

DALLAS AREA RAPID TRANSIT



Quarterly Disclosure Update for the nine-month period ended June 30, 2023

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, 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, 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 nine-month period ended June 30, 2023.

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 29, 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 nine-month period ended June 30, 2023 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, 2023, 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, 2023, and June 30, 2022, show sales tax revenues as \$627.5 million and \$577.7 million, respectively, which indicates an increase of 8.6% due to a robust local economy within DART's service area. Our operating results for the nine-month period ended June 30, 2023 reflect a positive net position of \$12.3 million, compared to a positive net position of \$250.7 million for the nine-month period ended June 30, 2022. The change in net position was primarily due to lower 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 2022, our sales tax receipts were above our sales tax budget by \$110.4 million. Therefore, the excess sales tax receipts for FY 2022 were transferred to the MAIF. The June 30, 2023 balances in the Financial Reserve and MAIF were \$50.0 million and \$112.5 million, respectively. The Operating Fund balance was \$412.9 million as of June 30, 2023. 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, 2023, one lease/leaseback transaction remained active and is in full compliance with the respective operative documents, as amended. On August 17, 2022, DART executed and delivered a Purchase Option Election Notice on the last remaining lease/leaseback agreement.

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 nine-month period ended June 30, 2023**

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

JUNE 30, 2023 AND SEPTEMBER 30, 2022 (Dollars in Thousands)

	6/30/2023 Unaudited	9/30/2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$161,958	\$507,089
Investments	671,172	327,116
Sales and use tax receivable	145,769	137,462
Transit revenue receivable, net	10,205	8,195
Short-term lease receivable	55	755
Due from federal and other governments	28,216	24,587
Materials and supplies inventory, net	39,289	34,339
Prepaid transit expense and other	12,172	5,827
Restricted investments held by trustee for debt service	67,291	143,497
Restricted investments held for advance funding agreements	18,716	18,236
Restricted investments held to pay capital lease/leaseback liabilities	16,826	122,559
TOTAL CURRENT ASSETS	1,171,669	1,329,662
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	-	2,133
Restricted investments for system expansion and acquisition	57,880	228,047
Long-term lease receivable	19,575	19,575
Right-of-use-asset	6,032	2,276
Investment in joint venture	7,664	6,986
Capital assets		
Land and rights-of-way	617,544	618,739
Projects in progress	1,112,663	827,626
Depreciable capital assets, net of depreciation	2,649,761	2,819,404
Restricted investments held to pay capital lease/leaseback liabilities	-	8,523
Net other post employment benefit (OPEB)	19,217	19,217
Unamortized bond insurance premium and other	419	452
TOTAL NONCURRENT ASSETS	4,490,755	4,552,978
TOTAL ASSETS	5,662,424	5,882,640
DEFERRED OUTFLOWS OF RESOURCES	87,548	66,877
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,749,972	5,949,517
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	121,092	118,729
Short-term lease payable	1,367	1,188
Commercial paper notes payable	-	100
Current portion of capital lease/leaseback liabilities	16,826	122,559
Local Assistance Program payable	3,119	9,545
Retainage payable	32,012	26,180
Unearned revenue and other liabilities	54,907	52,527
Accrued interest payable from restricted assets	12,187	49,814
Current portion of senior lien revenue bonds payable	76,030	77,990
TOTAL CURRENT LIABILITIES	317,540	458,632
NONCURRENT LIABILITIES		
Accrued liabilities	44,665	43,179
Long-term lease payable	5,814	1,544
Net pension liability	49,170	19,708
Senior lien revenue bonds payable	3,544,240	3,632,013
Capital lease/leaseback liabilities	-	8,523
TOTAL NONCURRENT LIABILITIES	3,643,889	3,704,967
TOTAL LIABILITIES	3,961,429	4,163,599
DEFERRED INFLOWS OF RESOURCES	57,360	67,004
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,018,789	4,230,603
NET POSITION		
Net investment in capital assets	765,541	746,146
Restricted for debt service	55,104	93,683
Restricted as security for capital lease/leaseback liabilities	-	2,133
Unrestricted	910,538	876,952
TOTAL NET POSITION	\$1,731,183	\$1,718,914

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

FOR THE NINE MONTHS ENDED JUNE 30, 2023 and 2022 (Dollars in Thousands)

	2023 Unaudited	2022 Unaudited
OPERATING REVENUES		
Passenger revenues	\$27,547	\$24,020
Advertising, rent, and other	10,108	9,877
TOTAL OPERATING REVENUES	<u>37,655</u>	<u>33,897</u>
OPERATING EXPENSES		
Labor	220,066	193,408
Benefits	91,890	82,682
Services	59,734	42,439
Materials and supplies	35,667	35,912
Purchased transportation	57,683	48,841
Depreciation and amortization	189,637	190,660
Utilities	12,924	12,528
Taxes, leases, and other	3,741	3,520
Casualty and liability	6,046	5,424
TOTAL OPERATING EXPENSES	<u>677,388</u>	<u>615,414</u>
NET OPERATING LOSS	<u>(639,733)</u>	<u>(581,517)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	627,524	577,730
Investment income (loss)	40,995	(1,624)
Interest income from investments held to pay capital lease/leaseback	3,711	7,518
Interest expense on capital lease/leaseback	(3,711)	(7,518)
Interest and financing expenses	(102,303)	(143,196)
Build America Bonds tax credit	15,935	15,926
Other federal grants	48,619	355,916
Other non-operating revenues	20,787	16,014
Other non-operating expenses	(7,183)	(6,739)
NET NON-OPERATING REVENUES	<u>644,374</u>	<u>814,027</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>4,641</u>	<u>232,510</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	7,628	9,670
State capital contributions	-	8,459
Local capital contributions	-	33
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>7,628</u>	<u>18,162</u>
CHANGE IN NET POSITION	12,269	250,672
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><u>\$1,731,183</u></u>	<u><u>\$1,700,850</u></u>

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

FOR THE NINE MONTHS ENDED JUNE 30, 2023 and 2022 (Dollars in Thousands)

	2023 Unaudited	2022 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$48,217	\$59,146
Payments to suppliers of goods and services	(137,480)	(88,819)
Payments to purchased transportation service providers	(50,665)	(47,484)
Payments to employees	(223,145)	(196,242)
Benefit payments on behalf of employees	(90,234)	(100,640)
NET CASH USED BY OPERATING ACTIVITIES	(453,307)	(374,039)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	619,217	568,947
Other federal grants	46,081	355,953
Build America Bonds tax credit	15,246	25,861
Local Assistance Program and street improvements	(9,774)	(2,496)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	670,770	948,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	25,311	2,752
Proceeds from sales and maturity of investments	663,324	595,352
Purchase of investments	(744,408)	(1,072,747)
NET CASH USED BY INVESTING ACTIVITIES	(55,773)	(474,643)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(292,027)	(188,261)
Proceeds from the issuance of commercial paper notes	-	141,400
Payment on commercial paper notes	(100)	(260,400)
Proceeds from the issuance of revenue bonds	-	500,000
Debt issuance costs	-	(41)
Principal payment on revenue bonds	(77,990)	(71,355)
Interest and financing expenses	(148,467)	(146,583)
Lease principal payments received	701	-
Lease interest payments received	382	-
Lease principal payments disbursed	(504)	-
Lease interest payments disbursed	(138)	-
Federal capital contributions	7,628	6,747
State and local capital contributions	608	46
Net proceeds from the sale of capital assets	3,086	-
NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(506,821)	(18,447)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(345,131)	81,136
CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR	507,089	314,744
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$161,958	\$395,880

(Continued)

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

FOR THE NINE MONTHS ENDED JUNE 30, 2023 and 2022 (Dollars in Thousands)

	2023 <u>Unaudited</u>	2022 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(639,773)	\$(581,517)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	189,637	190,660
Miscellaneous non-operating income	18,374	16,014
Miscellaneous non-operating expenses	(3,835)	(4,266)
Changes in assets and liabilities		
Decrease (increase) in transit receivable	(2,589)	379
Increase (decrease) in due from federal & other governments	(166)	9,647
Decrease (increase) in materials and supplies inventory	(4,950)	(676)
Increase in prepaid expenses and other current assets	(4,911)	(747)
(Increase) decrease in deferred outflows of resources – DB Plan	-	-
Increase (decrease) in deferred inflows of resources – GASB 87	(695)	-
(Increase) decrease in lease finance receivables	(4,214)	-
Increase (decrease) in lease finance payables	5,090	-
Increase (decrease) in net pension liability	5,569	(16,431)
Increase (decrease) in accounts payable and accrued liabilities	(1,536)	13,048
Increase (decrease) in unearned revenue and other liabilities	(399)	(150)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(453,307)</u>	<u>\$(374,039)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$3,711	\$7,518
Interest expense on capital lease/leaseback	(3,711)	(7,518)
Increase in capital lease/leaseback obligations	(114,256)	7,518
Increase in investments held to pay capital lease/leaseback	114,256	(7,518)
Increase (Decrease) in fair value of investments	1,071	(4,411)
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(8,520)	(13,810)
Purchases of capital assets in accounts payable at period-end	59,344	7,329
Change in advance payments received from the State – capital contributions	(609)	8,414
Proceeds from the issuance of sales tax revenue bonds	-	637,322
Payment for advance refunding of sales tax revenue bonds	-	(637,322)

(Concluded)