



Ridership & Financial Update

BART Board of Directors

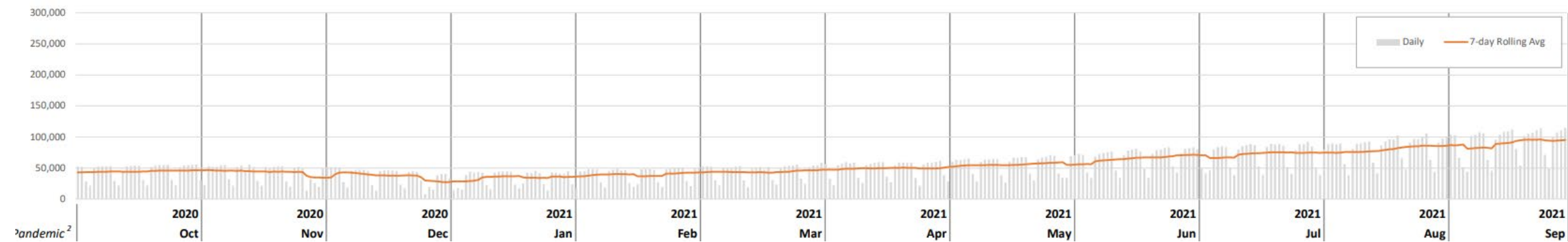
October 28, 2021



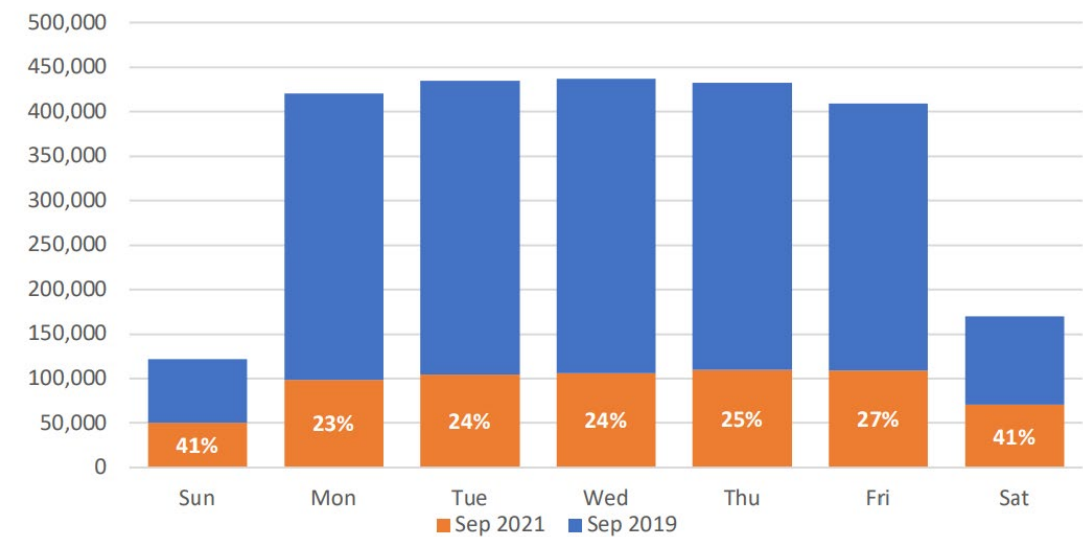
Agenda

1. Ridership Update & Outlook
2. Operating Financial Outlook
3. Projected Federal Assistance Expenditure Timeline
4. Fiscal Stability Priorities & Upcoming Operating Budget Process

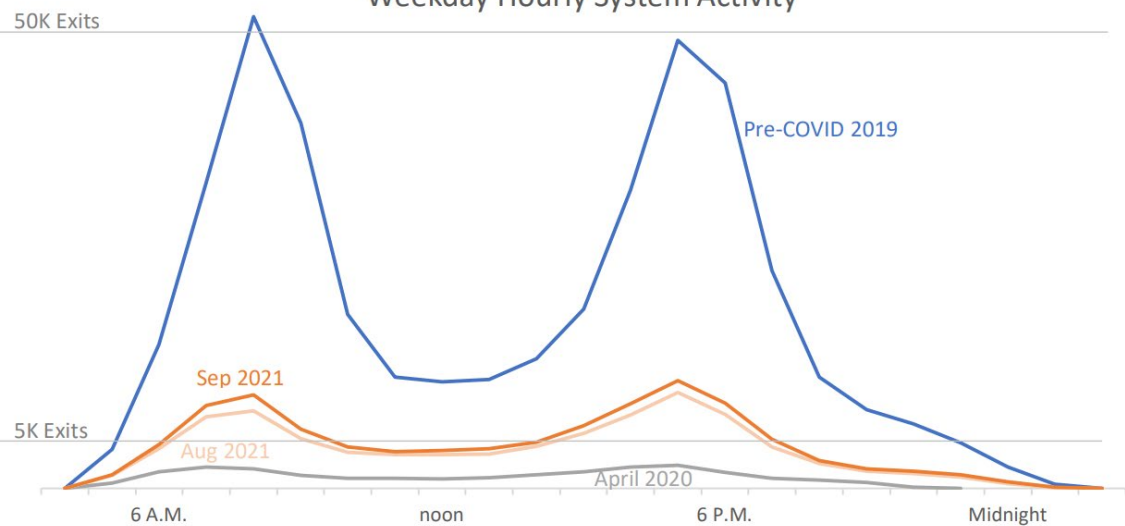
Ridership recovery has been slow but steady in 2021



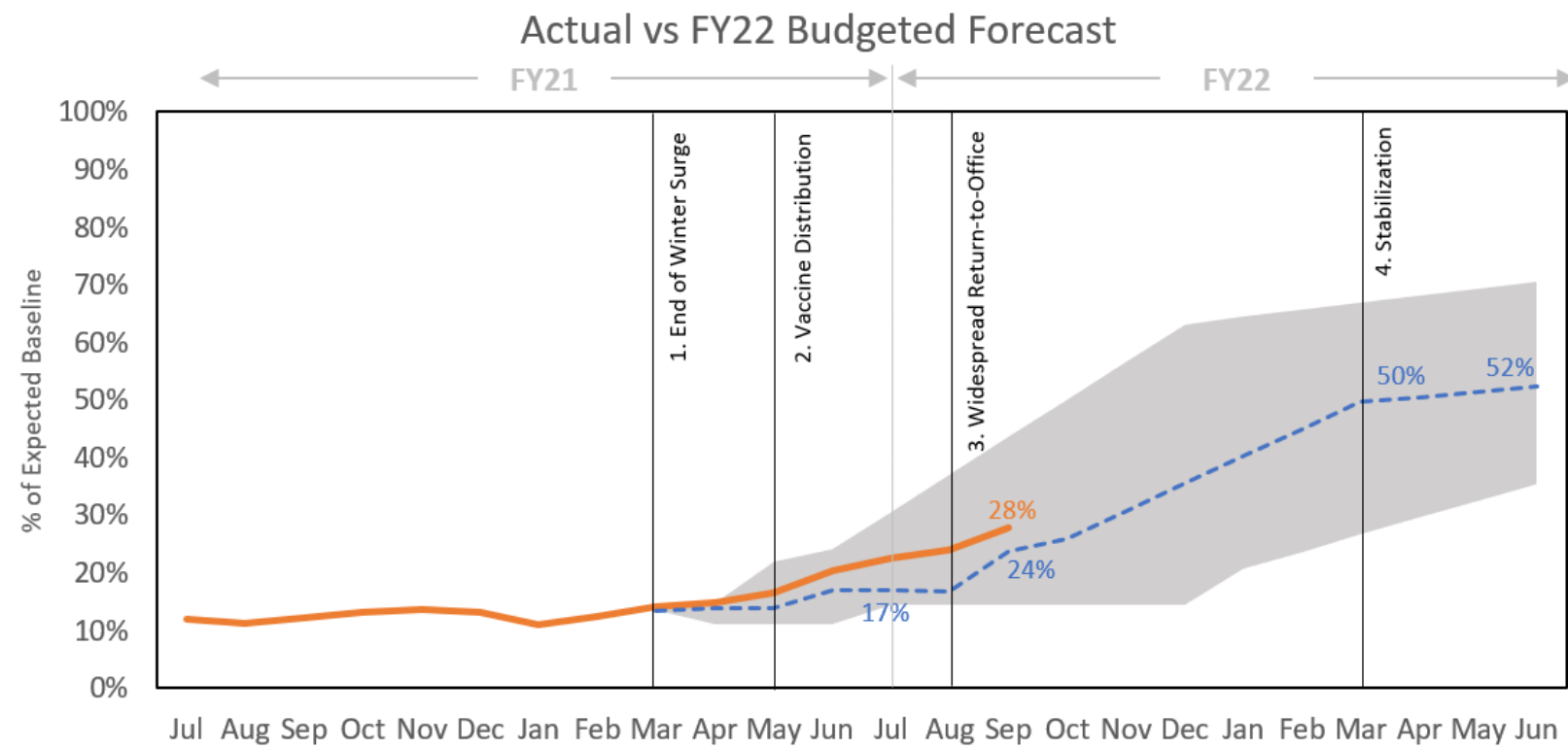
Day of Week



Weekday Hourly System Activity



Recovery is slightly ahead of budget, but with risk ahead

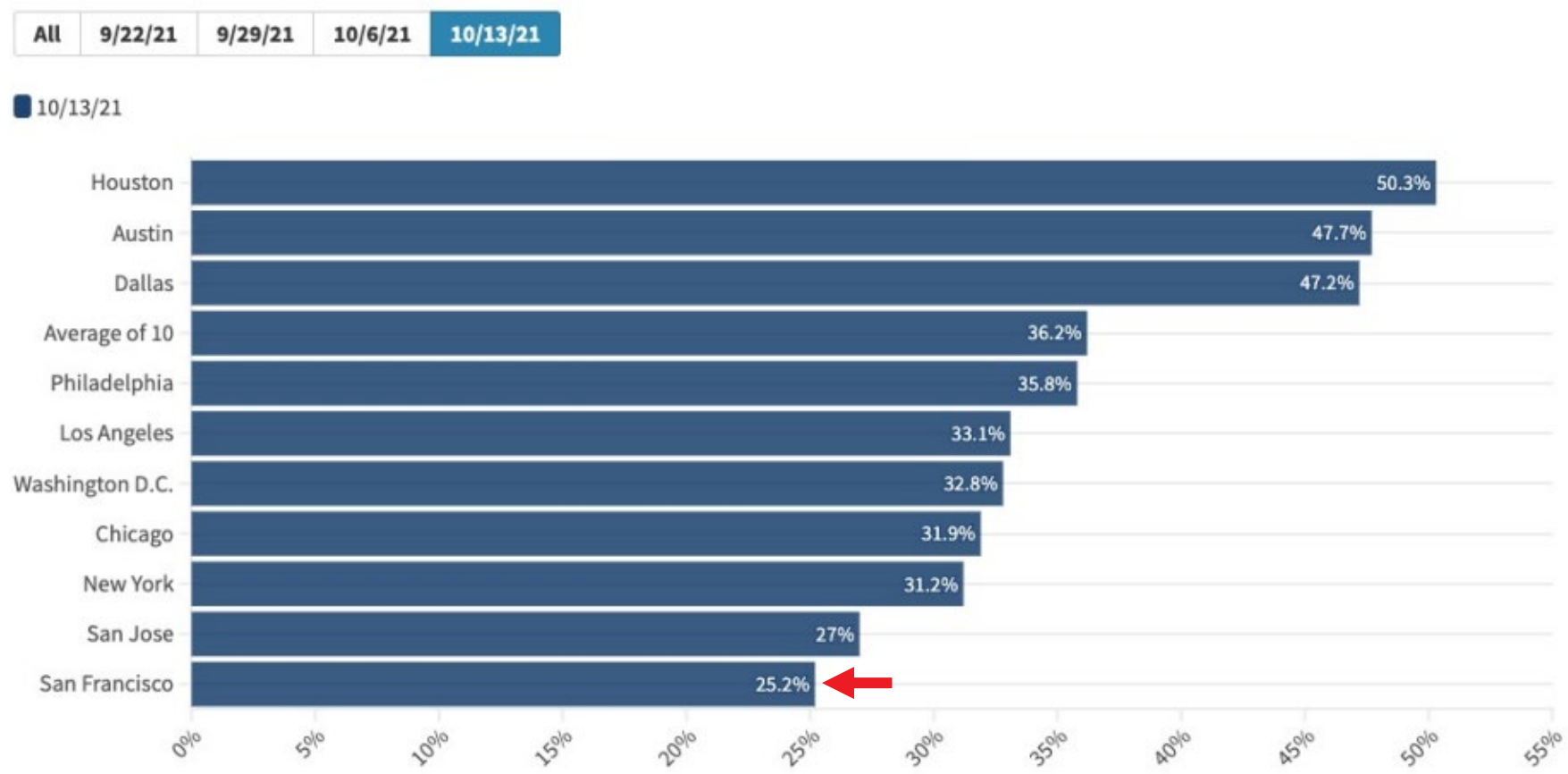


- Ridership recovery remains slightly ahead of budget projections through September
- FY22 budget assumes that accelerating return to on-site work would drive a rapid pace of ridership recovery from October to March 2022



Bay Area return to on-site work lags other US regions

Kastle Back to Work Barometer - Weekly Occupancy Report
Top 10 Cities, Averaged Weekly



- As of mid-October, San Francisco Bay Area office occupancy was 25% of 2019 levels
- BART’s weekday peak ridership recovery has tracked closely with office occupancy throughout the pandemic

Source: Kastle Back to Work Barometer, via Bay Area Council Tracking Poll

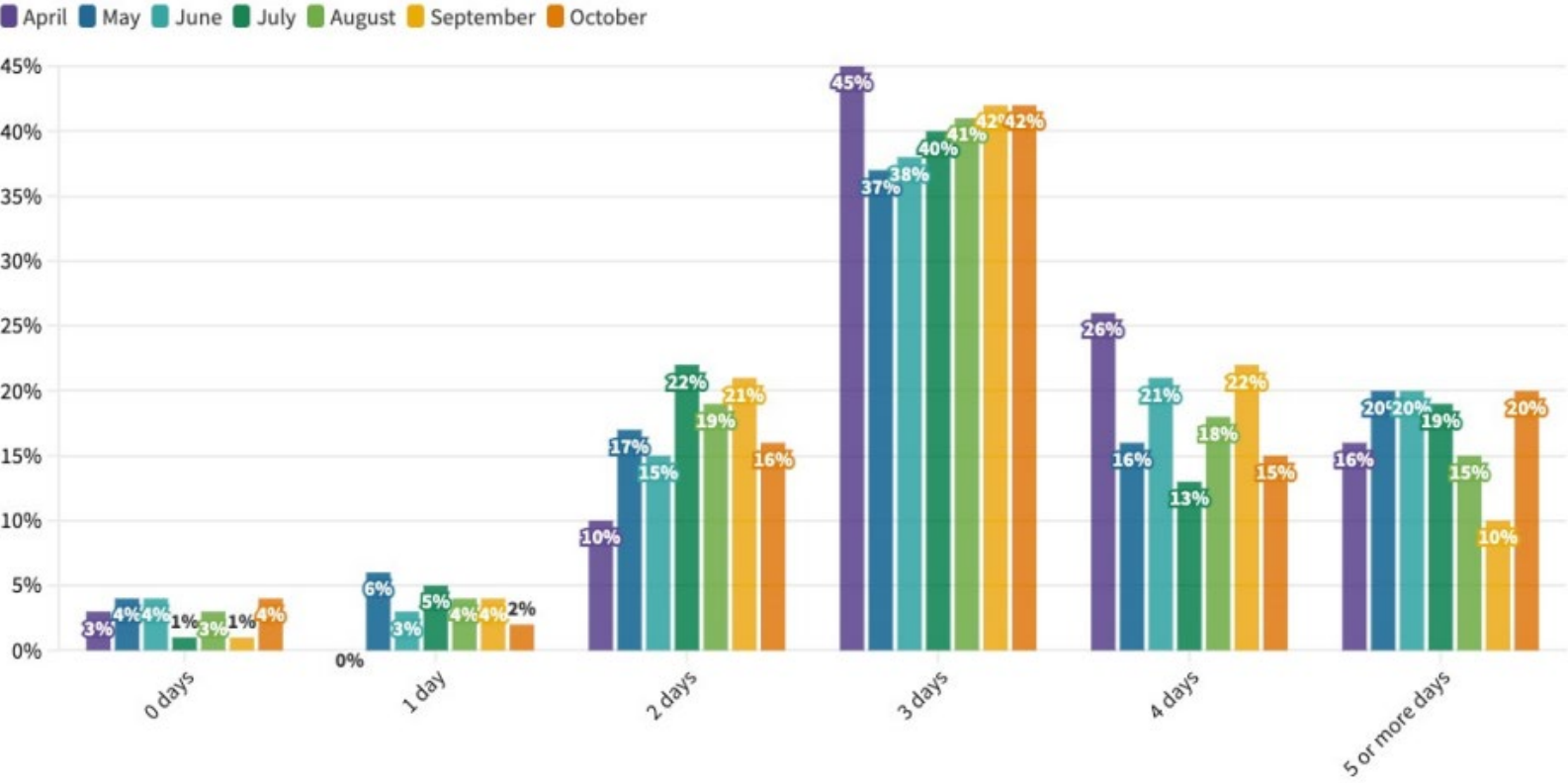


Businesses are planning for hybrid remote work



Bay Area Council Employer Network: Return to Transit Tracking Poll (October)

Once the pandemic is behind us, how many days per week do you expect your typical employee will come to the workplace?



- Most office-based businesses are planning for **hybrid remote work**
- **Three days per week** on-site is the most commonly-reported expectation as of October
- A permanent 40% reduction in commute ridership could **reduce BART fare revenue by \$150M/year vs pre-COVID**

Source: Bay Area Council BAC Employer Network Poll Results October 2021

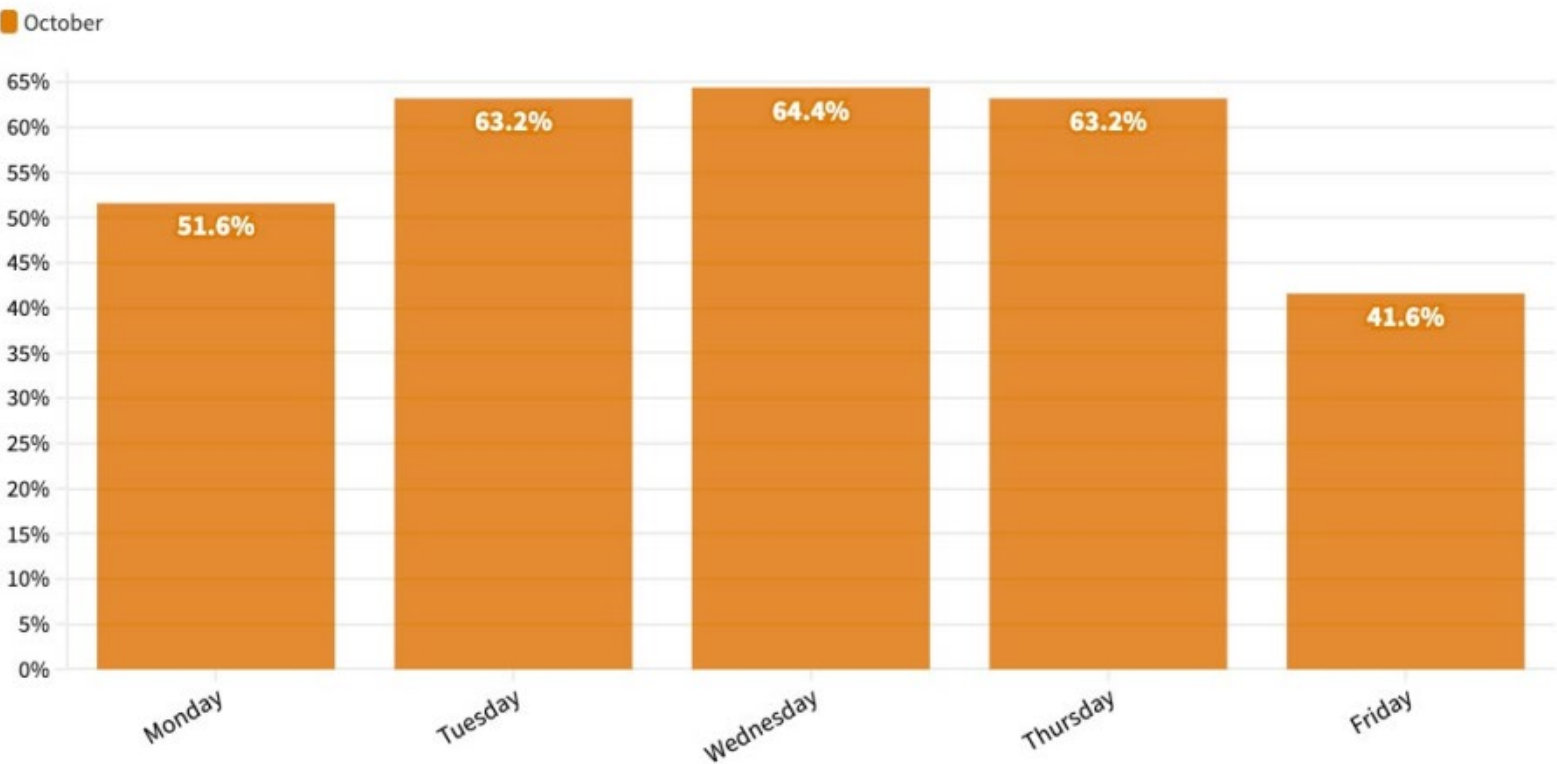


Businesses are planning for hybrid remote work



Bay Area Council Employer Network: Return to Transit Tracking Poll (October)

Once the pandemic is behind us, what is your best guess at the percent of your workforce that will come to the workplace each weekday?
Percentages are averaged across responses.



- Businesses predict 63%-64% of workers on-site Tuesday-Thursday, with lower numbers on-site Monday and Friday
- In recent months, Friday has been BART’s highest ridership day due to non-work trips

Source: Bay Area Council BAC Employer Network Poll Results October 2021

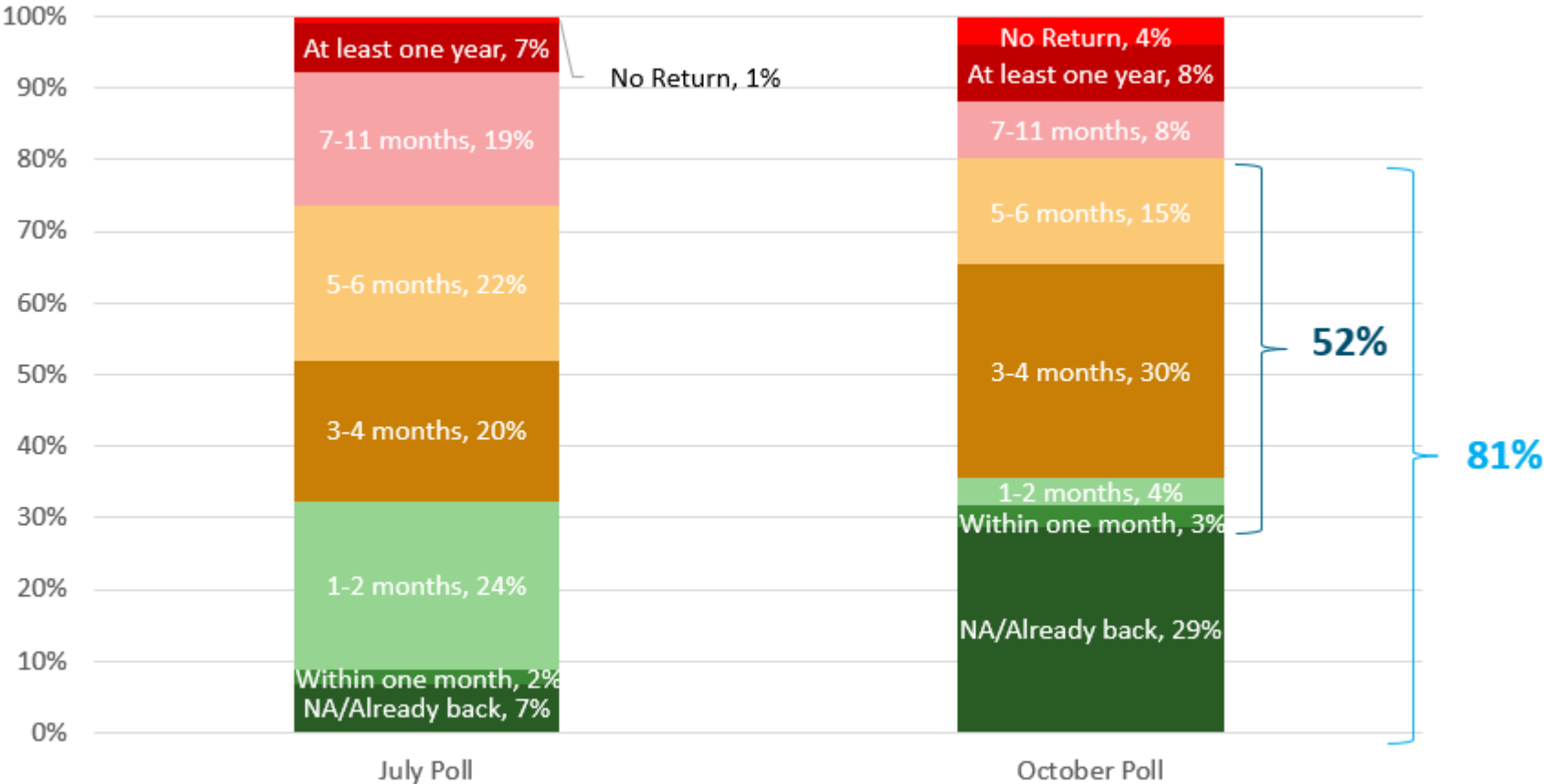


4 out of 5 business expect to have reached their “long-term normal” by April 2022



Bay Area Council Employer Network: Return to Transit Tracking Poll (October)

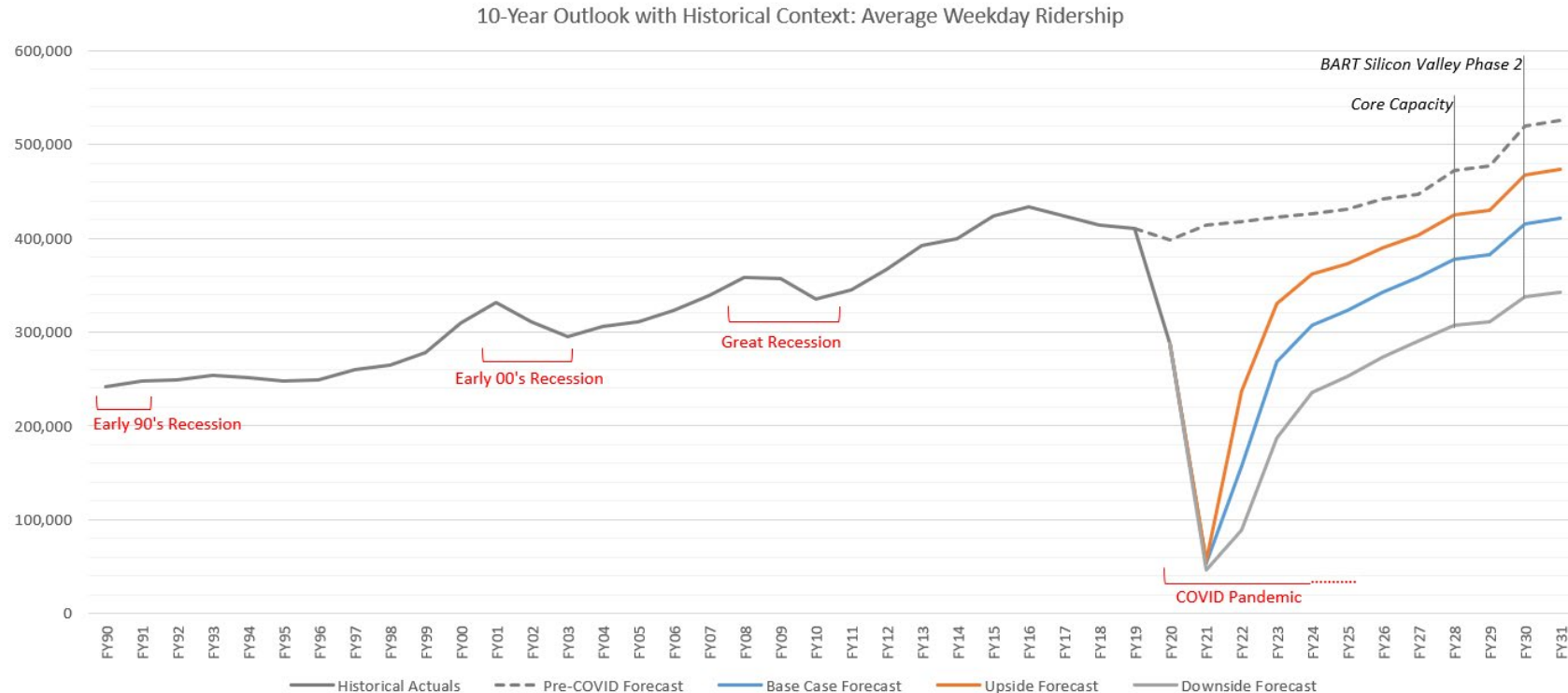
From today, when do you think your new long-term “normal” will be fully implemented in your organization? (i.e., all employees who you would like to return to the workplace have returned with consistency)



- 29% of businesses have already implemented their “long-term normal” plan
- **52%** of businesses plan to implement “long-term normal” over the next 6 months (reaching a total of **81%** by April 2022)
- 8% of businesses expect their return is more than one year away, and 4% plan not to return.

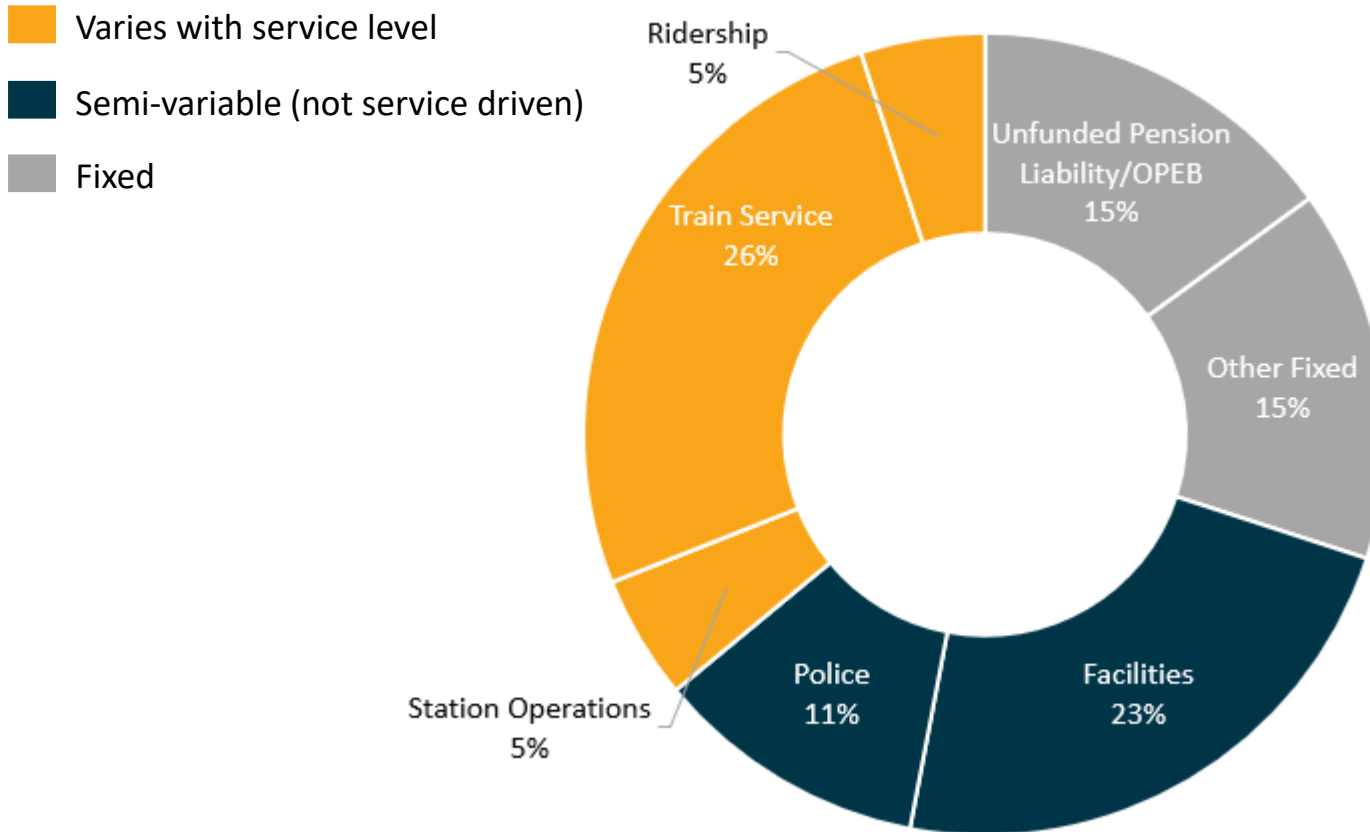


BART is planning for a range of recovery scenarios



- BART continues to plan for three long-term ridership scenarios:
 - Downside: 65% of pre-COVID expectation by 2026
 - Base Case: 80% by 2026
 - Upside: 90% by 2026

Most BART costs do not scale with service levels



- Only 36% of BART's operating expenses scale proportionally with service levels and ridership
- The majority of BART's operating budget consists of expenses that do not scale with service levels
- Lower service levels would limit BART's ability to capture revenues from projected ridership recovery without generating commensurate cost savings

Source: BART O&M Cost Model

Operating budget outlook

Base Case

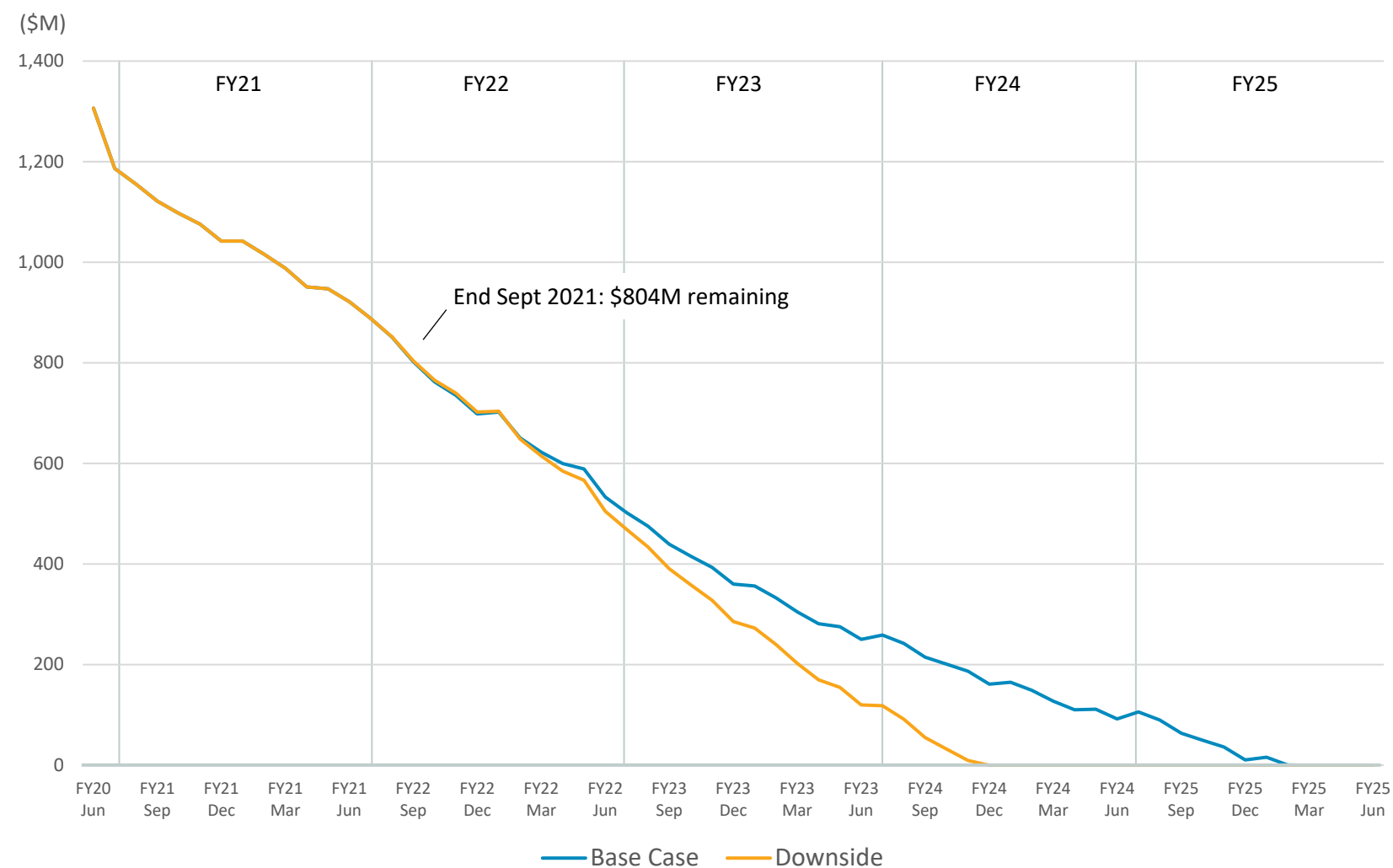
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Total Regular Revenues	953	816	547	633	799	894	938	996	1,052	1,118
Total Uses	953	936	846	1,019	1,043	1,046	1,084	1,100	1,128	1,246
Operating Result	0	(120)	(298)	(386)	(244)	(153)	(146)	(103)	(75)	(128)
Total Federal Assistance	-	120	298	386	244	153	104	-	-	-
Total Net Result	0	0	0	0	0	0	(42)	(103)	(75)	(128)

Downside

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Total Regular Revenues	953	816	547	602	692	791	837	896	955	1,014
Total Uses	953	936	846	1,019	1,043	1,046	1,084	1,099	1,128	1,246
Operating Result	0	(120)	(298)	(417)	(351)	(256)	(247)	(203)	(173)	(233)
Total Federal Assistance	-	120	298	417	351	120	-	-	-	-
Total Net Result	0	0	0	0	0	(136)	(247)	(203)	(173)	(233)

- All scenarios assume shift to a hybrid remote work: Fare revenue will not cover 2/3^{rds} of operating costs as before COVID
- Federal assistance is projected to last through FY23 and perhaps FY24 depending on ridership recovery
- Thereafter, we project large, ongoing annual operating deficits (\$100M - \$250M)

Projected federal assistance expenditure timeline



- BART will receive ~\$1.3B from CARES, CRRSAA, and ARP (incl. projected tranche 2)
- BART has used ~\$504M (39% of total) through Sept 2021. Burn rate over the last two quarters was ~\$31M/month
- In **Downside Scenario**, **BART has 24 months of runway** (federal funding runs out after October 2023 / Q2 of FY24)
- In **Base Case Scenario**, **BART has 38 months of runway** (federal funding will run out after January 2025 / Q3 of FY25)

Projection includes estimate of American Recovery Plan (ARP) tranche 2 allocation



Fiscal stability strategies

Long-term 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

It is clear that new revenue will be required to sustain BART service after ARP funding

Fiscal stability strategies

FY22

Engage with local and regional, state, and federal stakeholders planning for transit's future

Invest strategically in ridership recovery

Continue to identify & implement permanent **cost efficiencies**

FY23 and beyond

New/expanded revenue source: Work with regional and state-level partners to establish a large new source of operating funds to stabilize and maintain public transit service levels on an ongoing basis

Extend the runway: In the Base Case scenario, annual expenditure savings and/or revenue increases of \$40-50M beginning in FY23 would allow BART to extend federal assistance by one fiscal year

FY23 & FY24 operating budget process

In FY23, BART will prioritize:

- Providing rich transit service (frequent, reliable, safe) to maximize ridership recovery
- Reducing costs/increase revenues to extend the financial runway by one year
- Continuing to invest in our capital program

BART will adopt a rolling two-year budget for FY23 & FY24

- Two-year planning window is a best practice and allows BART to plan around runway enabled by federal funding
- BART will continue to adopt budgets each year – next cycle will address FY24 & FY25



Discussion