



# 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

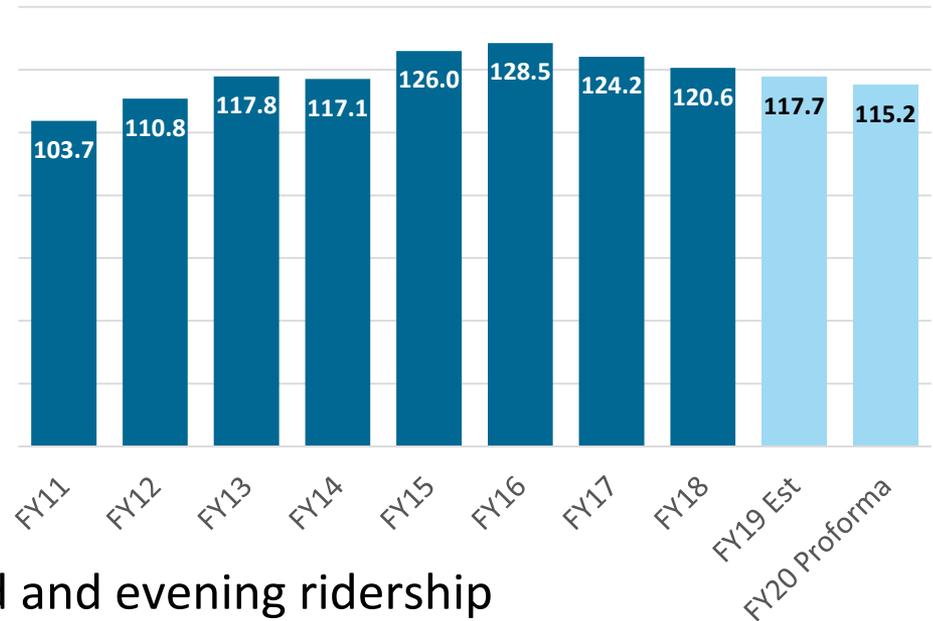
## FY19 Year End Estimate

- 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)



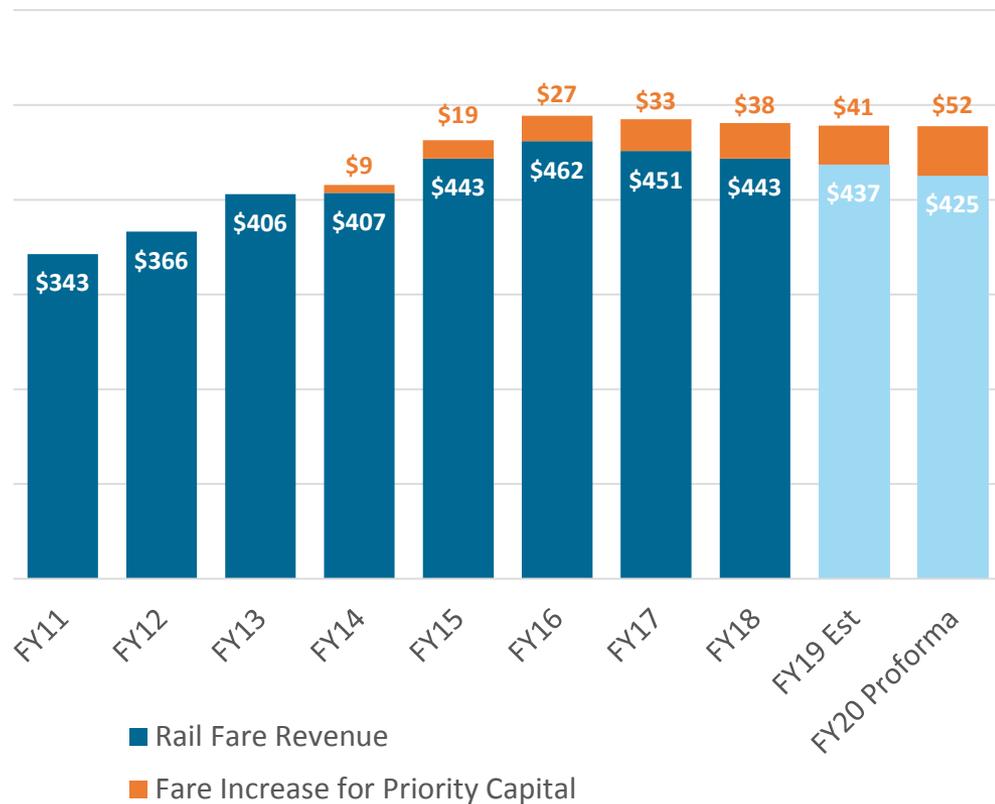


# Ridership and Fare Revenue

## 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

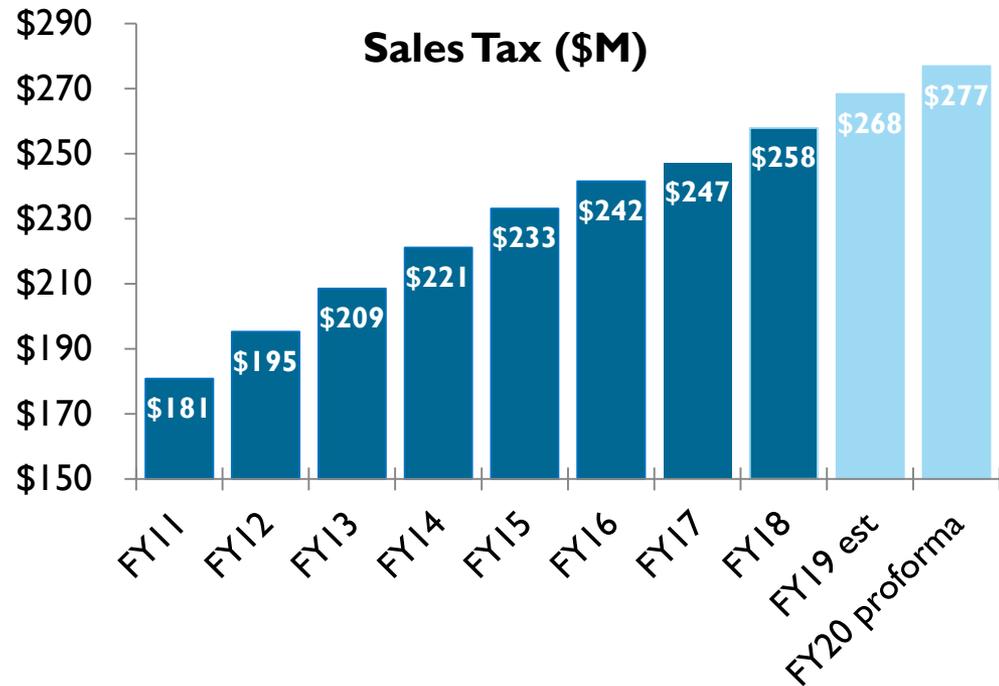
Fare Revenue (\$M)





## 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





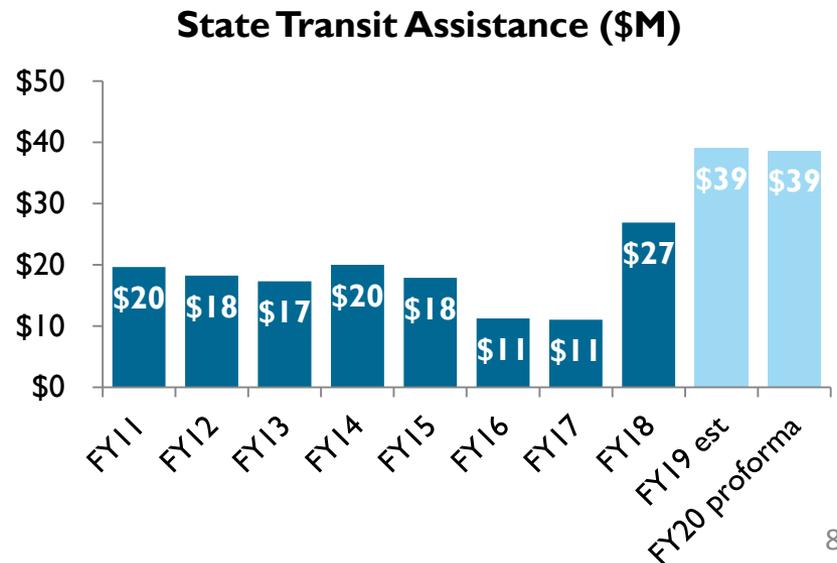
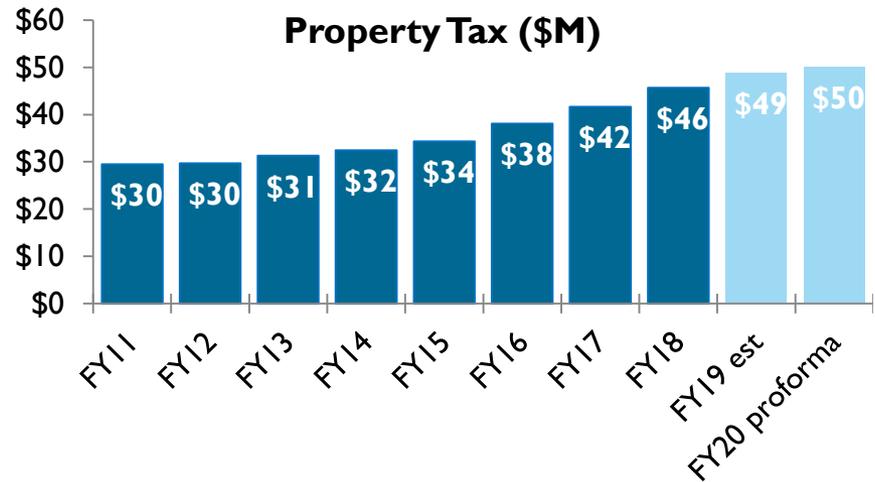
# Financial Assistance (continued)

## 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

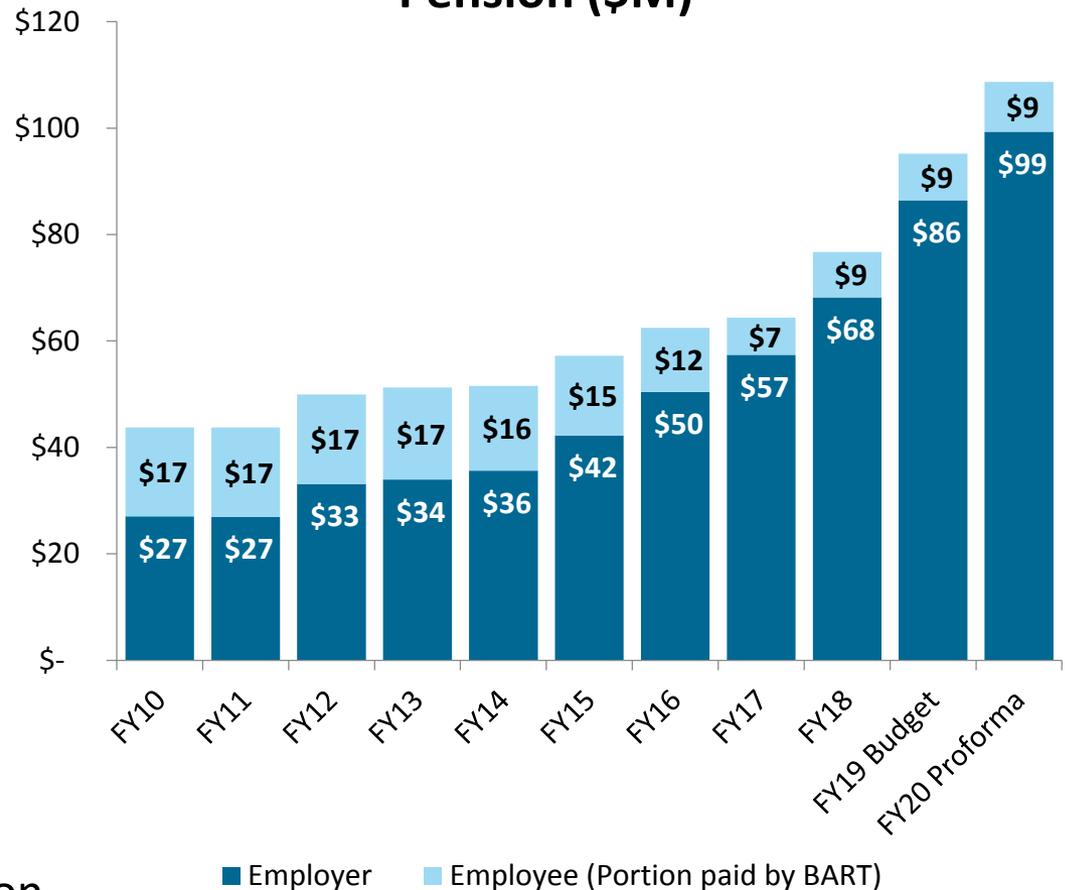


# Expense: Pension

## 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)



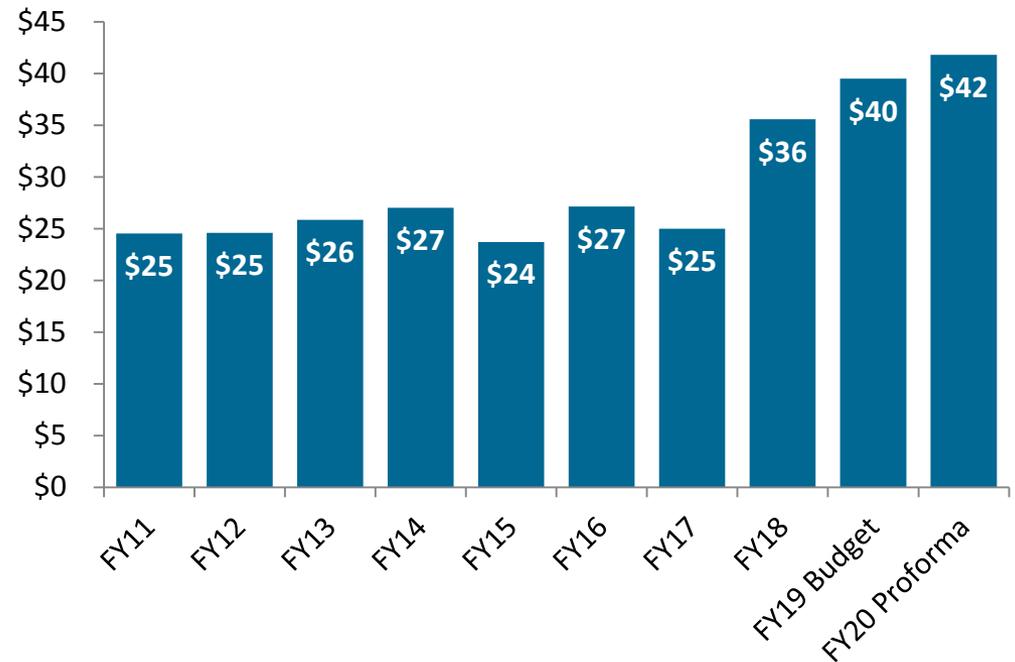


# Expense: Retiree Medical

## 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