EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: DocuSigned by: Michael Jones 47000790F2D7463...	GENERAL MANAGER ACTION REQ'D:
DATE: 10/2/2023 11/13/2023	BOARD INITIATED ITEM: Yes

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Dept: Operating Budgets DocuSigned by: Katherine Alagar 697EB8AE6F87469... Signature/Date: 11/6/2023	DocuSigned by: Crystal Matson 18E837040587403... 11/13/2023 [ ]	DocuSigned by: Chris Gan EE11C8CEEEA04FD... 11/6/2023 [ ]	[ ]	DocuSigned by: Pamela Herhold 3BB24D65B8724F5... 11/13/2023 [ ]

FY2023 Year End Budget Revision

PURPOSE: To amend the Fiscal Year 2023 (FY23) Budget for year-end adjustments.

DISCUSSION: The District finished FY23 with a balanced budget due to federal emergency assistance. Absent such assistance, the District would have finished the year with a $315.9 million (M) deficit. Total Sources excluding Federal Emergency Assistance was $734.4M and Total Uses excluding allocations to the Operating Reserve for Economic Uncertainty was $1,050.2M. The financial results are summarized in Attachment 1, with more detail provided in the Background section and Attachments 2 through 6.

BACKGROUND: Since 2020, BART has relied on federal emergency assistance to balance its budget. In FY23, BART's reliance on federal emergency assistance was higher than assumed in the Adopted Budget. Below is a summary of the District's finances in relation to the FY23 budget.

Total Operating Sources, excluding Federal Emergency Assistance: $30.5M (4.3%) favorable to budget.

Operating and Non-Operating Revenue was $17.1M unfavorable to budget, driven by a slower than expected ridership recovery.

- Passenger Revenue was $34.3M (15.4%) unfavorable to budget. Approximately $7.9M of the negative variance was attributable to the unbudgeted September 50% fare promotion. Passenger trips totaled 45.9M exits, 13% unfavorable to budget, and weekday ridership averaged 150,000 exits, 16% unfavorable.
- Parking Revenue was $1.1M favorable, due to higher than budgeted parking

occupancy.
- Other Operating Revenue was $1.0M unfavorable, due in part to lower than budgeted telecoms and rental/lease revenue.
- Non-Operating revenue, which is mainly made up of investment income was $17.1M favorable due to greater than budgeted returns on investment.

Sales Tax was favorable to budget by $28.2M driven in part by inflation, delayed COVID recovery in San Francisco and strong auto sales.

Other Assistance was $19.4M favorable to budget due largely to the following sources:

- Financial Assistance line items ending the year above budget include: $3.9M favorable from Property Tax, $1.4M favorable for State Transit Assistance; and $10.2M favorable from the Valley Transportation Authority (VTA) for Silicon Valley Berryessa Extension (SVBX) operations.

Due to the FY23 actual net result, reliance on Federal Emergency Assistance was higher than budget by $2.3M. Federal Emergency Assistance was applied in the following manner to offset the operating deficit:

- $50.1M of Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds drawn down in previous fiscal years were applied to FY23.
- By Federal formula, $407.8M of one-time American Rescue Plan Act (ARPA) funds were recognized: $265.8M was used to balance the FY23 deficit and $142.0M was allocated to a reserve account to offset expenses in future fiscal years.
- The total amount of federal emergency assistance needed between CRRSAA and ARPA in FY23 was $315.9M.

Total Operating Expenses, net of GASB: $43.0M (5.0%) unfavorable to budget.

Net Labor and Benefits, net of GASB 68 & 75 was $43.0M (6.8%) unfavorable to budget.

Gross Wages & Fringe ended the year $56.8M (7.1%) below budget, primarily due to vacant operating and capital positions. The bulk of this underspending came from capital positions. These gross savings were more than offset on a net operating basis by three major drivers:

- The budget assumed a vacancy rate of 10% in FY23; by the end of the fiscal year, 6% of operating positions were vacant, leading to an favorable result in net Wages & Fringe.
- Net operating Overtime was $67.3M, which was $18.9M over budget.
- Labor Reimbursements, primarily for capital funded labor was $139.5M, $80.9M (36.7%) unfavorable to budget. This under recovery was driven by a higher than budgeted vacancy rate for capital positions, which ended the year 22% vacant, higher than the 10% budgeted. This under recovery was partially offset by higher than budget

capital overtime reimbursements.

Non-Labor expense, net of GASB 87 & 96, ended the year nearly on budget, though there were variances within individual budget categories:

- Material Usage was $10.2M (20.4%) below budget, mostly due to a cost structure change in forecasting the material budget associated with the accounting of BART's Fleet of the Future (FOTF) warranty parts usage, including $5.8M in warranty parts credit for FY23. This favorability was partially offset by $5.7M unfavorable expenses due to the write-off of obsolete legacy C-Car parts.
- Purchased Transportation was $5.6M (19.0%) favorable, mostly due to a mid-year management cost control decision to eliminate accrued FY22 and FY23 transfer payments, in a move to reduce operating expense.
- Electric Power was $8.5M (16.2%) unfavorable due to historically high winter natural gas prices, which had a spillover effect on other energy prices, including electricity.
- Miscellaneous Expenses was $6.5M (28.0%) unfavorable to budget mostly due to the payment of two very large liability claims approved by the Board as well as unfavorable Clipper Fees.
- Professional Fees, Repair & Maintenance, Other Utilities, Travel & Meeting and Rental Expense categories were a combined $0.7M unfavorable.

Debt Service and Allocations: $10.2M (6.5%) favorable to budget.

Bond debt service for FY23 was equal to the budget.

The adopted FY23 budget included $97.5M in planned allocations. Actual Capital & Other Allocations were a net of $10.2M less than budget due to the following:

- $10.0M was budgeted but not allocated to the Pension Trust Contribution as part of mid-year cost saving measures.

- Other Capital Allocations was below budget due to cost neutral transfers between the Labor, Non-Labor, and Allocations; when funds budgeted as capital allocations are booked as non-capitalizable (typically because they fall below the minimum cost threshold), they generate a positive variance in the Allocations category, which is offset by a negative variance in Labor of Non-Labor; this is called a reverse capital allocation. When a Labor or Non-Labor expense is deemed capitalizable, the opposite occurs—a positive Non-Labor variance is created, offset by a negative Allocations variance. In FY23, a $5.2M reverse capital allocation of non-capitalizable labor and non-labor expenses was offset by $5M in capitalizable train control parts and cash handling procurement, improvements to station signage, and BHQ facility needs.

The budget revision requests Board approval for adjustments that conform the final budget to actuals. These adjustments increase or decrease categories of expense, revenue, and allocations and fully offset each other. For example, the budget for revenue is decreased; budgets for various categories of financial assistance are increased; budgets for labor and non-labor are decreased; and certain allocations are increased as described above.

FISCAL IMPACT: Board approval of the proposed adjustments amends the FY23 budget to match actuals.

ALTERNATIVES: If the Board does not approve the adjustments, the District's FY23 budget will not match actuals.

RECOMMENDATION: Approval of the motion below.

MOTION: Approval of the attached resolution "In the Matter of Amending Resolution No. 5520 regarding Fiscal Year 2023 Annual Budget."