

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors

DATE: May 15, 2025

FROM: General Manager

SUBJECT: FY25 Third Quarter Financial Report (QFR)

Executive Summary

The Fiscal Year 2025 (FY25) Third Quarter Financial Report (January – March 2025) is attached. Additional explanatory detail is provided in this memo; summaries of ridership performance and drawdowns of emergency assistance are also included in this package.

The District's net operating result was balanced through the third quarter (Q3) of FY25 due to the continued use of federal emergency assistance funds allocated through the American Rescue Plan Act (ARPA). These funds enabled the District to cover a \$260.0 million (M) operating deficit (the difference between revenues and expenses incurred) over the nine-month period of July 1, 2024 to March 31, 2025.

Though BART ended Q3 unfavorable to budget due to State Transit Assistance (STA) timing of payments, staff currently project that by year-end, the budget will be balanced, with more revenues and under-budget expenditures in non-labor. Thus, BART currently projects to need \$17.3M less emergency assistance than included in the FY25 Adopted Budget; these funds will be carried over into FY26 to offset deficits in that year.

Ridership totaled 38.6M exits through Q3 FY25, 1.3% above budget and 4.9% more than the same period one year ago. Average weekday ridership during this period was 169,167 exits, 0.6% above budget, and 4.9% higher than one year ago.

Third quarter FY25 ridership was on par with the previous quarter, consistent with expected seasonal variation due to winter weather and holidays. On a month-to-month basis, average weekday ridership increased along seasonal expectations: January (162,938), February (171,856) and March (174,538).

Operating Revenue

Operating Revenue was \$16.7M (7.6%) above budget through Q3 FY25. **Net Passenger Revenue** was \$4.4M (2.5%) positive, and **Parking Revenue** was \$0.9M (7.2%) above expectations. **Other Operating Revenue** was \$0.4M (2.5%) below budget, with higher-than-expected advertising revenue being offset by lower-than-expected Commercial Communications Revenue Program (CCRP) revenue.

Financial Assistance

Sales Tax revenue was \$3.3M (1.4%) unfavorable through Q3 FY25, driven in part by lower-than-expected consumption of general consumer goods. **Property Tax** revenue was \$4.4M (13.3%) favorable through Q3 as revenues were elevated across all three BART counties. **State Transit Assistance (STA)** was \$31.1M (70.1%) unfavorable through Q3 due to timing of payments. However, STA is estimated to end FY25 \$0.4M (0.9%) above budget. **VTA Financial Assistance** was \$1.0M (3.8%) higher than budgeted due to operating expenses attributable to VTA that were updated after FY25 budget adoption.

Other Assistance through Q3 was \$6.7M (25.2%) favorable. Unbudgeted non-emergency Federal Assistance was \$2.1M favorable, unbudgeted State Assistance was \$2.2M favorable and Local Assistance was \$2.1M favorable. Low Carbon Fuel Standard (LCFS) credit sales were \$0.3M (5.4%) above budget.

Operating Expense

Total Operating Expense was \$2.3M (0.3%) lower than budget through the third quarter of FY25, as Non-Labor underspending more than offset Labor overspending.

Labor costs exceeded budget through the third quarter by \$18.2M (3.1%), primarily driven by above budget Overtime and unfavorable Capital Labor Reimbursements, which were partially offset by underspending in Gross Wages.

Total gross **Wages, Fringe Benefits & Other Labor** was \$7.7M (1.2%) below budget. However, Net Operating Wages, Fringe Benefits & Other Labor finished 3Q \$10.6M (1.9%) unfavorable to budget, driven by \$18.3M (16.1%) in below budget Capital Labor Reimbursements. At this time, staff are conducting a review of Q1 to Q3 capital charging to ensure that all reimbursable hours are charged to capital sources; the outcome of this work may result in increased capital reimbursements in Q4. Changes have also been made to ongoing charging; for the first time in FY25, March's Total Labor Reimbursement variance was under \$1.0M unfavorable.

Total gross **Overtime** was \$66.6M through Q3, above budget by \$8.8M, and \$7.2M higher than FY24 Q3 YTD. When Capital Reimbursements Overtime is accounted for, net operating overtime variance is \$7.6M (17.8%) unfavorable to budget, compared to \$6.3M unfavorable to budget through FY24 Q3.

Non-labor was below budget through the third quarter by \$20.5M (10.7%). **Other Non-Labor** was \$13.5M (11.1%) favorable to budget, with most of the favorable variance in Miscellaneous Expenses, Electrical Power, and Repairs & Maintenance. Miscellaneous Expense and Electrical Power were \$8.9M and \$6.2M, respectively, favorable mostly due to deferred Clipper 2.0 fees, other Clipper fee reductions, and invoice timing for election costs. Repairs & Maintenance was \$2.0M favorable and Other Utilities was \$1.2M favorable due to timing of vendor invoices.

Debt Service and Allocations

Debt Service is on budget. **Allocations** were \$1.6M (6.7%) favorable through Q3.

Emergency Assistance

The District required \$260.0M in ARPA funding to cover the shortfall between operating revenue and expense through the third quarter of FY25, which was \$1.7M (0.7%) more than anticipated in the budget. The shortfall is due primarily to timing of payments; State Transit Assistance (STA) assumed in Q3 is now expected to be received in Q4.

The District is relying on ARPA funding to close its operating deficit for most of FY25, with SB125 state and regional assistance expected to begin closing deficits in Q4, after the last of BART's ARPA funds are expended. Through March, of the total \$1.6B of federal emergency assistance allocated to the District since 2020, \$1.6B (99.1%) has been expended, with \$13.8M (0.9%) remaining for use in future quarters. An additional \$58.2M of SB125 assistance has been allocated and placed in operating reserves.

FY25 Year-End Projection

The FY25 Q3 Financial Report includes a year-end projection. As the projection is based on nine months of actual data, year-end actuals may vary significantly.

At this time, staff project to end FY25 with a \$0.0M deficit against the adopted budget. Total sources are expected to end the year \$16.6M (2.1%) higher than budget, driven primarily by higher than budgeted Investment Income, Other Financial Assistance, and Net Passenger Revenue, but slightly offset by lower than budgeted Sales Tax. Total uses are expected to end the year just under \$1M (0.1%) under budget, driven primarily by Non-Labor underspending, offset by higher than budgeted Labor expense.

As BART uses emergency assistance to close its operating deficits, better than budget results mean BART requires less emergency assistance to close that year's deficit. The savings can then be used to offset future deficits. In FY25, BART projects to need \$17.3M less emergency assistance; that amount can be used to offset the FY26 deficit, and is currently assumed in the FY26 budget.

Though BART currently anticipates having a balanced budget by year-end, a number of factors could increase or decrease the amount of emergency assistance needed. These include ridership, economic factors, operational issues, and the effect of cost-control measures currently being implemented. It is important to note that BART's SB125 assistance in the current year is capped at \$58.2M, all of which was assumed in the budget. If the year-end projected deficit grows, staff will need to identify additional offsetting savings in order to end the year balanced.

Financial Position

Post-Employment Benefits

BART maintains three trusts to offset liabilities generated by post-employment benefits. For FY25, net assets of all three trusts benefited from the upward run in global equity markets as central banks cut interest rates. Results in Q3 of FY25 however were negative 2.2% for the Retiree Health Benefit Trust (RHBT) and negative 2.1% for the Survivor's Benefit Trust (SBT) since US equities fell over tariff-related uncertainty. The District's Section 115 Pension Trust gained 2.3% during the quarter due to the decline in interest rates on bonds, which lifted the price of bonds.

As of March 31, 2025, the District's assets in its Section 115 Pension Trust, which was set-up to offset future pension liabilities, increased to \$41.94M, a gain of \$2.1M in the three quarters of FY25. Net assets of BART's two Other Post Employment Obligations (OPEB), the RHBT and SBT, saw returns of \$26.5M (4.3%) and \$549K (4.5%), respectively, in the three quarters of FY25.

Milliman, the District's new actuary, completed the actuarial valuation on the Retiree Health Benefit Trust as of June 30, 2024. The latest valuation reported that the funded ratio of the RHBT has improved from 70.51%, shown in the previous valuation, to 74.3%. Update on the actuarial valuation for the SBT and the Retiree Life Insurance Benefit program are still in progress.

Accounts Receivable, Cash, and Investments

As of March 31, 2025, \$90.2M in accounts receivable was outstanding, with approximately \$59M (65%) of receivables in current status, and \$21M (23%) receivables outstanding between 31 to 90 days. Receivables over 120 days outstanding decreased by \$1.8M, from \$4.5M at the end of Q2 FY25 to \$2.7M at the end of Q3

FY25. After March 31, 2025, approximately \$56.6M (63%) of the total outstanding accounts receivable have been collected.

BART had \$1.03B in cash and investments between its capital accounts allocated from operations and General Fund. BART's weighted average return on investments in US government securities in Q3 was 4.16%, lower than what was realized in the prior quarter due to expectation of a reduction in the Federal Funds rate. Cash and Investments increased by \$112M compared to the previous quarter mainly due to the receipt of proceeds of \$150M from the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan.

Outstanding Bonds and Debt Service

The District's total outstanding bond obligations increased by \$151.7 M in Q3 of FY25 due to the issuance of TIFIA loan amounting to \$150M in January 2025, plus the accretion of capitalized interest of \$1.7M. TIFIA loan is payable in 35 years at 4.56% interest. Debt service payments, which will start on July 1, 2029, will be funded by the District's Sales Tax revenues.

Reserves

BART's total reserves declined from \$396M from the previous quarter to \$313M at the end of March 31, 2025. The decline is primarily driven by the \$85M drawdown from the ARPA Reserve, which was needed to offset operating costs during the quarter.

BART's reserve balance is comprised of \$72M from the unused portion of ARPA and SB 125 and Working Capital Reserve fund with a balance of \$92.5M as of March 31, 2025. BART's other remaining operating reserve funds (Operating Reserve, Insurance Calamity Reserve, General Reserve for Economic Uncertainty, Low Carbon Fuel Standards Credits, and Fiscal Stability - Pension) totaled \$148.5M as of March 31, 2025.

If you have any questions about this report, please contact Joseph Beach, Chief Financial Officer, at joseph.beach@bart.gov.

Robert Powers

cc: Board Appointed Officers
Deputy General Manager
Executive Staff