SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors **DATE:** March 6, 2020

FROM: General Manager

SUBJECT: **FY20 Second Quarter Financial Report**

The FY20 Second Quarter Financial Report (October – December 2019) is attached. The net result for the quarter, while balanced, was $20.8 million (M) unfavorable to budget. Prior to this quarter, results had generally been running favorable. The second quarter change is driven primarily by a lag in State financial assistance revenues and higher than budgeted labor expenses, partially offset by increased non-fare revenue and lower than budgeted non-labor expenses.

Operating Sources

Total Ridership was 0.4% over budget for the quarter and 1.2% lower than in the same period of FY19. Second quarter FY20 weekday trips were 0.1% above budget and 0.5% below FY19. Year to date, total trips are 0.5% above budget, but 1.0% below the first half of FY19. Passenger revenue for the quarter was $0.5M (0.4%) unfavorable and $1.9M (0.8%) favorable year to date.

Financial Assistance in the second quarter was unfavorable to budget, with sales tax $9.4M below budget and no receipt of State Transit Assistance (STA) funds. However, year to date, sales tax is nearly on budget, with the state continuing to remit sales tax revenues from prior quarters to agencies in an uneven manner. The State Transit Assistance payment budgeted for the second quarter ($9.8M) is expected in March. Sales of Low Carbon Fuel Standard (LCFS) credits continued to exceed budget expectations, in the second quarter generating a total of $5.9M, allocated equally to the Sustainability program and to the general operating fund.

Operating Uses

Total Expense for the second quarter exceeded budget by $8.7M (4.5%), with labor and benefits $11.5M over budget, (7.9%) unfavorable. This negative variance was driven by overtime and less than budgeted capital labor reimbursements. After adjusting for vacant positions, capital reimbursements are expected to be on budget by year end. Total non-labor expense was $2.8M under budget, largely due to material usage, lower than projected bank card fees and increased Clipper reimbursements.

The outlook for the remainder of FY20 is concerning. Ridership, operating sources and financial assistance are expected to remain close to, or over, budget. However, as noted in the first quarter, operating expenses continue to face substantial added financial pressures to address Quality of Life issues and the customer experience, requiring overtime and redirection of resources. Additionally, non-labor expenditures are expected to increase in the second half of the fiscal year. Staff will continue work to streamline the allocation of charges to capital projects, while limiting spending and pursuing all revenue sources with the goal of balancing the FY20 budget by year end. Staff will provide an update on the FY20 financial outlook in April in conjunction with the FY21 budget development process.

for

Robert M. Powers

cc: Board Appointed Officers
Deputy General Manager
Executive Staff