

DALLAS AREA RAPID TRANSIT



Quarterly Disclosure Update For the three-month period ended December 31, 2019

This Quarterly Disclosure Update supplements the information contained in our Annual Disclosure Statement for the period ending September 30, 2019, and dated March 10, 2020. 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 online 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, 2019, and dated March 10, 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, 2019 and dated March 10, 2020. 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, 2019.

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: April 28, 2020

QUARTERLY DISCLOSURE UPDATE

The Annual Disclosure Statement for the period ending September 30, 2019 and dated March 10, 2020, is updated by the following supplemental information:

Unaudited Financial Information

Audited financial statements for our fiscal year ended September 30, 2019, 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, 2019 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, 2019, 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 First Quarter Financial Information

DART's unaudited financial statements for the three-month period ended December 31, 2019, and December 31, 2018, show sales tax revenues as \$171.4 million and \$160.5 million, respectively, which indicates an increase of 6.8% due to the continuing expansion in the local economy resulting in better retail sales in the DART Service Area. Our operating results for the three-month period ended December 31, 2019 reflect a decrease in net position \$23.1 million, compared to \$18.8 million for the three-month period ended December 31, 2018. This was primarily due to increased labor costs.

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 (the "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 2019, our sales tax receipts were under sales tax budget by \$3.7 million. Therefore, no transfer was made to the MAIF. The December 31, 2019 balances in the Financial Reserve and MAIF were \$50.0 million and \$11.4 million, respectively. The Operating Fund balance was \$249.2 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, 2019, 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 April 28, 2020.

ATTEST:

/s/ Paul N. Wageman
Chair, Board of Directors

/s/ Jonathan R. Kelly
Secretary, Board of Directors

/s/ Gary C. Thomas
DART, President/Executive Director

Exhibit A

**Unaudited Statement of Principal Accounts
for the three-month period ended December 31, 2019**

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

DECEMBER 31, 2019 AND SEPTEMBER 30, 2019 (Dollars in Thousands)

	12/31/2019 Unaudited	9/30/2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$126,621	\$98,979
Investments	213,507	258,921
Sales and use tax receivable	116,906	105,250
Transit revenue receivable, net	7,199	7,472
Due from federal and other governments	15,789	25,460
Materials and supplies inventory, net	36,519	37,724
Prepaid transit expense and other	7,477	5,399
Restricted investments held by trustee for debt service	29,624	119,603
Restricted investments held for advance funding agreements	69,270	69,440
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
TOTAL CURRENT ASSETS	629,286	734,622
NONCURRENT ASSETS		
Restricted investments held as security for capital lease/leaseback liabilities	5,472	5,742
Restricted investments for system expansion and acquisition	54,437	66,924
Investment in joint venture	8,653	8,924
Capital assets		
Land and rights-of-way	618,596	618,596
Projects in progress	248,225	227,111
Depreciable capital assets, net of depreciation	3,283,683	3,344,052
Restricted investments held to pay capital lease/leaseback liabilities	112,160	109,813
Unamortized bond insurance premium and other	558	568
TOTAL NONCURRENT ASSETS	4,331,784	4,381,730
TOTAL ASSETS	4,961,070	5,116,352
DEFERRED OUTFLOWS OF RESOURCES		
	78,735	80,679
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	5,039,805	5,197,031
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	56,368	89,687
Commercial paper notes payable	149,100	159,100
Current portion of capital lease/leaseback liabilities	6,374	6,374
Current portion of repayment due to State Comptroller	1,353	824
Local Assistance Program payable	3,193	3,193
Retainage payable	12,416	11,520
Unearned revenue and other liabilities	116,441	114,136
Accrued interest payable from restricted assets	13,042	51,233
Current portion of senior lien revenue bonds payable	62,689	59,974
TOTAL CURRENT LIABILITIES	420,976	496,041
NONCURRENT LIABILITIES		
Accrued liabilities	41,084	41,066
Net pension liability	49,735	47,330
Net other post-employment benefits (OPEB) liability	11,270	9,948
Repayment due to State Comptroller	8,640	5,279
Senior lien revenue bonds payable	3,106,639	3,172,913
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	94,234	96,512
Capital lease/leaseback liabilities	112,160	109,813
TOTAL NONCURRENT LIABILITIES	3,423,762	3,482,861
TOTAL LIABILITIES	3,844,738	3,978,902
DEFERRED INFLOWS OF RESOURCES		
	15,628	15,628
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,860,366	3,994,530
NET POSITION		
Net investment in capital assets	806,180	784,924
Restricted for debt service	16,582	68,370
Restricted as security for capital lease/leaseback liabilities	5,472	5,742
Unrestricted	351,205	343,465
TOTAL NET POSITION	\$1,179,439	\$1,202,501

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

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019 and 2018 (Dollars in Thousands)

	2019 <u>Unaudited</u>	2018 <u>Unaudited</u>
OPERATING REVENUES		
Passenger revenues	\$16,429	\$15,011
Advertising, rent, and other	<u>3,232</u>	<u>3,387</u>
TOTAL OPERATING REVENUES	<u>19,661</u>	<u>18,398</u>
OPERATING EXPENSES		
Labor	62,008	58,972
Benefits	27,031	28,367
Services	10,885	9,502
Materials and supplies	13,216	12,050
Purchased transportation	16,716	14,342
Depreciation and amortization	61,288	61,426
Utilities	3,997	5,309
Taxes, leases, and other	1,080	1,130
Casualty and liability	<u>1,806</u>	<u>1,472</u>
TOTAL OPERATING EXPENSES	<u>198,027</u>	<u>192,570</u>
NET OPERATING LOSS	<u>(178,366)</u>	<u>(174,172)</u>
NON-OPERATING REVENUES (EXPENSES)		
Sales and use tax revenue	171,360	160,531
Investment income	2,391	4,611
Interest income from investments held to pay capital lease/leaseback	2,347	2,131
Interest expense on capital lease/leaseback	(2,347)	(2,131)
Interest and financing expenses	(35,011)	(39,644)
Build America Bonds tax credit	5,346	7,171
Other federal grants	6,764	16,345
Other non-operating revenues	4,411	3,670
Other non-operating expenses	<u>(1,975)</u>	<u>(230)</u>
NET NON-OPERATING REVENUES	<u>153,286</u>	<u>152,454</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	<u>(25,080)</u>	<u>(21,718)</u>
CAPITAL CONTRIBUTIONS AND GRANTS		
Federal capital contributions	<u>2,018</u>	<u>2,961</u>
TOTAL CAPITAL CONTRIBUTIONS AND GRANTS	<u>2,018</u>	<u>2,961</u>
CHANGE IN NET POSITION	(23,062)	(18,757)
TOTAL NET POSITION – BEGINNING OF YEAR	<u>1,202,501</u>	<u>1,304,378</u>
TOTAL NET POSITION – END OF THE REPORTING PERIOD	<u>\$1,179,439</u>	<u>\$1,285,621</u>

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

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019 and 2018 (Dollars in Thousands)

	2019 Unaudited	2018 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$21,519	\$28,904
Payments to suppliers of goods and services	(43,115)	(42,262)
Payments to purchased transportation service providers	(15,487)	(14,523)
Payments to employees	(61,299)	(62,685)
Benefit payments on behalf of employees	(21,671)	(23,653)
NET CASH USED BY OPERATING ACTIVITIES	<u>(120,053)</u>	<u>(114,219)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales and use tax receipts	163,594	147,091
Other federal grants	6,722	14,278
Build America Bonds tax credit	10,601	16,329
Local Assistance Program and street improvements	(1,892)	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>179,025</u>	<u>177,698</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,173	1,821
Proceeds from sales and maturity of investments	320,936	55,338
Purchase of investments	(275,092)	(7,293)
Decrease in restricted assets	102,906	84,060
NET CASH USED BY INVESTING ACTIVITIES	<u>150,923</u>	<u>133,926</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(44,017)	(20,357)
Proceeds from the issuance of commercial paper notes	101,500	185,100
Payment on commercial paper notes	(111,500)	(215,000)
Proceeds from Rail Road Infrastructure Financing (RRIF) Loan	-	50
Principal payment on revenue bonds	(59,974)	(58,291)
Interest and financing expenses	(77,123)	(83,601)
Federal capital contributions	6,646	2,140
State capital contributions	2,215	-
Net proceeds from the sale of capital assets	-	14
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(182,253)</u>	<u>(189,945)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,642	7,460
CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR	<u>98,979</u>	<u>98,361</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$126,621</u>	<u>\$105,821</u>

(Continued)

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

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019 and 2018 (Dollars in Thousands)

	2019 <u>Unaudited</u>	2018 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(178,366)	\$(174,172)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	61,288	61,426
Miscellaneous non-operating income	4,411	3,655
Miscellaneous non-operating expenses	(83)	(230)
Changes in assets and liabilities		
Decrease in transit receivable	279	3,392
Increase in due from federal & other governments	(1,980)	(3,067)
Increase in materials and supplies inventory	1,205	(2,570)
Increase in prepaid expenses and other current assets	(2,293)	(2,944)
Increase in net pension liability	2,405	2,405
Increase in net other post-employment benefits (OPEB) liability	1,322	1,322
Decrease in accounts payable and accrued liabilities	(10,255)	(9,012)
Increase in unearned revenue and other liabilities	2,014	5,576
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(120,053)</u>	<u>\$(114,219)</u>
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$2,347	\$2,130
Interest expense on capital lease/leaseback	(2,347)	(2,130)
Increase in capital lease/leaseback obligations	2,347	2,130
Increase in investments held to pay capital lease/leaseback	(2,347)	(2,130)
Increase (Decrease) in fair value of investments	1,337	1,732
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(3,920)	(2,872)
Purchases of capital assets in accounts payable at period-end	9,618	2,816

(Concluded)