**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

MEMORANDUM

**TO:** Board of Directors **DATE:** January 10, 2019

**FROM:** General Manager

**SUBJECT:** **FY19 First Quarter Financial Report**

The FY19 First Quarter Financial Report (July - September 2018) is attached. The net result for the quarter was $8.0M favorable to budget; however, staff does not anticipate FY19 will remain favorable.

**Operating Sources**

**Total Ridership** was 0.7% under budget for the first quarter of FY19, and 0.9% lower than in the same period of FY18. Although budget expectations for FY19 ridership were flat based on FY18 performance, monthly ridership in FY19 is trending slightly below the budget. First quarter FY19 weekday trips were 0.1% below budget and weekend/holiday trips were 4.3% below budget. Passenger revenue in the first quarter was $0.2M (0.1%) favorable. The majority of rider loss continues in the shorter-trip, lower-fare market, which is why passenger revenue is slightly over budget compared to under budget passenger trips.

**Financial Assistance** in the first quarter of FY19 was favorable to budget primarily due to revenue from Property Tax and Low Carbon Fuel Standard (LCFS) credit sales. Property Tax was $0.5M (43.4%) favorable to budget in the first quarter of FY18 and 7.3% higher than Property Tax revenue from one year ago. Additionally, LCFS credit sales in the first quarter exceeded the $1.6M budget by $2.0M (124%) due to strong pricing. Per the LCFS Policy, proceeds from LCFS sales will be allocated equally to the Sustainability program and to the general operating fund.

**Operating Uses**

**Total Expense** for the first quarter was slightly under budget, finishing $6.3M (3.3%) favorable. Labor and benefits were on budget, at $0.08M (0.1%) unfavorable. Total non-labor was $6.3M (13%) under budget, largely due to timing of expenses for professional & technical service fees; reduced material usage costs; and a one-time rent savings.

As FY19 progresses, low ridership is expected to have a negative impact on the net operating result. Additionally, labor expenses are projected to increase while non-labor savings are expected to be offset by increased expenditures later in the Fiscal Year. The ridership and expense trends may result in an operating deficit by FY19 Year End. Staff have implemented cost saving measures and are committed to limiting spending and increasing efficiencies to help manage the projected FY19 operating shortfall.

for Robert M. Powers

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cc: Board Appointed Officers
Deputy General Manager
Executive Staff