

# Approval of Proposed FY 2019 Annual Budget and 20-Year Financial Plan

Committee of the Whole  
September 11, 2018

Joseph G. Costello  
Senior Vice President, Finance



# Board Calendar

Date	Subject
July 10	Draft FY 2019 Budget and Twenty-Year Financial Plan (cancelled)
Aug 14	<ul style="list-style-type: none"> <li>• Approval to Distribute Proposed FY 2019 Annual Budget and Twenty-Year Financial Plan to Service Area Cities</li> <li>• Department Budget Reviews</li> </ul>
Aug 28	<ul style="list-style-type: none"> <li>• Budget &amp; Finance Committee recommends approval of FY 2019 Annual Budget and Twenty-Year Financial Plan to the Committee-of-the-Whole</li> <li>• Department Budget Reviews</li> </ul>
Aug 30	Briefing for Service Area City Managers and Finance Directors
<b>Sep 11</b>	<b>Committee of the Whole recommends approval of FY 2019 Annual Budget and Twenty-Year Financial Plan to the Board</b>
Sep 18	Board Approval of FY 2019 Annual Budget and Twenty-Year Financial Plan
Oct 30	Briefing and Discussion on Financial Standard B2 and Policy III.01
Nov 13	Briefing and Discussion on Financial Standard B2 and Policy III.01
Dec 11	Briefing and Discussion on Financial Standard B2 and Policy III.01



# Presentation Outline

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- Budget and Financial Plan Adoption Process
- Proposed FY 2019 Budget Summary
  - Operating
  - Capital
  - Debt Service
- 20-Year Financial Plan
  - Sources of Funds
    - Sales Tax
    - Passengers
    - Federal Funds

# Presentation Outline (cont.)

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- Uses of Funds
  - Operating Expenses
  - Capital Expenses
  - Debt Service
- Balances
  - Total Cash
  - Reserves
  - Available Cash
- Key Metrics
  - Internal Coverage
  - External Coverage
  - Debt Outstanding



# **Budget & Financial Plan Adoption Process**

# Budget & Financial Plan Adoption Process

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- Proposed Budget must be distributed to the Service Area Cities at least 30-days prior to adoption.
  - The service area cities will be briefed on August 30th
- FY 2019 Budget & Financial Plan are scheduled to be approved on September 18<sup>th</sup>.
  - Budget approval requires a simple majority
  - Financial Plan approval requires a 2/3 majority (10 votes)



**Proposed FY 2019  
Annual Budget**

# Proposed FY 2019 Annual Budget

- Budget developed within the Board Policy framework of the approved Financial Standards.
- FY 2019 Operating Budget represents 4.1% growth from the FY 2018 budget; no change from the FY 2018 FP.
- The FY 2019 Capital Budget includes over \$200M less than was projected in the FY 2018 Plan due to capital project timing and expenditure profile adjustments.
- Debt service budget of \$197.2M primarily reflects long-term debt.



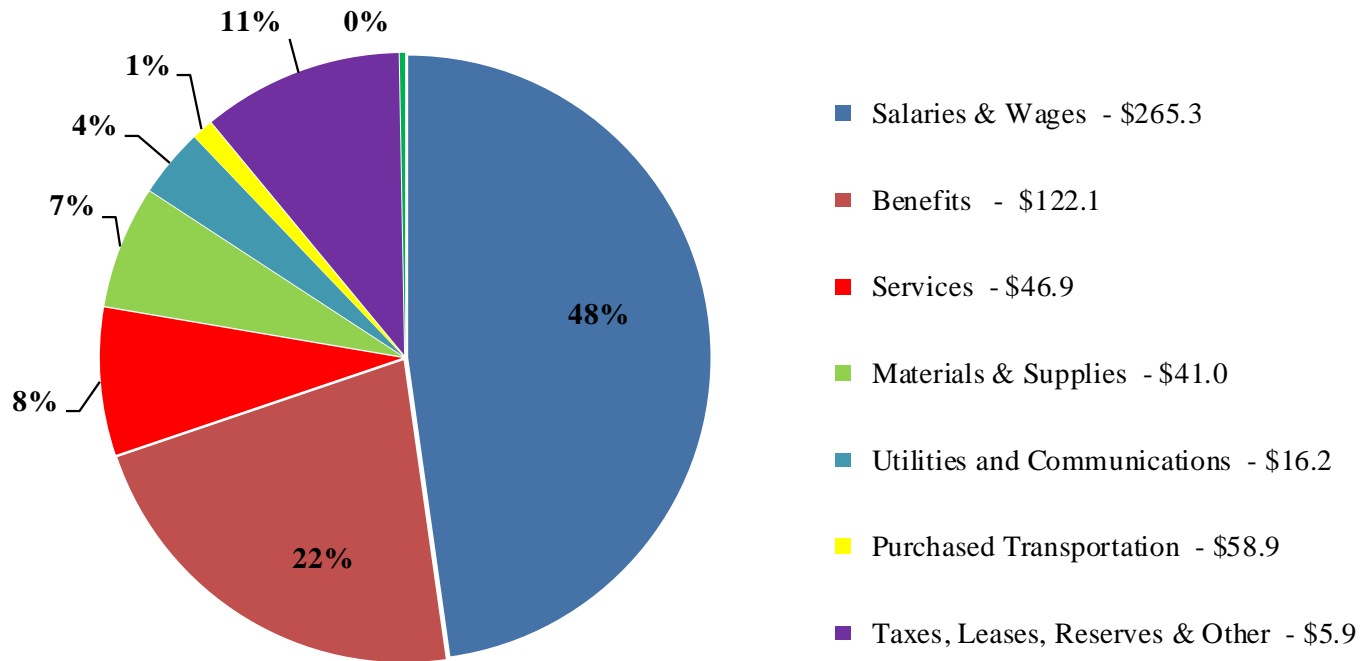
# Proposed FY 2019 Annual Budget Summary (\$M)

FY 2017 Actual	Item	FY 2018 Budget	FY 2018 Projected	FY 2019 Proposed
\$474.1	Operating	\$523.0	\$515.8	\$544.3
167.9	Capital & Non-Operating	265.3	172.7	291.5
190.8	Debt Service	193.8	193.8	197.2
<b>\$832.8</b>	<b>Total Expenditures</b>	<b>\$982.1</b>	<b>\$882.3</b>	<b>\$1,032.9</b>

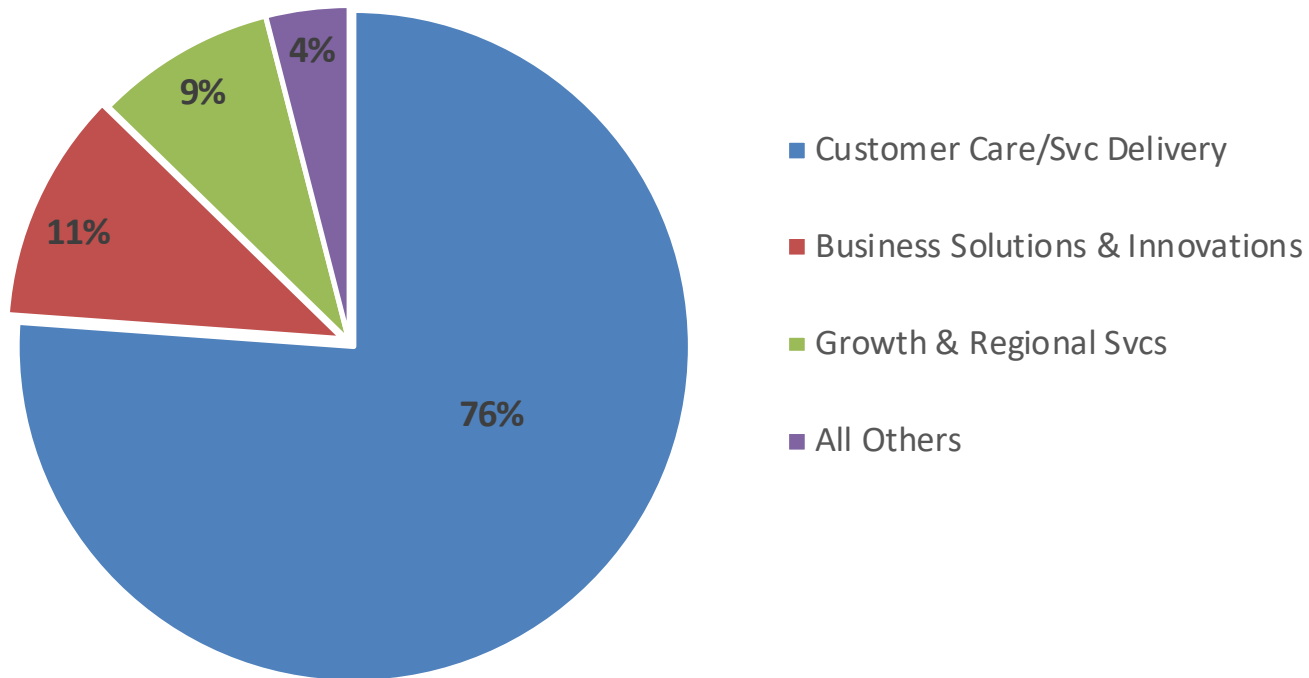
# Operating Budget Summary (\$M)

FY17 Actuals	Object Classification	FY18 Budget	FY 2018 Projected	FY19 Budget	\$ Variance
\$237.9	Salaries & Wages	\$254.1	\$252.8	\$265.3	\$11.3
110.7	Benefits	117.2	105.5	122.1	\$5.0
35.1	Services	41.9	38.9	46.9	\$5.0
39.2	Materials & Supplies	34.8	39.5	41.0	\$6.2
18.8	Utilities and Communications	19.4	19.9	16.2	(\$3.2)
52.4	Purchased Transportation	56.9	57.5	58.9	\$2.0
7.9	Taxes, Leases, Reserves & Other	7.5	10.4	5.9	(\$1.7)
<b>\$502.0</b>	<b>Sub-Total (All Expenses)</b>	<b>\$531.9</b>	<b>\$524.5</b>	<b>\$556.5</b>	<b>\$24.6</b>
(\$8.6)	Capital P&D	(8.8)	(8.7)	(12.2)	(\$3.4)
<b>\$493.4</b>	<b>Total Operating Expenses</b>	<b>\$523.0</b>	<b>\$515.8</b>	<b>\$544.3</b>	<b>\$21.2</b>

# Operating Budget Summary (\$M)



# Operating Budget by Organizational Unit (\$M)





**Proposed FY 2019  
20-Year Financial Plan**

# 20-Year Financial Plan

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- The 20-Year Financial Plan is a spreadsheet model.
- Detailed data on capital projects and reserves, cash-flows, operating expense details and adjustments, revenue details, sales tax and inflation projections, debt service schedules and assumptions.
- Annual review and update of Financial Plan with prior year actual results and revised assumptions.
- The proposed FY 2019 Budget & Financial Plan are in compliance with all Board Policies including the FY 2019 Financial Standards adopted on May 8, 2018.

# Financial Plan Sections

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- Sources of Funds
- Uses of Funds
  - Operating Expenses
  - Capital & Non-Operating Expenditures
  - Debt Service Costs
- Cash Balances and other Supplemental Information



**Proposed FY 2019  
20-Year Financial Plan  
Revenues / Sources**



# Major Factors Impacting the FY 2019 Financial Plan

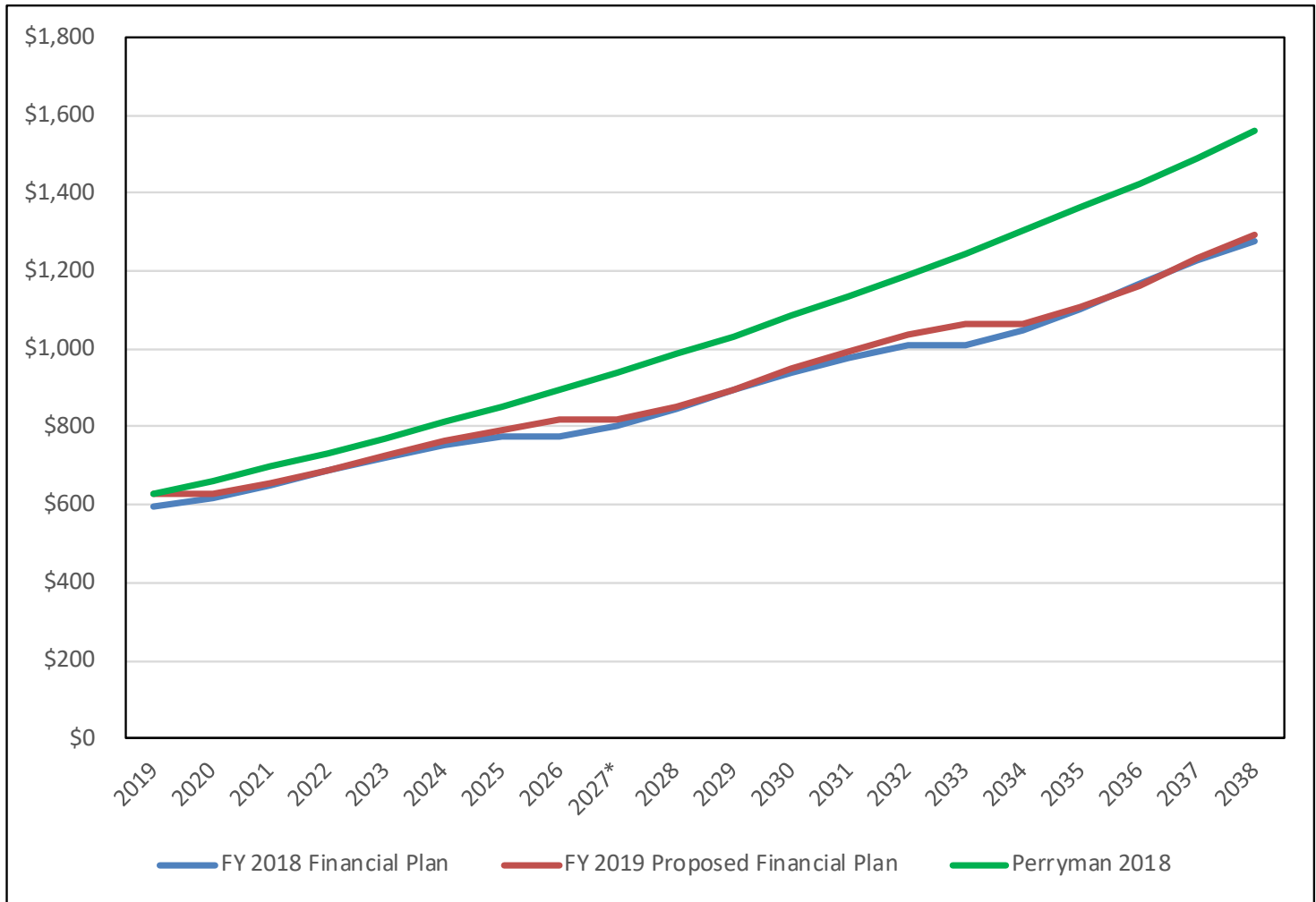
- Revenues
  - FY 2018 Sales Tax revenues through May are 5.2% over FY 2017 and 1.1% over budget
    - Zero-growth year pushed from 2019 to 2020
    - FY 2019 now contains 4.75% sales tax growth
  - Lower ridership projections and associated fare revenues
    - Increased bus service and improved headways
    - Security enhancements
    - Mobility-on-demand

# FY 2019 Revenues/Sources (\$M)

Revenues / Sources	FY 2018 Budget	FY 2018 Projected	FY 2019 Proposed	20-Year Totals
Sales Tax Revenues	\$593.9	\$599.6	\$628.1	\$18,175.3
Operating Revenues	82.2	74.2	85.4	2,415.9
Interest Income	7.5	7.5	17.2	391.7
Federal Formula Funding	125.3	75.3	90.1	1,739.8
Federal Discretionary Funding	20.5	19.6	77.7	645.8
Long-Term Debt Issuances	0.0	0.0	90.9	3,035.0
Commercial Paper Issuances	0.0	0.0	27.0	627.0
Other Non-Operating Sources	14.2	14.2	14.2	464.7
Other Capital Sources	15.0	13.2	23.1	270.2
<b>Total Sources of Funds</b>	<b>\$858.5</b>	<b>\$803.7</b>	<b>\$1,053.7</b>	<b>\$27,765.5</b>



# Sales Tax Growth (\$M)



# Sales Tax Growth (\$M)

Year	FY 2018 Financial Plan		FY 2019 Proposed Financial Plan		Perryman 2018	
	%	\$	%	\$	%	\$
2019	0.0%	\$593.9	4.8%	\$628.1	5.8%	628.2
2020	4.0%	\$617.7	0.0%	\$628.1	5.4%	661.9
2021	5.0%	\$648.6	4.0%	\$653.3	5.3%	697.0
2022	6.0%	\$687.5	5.0%	\$686.0	5.2%	733.5
2023	5.0%	\$722.0	6.0%	\$727.2	5.2%	771.5
2024	4.0%	\$750.9	5.0%	\$763.6	5.1%	811.1
2025	3.0%	\$773.4	4.0%	\$794.2	5.1%	852.2
2026	0.0%	\$773.4	3.0%	\$818.0	5.0%	895.0
2027*	4.1%	\$804.9	0.1%	\$818.5	5.0%	939.5
2028	5.0%	\$845.5	4.0%	\$851.6	4.9%	985.7
2029	6.0%	\$896.2	5.0%	\$894.2	4.9%	1,033.8
2030	5.0%	\$941.0	6.0%	\$947.8	4.8%	1,083.8
2031	4.0%	\$978.7	5.0%	\$995.2	4.8%	1,135.7
2032	3.0%	\$1,008.0	4.0%	\$1,035.0	4.7%	1,189.6
2033	0.0%	\$1,008.0	3.0%	\$1,066.1	4.7%	1,245.5
2034	4.0%	\$1,048.3	0.0%	\$1,066.1	4.7%	1,303.6
2035	5.0%	\$1,100.8	4.0%	\$1,108.7	4.6%	1,363.8
2036	6.0%	\$1,166.8	5.0%	\$1,164.1	4.6%	1,426.3
2037	5.0%	\$1,225.2	6.0%	\$1,234.0	4.5%	1,491.1
2038	4.0%	\$1,274.2	5.0%	\$1,295.7	4.5%	1,558.2
<b>20-Year Total</b>		<b>\$17,865.0</b>		<b>\$18,175.3</b>		<b>\$20,807.0</b>

\* There is a small increase in sales taxes in 2027 (a zero growth year) in the FY 2019 Financial Plan

This is due to the end of the sales tax repayment plan to the State; not any projected economic growth.



# Operating Revenue (in M)

	FY 2018	FY 2018 Projected	FY 2019	20 Year Total
Bus	\$26.5	\$22.5	\$26.2	\$722.2
LRT	28.2	24.4	32.1	912.9
TRE	7.1	6.9	7.0	280.6
<b>Fare Structure Revenue</b>	<b>\$61.8</b>	<b>\$53.8</b>	<b>\$65.3</b>	<b>\$1,915.6</b>
Shuttles	3.1	3.1	3.0	40.5
<b>Fixed Route Passenger Revenue</b>	<b>\$64.9</b>	<b>\$56.9</b>	<b>\$68.3</b>	<b>\$1,956.1</b>
Paratransit	2.4	2.4	2.8	95.2
Van Pool	1.2	1.2	1.1	27.8
<b>Total Passenger Revenue</b>	<b>\$68.5</b>	<b>\$60.5</b>	<b>\$72.2</b>	<b>\$2,079.1</b>
Rail Right of Way Rentals	5.9	5.9	6.1	149.4
Advertising	3.9	3.9	4.0	116.1
CMAQ Van Pool Funding	1.0	1.0	0.7	18.2
Other	2.9	2.9	2.4	53.1
<b>Other Operating Income</b>	<b>\$13.7</b>	<b>\$13.7</b>	<b>\$13.2</b>	<b>\$336.8</b>
<b>Total Operating Revenue</b>	<b>\$82.2</b>	<b>\$74.2</b>	<b>\$85.4</b>	<b>\$2,415.9</b>



# Ridership 2015 – 2019 (000s)

Ridership	FY 2015 Actuals	FY 2016 Actuals	FY 2017 Actuals	FY 2018 Budget	FY 2018 Projected	FY 2019 Proposed
Ridership - Bus *	36,529	33,687	32,111	33,030	29,746	30,632
Ridership - LRT *	29,894	29,762	30,140	31,031	28,992	29,038
Ridership - TRE	2,174	2,054	2,098	2,134	1,962	2,029
<b>Total Fixed-Route Ridership</b>	<b>68,597</b>	<b>65,503</b>	<b>64,349</b>	<b>66,195</b>	<b>60,700</b>	<b>61,700</b>
Ridership - Paratransit	782	810	796	863	825	854
Ridership - Vanpool	871	792	675	720	766	890
<b>Total Agency Ridership</b>	<b>70,250</b>	<b>67,105</b>	<b>65,819</b>	<b>67,779</b>	<b>62,291</b>	<b>63,444</b>

\* Streetcar Ridership included in LRT Mode

\* Go Link and On Call are included in Bus Mode




# Federal Funds (\$M)

Revenue Type	FY 2018 Budget	FY 2018 Projected	FY 2019 Proposed	20-Year Total
Formula Funds	\$125.3	\$75.8	\$90.1	<b>\$1,739.8</b>
Discretionary Funds	\$20.5	\$19.6	\$77.7	<b>\$645.8</b>
<b>Total Federal Revenues</b>	<b>\$145.8</b>	<b>\$95.5</b>	<b>\$167.8</b>	<b>\$2,385.7</b>

# Other Sources of Funds (\$M)

Sources	FY 2018 Budget	FY 2018 Projected	FY 2019 Draft	20-Year Totals
Trinity Metro Capital Contributions	\$7.9	\$12.2	\$15.4	\$206.8
Dallas Streetcar Extension	3.0	3.0	4.6	4.6
Irving In-Fill Stations	2.4	3.2	3.1	20.8
Cotton Belt	0.0	0.0	0.0	38.1
Other Capital Contributions	1.6	2.1	0.0	0.0
<b>Sub-Total Capital Contributions</b>	<b>\$15.0</b>	<b>\$17.5</b>	<b>\$23.1</b>	<b>\$270.2</b>
Trinity Metro Operating Contributions	\$12.8	\$12.3	\$12.8	\$354.4
City of Dallas Streetcar Ops	0.8	0.8	0.9	91.0
Other Misc.	0.6	0.6	0.5	19.4
<b>Sub-Total Operating Contributions</b>	<b>\$14.2</b>	<b>\$14.2</b>	<b>\$14.2</b>	<b>\$464.7</b>
<b>Total Other Sources of Funds</b>	<b>\$29.2</b>	<b>\$31.7</b>	<b>\$37.3</b>	<b>\$734.9</b>



A blurred city street scene with a yellow box containing text. The background shows tall buildings, a street with a yellow bus, and a traffic light. A sign on a building in the background reads "#HungerActionMonth".

**Proposed FY 2019  
20-Year Financial Plan  
Uses & Other Supplemental  
Information**

# Major Factors Impacting the FY 2019 Financial Plan

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- Operating Expenses
  - No Operating Budget increase from FY 2018 Plan
  - Major Cost Drivers:
    - Additional service and transportation costs
    - Technology
    - Police
    - Mobility on Demand (MOD)
- \$90M added to D2 Capital Projects Costs
- Long-term debt restructuring

# Operating Budget by Mode (\$M)

Mode	FY 2018 Budget	FY 2018 Projected	FY 2019 DRAFT	20-Year Total
Bus	\$275.2	\$259.7	\$286.2	\$6,918.1
Light Rail Transit	174.4	176.7	178.2	4,407.6
Streetcar	1.6	1.1	2.2	113.5
Commuter Rail/RR Management	30.2	34.0	32.8	1,291.9
Paratransit	39.6	42.3	41.3	1,208.3
General Mobility - Road Improvement	2.1	2.1	3.7	51.2
<b>Total</b>	<b>\$523.0</b>	<b>\$515.8</b>	<b>\$544.3</b>	<b>\$13,990.6</b>

# Capital Budget Summary (\$M)

Mode	FY 2018 Budget	FY 2018 Projected	FY 2019 Proposed	20-Year Total
Agency-Wide	\$35.8	\$24.8	\$25.9	\$457.7
Bus	43.5	34.8	36.5	1,086.0
Light Rail Transit	68.0	29.8	45.5	2,762.0
Streetcar	9.6	3.1	5.4	102.0
Commuter Rail/RR Management	80.0	62.5	141.9	1,668.3
Paratransit	0.4	0.3	0.3	5.7
General Mobility - Road Improvement	15.5	3.9	12.0	53.8
Non-Operating	3.6	4.0	11.9	41.5
Capital P & D, Start-Up	8.8	9.6	12.2	304.2
<b>Total</b>	<b>\$265.3</b>	<b>\$172.7</b>	<b>\$291.5</b>	<b>\$6,481.2</b>

# FY 2019 Debt Service Budget (\$M)

Description	FY 2018 Budget	FY 2018 Projected	FY 2019 Proposed	20 Year Total
Long-Term Debt Interest Expense**	\$135.9	\$135.8	\$135.2	\$3,999.7
Commercial Paper Program Expenses	1.5	1.6	3.2	151.4
Financial Advisor and Other Fees	0.5	0.5	0.5	11.7
<b>Total Expenses</b>	<b>\$137.9</b>	<b>\$137.9</b>	<b>\$138.9</b>	<b>\$4,162.8</b>
Principal Repayments - Bonds*	\$55.9	\$55.9	\$58.3	\$2,483.5
<b>Total Debt Service Budget</b>	<b>\$193.8</b>	<b>\$193.8</b>	<b>\$197.2</b>	<b>\$6,646.2</b>

# Financial Plan Comparisons (\$M)

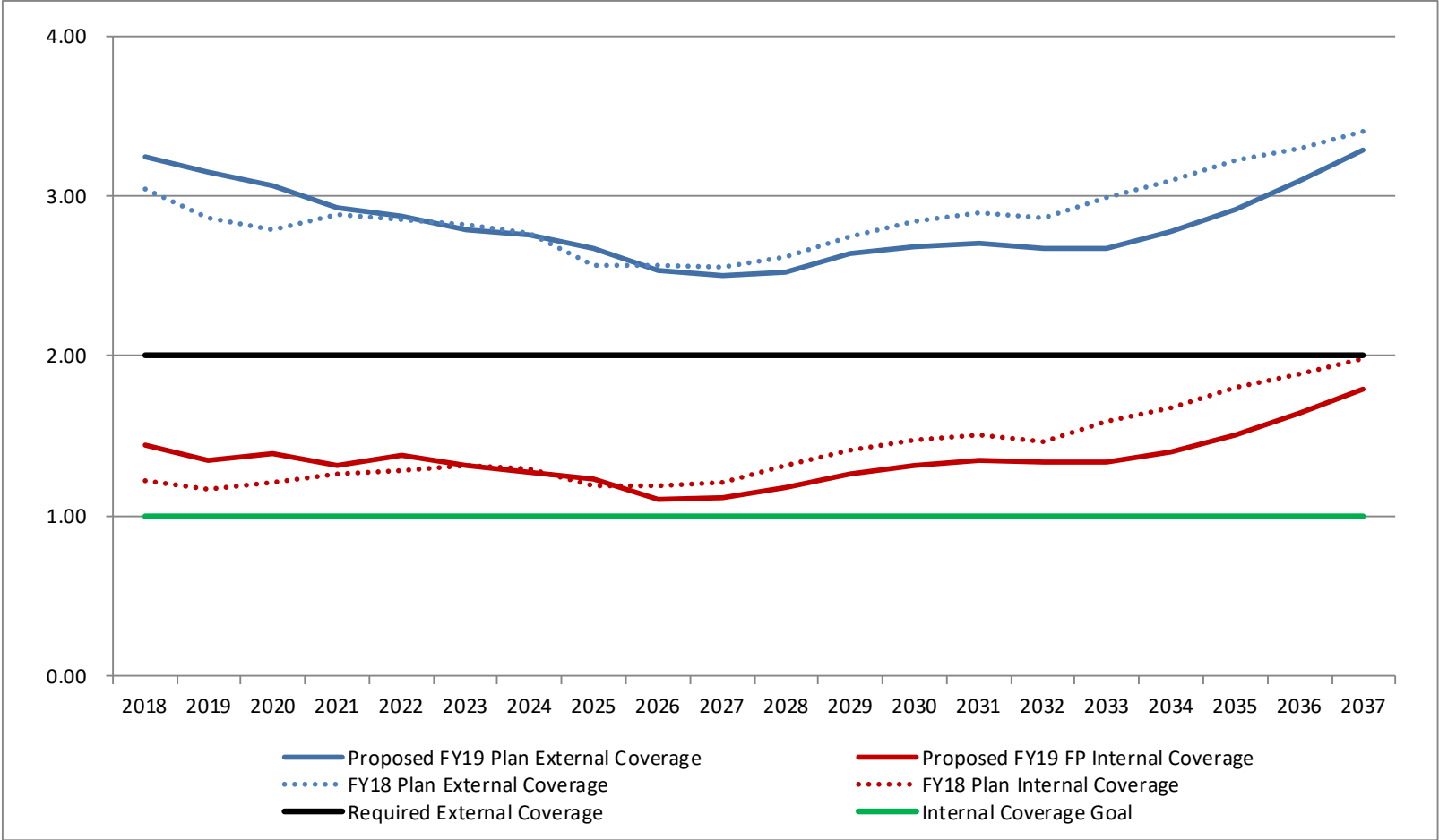
Line Item	FY18 FP		FY19 Proposed FP		Increase (Decrease)	
	FY 2019	20-Yr Total (FY 2019-2038)	FY 2019	20-Yr Total (FY 2019-2038)	FY 2019	20-Year Total
Sales Tax Revenues	\$593.9	\$17,865.0	\$628.1	\$18,175.3	\$34.2	\$310.3
Operating Revenues	92.4	2,623.9	85.4	2,415.9	(7.0)	(207.9)
Total Federal Funds	214.4	2,210.2	167.8	2,385.7	(46.6)	175.5
Long-Term Debt Issuances	365.0	2,900.0	90.9	3,035.0	(274.1)	135.0
Commercial Paper Issuance	0.0	400.0	27.0	627.0	27.0	227.0
Interest Revenues	9.0	403.9	17.2	391.7	8.2	(12.2)
Other Revenues	43.7	783.0	37.3	734.9	(6.4)	(48.1)
<b>Total Sources of Funds</b>	<b>\$1,318.3</b>	<b>\$27,185.9</b>	<b>\$1,053.7</b>	<b>\$27,765.5</b>	<b>(\$264.6)</b>	<b>\$579.6</b>
Operating Expenses	\$544.3	\$13,904.3	\$544.3	\$13,990.6	(\$0.0)	\$86.3
Capital & Non-Op Expenditures	507.4	6,120.0	291.5	6,481.2	(215.9)	361.1
Debt Service	196.9	6,334.4	197.2	6,646.2	0.2	311.9
Commercial Paper Retirement	30.0	510.0	30.0	737.0	0.0	227.0
<b>Total Uses of Funds</b>	<b>\$1,278.6</b>	<b>\$26,868.7</b>	<b>\$1,062.9</b>	<b>\$27,855.0</b>	<b>(\$215.7)</b>	<b>\$986.3</b>



# Financial Standard – D7: Coverage Ratios

- DART Financial Standard D7 speaks to certain Debt Service Coverage Ratios to be incorporated into the Financial Plan.
  - DART must maintain an external coverage ratio (Sales Taxes / Annual Debt Service) of at least 2.0 for each year of the Plan
    - The lowest external coverage ratio in the proposed FY 2019 Financial Plan is 2.51 in 2028
  - It is a goal that DART maintain an internal coverage ratio (Sales Taxes + Operating Revenues + Interest Income – Operating Expenses / Annual Debt Service) of at least 1.0 for each year of the Plan
    - The lowest Internal coverage ratio in the proposed FY 2019 Financial Plan is 1.15 in 2027

# Coverage Requirements





# Financial Standard – G6: Unrestricted Cash

- Since sales tax is received on a monthly basis, the unrestricted cash balance at the end of the year shall be no less than 1/12 the difference between the subsequent year's total sources of cash (excluding sales taxes) and total uses of cash as projected in the Twenty-Year Financial Plan.
- This is commonly referred to as the Working Cash Requirement.
- For additional safety margin, DART maintains 3 months worth of operating expenses as Working Cash.

# Financial Standard – G6 Example (\$M)

Total Sources of Funds	\$1,053.7
Less: Sales Tax	(\$628.1)
Less: Total Uses of Funds	(\$1,063.2)
Net Uses of Funds (excl. Sales Tax)	(\$637.6)
Divided by 12	/ 12
Required Working Cash per Standard G6	(\$53.1)
Financial Plan Provision for Working Cash	(\$136.1)

# Commercial Paper Requirement – Example (\$M)

	FY 2018	FY 2019
Total Cash	\$545.10	\$654.50
CPSL Requirement*	\$412.00	\$412.00
<b>Amount above requirement</b>	<b>\$133.10</b>	<b>\$242.50</b>

\* DART has a \$200 million maximum authorization Commercial Paper Self-Liquidity (CPSL) Program. When an investor purchases DART’s commercial paper, the investor has an expectation that upon maturity DART will return the principal value of the note plus interest. DART demonstrates the ability to pay off issued commercial paper by promising to maintain a reserve balance of 2.0 times the commitment amount.

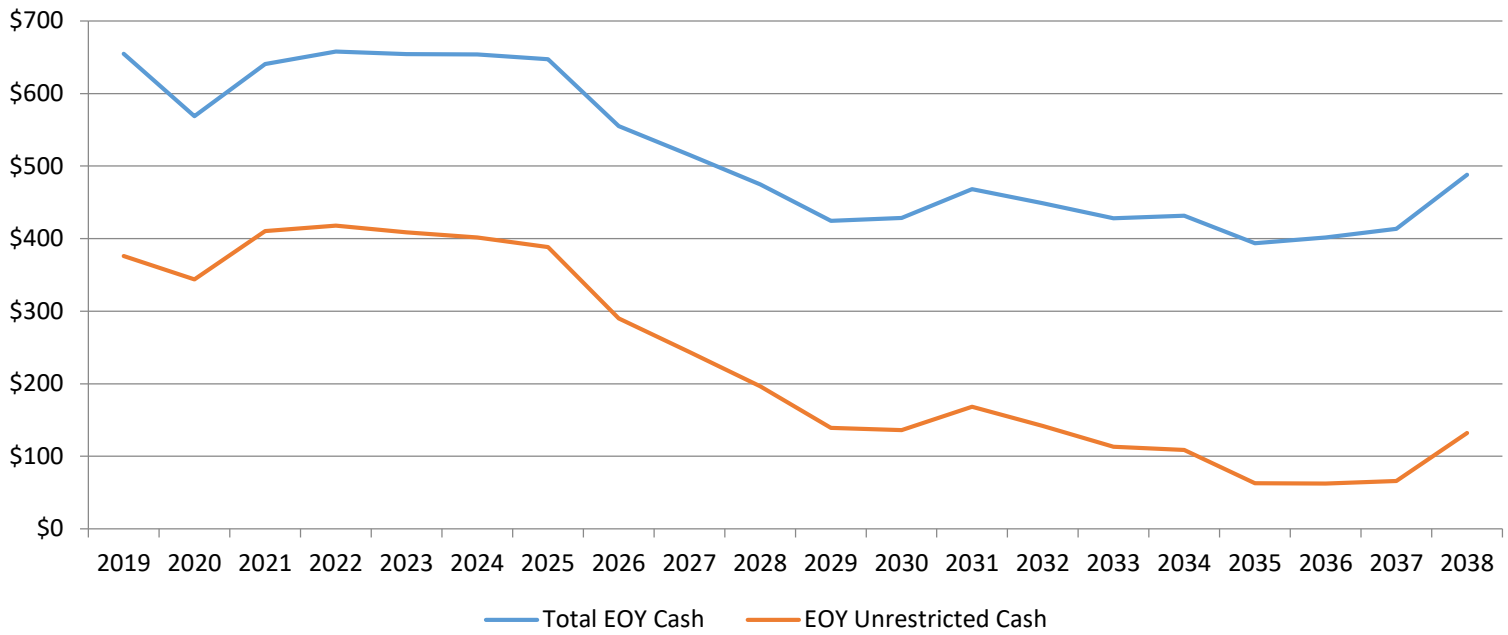


# Cash Balances – Total Cash and Unrestricted (Net Available) Cash (\$M)

Balance	FY18 Budget	FY19 Proposed FP
<b>Total Cash</b>	<b>\$545.1</b>	<b>\$654.5</b>
Less:		
Financial (Sales Tax) Reserve	(\$50.0)	(\$50.0)
Capital Reserve	(23.4)	(8.9)
Insurance Reserve	(10.0)	(11.5)
Working Cash Requirement (3 months Operations)	(130.8)	(136.1)
Advanced Funding (RPBE Texas Mobility Funds)	(65.0)	(60.0)
Other Restricted Funds (Streetcar Operations)	(12.1)	(11.9)
<b>Unrestricted (Net Available) Cash</b>	<b>\$253.8</b>	<b>\$376.2</b>



# Cash Balances - Proposed FY 2019 Financial Plan (\$M)





# Summary

- Budget & Financial Plan in compliance with Financial Standards
- **Requested Action:**
  - Approval of the Proposed Fiscal Year (FY) 2019 Budget and Twenty-Year Financial Plan.



# Board Calendar

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