Budget Update

January 14, 2021

Agenda

- Executive Summary
- Financial Indicators Update
- Federal Emergency Assistance Update
- 7-Point Plan and DRIP Update
- Multi-Year Budget Outlook (Fiscal Years 2021, 2022, and 2023)

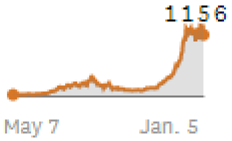
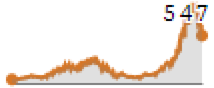
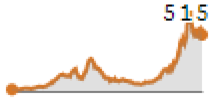
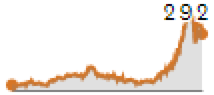
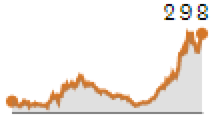
Executive Summary

- Ridership remains very low; effective COVID-19 vaccines could drive ridership recovery in FY22
- Additional federal emergency assistance on the way, first tranche will be known by late January
- Anticipated funds will provide short-term relief; will close remaining FY21 deficit and significantly reduce FY22 deficit, but they will not solve near- and long-term fiscal challenges
- BART must continue to work to right size workforce and budget through retirement incentives, load shedding, suppression of non-essential overtime, and other costs
- Through the end of FY23, BART anticipates a deficit of approximately $500M before federal assistance is considered
- Additional cost cutting will be necessary

Key Financial Indicators Staff Are Monitoring

Revenue Category	Outcome	Impact
COVID Containment	COVID cases are surging to new highs in region, CA, and nationwide with onset of winter as mass vaccinations begin; more contagious variant detected in CA	⬇
Fare Revenue	Ridership recovery reached 14% of pre-COVID baseline in October but has declined to 12% in December	⬇
Sales Tax	BART sales tax receipts remain slightly above budget through December, but project to be on budget by year end.	⬌
Federal Emergency Assistance	COVID relief package passed signed by president in December includes $14B in transit funding	⬆
Estimated FY21 Year-end Result	Current year gap can be closed; recommend deferral of FY20 rail car reversal ($40M) and assumption of additional federal assistance	⬆

COVID Containment: Cases Surging to New Highs in Winter

County	Total deaths	Total cases	New cases curve	Weekly change in new cases
Santa Clara	771	76,235	 1156 May 7 Jan. 5	▼ 729 -8%
Alameda	681	55,441	 547	▼ 2228 -37%
Contra Costa	348	43,223	 515	▼ 104 -3%
San Mateo	234	25,973	 292	▼ 478 -19%
San Francisco	198	24,564	 298	▲ 470 +29%

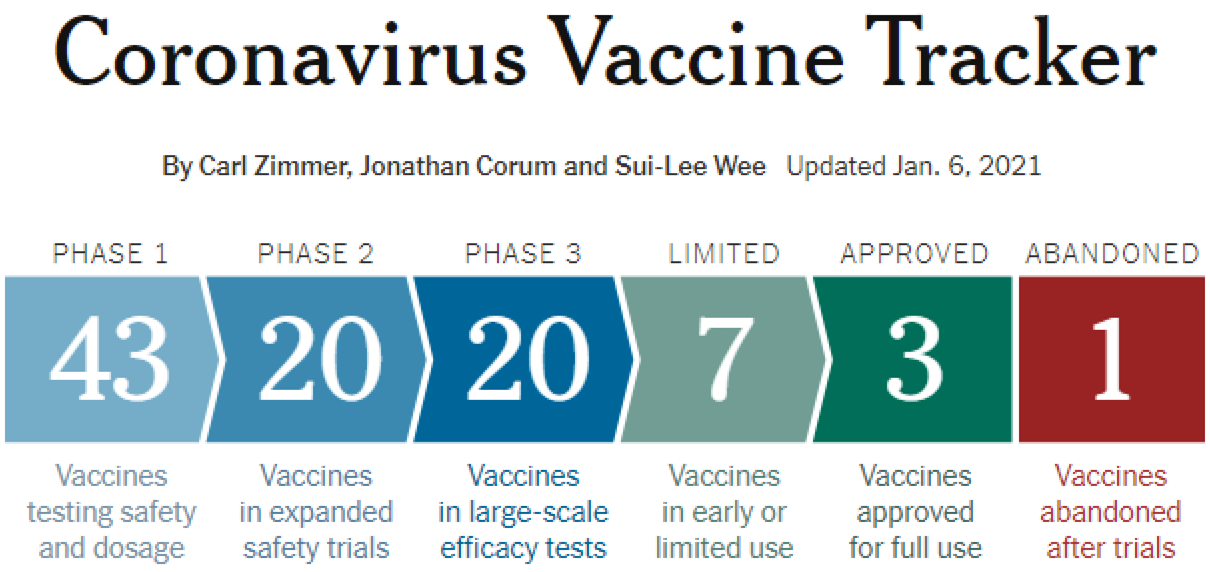
Source: San Francisco Chronicle
Accessed 1/6/21

Ridership Recovery is Dependent on Vaccine Delivery and Acceptance

- Two highly effective vaccines (Pfizer/BioNTech and Moderna) approved for use in the US; a third (Oxford/AstraZeneca) is approved in the UK

- Mass vaccination underway, behind target schedule (~530k / 1.8% of adults vaccinated as of 1/7/21 in CA)

- **Remaining Uncertainty:**
    - How quickly can rate of vaccination be scaled up?
    - How much and how quickly will immunity result in travel behavior change?



Source: New York Times

Ridership Recovery Depends on the Return of Commuting

- Return to on-site work will take time
- Increase in remote work expected
- San Francisco office market will be weak for some time

Google Delays Return to Office and Eyes 'Flexible Work Week'

The Silicon Valley company now plans to have employees return to the office in September. It will be different when they get there.

Google will ask employees to work in the office three days a week. Laura Morton for The New York Times

Levi Strauss could sublease a third of S.F. HQ, adding to office market slump

Roland Li | Dec. 10, 2020 | Updated: Dec. 10, 2020 4:24 p.m.

1 of 2

Levi Strauss & Co has listed up to 100,000 square feet as available for sublease in the Levi's Plaza complex, shown here.

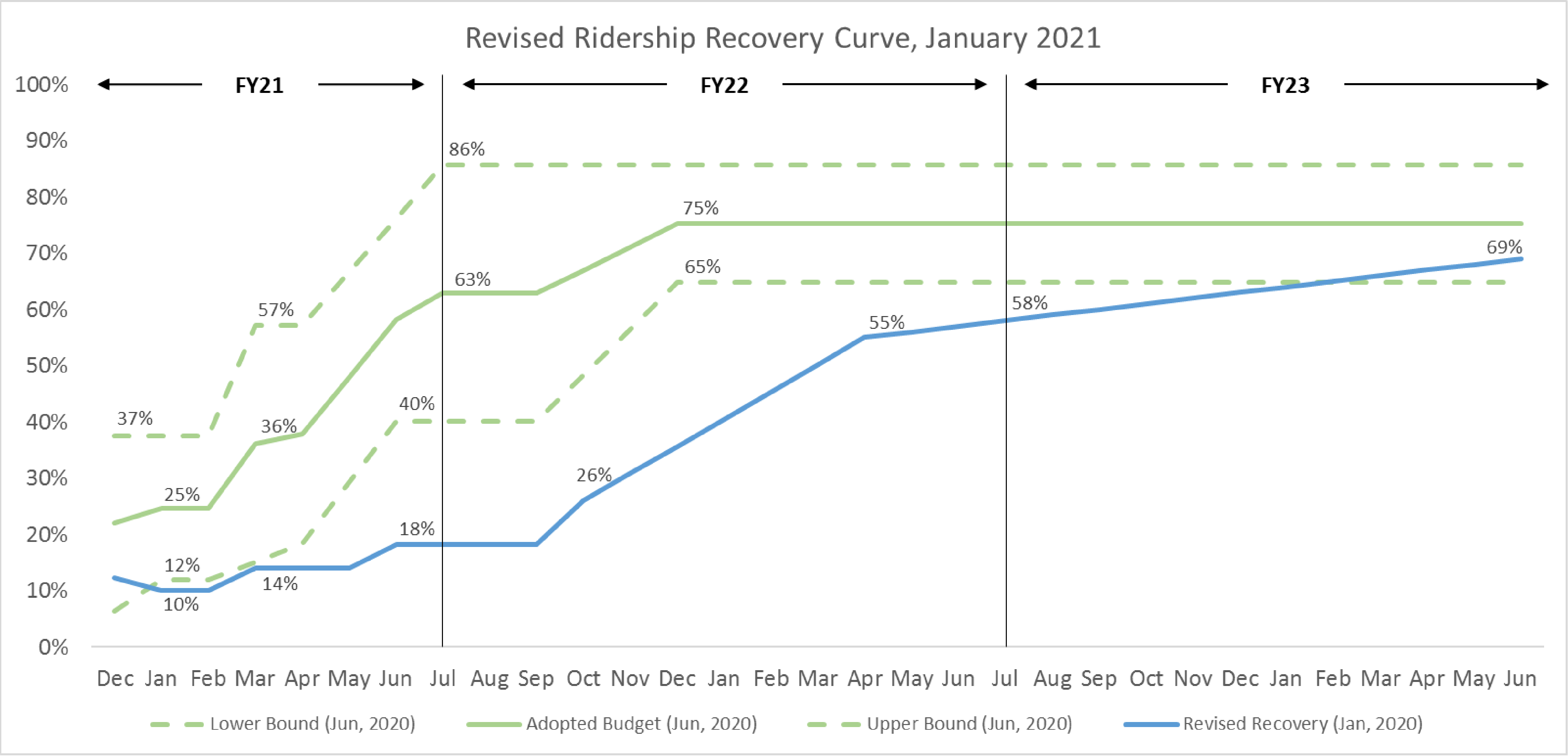
Photo: Lea Suzuki / The Chronicle 2019

BART

Updated Ridership Recovery Assumptions

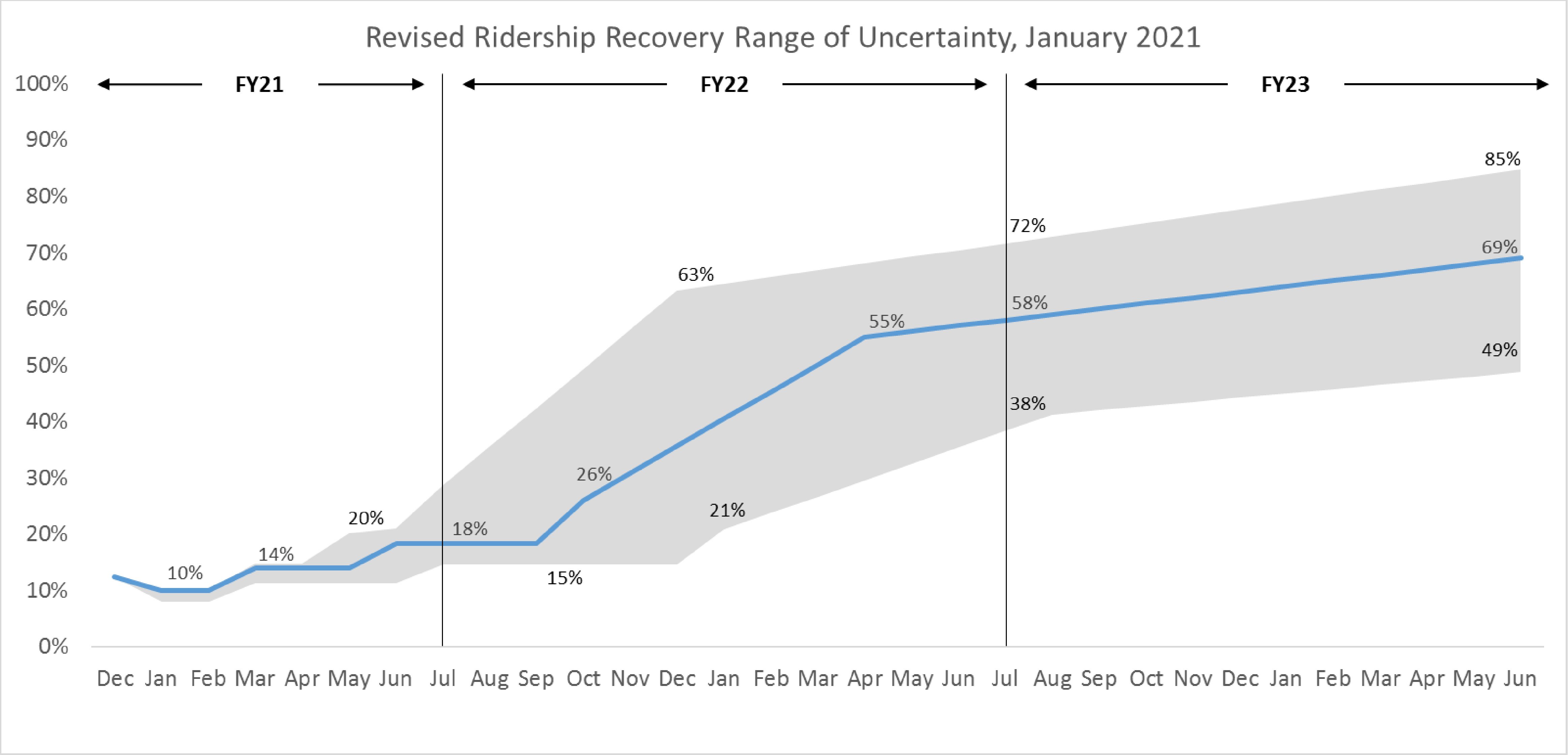
- Significant recovery unlikely before widespread vaccination
- Risks emerging: New, more transmissible UK variant of COVID-19 has been identified in CA
- Widespread vaccination / population immunity will drive recovery; as of January, many experts believe herd immunity could be achieved late summer or early fall of 2021
    - *However, slow start to vaccine rollout and UK variant put this timeline at risk*
- Recovery to 'post-vaccine new normal' may take months even after herd immunity achieved
- Significantly higher rate of remote work expected in post-vaccine new normal
- Timing and magnitude of ridership recovery remains highly uncertain

Revised Ridership Recovery Base Case

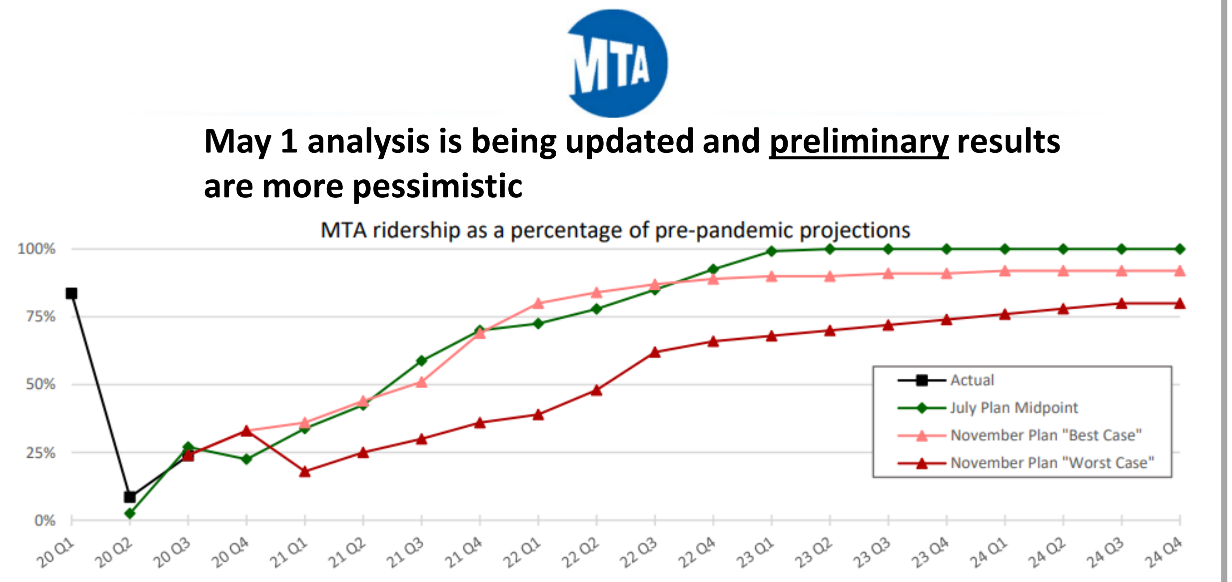


BART

Revised Ridership Recovery Range of Uncertainty

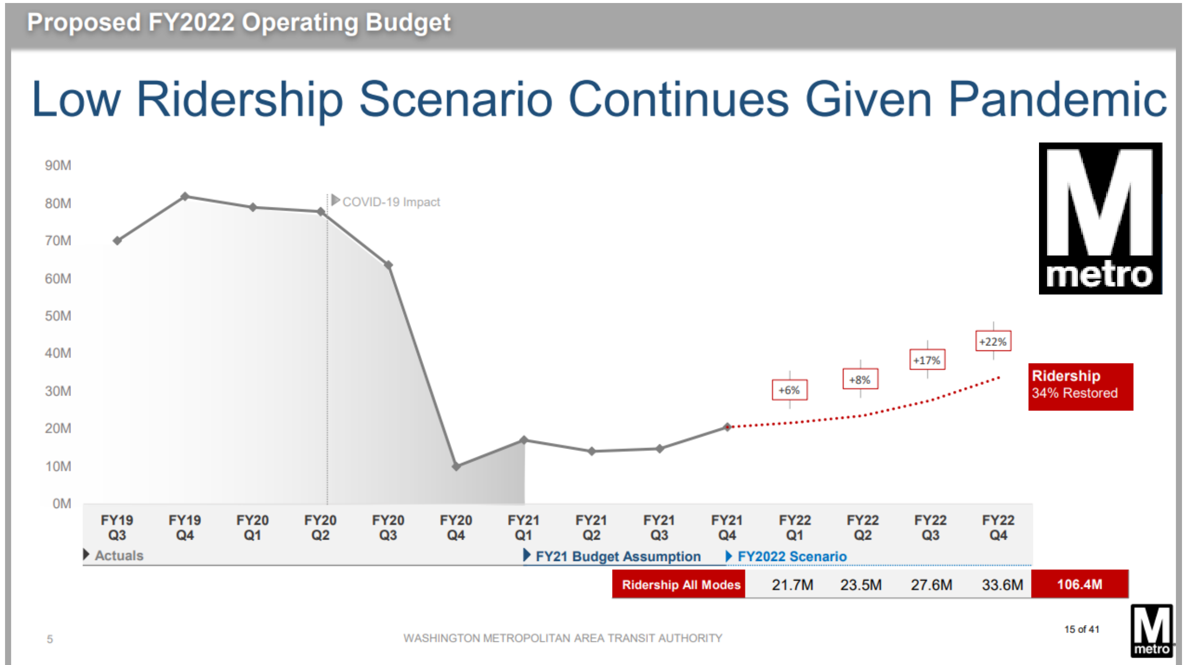


Peer Agencies Are Also Lowering Ridership Recovery Expectations



NYMTA lowered their ridership recovery expectations in November;

Expect 50-75% recovery for all modes by FY22 year end



WMATA lowered ridership recovery expectations in December;

Expect ~40% recovery for all modes by FY22 year end

Federal Assistance Update

- In December, the President signed a COVID relief package that allocates $14B for public transit
- MTC estimates three Bay Area Urbanized Areas (San Francisco/Oakland, San Jose, and Santa Rosa) will receive a total of $975M
- MTC and operators working together to develop a locally-determined formula to allocate funding; initial distribution is scheduled for January 27 Commission meeting, and will focus on a “true-up” of previous CARES Act distribution to actual revenue losses by operator
- Biden Administration plans to pursue additional COVID relief funding upon taking office on January 20th

BART’s 7-Point Plan Outlines a Path to Right Size Costs Within the District

Process underway to right size costs with a structured, intentional approach

1. Pursue efficiencies around contracting and other reductions to BART’s non-labor budget
2. Continue hiring freeze; eliminate most current vacancies
3. Pursue retirement incentive program
4. Re-assign or re-train staff wherever possible to fill critical gaps created by departures
5. Fill critical capital budget vacancies with operating staff wherever possible
6. Load shed service dependent staff to capital projects to accelerate capital program delivery (dependent on service plan selected)
7. Explore additional cost savings measures with labor partners and non-represented employees (if needed)

DRIP Update: Expressions Of Interest (EOI) Received, Backfill Analysis Underway

Unit	Total DRIP EOIs	Capital/Reimbursable Positions	Operating Positions
Operations	345	63	282
Support Functions	125	31	94
District Total	***470***	***94***	***376***
Filled Positions, 1/7/21	4,345	942	3,143
DRIP EOIs as % of current headcount	11%	10%	12%

Final number of retirements and associated budget savings will be known in mid-February

Backfill Analysis

- All managers performed a backfill analysis to assess impacts and critical needs of retirements initiated by DRIP
- District staff is evaluating and reviewing analysis at this time to ensure that no business unit falls under minimum staffing levels required to provide safe, reliable service
- When final numbers are known staff will move to fill critical vacancies with staff currently funded by operating budget; will also consider and pursue re-assignment of staff where practical

Multi-Year Budget Outlook

The following slides show revenue & expense projections prepared with the following methodology:

Revenue

- Revenue is projected with staff models incorporating actuals, public health, ridership, and economic data at the time of posting
- Revenue projections are likely to change significantly as the situation evolves and more data becomes available

Expense

- FY21 expense projections are dynamic forecasts based on current year actuals through November 2020
- FY22 and FY23 expense projections assume increasing service levels leading up to FY23
- FY22 and FY23 expense projections represent a “base case” scenario in each year

FY21 Revenue & Expense Projections

Sources ($M)	FY21 Adopted Budget	FY21 October Projection	FY21 January Projection	FY21 Change from October	FY21 Change from Budget
Rail Passenger Revenue	148	70	58	(12)	(90)
Parking Revenue	10	6	6	0	(4)
Other Operating Revenue	24	18	19	1	(5)
Sales Tax Proceeds	239	239	239	0	-
Other Financial Assistance	182	193	204	11	21
TOTAL REGULAR REVENUES	*604*	*526*	*525*	*(1)*	*(78)*
Federal Assistance (CARES)	251	257	257	(0)	6
FEMA Reimbursement	20	4	2	(2)	(18)
Deferred Allocation (FY20 Railcars)	40	40	-	(40)	(40)
Additional Federal Assistance	-	-	55	55	55
TOTAL EMERGENCY ASSISTANCE	*311*	*301*	*314*	*13*	*3*
TOTAL SOURCES	**915**	**827**	**839**	**12**	**(76)**
Uses ($M)					
Labor & Benefits	(601)	(580)	(576)	4	25
Power	(48)	(43)	(45)	(2)	3
Other Non-Labor	(158)	(146)	(139)	7	19
COVID Expense	(44)	(27)	(15)	12	28
Bond Debt Service	(47)	(47)	(47)	-	-
Allocations	(17)	(17)	(17)	-	-
TOTAL USES	**(915)**	**(860)**	**(839)**	**21**	**76**
Net Result	***0***	***(33)***	***0***	***33***	***0***

FY22 Revenue & Expense Projections

Sources ($M)	FY22 October Projection	FY22 January Projection	FY22 Change from October
Rail Passenger Revenue	273	179	(94)
Parking Revenue	12	12	-
Other Operating Revenue	22	22	-
Sales Tax Proceeds	254	254	-
Other Financial Assistance	167	182	15
TOTAL REGULAR REVENUES	*728*	*649*	*(79)*
Federal Assistance (CARES)	-	-	-
FEMA Reimbursement	-	-	-
Deferred Allocation (FY20 Railcars)	-	-	-
Additional Federal Assistance	-	TBD	TBD
TOTAL EMERGENCY ASSISTANCE	-	-	-
TOTAL SOURCES	**728**	**649**	**(79)**
Uses ($M)			
Labor & Benefits	(622)	(589)	33
Power	(46)	(45)	1
Other Non-Labor	(148)	(149)	(1)
COVID Expense	-	-	-
Bond Debt Service	(57)	(57)	-
Allocations	(31)	(63)	(32)
TOTAL USES	**(905)**	**(903)**	**1**
Net Result	***(177)***	***(254)***	***(78)***

Fiscal Years 2021-2023 Revenue & Expense Projections

Sources ($M)	FY21 January Projection	FY22 January Projection	FY23 January Projection
Rail Passenger Revenue	58	179	328
Parking Revenue	6	12	19
Other Operating Revenue	19	22	24
Sales Tax Proceeds	239	254	264
Other Financial Assistance	204	182	165
TOTAL REGULAR REVENUES	*525*	*649*	*799*
Federal Assistance (CARES)	257	-	-
FEMA Reimbursement	2	-	-
Deferred Allocation (FY20 Railcars)	-	-	-
Additional Federal Assistance	55	TBD	TBD
TOTAL EMERGENCY ASSISTANCE	*314*	-	-
TOTAL SOURCES	**839**	**649**	**799**
Uses ($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)***

FY23: Increased expenditure levels assume increased levels of service to support projected ridership growth.

Summary

- Continued cost reductions and federal funding anticipated to close FY21 and most of FY22
- Vaccines make ridership recovery possible in FY22, but major risks remain; timing and extent of ridership recovery is highly uncertain
- Ridership is likely to remain below prior expectations in FY23 beyond, making the long-term outlook extremely challenging
- Additional cost cutting will be necessary