

DALLAS AREA RAPID TRANSIT



Quarterly Disclosure Update for the nine-month period ended June 30, 2022

This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2021, and dated March 24, 2022. 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, 2021 and dated March 24, 2022. 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, 2021 and dated March 24, 2022. 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, 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.

Dated: August 5, 2022

QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2021 and dated March 24, 2022, is updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2021, 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, 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 nine-month period ended June 30, 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 nine-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

Management's Comment Regarding the Nine-Month Period Financial Information

DART's unaudited financial statements for the nine-month period ended June 30, 2022, and June 30, 2021, show sales tax revenues as \$577.7 million and \$490.7 million, respectively, which indicates an increase of 17.7% due to a robust local economy within DART's service area. Our operating results for the nine-month period ended June 30, 2022 reflect a positive net position of \$250.7 million, compared to a negative net position of \$44.0 million for the nine-month period ended June 30, 2021. The change in net position was primarily due to higher, sales and use tax revenue, and federal grant receipts.

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 (MAIF, formerly the "Capital Reserve Fund"). Should the Financial Reserve balance reach \$50 million limit, 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 2021, our sales tax receipts were above our sales tax budget by \$97.7 million. Therefore, the excess sales tax receipts for FY 2021 were transferred to the MAIF. The June 30, 2022 balances in the Financial Reserve and MAIF were \$50.0 million and \$110.5 million, respectively. The Operating Fund balance was \$530.1 million as of June 30, 2022. 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, 2022, 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, 2022**

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

JUNE 30, 2022 AND SEPTEMBER 30, 2021 (Dollars in Thousands)

| | 06/30/2022 Unaudited | 9/30/2021 |
|---|-------------------------|--------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$395,880 | \$314,744 |
| Investments | 333,062 | 195,203 |
| Sales and use tax receivable | 128,115 | 121,139 |
| Transit revenue receivable, net | 4,861 | 5,337 |
| Due from federal and other governments | 14,941 | 31,518 |
| Materials and supplies inventory, net | 36,130 | 35,454 |
| Prepaid transit expense and other | 6,407 | 5,605 |
| Restricted investments held by trustee for debt service | 85,845 | 129,607 |
| Restricted investments held for advance funding agreements | 18,340 | 27,481 |
| Restricted investments held to pay capital lease/leaseback liabilities | 100,641 | 18 |
| TOTAL CURRENT ASSETS | 1,124,222 | 866,106 |
| NONCURRENT ASSETS | | |
| Restricted investments held as security for capital lease/leaseback liabilities | 2,787 | 3,415 |
| Restricted investments for system expansion and acquisition | 389,599 | 943 |
| Investment in joint venture | 7,226 | 7,946 |
| Capital assets | | |
| Land and rights-of-way | 618,739 | 618,572 |
| Projects in progress | 698,300 | 658,168 |
| Depreciable capital assets, net of depreciation | 2,875,875 | 2,942,729 |
| Restricted investments held to pay capital lease/leaseback liabilities | 28,054 | 121,159 |
| Net other post employment benefit (OPEB) | 6,653 | 6,653 |
| Unamortized bond insurance premium and other | 462 | 493 |
| TOTAL NONCURRENT ASSETS | 4,627,695 | 4,360,078 |
| TOTAL ASSETS | 5,751,917 | 5,226,184 |
| DEFERRED OUTFLOWS OF RESOURCES | 65,317 | 98,137 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 5,817,234 | 5,324,321 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 58,956 | 96,245 |
| Commercial paper notes payable | 100 | 119,100 |
| Current portion of capital lease/leaseback liabilities | 100,641 | 18 |
| Current portion of repayment due to State Comptroller | 2,410 | 2,410 |
| Local Assistance Program payable | 6,500 | 6,524 |
| Retainage payable | 22,347 | 24,755 |
| Unearned revenue and other liabilities | 55,835 | 64,035 |
| Accrued interest payable from restricted assets | 12,451 | 47,684 |
| Current portion of senior lien revenue bonds payable | 77,990 | 71,355 |
| TOTAL CURRENT LIABILITIES | 337,230 | 432,126 |
| NONCURRENT LIABILITIES | | |
| Accrued liabilities | 52,605 | 38,348 |
| Net pension liability | 21,852 | 38,283 |
| Repayment due to State Comptroller | 3,895 | 5,702 |
| Senior lien revenue bonds payable | 3,633,921 | 3,177,009 |
| Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable | - | 35,845 |
| Capital lease/leaseback liabilities | 28,054 | 121,159 |
| TOTAL NONCURRENT LIABILITIES | 3,740,327 | 3,416,346 |
| TOTAL LIABILITIES | 4,077,557 | 3,848,472 |
| DEFERRED INFLOWS OF RESOURCES | 38,827 | 25,671 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 4,116,384 | 3,874,143 |
| NET POSITION | | |
| Net investment in capital assets | 884,486 | 838,658 |
| Restricted for debt service | 73,394 | 81,923 |
| Restricted as security for capital lease/leaseback liabilities | 2,787 | 3,415 |
| Unrestricted | 740,183 | 526,182 |
| TOTAL NET POSITION | \$1,700,850 | \$1,450,178 |

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

FOR THE NINE MONTHS ENDED JUNE 30, 2022 and 2021 (Dollars in Thousands)

| | 2022 <u>Unaudited</u> | 2021 <u>Unaudited</u> |
|--|--------------------------|--------------------------|
| OPERATING REVENUES | | |
| Passenger revenues | \$24,020 | \$21,308 |
| Advertising, rent, and other | 9,877 | 8,250 |
| TOTAL OPERATING REVENUES | <u>33,897</u> | <u>29,558</u> |
| OPERATING EXPENSES | | |
| Labor | 193,408 | 190,866 |
| Benefits | 82,682 | 93,010 |
| Services | 42,439 | 38,380 |
| Materials and supplies | 35,912 | 33,342 |
| Purchased transportation | 48,841 | 40,692 |
| Depreciation and amortization | 190,660 | 186,187 |
| Utilities | 12,528 | 11,103 |
| Taxes, leases, and other | 3,520 | 5,061 |
| Casualty and liability | 5,424 | 4,030 |
| TOTAL OPERATING EXPENSES | <u>615,414</u> | <u>602,671</u> |
| NET OPERATING LOSS | <u>(581,517)</u> | <u>(573,113)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Sales and use tax revenue | 577,730 | 490,749 |
| Investment income (loss) | (1,624) | 739 |
| Interest income from investments held to pay capital lease/leaseback | 7,518 | 6,949 |
| Interest expense on capital lease/leaseback | (7,518) | (6,949) |
| Interest and financing expenses | (143,196) | (102,509) |
| Build America Bonds tax credit | 15,926 | 15,974 |
| Other federal grants | 355,916 | 49,965 |
| Other non-operating revenues | 16,014 | 12,966 |
| Other non-operating expenses | (6,739) | (3,953) |
| NET NON-OPERATING REVENUES | <u>814,027</u> | <u>463,931</u> |
| GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND GRANTS | <u>232,510</u> | <u>(109,182)</u> |
| CAPITAL CONTRIBUTIONS AND GRANTS | | |
| Federal capital contributions | 9,670 | 47,726 |
| State capital contributions | 8,459 | 15,886 |
| Local capital contributions | 33 | 1,554 |
| TOTAL CAPITAL CONTRIBUTIONS AND GRANTS | <u>18,162</u> | <u>65,166</u> |
| CHANGE IN NET POSITION | 250,672 | (44,016) |
| TOTAL NET POSITION – BEGINNING OF YEAR | <u>1,450,178</u> | <u>1,340,980</u> |
| TOTAL NET POSITION – END OF THE REPORTING PERIOD | <u>\$1,700,850</u> | <u>\$1,299,964</u> |

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

FOR THE NINE MONTHS ENDED JUNE 30, 2022 and 2021 (Dollars in Thousands)

| | 2022 Unaudited | 2021 Unaudited |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$59,146 | \$42,131 |
| Payments to suppliers of goods and services | (88,819) | (110,141) |
| Payments to purchased transportation service providers | (47,484) | (40,125) |
| Payments to employees | (196,242) | (196,497) |
| Benefit payments on behalf of employees | (100,640) | (86,504) |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(374,039)</u> | <u>(391,136)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Sales and use tax receipts | 568,947 | 481,110 |
| Other federal grants | 355,953 | 49,888 |
| Build America Bonds tax credit | 25,861 | 16,663 |
| Local Assistance Program and street improvements | (2,496) | (4,267) |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | <u>948,265</u> | <u>543,394</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | 2,752 | 476 |
| Proceeds from sales and maturity of investments | 595,352 | 392,987 |
| Purchase of investments | (1,072,747) | (333,406) |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(474,643)</u> | <u>60,057</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (188,261) | (236,374) |
| Proceeds from the issuance of commercial paper notes | 141,400 | 345,000 |
| Payment on commercial paper notes | (260,400) | (335,000) |
| Proceeds from the issuance of revenue bonds | 500,000 | 50 |
| Debt issuance costs | (41) | (2,527) |
| Principal payment on revenue bonds | (71,355) | (74,469) |
| Interest and financing expenses | (146,583) | (149,875) |
| Federal capital contributions | 6,747 | 47,605 |
| State and local capital contributions | 46 | 83 |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(18,447)</u> | <u>(405,508)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 81,136 | (193,193) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR | <u>314,744</u> | <u>384,038</u> |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD | <u>\$395,880</u> | <u>\$190,845</u> |

(Continued)

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

FOR THE NINE MONTHS ENDED JUNE 30, 2022 and 2021 (Dollars in Thousands)

| | 2022 <u>Unaudited</u> | 2021 <u>Unaudited</u> |
|--|--------------------------|--------------------------|
| RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net operating loss | \$(581,517) | \$(573,113) |
| ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES | | |
| Depreciation and amortization | 190,660 | 186,187 |
| Miscellaneous non-operating income | 16,014 | 12,966 |
| Miscellaneous non-operating expenses | (4,266) | (246) |
| Changes in assets and liabilities | | |
| Decrease (increase) in transit receivable | 379 | (941) |
| Decrease in due from federal & other governments | 9,647 | 875 |
| Decrease (increase) in materials and supplies inventory | (676) | 1,932 |
| Increase in prepaid expenses and other current assets | (747) | (3,704) |
| Increase (decrease) in net pension liability | (16,431) | (10,779) |
| Increase in net other post-employment benefits (OPEB) liability | - | 3,966 |
| Increase (decrease) in accounts payable and accrued liabilities | 13,048 | (6,078) |
| Increase (decrease) in unearned revenue and other liabilities | (150) | (2,201) |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$(374,039)</u> | <u>\$(391,136)</u> |
| NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES | | |
| Interest income from investments held to pay capital lease/leaseback | \$7,518 | \$6,949 |
| Interest expense on capital lease/leaseback | (7,518) | (6,949) |
| Increase in capital lease/leaseback obligations | 7,518 | 574 |
| Increase in investments held to pay capital lease/leaseback | (7,518) | (574) |
| Increase (decrease) in fair value of investments | (4,411) | 69 |
| Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding | (13,810) | (8,933) |
| Purchases of capital assets in accounts payable at period-end | 7,329 | 26,208 |
| Change in advance payments received from the State – capital contributions | 8,414 | 15,851 |
| Proceeds from the issuance of sales tax revenue bonds | 637,322 | 284,454 |
| Payment for advance refunding of sales tax revenue bonds | (637,322) | (284,454) |

(Concluded)