

## DALLAS AREA RAPID TRANSIT



### Quarterly Disclosure Update For the three-month period ended December 31, 2020

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*This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2020, and dated March 9, 2021. The Annual Disclosure Statement will be filed as a public record with the Municipal Securities Rulemaking Board’s website at [www.emma.msrb.org](http://www.emma.msrb.org), and is posted online at our website, [www.dart.org](http://www.dart.org). You may also obtain a free copy of this Quarterly Disclosure Update by contacting us at the following address or telephone number: Chief Financial Officer, DART, 1401 Pacific Avenue, Dallas, Texas 75202, (214) 749-3148.*

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#### GENERAL

We are posting and filing this Quarterly Disclosure Update to supplement our Annual Disclosure Statement for the period ending September 30, 2020, and dated March 9, 2021. We continue to reserve the right to suspend or stop the postings on the Internet and the quarterly updates at any time. However, we will always provide the annual and periodic information called for under any undertaking made in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934.

Whenever we use capitalized words in this Quarterly Disclosure Update, they refer to the defined terms that are found in or incorporated by reference in the Annual Disclosure Statement for the period ending September 30, 2020 and dated March 9, 2021. See, Annual Disclosure Statement, Appendix B, “SUMMARY OF CERTAIN TERMS OF MASTER DEBT RESOLUTION.”

In this Quarterly Disclosure Update, “we,” “our,” “us,” and “DART” refer to Dallas Area Rapid Transit, a subregional transportation authority under the Act.

The information in this Quarterly Disclosure Update is as of the date stated below, except for the unaudited financial information included herein as Exhibit A, which is for the three-month period ended December 31, 2020.

**YOU SHOULD CAREFULLY CONSIDER THE INVESTMENT CONSIDERATIONS IN THE ANNUAL DISCLOSURE STATEMENT.**

#### FORWARD-LOOKING STATEMENTS

*We make “forward-looking statements” in the Annual Disclosure Statement and in Quarterly Disclosure Updates by using forward-looking words such as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates,” or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, conditions in the financial markets, our financial condition, our sales tax revenues, receipt of federal grants, and various other factors that are beyond our control. Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.*

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Dated: March 23, 2021

## QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2020 and dated March 9, 2021, is updated by the following supplemental information:

### **Unaudited Financial Information**

Audited financial statements for our fiscal year ended September 30, 2020, are attached as Appendix A to the Annual Disclosure Statement. An unaudited statement of our principal accounts for the three-month period ended December 31, 2020 is included as Exhibit A to this Quarterly Disclosure Update. Such quarterly financial statements should be read in conjunction with our annual financial statements. This information is taken from our internal books and records that are created, maintained, and administered by DART in accordance with generally accepted accounting principles. The use of reasonable estimates is a normal part of the preparation of financial statements. Sales tax revenues included in the unaudited quarterly financial statements were accrued using estimates. Actual sales tax receipts could, therefore, differ from those reported in the quarterly financial statements.

We believe that the unaudited financial information for the three-month period ended December 31, 2020, fairly represents the financial position and operating results of DART and is complete as of, but no later than, such date. However, you are cautioned that such financial information has not been audited or reviewed by any independent accountants. We do not warrant or guarantee that subsequent audited information for these accounts for this three-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

### **Management's Comment Regarding First Quarter Financial Information**

DART's unaudited financial statements for the three-month period ended December 31, 2020, and December 31, 2019, show sales tax revenues as \$160.1 million and \$171.4 million, respectively, which indicates a decrease of 6.6% due to the continuing impacts related to COVID-19 in the local economy and in the DART Service Area. Our operating results for the three-month period ended December 31, 2020 reflect a decrease in net position \$18.4 million, compared to \$23.1 million for the three-month period ended December 31, 2019. This was primarily due to decrease in passenger revenues, sales tax revenues, and increased labor, and benefits costs.

DART maintains various cash reserves including a Financial Reserve Account that is funded with sales tax collections that exceed budget during a given year, if any. In addition, the Board of Directors authorized the establishment of a Mobility Assistance and Innovation Fund (the "MAIF") (formerly known as the "Capital Reserve Account"). Should the Financial Reserve exceed \$50 million, excess sales tax receipts are placed in the MAIF. An affirmative vote of two-thirds of the Board is required to draw upon the Financial Reserve or MAIF, and the funds may be used for any purpose approved by the Board. In Fiscal Year 2020, our sales tax receipts were under sales tax budget by \$12.3 million. Therefore, no transfer was made to the MAIF. The December 31, 2020 balances in the Financial Reserve and MAIF were \$50.0 million and \$12.5 million, respectively. The Operating Fund balance was \$320.4 million. We maintain a working cash balance in the Operating Fund equal to at least one month of projected payments.

### **Lease/Leaseback Transactions Update**

We have successfully terminated or repaired all lease/leaseback transactions that were non-compliant with their respective operative documents. As of December 31, 2020, one lease/leaseback transaction remained active and is in full compliance with the respective operative documents, as amended.

### **Litigation**

No significant changes have occurred in the status of pending litigation involving DART since the date of the Annual Disclosure Statement. Accruals and estimated losses on claims that are asserted in pending litigation, if any, are included in accounts payable and accrued liabilities in the unaudited statement of our principal accounts attached hereto as Exhibit A.

Other than cases filed in the ordinary course of business as an operating transit agency, no new litigation has been filed against DART since the date of the Annual Disclosure Statement. See, Annual Disclosure Statement, "LITIGATION."

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This Quarterly Disclosure Update, in substantially the form and content presented above and in its Exhibit, was reviewed with the Board of Directors of DART on March 23, 2021.

ATTEST:

/s/ Paul N. Wageman  
Chair, Board of Directors

/s/ Jonathan R. Kelly  
Secretary, Board of Directors

/s/ David Leininger  
Interim President/Chief Executive Officer

**Exhibit A**

**Unaudited Statement of Principal Accounts  
for the three-month period ended December 31, 2020**

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF NET POSITION**

**DECEMBER 31, 2020 AND SEPTEMBER 30, 2020 (Dollars in Thousands)**

	12/31/2020 Unaudited	9/30/2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$307,999	\$384,038
Investments	105,565	108,028
Sales and use tax receivable	109,332	101,988
Transit revenue receivable, net	5,673	4,835
Due from federal and other governments	29,383	20,050
Materials and supplies inventory, net	36,954	36,870
Prepaid transit expense and other	8,285	4,217
Restricted investments held by trustee for debt service	39,107	123,111
Restricted investments held for advance funding agreements	47,247	52,205
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
<b>TOTAL CURRENT ASSETS</b>	<b>695,919</b>	<b>841,716</b>
<b>NONCURRENT ASSETS</b>		
Restricted investments held as security for capital lease/leaseback liabilities	4,328	4,616
Restricted investments for system expansion and acquisition	57,956	57,931
Investment in joint venture	7,556	7,821
Capital assets		
Land and rights-of-way	618,572	618,572
Projects in progress	440,647	405,380
Depreciable capital assets, net of depreciation	3,085,929	3,148,006
Restricted investments held to pay capital lease/leaseback liabilities	114,741	112,342
Unamortized bond insurance premium and other	525	536
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,330,254</b>	<b>4,355,204</b>
<b>TOTAL ASSETS</b>	<b>5,026,173</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	98,899	5,196,920
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,125,072</b>	<b>92,195</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	69,121	103,363
Commercial paper notes payable	59,100	74,100
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	1,393	1,393
Local Assistance Program payable	5,063	5,622
Retainage payable	19,171	17,669
Unearned revenue and other liabilities	88,925	92,965
Accrued interest payable from restricted assets	12,940	50,248
Current portion of senior lien revenue bonds payable	74,520	62,689
<b>TOTAL CURRENT LIABILITIES</b>	<b>336,607</b>	<b>414,423</b>
<b>NONCURRENT LIABILITIES</b>		
Accrued liabilities	37,315	40,172
Net pension liability	53,430	51,025
Net other post-employment benefits (OPEB) liability	6,370	5,048
Repayment due to State Comptroller	8,188	8,394
Senior lien revenue bonds payable	3,190,761	3,261,677
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	35,845	35,845
Capital lease/leaseback liabilities	114,741	112,342
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,446,650</b>	<b>3,514,503</b>
<b>TOTAL LIABILITIES</b>	<b>3,783,257</b>	<b>3,928,926</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	19,209	19,209
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>3,802,466</b>	<b>3,948,135</b>
<b>NET POSITION</b>		
Net investment in capital assets	891,239	796,675
Restricted for debt service	26,167	72,863
Restricted as security for capital lease/leaseback liabilities	4,328	4,616
Unrestricted	400,872	466,826
<b>TOTAL NET POSITION</b>	<b>\$1,322,606</b>	<b>\$1,340,980</b>

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 and 2019 (Dollars in Thousands)**

	2020 Unaudited	2019 Unaudited
<b>OPERATING REVENUES</b>		
Passenger revenues	\$7,960	\$16,429
Advertising, rent, and other	3,169	3,232
<b>TOTAL OPERATING REVENUES</b>	<b>11,129</b>	<b>19,661</b>
<b>OPERATING EXPENSES</b>		
Labor	80,612	62,008
Benefits	32,922	27,031
Services	12,600	10,885
Materials and supplies	10,982	13,216
Purchased transportation	12,860	16,716
Depreciation and amortization	62,343	61,288
Utilities	3,467	3,997
Taxes, leases, and other	669	1,080
Casualty and liability	1,692	1,806
<b>TOTAL OPERATING EXPENSES</b>	<b>218,147</b>	<b>198,027</b>
<b>NET OPERATING LOSS</b>	<b>(207,018)</b>	<b>(178,366)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales and use tax revenue	160,073	171,360
Investment income	547	2,391
Interest income from investments held to pay capital lease/leaseback	2,398	2,347
Interest expense on capital lease/leaseback	(2,398)	(2,347)
Interest and financing expenses	(36,366)	(35,011)
Build America Bonds tax credit	5,351	5,346
Other federal grants	18,752	6,764
Other non-operating revenues	4,060	4,411
Other non-operating expenses	(2,878)	(1,975)
<b>NET NON-OPERATING REVENUES</b>	<b>149,539</b>	<b>153,286</b>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS</b>	<b>(57,479)</b>	<b>(25,080)</b>
<b>CAPITAL CONTRIBUTIONS AND GRANTS</b>		
Federal capital contributions	35,306	2,018
State capital contributions	3,489	-
Local capital contributions	310	-
<b>TOTAL CAPITAL CONTRIBUTIONS AND GRANTS</b>	<b>39,105</b>	<b>2,018</b>
<b>CHANGE IN NET POSITION</b>	<b>(18,374)</b>	<b>(23,062)</b>
<b>TOTAL NET POSITION – BEGINNING OF YEAR</b>	<b>1,340,980</b>	<b>1,202,501</b>
<b>TOTAL NET POSITION – END OF THE REPORTING PERIOD</b>	<b>\$1,322,606</b>	<b>\$1,179,439</b>

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 and 2019 (Dollars in Thousands)**

	2020 <u>Unaudited</u>	2019 <u>Unaudited</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$14,099	\$21,519
Payments to suppliers of goods and services	(26,560)	(43,115)
Payments to purchased transportation service providers	(11,391)	(15,487)
Payments to employees	(80,954)	(61,299)
Benefit payments on behalf of employees	(33,369)	(21,671)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(138,175)</u>	<u>(120,053)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales and use tax receipts	152,729	163,594
Other federal grants	18,440	6,722
Build America Bonds tax credit	10,662	10,601
Local Assistance Program and street improvements	(3,426)	(1,892)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>178,405</u>	<u>179,025</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	347	2,173
Proceeds from sales and maturity of investments	42,745	320,936
Purchase of investments	(40,049)	(275,092)
Decrease in restricted assets	89,225	102,906
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>92,268</u>	<u>150,923</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(73,356)	(44,017)
Proceeds from the issuance of commercial paper notes	59,000	101,500
Payment on commercial paper notes	(74,000)	(111,500)
Debt issuance costs	(2,054)	-
Principal payment on revenue bonds	(62,689)	(59,974)
Interest and financing expenses	(74,771)	(77,123)
Federal capital contributions	19,268	6,646
State and local capital contributions	64	2,215
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(208,538)</u>	<u>(182,253)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(76,040)	27,642
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR</b>	<u>384,038</u>	<u>98,979</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$307,998</u>	<u>\$126,621</u>

(Continued)

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 and 2019 (Dollars in Thousands)**

	2020 <u>Unaudited</u>	2019 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(207,018)	\$(178,366)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	62,343	61,288
Miscellaneous non-operating income	4,060	4,411
Miscellaneous non-operating expenses	(10)	(83)
Changes in assets and liabilities		
Decrease (increase) in transit receivable	(825)	279
Increase in due from federal & other governments	(779)	(1,980)
Decrease (increase) in materials and supplies inventory	(84)	1,205
Increase in prepaid expenses and other current assets	(4,092)	(2,293)
Increase in net pension liability	2,405	2,405
Increase in net other post-employment benefits (OPEB) liability	1,322	1,322
Increase (decrease) in accounts payable and accrued liabilities	5,015	(10,255)
Increase (decrease) in unearned revenue and other liabilities	(512)	2,014
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(138,175)</u>	<u>\$(120,053)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$2,398	\$2,347
Interest expense on capital lease/leaseback	(2,398)	(2,347)
Increase in capital lease/leaseback obligations	2,398	2,347
Increase in investments held to pay capital lease/leaseback	(2,398)	(2,347)
Increase (Decrease) in fair value of investments	161	1,337
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(3,583)	(3,920)
Purchases of capital assets in accounts payable at period-end	1,098	9,618
Change in advance payments received from the State – capital contributions	3,470	2,216
Proceeds from the issuance of sales tax revenue bonds	284,454	-
Payment for advance refunding of sales tax revenue bonds	(284,454)	-

(Concluded)