

DALLAS AREA RAPID TRANSIT



Quarterly Disclosure Update for the nine-month period ended June 30, 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. 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 nine-month period ended June 30, 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: August 6, 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 nine-month period ended June 30, 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 nine-month period ended June 30, 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 nine-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding Third Quarter Financial Information

DART's unaudited financial statements for the nine-month period ended June 30, 2021, and June 30, 2020, show sales tax revenues as \$490.7 million and \$462.5 million, respectively, which indicates an increase of 6.1% due to changes in the economic activity and conditions in DART's service area as a result of upward wage pressure and federal stimulus money due to the COVID-19 outbreak. Our operating results for the nine-month period ended June 30, 2021 reflect a negative net position of \$44.0 million, compared to a positive net position of \$104.4 million for the nine-month period ended June 30, 2020. The change in net position was primarily due to lower federal grant receipts.

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 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 Reserve, and the funds may be used for any purpose approved by the Board. In Fiscal Year 2020, our sales tax receipts did not exceed our sales tax budget. Therefore, no excess sales tax receipts for FY 2020 were transferred to the MAIF Reserve. The June 30, 2021 balances in the Financial Reserve and MAIF Reserve were \$50.0 million and \$12.5 million, respectively. By adoption of the FY 2017 Twenty-Year Financial Plan, the Board authorized utilizing the projected end of year balance of \$20.1 million of the MAIF Reserve Funds for Silver Line/Cotton Belt commuter rail project development. As of June 30, 2021, DART paid down a total of \$15 million in Self-Liquidity Commercial Paper Debt. The Operating Fund balance was \$258.0 million as of June 30, 2021. 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 June 30, 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."

Exhibit A

**Unaudited Statement of Principal Accounts
for the nine-month period ended June 30, 2021**

**DALLAS AREA RAPID TRANSIT
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND SEPTEMBER 30, 2020 (Dollars in Thousands)**

	06/30/2021 Unaudited	9/30/2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$190,845	\$384,038
Investments	169,854	108,028
Sales and use tax receivable	110,555	101,988
Transit revenue receivable, net	5,703	4,835
Due from federal and other governments	16,418	20,050
Materials and supplies inventory, net	34,938	36,870
Prepaid transit expense and other	7,882	4,217
Restricted investments held by trustee for debt service	76,737	123,111
Restricted investments held for advance funding agreements	35,605	52,205
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	654,911	841,716
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	3,721	4,616
Restricted investments for system expansion and acquisition	702	57,931
Investment in joint venture	7,108	7,821
Capital assets		
Land and rights-of-way	618,572	618,572
Projects in progress	619,129	405,380
Depreciable capital assets, net of depreciation	2,975,666	3,148,006
Restricted investments held to pay capital lease/leaseback liabilities	112,917	112,342
Unamortized bond insurance premium and other	505	536
TOTAL NONCURRENT ASSETS	4,338,320	4,355,204
TOTAL ASSETS	4,993,231	5,196,920
DEFERRED OUTFLOWS OF RESOURCES		
	90,752	92,195
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,083,983	5,289,115
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	65,601	103,363
Commercial paper notes payable	84,100	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	22,787	17,669
Unearned revenue and other liabilities	73,410	92,965
Accrued interest payable from restricted assets	11,924	50,248
Current portion of senior lien revenue bonds payable	71,355	62,689
TOTAL CURRENT LIABILITIES	343,023	414,423
NONCURRENT LIABILITIES		
Accrued liabilities	49,962	40,172
Net pension liability	40,246	51,025
Net other post-employment benefits (OPEB) liability	9,013	5,048
Repayment due to State Comptroller	6,305	8,394
Senior lien revenue bonds payable	3,170,499	3,261,677
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	35,845	35,845
Capital lease/leaseback liabilities	112,917	112,342
TOTAL NONCURRENT LIABILITIES	3,424,787	3,514,503
TOTAL LIABILITIES	3,767,810	3,928,926
DEFERRED INFLOWS OF RESOURCES		
	19,209	19,209
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,787,019	3,948,135
NET POSITION		
Net investment in capital assets	868,650	796,675
Restricted for debt service	64,813	72,863
Restricted as security for capital lease/leaseback liabilities	3,721	4,616
Unrestricted	359,780	466,826
TOTAL NET POSITION	\$1,296,964	\$1,340,980

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

FOR THE NINE MONTHS ENDED JUNE 30, 2021 and 2020 (Dollars in Thousands)

	2021 Unaudited	2020 Unaudited
OPERATING REVENUES		
Passenger revenues	\$21,308	\$34,537
Advertising, rent, and other	8,256	10,970
TOTAL OPERATING REVENUES	29,564	45,507
OPERATING EXPENSES		
Labor	190,866	192,500
Benefits	93,010	83,153
Services	38,380	38,363
Materials and supplies	33,342	38,563
Purchased transportation	40,692	44,738
Depreciation and amortization	186,187	183,229
Utilities	11,103	11,922
Taxes, leases, and other	5,061	2,569
Casualty and liability	4,030	4,808
TOTAL OPERATING EXPENSES	602,671	599,845
NET OPERATING LOSS	(573,107)	(554,338)
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	490,749	462,487
Investment income	739	6,138
Interest income from investments held to pay capital lease/leaseback	6,947	6,718
Interest expense on capital lease/leaseback	(6,947)	(6,718)
Interest and financing expenses	(102,509)	(106,929)
Build America Bonds tax credit	15,974	15,855
Other federal grants	49,959	217,231
Other non-operating revenues	12,966	12,459
Local assistance and street improvements	(3,707)	(10,155)
Other non-operating expenses	(246)	(10,401)
NET NON-OPERATING REVENUES	463,925	586,685
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	(109,182)	32,347
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	47,726	69,489
State capital contributions	15,886	2,443
Local capital contributions	1,554	105
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	65,166	72,037
CHANGE IN NET POSITION	(44,016)	104,384
TOTAL NET POSITION – BEGINNING OF YEAR	1,340,980	1,202,501
TOTAL NET POSITION – END OF THE REPORTING PERIOD	\$1,296,964	\$1,306,885

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

FOR THE NINE MONTHS ENDED JUNE 30, 2021 and 2020 (Dollars in Thousands)

	2021 Unaudited	2020 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$42,131	\$61,991
Payments to suppliers of goods and services	(110,141)	(120,989)
Payments to purchased transportation service providers	(40,125)	(45,459)
Payments to employees	(196,497)	(191,792)
Benefit payments on behalf of employees	(86,504)	(79,286)
NET CASH USED BY OPERATING ACTIVITIES	<u>(391,136)</u>	<u>(375,535)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	481,110	473,339
Other federal grants	49,888	223,221
Build America Bonds tax credit	16,663	15,232
Local Assistance Program and street improvements	(4,267)	(10,155)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>543,394</u>	<u>701,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	608	5,226
Proceeds from sales and maturity of investments	208,283	1,007,784
Purchase of investments	(269,931)	(916,820)
(Increase) Decrease in restricted assets	121,097	(12,961)
NET CASH USED BY INVESTING ACTIVITIES	<u>60,057</u>	<u>83,229</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(236,374)	(145,581)
Proceeds from the issuance of commercial paper notes	345,000	460,200
Payment on commercial paper notes	(335,000)	(485,200)
Proceeds from issuance revenue bonds	50	100,000
Principal payment on revenue bonds	(74,469)	(59,974)
Interest and financing expenses	(149,875)	(140,948)
Debt issuance costs	(2,527)	(1,885)
Federal capital contributions	47,605	67,654
State capital contributions	35	2,209
Local capital contributions	47	105
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(405,508)</u>	<u>(203,420)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(193,193)	205,911
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>\$190,845</u>	<u>\$304,890</u>

(Continued)

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

FOR THE NINE MONTHS ENDED JUNE 30, 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	\$(573,107)	\$(554,338)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	186,187	183,229
Miscellaneous non-operating income	12,965	12,459
Miscellaneous non-operating expenses	(246)	(10,401)
Changes in assets and liabilities		
Decrease (increase) in transit receivable	(947)	1,182
Increase in due from federal & other governments	875	4,184
Decrease in materials and supplies inventory	1,932	709
Increase in prepaid expenses and other current assets	(3,703)	(2,452)
Increase in net other post-employment benefits (OPEB) liability	3,966	3,966
Decrease in accounts payable and accrued liabilities	(21,748)	(13,455)
Increase (decrease) in unearned revenue and other liabilities	2,690	(618)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(391,136)</u>	<u>\$(375,535)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$6,949	\$6,718
Interest expense on capital lease/leaseback	(6,949)	(6,718)
Increase in capital lease/leaseback obligations	574	344
Increase in investments held to pay capital lease/leaseback	(574)	(344)
Increase in fair value of investments	69	306
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(8,933)	(9,615)
Purchases of capital assets in accounts payable at period-end	22,769	25,223
Change in advance payments received from the State – capital contributions	15,851	-
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)