

DALLAS AREA RAPID TRANSIT



Quarterly Disclosure Update For the six-month period ended March 31, 2021

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, and is posted on the Internet at our website, 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.

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 six-month period ended March 31, 2021.

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.

Dated: June 8, 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 six-month period ended March 31, 2021 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 six-month period ended March 31, 2021, 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 six-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding Second Quarter Financial Information

DART's unaudited financial statements for the six-month period ended March 31, 2021, and March 31, 2020, show sales tax revenues as \$312.4 million and \$323.4 million, respectively, which indicates a modest decrease of 3.4% due to the flattening of the local economy resulting from COVID-19 in the DART Service Area. Our operating results for the six-month period ended March 31, 2021 reflect a decrease net position of \$47.8 million, compared to \$3.1 million for the six-month period ended March 31, 2020. This deterioration in the net position is primarily due to a decrease in passenger revenues, sales tax revenues, and investment income.

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 – 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 below our sales tax budget by \$8.6 million. Therefore, there was no excess sales tax receipts for FY 2020 to be transferred to the MAIF. The March 31, 2021 balances in the Financial Reserve and MAIF were \$50.0 million and \$12.5 million, respectively. The Operating Fund balance was \$275.3 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 March 31, 2021, 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."

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 June 8, 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 six-month period ended March 31, 2021**

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

MARCH 31, 2021 AND SEPTEMBER 30, 2020 (Dollars in Thousands)

	03/31/2021 Unaudited	9/30/2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$228,073	\$384,038
Investments	140,855	108,028
Sales and use tax receivable	94,997	101,988
Transit revenue receivable, net	5,322	4,835
Due from federal and other governments	18,192	20,050
Materials and supplies inventory, net	36,030	36,870
Prepaid transit expense and other	12,919	4,217
Restricted investments held by trustee for debt service	100,254	123,111
Restricted investments held for advance funding agreements	43,152	52,205
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	686,168	841,716
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	4,028	4,616
Restricted investments for system expansion and acquisition	14,000	57,931
Investment in joint venture	7,295	7,821
Capital assets		
Land and rights-of-way	618,572	618,572
Projects in progress	521,562	405,380
Depreciable capital assets, net of depreciation	3,024,571	3,148,006
Restricted investments held to pay capital lease/leaseback liabilities	110,512	112,342
Unamortized bond insurance premium and other	515	536
TOTAL NONCURRENT ASSETS	4,301,055	4,355,204
TOTAL ASSETS	4,987,223	5,196,920
DEFERRED OUTFLOWS OF RESOURCES	101,196	92,195
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,088,419	5,289,115
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	52,659	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	2,409	1,393
Local Assistance Program payable	5,063	5,622
Retainage payable	20,521	17,669
Unearned revenue and other liabilities	81,845	92,965
Accrued interest payable from restricted assets	50,944	50,248
Current portion of senior lien revenue bonds payable	74,520	62,689
TOTAL CURRENT LIABILITIES	353,435	414,423
NONCURRENT LIABILITIES		
Accrued liabilities	36,551	40,172
Net pension liability	51,025	51,025
Net other post-employment benefits (OPEB) liability	7,692	5,048
Repayment due to State Comptroller	6,907	8,394
Senior lien revenue bonds payable	3,174,067	3,261,677
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	35,845	35,845
Capital lease/leaseback liabilities	110,512	112,342
TOTAL NONCURRENT LIABILITIES	3,422,599	3,514,503
TOTAL LIABILITIES	3,776,034	3,928,926
DEFERRED INFLOWS OF RESOURCES	19,209	19,209
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,795,243	3,948,135
NET POSITION		
Net investment in capital assets	858,885	796,675
Restricted for debt service	49,310	72,863
Restricted as security for capital lease/leaseback liabilities	4,028	4,616
Unrestricted	380,953	466,826
TOTAL NET POSITION	\$1,293,176	\$1,340,980

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

FOR THE SIX MONTHS ENDED MARCH 31, 2021 and 2020 (Dollars in Thousands)

	2021 <u>Unaudited</u>	2020 <u>Unaudited</u>
OPERATING REVENUES		
Passenger revenues	\$14,458	\$29,788
Advertising, rent, and other	5,342	7,682
TOTAL OPERATING REVENUES	<u>19,800</u>	<u>37,470</u>
OPERATING EXPENSES		
Labor	138,536	132,989
Benefits	58,927	57,077
Services	25,798	24,235
Materials and supplies	21,479	25,679
Purchased transportation	25,571	31,142
Depreciation and amortization	124,336	122,165
Utilities	7,208	8,067
Taxes, leases, and other	4,406	2,075
Casualty and liability	3,008	3,357
TOTAL OPERATING EXPENSES	<u>409,269</u>	<u>406,786</u>
NET OPERATING LOSS	<u>(389,469)</u>	<u>(369,316)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	312,381	323,425
Investment income	664	5,217
Interest income from investments held to pay capital lease/leaseback	4,544	4,533
Interest expense on capital lease/leaseback	(4,544)	(4,533)
Interest and financing expenses	(71,687)	(71,774)
Build America Bonds tax credit	10,662	10,601
Other federal grants	34,339	54,206
Other non-operating revenues	8,542	8,485
Other non-operating expenses	(3,039)	(4,276)
NET NON-OPERATING REVENUES	<u>291,862</u>	<u>325,884</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(97,607)</u>	<u>(43,432)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	39,866	38,035
State capital contributions	8,710	2,281
Local capital contributions	1,227	-
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>49,803</u>	<u>40,316</u>
CHANGE IN NET POSITION	<u>(47,804)</u>	<u>(3,116)</u>
TOTAL NET POSITION – BEGINNING OF YEAR	<u>1,340,980</u>	<u>1,202,501</u>
TOTAL NET POSITION – END OF THE REPORTING PERIOD	<u>\$1,293,176</u>	<u>\$1,199,385</u>

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

FOR THE SIX MONTHS ENDED MARCH 31, 2021 and 2020 (Dollars in Thousands)

	2021 <u>Unaudited</u>	2020 <u>Unaudited</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$28,268	\$51,727
Payments to suppliers of goods and services	(97,216)	(80,500)
Payments to purchased transportation service providers	(27,824)	(32,604)
Payments to employees	(143,720)	(132,281)
Benefit payments on behalf of employees	(60,657)	(53,954)
NET CASH USED BY OPERATING ACTIVITIES	<u>(301,149)</u>	<u>(247,612)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	318,903	335,707
Other federal grants	34,233	54,572
Build America Bonds tax credit	10,662	10,601
Local Assistance Program and street improvements	(3,514)	(4,091)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>360,284</u>	<u>396,789</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	505	3,806
Proceeds from sales and maturity of investments	153,872	485,201
Purchase of investments	(186,488)	(521,906)
(Increase) Decrease in restricted assets	76,428	(27,206)
NET CASH USED BY INVESTING ACTIVITIES	<u>44,317</u>	<u>(60,105)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(131,926)	(81,955)
Proceeds from the issuance of commercial paper notes	118,000	210,500
Payment on commercial paper notes	(133,000)	(235,500)
Proceeds from issuance revenue bonds	-	100,000
Debt issuance costs	(2,054)	(59,974)
Principal payment on revenue bonds	(74,469)	(78,873)
Interest and financing expenses	(75,353)	(1,951)
Federal capital contributions	39,309	37,764
State and local capital contributions	76	2,031
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(259,417)</u>	<u>(107,958)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(155,965)	(18,886)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR	<u>384,038</u>	<u>98,979</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$228,073</u>	<u>\$80,093</u>

(Continued)

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

FOR THE SIX MONTHS ENDED MARCH 31, 2021 and 2020 (Dollars in Thousands)

	2021 <u>Unaudited</u>	2020 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(393,550)	\$(369,316)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	124,336	122,165
Miscellaneous non-operating income	8,542	8,485
Miscellaneous non-operating expenses	(85)	(185)
Changes in assets and liabilities		
Decrease (increase) in transit receivable	(479)	1,787
Increase in due from federal & other governments	341	5,042
Decrease in materials and supplies inventory	840	1,611
Increase in prepaid expenses and other current assets	(8,753)	(6,311)
Increase in net other post-employment benefits (OPEB) liability	2,644	2,644
Decrease in accounts payable and accrued liabilities	(33,727)	(16,018)
Increase (decrease) in unearned revenue and other liabilities	(1,258)	2,484
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(301,149)</u>	<u>\$(247,612)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$4,544	\$4,533
Interest expense on capital lease/leaseback	(4,544)	(4,533)
Increase in capital lease/leaseback obligations	1,830	1,841
Increase in investments held to pay capital lease/leaseback	(1,830)	(1,841)
Increase in fair value of investments	161	677
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(6,943)	(7,630)
Purchases of capital assets in accounts payable at period-end	22,769	21,204
Change in advance payments received from the State – capital contributions	6,857	249
Proceeds from the issuance of sales tax revenue bonds	284,454	174,091
Payment for advance refunding of sales tax revenue bonds	(284,454)	(175,267)

(Concluded)