

FY 2024 Financial Projection, Preliminary FY 2025 Financial Outlook, and FY 2025 Budget Discussion

Budget & Finance Committee
April 12, 2024

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Overview

- Budget development calendar
- FY 2024 financial projection
 - Revenues
 - Expenses
- Preliminary FY 2025 financial outlook
 - Revenues
 - Inflation and expenses
- FY 2025 budget discussion

A photograph of a city street scene, likely in Minneapolis, featuring a tram on tracks. The tram is white and yellow, with 'LEDGETTER' and the number '171' visible on its rear. The street is paved with cobblestones and has tram tracks. Buildings with large windows and a sign for '1505' are visible in the background. A yellow rectangular box is overlaid on the center of the image, containing the text 'Budget Development Calendar' in a bold, dark blue font.

Budget Development Calendar

FY 2025 Financial Planning Calendar

Date	Action/Briefing
April 9	COTW approval of Financial Standards for FY 2025 Annual Budget and 20-Year Financial Plan
April 12	Special-called meeting of Budget and Finance Committee – FY 2025 financial outlook
April 16	Board approval of Financial Standards for FY 2025 Annual Budget and 20-Year Financial Plan
May 20 (Tentative)	Special-called meeting of Budget and Finance Committee – FY 2025 capital budget overview
June 20 (Tentative)	Special-called meeting of Budget and Finance Committee – FY 2025 operating budget overview
July 16	Present President & CEO’s Proposed FY 2025 Annual Budget and 20-Year Financial Plan to COTW
August 13	COTW and Board approval to distribute Proposed FY 2025 Annual Budget and 20-Year Financial Plan to service area cities for review
TBD (September)	Briefing for service area city managers and finance directors
September 10	COTW approval of FY 2025 Annual Budget and 20-Year Financial Plan
September 24	Board approval of FY 2025 Annual Budget and 20-Year Financial Plan

A city street scene with a tram and buildings, overlaid with a yellow box containing the text "FY 2024 Financial Projection". The background shows a street with tram tracks, a tram with "LEDGETTER" on its destination sign, and modern buildings. A sign for "1505" is visible on one of the buildings. The text is in a bold, blue font.

FY 2024 Financial Projection



Revenues

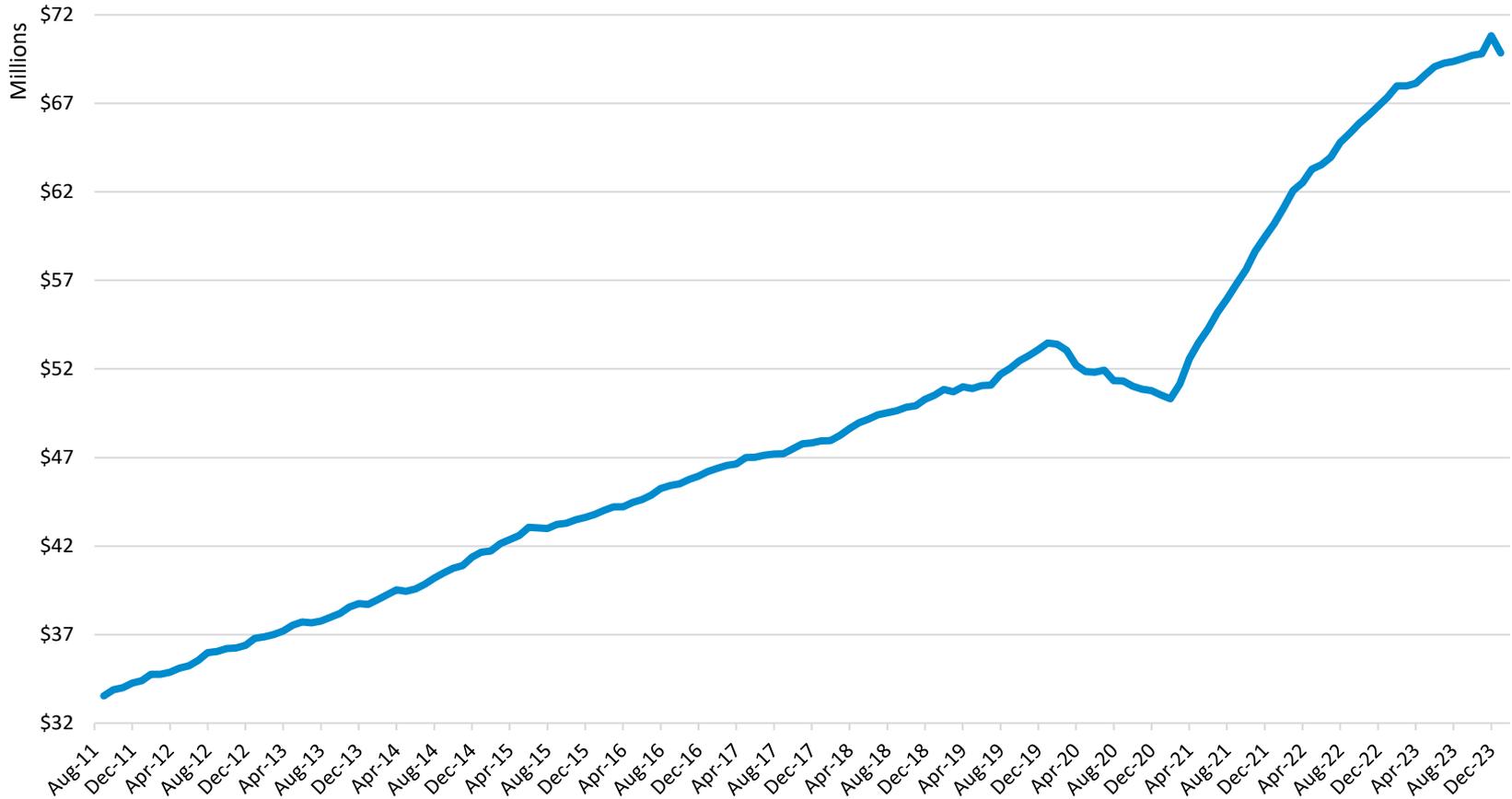
FY 2024 YE Revenue Forecast

Sources of Funds	FY 2024 Budget (\$M)	FY 2024 Forecast (\$M)	Variance (\$M)
Revenues			
Sales Tax Revenues	\$870.8	\$870.8	\$0.0
Operating Revenues	56.3	58.3	2.0
Interest Income	39.9	39.3	(0.6)
Formula Federal Funding	121.5	121.5	0.0
Discretionary Federal Funding	38.0	38.0	0.0
Other Operating Contributions	18.3	18.3	0.0
Other Capital Contributions	16.9	16.9	0.0
<i>Revenue Subtotal</i>	<i>\$1,161.7</i>	<i>\$1,163.1</i>	<i>\$1.3</i>
Other Sources of Funds			
Long-Term Debt Issuances	360.8	360.8	0.0
Commercial Paper Issuances	50.0	50.0	0.0
<i>Other Sources Subtotal</i>	<i>\$410.8</i>	<i>\$410.8</i>	<i>\$0.0</i>
Total Sources of Funds	\$1,572.5	\$1,573.9	\$1.3

Sales Tax Collections

	FY 2023 SALES TAX RECEIPTS		FY 2024 SALES TAX BUDGET		FY 2024 SALES TAX RECEIPTS	
Month	Month Total	YTD Total	Month Total	YTD Total	Month Total	YTD Total
OCT	\$67,090,083	\$67,090,083	\$68,679,300	\$68,679,300	\$69,288,469	\$69,288,469
NOV	67,320,927	134,411,010	69,139,500	137,818,800	68,335,292	137,623,762
DEC	83,240,630	217,651,641	87,779,500	225,598,300	95,608,984	233,232,746
JAN	64,484,052	282,135,693	66,002,000	291,600,300	52,796,208	286,028,953
FEB	61,201,751	343,337,444	62,637,100	354,237,400		
MAR	73,281,749	416,619,192	78,074,000	432,311,400		
APR	65,136,035	481,755,227	68,490,800	500,802,200		
MAY	70,877,312	552,632,539	72,200,100	573,002,300		
JUN	74,049,879	626,682,418	79,508,100	652,510,400		
JUL	67,117,140	693,799,557	69,393,300	721,903,700		
AUG	67,373,894	761,173,452	70,516,500	792,420,200		
SEP	73,184,883	834,358,335	78,332,900	870,753,100		
Total	\$834,358,335		\$870,753,100		\$286,028,953	

12-Month Moving Average of Current-Month Sales Tax Receipts



Excludes adjustments, collections from other periods, etc.

FY 2024 Sales Tax Forecast

- Sales tax forecast at budget based on internal models and economist-recommended (baseline) scenario
 - Baseline assumes a 7% chance of recession
 - Based on inputs used by Federal Reserve and targeted to Dallas area

FY 2024 Budget	\$870,753,000
DART Forecast	\$870,753,000
Economist Baseline (Most Likely)	\$869,737,918
Economist Optimistic	\$876,871,897
Economist Conservative	\$862,603,940

Passenger Revenues

	FY 2024 Financial Plan	
Mode	Ridership (000)	Passenger Revenue (\$000)
Bus	28,902	\$17,464
Light Rail	23,129	17,324
TRE	1,280	2,836
Streetcar	564	87
GoLink	1,119	203
Paratransit	1,018	2,085
Total	56,012	\$39,999

- Revenues are projected to come in slightly above budget due to increased ridership



Expenses

FY 2024 Expense Overview

Values in \$M	FY 2024 Budget	YTD Actual	% Spent	FY 2024 Forecast	Forecast vs. Budget
Operating	\$687	\$278	41%	\$687	(\$1)
Capital & Non-Operating	894	261	29%	894	-
Debt Service	222	150	68%	222	-
Total Expenses	\$1,803	\$689	38%	\$1,803	(\$1)

- Operating savings are primarily vacancies
- Capital and non-operating are primarily timing of payments
- Expect capital spending to increase in spring/summer as projects move forward

FY 2024 Operating Expenses

Operating Expense (\$000)	FY 2024 Budget	YTD Budget	YTD Actual	Actual vs. Budget	FY 2024 Forecast	Forecast vs. Budget
Salaries & Wages	\$310,346	\$131,453	\$129,582	(\$1,870)	\$310,697	\$351
Benefits	133,798	55,060	54,331	(729)	126,087	(7,711)
Services	80,257	33,199	28,400	(4,799)	78,838	(1,418)
Materials & Supplies	52,556	21,582	23,990	2,408	59,797	7,241
Utilities	20,009	8,139	8,566	426	21,359	1,350
Claims & Insurance	10,583	4,581	4,332	(249)	10,605	22
Purchased Transportation	92,395	37,461	34,938	(2,523)	91,044	(1,351)
Lease, Rentals, Taxes & Other	8,696	3,573	1,771	(1,803)	7,328	(1,369)
Capital & Reserves	(21,394)	(8,887)	(7,350)	1,537	(19,560)	1,835
Total Operating Expenses	\$687,245	\$286,162	\$278,561	(\$7,602)	\$686,194	(\$1,050)

- Vacancies and benefits are the single-largest driver of savings
- Overtime in maintenance offsets savings in wages and benefits
- Major cost increases for condition- and correction-based parts due to supply chain problems

Capital Projects by Department

Group/Department	FY 2024 Budget (\$M)	FY 2024 Expenses (\$M)	Number of Projects
MOW and Facilities Maintenance	\$69.3	\$5.8	131
Rail Operations	5.4	0.7	9
Bus Operations	14.3	0.9	6
Service Planning & Scheduling	1.1	0.8	2
Service Planning & Scheduling – TRIP	12.6	1.7	8
Commuter Rail	22.9	4.8	33
Capital Planning	5.2	0.1	8
Engineering	187.2	4.1	22
Capital Design & Construction	110.1	11.1	35
Capital Program Development – Other	1.7	0.1	5
Silver Line	576.7	144.0	18
Technology	29.9	3.6	36
Finance – Public Transportation Improvement	63.8	22.4	13
Finance	0.3	0.0	3
Business Innovation	3.3	0.9	10
DART Police	12.1	1.1	8
Other Departments	1.6	0.0	5
Total	\$1,117.6	\$201.9	352

Ridership Improvement Funds

Theme	# of Projects	In Progress	Complete	RI Funds Allocated
Cleanliness	7	5	1	\$18,890,062
Reliability	12	11	1	\$48,054,278
Security	9	9	0	\$34,085,670
Total	28	25	2	\$101,030,009

Major initiatives include:

- Passenger Information Displays (PIDs)
- Transit Security Officers (2-year contract)
- Police body-worn camera upgrades and tasers
- LRV towing vehicle (“Brandt Truck”)
- Elevator glass replacement with polycarbonate panels
- Clean Teams
- Security camera system upgrades
- DART Cares to assist riders with behavioral health needs
- Bus and LRV seat retrofits

A city street scene with a yellow semi-truck in the background and a yellow text box overlay. The text box contains the title "Preliminary FY 2025 Financial Outlook".

Preliminary FY 2025 Financial Outlook

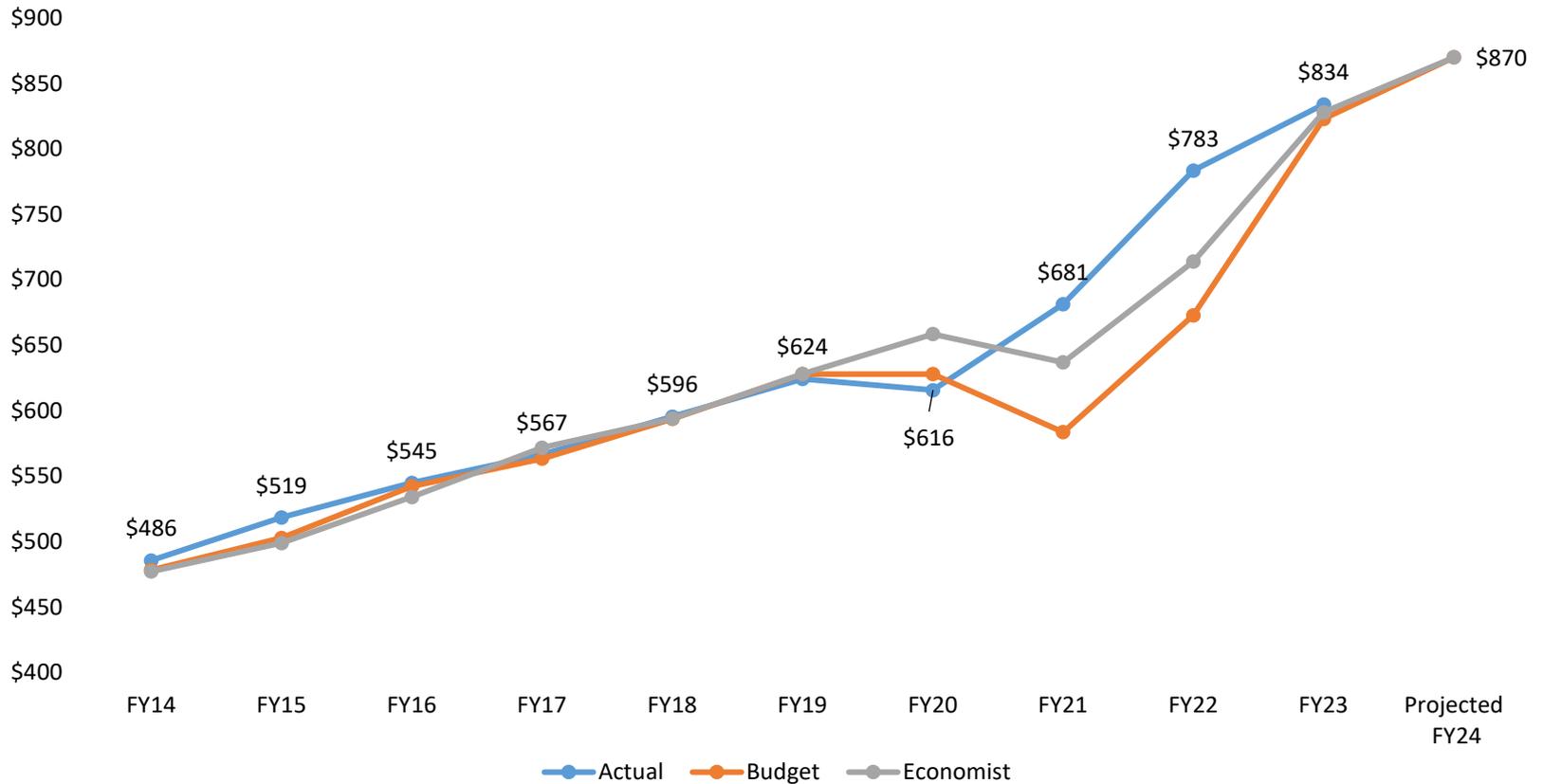
Financial Plan – Revenues

Line	FY 2024 Financial Plan Revenue (\$M)	2024	2025	2026	2027	2028
1	Sales Tax Revenues	\$870.8	\$905.6	\$932.8	\$932.8	\$970.1
2	Operating Revenues	56.3	63.9	67.1	68.7	74.2
3	Interest Income	39.9	24.1	18.7	17.0	17.4
4	Formula Federal Funding	121.5	119.1	119.1	87.2	89.7
5	Discretionary Federal Funding	38.0	77.9	230.6	115.5	78.9
6	Other Operating Contributions	18.3	19.3	19.8	20.3	22.4
7	Other Capital Contributions	16.9	39.5	30.1	34.1	34.5
	Total Revenue	\$1,161.7	\$1,249.4	\$1,418.1	\$1,275.6	\$1,287.2

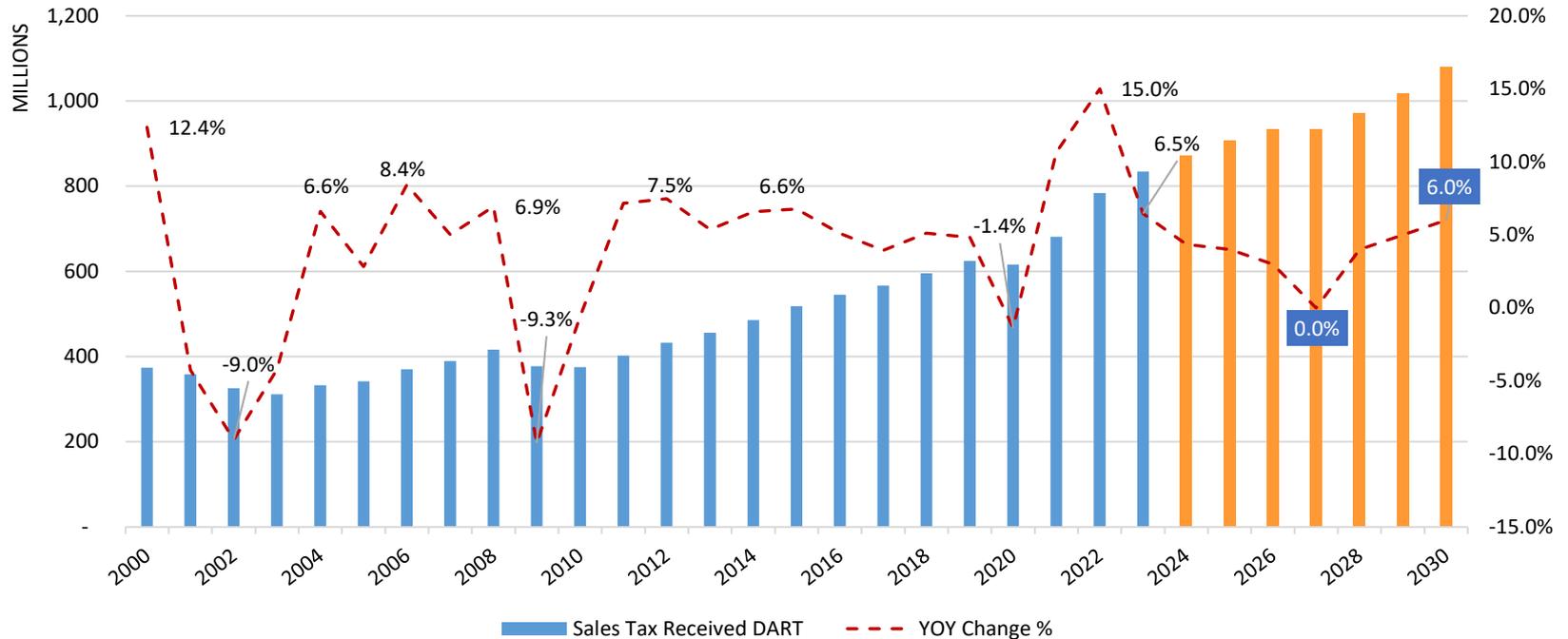


Sales Taxes

Sales Tax Forecast to Actuals (\$M)

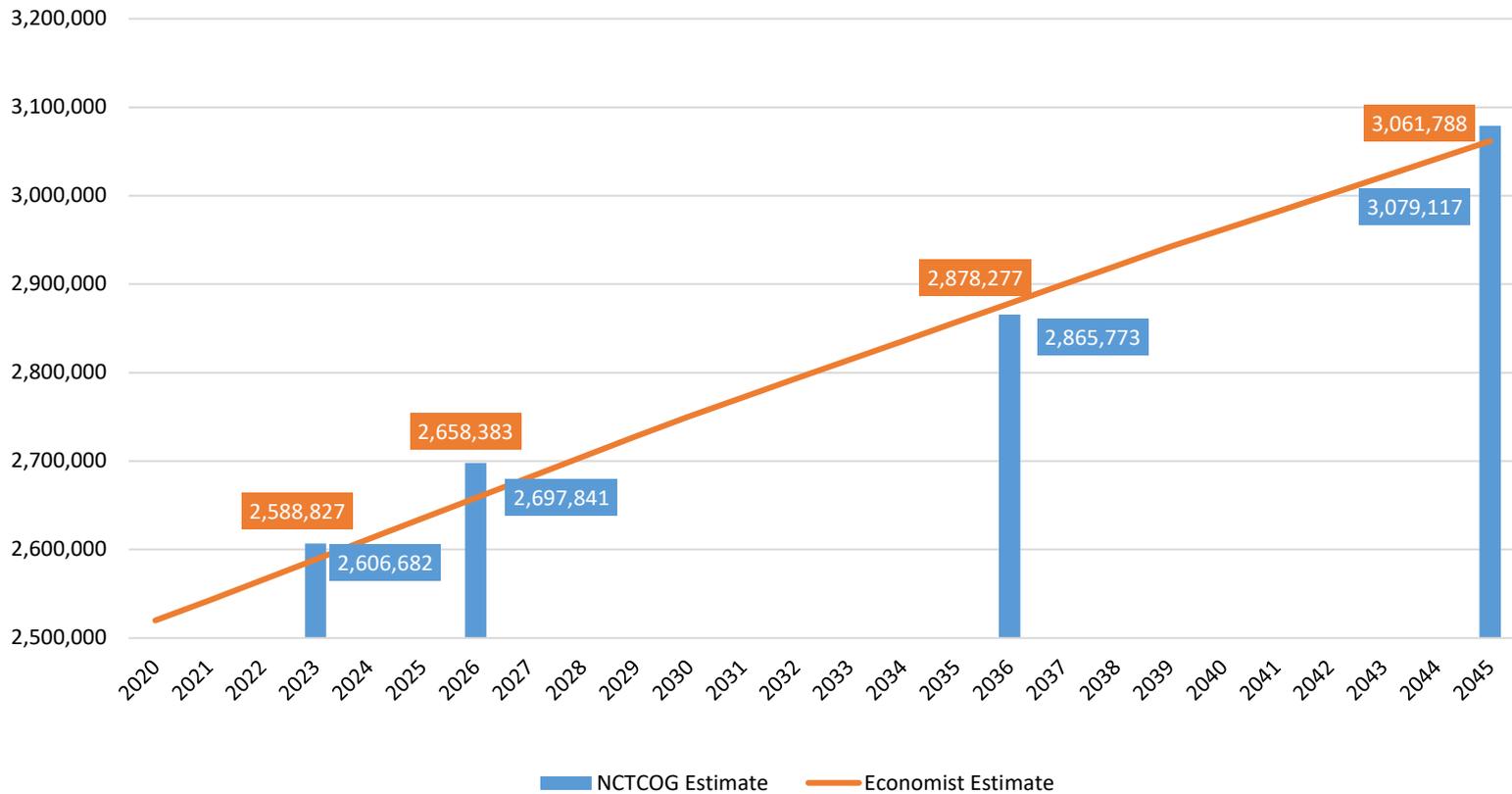


Sales Tax Trends and Forecast



- Historic average sales tax growth of 4.7%
- Economist estimates for FY 2025 are in line with approved FY 2024 Financial Plan

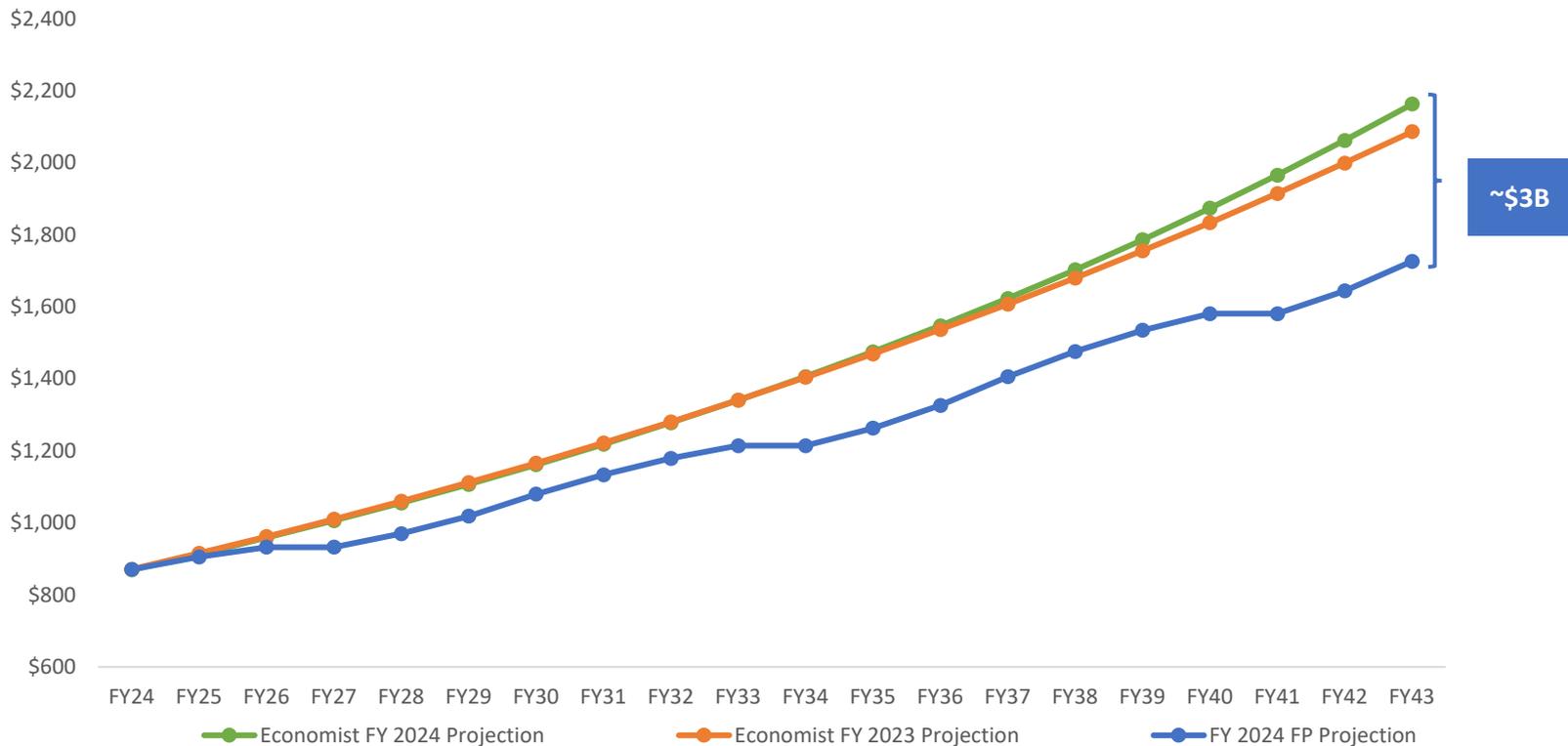
Service Area Population Growth



Source: North Central Texas Council of Governments, Lewis McLain



20-Year Sales Tax Projections (\$M)





Ridership

Ridership

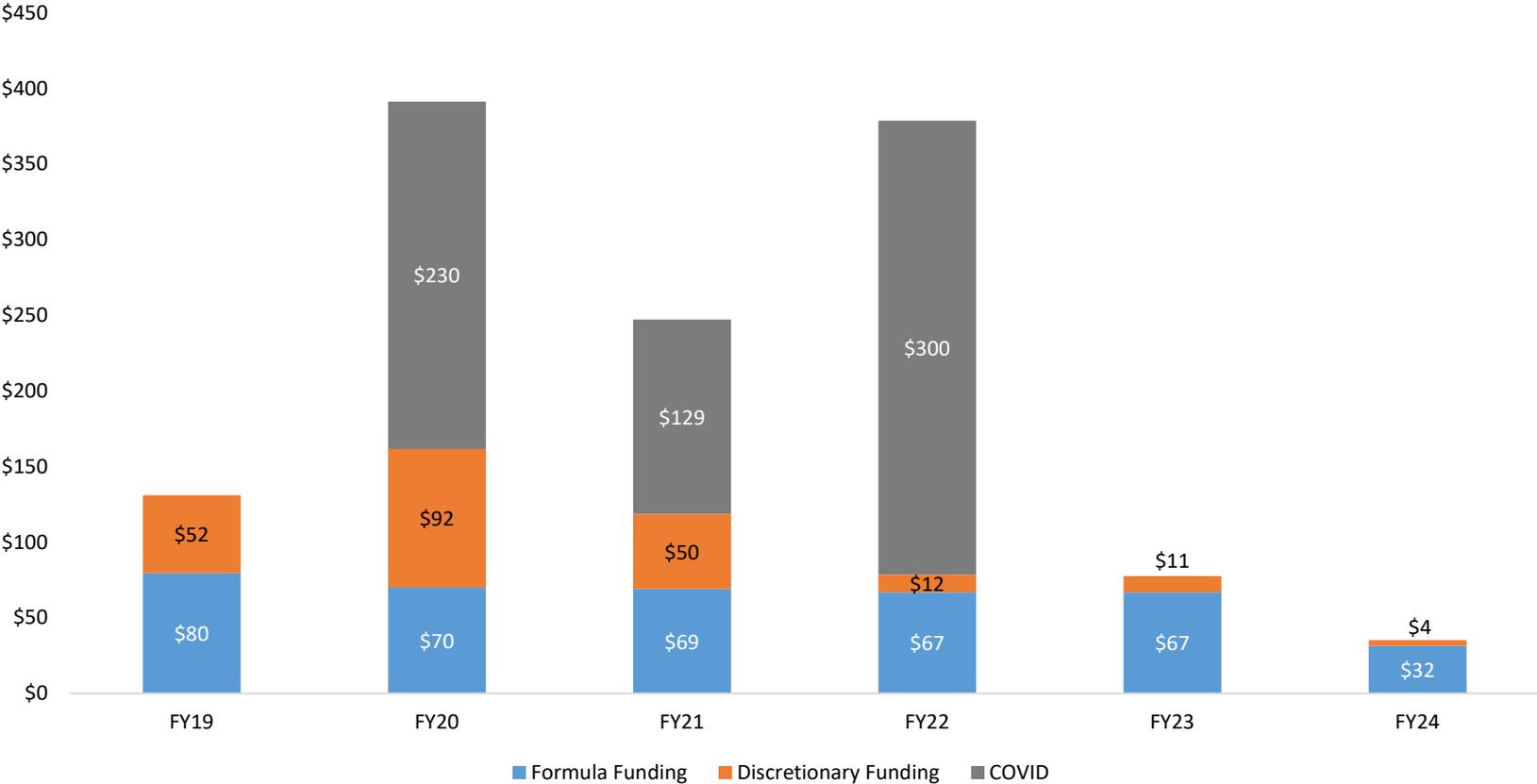
- FY 2024 and FY 2025 shown here based on current service levels
 - FY 2025 projections do not reflect changes to fare policy
- Bus and rail remain primary means of passenger service

Ridership by Mode (in millions)								
Mode	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 Budget	FY 2025 Projected
Fixed Route	61.3	69.3	49.3	35.5	42.1	47.9	55.2	60.3
Bus	30.3	38.7	27.8	20.1	22.7	25.7	28.9	32.8
LRT	29	28.6	20.3	14.6	18.4	20.5	23.1	24.0
Streetcar	0.1	0.2	0.1	0.1	0.7	0.5	0.5	0.5
TRE	2.0	2.0	1.3	0.8	1.1	1.1	1.3	1.5
Paratransit	0.8	0.9	0.6	0.6	0.7	0.8	1.0	1.0
Vanpool	0.6	0.6	0.3	0	0	0	0	0
GoLink	n/a	n/a	n/a	n/a	0.3	0.9	1.1	1.1
Total Ridership	62.7	70.8	50.3	36.1	43.2	49.7	57.2	62.5



Grants

Formula and Discretionary Funds (\$M)



Grants

- Not a totally reliable source of funding
- Formula funding grants:
 - Hold steady at \$119M in FY 2025 and FY 2026
 - Assumption is decrease with newer buses and LRVs (FY 2027 to \$87.2M) and end of Bipartisan Infrastructure Law (BIL) funding
 - This is a stable revenue source; want to be conservative in our projections over time
- “Displaced funds” from grants are applied to cost increases, transferred to cover costs of other eligible projects, or returned to Restricted Cash for Deferred Spending



Debt

Debt Assumptions

- DART issuance timeline
 - Continue to draw down RRIF loan for Silver Line
 - Do not anticipate any debt issuance in FY 2024/5 beyond RRIF
 - Likely debt issuance in FY 2026
- Factors influencing the cost of capital
 - Strong March jobs report, including resilient labor market:
 - Employment growth of 303,000 jobs
 - Unemployment rate fell back to 3.8% from 3.9%
 - Wage growth strong at 4.1%
 - March CPI report: 3.5% YoY vs 3.2% in February

Line	Description	2024	2025	2026	2027	2028	2029
8	Long-Term Debt Issuances (\$M)	360.8	447.2	364.0	465.5	360.0	280.0
9	Commercial Paper Issuances	50.0	\$0.0	100.0	100.0	100.0	100.0
	Total Debt Issuances	\$410.8	\$447.2	\$464.0	\$565.5	\$460.0	\$380.0

Market Expectations for Rates

- This table illustrates the percentage likelihood of specific interest rate targets based on CME Group 30-Day Fed Fund futures prices, which tend to signal markets' expectations regarding Fed monetary policy

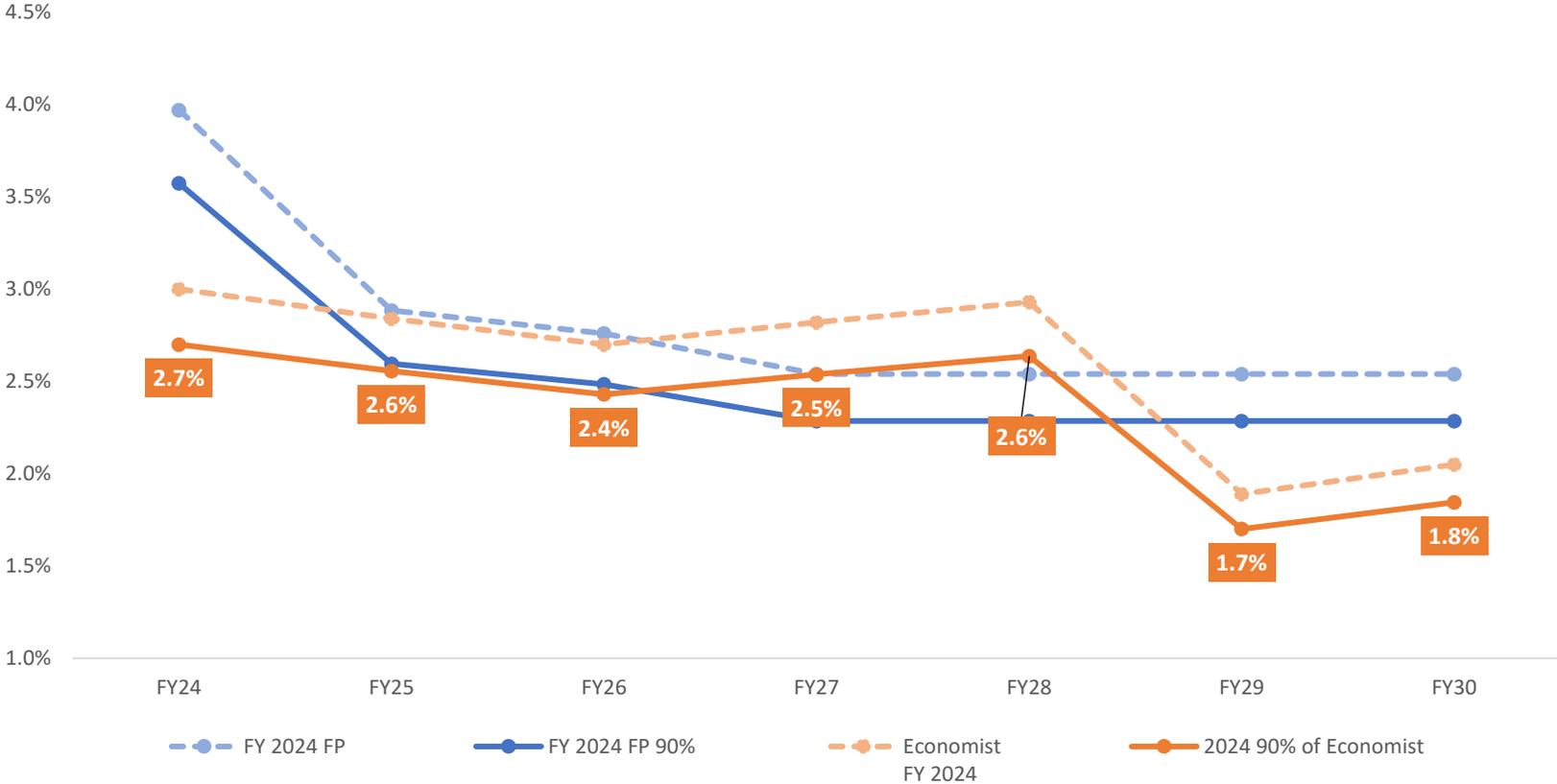
Fed Funds Rate	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	
Change	- 175 bps	- 150 bps	- 125 bps	- 100 bps	- 75 bps	- 50 bps	- 25 bps	+ 0 bps	
CME FEDWATCH TOOL - MEETING PROBABILITIES									
Meeting Date	5/1/2024			0.0%	0.0%	0.0%	0.0%	3.7%	96.3%
	6/12/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	16.5%	83.0%
	7/31/2024	0.0%	0.0%	0.0%	0.0%	0.1%	5.2%	35.7%	59.0%
	9/18/2024	0.0%	0.0%	0.0%	0.1%	2.3%	18.0%	45.5%	34.2%
	11/7/2024	0.0%	0.0%	0.0%	0.6%	6.3%	25.1%	42.6%	25.3%
	12/18/2024	0.0%	0.0%	0.3%	3.4%	15.5%	33.6%	34.1%	13.0%

As of April 10, 2024
Source: CME FedWatch Tool



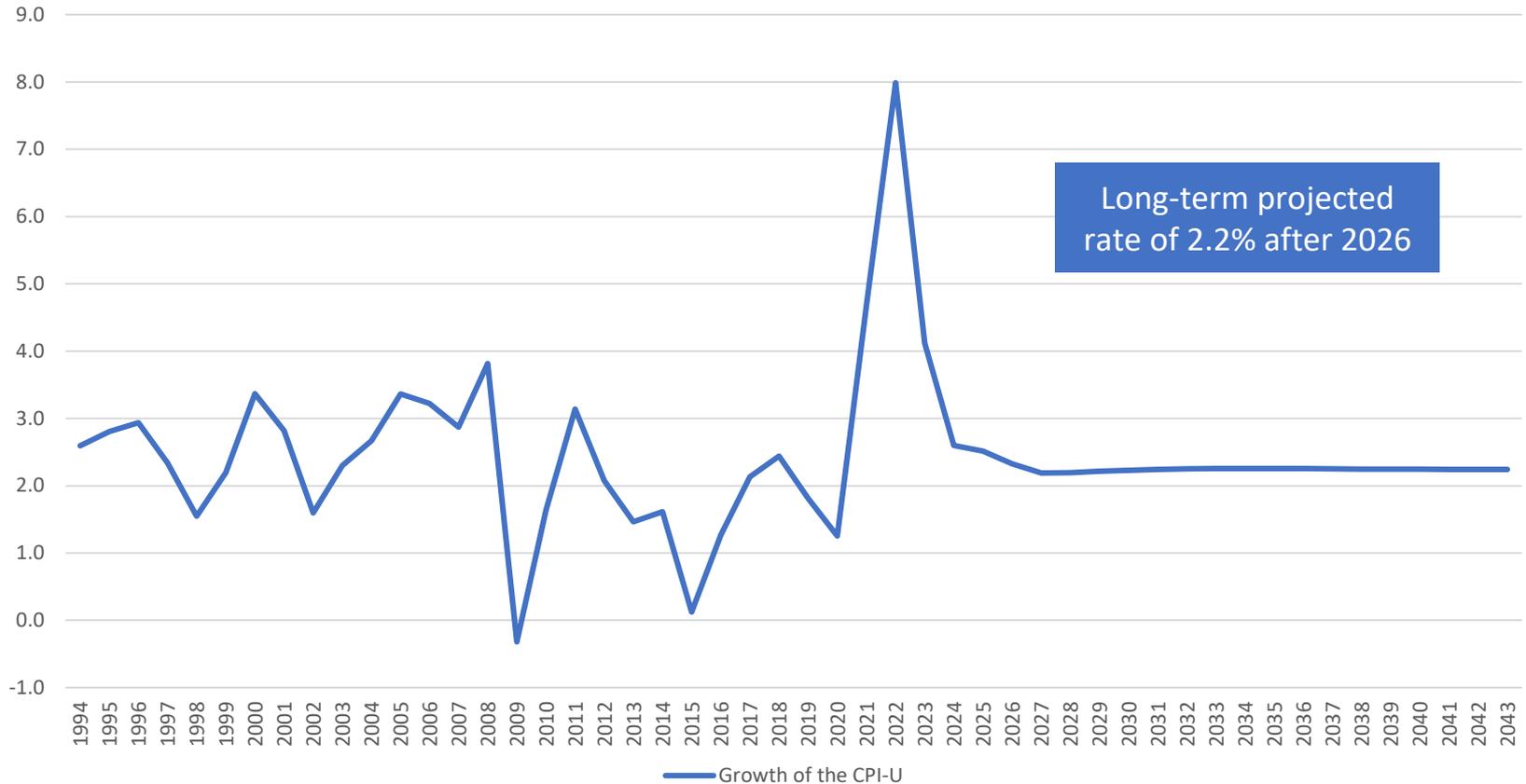
Inflation and Expenses

Consumer Price Index Projection



External Estimates

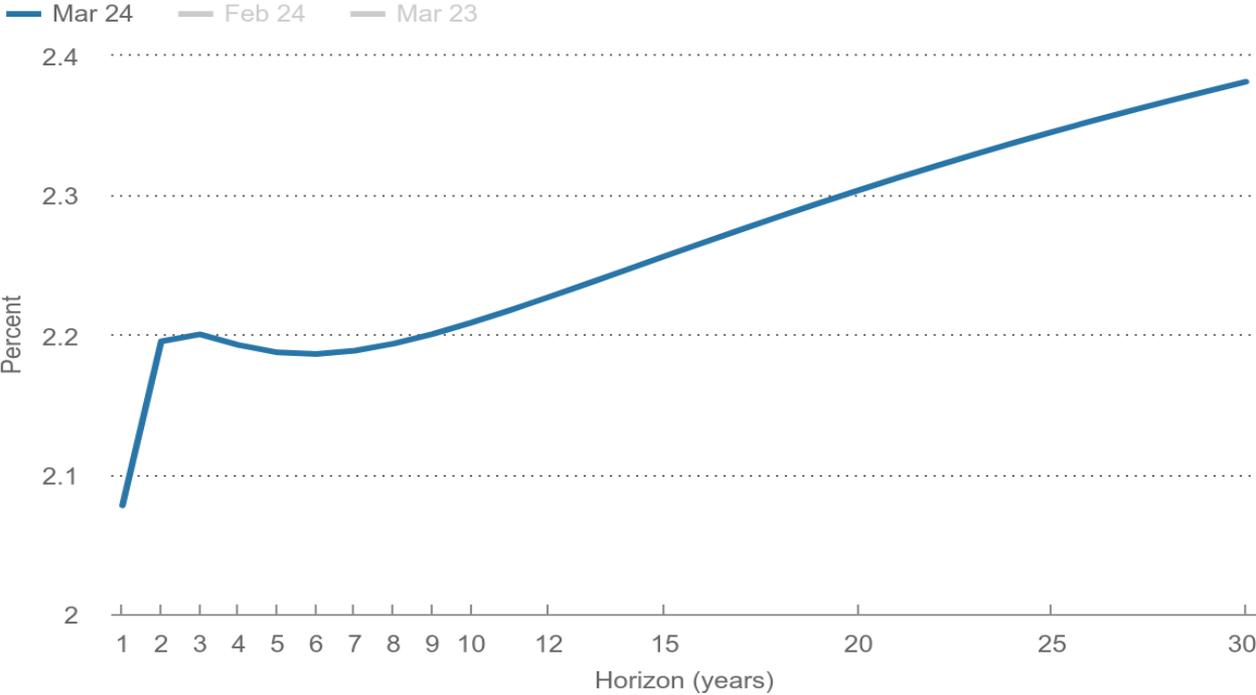
Congressional Budget Office



Source: CBO Budget and Economic Data, Long Term Economic Projections, March 2024

External Estimates

Cleveland Fed



Source: Federal Reserve Bank of Cleveland calculations based on data from Blue Chip, Bloomberg, Bureau of Labor Statistics, Federal Reserve Bank of Philadelphia, Federal Reserve Board, Haver Analytics, and the model of Haubrich, Pennacchi, and Ritchken, 2012. "Inflation Expectations, Real Rates, and Risk Premia: Evidence from Inflation Swaps." *Review of Financial Studies*, 25(5).



Adopted Financial Plan

Operating Expenses

Line	Operating Expenses	FY 2024	FY 2025	FY 2026	FT 2027	FY 2028	FY 2029
11	Bus	\$351.1	\$364.4	\$371.1	\$383.2	\$393.3	\$408.4
12	Light Rail Transit	213.5	221.4	226.0	230.6	235.4	240.6
13	Streetcar	2.4	2.5	2.5	2.6	5.5	6.5
14	Commuter Rail (TRE/SL)	48.3	50.8	71.4	83.8	86.0	88.5
15	Paratransit	52.5	54.7	57.0	58.9	61.0	63.3
16	GoLink	19.4	19.8	20.3	20.7	21.1	21.6
17	Total Operating Expenses	\$687.2	\$713.7	\$748.3	\$779.8	\$802.4	\$828.9

Subsidy per Passenger	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Bus	\$11.94	\$10.74	\$10.59	\$10.84	\$10.96	\$11.29
Light Rail Transit	8.34	8.25	8.17	8.26	8.28	8.39
TRE	30.40	27.87	26.88	27.45	27.80	28.43
Silver Line	-	-	13.98	14.20	14.34	14.58
Streetcar	4.16	4.27	4.37	4.46	9.55	11.43
Fixed Route (B+L+T+CR)	10.67	10.03	9.98	10.22	10.31	10.55
Paratransit	49.49	50.99	52.61	53.59	54.29	55.27
GoLink	17.12	17.53	17.36	17.56	17.74	17.95
Total System	\$11.45	\$10.81	\$10.77	\$11.01	\$11.16	\$11.43

Primary Operating Expense Drivers

- Personnel/salary and benefits – qualified staff continue to require premium beyond budget in many cases
- Contracts and services
 - Security guards
 - TRE (FY 2026)
 - Paratransit
- Raw materials/electricity/fuel
- Always looking for ways to streamline and improve
 - Standardize purchases
 - Use tech to improve
 - Focus on efficiency and high-quality delivery

Adopted Financial Plan

Capital & Non-Operating Expenses

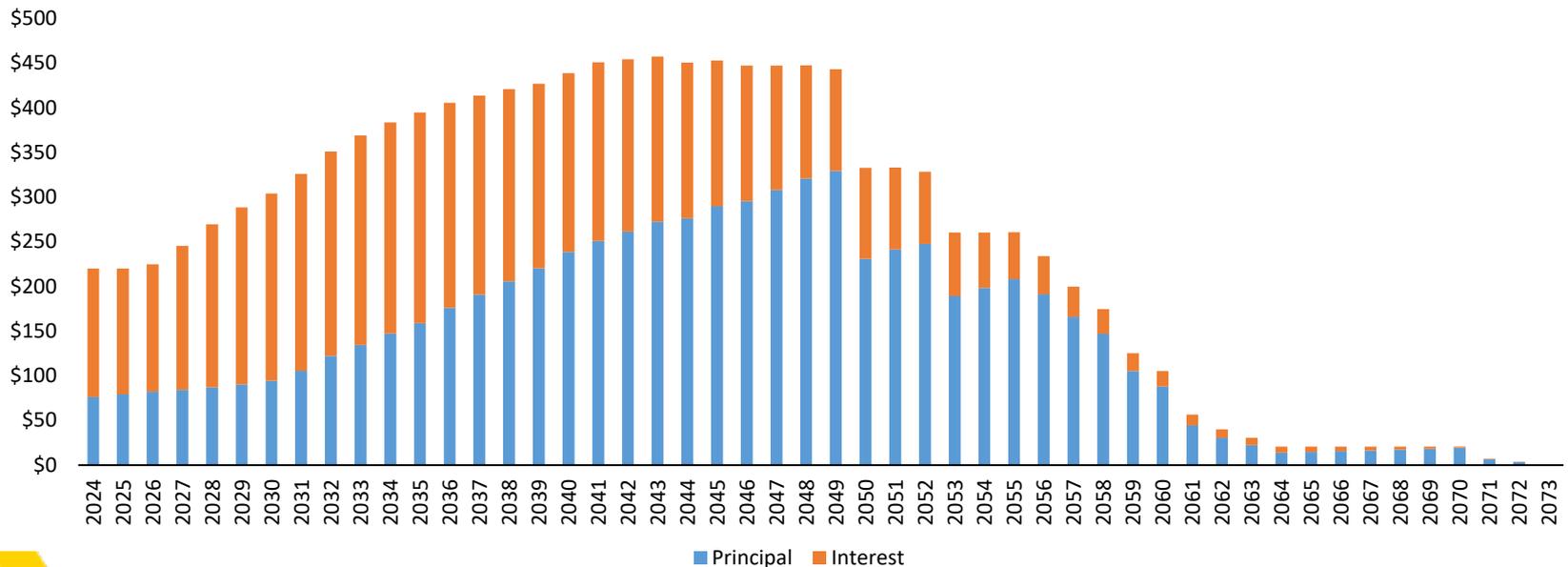
Line	Description	2024	2025	2026	2027	2028	2029
18	Agency-Wide	\$80.6	\$99.0	\$67.0	\$37.0	\$24.5	\$23.4
19	Bus	37.6	151.0	179.8	146.1	101.3	40.8
20	Light Rail Transit	136.1	238.0	337.3	378.5	332.5	309.8
21	Streetcar	4.4	12.0	31.8	36.9	18.4	0.0
22	Commuter Rail/RR Management	512.8	504.2	255.1	158.0	131.3	98.5
23	Paratransit	0.6	0.0	0.0	0.0	0.5	0.0
24	General Mobility – Road Improvements	6.5	8.0	1.1	0.0	0.0	0.0
25	Non-Operating	99.4	82.2	60.9	3.6	3.7	3.8
26	Capital P & D, Startup	16.5	28.0	17.4	19.3	18.7	18.6
27	Total Capital and Non-Operating	\$894.4	\$1,122.3	\$950.4	\$779.4	\$631.1	\$494.9

- Capital Improvement Plan (CIP) includes new bus fleet and System Modernization Program
- SGR is baked into the plan: 70.8% through 2028; 93.1% to 100% in out years
- Cost drivers include:
 - Integrating 100% SGR assessment into plan
 - Continued price pressure for capital goods and services
 - Unexpected SGR needs due to an aging fleet and infrastructure

Adopted Financial Plan

Debt Service

Line	Description	2024	2025	2026	2027	2028	2029
28	Principal Payments – Long-Term Debt	\$76.0	\$79.1	\$82.2	\$84.1	\$86.8	\$90.3
29	Long-term Debt Interest Expense	143.9	140.8	142.8	161.4	182.9	198.2
30	Commercial Paper Interest Expense	1.1	0.9	1.8	5.3	8.8	12.3
31	Debt-Related Fees	0.6	0.6	0.6	0.6	0.6	0.6
32	Total Debt Service Costs	\$221.6	\$221.4	\$227.3	\$251.4	\$279.1	\$301.4



The background is a blurred city street scene. On the left, there are tall buildings with many windows. In the center, a white bus is visible. On the right, there are more buildings and a sign that says "#HungerActionMonth" and "with... food bank". The overall image has a warm, yellowish tint.

FY 2025 Budget Discussion

March 27 B&F Committee

- At the March 27 Budget and Finance Committee meeting, members expressed interest in exploring several topics during budget development:
 - Budget growth, including impact of capital projects on operations
 - Headcount, benefits, vacancies, allocation of staff, and overtime
 - Ridership growth and subsidy per passenger
 - Innovation and new initiatives
 - Future service expansion
 - Transit-oriented development
 - Departmental breakdowns
 - Long-term clean, safe, reliable initiatives

Operating Budget Growth

How much should the DART operating budget grow each year?

Financial Standard B5

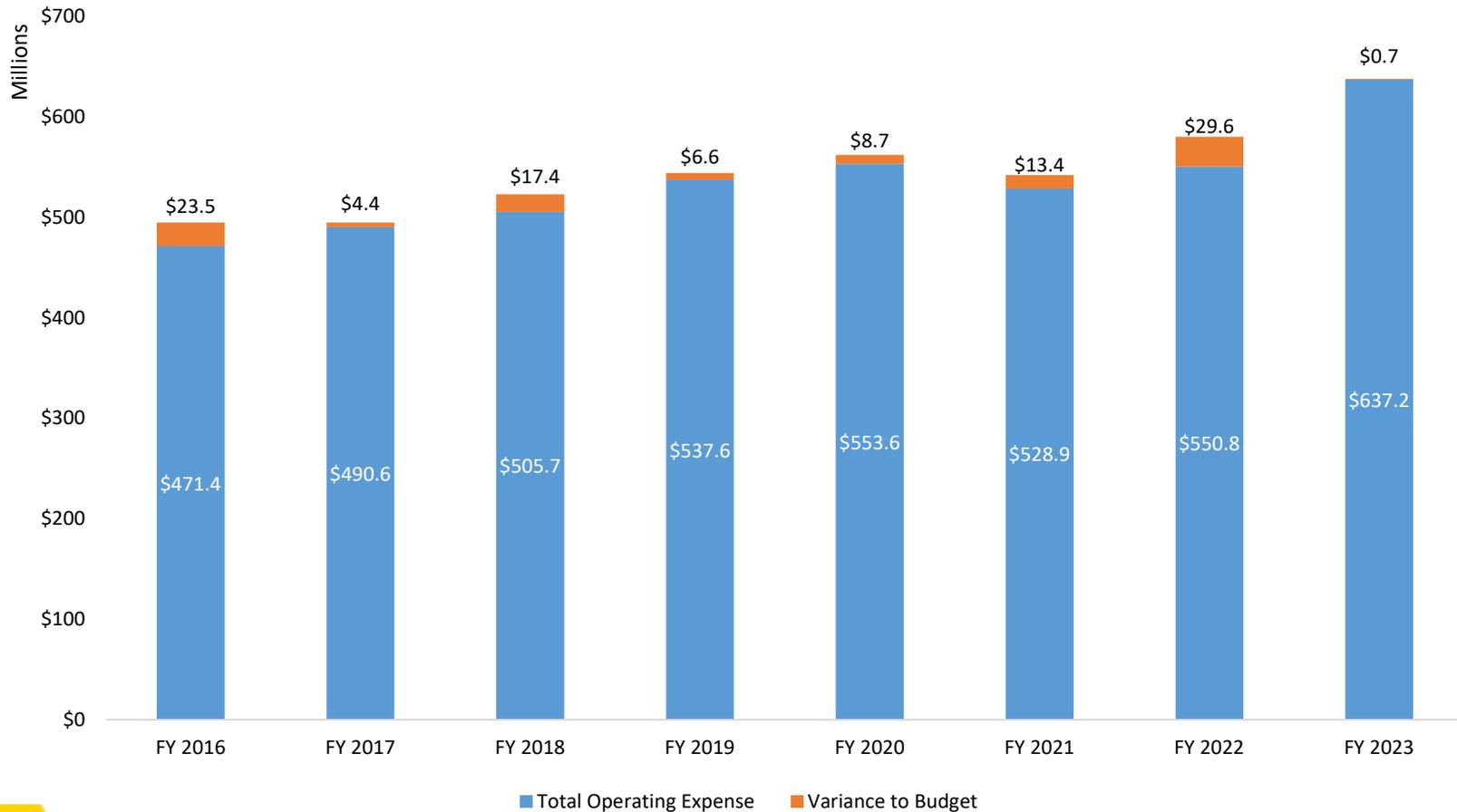
- For financial planning purposes, total operating expenses may not increase by more than 90% of the projected rate of inflation for the Dallas area, plus the incremental costs associated with the addition of new services, programs, and/or facilities as approved by the Board, as well as Board-approved contract increases, actuarial analyses, health-care cost increases, and fuel prices. The projected incremental cost impact of new services, programs, and/or facilities shall be presented to the Board for approval as part of the 20-Year Financial Plan assumption process each year.

Operating Budget History

Actuals (\$M)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Salaries	\$227.5	\$236.5	\$247.7	\$257.0	\$267.0	\$254.7	\$257.2	\$294.6
Benefits	101.1	110.1	102.2	114.0	115.8	109.0	111.2	134.2
Services	32.5	35.0	41.9	47.1	50.6	50.7	55.2	66.6
Materials and Supplies	37.5	38.9	37.9	43.0	49.0	40.4	42.9	49.9
Utilities	18.0	18.8	19.6	16.6	16.7	16.0	17.6	18.8
Claims and Insurance	7.5	3.2	4.9	7.2	6.3	5.4	8.6	7.8
Purchased Transportation	49.8	52.0	55.6	58.2	56.9	56.6	65.7	75.4
Lease, Rentals, Taxes, & Other	4.5	4.6	5.0	5.4	3.3	6.3	5.2	5.4
Capital & Reserves	(7.0)	(8.6)	(9.2)	(10.8)	(12.0)	(10.3)	(12.8)	(15.5)
Total Operating Expenses	\$471.4	\$490.6	\$505.7	\$537.6	\$553.6	\$528.9	\$550.8	\$637.2
YOY % Change		3.9%	2.9%	5.9%	2.8%	(4.7)%	3.9%	13.5%
Administrative Ratio	9.5%	9.2%	10.2%	9.8%	9.8%	10.3%	9.1%	10.7%

FY 2024 Financial Plan	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Operating Budget	\$687.2	\$713.7	\$748.3	\$779.8	\$802.4
% Increase (Decrease)	7.7%	3.9%	4.9%	4.2%	2.9%
Administrative Ratio	10.2%	10.0%	9.8%	9.7%	9.5%

Operating Budget History



Personnel Expenses

Does the Board have guidance for the CEO regarding headcount, benefits, vacancies, allocation of staff, and overtime?

Headcount

	2017	2018	2019	2020	2021	2022	2023	2024
Headcount	3,775	3,816	3,972	3,973	3,748	3,762	3,812	3,872
Increase (Decrease)		41	156	1	(225)	14	50	60
YoY % Increase (Decrease)		1.1%	4.1%	0.0%	(5.7%)	0.4%	1.3%	1.6%
Salaries	\$236.5	\$247.7	\$257.0	\$267.0	\$254.7	\$257.2	\$294.6	\$310.3
Benefits	110.1	102.2	114	115.8	109	111.2	134.2	133.8
Total Salary & Benefits (\$M)	\$346.6	\$349.9	\$371.0	\$382.8	\$363.7	\$368.4	\$428.8	\$444.1
YoY % Increase (Decrease)		1.0%	6.0%	3.2%	(5.0%)	1.3%	16.4%	3.5%

Emerging Needs

Should the Financial Plan include a placeholder specifically for strategic initiatives, service growth, and/or special events? How much?

Strategic Initiatives

- Ridership Improvement Funds
 - Pilots that need to be evaluated for future funding
- Strategic Plan
 - Internal/admin improvements (process and tech)
 - Proof-of-concepts
 - Security strategy
 - Customer experience
 - Coordination with cities and partners
 - Fantastic spaces

Service Growth & Special Events

- DARTzoom 2.0
- Area plans
- Bus Rapid Transit (BRT)
- Corridor optimization (CORE)
- On-demand service
- World Cup and other special events

Discussion Questions

- How much should the DART operating budget grow each year?
- Does the Board have guidance for the CEO regarding headcount, benefits, vacancies, allocation of staff, and overtime?
- Should the Financial Plan include a placeholder specifically for strategic initiatives, service growth, and/or special events? How much?



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