



EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL:		DocuSigned by: <i>Michael Jones</i> 47000790F2D7463...		GENERAL MANAGER ACTION REQ'D:	
DATE: 9/28/2022		11/9/2022		BOARD INITIATED ITEM: No	
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				District Secretary	
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				11/8/2022 []	

FY2022 Year End Budget Revision

PURPOSE: To amend the Fiscal Year 2022 (FY22) Budget for year-end adjustments.

DISCUSSION: The District finished FY22 with a balanced budget due to emergency federal assistance. This funding offset a precipitous drop in revenues caused by the COVID-19 pandemic and associated decline in ridership. Absent such assistance, the District would have finished the year with a \$286.7 million (M) deficit. Total Sources excluding Federal Emergency Assistance was \$671.0M and Total Uses excluding allocations to the Operating Reserve for Economic Uncertainty was \$957.7M. The financial results are summarized below, with more detail provided in the Background section and Attachments 1, 2, and 3.

FY22 Operating Results, Excluding Accounting Adjustments

(\$ million)

		Budget	Actual	Var.	%
Sources	Operating & Non-Operating Revenue	\$ 195.7	\$ 164.8	\$ (30.9)	-15.8%
	Sales Tax	261.7	310.7	49.0	18.7%
	Emergency Assistance	385.7	443.1	57.5	14.9%
	Other Assistance	175.6	195.5	19.8	11.3%
	Total Sources	1,018.7	1,114.1	95.5	9.4%
Uses	Labor	649.7	606.9	42.8	6.6%
	Operating Non-Labor	209.9	189.7	20.2	9.6%
	Total Expense	859.6	796.6	63.0	7.3%
	Debt Service	57.2	57.0	0.2	0.4%
	Capital & Other Allocations	101.9	104.2	(2.2)	-2.2%
	Operating Reserve - Economic Uncertainty	-	156.4	(156.4)	
	Total Debt Service & Allocations	159.1	317.5	(158.4)	-99.6%
	Total Uses	1,018.7	1,114.1	(95.5)	-9.4%
	NET RESULT	\$ -	\$ -	-	

Note: For clarity, the above table excludes GASB 68 and GASB 75 Pension, and GASB 87 lease accounting adjustments, which do not impact the Net Results. Results including such adjustments are shown in Attachment 3.



BACKGROUND: In FY22, BART faced extraordinary challenges primarily due to the continued impact of the COVID-19 pandemic. The net result for the District before any federal emergency assistance was a \$286.7M deficit.

BART was able to balance FY22 with emergency federal aid. It is important to note that BART drew down and expended federal aid at different levels than assumed in the FY22 budget; Federal Transit Administration (FTA) rules for emergency assistance drawdowns resulted in more funds drawn down in FY22 than needed in the fiscal year. Per the federal formula, BART drew down \$167.3M in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds and \$275.9M in American Rescue Plan (ARP) Act funds. This revenue allowed BART to balance FY22 and deposit \$275.9M into a reserve fund, which will be carried forward to offset operating deficits in FY23 and potentially in subsequent fiscal years. In addition, to balance FY22, BART also used \$119.4M in CRRSAA reserve funds carried forward from FY21. Below is a summary of the District's finances in relation to the FY22 budget.

Total Operating Sources: \$95.5M (9.4%) favorable to budget.

Operating and Non-Operating Revenue was \$30.9M unfavorable to budget, driven by the ongoing impacts of COVID-19 and a slower than expected ridership recovery.

- Passenger Revenue was \$30.6M unfavorable to budget. Passenger trips totaled 34.5M exits, 19.3% unfavorable to budget, and weekday ridership averaged 111,000 exits, 22.0% unfavorable.
- Parking Revenue was \$2.2M favorable, due to higher than budgeted parking occupancy.
- Other Operating Revenue was \$1.1M unfavorable due to below budget advertising and traffic fines & forfeitures.
- Non-Operating revenue which is mainly made up of investment income was \$1.4M unfavorable due to pension trust related losses.

Sales Tax was favorable to budget by \$49.0M for the year. Sales tax revenue growth proved stronger than anticipated over the fiscal year, driven in part by inflation.

Federal Emergency Assistance was \$57.5M better than budget due to the following sources:

- ARP provided \$275.9M of one-time assistance. This was \$218.0M more than budgeted.
- CRRSAA provided \$167.3M of FY22 one-time assistance in addition to \$119.4M of reserve funds needed to balance the FY22 deficit.

Note that the variance in budgeted against actual federal drawdowns is driven by federal

drawdown rules, which results in variances in individual fiscal years; there are no changes to award amounts.

Other Assistance was \$19.8M favorable to budget due to the following sources:

- \$9.2M favorable from SFO Extension Financial Assistance. By policy, this line item is funded by the SFO reserve account and was exhausted by year end FY22. The variance is due to a larger-than-forecast balance in the SFO reserve account at the start of FY22.
- Financial Assistance line items ending the year above budget include: \$7.3M for State Transit Assistance; \$3.0M favorable from the Valley Transportation Authority (VTA) for Silicon Valley Berryessa Extension (SVBX) operations; and \$2.7M favorable from Property Tax.
- Other Financial Assistance ended the year \$2.4M unfavorable mainly from Low Carbon Fuel Standard Program (LCFS) coming in lower than budget.

Total Operating Expenses: \$63.0M (7.3%) favorable to budget.

Net Labor and Benefits were \$42.8M (6.6%) favorable to budget driven by a higher-than-expected number of vacancies in the District, with 636 (14%) operating and capital positions vacant at the end of the 4th quarter.

- The favorability was slightly offset by \$7.1M of unbudgeted California Supplemental Paid Sick Leave use for COVID-19 related reasons.
- Operating overtime was \$54.6M, which was \$6.2M over budget. Total overtime, including overtime funded by capital projects, was \$80.1M, which was \$31.7M over budget.
- Capital Labor Reimbursements totaled \$164.8M, \$24.5M (12.9%) unfavorable to budget.

Non-Labor expenses were \$20.2M (9.6%) favorable to budget due to the following:

- Material Usage was \$11.4M (24.8%) favorable to budget due supply chain issues and delays in procurement of items.
- Rental Expense was \$2.9M (41.3%) favorable to budget in part due to the final Lakeside lease payment coming in lower than anticipated.
- Miscellaneous Expenses was \$2.7M (12.8%) favorable to budget, with \$1.5M due to under budget credit card, bank and clipper fees related to lower ridership and \$1.4M lower than expected insurance related claims.
- Electric Power was \$1.3M (2.8%) favorable due to BART system load materializing lower than projected over the course of the fiscal year.
- Professional Fees were \$1.3M (3.0%) favorable, from lower than anticipated training and seminar costs and legal fees.

- Purchased Transportation was \$1.1M (4.0%) favorable due to fewer paratransit trips.
- Repair & Maintenance, Other Utilities and Travel & Meeting categories were a combined \$0.6M unfavorable.

Debt Service and Allocations: \$158.4M unfavorable to budget.

Bond debt service for FY22 was \$0.2M favorable to budget.

The adopted FY22 budget included \$101.9M in planned allocations. Actual Capital & Other Allocations were a net of \$2.2M greater than budget and include the following:

- \$10.0M was allocated to the Pension Trust; this amount was offset by \$2.4M in investment losses to previous allocations to the Pension Trust.
- Other Capital Allocations was unfavorable to budget due to a \$2.0M allocation to fund safety and compliance improvements at the BART Police headquarters, and a \$3.1M allocation originally budgeted in Operating Non Labor but later reclassified as Capital to fund handheld radios for BPD, RSS, and Transportation.

A net increase of \$156.4M of federal aid was directed into the Operating Reserve for Economic Uncertainty.

- A \$119.4M reverse allocation of CRRSAA funds placed in reserve in FY21 were used to offset expenses in FY22.
- \$275.9M of one-time ARP funds drawn down in FY22 were allocated to the reserve to offset expenses in future fiscal years.

These adjustments in the budget revision 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 and decreased as described above.

FISCAL IMPACT: Board approval of the proposed allocations closes the fiscal year and results in a balanced FY22 Budget.

ALTERNATIVES: If the Board does not approve the adjustments, the District will still end the year balanced.

RECOMMENDATION: Approval of the motion below.

MOTION: Approval of the attached resolution "In the Matter of Amending Resolution No. 5520 regarding Fiscal Year 2022 Annual Budget."

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

(\$ Millions)

	Q1 Actuals	Q2 Actuals	Q3 Actuals	Q4 Actuals	Q4 Budget	Q4 Variance	YTD Actuals	YTD Budget	YTD Variance	YTD % Variance
<u>Operating Revenue</u>										
Net Passenger Revenue	25.2	34.0	32.1	44.5	61.9	(17.4)	135.8	166.4	(30.6)	● -18.4%
Parking Revenue	3.0	2.4	2.7	3.5	3.2	0.3	11.6	9.4	2.2	● 23.2%
Other Operating Revenue	5.6	4.1	5.1	3.9	5.1	(1.3)	18.7	19.8	(1.1)	● -5.4%
Total Net Operating Revenue	33.7	40.5	40.0	51.9	70.3	(18.4)	166.1	195.5	(29.4)	● -15.1%
Non-Operating Revenue - Investment Income	0.0	(0.1)	(1.3)	0.0	0.0	(0.0)	(1.3)	0.1	(1.4)	● -1184.5%
Total Revenue	33.8	40.4	38.7	51.9	70.3	(18.4)	164.8	195.7	(30.9)	● -15.8%
<u>Financial Assistance</u>										
Sales Tax	78.0	75.0	79.9	77.8	59.8	18.0	310.7	261.7	49.0	● 18.7%
Property Tax	2.8	26.6	2.8	25.0	24.0	1.0	57.2	54.5	2.7	● 4.9%
State Transit Assistance	0.0	0.0	5.8	29.9	14.2	15.7	35.7	28.4	7.3	● 25.8%
VTA Financial Assistance	9.5	9.5	9.5	9.6	8.8	0.8	38.2	35.2	3.0	● 8.6%
SFO Ext Financial Assistance	11.4	11.6	7.4	1.4	-	1.4	31.8	22.6	9.2	● 40.7%
Other Assistance	7.6	7.8	8.9	8.3	8.8	(0.5)	32.6	35.0	(2.4)	● -6.8%
Total Financial Assistance	109.3	130.5	114.3	152.0	115.6	36.4	506.2	437.3	68.9	● 15.7%
Total Sources	143.1	170.9	153.0	204.0	185.9	18.0	671.0	633.0	38.0	● 6.0%
<u>Operating Expense</u>										
Wages, Benefits, Other Labor	176.6	174.0	179.6	176.3	198.9	22.6	706.5	806.5	100.0	● 12.4%
Total Overtime	18.4	19.6	20.1	22.0	12.1	(9.9)	80.1	48.4	(31.7)	● -65.4%
Capital Reimbursements - Wages & Fringe	(36.9)	(35.6)	(33.9)	(32.9)	(47.2)	(14.3)	(139.3)	(189.3)	(50.0)	● -26.4%
Capital Reimbursements - OT	(6.0)	(6.3)	(6.6)	(6.6)	-	6.6	(25.5)	-	25.5	-
Other Reimbursements	(3.7)	(4.0)	(3.3)	(3.9)	(3.9)	(0.0)	(14.9)	(16.0)	(1.1)	● -6.7%
Electric Power	12.6	11.7	12.0	11.3	13.7	2.4	47.6	48.9	1.3	● 2.8%
Purchased Transportation	6.5	6.6	6.6	5.6	6.6	1.0	25.3	26.3	1.1	● 4.0%
Other Non Labor	22.9	29.6	29.1	35.1	35.1	(0.0)	116.8	134.6	17.8	● 13.2%
Total Operating Expense	190.4	195.6	203.6	206.9	215.2	8.4	796.6	859.6	63.0	● 7.3%
<u>Debt Service and Allocations</u>										
Debt Service	14.2	14.2	14.2	14.2	14.3	0.0	57.0	57.2	0.2	● 0.4%
Capital and Other Allocations	26.3	0.5	21.1	48.6	45.6	(3.1)	96.5	91.9	(4.6)	● -5.0%
Pension Allocations	0.0	(0.1)	3.6	4.2	5.0	0.8	7.6	10.0	2.4	● -23.9%
Total Debt Service and Allocations	40.5	14.6	38.9	67.1	64.9	(2.2)	161.1	159.1	(2.0)	● -1.3%
Total Uses	231.0	210.3	242.5	273.9	280.1	6.2	957.7	1,018.7	61.0	● 6.0%
Net Result Before Financial Assistance & GASB	(87.8)	(39.4)	(89.6)	(70.0)	(94.2)	24.2	(286.7)	(385.7)	98.9	● 25.7%
Federal Assistance Applied	88.0	39.2	89.6	70.0	90.6	(20.7)	286.7	385.7	(98.9)	
Net Result before GASB	0.1	(0.1)	-	0.0	(3.5)	3.5	0.0	-	0.0	● 0.0%
Operating Result (Deficit)	(156.7)	(155.1)	(163.7)	(155.0)	(145.0)	(10.0)	(630.5)	(664.0)	33.5	● 5.1%
System Operating Ratio	17.7%	21.1%	19.3%	25.2%	32.6%	-7.5%	20.9%	22.7%	-1.9%	
Rail Cost / Passenger Mile (\$)	1.638	1.520	1.662	1.257	0.892	(0.365)	1.497	1.287	(0.210)	

Attachment 2

Explanation of GASB 68 and 75

Governmental Accounting Standards Board (GASB) Statements No. 68 and No 75 establish accounting and financial reporting standards and requirements related to pension liability and post-employment benefits (Other Post-Employment Benefits or OPEB), respectively, for state and local government employers. GASB 68 applies to the District's pension program while GASB 75 applies to all OPEB programs, which include retiree medical, survivor benefits, and life insurance. The standards represent a shift from the "funding based approach" to an "accounting based approach" and are intended to provide standardization and additional transparency for public agency pension and OPEB reporting. The standards call for public agencies to report their present obligation to pay future benefits. These future benefits are recognized in the financial statements but not paid. Therefore, the expenses reported in the District's financial statements, which follow Generally Accepted Accounting Principles (GAAP) and GASB guidelines, will be different than the amounts required to be paid to CalPERS annually to fund the pension plans and contributions to OPEB. The District's annual operating budget accounts for actual payment to CalPERS as an expense based on the amount of funds contributed to pensions during the year and the amounts contributed to OPEB per actuarial calculations. The expenses determined under GASB 68 and GASB 75 are not funded by the District, so the recognized expenses are backed out as non-expense allocations to reconcile with the District's annual operating budget.

The main changes to financial statements from adopting the GASB 68 and 75 are that employers now report the pension and OPEB liabilities on their balance sheet, and expenses are calculated in a different manner than the payments required to fund the contributions. Local governments now receive two actuarial reports for each pension plan and OPEB program, one for funding contributions and a second valuation for financial reporting.

Explanation of GASB 87

In June 2017, GASB issued Statement No. 87, Leases, and the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. There is no longer an operating versus capital classification. Beginning July 1, 2021, BART is required to record the lease assets and obligations of the lease for personal property (e.g., vehicle, office equipment leases) and real property (e.g., building, land, real estate leases).

The main changes to financial statements from adopting the GASB 87 is that leases extended beyond 12 months will have financial impacts on both the lessee and lessor. BART now recognizes Intangible Right-to-Use Assets and Lease Liabilities for lessee leases and recognizes Deferred Inflow of Resource and Lease Receivables for lessor leases on the Statement of Net Position. Additionally, Lease Revenues/Expenses and Interest Revenues/Expenses on Statement of Revenues, Expenses and Change in Net Position are calculated/recorded based on the amortization schedule of each lease. Prior to GASB 87 adoption, Lease Revenues/Expenses are recognized when lease payments are received/made/accrued and Interest Revenue/Expense are not recognized on the financials.

Attachment 3

FY22 Operating Results, Including Accounting Adjustments

(\$ million)

		Budget	Actual	Var.	%
Sources	Operating & Non-Operating Revenue	\$ 195.7	\$ 164.8	\$ (30.9)	-15.8%
	Sales Tax	261.7	310.7	49.0	18.7%
	Emergency Assistance	385.7	443.1	57.5	14.9%
	Other Assistance	175.6	195.5	19.8	11.3%
	<i>Lease, Rental & Interest Revenue - GASB 87</i>	-	3.0	3.0	
Total Sources		1,018.7	1,117.1	98.4	9.7%
Uses	Labor	649.7	606.9	42.8	6.6%
	Operating Non-Labor	209.9	189.7	20.2	9.6%
	<i>Pension - GASB 68 Adjustment</i>	-	(60.3)	60.3	
	<i>Non-Pension - GASB 75 Adjustment</i>	-	(17.9)	17.9	
	<i>Lease - GASB 87 Expense</i>	-	0.6	(0.6)	
Total Expense		859.6	719.0	140.6	16.4%
	Debt Service	57.2	57.0	0.2	0.4%
	Capital & Other Allocations	101.9	104.2	(2.2)	-2.2%
	Operating Reserve - Economic Uncertainty	-	156.4	(156.4)	
Total Debt Service & Allocations		159.1	317.5	(158.4)	-99.6%
Total Uses		1,018.7	1,036.5	(17.8)	-1.8%
	<i>Pension - GASB 68 Adjustment Offset</i>	-	60.3	(60.3)	
	<i>Non-Pension - GASB 75 Adjustment Offset</i>	-	17.9	(17.9)	
	<i>Leases - GASB 87 Adjustment Offset</i>		2.4	(2.4)	
Total Uses - After Adjustments		1,018.7	1,117.1	(98.5)	-9.7%
NET RESULT		\$ -	\$ -	\$ -	

Note:

*GASB 68 requires restating of pension expense (non-cash adjustment)**GASB 75 requires restating of non-pension post-employment expense (non-cash adjustment)**GASB 87 requires recording lease assets and obligations of the lease(s) for personal and real property*