

## DALLAS AREA RAPID TRANSIT



### Quarterly Disclosure Update For the six-month period ended March 31, 2020

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*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](http://www.emma.msrb.org), and is posted on the Internet 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, 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 six-month period ended March 31, 2020.

**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: June 23, 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 six-month period ended March 31, 2020 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 six-month period ended March 31, 2020, 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 six-month period will not differ from the unaudited financial information presented herein and in Exhibit A.

### **Management's Comment Regarding Second Quarter Financial Information**

DART's unaudited financial statements for the six-month period ended March 31, 2020, and March 31, 2019, show sales tax revenues as \$323.4 million and \$315.9 million, respectively, which indicates a modest increase of 2.4% due to the flattening of the local economy resulting from COVID-19 in the DART Service Area. Our operating results for the six-month period ended March 31, 2020 reflect a decrease net position of \$3.1 million, compared to \$50.2 million for the six-month period ended March 31, 2019. This improvement in the reduction of the net position is primarily due to an increase in sales tax revenues and federal grants.

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 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 below our sales tax budget by \$3.7 million. Therefore, there was no excess sales tax receipts for FY 2019 to be transferred to the MAIF. According to DART policy, excess sales tax receipts are deposited into the MAIF. The March 31, 2020 balances in the Financial Reserve and MAIF were \$50.0 million and \$11.5 million, respectively. The Operating Fund balance was \$285.5 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 March 31, 2020, 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."

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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 June 23, 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 six-month period ended March 31, 2020**

**DALLAS AREA RAPID TRANSIT  
STATEMENTS OF NET POSITION  
MARCH 31, 2020 AND SEPTEMBER 30, 2019 (Dollars in Thousands)**

	03/31/2020 Unaudited	9/30/2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$80,093	\$98,979
Investments	297,092	258,921
Sales and use tax receivable	96,652	105,250
Transit revenue receivable, net	5,708	7,472
Due from federal and other governments	18,448	25,460
Materials and supplies inventory, net	36,113	37,724
Prepaid transit expense and other	11,663	5,399
Restricted investments held by trustee for debt service	80,169	119,603
Restricted investments held for advance funding agreements	67,107	69,440
Restricted investments held to pay capital lease/leaseback liabilities	6,374	6,374
<b>TOTAL CURRENT ASSETS</b>	<b>699,419</b>	<b>734,622</b>
<b>NONCURRENT ASSETS</b>		
Restricted investments held as security for capital lease/leaseback liabilities	5,191	5,742
Restricted investments for system expansion and acquisition	136,448	66,924
Investment in joint venture	8,424	8,924
Capital assets		
Land and rights-of-way	618,881	618,596
Projects in progress	297,613	227,111
Depreciable capital assets, net of depreciation	3,224,932	3,344,052
Restricted investments held to pay capital lease/leaseback liabilities	107,971	109,813
Unamortized bond insurance premium and other	548	568
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,400,008</b>	<b>4,381,730</b>
<b>TOTAL ASSETS</b>	<b>5,099,427</b>	<b>5,116,352</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	75,483	80,679
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,174,910</b>	<b>5,197,031</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	62,138	89,687
Commercial paper notes payable	134,100	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	12,491	11,520
Unearned revenue and other liabilities	114,835	114,136
Accrued interest payable from restricted assets	49,031	51,233
Current portion of senior lien revenue bonds payable	62,689	59,974
<b>TOTAL CURRENT LIABILITIES</b>	<b>446,204</b>	<b>496,041</b>
<b>NONCURRENT LIABILITIES</b>		
Accrued liabilities	42,292	41,066
Net pension liability	47,330	47,330
Net other post-employment benefits (OPEB) liability	12,592	9,948
Repayment due to State Comptroller	8,434	5,279
Senior lien revenue bonds payable	3,259,229	3,172,913
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	35,845	96,512
Capital lease/leaseback liabilities	107,971	109,813
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,513,693</b>	<b>3,482,861</b>
<b>TOTAL LIABILITIES</b>	<b>3,959,897</b>	<b>3,978,902</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	15,628	15,628
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>3,975,525</b>	<b>3,994,530</b>
<b>NET POSITION</b>		
Net investment in capital assets	818,463	784,924
Restricted for debt service	31,138	68,370
Restricted as security for capital lease/leaseback liabilities	5,191	5,742
Unrestricted	344,593	343,465
<b>TOTAL NET POSITION</b>	<b>\$1,199,385</b>	<b>\$1,202,501</b>

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

**FOR THE SIX MONTHS ENDED MARCH 31, 2020 and 2019 (Dollars in Thousands)**

	2020 Unaudited	2019 Unaudited
<b>OPERATING REVENUES</b>		
Passenger revenues	\$29,788	\$31,755
Advertising, rent, and other	7,682	6,556
<b>TOTAL OPERATING REVENUES</b>	<b>37,470</b>	<b>38,311</b>
<b>OPERATING EXPENSES</b>		
Labor	132,989	127,754
Benefits	57,077	57,398
Services	24,235	22,574
Materials and supplies	25,679	23,747
Purchased transportation	31,143	28,890
Depreciation and amortization	122,165	123,004
Utilities	8,067	8,177
Taxes, leases, and other	2,075	2,277
Casualty and liability	3,357	3,062
<b>TOTAL OPERATING EXPENSES</b>	<b>406,787</b>	<b>396,883</b>
<b>NET OPERATING LOSS</b>	<b>(369,317)</b>	<b>(358,572)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Sales and use tax revenue	323,426	315,943
Investment income	5,217	8,557
Interest income from investments held to pay capital lease/leaseback	4,533	4,262
Interest expense on capital lease/leaseback	(4,533)	(4,262)
Interest and financing expenses	(71,774)	(77,000)
Build America Bonds tax credit	10,601	14,278
Other federal grants	54,206	35,348
Other non-operating revenues	8,485	7,463
Local assistance and street improvements	(4,091)	(957)
Other non-operating expenses	(185)	(484)
<b>NET NON-OPERATING REVENUES</b>	<b>325,885</b>	<b>303,148</b>
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS AND GRANTS</b>	<b>(43,432)</b>	<b>(55,424)</b>
<b>CAPITAL CONTRIBUTIONS AND GRANTS</b>		
Federal capital contributions	38,035	3,643
State capital contributions	2,281	1,599
<b>TOTAL CAPITAL CONTRIBUTIONS AND GRANTS</b>	<b>40,316</b>	<b>5,242</b>
<b>CHANGE IN NET POSITION</b>	<b>(3,116)</b>	<b>(50,182)</b>
<b>TOTAL NET POSITION – BEGINNING OF YEAR</b>	<b>1,202,501</b>	<b>1,304,378</b>
<b>TOTAL NET POSITION – END OF THE REPORTING PERIOD</b>	<b>\$1,199,385</b>	<b>\$1,254,196</b>

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

**FOR THE SIX MONTHS ENDED MARCH 31, 2020 and 2019 (Dollars in Thousands)**

	2020 <u>Unaudited</u>	2019 <u>Unaudited</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$51,727	\$43,779
Payments to suppliers of goods and services	(80,500)	(74,502)
Payments to purchased transportation service providers	(32,604)	(28,702)
Payments to employees	(132,281)	(131,468)
Benefit payments on behalf of employees	(53,954)	(52,612)
NET CASH USED BY OPERATING ACTIVITIES	<u>(247,612)</u>	<u>(243,505)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Sales and use tax receipts	335,707	307,036
Other federal grants	54,572	35,633
Build America Bonds tax credit	10,601	14,278
Local Assistance Program and street improvements	(4,091)	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>396,789</u>	<u>356,947</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	3,806	4,542
Proceeds from sales and maturity of investments	485,201	138,650
Purchase of investments	(521,906)	(80,295)
(Increase)/Decrease in restricted assets	(27,206)	23,059
NET CASH USED BY INVESTING ACTIVITIES	<u>(60,105)</u>	<u>85,956</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(81,955)	(52,840)
Proceeds from the issuance of commercial paper notes	210,500	365,100
Payment on commercial paper notes	(235,500)	(390,000)
Proceeds from issuance revenue bonds	100,000	11,706
Principal payment on revenue bonds	(59,974)	(58,291)
Interest and financing expenses	(78,873)	(81,615)
Debt issuance costs	(1,951)	(1,596)
Federal capital contributions	37,764	1,784
State capital contributions	2,031	1,599
Net proceeds from the sale of capital assets	-	59
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(107,958)</u>	<u>(204,094)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(18,886)	(4,696)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE FISCAL YEAR</b>	<u>98,979</u>	<u>98,361</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$80,093</u>	<u>\$93,665</u>

(Continued)

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

**FOR THE SIX MONTHS ENDED MARCH 31, 2020 and 2019 (Dollars in Thousands)**

	2020 <u>Unaudited</u>	2019 <u>Unaudited</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating loss	\$(369,316)	\$(358,572)
ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	122,165	123,004
Miscellaneous non-operating income	8,485	7,403
Miscellaneous non-operating expenses	(185)	(483)
Changes in assets and liabilities:		
(Increase)/Decrease in transit receivable	1,787	(969)
(Increase)/Decrease in due from federal and other governments	5,042	(1,701)
(Increase)/Decrease in materials and supplies inventory	1,611	(3,374)
Increase in prepaid expenses and other current assets	(6,311)	(7,506)
Increase in net other post-employment benefits (OPEB) liability	2,644	2,644
Decrease in accounts payable and accrued liabilities	(16,018)	(8,855)
Increase in unearned revenue and other liabilities	2,484	4,904
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(247,612)</u>	<u>\$(243,505)</u>
 NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Interest income from investments held to pay capital lease/leaseback	\$4,533	\$4,262
Interest expense on capital lease/leaseback	(4,533)	(4,262)
Increase in capital lease/leaseback obligations	1,841	2,112
Increase in investments held to pay capital lease/leaseback	(1,841)	(2,112)
Increase/(Decrease) in fair value of investments	677	2,917
Amortization of premium, discount, bond insurance premium costs, and loss on debt refunding	(7,630)	(5,420)
Purchases of capital assets in accounts payable at period-end	21,204	1,096
Proceeds from the issuance of revenue bonds paid into escrow	174,091	-
Payment for advance refunding of revenue bonds	(175,267)	-

(Concluded)