



EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: <i>16 OCT 2020</i> <i>Robert M. Powers</i>		GENERAL MANAGER ACTION REQ'D:		
DATE: 10/15/2020		BOARD INITIATED ITEM: Yes		
Originator/Prepared by: Pamela Herhold Dept: AGM - Performance & Budget <i>[Signature]</i> 10/15/20 Signature/Date:	General Counsel <i>MB</i> 10/15/20	Controller/Treasurer <i>[Signature]</i> 10/16/2020	District Secretary []	BARC <i>[Signature]</i> 10/15/20 []

FY21 Budget Update

PURPOSE:

To seek Board authorization to direct staff to identify additional cost savings and/or revenue enhancements to reduce a potential fourth quarter Fiscal Year 2021 (FY21) operating budget shortfall.

DISCUSSION:

On June 25, 2020, the BART Board of Directors adopted a balanced FY21 operating budget that accounted for the severe financial challenges presented by COVID-19 and resulting ridership and revenue losses. The budget included assumptions regarding ridership trends, operating sources, service plans, and operating expenses in FY21. In June, staff committed to return to the Board in October 2020 to consider revisions to the FY21 budget as may be needed.

At this point in time, with preliminary data covering the first quarter of FY21, the second and third quarters are balanced and the fourth quarter is trending to result in a \$33M deficit, as described in the following paragraphs and table.

Since the start of FY21, ridership has not met budget expectations, lagging approximately 58% below budget for the first quarter of FY21. In addition, staff has lowered expectations of Federal Emergency Management Assistance (FEMA) funding, based upon lower COVID-19 expenditures and reduced federal funding support. Conversely, sales tax exceeded the first quarter budget by \$9.7 million (M) and additional federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds were carried over from the FY20 budget to support FY21. Using these and other data trends, with ridership as the primary driver of the shortfall,

staff estimates that, overall, operating sources could end FY21 \$88M below budget.

To mitigate anticipated revenue shortfalls, which are based upon trends to-date, staff has identified additional expense reduction measures. These include continued redeployment of operating staff to capital work due to reduced revenue service hours, which benefit the District and riders by accelerating completion of capital reinvestment projects in the system. Other efforts include a continued hiring freeze, reduced non-labor expenditures due to lower service levels, and lower than budgeted expenses to support COVID-19 containment. Collectively, these expense reduction measures are currently projected to reduce FY21 budget expenses by approximately \$55M.

FY21 Quarterly Cash Flow Projection (\$M)

	Q1	Q2	Q3	Q4	Year End Projection	Adopted Budget	Var.
Operating Revenues	111	124	119	172	526	604	-78
Emergency Funds	105	93	93	10	301	311	-10
Total Sources	216	217	212	182	827	915	-88
Expense	194	200	200	202	796	851	-55
Debt Service & Allocations	22	17	12	13	64	64	0
Total Uses	216	217	212	215	860	915	-55
Net Result	0	0	0	-33	-33	0	-33

Staff will continue to identify and implement expense reduction measures for both labor and non-labor, with the goal of ending FY21 with a balanced budget. Staff are also exploring a voluntary retirement incentive program in FY21. Additional information around revenue sources, including actual results for ridership, sales tax, and State Transit Assistance, will also help staff update the FY21 year-end forecast throughout the fiscal year.

FISCAL IMPACT:

Staff will continue to forecast and update the operating shortfall outlook, as new information becomes available, and identify expense reductions and revenue opportunities to balance projected operating shortfalls.

ALTERNATIVES:

The Board could choose to defer direction to staff to a future FY21 budget quarter.

RECOMMENDATION:

It is recommended that the Board adopt the following motion:

MOTION:

Direct staff to identify additional revenue enhancement and cost saving measures in order to balance the FY21 operating budget by fiscal year end. Staff will report back to the Board by February 2021.