

## DALLAS AREA RAPID TRANSIT



### Quarterly Disclosure Update For the three-month period ended December 31, 2022

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*This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2022, and dated March 24, 2023. 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, 2022, and dated March 24, 2023. 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, 2022 and dated March 24, 2023. 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, 2022.

**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 27, 2023

## QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2022 and dated March 24, 2023, is updated by the following supplemental information:

### **Unaudited Financial Information**

Audited financial statements for our fiscal year ended September 30, 2022, 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, 2022 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, 2022, 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 the Three-Month Period Financial Information**

DART's unaudited financial statements for the three-month period ended December 31, 2022, and December 31, 2021, show sales tax revenues as \$218.0 million and \$192.4 million, respectively, which indicates an increase of 13.3% due to improved conditions within the local economy and in the DART Service Area. Our operating results for the three-month period ended December 31, 2022 reflect an increase in net position \$22.5 million, compared to a decrease of \$0.3 million for the three-month period ended December 31, 2021. This was primarily due to increases in sales tax revenues, and labor expenses.

DART maintains various cash reserves including a Financial Reserve Fund 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 Project Reserve Fund"). Should the Financial Reserve Fund 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 Fund or MAIF, and the funds may be used for any purpose approved by the Board. In Fiscal Year 2022, our sales tax receipts were greater than sales tax budget by \$110.4 million. The DART Board approved Resolution 220155 instructing staff to move funds out of the MAIF into the Operating Fund in the amount of \$110.3 million; funds are to be used to provide equitable based enhanced security, cleanliness, and reliability of the DART system. The December 31, 2022 balances in the Financial Reserve and MAIF were \$50.0 million and \$2.1 million, respectively. The Operating Fund balance was \$525.5 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, 2022, DART exercised a purchase option notice on the last active lease/leaseback transaction finalizing the transaction on December 2, 2023. DART 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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**Exhibit A**

**Unaudited Statement of Principal Accounts  
for the three-month period ended December 31, 2022**

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

**DECEMBER 31, 2022 AND SEPTEMBER 30, 2022 (Dollars in Thousands)**

	12/31/2022 Unaudited	9/30/2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$342,122	\$507,089
Investments	491,790	327,116
Sales and use tax receivable	150,925	137,462
Transit revenue receivable, net	11,728	8,195
Short-term lease receivable	513	755
Due from federal and other governments	33,463	24,587
Materials and supplies inventory, net	36,670	34,339
Prepaid transit expense and other	12,462	5,827
Restricted investments held by trustee for debt service	28,439	143,497
Restricted investments held for advance funding agreements	18,452	18,236
Restricted investments held to pay capital lease/leaseback liabilities	100,641	100,641
<b>TOTAL CURRENT ASSETS</b>	<b>1,227,205</b>	<b>1,307,744</b>
<b>NONCURRENT ASSETS</b>		
Restricted investments held as security for capital lease/leaseback liabilities	1,805	2,133
Restricted investments for system expansion and acquisition	198,559	228,047
Long-term lease receivable	19,575	19,575
Right-of-use-asset	2,876	2,876
Investment in joint venture	7,323	6,986
Capital assets		
Land and rights-of-way	618,175	618,739
Projects in progress	863,085	827,626
Depreciable capital assets, net of depreciation	2,762,676	2,819,404
Restricted investments held to pay capital lease/leaseback liabilities	33,090	30,441
Net other post employment benefit (OPEB)	19,218	19,218
Unamortized bond insurance premium and other	440	451
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,526,822</b>	<b>4,575,496</b>
<b>TOTAL ASSETS</b>	<b>5,754,027</b>	<b>5,883,240</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>65,780</b>	<b>66,877</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,819,807</b>	<b>5,950,117</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	74,335	118,729
Short-term lease payable	1,204	1,188
Commercial paper notes payable	-	100
Current portion of capital lease/leaseback liabilities	100,641	100,641
Local Assistance Program payable	9,545	9,545
Retainage payable	26,734	26,180
Unearned revenue and other liabilities	59,036	53,127
Accrued interest payable from restricted assets	12,190	49,814
Current portion of senior lien revenue bonds payable	76,030	77,990
<b>TOTAL CURRENT LIABILITIES</b>	<b>359,715</b>	<b>437,314</b>
<b>NONCURRENT LIABILITIES</b>		
Accrued liabilities	43,006	43,179
Long-term lease payable	1,544	1,544
Net pension liability	22,208	19,708
Senior lien revenue bonds payable	3,552,069	3,632,013
Capital lease/leaseback liabilities	33,090	30,441
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,651,917</b>	<b>3,726,885</b>
<b>TOTAL LIABILITIES</b>	<b>4,011,632</b>	<b>4,164,199</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>66,783</b>	<b>67,004</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>4,078,415</b>	<b>4,231,203</b>
<b>NET POSITION</b>		
Net investment in capital assets	810,454	746,146
Restricted for debt service	16,250	93,683
Restricted as security for capital lease/leaseback liabilities	1,805	2,133
Unrestricted	912,883	876,952
<b>TOTAL NET POSITION</b>	<b>\$1,741,392</b>	<b>\$1,718,914</b>

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

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2022 and 2021 (Dollars in Thousands)**

	2022 Unaudited	2021 Unaudited
OPERATING REVENUES		
Passenger revenues	\$9,812	\$8,492
Advertising, rent, and other	3,668	3,669
TOTAL OPERATING REVENUES	<u>13,480</u>	<u>12,161</u>
OPERATING EXPENSES		
Labor	74,368	63,328
Benefits	29,797	30,559
Services	15,993	12,867
Materials and supplies	11,629	12,277
Purchased transportation	18,102	15,023
Depreciation and amortization	63,707	60,172
Utilities	4,114	4,115
Taxes, leases, and other	1,119	1,348
Casualty and liability	2,454	2,207
TOTAL OPERATING EXPENSES	<u>221,283</u>	<u>201,896</u>
NET OPERATING LOSS	<u>(207,803)</u>	<u>(189,735)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	218,015	192,425
Investment income (loss)	10,778	(211)
Interest income from investments held to pay capital lease/leaseback	2,648	2,709
Interest expense on capital lease/leaseback	(2,648)	(2,709)
Interest and financing expenses	(34,495)	(39,813)
Build America Bonds tax credit	5,312	5,325
Other federal grants	17,074	16,761
Other non-operating revenues	8,578	6,344
Other non-operating expenses	(315)	(257)
NET NON-OPERATING REVENUES	<u>224,947</u>	<u>180,574</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>17,144</u>	<u>(9,161)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	5,334	3,250
State capital contributions	-	5,546
Local capital contributions	-	33
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>5,334</u>	<u>8,829</u>
CHANGE IN NET POSITION	22,478	(332)
TOTAL NET POSITION – BEGINNING OF YEAR	<u>1,718,914</u>	<u>1,450,178</u>
TOTAL NET POSITION – END OF THE REPORTING PERIOD	<u>\$1,737,392</u>	<u>\$1,449,846</u>

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

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2022 and 2021 (Dollars in Thousands)**

	2022 Unaudited	2021 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$10,317	\$20,945
Cash flows from other sources	(862)	-
Payments to suppliers of goods and services	(49,291)	(45,505)
Payments to purchased transportation service providers	(16,238)	(13,807)
Payments to employees	(77,447)	(66,032)
Benefit payments on behalf of employees	(26,425)	(28,263)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(159,946)</u>	<u>(132,662)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales and use tax receipts	204,552	181,584
Other federal grants	9,005	15,260
Build America Bonds tax credit	10,623	16,757
Local Assistance Program and street improvements	(52)	(13)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>224,128</u>	<u>213,588</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	8,839	140
Proceeds from sales and maturity of investments	429,870	338,927
Purchase of investments	(447,398)	(868,198)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(8,689)</u>	<u>(529,131)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(75,758)	(60,041)
Proceeds from the issuance of commercial paper notes	-	111,400
Payment on commercial paper notes	(100)	(165,400)
Proceeds from the issuance of revenue bonds	-	500,000
Debt issuance costs	-	(564)
Principal payment on revenue bonds	(77,990)	(71,355)
Interest and financing expenses	(74,961)	(71,712)
Lease principal payments received	242	-
Lease interest payments received	60	-
Lease principal payments disbursed	(143)	-
Lease interest payments disbursed	(5)	-
Federal capital contributions	5,335	2,371
State and local capital contributions	212	3
Net proceeds from the sale of capital assets	2,648	-
<b>NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(220,460)</u>	<u>244,702</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(164,967)	(203,503)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR</b>	<u>507,089</u>	<u>314,744</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u><u>\$342,122</u></u>	<u><u>\$111,241</u></u>

(Continued)

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

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2022 and 2021 (Dollars in Thousands)**

	<u>2022</u> <u>Unaudited</u>	<u>2021</u> <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(207,560)	\$(189,736)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	63,707	60,172
Miscellaneous non-operating income	5,930	6,344
Miscellaneous non-operating expenses	(263)	(244)
Changes in assets and liabilities		
Decrease (increase) in transit receivable	(3,536)	(1,261)
Increase (decrease) in due from federal & other governments	(5,748)	3,039
Decrease (increase) in materials and supplies inventory	(2,331)	483
Increase in prepaid expenses and other current assets	(6,423)	(6,542)
Increase (decrease) in deferred inflows of resources – GASB 87	(220)	-
(Increase) decrease in lease finance receivables	(1,057)	-
Increase (decrease) in lease finance payables	163	-
Increase in net pension liability	2,500	2,500
Increase (decrease) in accounts payable and accrued liabilities	(9,261)	(9,868)
Increase (decrease) in unearned revenue and other liabilities	4,153	2,451
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(159,946)</u>	<u>\$(132,662)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$2,648	\$2,709
Interest expense on capital lease/leaseback	(2,648)	(2,709)
Increase in capital lease/leaseback obligations	2,648	2,709
Increase in investments held to pay capital lease/leaseback	(2,648)	(2,709)
Increase (Decrease) in fair value of investments	556	(413)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	2,817	(7,377)
Purchases of capital assets in accounts payable at period-end	18,652	2,478
Change in advance payments received from the State – capital contributions	(212)	4,053
Proceeds from the issuance of sales tax revenue bonds	-	637,322
Payment for advance refunding of sales tax revenue bonds	-	(637,322)

(Concluded)