



Fiscal Outlook

Board Workshop

February 10, 2022

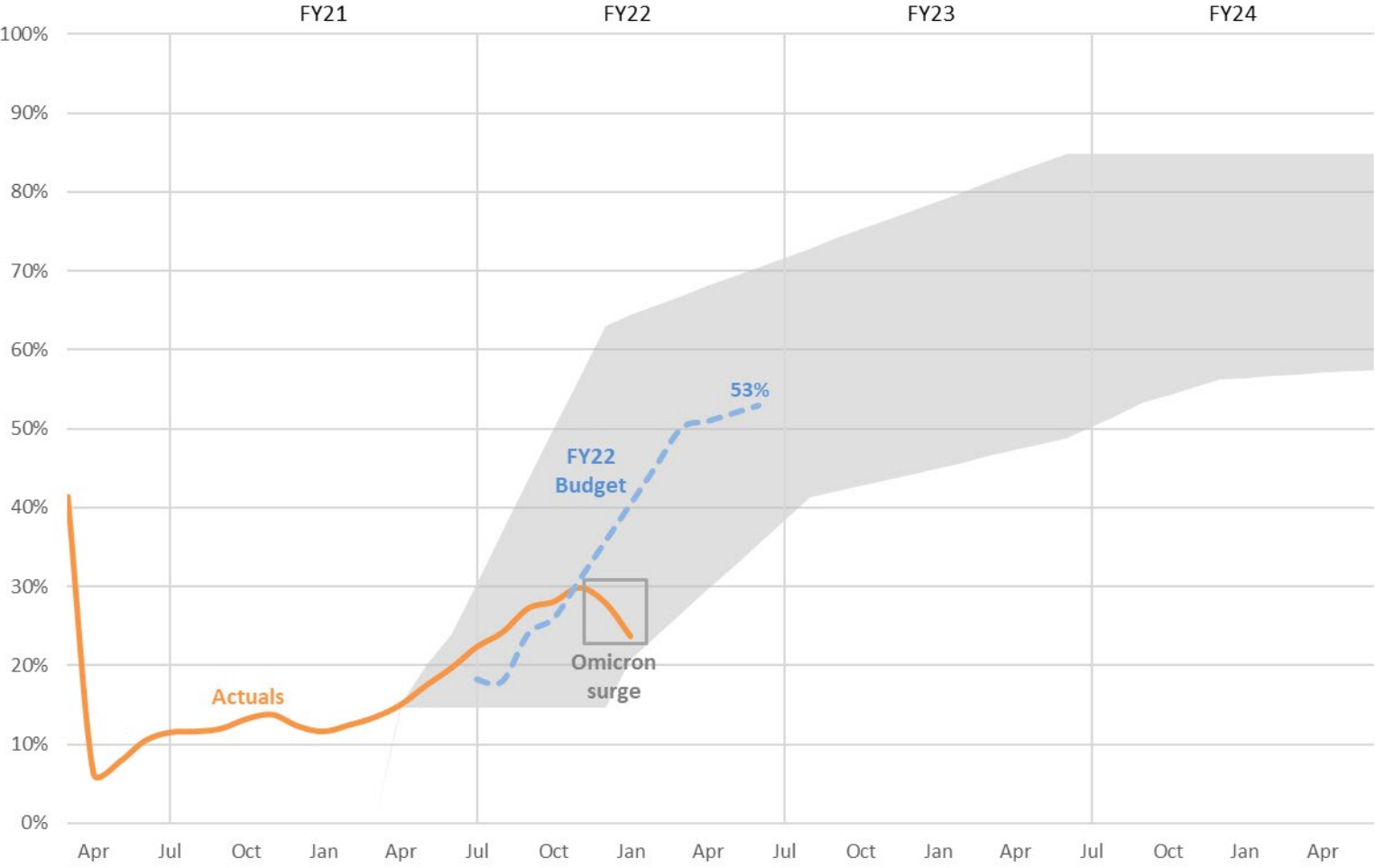


Presentation Overview

- Financial outlook
 - Revenue projections revised downward
 - Operating expense projections stable
 - Remaining runway with federal funds is 24 - 32 months
- Extending the runway
 - Maximizing ridership recovery
 - Managing expense
 - Securing new revenue
- Long term operating revenue opportunities

Financial Outlook

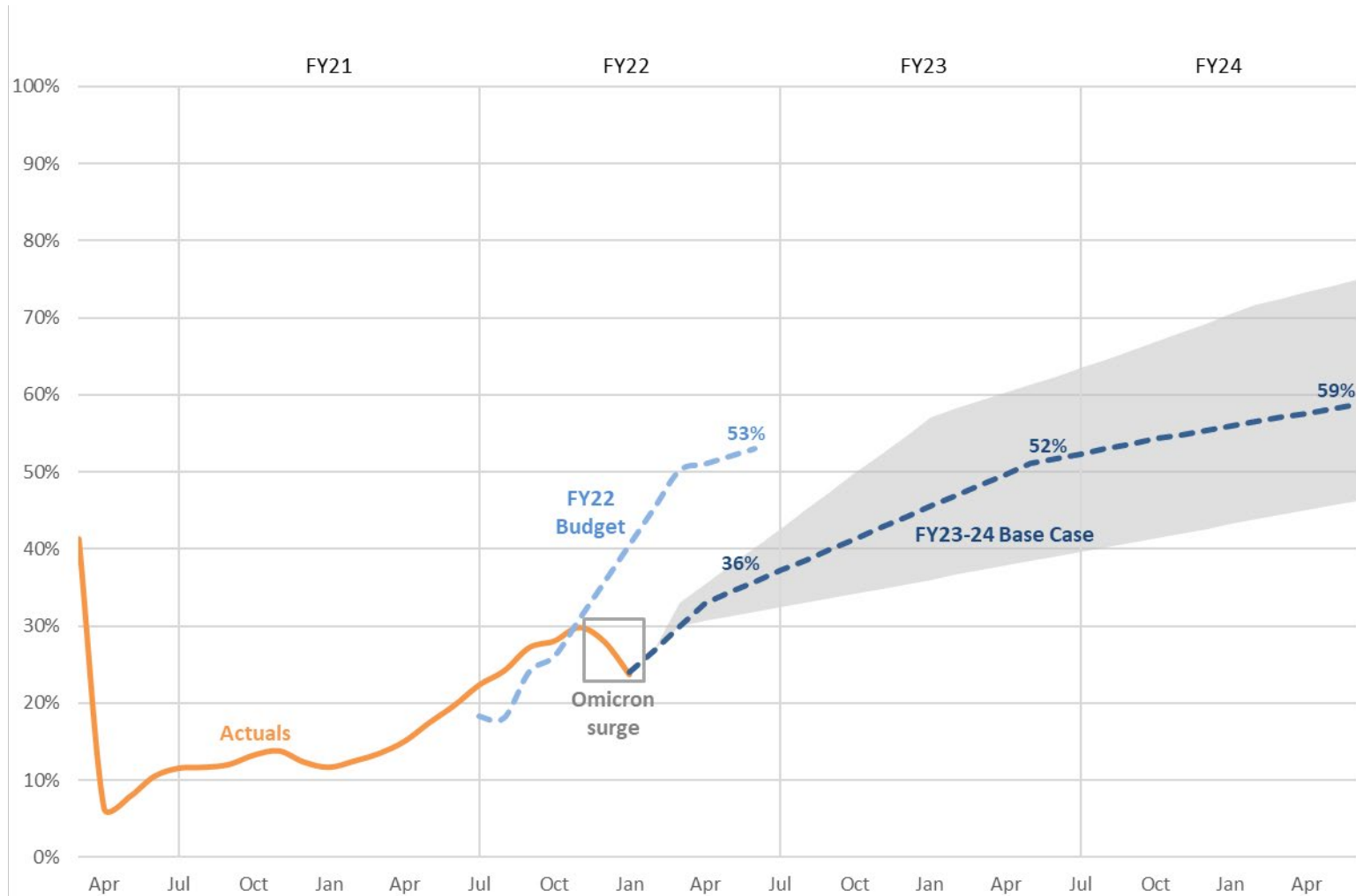
FY22 – 24 Ridership Expectations Reduced



- Looking back
 - July – November 2021: Ridership outperformed FY22 budget
 - December 2021 – February 2022: Ridership below budget
 - Driving recovering faster than transit



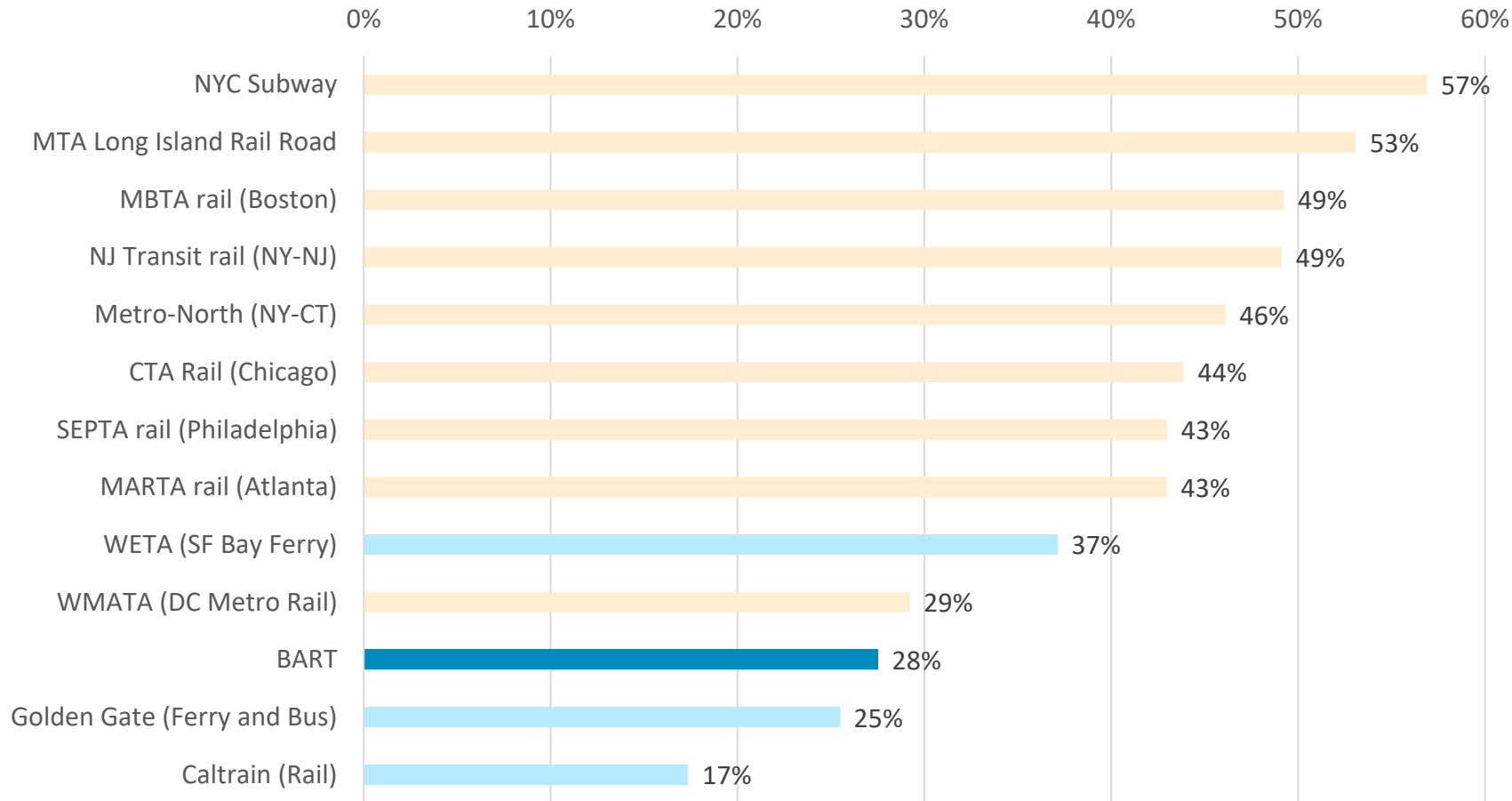
FY22 – 24 Ridership Expectations Reduced



- Looking forward
 - Widespread office reopening still expected to drive recovery
 - Expectations informed by Bay Area Council survey
- Cautious recovery
 - Expect additional variants, winter surges

BART Ridership Recovery In Context

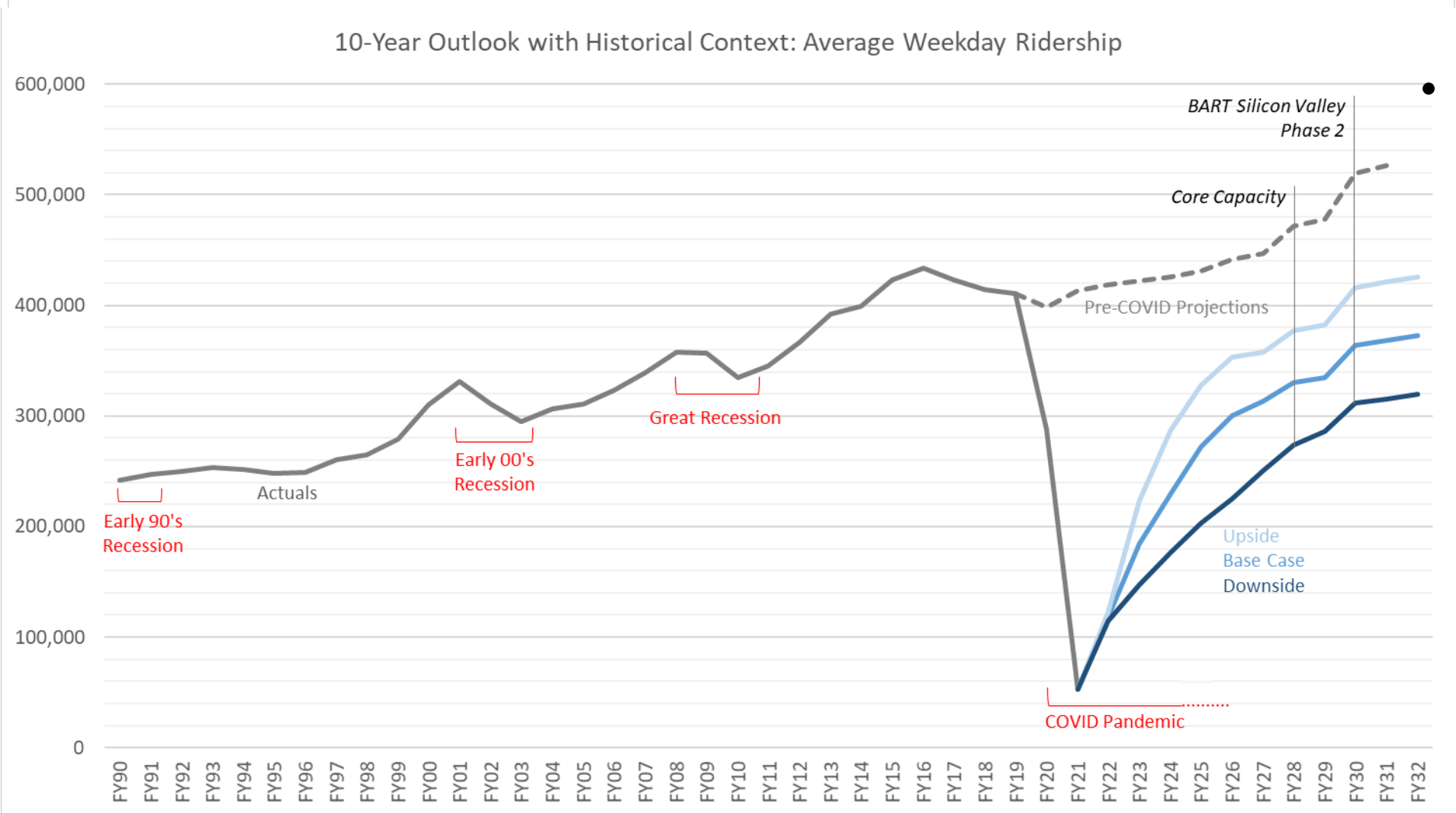
Ridership Recovery - Peer US Rail Services and Bay Area Regional Services Serving Downtown San Francisco (October 2021 vs 2019)



- Bay Area office occupancies remain lowest in the country
- Commute-oriented services like BART recovering slower than local bus / light rail
- SF rail & ferry recovering slower than similar services nationally

Source: National Transit Database, unlinked rail passenger trips in October 2021 as a percent of October 2019

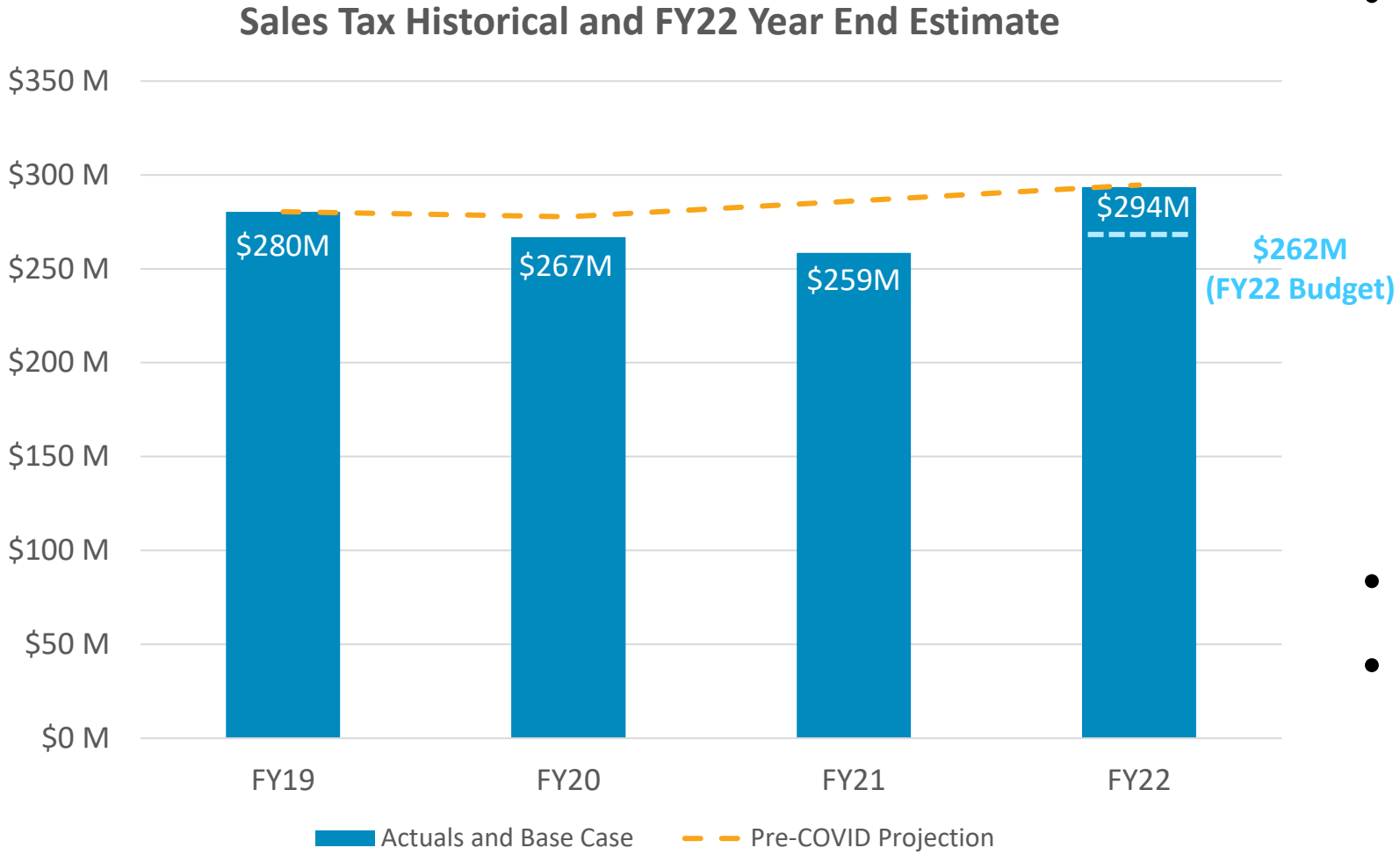
Planning for a Range of Recovery Scenarios



- Assumptions for long-term ridership recovery
 - Upside: stabilize at 80% of pre-COVID forecast
 - Base Case: stabilize at 70%
 - Downside: stabilize at 60%



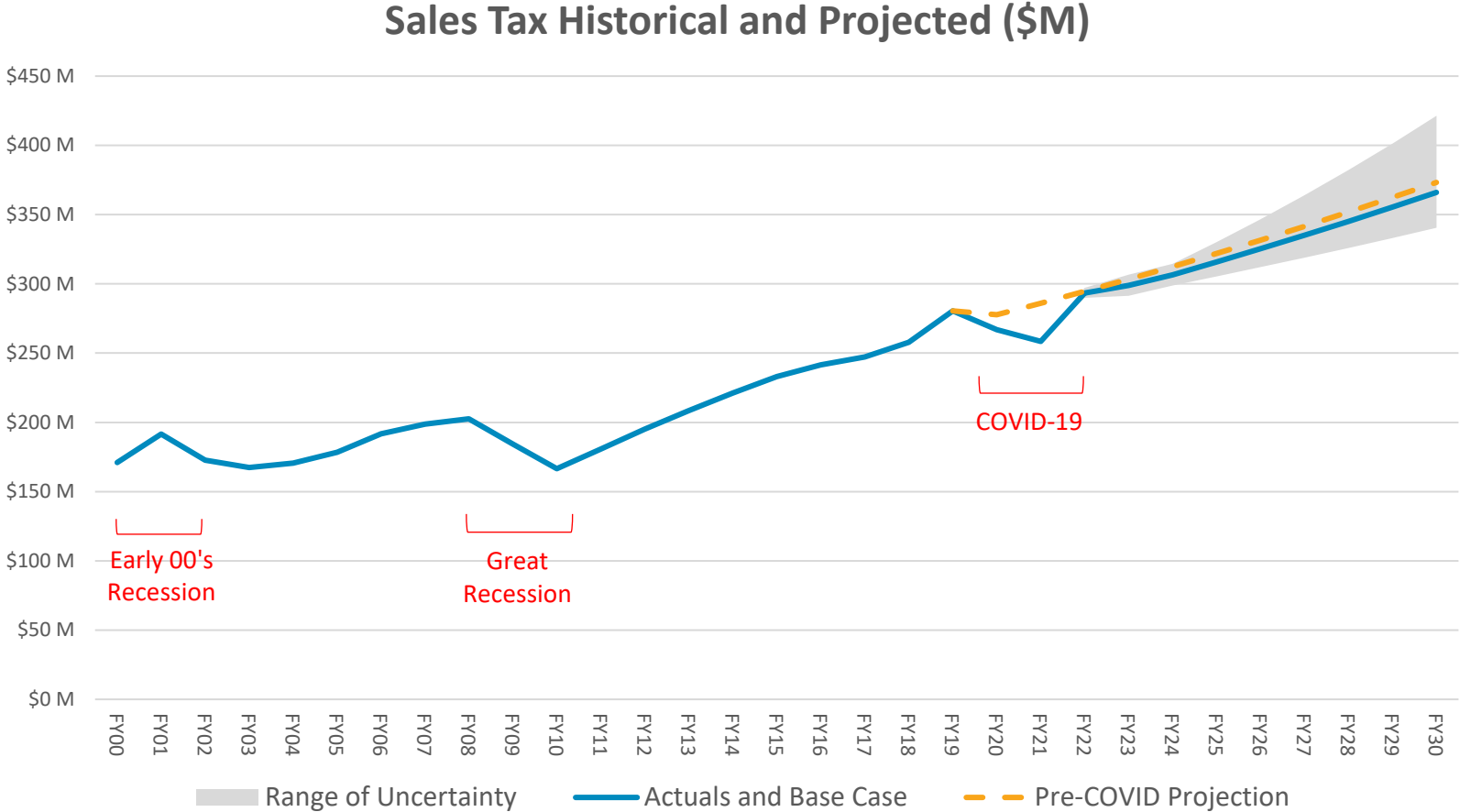
Non-Fare Revenue Recovery



- Sales tax performing better than FY22 budget YTD
 - Contra Costa/Alameda Counties above 2019 levels (SF lags)
 - Recovery reflects surge in spending on durable goods
 - Service economy not fully recovered, uncertainty continues
- Property tax remains stable
- State Transit Assistance recovering



Sales Tax Projections



- Sales tax projections assume:
 - Slow growth in FY23-24 (~2% per year), reflecting economic uncertainty
 - Return to long-run sales tax growth trend (3% per year) after 2025

- Sales tax is volatile, subject to economic cycles

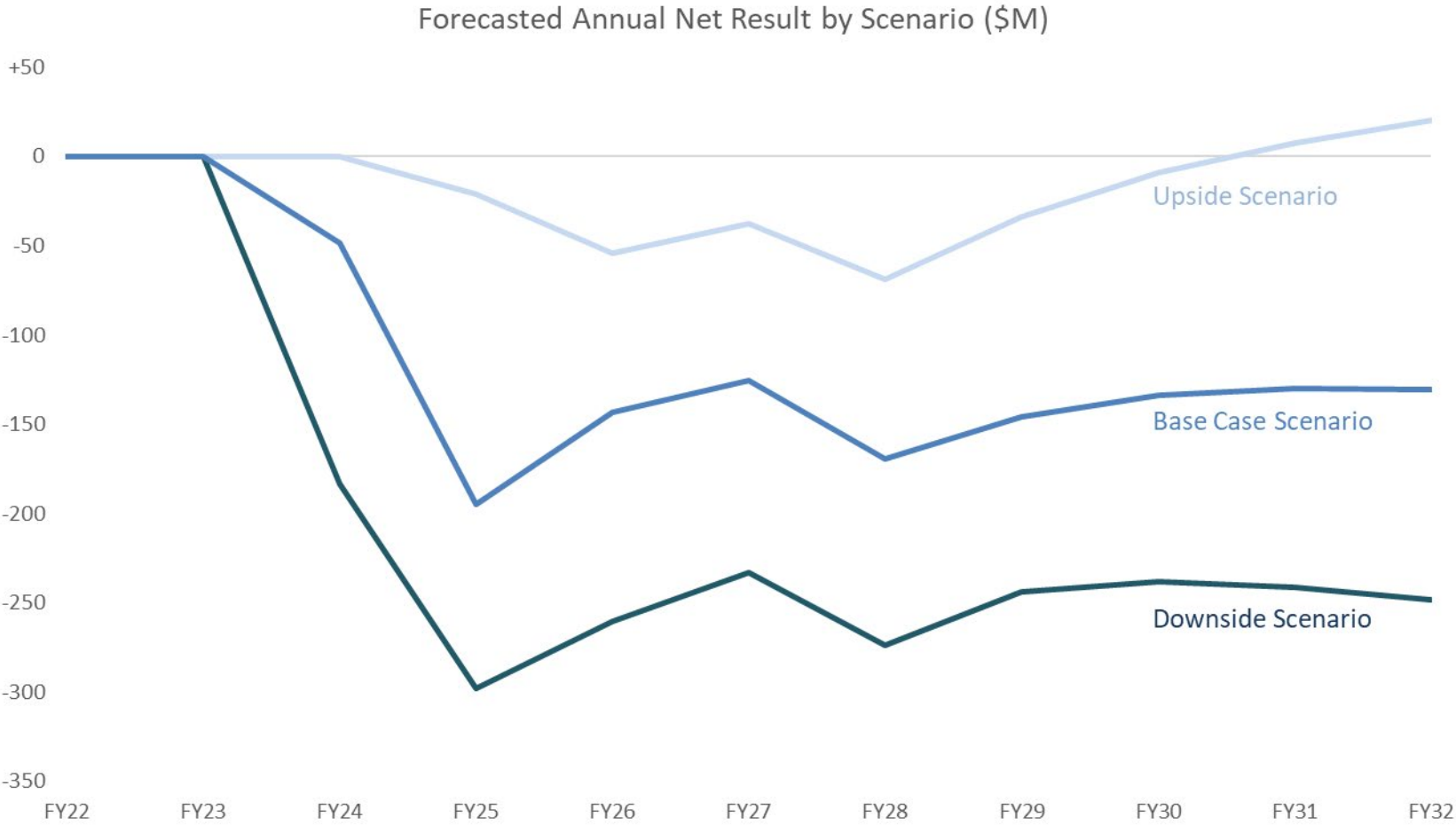
Operating Budget outlook (Base Case)

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Operating Revenues	164	254	320	391	439	466	498	514	577	595	615
Financial Assistance	459	463	474	487	501	514	530	544	585	601	606
Total Regular Revenues	623	717	793	878	940	980	1,029	1,058	1,162	1,197	1,220
Operating Expense	860	866	887	905	912	930	1,036	1,061	1,152	1,182	1,205
Debt Service & Allocations	159	148	180	168	172	176	162	143	144	145	146
Total Uses	1,019	1,014	1,067	1,073	1,084	1,106	1,198	1,204	1,296	1,327	1,351
Operating Result	(396)	(297)	(274)	(195)	(144)	(126)	(169)	(146)	(134)	(130)	(131)
Total Federal Assistance	396	297	226	0	0	0	0	0	0	0	0
Potential Funding Measure					144	126	169	146	134	130	131
Total Net Result	0	0	(48)	(195)	0	0	0	0	0	0	0

Key Assumptions

- Service schedule as of February 2022; Core Capacity service changes in FY28 and FY30, Silicon Valley Phase II in FY29
- Allocations schedule reflects estimated near-term needs of Priority Capital projects and other commitments to capital program
- Revenue from potential funding measure begins in FY26 (see 'Long Term Revenue Opportunities' section)

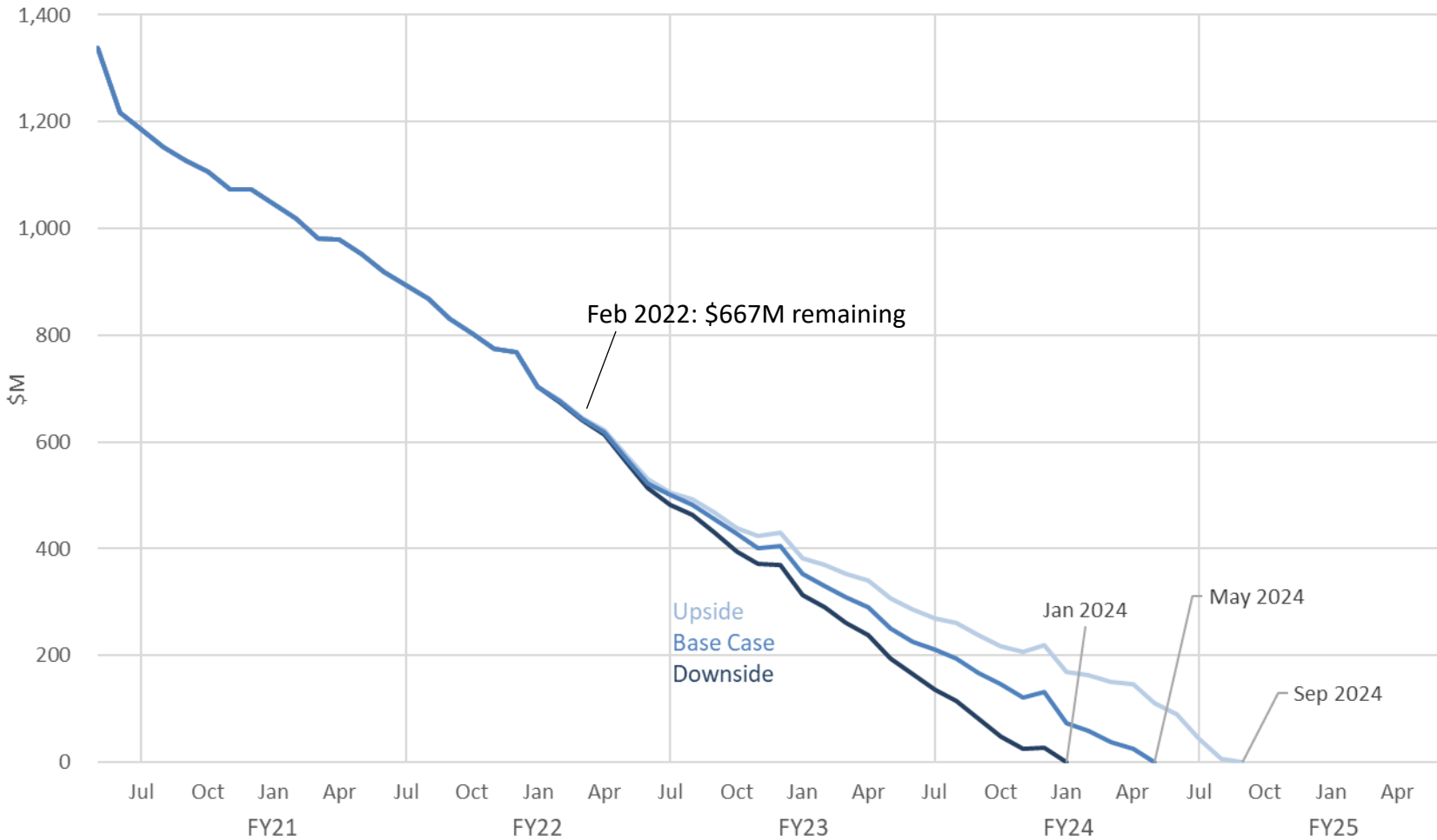
Operating Budget Outlook



- Excludes potential funding measure
- All scenarios include:
 - Service schedule as of Feb 2022
 - Core Capacity, Silicon Valley Phase II
 - Committed capital allocations
- Upside: 10-year cumulative deficit \$225M
- Base case: 10-year cumulative deficit \$1.2B
- Downside: 10-year cumulative deficit \$2.2B



Projected Federal Assistance Expenditure Timeline



- BART will receive \$1.3B from CARES, CRRSAA, and ARP
- BART has used \$660M (49% of total) through February 2022.
- Burn rate over the last 2 quarters: \$25M/month

	Federal Funds exhausted in:	Months of Runway
Downside	Jan 2024	24
Base Case	May 2024	28
Upside	Sep 2024	32



Fiscal Stability Strategies

✔ Maximize Ridership Recovery

- Deliver top customer experience (frequent, reliable, safe, clean)
- ✓ Maintain industry-leading reliability and restore frequent service
- Maximize connections, optimize regional network
- Adapt to changing commute and growth patterns

Constraints

- Economic & social trends outside of our control

📋 Manage Expense

- Maximize efficiencies across the district
- ✓ Right size labor force, overtime in all departments
- Invest in State of Good Repair to maintain system performance and maximize cost-effectiveness

Constraints

- Need to restore service to capture ridership demand recovery
- Cutting service does not lead to commensurate savings

🏠 Secure New Revenue

- Maximize non-fare operating revenue (advertising, telecom, parking, TOD)
- Explore opportunities for ongoing federal, state, or regional operating subsidy
- Develop new capital sources to relieve pressure on operating program

Constraints

- More limited funding opportunities and many needs after pandemic recedes

New revenue will be required to sustain BART service after ARP funding is exhausted

Extending the Runway

Maximize Ridership Recovery



- BART has invested in welcoming riders back with initiatives to provide safe, clean, reliable service



Manage Expense



FY22	FY23 & FY24	FY25 & Beyond
<p>Current Year: Stability & Service</p> <p>Some allocations suspended</p> <p>MET Building debt pay down</p> <p>Labor contracts extended through FY24</p>	<p>Budget Planning Window: Tradeoffs</p> <p>Rolling 2-year budget process to enable longer term planning</p> <p>Maintain FY23 operating expense at FY22 budget levels despite increased service</p> <p>FY24 budget can be balanced with a mix of additional operating revenue and further expense reductions</p>	<p>Longer Term: Uncertainty</p> <p>Balancing budget requires new revenue in addition to ongoing expense reductions</p>

Current Funding Opportunities



- Operating
 - Federal: Application for \$154M in additional ARP submitted to FTA with support of congressional delegation
 - State: Advocating with regional partners for one-time allocation of state General Fund dollars in FY23 Budget
- Capital
 - Pursuing available state, federal, regional, and county funding opportunities
 - Capital program faces significant funding gaps and cashflow timing issues
 - Additional capital funding could address funding gaps or reduce pressure on operating budget
 - Full update on capital program funding planned for upcoming board meeting

Long Term Revenue Opportunities

Long-Term Operating Funding Opportunities



- Limited opportunities for permanent new federal or state operating support
- Local revenue measure options
 - MTC is exploring 9-county measure for 2024
 - BART has authority to propose a revenue measure in 3-county BART District
 - Other options (for example, revenue measure covering BART's 5-county service area)
- Any revenue measure is likely to require legislative changes
- Any measure will require substantial public engagement

Bay Area Voters' Attitudes on Housing and Taxes



- EMC Research survey of likely November 2022 voters in the nine-county Bay Area
- Conducted August 15-19, 2021, on behalf of Non-Profit Housing Association of Northern CA
- Mixed mode telephone and email- and text-to-web methodology:
 - Telephone interviews were conducted by trained, professional interviewers; landlines and mobile phones included
 - Email and text invitations were sent with link to web survey
- 800 interviews; overall margin of error ± 3.5 percentage points
- The survey was available in English, Chinese, and Spanish

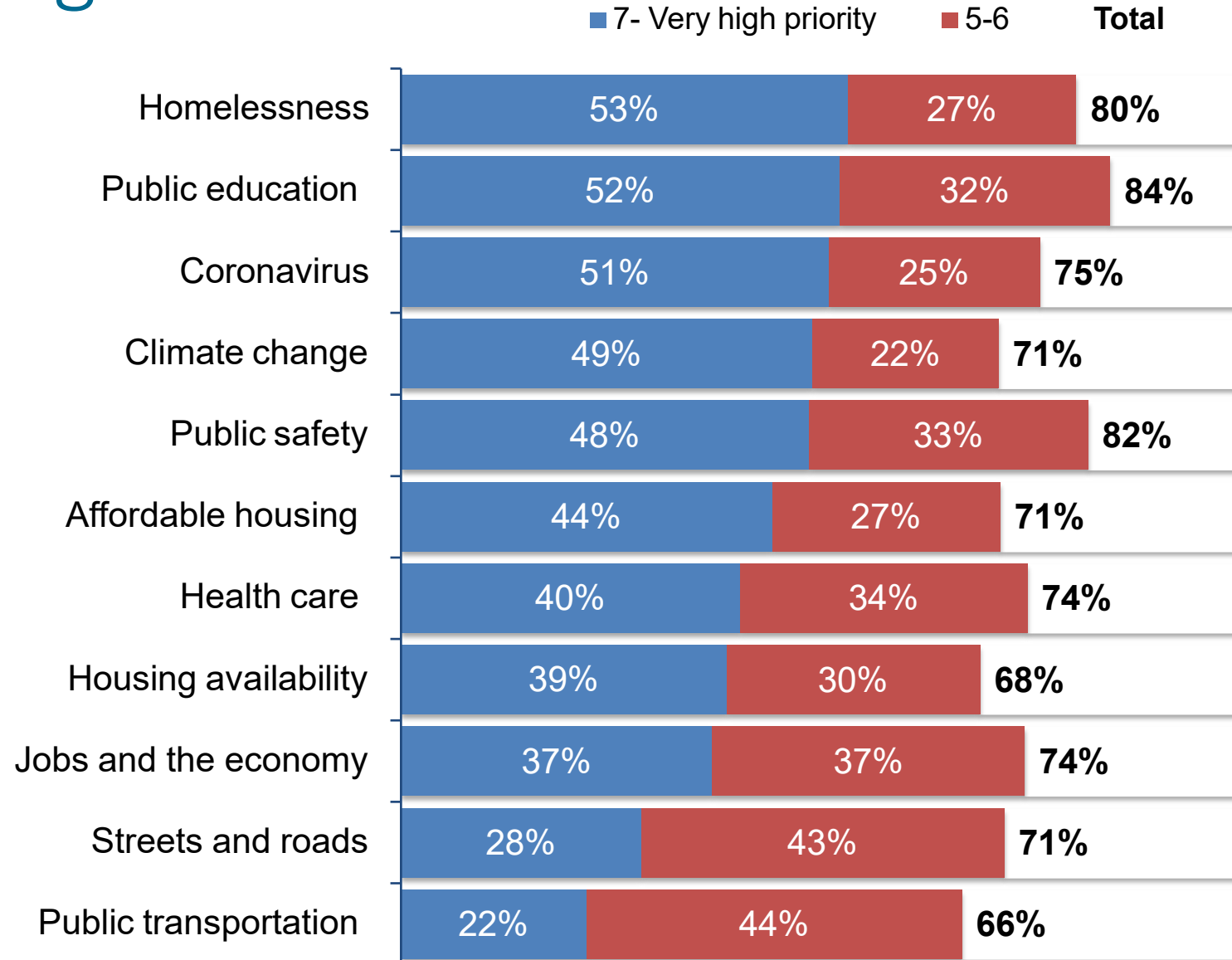
Source: Metropolitan Transportation Commission Listening Session, December 2021

Bay Area Funding Priorities



Question

Thinking about where the Bay Area should prioritize funding, please rate each of the following items using a scale of one to seven, where one means not a priority at all, and seven means a very high priority.



Source: Metropolitan Transportation Commission Listening Session, December 2021

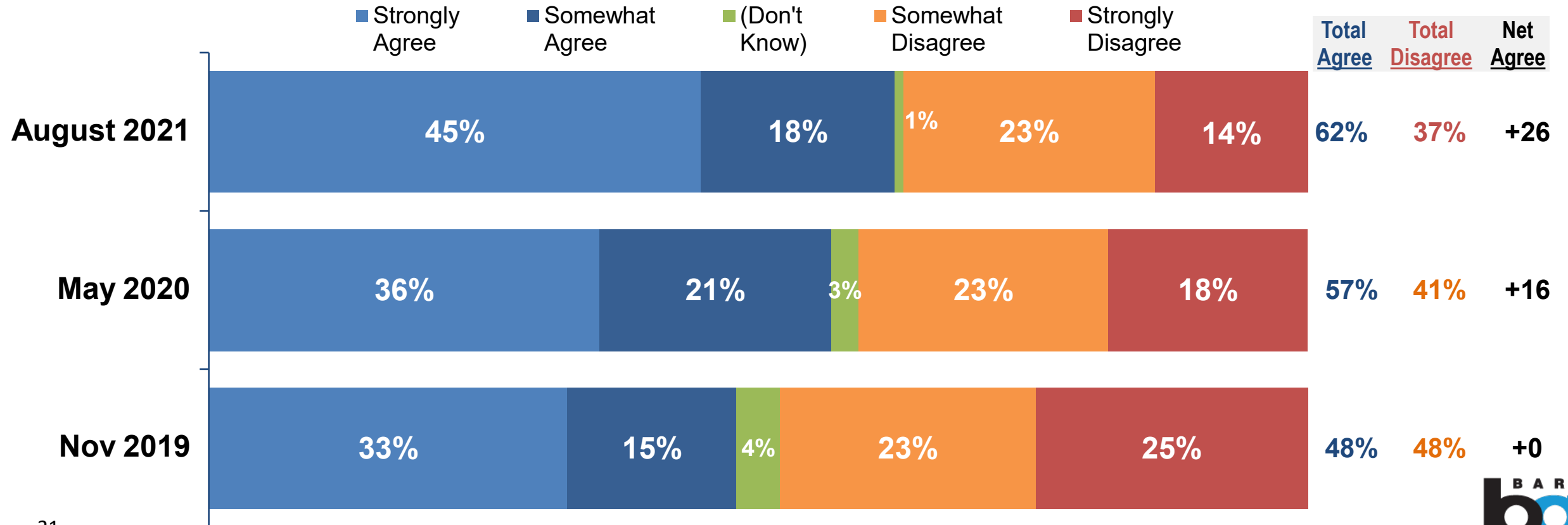
Tax Attitudes



Question

Please tell me whether you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with each of the following statements.

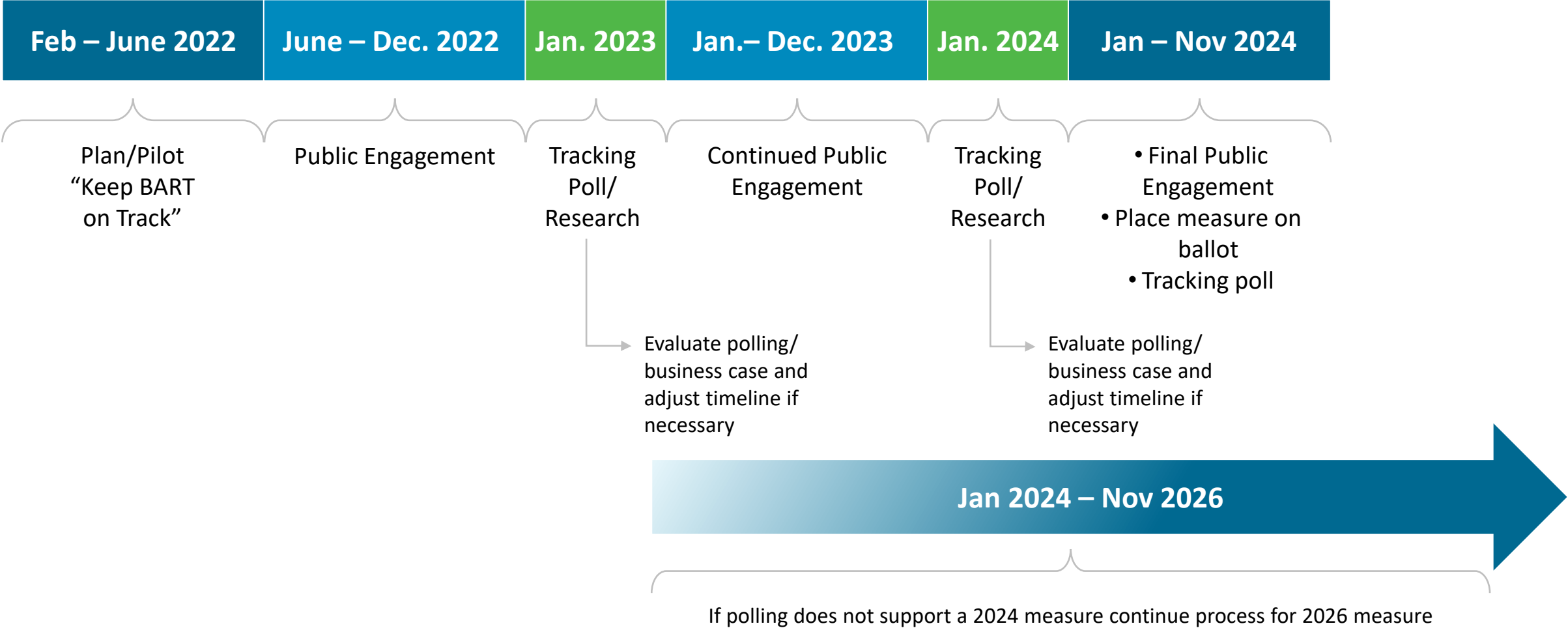
Taxes in the Bay Area are high enough, I will vote against any tax increase



Source: Metropolitan Transportation Commission Listening Session, December 2021



Potential Public Education Timeline



Summary and Next Steps

- Challenging revenue outlook
 - BART's ridership and operating revenue outlook remains extremely challenging and highly uncertain
- We are working to extend our 24- to 32-month fiscal runway
 - FY23 & FY24 can be balanced with tradeoffs
 - FY25 may be balanced with tradeoffs and additional one-time support
- Permanent new operating revenue will be needed
 - Exploring opportunities
 - Leveraging partnerships

Discussion



Supporting Slides

Pension & Retiree Health Assumptions

Pension Normal Cost (\$M)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Classic	22.8	20.6	20.9	21.3	21.8	22.2	22.6	23.1	23.6	24.0	24.5
PEPRA	23.3	25.4	26.0	26.8	27.5	28.0	28.6	29.1	29.7	30.3	30.9
Total Normal Cost	46.1	46.1	46.9	48.1	49.2	50.2	51.2	52.2	53.3	54.3	55.4
<i>% Change</i>		-0.1%	1.9%	2.4%	2.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Pension Unfunded Accrued Liability (UAL) (\$M)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
UAL Contribution - Misc	56.7	66.8	65.4	65.6	54.9	55.6	53.8	59.3	62.0	69.2	69.4
UAL Contribution - Safety	12.7	14.9	15.0	13.4	13.5	13.8	13.9	14.8	15.6	16.5	17.0
Total	69.3	81.7	80.5	78.9	68.3	69.3	67.7	74.0	77.5	85.7	86.4
<i>% Change</i>		17.8%	-1.5%	-1.9%	-13.4%	1.5%	-2.4%	9.4%	4.7%	10.6%	0.8%
Retiree Medical (\$M)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
RHBT Contributions	39.5	40.7	41.3	42.3	43.1	43.8	44.8	46.0	47.1	48.3	49.8
<i>% Change</i>		3.0%	1.7%	2.3%	1.8%	1.7%	2.3%	2.7%	2.5%	2.5%	3.2%
GRAND TOTAL (\$M)	154.9	168.4	168.7	169.3	160.6	163.3	163.6	172.2	177.9	188.4	191.7