



Financial Outlook

BART Board 2020 Workshop

February 13, 2020



Financial Outlook Agenda

Ridership Trends

Operating Financial Outlook

Capital Financial Outlook

Fare Programs

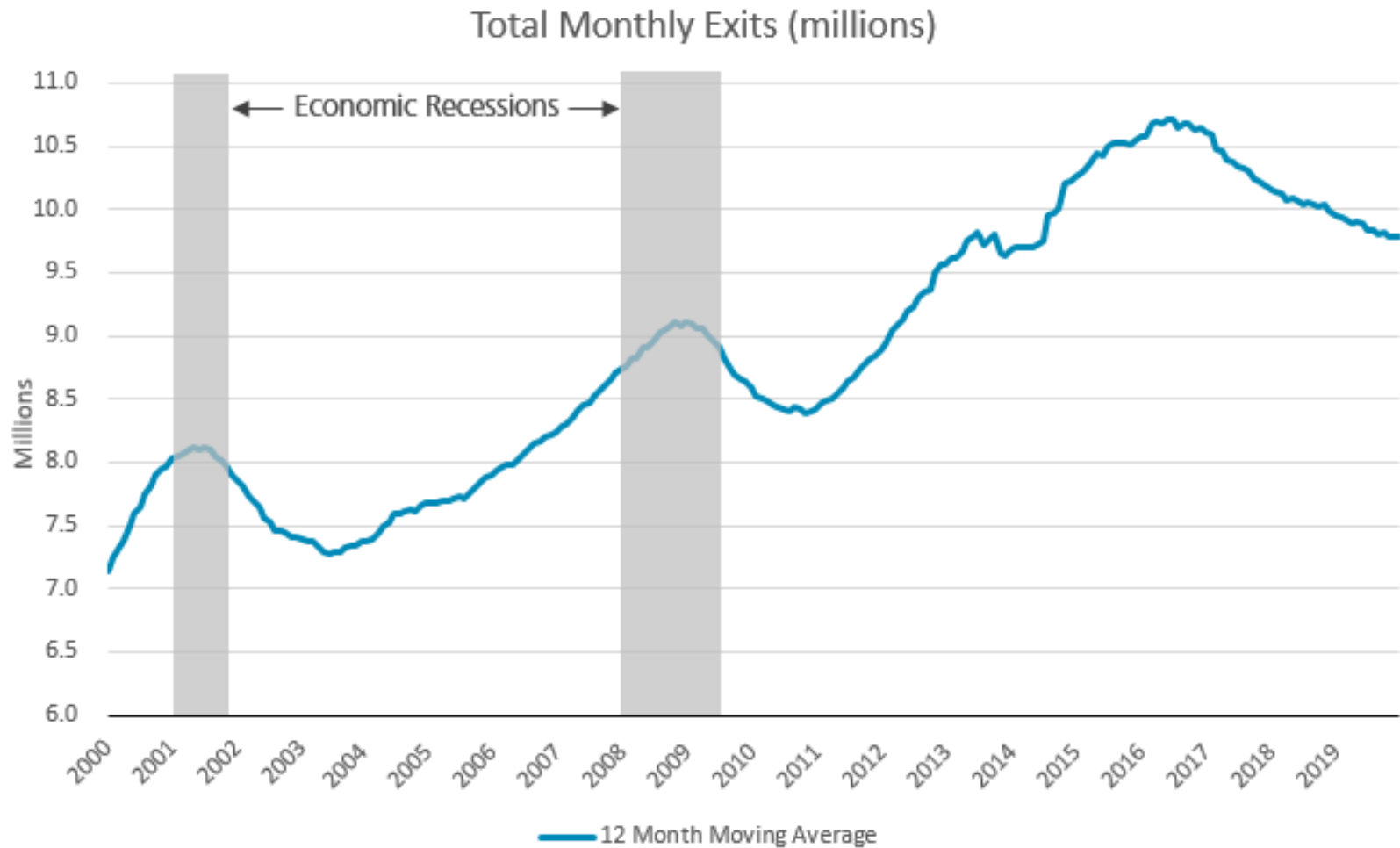
Discussion

Ridership Trends

BART System Ridership

- BART Mission: “Provide safe, reliable, clean, quality transit service for riders ”
- Ridership is central to our finances: In FY20, fare revenue covers 60% of rail operating expense
- The decrease in ridership since 2016 is a major budget challenge

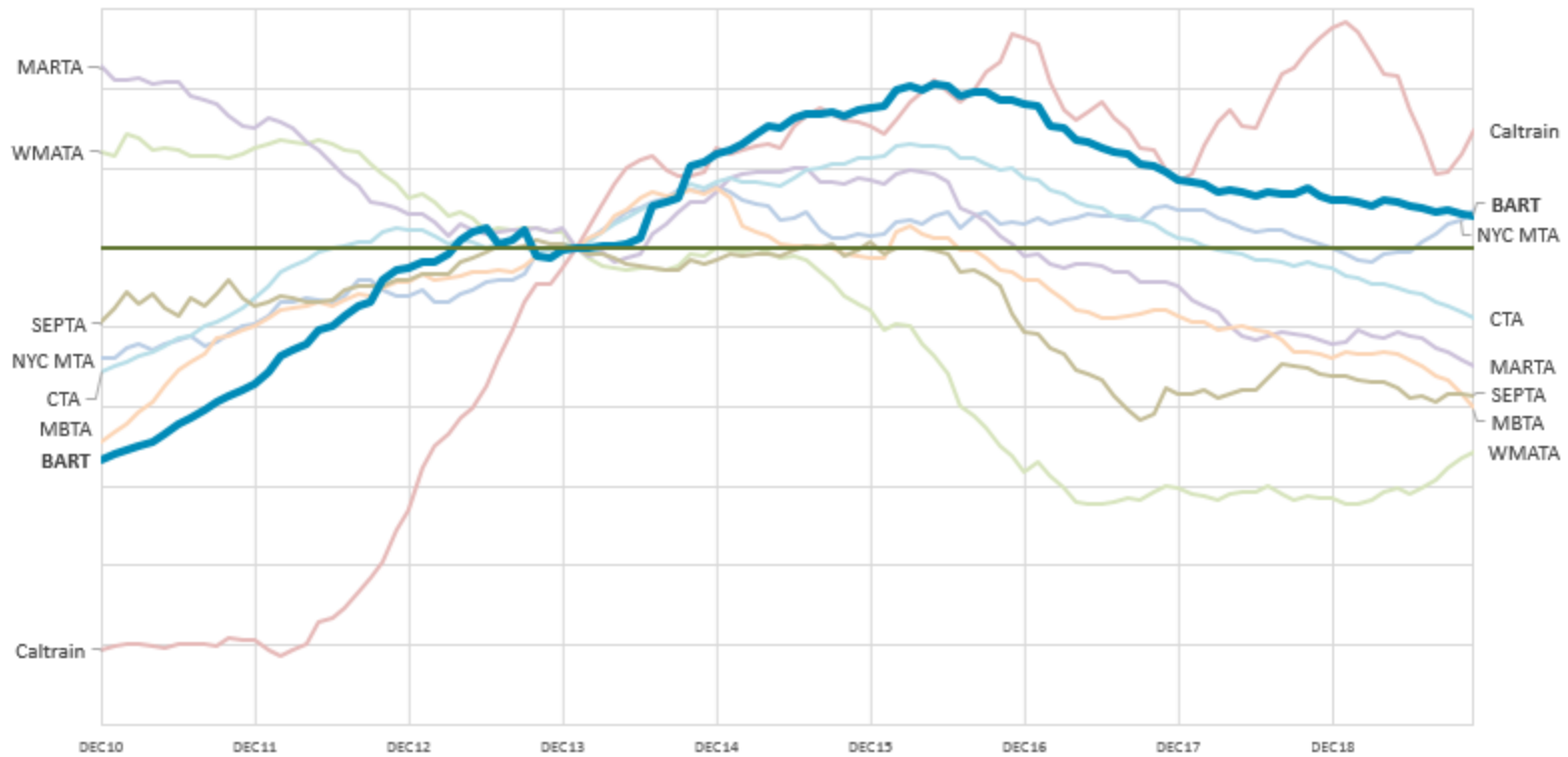
Ridership Trends



Ridership Trends

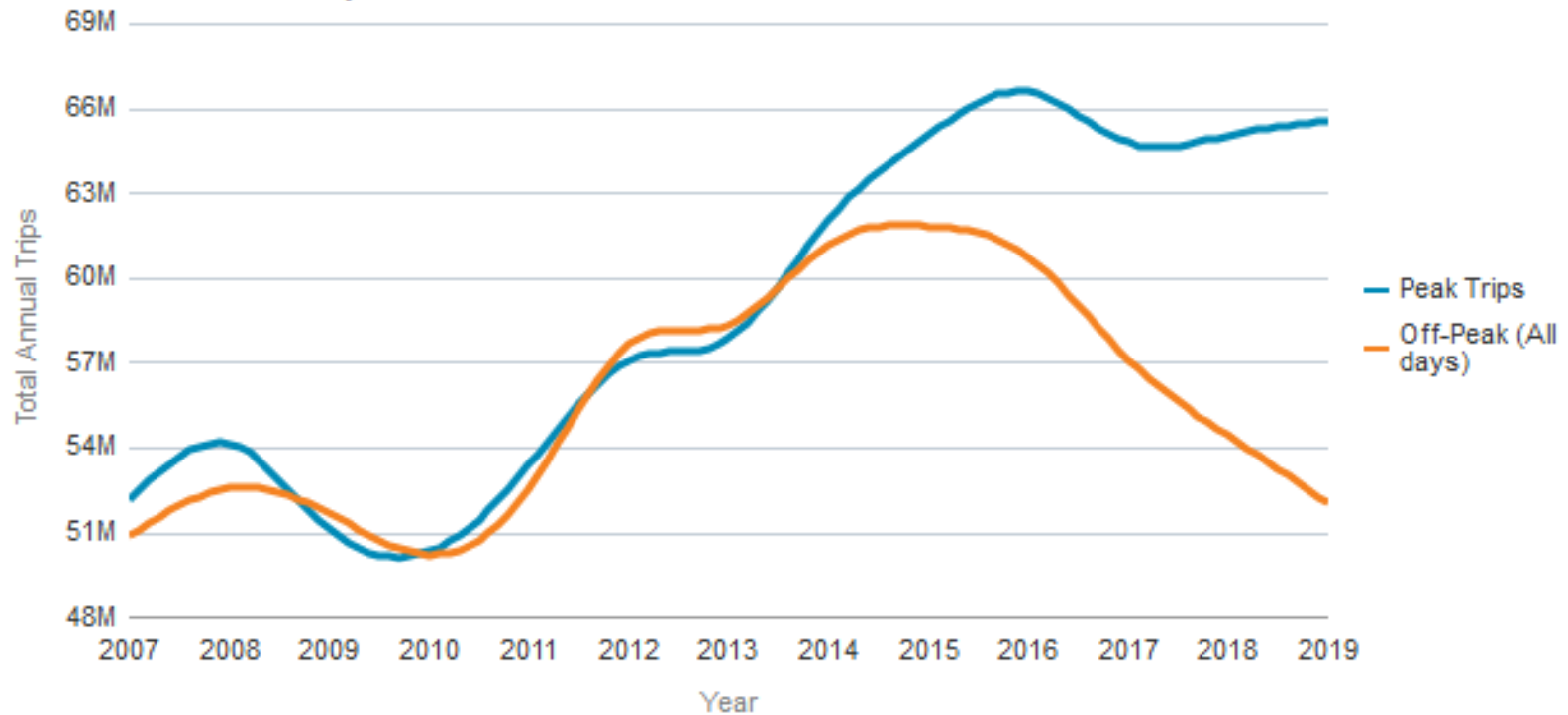
Comparator Group Ridership Trends

(Unlinked Passenger Trips 12 Month Moving Average Indexed to Jan 2014)



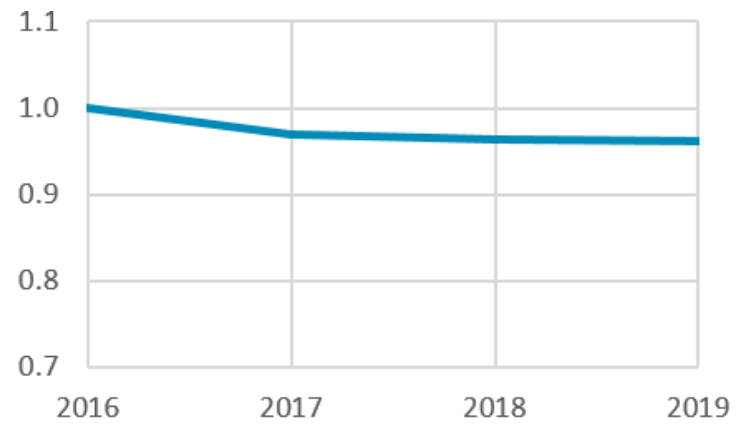
Ridership Trends: Peak vs Off-Peak

Peak vs. Off-Peak Trip Growth

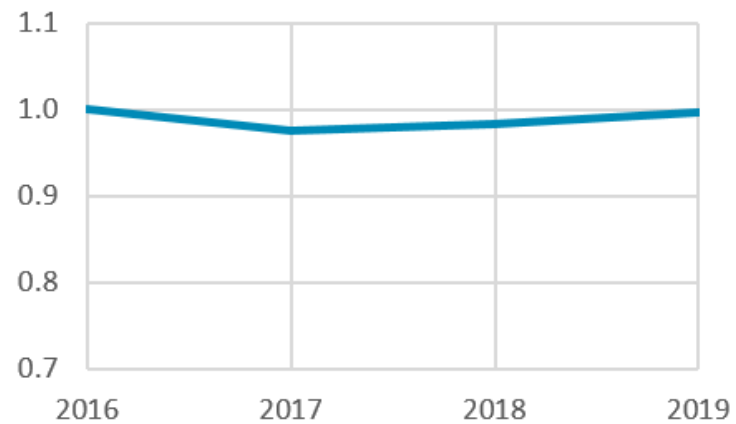
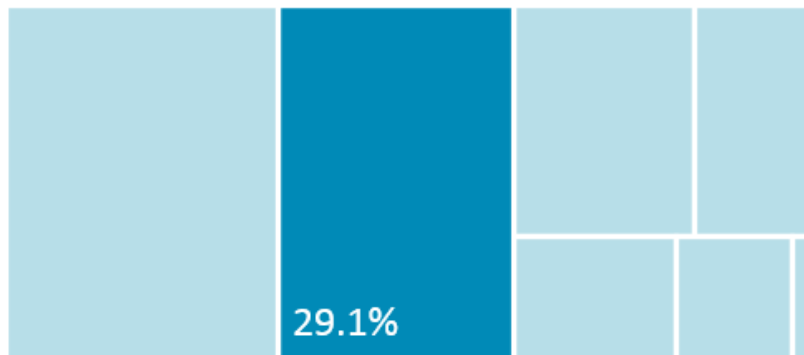


Weekday AM and PM Peak Ridership Trends

PM Peak

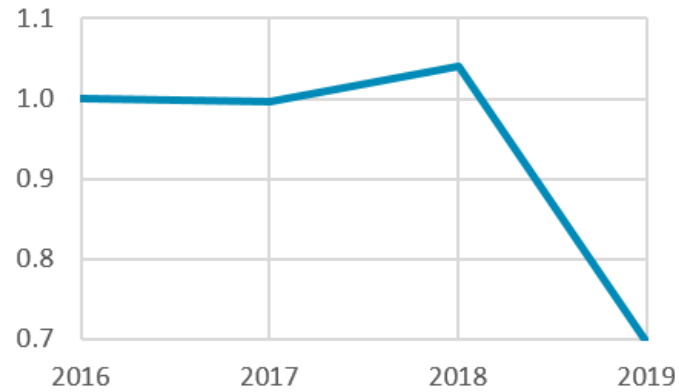


AM Peak

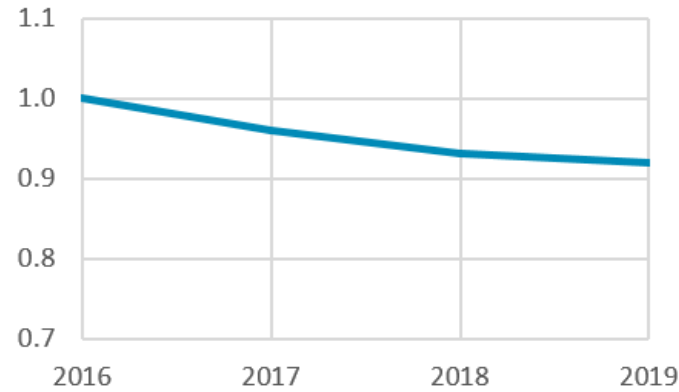
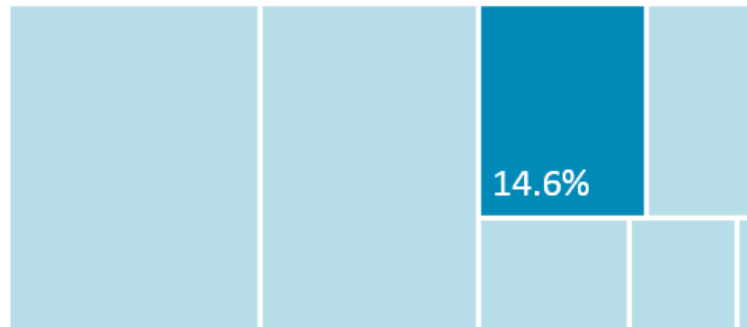


Weekday Off-Peak Ridership Trends

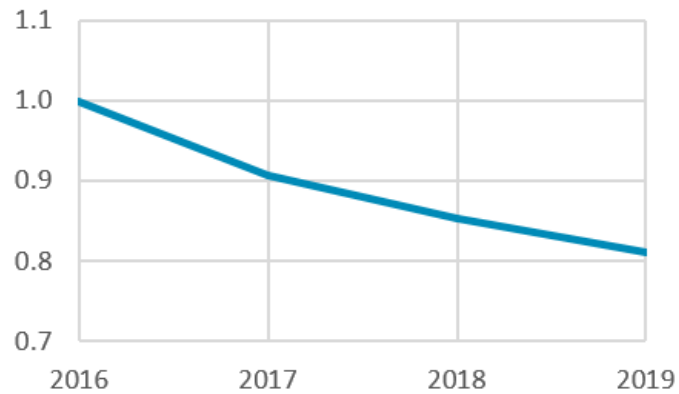
Early AM



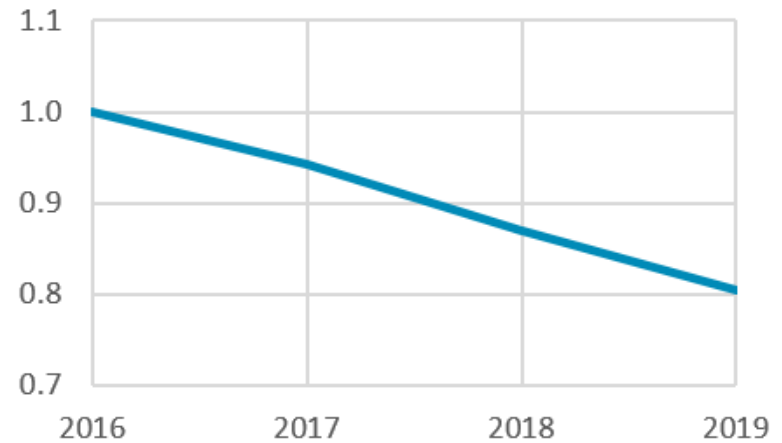
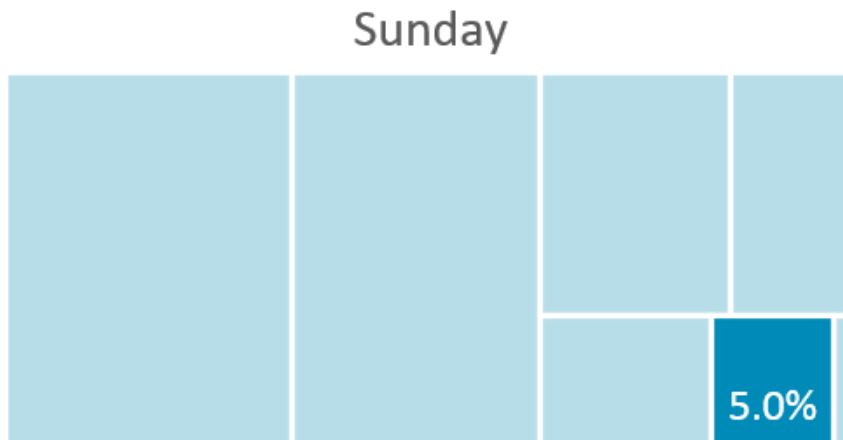
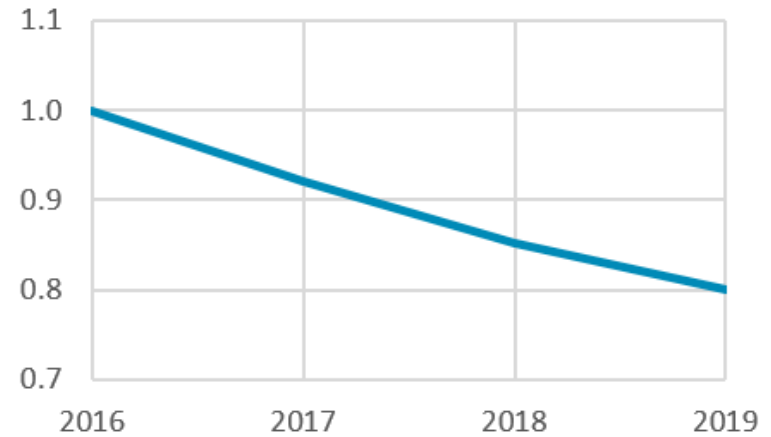
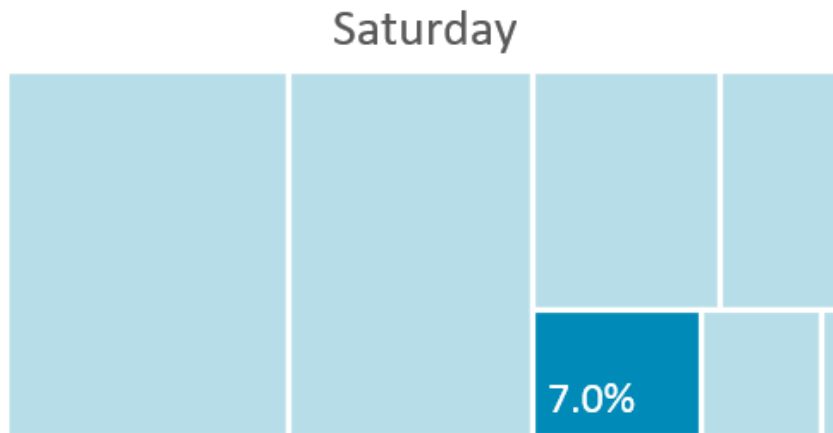
Mid-Day



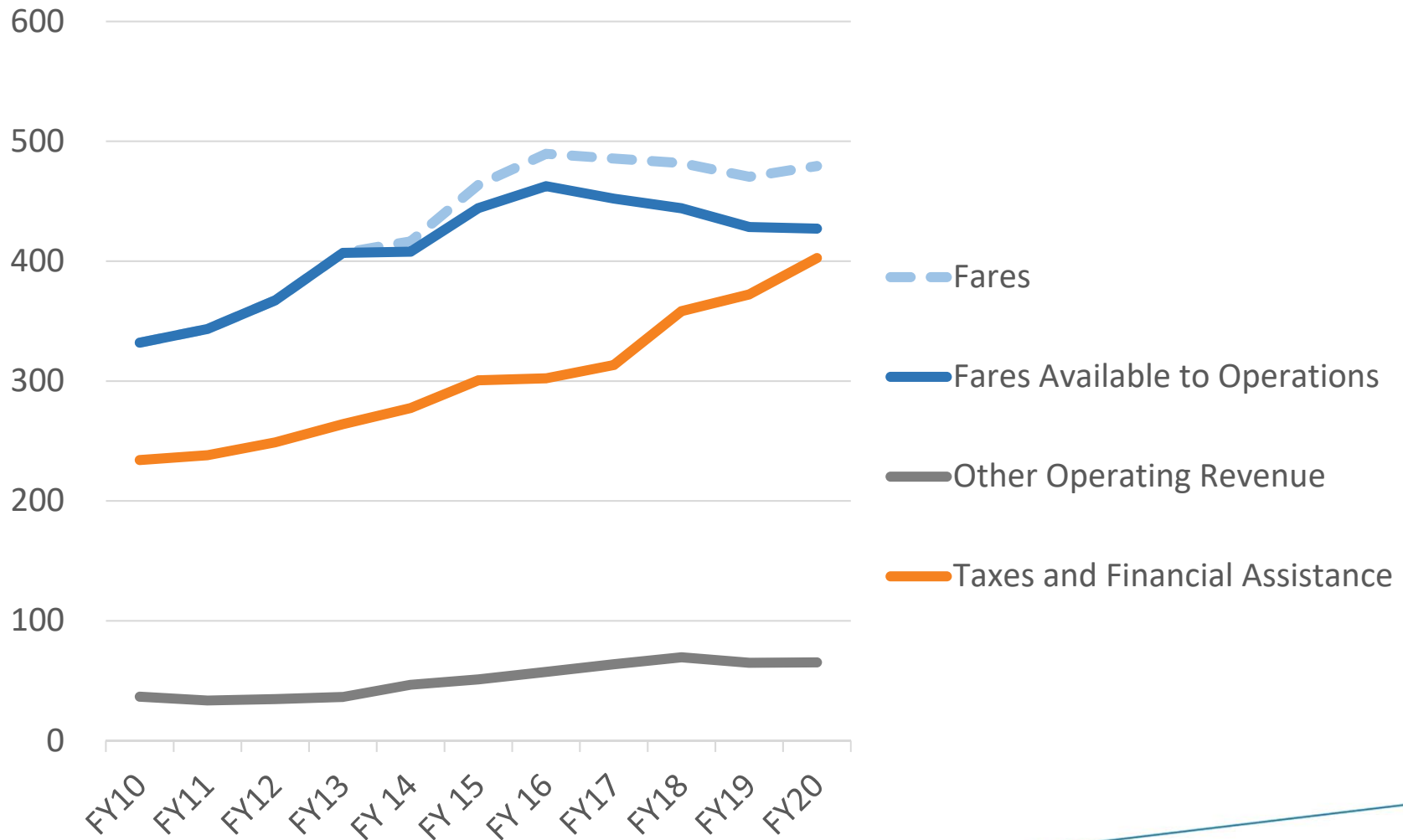
Late Night



Weekend Ridership Trends



Operating Revenue History

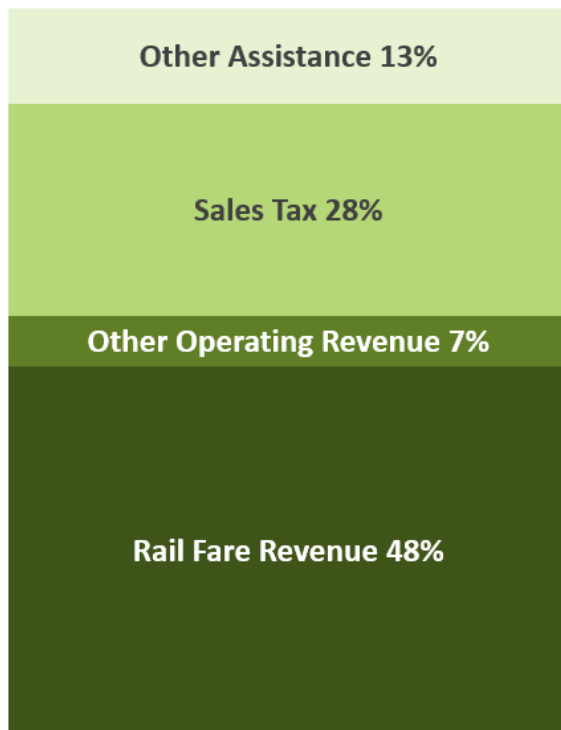


Operating Financial Outlook

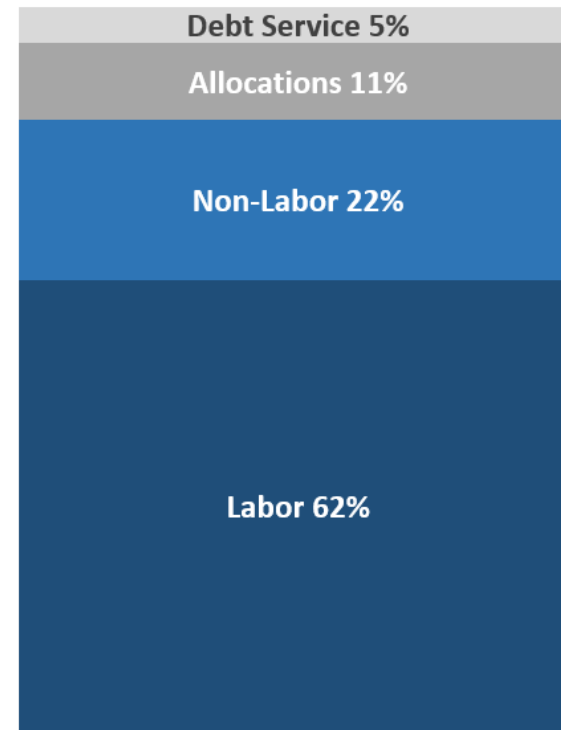
Budget Basics

FY20 Budget Snapshot

Sources: \$947M



Uses: \$947M



Operating Outlook Overview

- Staff maintains 10-year projections of operating financials
- Used as a tool to guide multi-year policy and planning
- Required to leverage outside funding

Operating Outlook: Current Strengths & Challenges

Fiscal Strengths

- Low debt / high credit rating
- Large and stable commute market -> resilient fare revenue
- Dedicated sales and property taxes with strong, diverse tax base
- Fare revenue linked to inflation
- Several sources of non-fare operating revenue

Because of these strengths, BART has been able to:

- ✓ Borrow at low rates
- ✓ Pre-fund retiree medical and direct extra funding to pension
- ✓ Allocate operating funds to capital
- ✓ Maintain service levels during recessions

Operating Outlook: Current Strengths & Challenges

Fiscal Challenges

- Low public subsidy compared to peer transit agencies
- Growing labor expense, including pension and health benefits
- Off-peak ridership decline since 2016 -> lower fare revenue
- Capital allocations reduce funding for operations

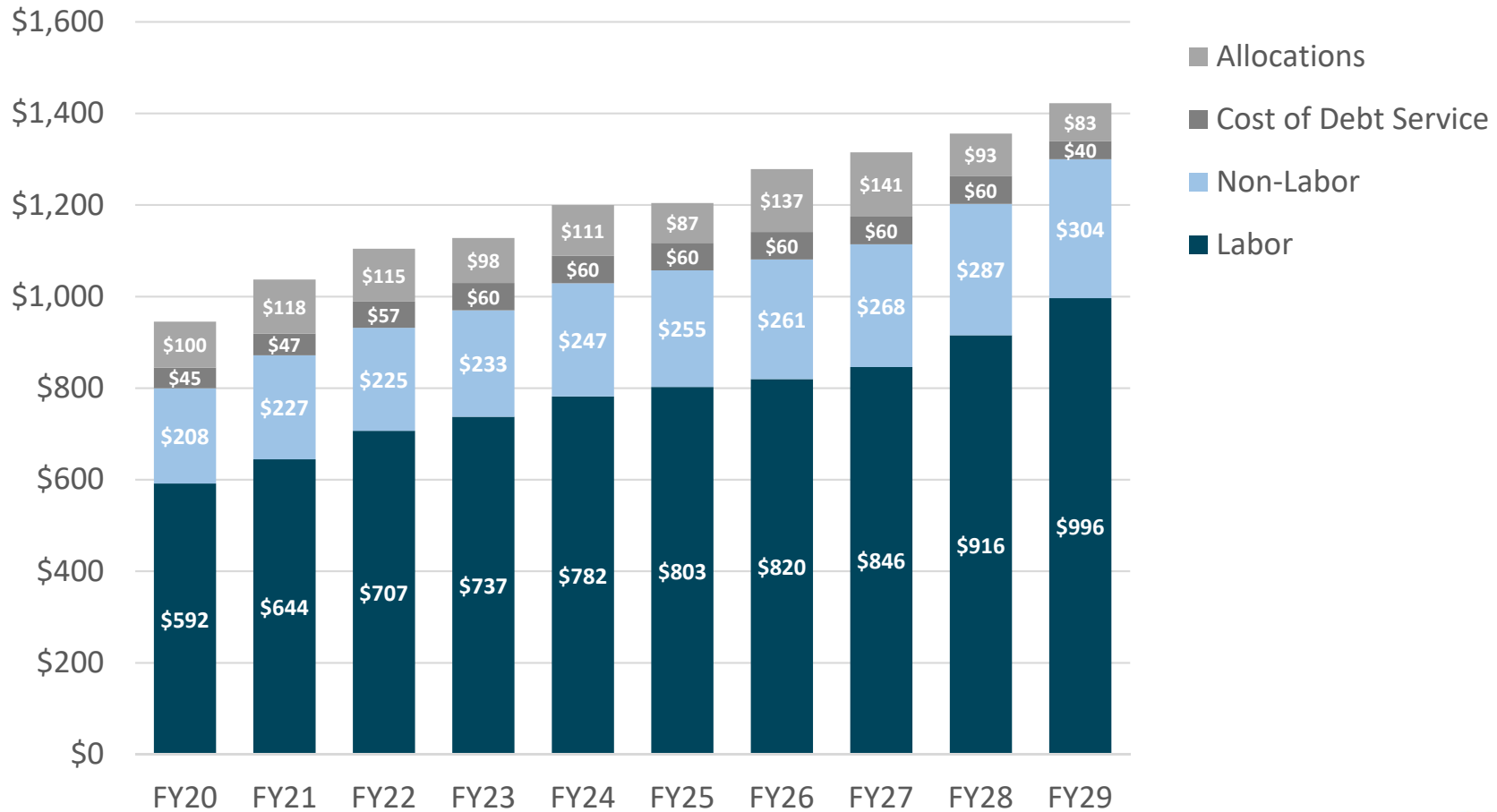
Operating Outlook: Risks

Risks

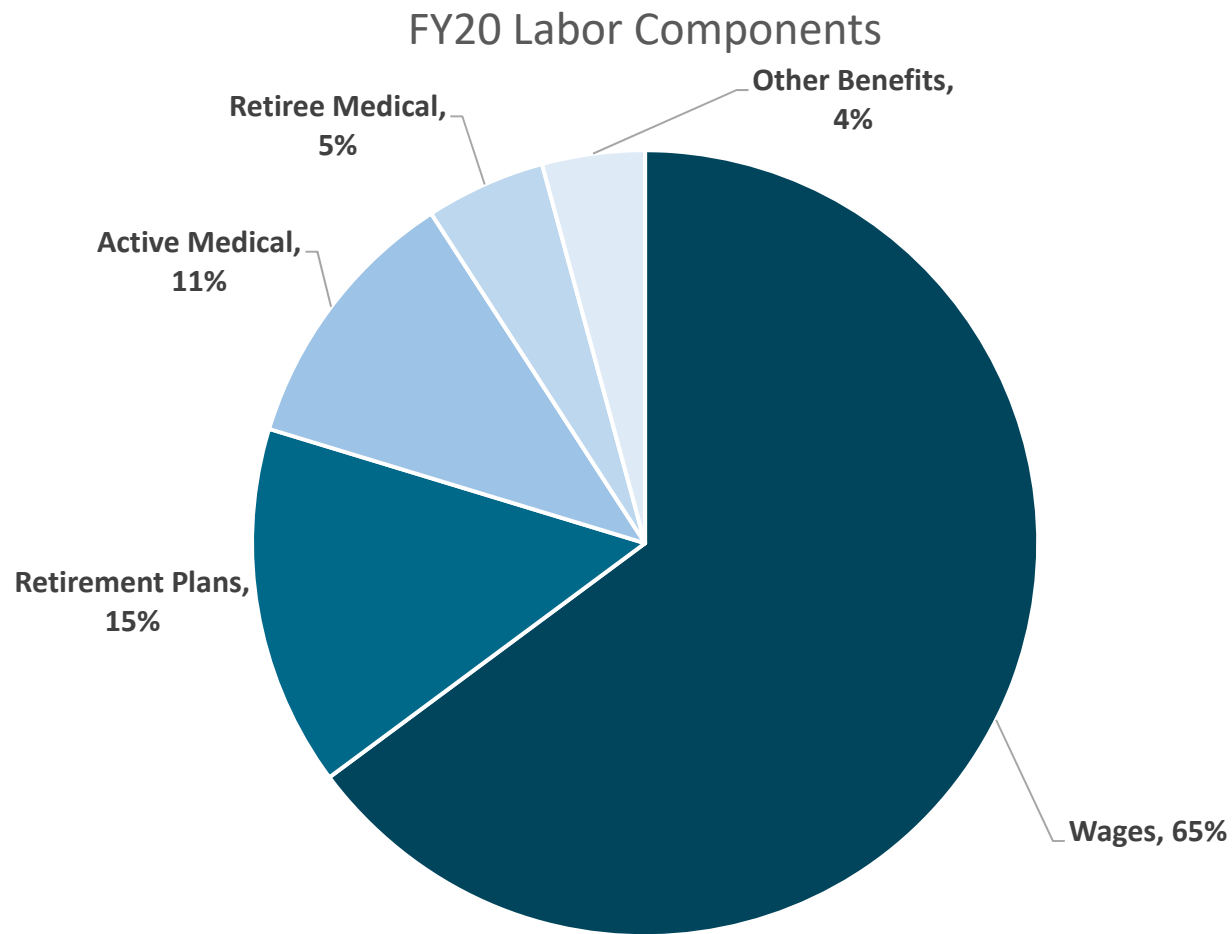
- Forecast FY21-23 operating deficit ~\$125M
- Uncertain ridership growth, particularly outside peak
- Potential economic downturn
- Labor expense uncertain (SEIU, ATU, AFSCME contracts expire FY21)
- Long-term pension and retiree medical costs
- Fare policy proposals -> uncertain fare revenue

Uses of Operating Funds

Forecasted Uses of Funds (\$ Millions)

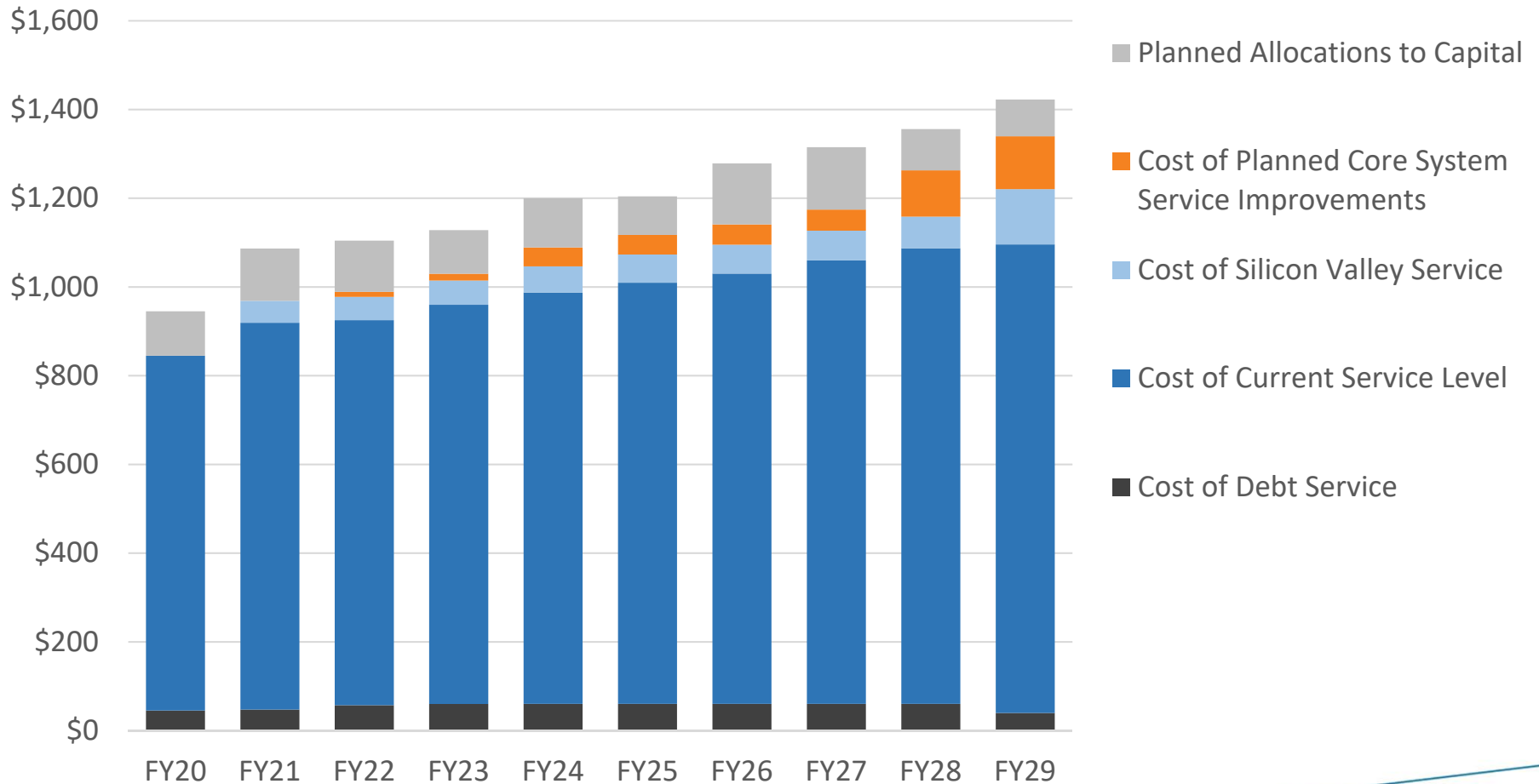


Uses of Operating Funds: Labor Detail



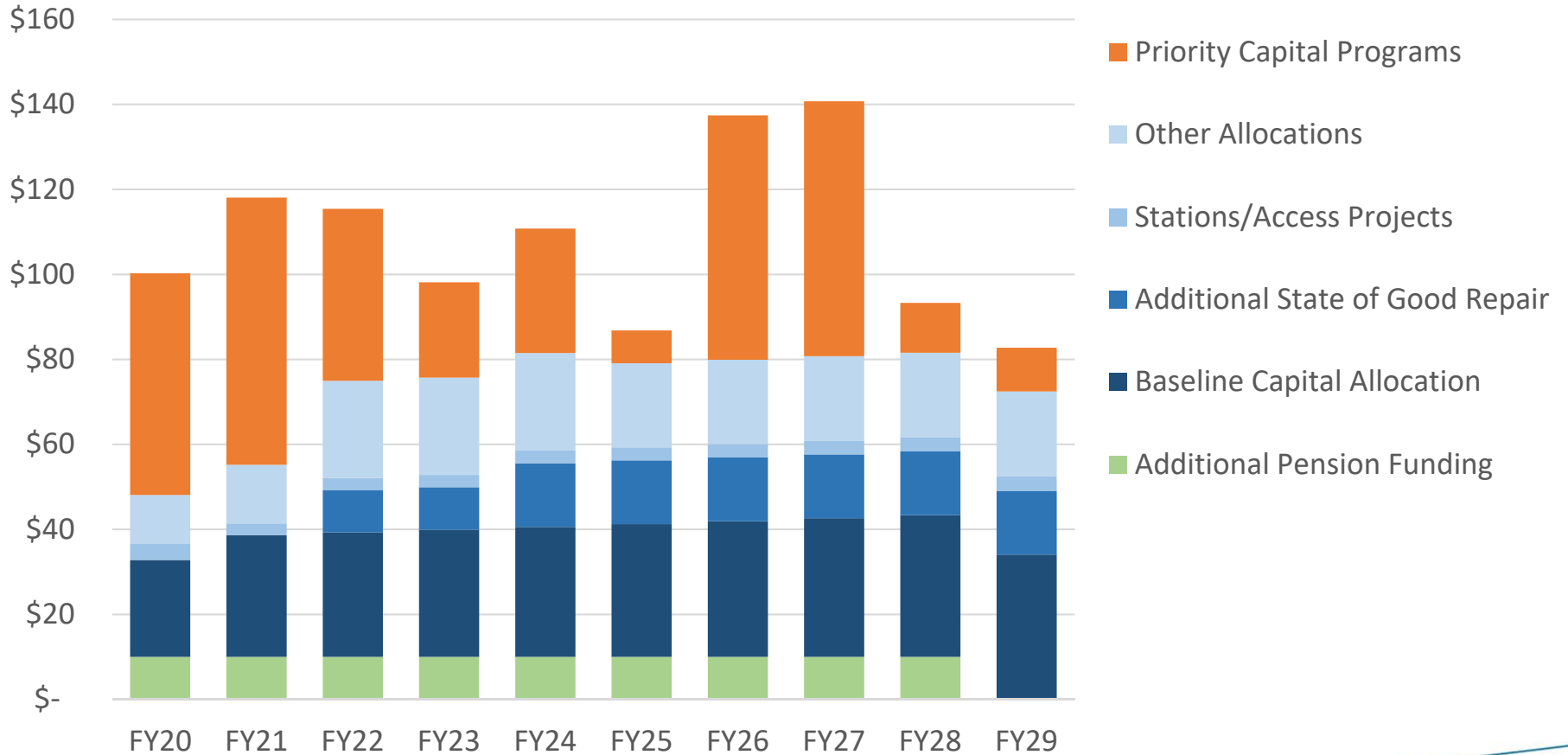
Uses of Operating Funds: Service Changes

Forecast Uses of Funds FY20-29 (\$ Millions)



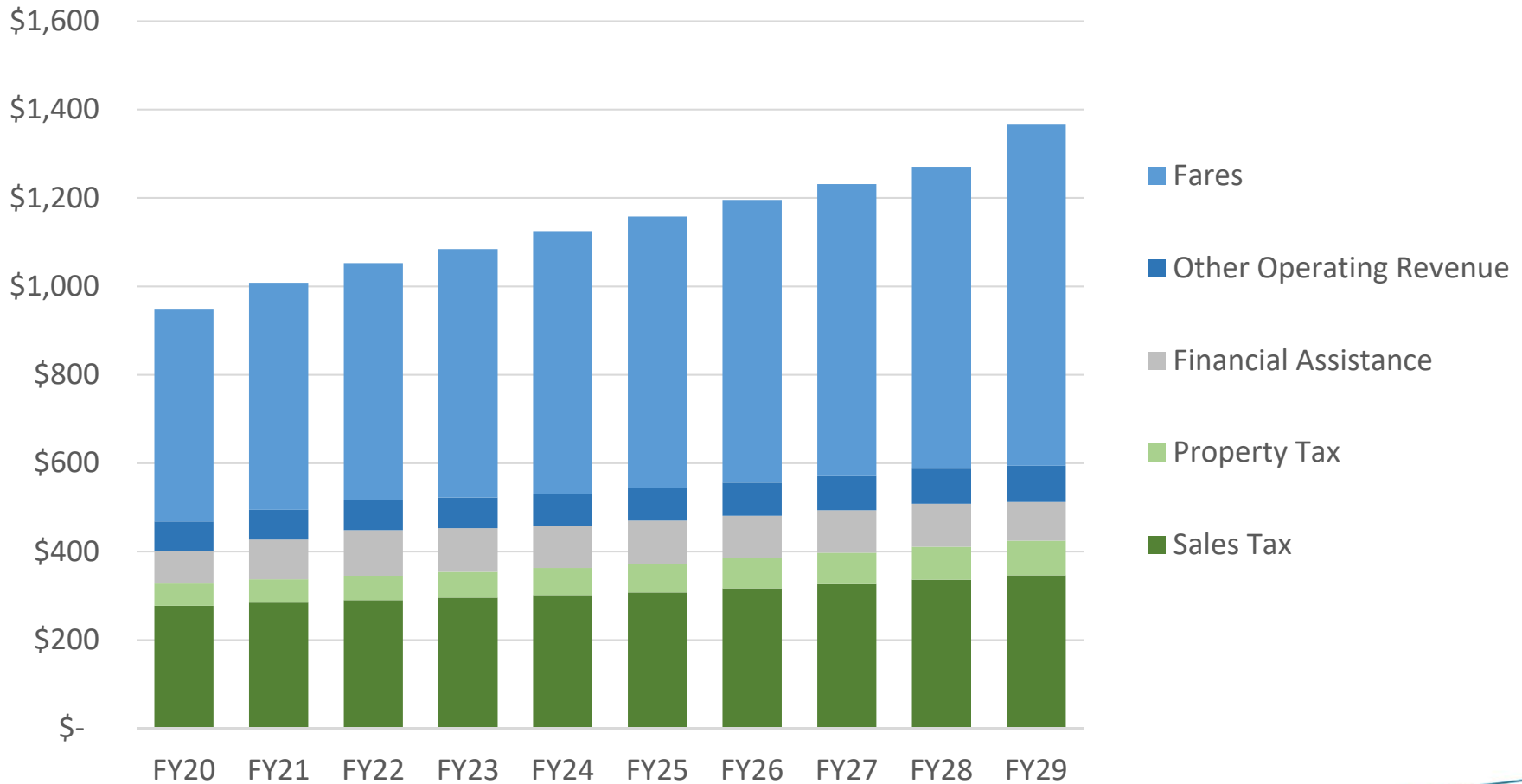
Uses of Operating Funds: Operating Allocations

Forecasted Operating Allocations (\$ Millions)



Operating Revenue Summary

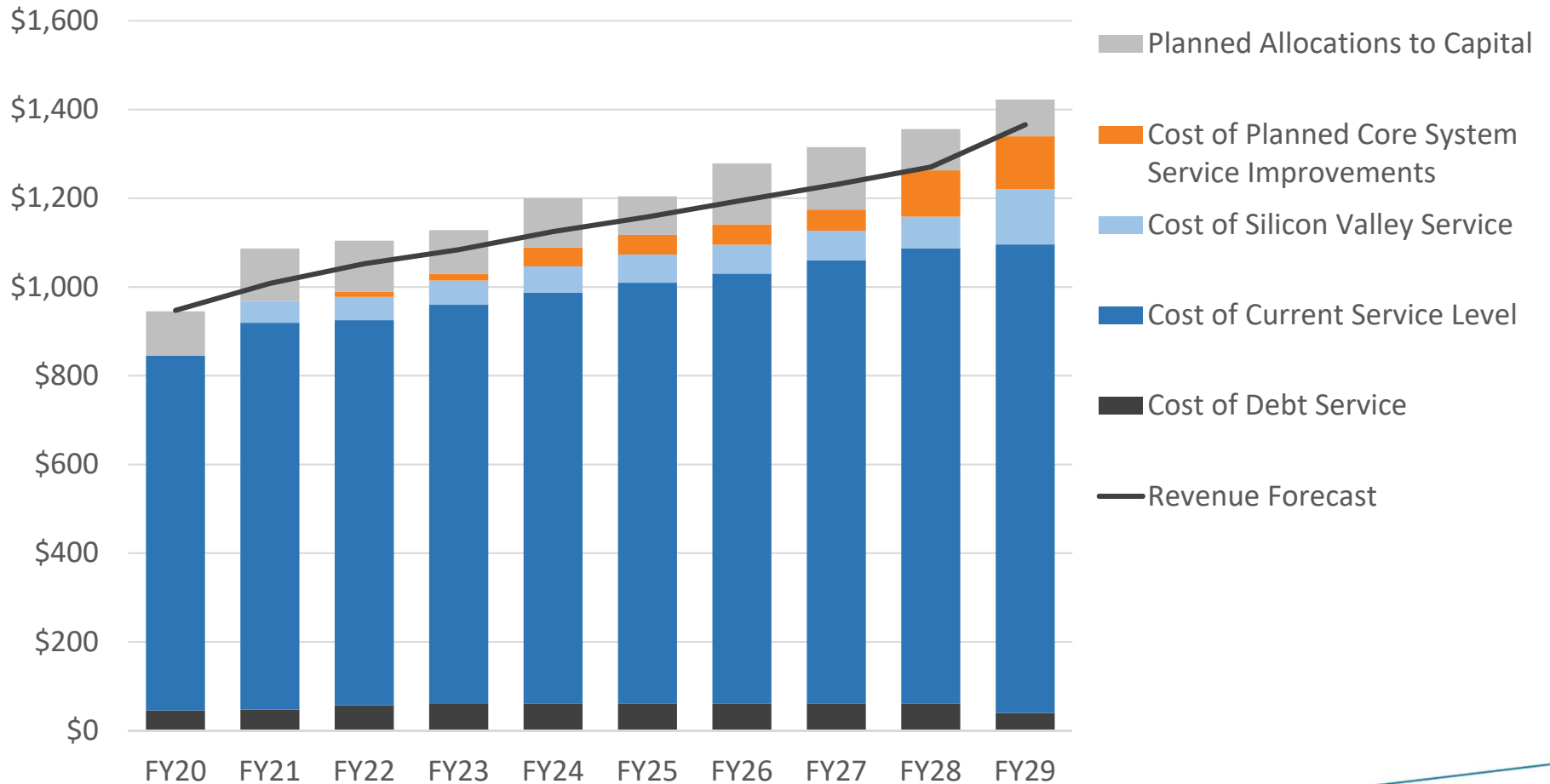
Forecasted Revenue (\$ Millions)



Operating Sources vs Uses

10-year deficit is 4.6% of total uses

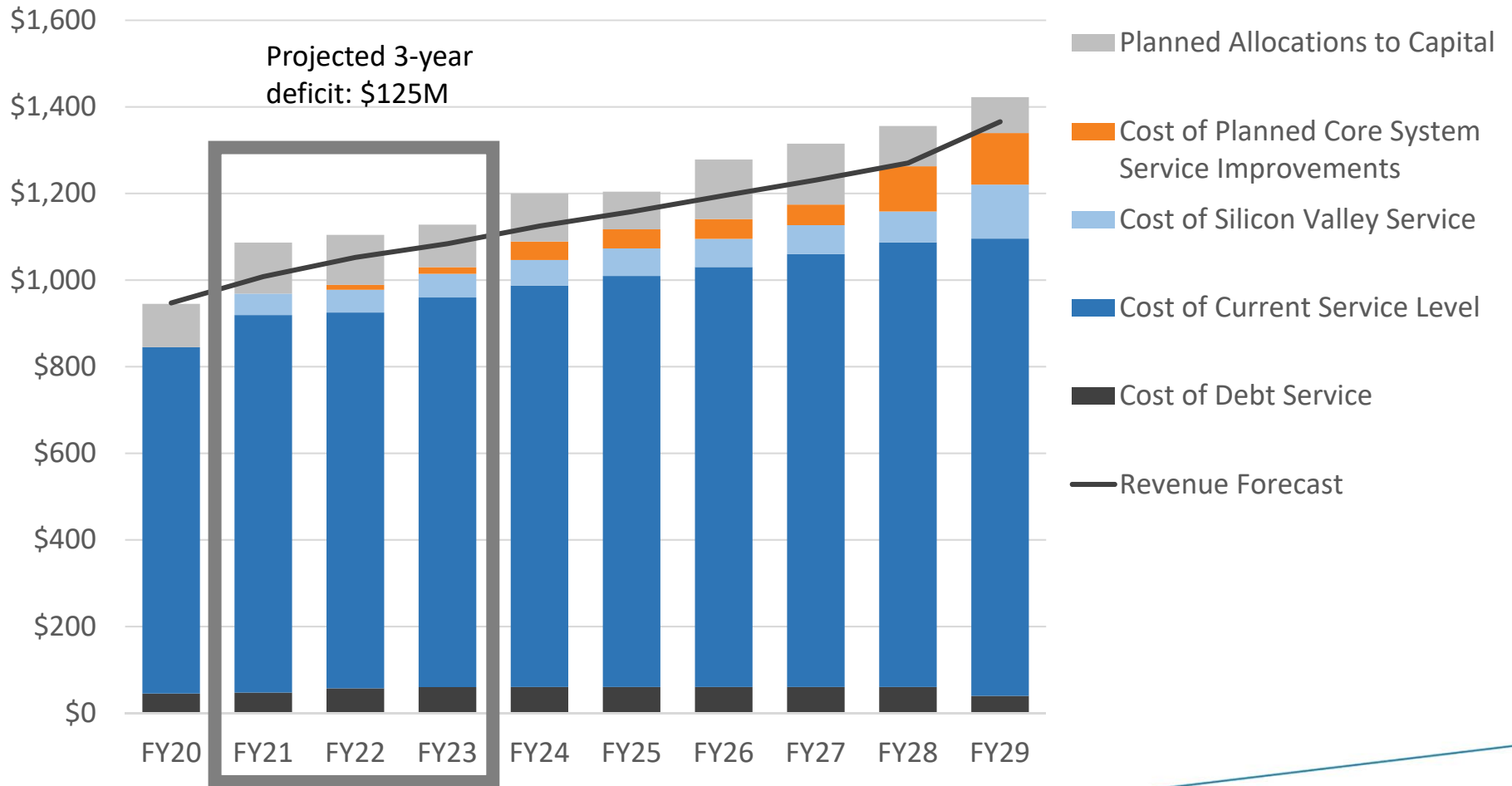
Forecast Uses of Funds FY20-29 (\$ Millions)



Operating Sources vs Uses

10-year deficit is 4.6% of total uses

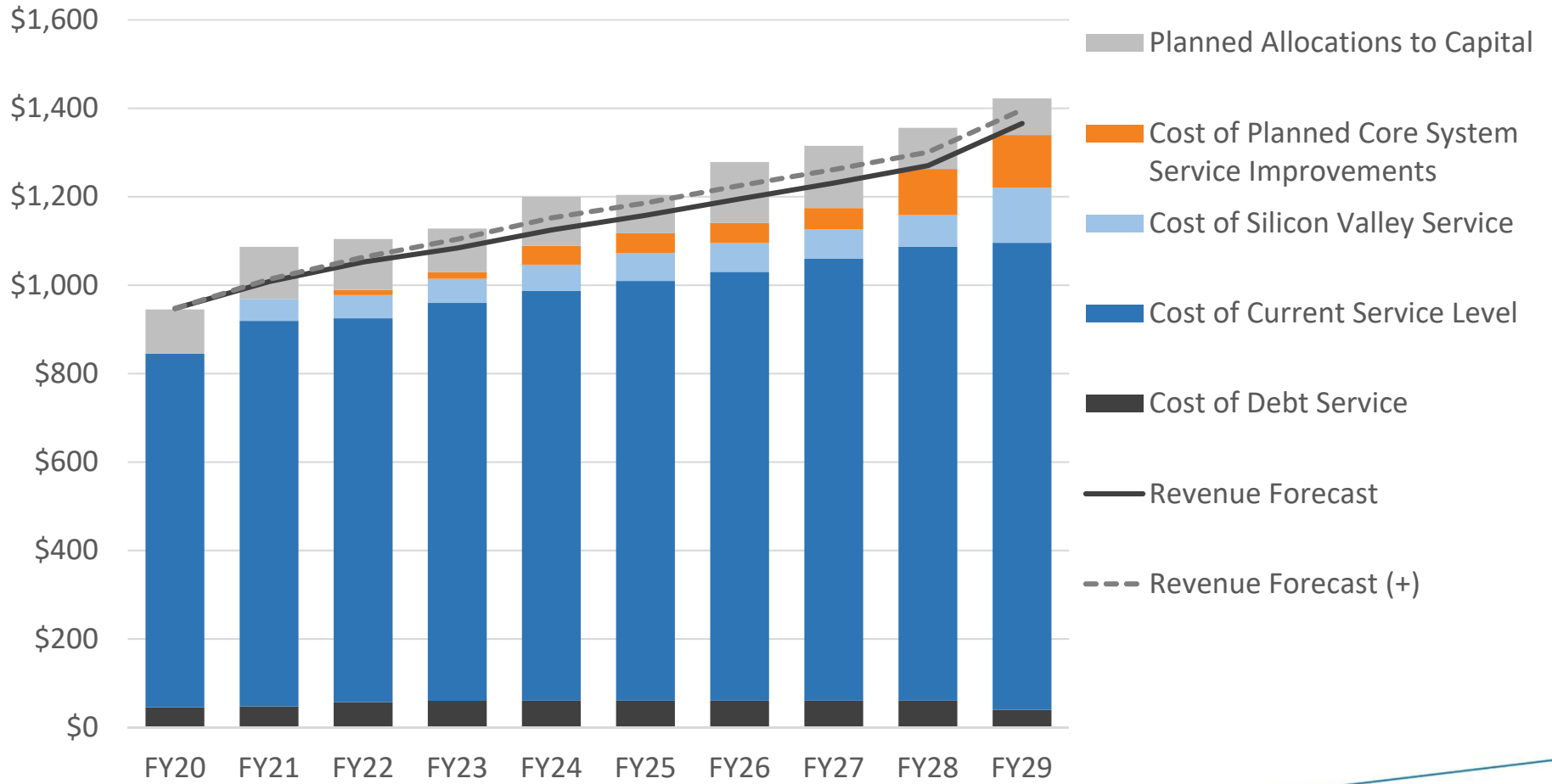
Forecast Uses of Funds FY20-29 (\$ Millions)



Sources vs Uses

Revenue enhancement scenario: deficit is 3.2% of total uses

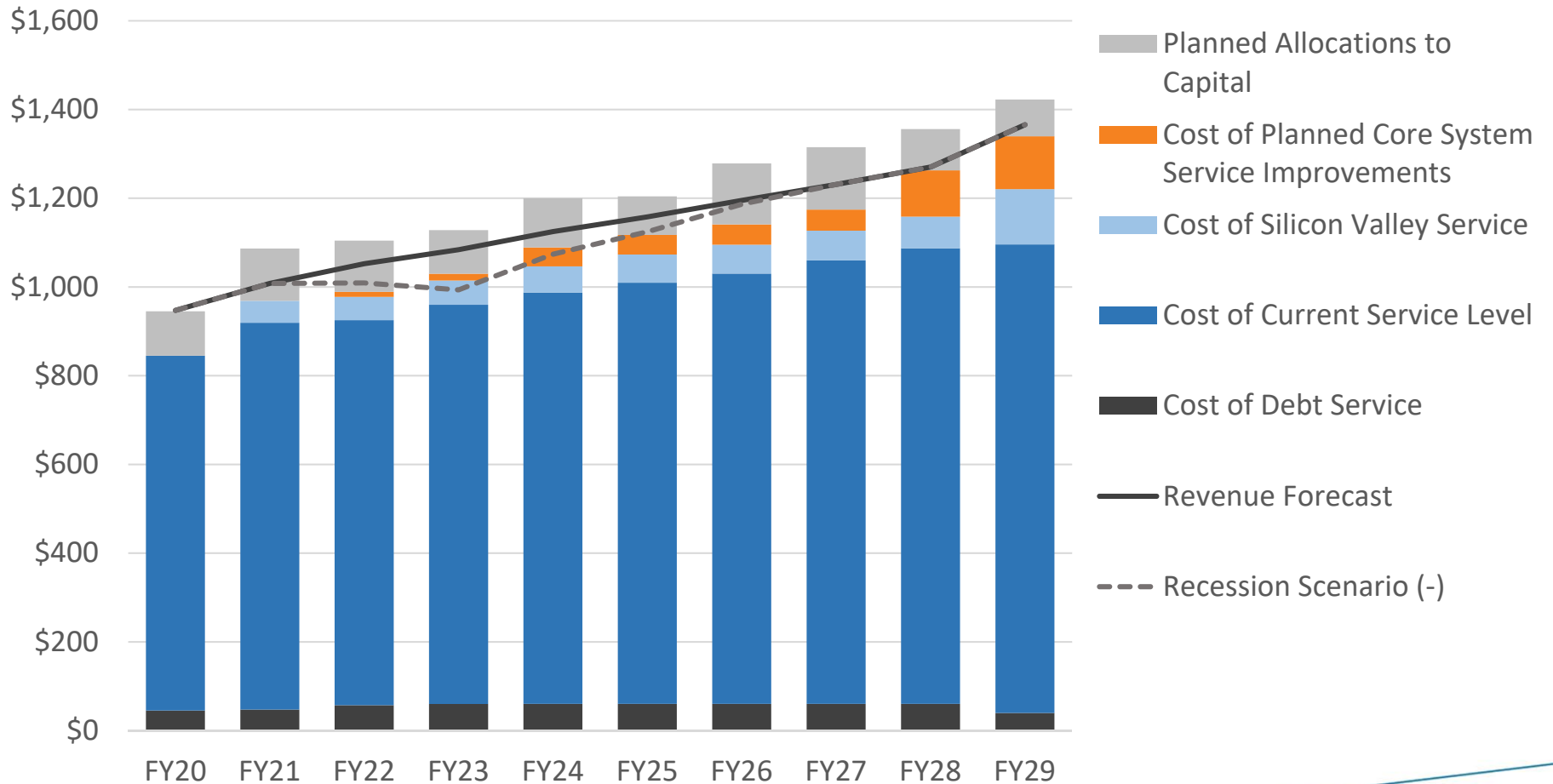
Forecast Uses of Funds FY20-29 (\$ Millions)



Sources vs Uses

Recession scenario:
deficit is 6.5% of total
uses

Forecast Uses of Funds FY20-29 (\$ Millions)



Operating Outlook – Risk Management

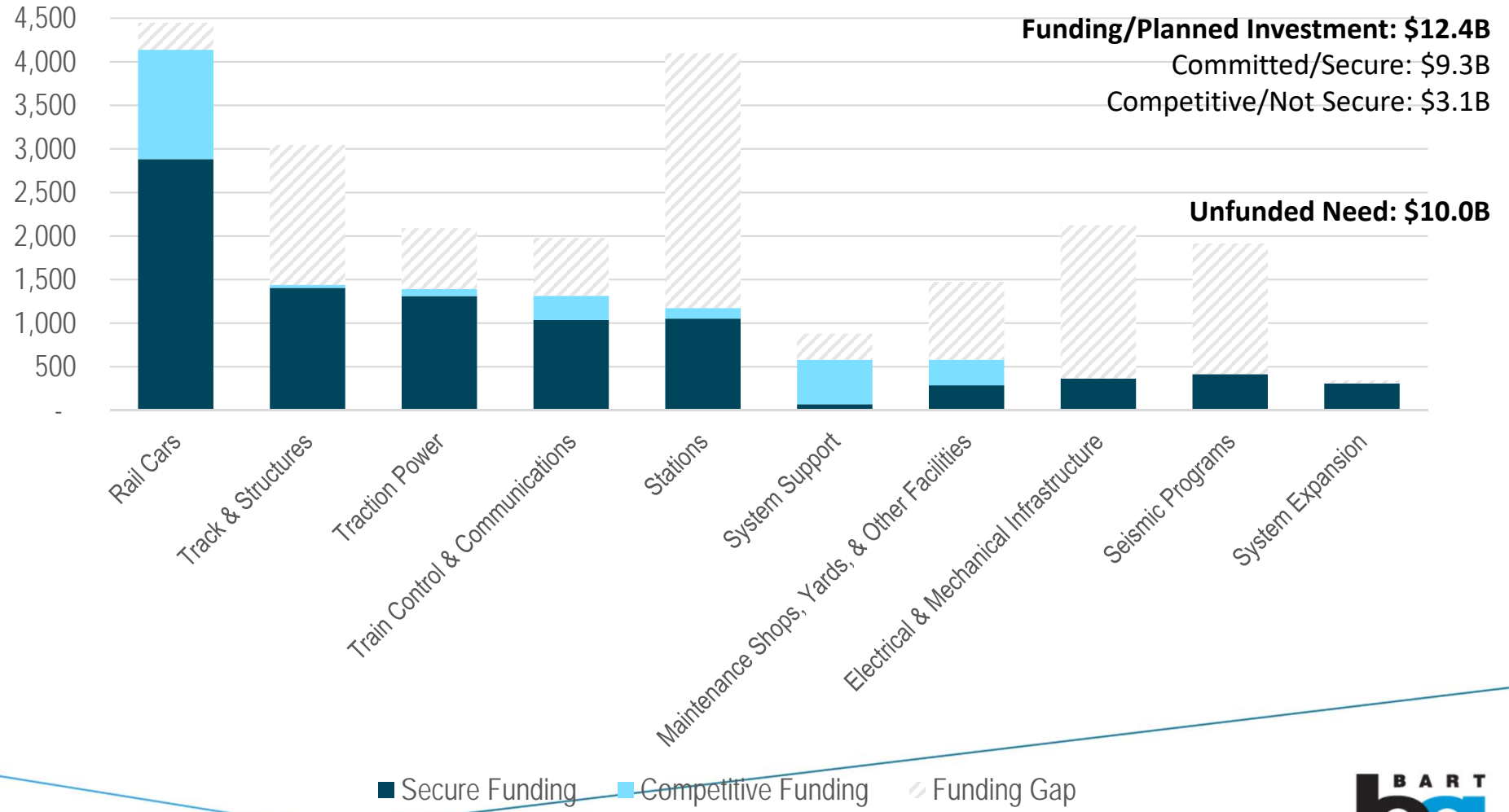
Risk	Risk Management Approach
Forecast FY21-23 operating deficit	<ul style="list-style-type: none"> • Strategic budget process
Uncertain ridership growth	<ul style="list-style-type: none"> • Investing in QOL / customer experience • Rolling out new fleet • Measure RR and Core Capacity • Developing non-fare operating revenue
Potential economic downturn	<ul style="list-style-type: none"> • Allocations to reserves • Balancing cost containment with need to invest in riders now
Labor expense uncertain (contracts end FY21)	<ul style="list-style-type: none"> • Labor negotiations • Focus on sustainable expense increases
Long-term pension and retiree medical costs	<ul style="list-style-type: none"> • Pre-funding retiree medical • Additional pension funding
Fare policy proposals -> uncertain fare revenue	<ul style="list-style-type: none"> • Engagement in Sacramento • Regional fare integration study

Capital Financial Outlook

FY19-33 Capital Improvement Program*

FY19-33 CIP: Funding Status by Program Area

Total Need: \$22.4B



*Adopted October 2018



FY19-33 Capital Improvement Program*

- Total 15-Year Need: \$22.4B
- Funding/Planned Investment: \$12.4B
 - Measure RR: \$3.3B
 - Federal: \$2.4B
 - Regional: \$2.3B
 - Other BART: \$2.0B
 - Local: \$1.6B
 - State: \$0.7B
- Unfunded Need: \$10.0B

Priority Capital Projects

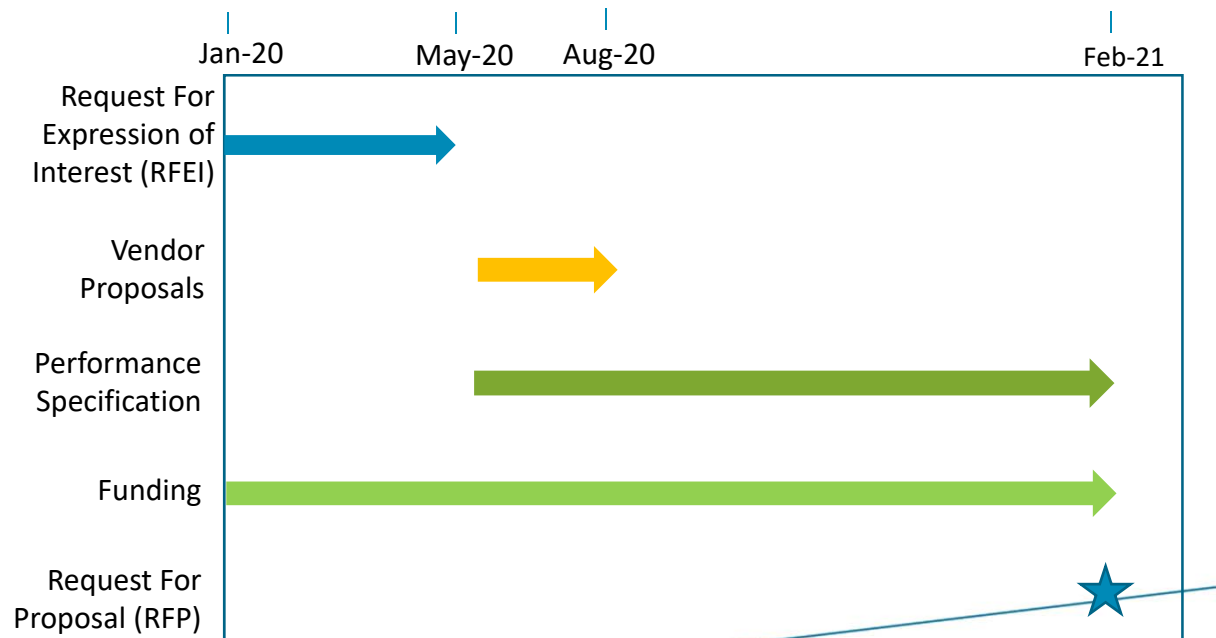
- The District has committed to several high priority projects, totaling ~\$8B:
 - Core Capacity Program
 - Train Control Modernization Program
 - Hayward Maintenance Complex Ph 1
 - Rail Car Program
 - Earthquake Safety Program – Transbay Tube
 - Measure RR System Renewal
 - Transit Operations Facility
- These projects comprise almost two thirds of BART's adopted financially constrained 15-year capital program
- The Board also advanced next generation fare gates (estimated to cost ~\$150M) as a priority in Fall 2019

Next Generation Fare Gates

- We're moving ahead with conceptual design for next generation fare gates
- We'll be coming back to the Board with a timeline and funding strategy for implementation

Fare Gates		
Alameda County	284	(42%)
Contra Costa County	117	(17%)
San Francisco County	199	(29%)
San Mateo County	82	(12%)
Total	682	(100%)

Conceptual Design Timeline



Priority Capital Projects Funding Summary

- Significant progress has been made towards fully funding high priority projects
- \$5.7B secured funding (70%)
- \$1.3B pending funding (16%)
- \$1.1B funding still to be secured (14%) (including new fare gates)
 - Applying for ~\$200M in grants over next six months
 - Currently in negotiations with funding partners for an additional \$300-500M
 - Developing a plan for the remainder

Priority Capital Projects Funding

Key Milestones

- Core Capacity Program
 - June 2019 – \$300M Capital Investment Grant (CIG) Allocation
 - December 2019 – \$51M Transit and Intercity Rail Capital Program (TIRCP) allocation
 - FY20Q4 – \$1.169B CIG Full Funding Grant Agreement (FFGA) expected
- Measure RR Program
 - August 2019 – \$360M second bond issuance
 - Measure RR Program is reviewed annually by Measure RR Bond Oversight Committee
 - 2019 Report: “BART has progressed on RR projects at a pace that exceeds this requirement, which reflects on the District’s success in delivering RR-funded work in a timely manner. “
 - \$481.8M committed to date
 - \$441.7M expended to date

Priority Capital Projects Funding

Key Upcoming Opportunities

- FY20Q3 & Q4 – apply for ~\$200M State SB1 (cap & trade) grant programs
- March 2020 – CCTA Sales Tax Measure
- Potential November 2020 – FASTER Bay Area Measure
- Potential 2022 – Planned SFCTA Sales Tax Measure

Financial Outlook Summary – Capital

- Capital program scaling up
 - RR Program is well underway
 - Core Capacity Program is ramping up
- Large rail car payments planned
- Challenges include:
 - Strong economy + high materials costs = high cost construction bids
 - Continue to work to close funding gap on high priority projects
 - Long term funding challenges persist

Fare Programs

Clipper START

Fare Coordination and Integration Business Case Study



Upcoming Projects Impacting Fare Policy & Revenue

Means-Based Transit Fare Discount Pilot Program (Clipper START)

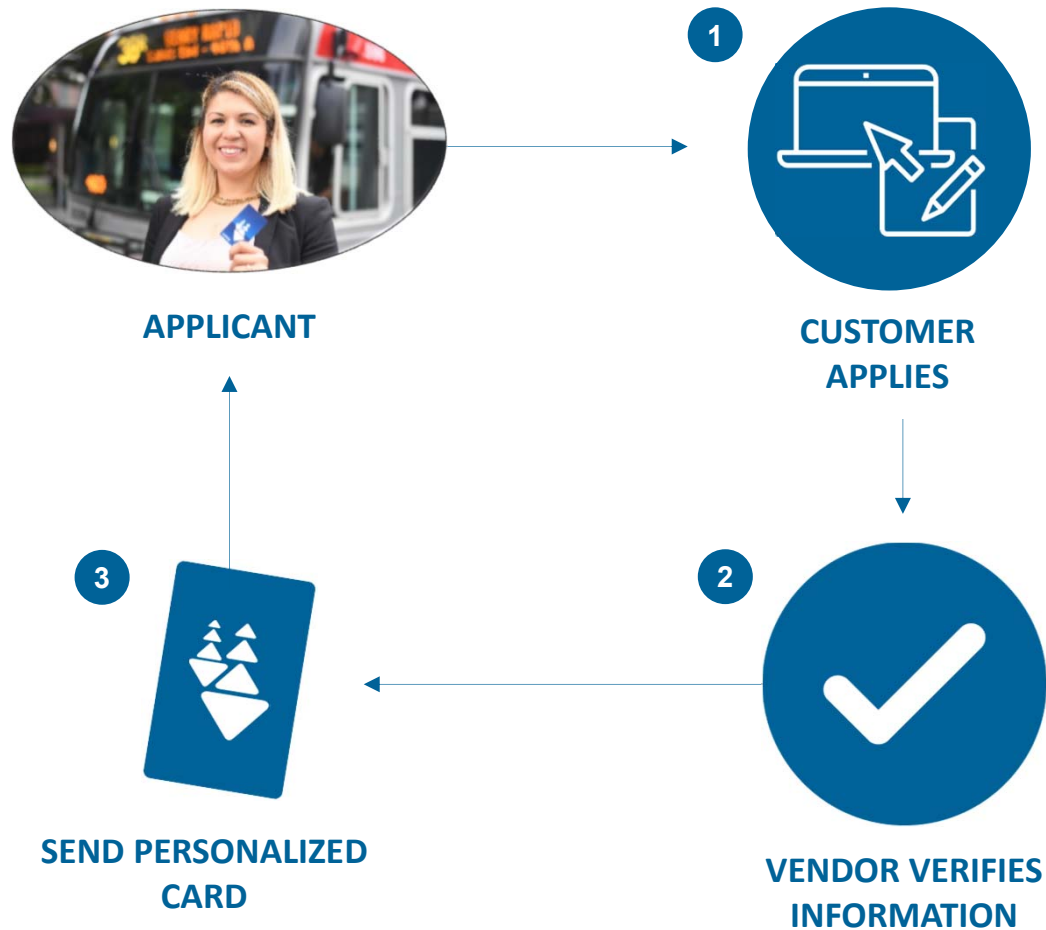


Fare Coordination and Integration Business Case Study



Applying for and Using Clipper START

- Individuals can apply through a website or with a mailed or faxed paper application
- Applicants must provide proof of eligibility with copies of tax returns, EBT cards, or MediCal cards
- Once 3rd party vendor verifies eligibility, participants will be mailed a special Clipper card to use to receive the discount
- Discount taken on each single ride taken on participating agencies
- Can use card on other transit operators, but will pay full fare



Clipper START Outreach Plan

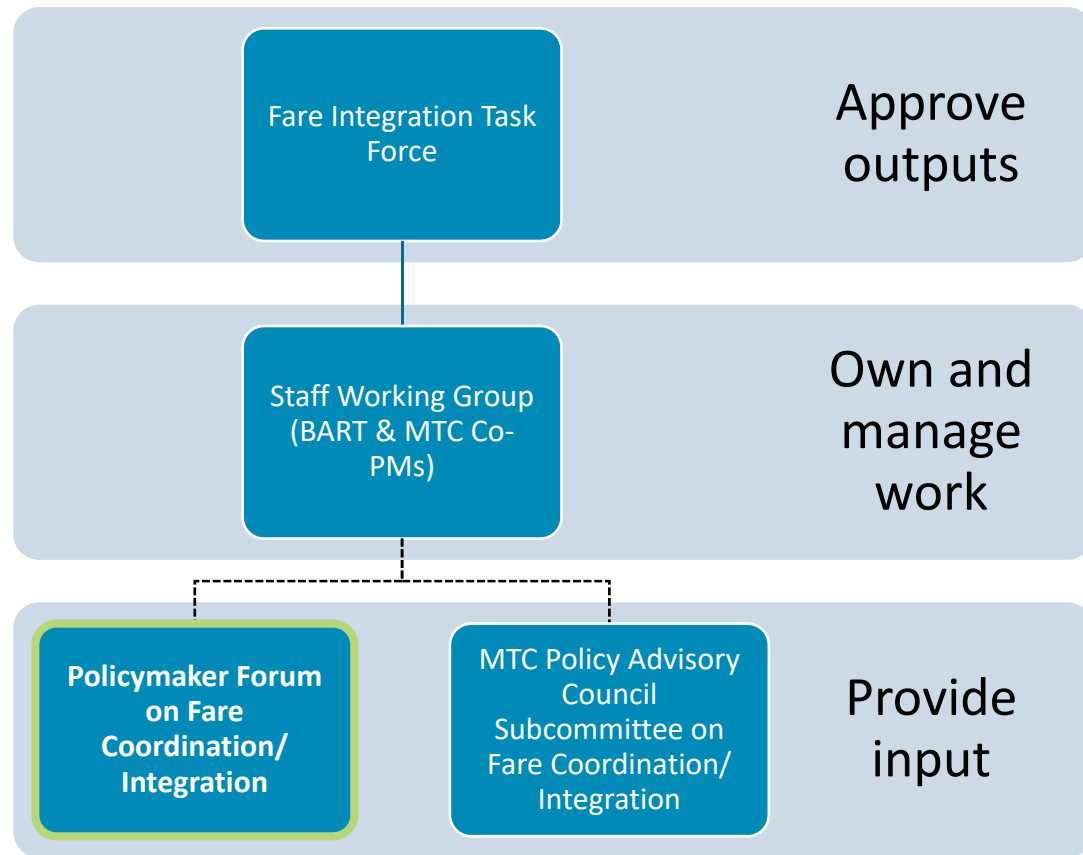


Fare Coordination and Integration Study

- Goal: Improve the passenger experience and grow transit ridership across the Bay Area



Project Management Structure



Discussion