



Financial Outlook for FY20

BART Board of Directors
February 28, 2019



Introduction

- FY20 Pro Forma Budget
 - Revenue based upon current trends
 - Baseline expense budget includes staffing/non-labor to support FY20 rail service plan
- FY20 Preliminary Budget released by March 31



Ridership and Revenue - What's new for FY20?

Service Changes

- Transbay Tube (TBT) Retrofit project includes affects three ridership markets:
 - Weekday system service start moved later by one hour
 - Weekday evening 24-minute headways system-wide
 - Sunday modified service
- Service changed February 11 – ridership impacts currently under analysis

Productivity-Adjusted CPI-Based Fare Increase

- 5.4% increase taking effect January 1, 2020
- Reflects two years of CPI growth, less 0.5% productivity factor

Means-based Fares Pilot Program

- Discount for low-income riders



Ridership Trends

By Time Period

- Weekday peak ridership trend has flattened in last six months after declines in FY17 and FY18
- Weekday non-peak ridership down 4% in past year
- Saturday and Sunday down 7.5% and 6.3%, respectively

By Market

- Transbay market down 1.6%
- Intra-East and Intra-West Bay down 2.7% and 2.3%, respectively

By Trip Length

- Long trips down 0.7%
- Medium trips down 2.7%
- Short trips down 3.7%



Ridership and Fare Revenue

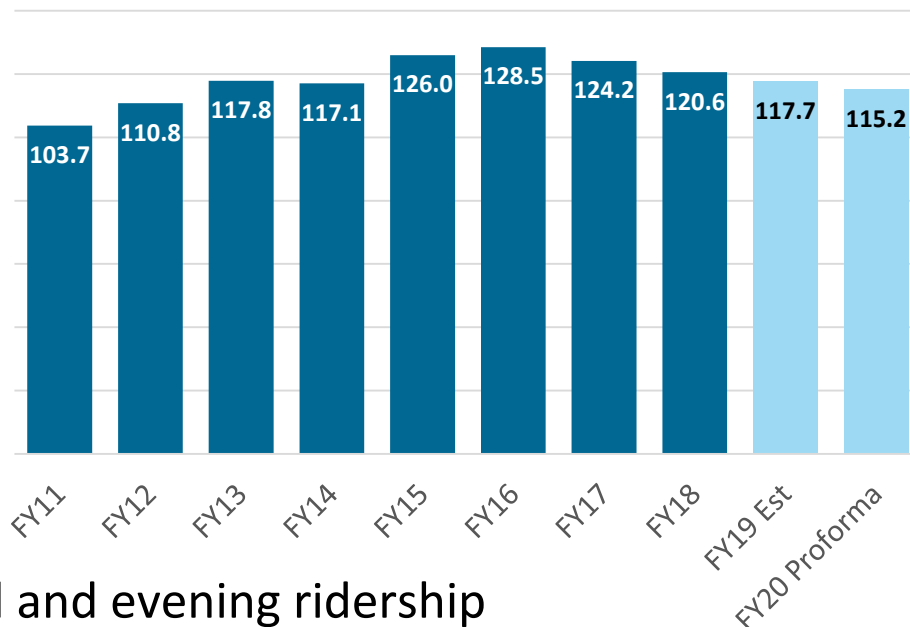
FY19 Year End Estimate

- Total trips estimated to be 2.4% lower than FY18
- Includes impact from 5 months of TBT retrofit project

FY20 budget

- Forecasted decline of 2.1% assumes:
 - Full year of TBT retrofit
 - Continued decline of weekend and evening ridership
 - Continued strong peak ridership

Annual Ridership (M)



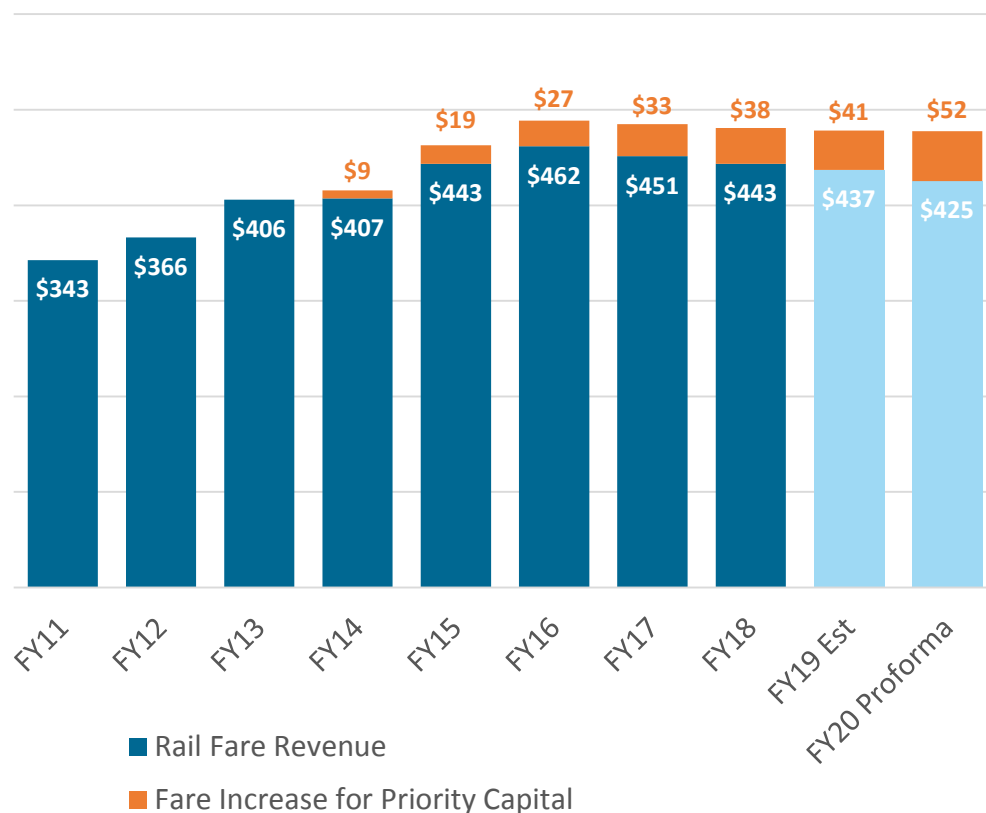


Ridership and Fare Revenue

Fare Revenue

- Jan 1 2020 fare changes
 - 5.4% CPI-based fare increase
 - Means-based fare discount
- Average trip length is up, resulting in higher average fare
- Magstripe surcharge in effect

Fare Revenue (\$M)

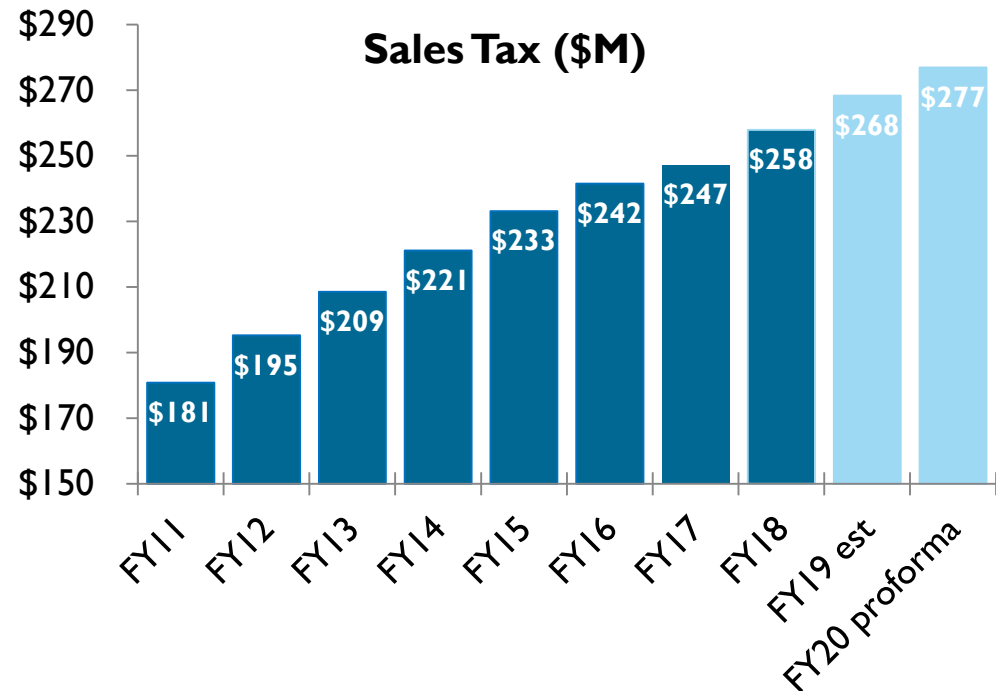




Financial Assistance

Sales Tax

- BART growth drivers diverse: restaurants, retail, new car sales
- FY19 forecasted at 4.1% growth based on YTD actuals
- Forecasting 3.2% growth in FY20 and 3% long term
 - Budget estimate finalized after 3Q results known in March





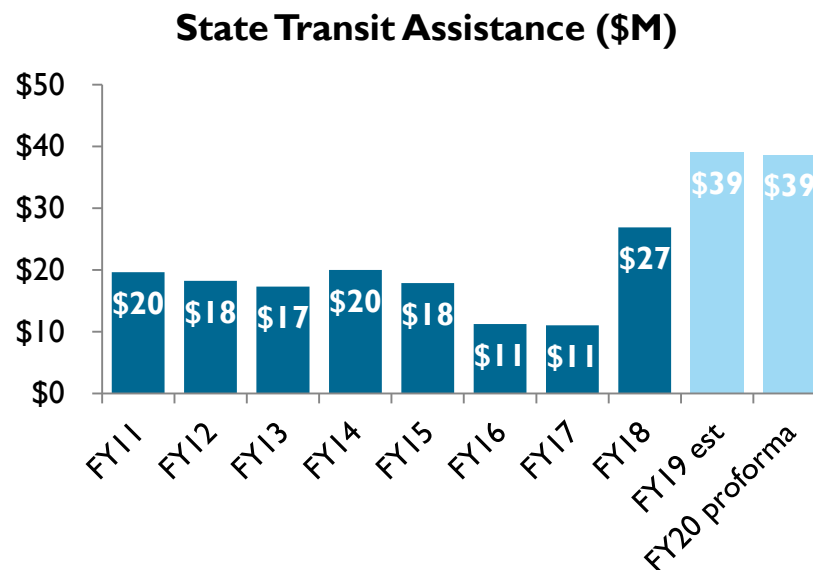
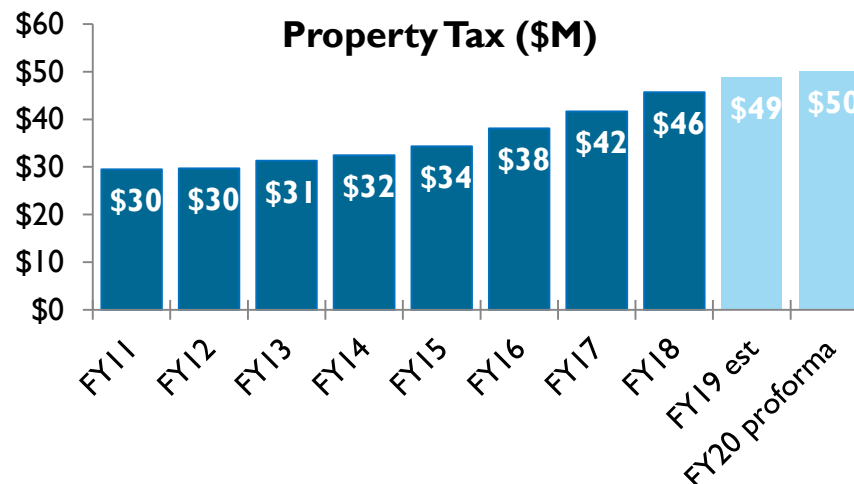
Financial Assistance (continued)

Property Tax

- Current revenues based upon real estate activity 18-30 months ago
- Growth of three counties' assessed values in FY18 ranged from 5.7% to 10.7%
- Forecasting 7% growth by FY19 year end, 2.5% growth in FY20

State Transit Assistance (STA)

- Infusion of STA from SB1 implementation started in FY18
- MTC estimates flat in FY20





Expense: Labor

- Major labor expense categories
 - Wages
 - Healthcare
 - Pension
 - Retiree Medical
 - Other Benefits
- Labor costs (wages & benefits) estimated to increase in FY20 due to:
 - Wage Increase: FY18-FY21 Contract
 - ATU, SEIU, AFSCME, Non-Represented 2.75% 7/1/19
 - BPOA, BPMA 2.5% 7/1/19 (new contract approved)
 - Increased benefit costs, especially pension and OPEB

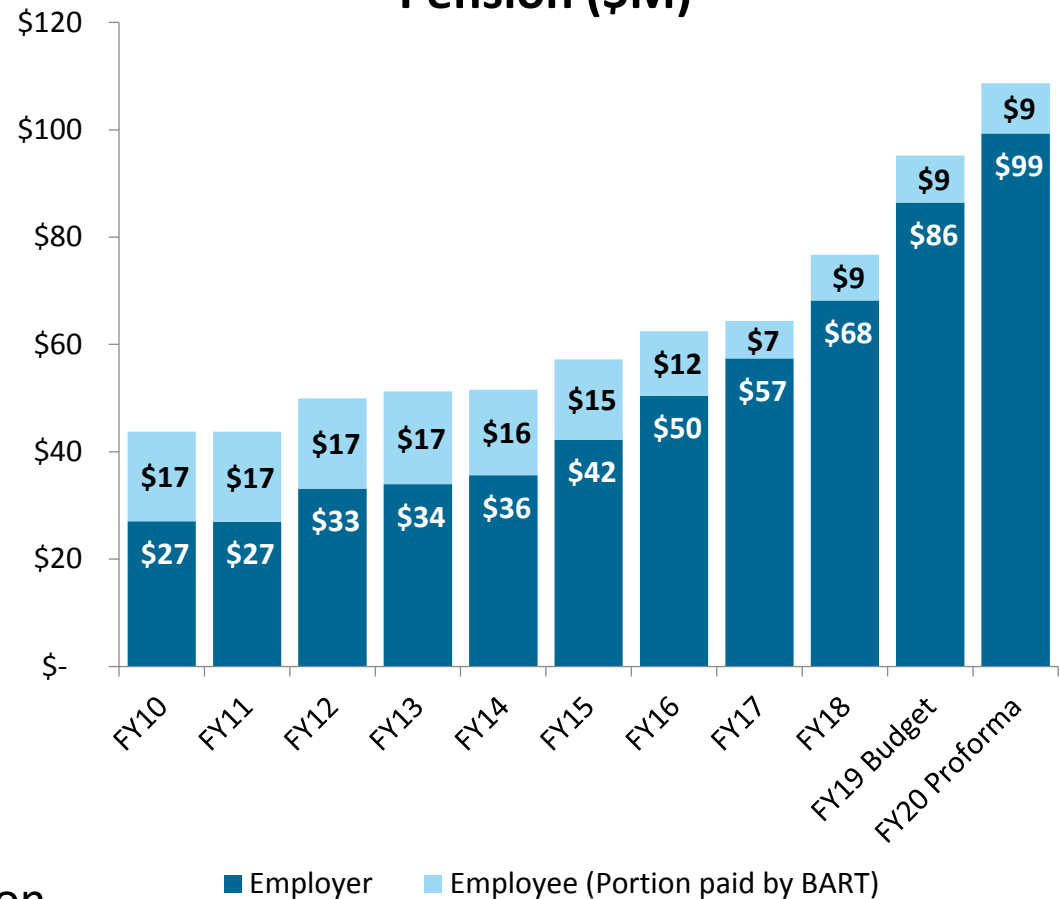


Expense: Pension

Pension

- FY20 budget will be determined when positions are finalized
- CalPERS three-year phase-in lowering of assumed investment return from 7.5% to 7.0% will impact rates from FY20 on:
 - FY20 Discount Rate: 7.25%
- Employer Rate
 - Miscellaneous 21.9% (19.6% in FY19)
 - Safety 69.8% (63.0% in FY18)
- Adding \$10M Allocation for additional pension funding
 - Pension funding policy discussion – March 2019

Pension (\$M)



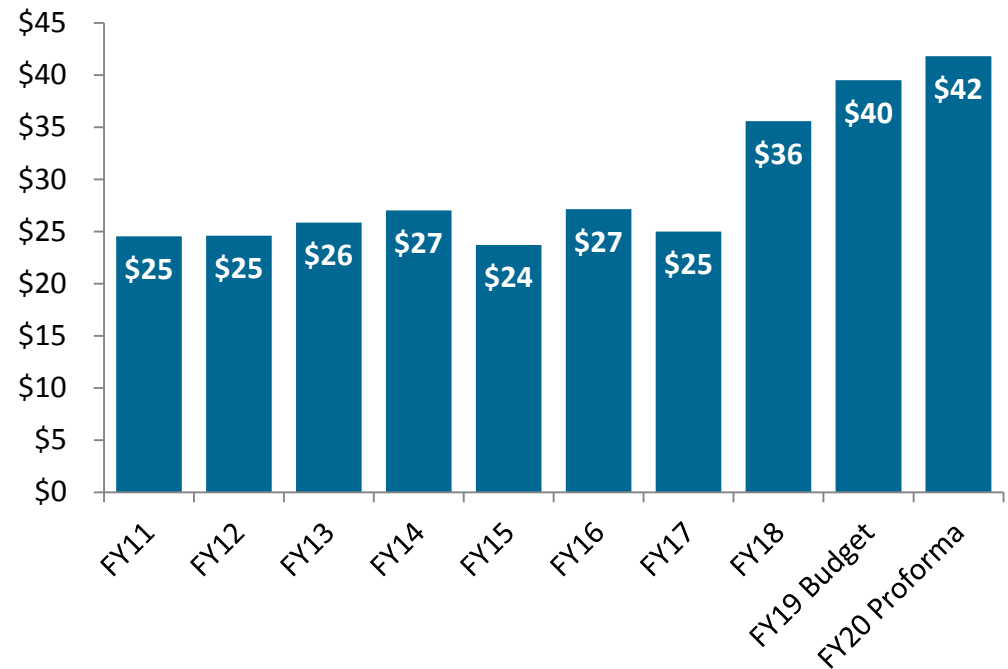


Expense: Retiree Medical

Retiree Medical

- FY20 Actuarial Valuation – Preliminary Results
 - FY20 Actuarially Determined Contribution \$41.8M (draft)
 - 6% increase over FY19
 - Unfunded Liability FY20 \$282M vs. FY19 \$304M (FY18 \$300M)
 - Funded Status FY20 52% vs. FY19 47% (FY18 44%)
- Aim to be fully funded by 2034

Retiree Medical (\$M)





FY19 Budget: Outlook

- Fare revenue below budget through Q2, ridership impact of 5 AM opening service plan still unknown
- Sales tax and other financial assistance slightly above budget
- Operating expense very tight
 - Filling only critical positions
 - Investing in improvements to quality of life



FY20 Budget: Outlook

- Preliminary Budget in development

Revenue

- Fare revenue drop offset by moderate sales and property tax growth

Pressure on operating expense

- Quality of Life investments - fare evasion mitigation, homelessness outreach, cleanliness, safety & security
- Additional police hiring
- Accessibility Improvements
- Fire & life safety / regulatory compliance



FY20 Capital Budget Schedule

- Initial Project Cost Estimates (March)
- Department review (Mid-March to Mid-April)
- Preliminary Capital Budget review (Late April)
- Capital Headcount finalized (Late April)
- Capital Budget complete for Board review (Mid-May)



FY20 Capital Budget

- Focus will remain on system reinvestment
- Largest Projects in FY20:
 - Rail Cars: Continue to put cars into service & consistent deliveries
 - Transbay Tube Seismic project underway
- Measure RR-funded projects will continue, including:
 - Continue & accelerate rail replacement
 - Replace more traction power cables & substations
 - Downtown San Francisco escalator replacement
 - Station Modernization programs



Major FY20 Capital Funding Sources

BART / Voter Approved

- Measure RR
- Operating to Capital Allocations
- Earthquake Safety Program

Federal and Regional Funds

- FTA 5337 State of Good Repair funds
- MTC/federal funds for rail cars

County and Local Partners

- BART District County Measures
- Transit Agency Partners: VTA and SFMTA



FY20 Budget: Schedule

- Jan 24: Financial Outlook (Board Workshop)
- Feb 28: Financial Outlook for FY20
- Mar 31: FY20 Preliminary Budget Memo release
- Apr 25: FY20 Preliminary Budget Overview
- May 9: FY20 Budget - Sources, Uses and Service Plan;
Capital Budget
- May 23: FY20 Public Hearing; Adopt Proposition 4 Limit
- Jun 13: Adopt FY20 Budget Resolution