



Fiscal Stability

BART Board of Directors

February 25, 2021



Agenda

1. Overview
2. BART Ridership History and Recovery Scenarios
3. Operating Outlook
 - Operating Revenue Scenarios
 - Operating Expense Projection
 - Operating Deficit Scenarios
4. Capital Program Priorities and Risks
5. Pathways to Fiscal Stability

Overview

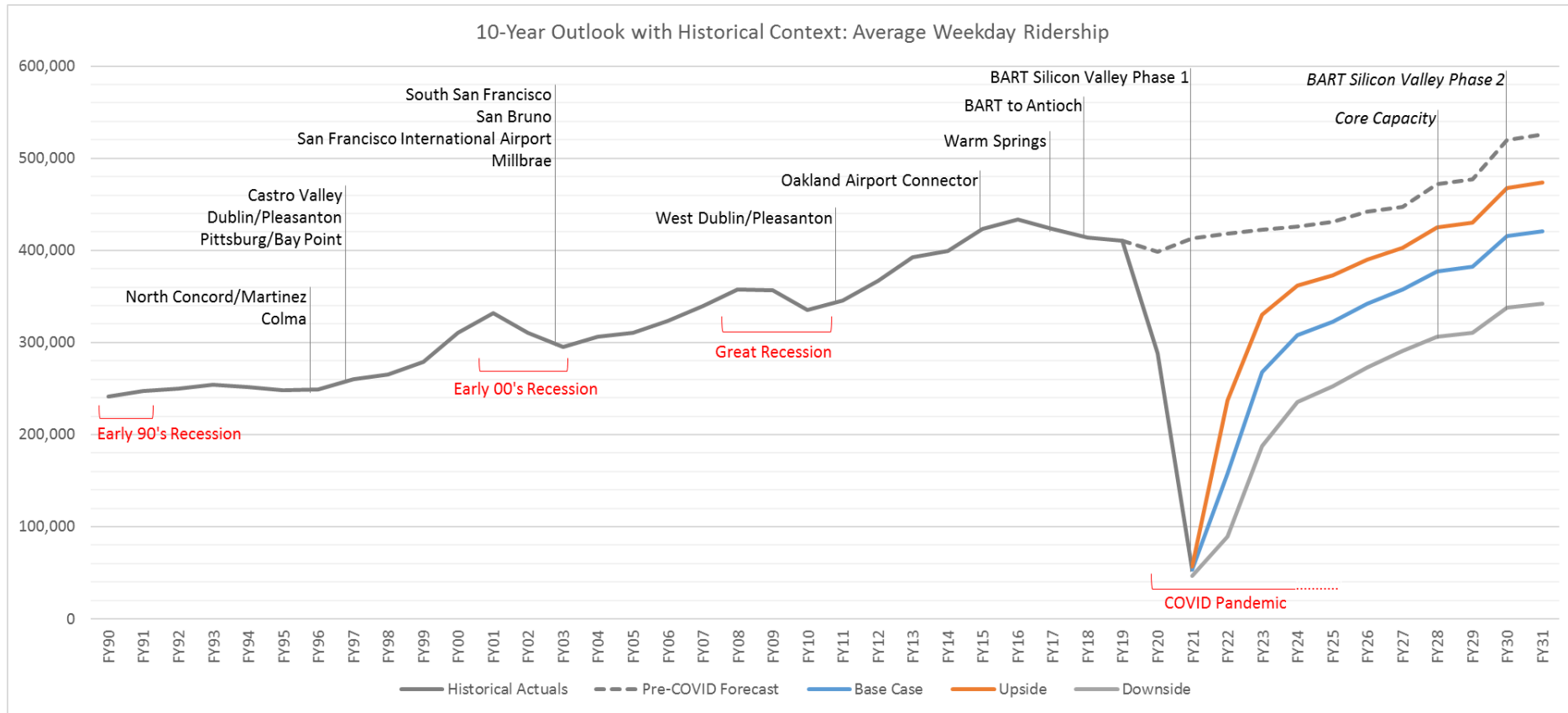
BART faces an unprecedented drop in revenue and an uncertain future

- Pandemic revenue loss is expected to be over \$1B by the end of FY22
- Near term, federal emergency funding allows us to continue to provide reliable service for transit dependent riders and essential workers
- Ridership and revenue uncertainty likely to persist for years
 - Increases in remote work could lead to fare revenue far lower than prior expectation
- Lower operating revenue also increases risks to the capital program

Fiscal Recovery Approach

- Prepare for a wide range of outcomes, position BART to be nimble
- Focus on ability to adapt to changing travel patterns
- Drive ongoing improvements, recalibrate when necessary
- Immediate strategies
 - Maximize ridership recovery
 - Manage expense
 - Secure new revenue

BART Ridership History and Recovery Scenarios



BART Ridership Recovery Factors

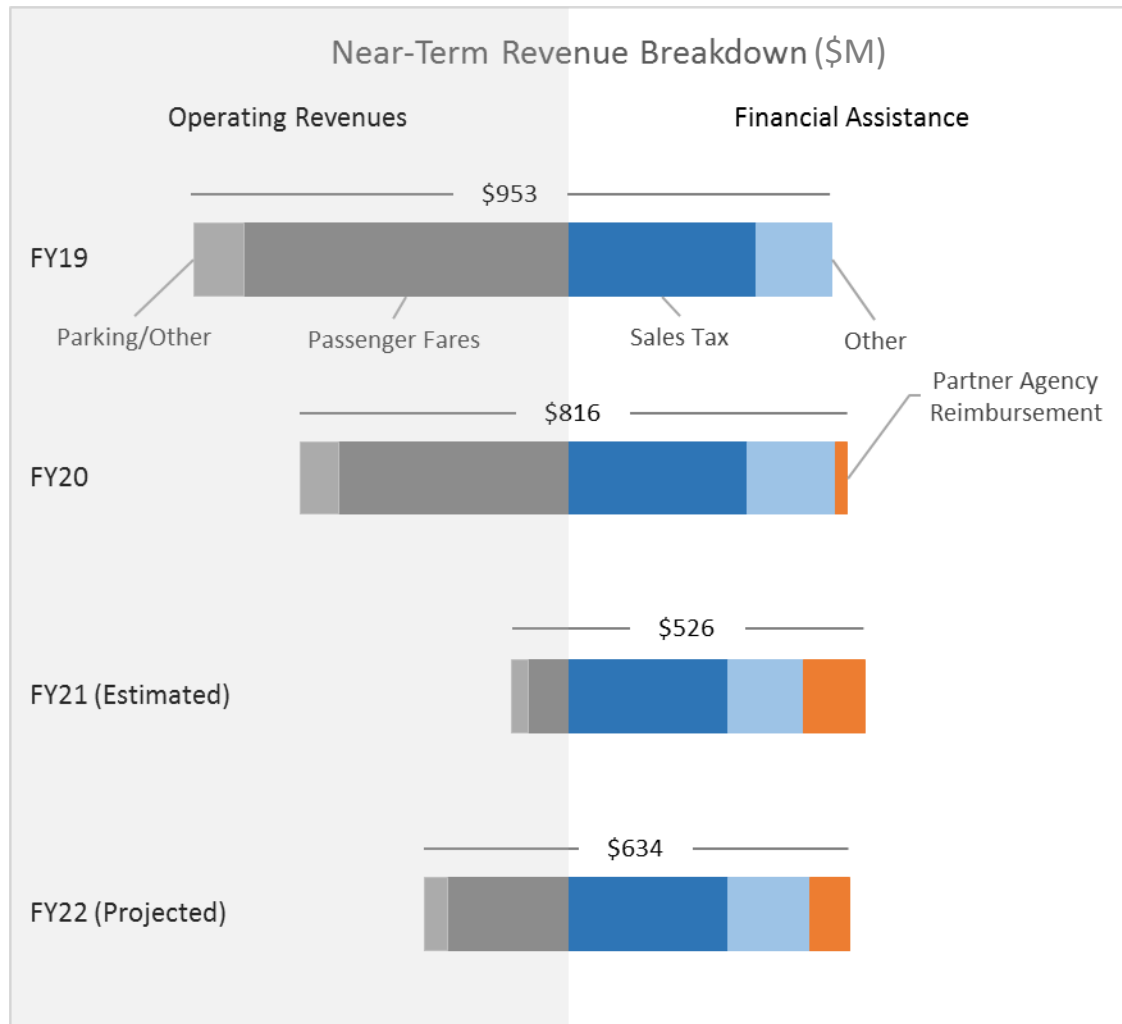
Near
Term

Factors in Recovery	Opportunities	Risks
Timing and pace of pandemic end	Effective vaccines	Virus variants; pace of vaccination; vaccine acceptance
Post-pandemic market size/ market share	Diversity/resilience of Bay Area economy; BART customer loyalty; Transbay speed/reliability advantage	Economic impacts/unemployment; rise of remote work; Employers shifting away from downtown SF?
Impact of pre-pandemic trends	Regional growth; regional integration	Rise of Uber/Lyft; declining airport ridership; regional homelessness crisis
Long-term market size: How will Bay Area population/employment grow in the years ahead?	New growth centers? New markets to serve?	Slower downtown employment growth? Slower regional growth?

Long
Term

Operating Revenue: Near-Term Challenge

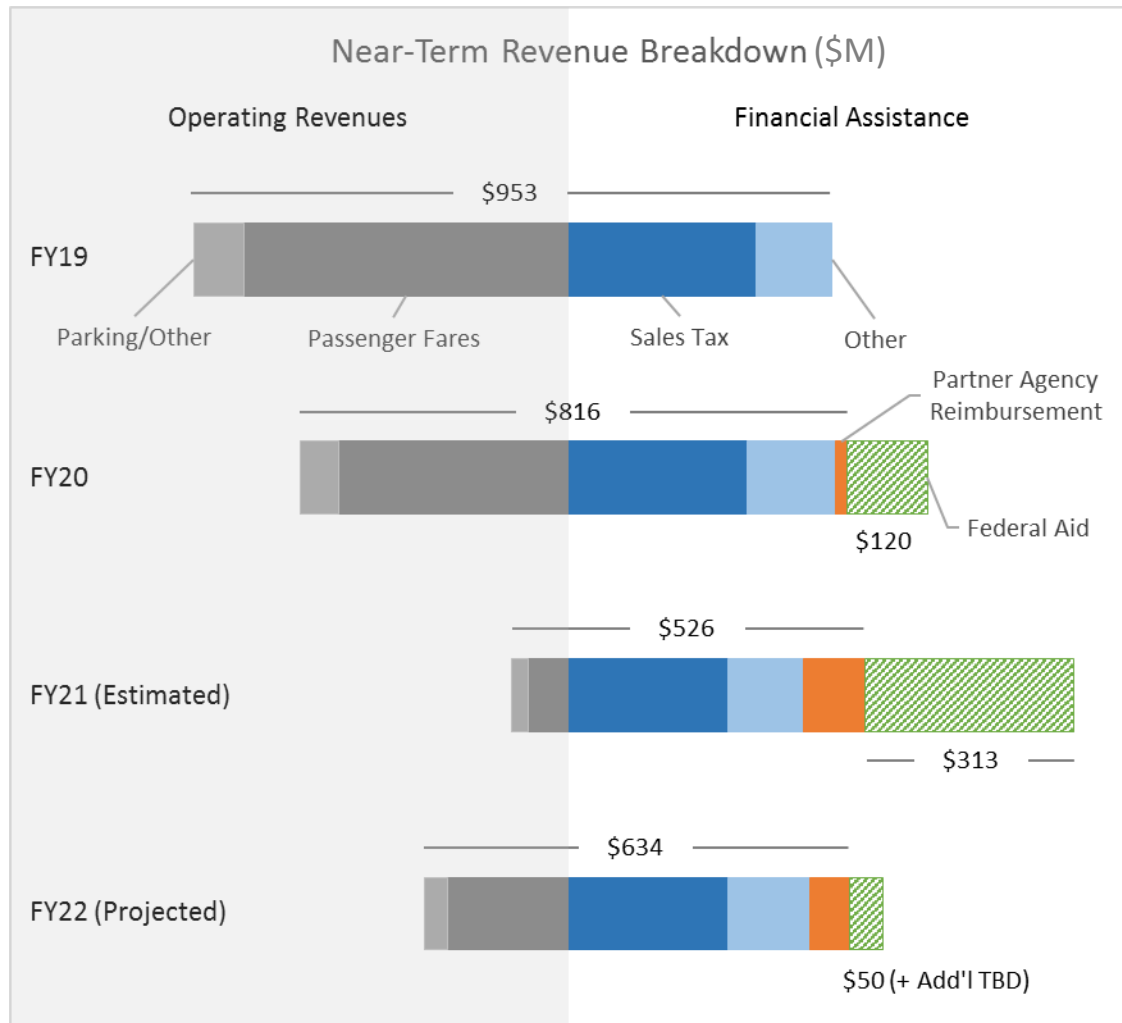
BART's near-term fiscal crisis is driven by the collapse of ridership and fare revenue



- Operating revenue collapsed; financial assistance much more stable
- Revenue impacts through FY22 well over \$1B: FY20 (\$167M); FY21 (\$523M); FY22 estimate (\$375M-450M)

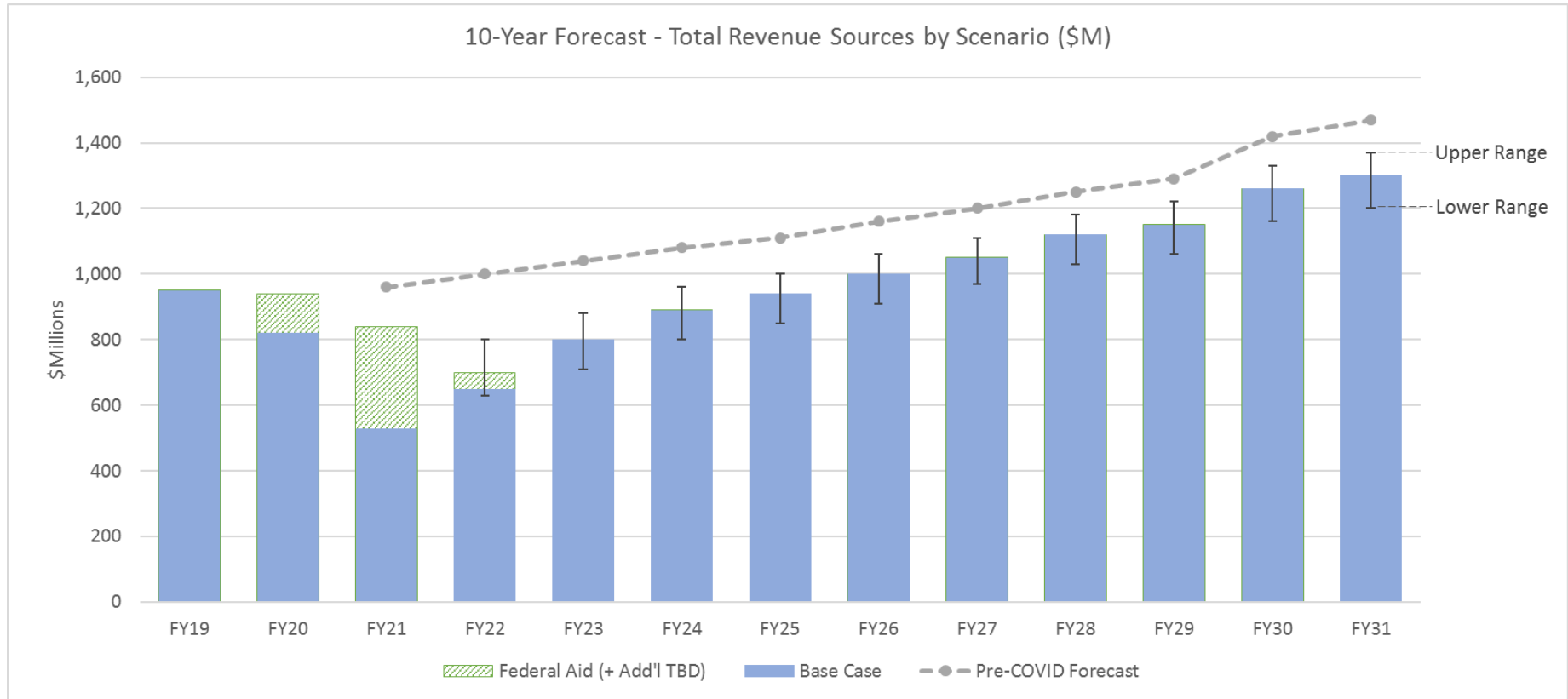
Operating Revenue: Near-Term Challenge

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- Operating revenue collapsed; financial assistance much more stable
- Revenue impacts through FY22 well over \$1B: FY20 (\$167M); FY21 (\$523M); FY22 estimate (\$375M-450M)
- \$377M of CARES Act + \$104M of CRRSAA to date offsets only part of this impact

Operating Revenue: 10-Year Scenarios



Revenue Assumptions/Notes:

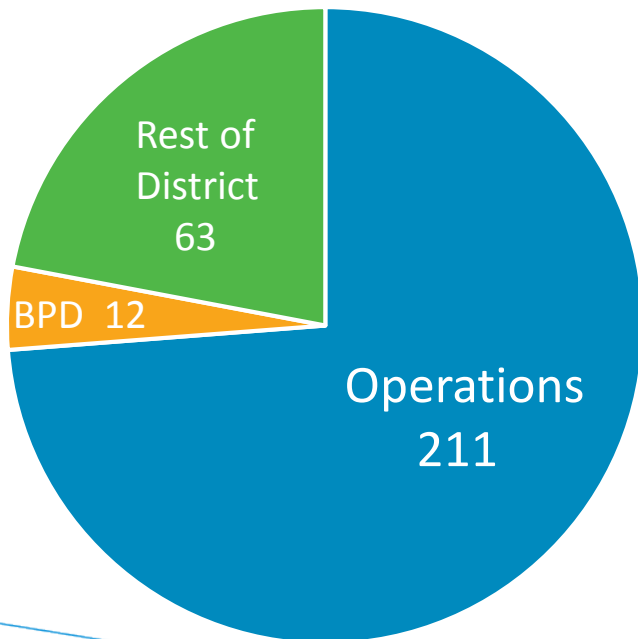
- No additional CRRSAA aid assumed after FY21 until final allocations have been made by MTC Commission
- Operating revenue scenarios correspond with base case/upside/downside ridership recovery scenarios
- One preliminary non-fare revenue scenario

Operating Expense: Near-Term Challenge

Major cost saving measures in FY20 and FY21:

- ~40% service reduction
- Load shedding to critical capital projects
- Hiring freeze, overtime restrictions, and labor concessions
- Elimination or deferral of capital allocations
- District Retirement Incentive Program (DRIP)

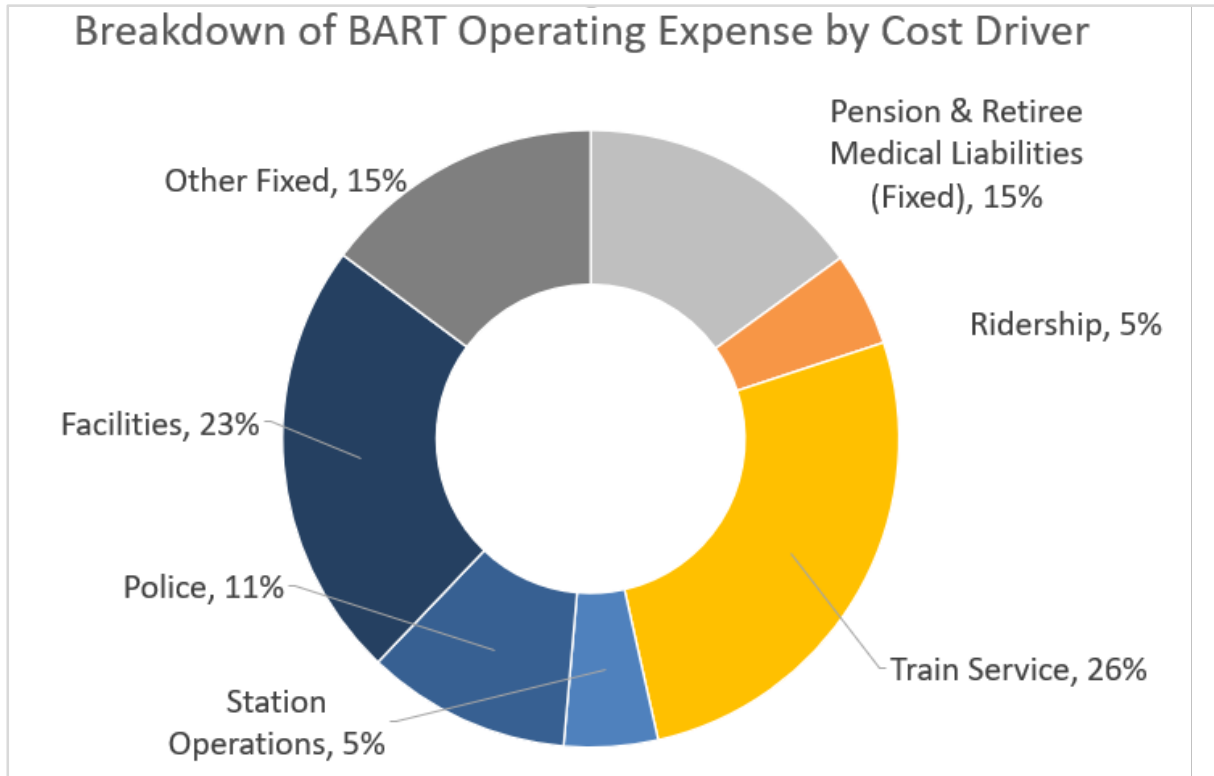
DRIP Results



Unit	Separations	Share of Current Headcount
Operations	211	7%
Police	12	3%
Rest of District	63	11%
Total	286	7%

Operating Expense: Near-Term Challenge

BART costs do not scale proportionally with service changes

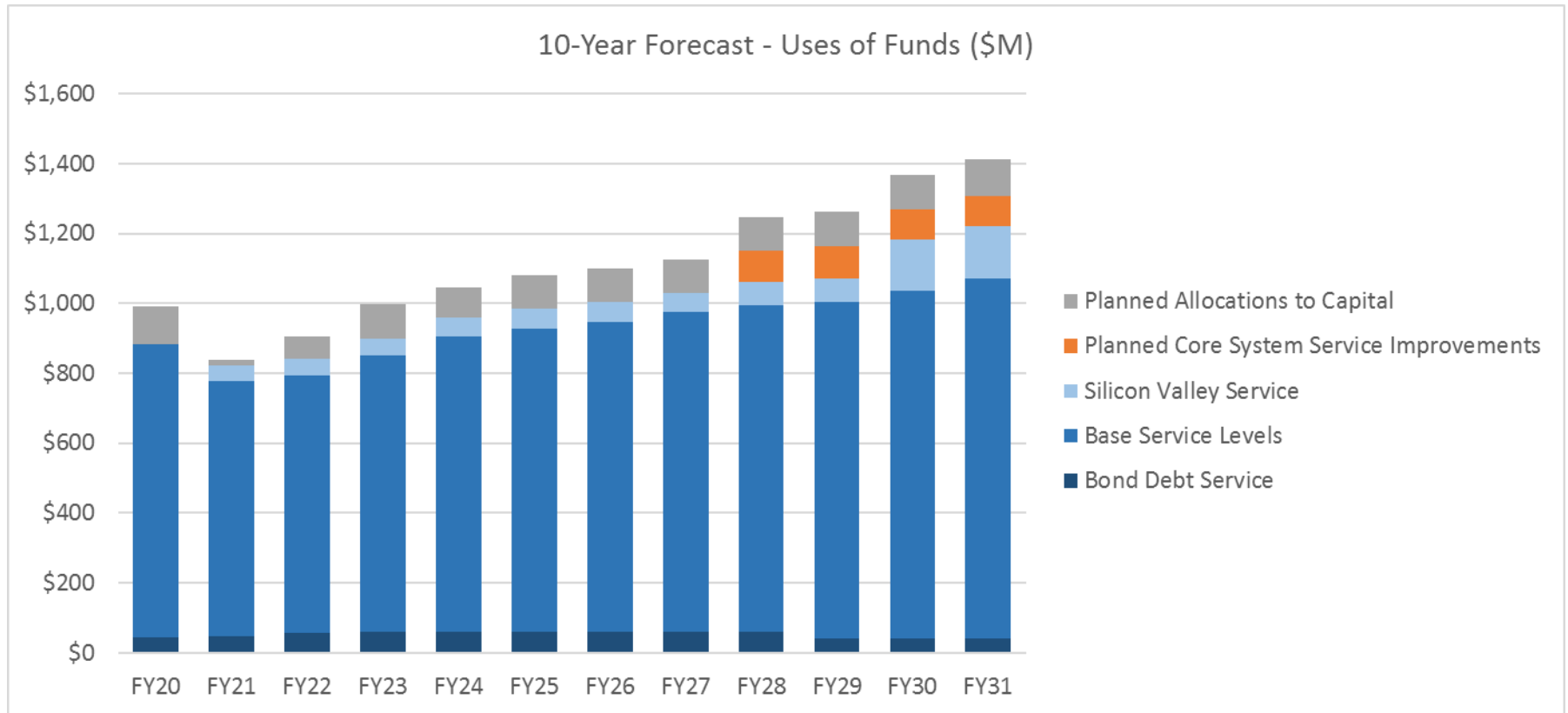


Source: BART O&M Cost Model

Constraints

- The majority of BART's operating expenses do not scale down proportionally with rail service levels
- Further cuts, especially to service, would limit BART's ability to capture revenues from projected ridership recovery

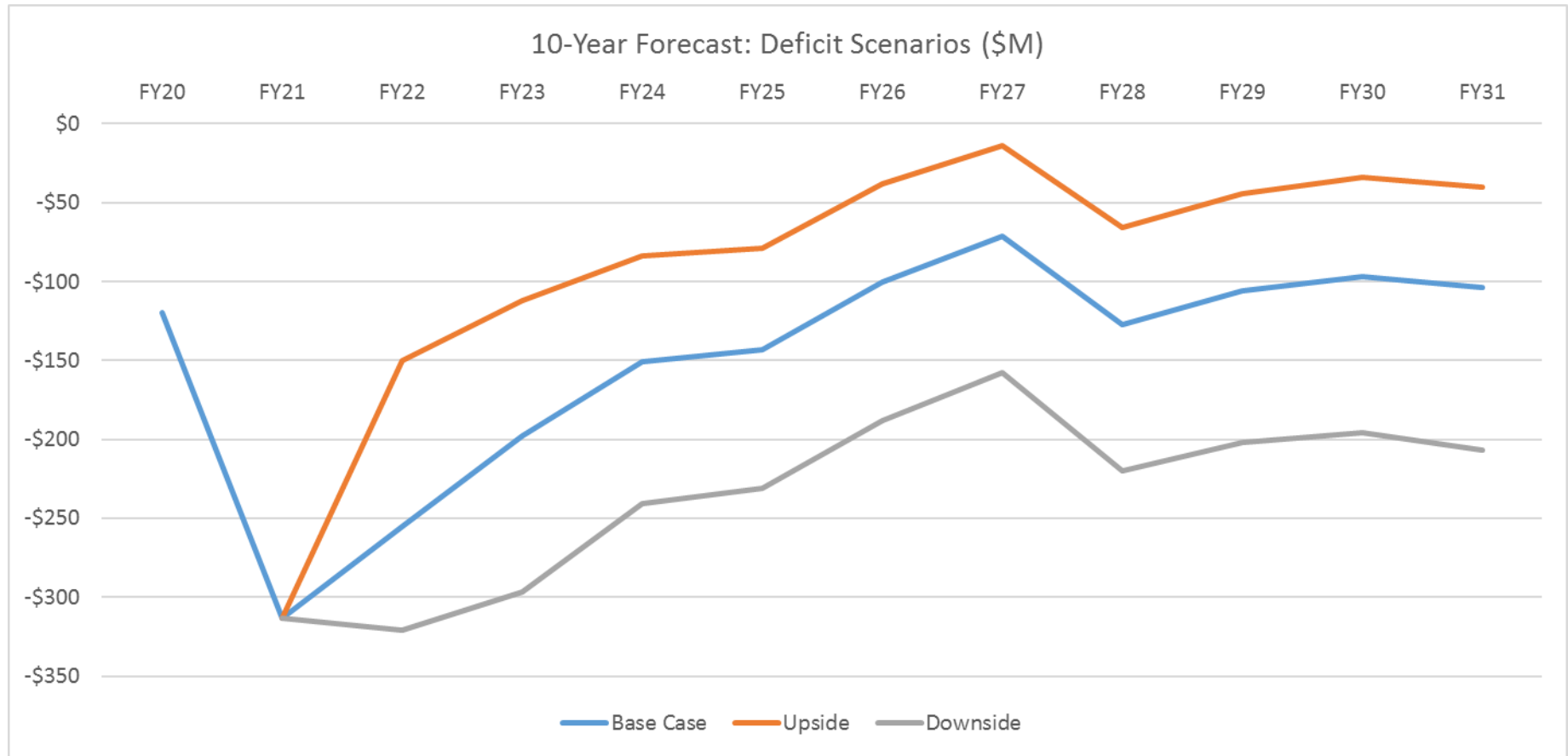
Expense: 10-Year Base Case Forecast



Expense Assumptions/Notes:

- Allocations cut in FY21, which increases risks to service and infrastructure. Assume full allocation levels return by FY23
- Wage escalation per new contracts; benefits per actuarial forecasts
- Assume full pre-COVID service levels by FY24, Core Capacity service increases in FY28, BART Silicon Valley Phase 2 FY30

Expense and Revenue: Operating Deficit Scenarios



Note: Excludes Federal Emergency Assistance

Capital Program and Priorities

- Capital Improvement Program (CIP) forecasts costs and funding associated with planned and active capital projects
- Funding-constrained CIP reflects BART priorities, determined through:
 - Measure RR - \$3.5B commitment to the voters
 - Board-Approved Priorities
 - Priority Capital Program:
 - Fleet of the Future
 - Train Control Modernization Program
 - Hayward Maintenance Complex
 - Core Capacity Program
 - Next Generation Fare Gates
 - Other Emergent Urgent Needs

Priority Capital Funding At-Risk and/or Unsecured

Project/Program	Funding Details (\$millions)			
	Total Cost	Secured Funding ¹	Funding Secured, but At-Risk	Unsecured Funding
State of Good Repair (5-Year Need)	\$ 5,577	\$ 1,177	\$ -	\$ 4,400
Fleet of the Future, Phase 1 (775 cars)	2,584	2,268	316	-
Vehicle Overhaul & Heavy Repair Shop Project	320	-	59	261
Core Capacity Program	3,317	2,276	622	420
Fleet of the Future, Phase 3 (119 cars)	423	213	-	210
Next Generation Faregates Project	90	33	7	50
Emergent Urgent Needs	50	-	-	-
Total	\$ 12,325	\$ 5,971	\$ 1,004	\$ 5,349

1 SOGR secured funding includes 5-year forecast of Federal formula funds and Measure RR.

Pathways to Fiscal Stability

Maximize Ridership Recovery

- Deliver top customer experience (frequent, reliable, safe, clean)
- Maintain industry-leading reliability and restore frequent service
- Maximize connections, optimize regional network
- Adapt to changing commute and growth patterns

Constraints

- Economic & social trends outside of our control

Manage Expense

- Maximize efficiencies across the district
- Right size labor force, overtime in all departments
- Invest in State of Good Repair to maintain system performance and maximize cost-effectiveness

Constraints

- Need to restore service to capture ridership demand recovery
- Cutting service does not lead to commensurate savings

Secure New Revenue

- Maximize non-fare operating revenue (advertising, telecom, parking, TOD)
- Explore opportunities for ongoing federal, state, or regional operating subsidy
- Develop new capital sources to relieve pressure on operating program

Constraints

- More limited funding opportunities and many needs after pandemic recedes

Board Discussion

Supporting Slides

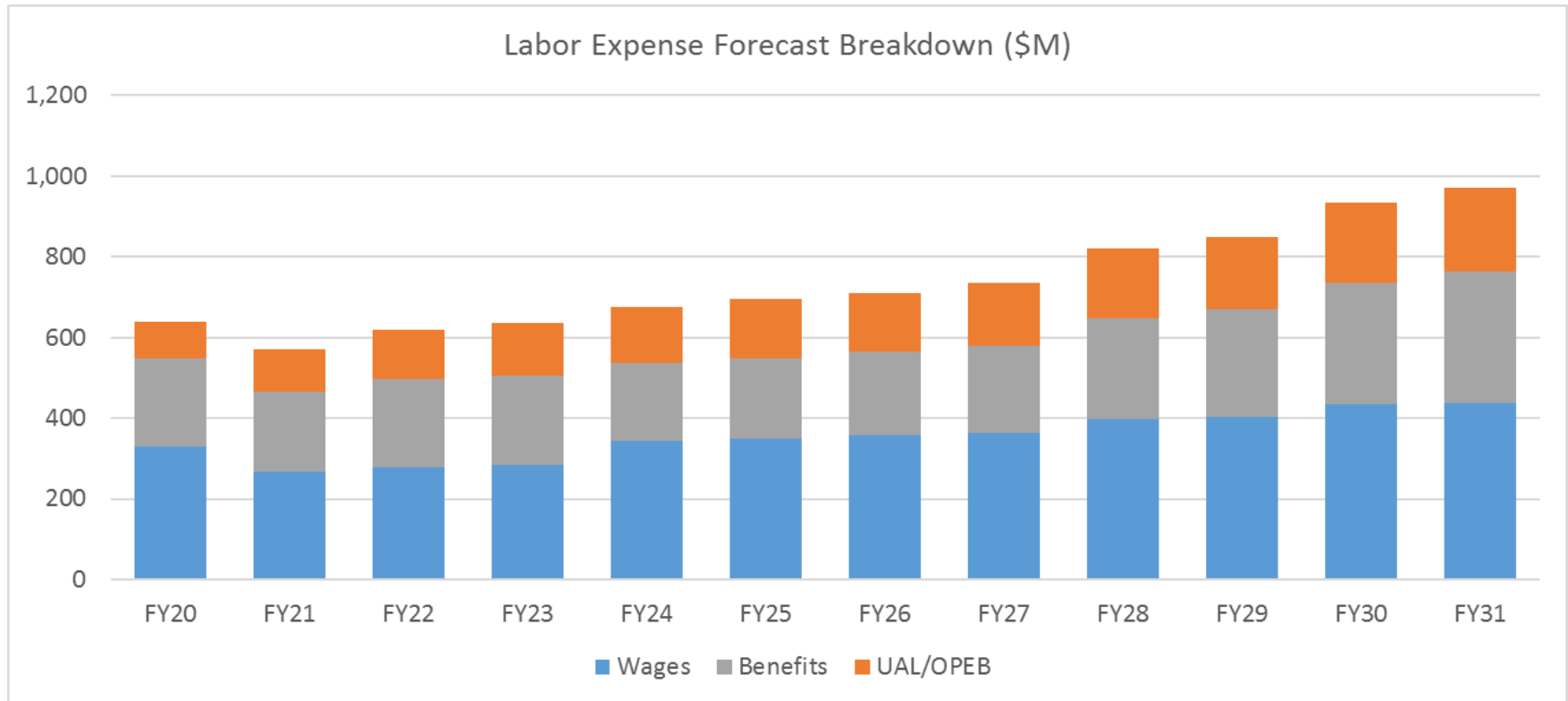


FY21-23 Revenue and Expense Projections

January 14 Board Meeting

Sources (\$M)	FY21 January Projection	FY22 January Projection	FY23 January Projection
Rail Passenger Revenue	58	179	328
Parking Revenue	6	12	19
Other Operating Revenue	19	22	24
Sales Tax Proceeds	239	254	264
Other Financial Assistance	204	182	165
<i>TOTAL REGULAR REVENUES</i>	<i>525</i>	<i>649</i>	<i>799</i>
Federal Assistance (CARES)	257	-	-
FEMA Reimbursement	2	-	-
Deferred Allocation (FY20 Railcars)	-	-	-
Additional Federal Assistance	55	TBD	TBD
<i>TOTAL EMERGENCY ASSISTANCE</i>	<i>314</i>	<i>-</i>	<i>-</i>
TOTAL SOURCES	839	649	799
Uses (\$M)			
Labor & Benefits	(576)	(589)	(627)
Power	(45)	(45)	(48)
Other Non-Labor	(139)	(149)	(164)
COVID Expense	(15)	-	-
Bond Debt Service	(47)	(57)	(60)
Allocations	(17)	(63)	(98)
TOTAL USES	(839)	(903)	(997)
Net Result	0	(254)	(198)

Projected Labor Costs

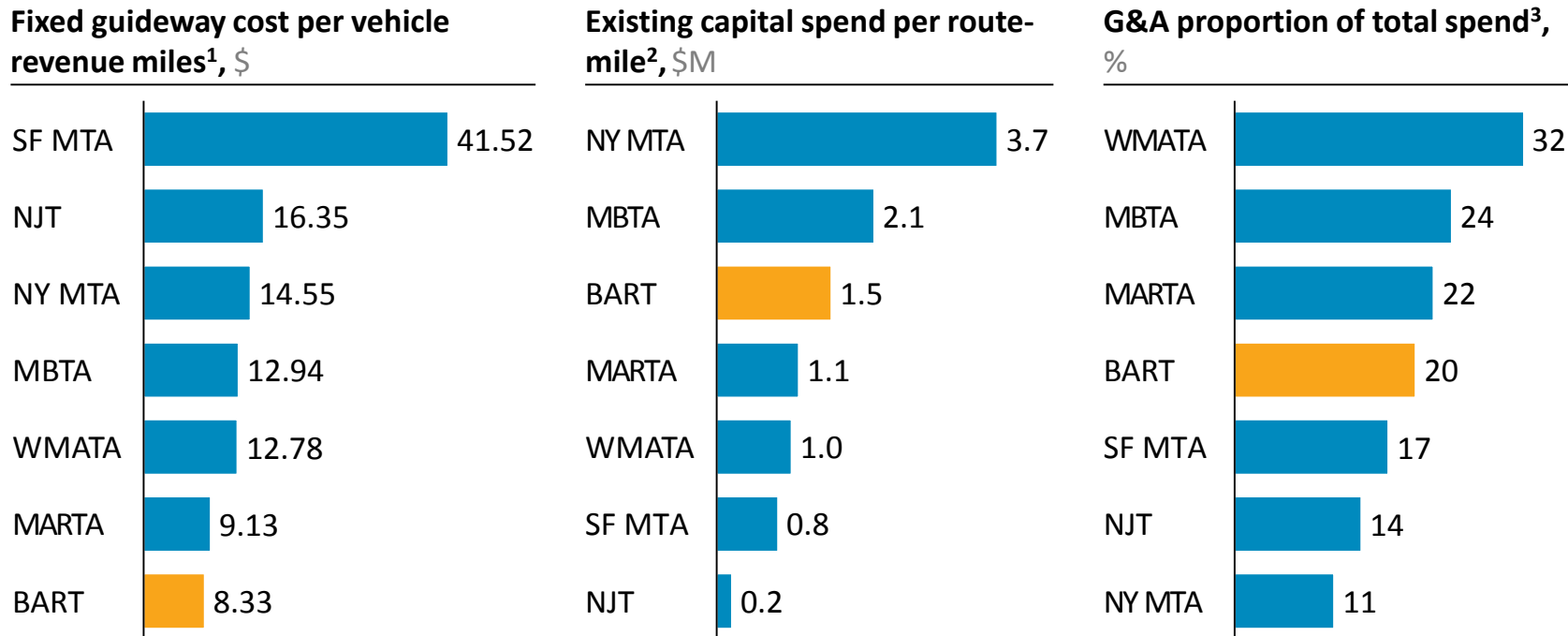


Unfunded Accrued Liability (**UAL**) is the amortized dollar amount needed to fund past service credit earned (or accrued) for members who are currently receiving benefits, active members, and for members entitled to deferred benefits, as of the valuation date.

Other Post-Employment Benefits (**OPEB**) are benefits beyond pension distributions, such as healthcare, provided to retirees

BART Unit Costs

BART has low operating expense per vehicle revenue-mile compared with other major transit agencies in the US



1 Fixed Guideway is a public transportation facility using and occupying a separate right-of-way for the exclusive use of public transportation

2 State of Good Repair route miles per NTD; Amtrak maintains a portion of NJ Transits rail network

3 G&A includes all activities associated with the general administration of the transit agency, including: Transit service development; Safety, Personnel administration; Legal services, Insurance, Data processing, Finance and

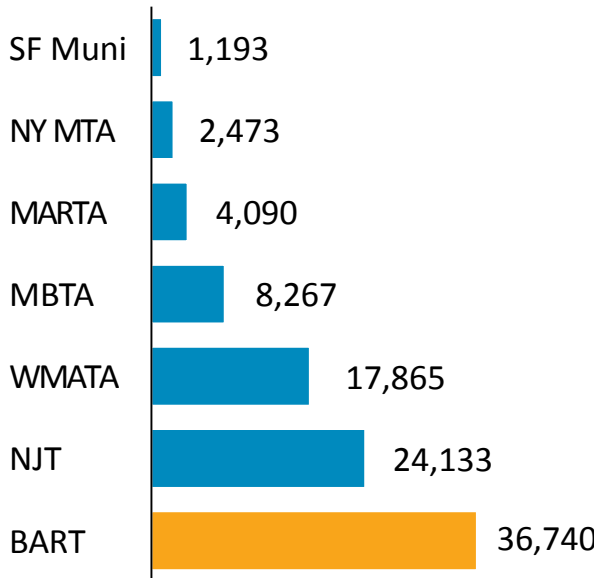
Note: NJ Transit only include Commuter Rail service. SF MTA includes only Light Rail service. MBTA includes only Heavy Rail

Source: National Transit Database, 2018

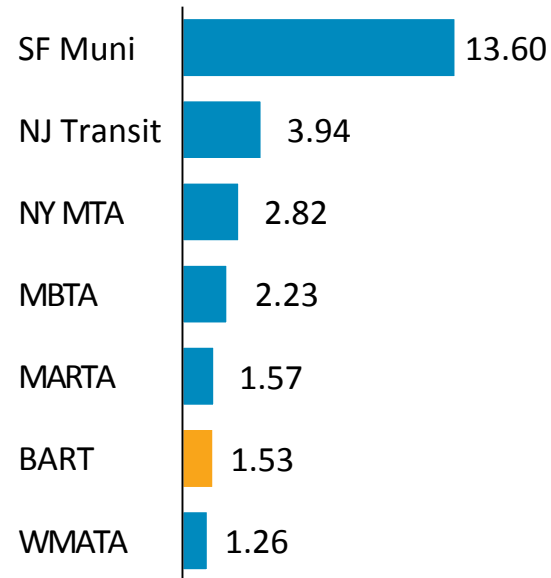
BART Reliability Metrics

Maintaining the railroad pays off

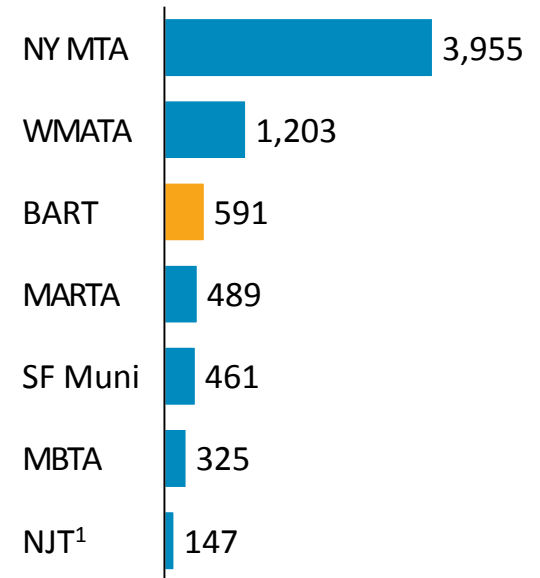
Mean distance between vehicle mechanical failures, Train miles



Vehicle maintenance cost, \$/revenue mile



Infrastructure maintenance cost, \$K/route mile



Source: National Transit Database, 2018



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