Net Operating Overtime	16.5	14.0	16.5	(2.5)	28.2	32.9	(4.7)	-16.8%	62.9	52.9	62.2%	(10.1)
<b>Total Operating Labor</b>	<b>188.8</b>	<b>175.0</b>	<b>187.2</b>	<b>(12.2)</b>	<b>351.7</b>	<b>376.1</b>	<b>(24.3)</b>	<b>-6.9%</b>	<b>750.0</b>	<b>700.5</b>	<b>53.7%</b>	<b>(49.5)</b>
Electric Power	15.7	14.7	15.0	(0.3)	29.0	30.7	(1.7)	-5.8%	59.0	59.0	52.0%	0.0
Purchased Transportation	6.5	6.7	6.6	0.1	13.4	13.1	0.3	2.1%	28.4	26.7	49.0%	(1.7)
Other Non Labor, Net of GASB 87 & 96	26.4	38.3	33.7	4.7	69.8	60.1	9.7	13.8%	144.9	147.3	40.8%	2.4
<b>Total Non Labor</b>	<b>48.6</b>	<b>59.7</b>	<b>55.3</b>	<b>4.4</b>	<b>112.1</b>	<b>103.9</b>	<b>8.2</b>	<b>7.4%</b>	<b>232.2</b>	<b>233.0</b>	<b>44.6%</b>	<b>0.8</b>
<b>Total Operating Expense</b>	<b>237.4</b>	<b>234.7</b>	<b>242.5</b>	<b>(7.8)</b>	<b>463.9</b>	<b>479.9</b>	<b>(16.1)</b>	<b>-3.5%</b>	<b>982.2</b>	<b>933.5</b>	<b>51.4%</b>	<b>(48.7)</b>
<b>Debt Service and Allocations</b>												
Debt Service	15.0	15.0	15.0	0.0	30.1	30.1	0.0	0.0%	60.1	60.1	50.0%	-
Capital and Other Allocations, Net of Emergency Assistance	20.8	16.8	10.8	6.0	37.5	31.6	6.0	15.9%	69.2	90.5	34.9%	21.3
<b>Total Debt Service and Allocations</b>	<b>35.8</b>	<b>31.9</b>	<b>25.8</b>	<b>6.0</b>	<b>67.6</b>	<b>61.6</b>	<b>6.0</b>	<b>8.8%</b>	<b>129.3</b>	<b>150.6</b>	<b>40.9%</b>	<b>21.3</b>
<b>Total Uses</b>	<b>273.2</b>	<b>266.6</b>	<b>268.3</b>	<b>(1.7)</b>	<b>531.4</b>	<b>541.6</b>	<b>(10.1)</b>	<b>-1.9%</b>	<b>1,111.5</b>	<b>1,084.1</b>	<b>50.0%</b>	<b>(27.4)</b>

- Lagging capital reimbursements driving negative expense variance, which is partially offset by reduced need for Priority Capital allocations (railcar contingency)

4 • Traction power expenditures in Q3 and Q4 are a concern despite savings from shorter trains



# Emergency Assistance & Net Result

## Quarterly Financial Report - Second Quarter FY24

(\$ Millions)

	Q1 Actuals	Q2 Budget	Q2 Actuals	Q2 Variance	YTD Budget	YTD Actuals	YTD Variance	YTD % Variance	Year-End Forecast	Annual Budget	% Annual Budget	Projected Year-End Variance
<b>Operating Revenue</b>												
Total Net Operating Revenue	64.3	62.5	61.6	(0.9)	127.0	125.9	(1.2)	-0.9%	263.7	261.7	48.1%	2.0
Non Operating Revenue	8.5	0.6	8.4	7.7	1.2	16.8	15.6	1246.4%	19.5	2.5	731.9%	17.0
Total Revenue	72.7	63.1	70.0	6.9	128.3	142.7	14.4	11.2%	283.2	264.2	54.0%	19.1
Total Financial Assistance	101.4	134.9	134.9	(0.0)	230.8	236.2	5.4	2.4%	500.5	469.2	50.4%	31.3
Total Sources	174.1	198.0	204.8	6.8	359.1	378.9	19.8	5.5%	783.7	733.4	51.7%	50.4
<b>Operating Expense</b>												
Total Operating Labor	188.8	175.0	187.2	(12.2)	351.7	376.1	(24.3)	-6.9%	750.0	700.5	53.7%	(49.5)
Total Non Labor	48.6	59.7	55.3	4.4	112.1	103.9	8.2	7.4%	232.2	233.0	44.6%	0.8
Total Operating Expense	237.4	234.7	242.5	(7.8)	463.9	479.9	(16.1)	-3.5%	982.2	933.5	51.4%	(48.7)
<b>Debt Service and Allocations</b>												
Total Debt Service and Allocations	35.8	31.9	25.8	6.0	67.6	61.6	6.0	8.8%	129.3	150.6	40.9%	21.3
Total Uses	273.2	266.6	268.3	(1.7)	531.4	541.6	(10.1)	-1.9%	1,111.5	1,084.1	50.0%	(27.4)
Net Result Before Emergency Assistance	(99.1)	(68.6)	(63.5)	5.1	(172.3)	(162.6)	9.7	5.6%	(327.8)	(350.8)	34.6%	23.0
Emergency Assistance Applied	99.1	68.6	63.5	(5.1)	172.3	162.6	(9.7)	-5.6%	327.8	350.8		(23.0)
Net Result before GASB	(0.0)	0.0	(0.0)	(0.0)	-	(0.0)	(0.0)	0.0%	0.0	0.0	0.0%	(0.0)
Operating Result (Deficit)	(173.2)	(172.3)	(180.9)	(8.6)	(336.8)	(354.1)	(17.3)	-5.1%	(718.5)	(671.9)	52.7%	46.7
System Operating Ratio	27.3%	26.6%	25.4%	-0.9%	27.4%	26.2%	-1.2%		26.8%	28.0%		-1.2%
Rail Cost / Passenger Mile (\$)	1.19	1.22	1.28	(0.04)	1.18	1.23	(0.05)			1.29		

- Sources projected \$50.4M better than budget
- Uses projected \$27.4M above budget
- Net result projected to require \$46.7M less emergency assistance to balance FY24

# Emergency Assistance to BART as of December 31, 2023

Emergency Assistance to BART (Updated February 2, 2024)

Award amounts (\$M)	FY20	FY21	FY22	FY23	FY24	Total Awarded
CARES	<u>251</u>	<u>126</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>377</u>
CRRSAA	<u>0</u>	<u>378</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>378</u>
ARPA + Add'l Assistance	<u>0</u>	<u>0</u>	<u>582</u>	<u>0</u>	<u>0</u>	<u>853</u>
SB125 State and Regional Assistance*	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>58</u>	<u>58</u>
<i>Subtotal - all awards</i>	<u>251</u>	<u>504</u>	<u>582</u>	<u>0</u>	<u>58</u>	<u>1,666</u>

Funds allocated to BART

Draw downs (\$M) - funds received as of 12/31/23	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Actual	Total Drawn Down
CARES	<u>186</u>	<u>191</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>377</u>
CRRSAA	<u>0</u>	<u>211</u>	<u>167</u>	<u>0</u>	<u>0</u>	<u>378</u>
ARPA + Add'l Assistance	<u>0</u>	<u>0</u>	<u>276</u>	<u>408</u>	<u>169</u>	<u>853</u>
SB125 State and Regional Assistance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Subtotal - all drawdowns</i>	<u>186</u>	<u>402</u>	<u>443</u>	<u>408</u>	<u>169</u>	<u>1,608</u>

Funds received by BART per formula

BART has drawn down all allocated federal emergency assistance

*Remaining emergency funds to be drawn down after 12/31/23 (\$M)* **58**

Expenditures (\$M) - applied to offset incurred expenses as of 12/31/23	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Actual	Total Applied
CARES	<u>120</u>	<u>257</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>377</u>
CRRSAA	<u>0</u>	<u>41</u>	<u>287</u>	<u>50</u>	<u>0</u>	<u>378</u>
ARPA + Add'l Assistance	<u>0</u>	<u>0</u>	<u>0</u>	<u>266</u>	<u>163</u>	<u>428</u>
SB125 State and Regional Assistance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Subtotal - all expenditures</i>	<u>120</u>	<u>298</u>	<u>287</u>	<u>316</u>	<u>163</u>	<u>1,184</u>

Funds used by BART to offset incurred costs

*Funds in BART reserves as of 12/31/23 (\$M)* **425**

*Remaining funds to be used to offset expenses after 12/31/23 (\$M)* **484**

\*SB125 has been partially allocated; BART expects approximately \$352M in total over several years

# Major Budget Variance: Capital Reimbursements

- Capital Reimbursements are projected to end the year \$76M (35%) below budget, generating a significant negative operating budget variance
- Nearly half of the variance is driven by over-estimates of capital labor spending in FY24; this variance does not impact the operating budget
- The remaining variance is primarily driven by re-assignment of staff over the past two years from capital projects to maintenance work; this variance generates a negative operating budget variance

Variance Driver	(\$M)	Description
Capital OT overbudgeted	26	Operating budget neutral
Capital vacancy rate correction.	9	Operating budget neutral
Maintenance positions	32	Positions that need to be converted to operating
Misc other	9	Other: vacancies, project prioritization, etc
<b>Total</b>	<b>76</b>	

# Next Steps

- If unaddressed, total impact to BART's deficit from capital reimbursement variance & potential traction power increases would significantly shorten fiscal runway
- Staff are taking steps to mitigate the impact and preserve BART's ability to provide service through the end of FY26
  - BART will balance its budget through the end of FY26 without impacting service
- Preliminary Budget Memo to be released on 3/31 will include an update, potentially including the following actions:
  - Updated traction power increase estimates
  - Decreased overtime budget due to higher staffing levels
  - Additional capital work where possible to increase reimbursements
  - Additional deferrals or reductions in planned Priority Capital allocations



# Controller-Treasurer Report

- Background Summary
- Pension
- Other Post-Employment Benefits (OPEB)
- Accounts Receivable
- Cash and Investments
- Bonds
- Reserves

# Post-Employment Benefits Summary

- The District currently provides benefits to employees which include, but are not limited to:
  - **Retirement Pension Plan** managed by the California Public Employee Retirement System (CalPERS) and funded by contributions from the District and its employees. CalPERS is the largest pension plan in the United States with assets of approximately \$462 billion.
    - ✓ The District established a Section 115 Trust for prefunding the District's pension obligation on February 5, 2020.
  - **Retiree Medical Benefits** coverage funded by a Trust established by the District in 2005.
    - a. Invested in a combination of stocks, bonds, REIT & cash,
    - b. Benchmark 6.5%,
    - c. Quarterly Report to the Unions
  - **Survivor Benefits** of active and retired employees funded by the employees (\$15/month).
    - ✓ The Trust was established on May 18, 2020.
  - **Life Insurance** for retired employees.
  - The District also accrues liabilities through Property & Casualty insurance and workers compensation claims and maintains the required reserves related to its self-funded insurance programs for worker's compensation and general liability based on an annual actuarial study.

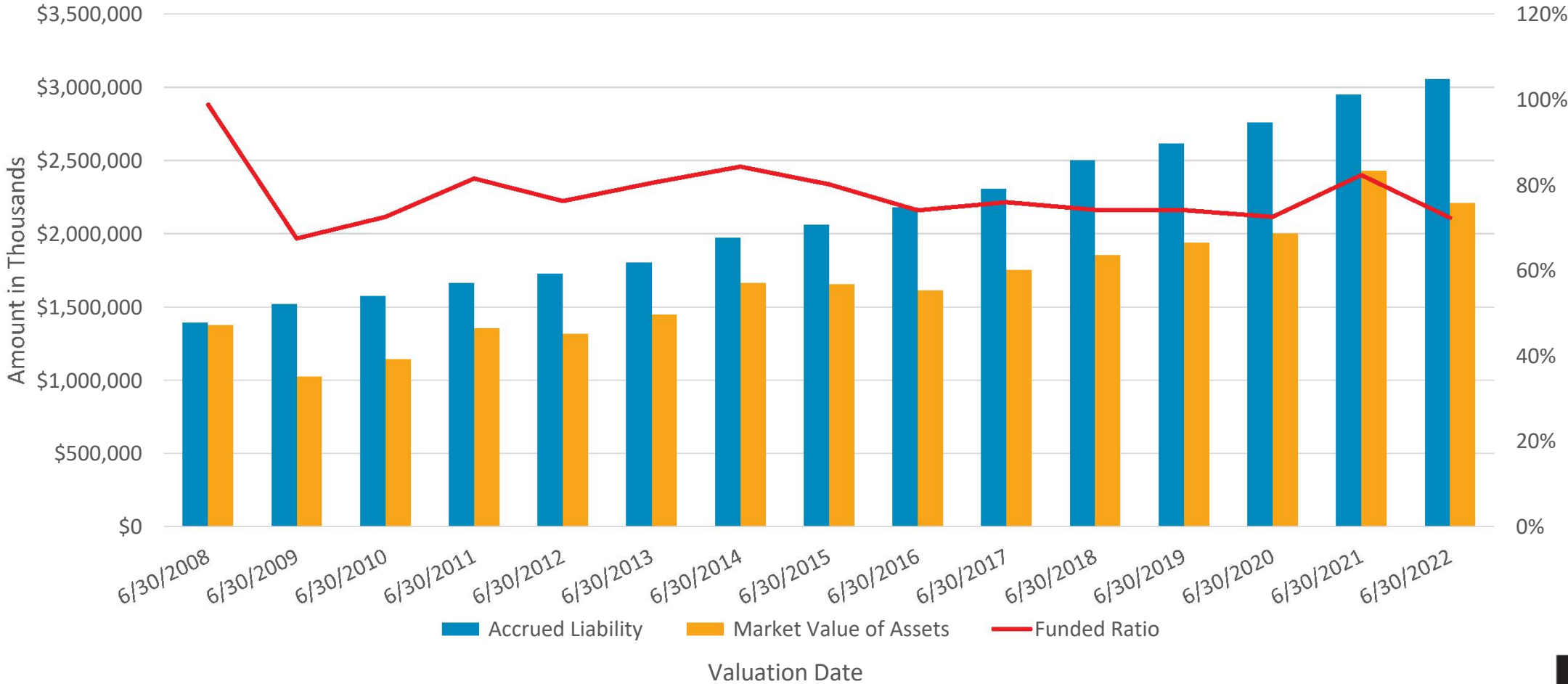
# Funding Status of Pension Obligations

	<u>Report Date</u>	<u>Market Value of Assets</u>	<u>Total Liability</u>	<u>Unfunded Liability</u>	<u>% Funded 06/30/2022</u>	<u>% Funded 06/30/2021</u>
<b>Funds Managed by CALPERS</b>						
Miscellaneous Employees	6/30/2022	\$ 2,209,563,221	\$ 3,055,735,077	\$ 846,171,856	72.3%	82.3%
Safety Employees	6/30/2022	\$ 271,553,423	\$ 474,850,794	\$ 203,297,371	57.2%	65.5%
Section 115 Pension Trust	12/31/2023	\$ <u>39,548,250</u>		\$ <u>(39,548,250)</u>		
<b>Total - Pension Benefit Obligations</b>		<u>\$ 2,520,664,894</u>	<u>\$ 3,530,585,871</u>	<u>\$ 1,009,920,977</u>		



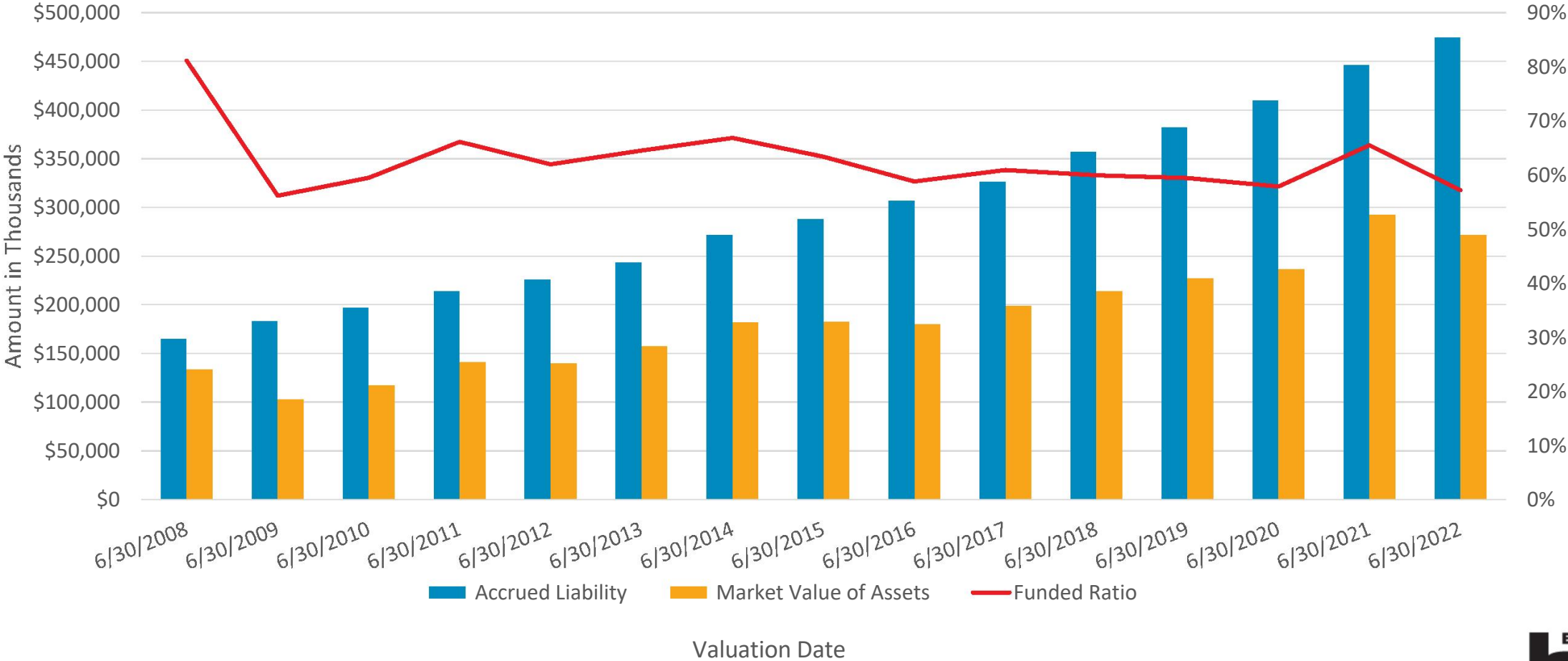
# CalPERS Miscellaneous Pension Plan Funding Progress

CALPERS Miscellaneous Pension Plan Funding Progress



# CalPERS Safety Pension Plan Funding Progress

CALPERS Safety Pension Plan Funding Progress



# Funding Status of Other Post Employment Benefit Obligations

**Most Recent Valuation**

	<u>Report Date</u>	<u>Market Value of Assets</u>	<u>Total Liability</u>	<u>Unfunded Liability</u>	<u>% Funded</u>
<b>Retiree Health Benefits</b>	6/30/2023	\$ 506,393,000	\$ 718,155,000	\$ 211,762,000	70.5%
<b>Other Post Employment Benefits</b>					
Life Insurance	6/30/2022	\$ -	\$ 45,887,000	\$ 45,887,000	0.0%
Survivors Benefits *	6/30/2023	\$ 10,890,000	\$ 20,986,000	\$ 10,096,000	51.9%

**Prior Year's Valuation**

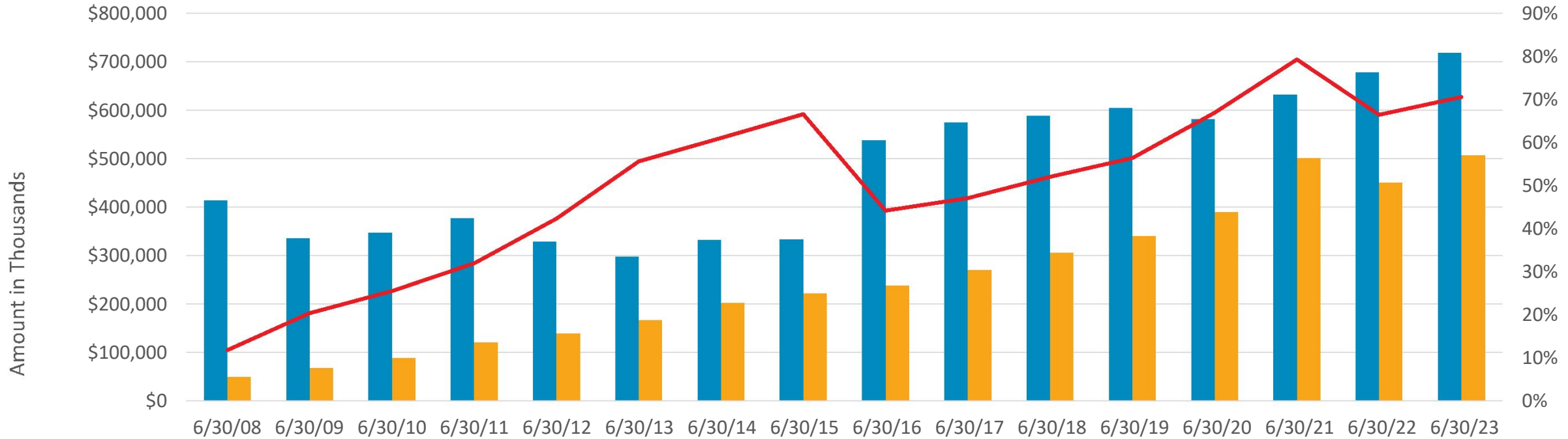
	<u>Report Date</u>	<u>Market Value of Assets</u>	<u>Total Liability</u>	<u>Unfunded Liability</u>	<u>% Funded</u>
<b>Retiree Health Benefits</b>	6/30/2022	\$ 450,028,000	\$ 677,530,000	\$ 227,502,000	66.4%
<b>Other Post Employment Benefits</b>					
Life Insurance	6/30/2022	\$ -	\$ 45,887,000	\$ 45,887,000	0.0%
Survivors Benefits	6/30/2022	\$ 9,489,000	\$ 21,030,000	\$ 11,541,000	45.1%

\*Preliminary per draft report.



# Funding Progress Retiree Health Benefits Plan

## Funding Progress Retiree Health Benefits Plan



	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23
Accrued Liability	413,300	335,118	347,058	376,063	328,571	297,955	331,352	333,141	537,873	573,941	587,896	603,787	581,778	632,402	677,530	718,155
Market Value of Assets	48,500	68,087	88,456	120,103	138,933	165,639	202,181	221,766	237,403	270,151	305,850	340,470	389,128	501,321	450,028	506,393
Funded Ratio	11.73%	20.32%	25.49%	31.94%	42.28%	55.59%	61.02%	66.57%	44.14%	47.07%	52.02%	56.39%	66.89%	79.27%	66.42%	70.51%

■ Accrued Liability    
 ■ Market Value of Assets    
 — Funded Ratio

Valuation Date



# Trust Assets for Post Employment Benefits Held by the District

**Quarterly Change**

	<u>Net Assets September 30, 2023</u>	<u>Contributions</u>	<u>Expenses</u>	<u>Gain (Loss)</u>	<u>Net Assets December 31, 2023</u>	<u>Inception to-date Return</u>	<u>Quarterly Return</u>
Retiree Health Benefit Trust	\$ 496,178,273	\$ 13,615,808	\$ (8,003,588)	\$ 48,648,134	\$ 550,438,627	7.1%	9.7%
Section 115 Pension Trust	37,842,631		-	1,705,619	39,548,250	-0.4%	4.5%
Survivors Benefit Trust	10,746,683	211,838	(107,040)	985,648	11,837,129	6.7%	9.5%
<b>Total</b>	<b>\$ 544,767,587</b>	<b>\$ 13,827,646</b>	<b>\$ (8,110,628)</b>	<b>\$ 51,339,401</b>	<b>\$ 601,824,006</b>		

	<u>Net Assets June 30, 2023</u>
Retiree Health Benefit Trust	\$ 506,392,988
Section 115 Pension Trust	38,081,054
Survivors Benefit Trust	10,889,851
<b>Total</b>	<b>\$ 555,363,893</b>

**Fiscal Year 2024 Year to Date Increase**

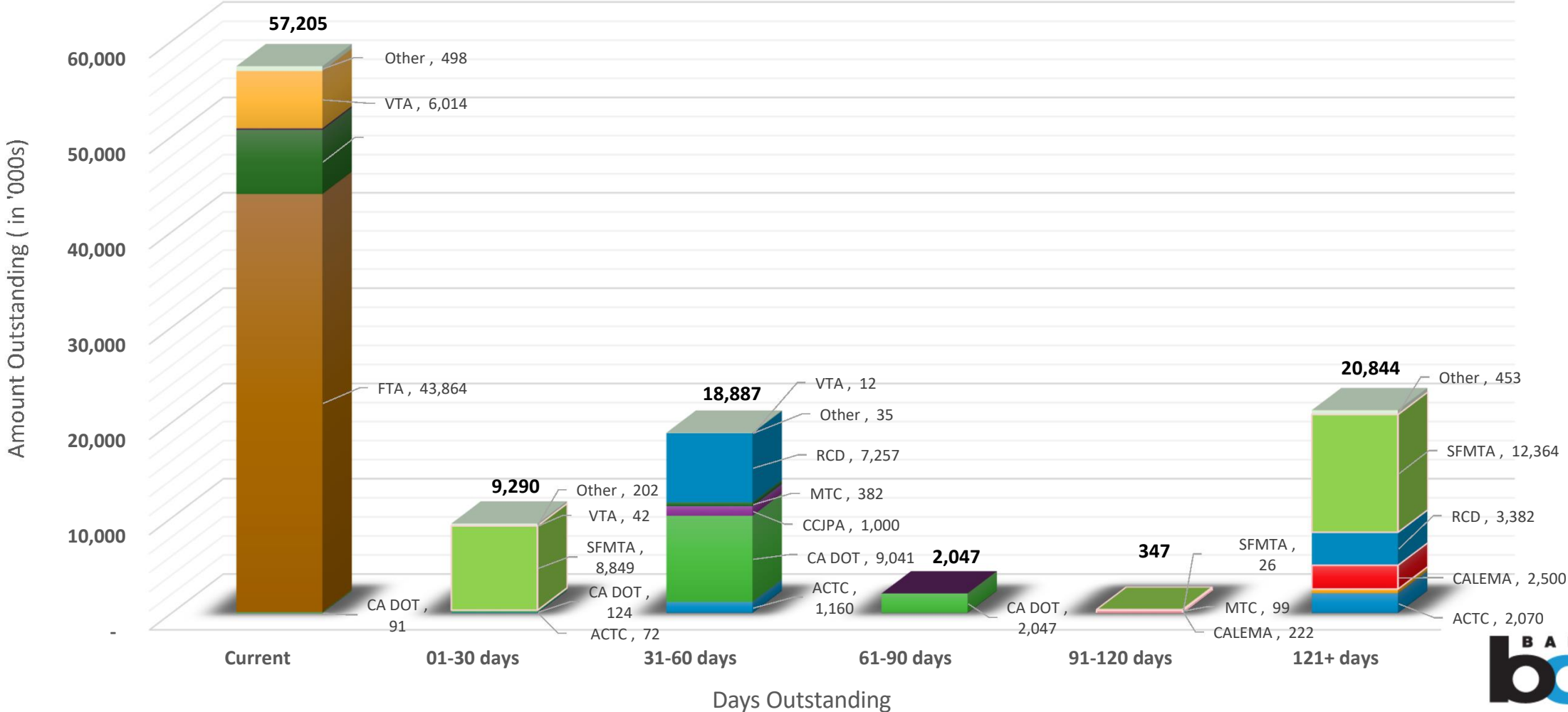
Retiree Health Benefit Trust	\$ 44,045,639
Section 115 Pension Trust	1,467,196
Survivors Benefit Trust	947,278
<b>Total</b>	<b>\$ 46,460,113</b>





# Outstanding Billed A/R Grants

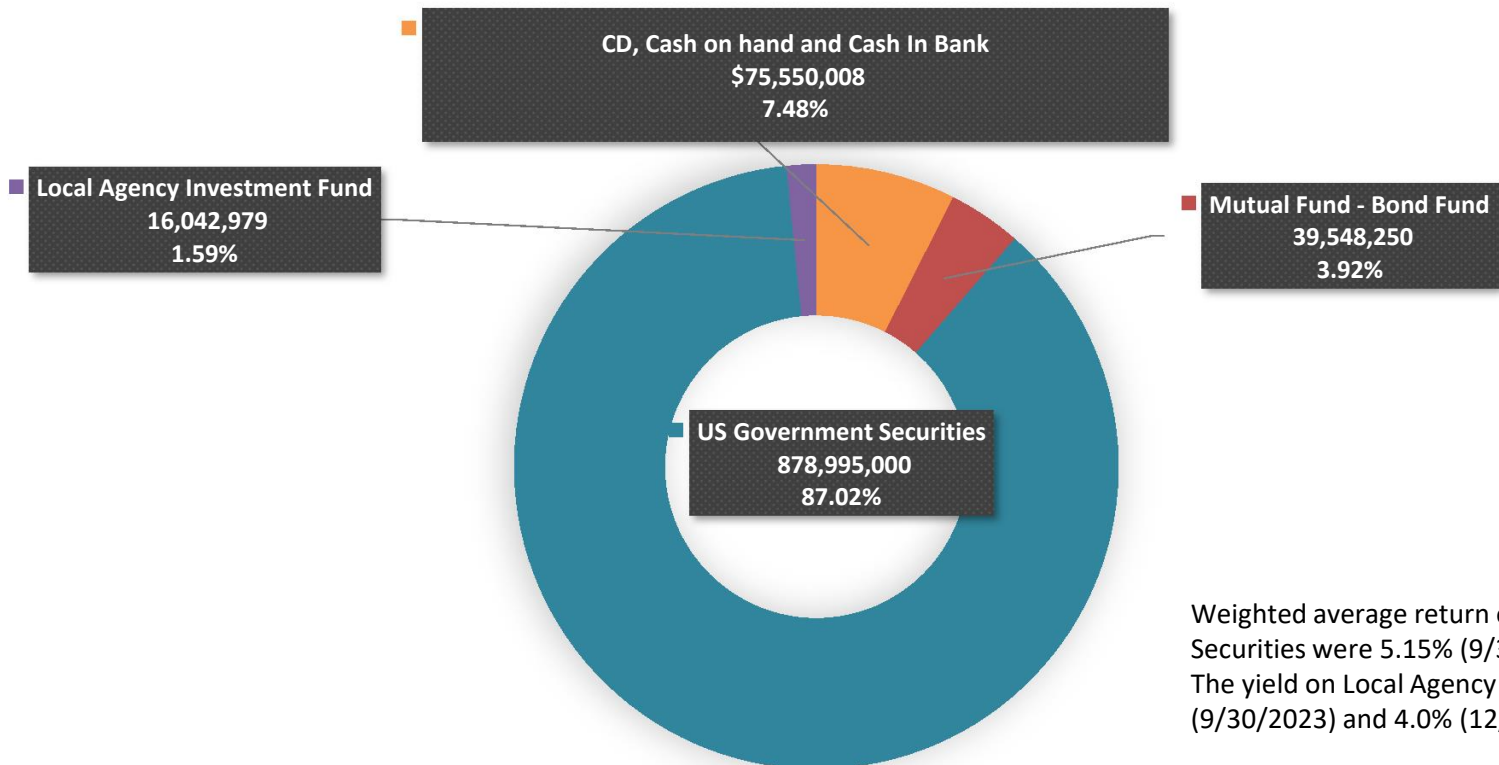
➤ The status of receivables from our funding partners is shown in the chart below. The amount outstanding is \$108.6M as of December 31, 2023.



# Cash and Investments

	Amount	% Allocated
CD, Cash on hand and Cash In Bank	\$ 75,550,008	7%
Mutual Fund - Bond Fund	39,548,250	4%
US Government Securities	878,995,000	87%
Local Agency Investment Fund	16,042,979	2%
<b>Total Cash &amp; Investments</b>	<b>\$ 1,010,136,238</b>	<b>100%</b>

Breakdown of US Government Securities		Amount
US Treasury	\$	221,445,000
Federal Home Loan Bank		527,550,000
Fannie Mae Home Loan		105,000,000
Inter American Development Bank		25,000,000
<b>Total</b>	<b>\$</b>	<b>878,995,000</b>

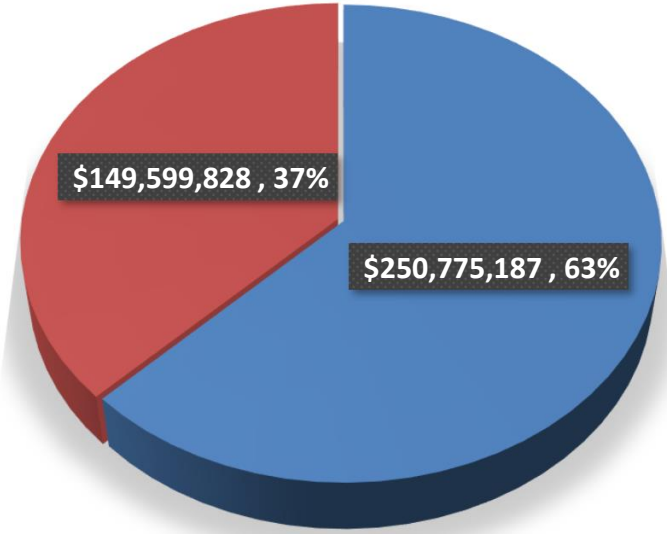


Weighted average return on investments in U.S. Government Securities were 5.15% (9/30/2023) and 5.27% (12/31/2023). The yield on Local Agency Investment Fund were 3.59% (9/30/2023) and 4.0% (12/31/2023).

# Breakdown of Cash and Investments

	December 31, 2023		
	General Fund	Capital Fund	Total
Restricted	\$ 38,942,930	\$ 6,473,489	\$ 45,416,419
Unrestricted	\$ 570,818,293	\$ 393,901,526	\$ 964,719,819
	<b>\$ 609,761,223</b>	<b>\$ 400,375,015</b>	<b>\$ 1,010,136,238</b>

Capital Funding Commitment - December 31, 2023



■ Allocated      ■ Scheduled to be Allocated



# Summary of Outstanding Bonds

	<u>Authorized</u>	<u>Issued as of 12-31-2023</u>	<u>Outstanding Balance 09-30-2023</u>	<u>Issuance</u>	<u>Payments</u>	<u>Outstanding Balance 12-31-2023</u>	<u>Annual Debt Service Fiscal Year 2024</u>	<u>Property Tax Assessments Fiscal Year 2024**</u>
<b>Sales Tax Revenue Bonds *</b>		\$ 984,260,000	\$ 590,805,000	\$ -		\$ 590,805,000	\$ 60,131,289	
<b>Measure AA General Obligation Bonds</b>	\$ 980,000,000	\$ 980,000,000	\$ 601,510,000	\$ -		\$ 601,510,000	\$ 54,656,844	\$4.80/\$100,000
<b>Measure RR General Obligation Bonds</b>	\$ 3,500,000,000	\$ 2,060,000,000	\$ 1,844,065,000	\$ -		\$ 1,844,065,000	\$ 98,533,175	\$8.60/\$100,000
<b>Total</b>		<u>\$ 4,024,260,000</u>	<u>\$ 3,036,380,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,036,380,000</u>	<u>\$ 213,321,308</u>	

\* Sales Tax Revenue Bonds with outstanding balances.

\*\* Net of Cash Available for Debt Service collected from prior year's assessment.

# Operating and Other Reserves

## Quarterly Changes

		<u>October - December 2023</u>			
		<u>September 30, 2023</u>	<u>Additions</u>	<u>Usage</u>	<u>December 31, 2023</u>
Operating Reserve	(1)	\$ 53,708,182	\$ -	\$ -	\$ 53,708,182
Insurance Calamity Reserve	(2)	9,000,000			9,000,000
Operating Reserve - Economic Uncertainty					
General Reserve for Economic Uncertainty	(3)	25,345,543			25,345,543
From Federal Assistance - ARP	(3)	429,874,345	58,352,796	(63,507,273)	424,719,868
Operating Reserve - Fiscal Stability - Pension	(4)	37,842,631	1,705,620		39,548,250
Operating Reserve - Low Carbon Fuel Standards Credits	(5)	18,498,668			18,498,668
Working Capital Reserve Fund	(6)	87,047,263	983,056		88,030,319
Operating Reserve - eBART Operations	(7)	5,390,000		(5,390,000)	-
<b>Total</b>		<b>\$ 666,706,631</b>	<b>\$ 61,041,472</b>	<b>\$ (68,897,273)</b>	<b>\$ 658,850,830</b>

- (1) Cumulative balance of operating reserves per "Financial Stability Policy" approved by the Board.
- (2) This reserve was set aside in the 1960s to cover catastrophic losses associated with District property damage, public liability and workers' compensation claims.
- (3) Operating reserve set aside due to uncertain economic conditions.
- (4) Amount set aside in FY18, FY19, FY20, FY21, and FY22 for pension contribution or for prefunding of the District's pension obligation. A Section 115 Pension Trust has been created for this reserve.
- (5) Portion of proceeds from sale of Low Carbon Fuel Standards credits sold set aside to support operations per "Low Carbon Fuel Standard Policy" approved by the Board in July 2017.
- (6) Working capital fund.
- (7) FY21 year-end operating allocation for eBART non-labor operating cost.

# Discussion