

# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

---

## MEMORANDUM

**TO:** Board of Directors

**DATE:** March 6, 2026

**FROM:** General Manager

**SUBJECT:** **FY26 Second Quarter Financial Report (QFR)**

### **Executive Summary**

This package contains BART's Fiscal Year 2026 (FY26) Second Quarter (Q2) Financial Report, covering the period between October 1 and December 31, 2025. It consists of this memo, a budget to actuals report (Attachment 1), and a ridership overview (Attachment 2).

The District's net operating result was balanced through Q2 due to the continued use of state emergency assistance funds allocated through the Senate Bill 125 (SB 125) Transit Program. This SB 125 emergency assistance allowed BART to close a \$102.2 million (M) operating deficit (the difference between revenues and expenses incurred) over the first two quarters of FY26; this is \$27.7M less than budgeted.

This positive variance was driven by above-budget operating revenues, primarily from ridership, sales tax revenues, and investment income. Operating expense was nearly on budget. This favorability was slightly offset by \$10.5M of delayed Low-Carbon Transit Operations Program (LCTOP) Cap-and-Trade assistance, now expected in the second half of FY26. On the expense side, BART spent \$12.2M more than budgeted on labor, primarily due to overtime reliance. However, this was mostly offset by \$12.1M in underspending in non-labor operating expense. A September refunding of existing debt service generated \$2.9M in positive debt service variance through December 31, 2025.

Despite positive trends in the first half of the fiscal year, significant uncertainty remains, especially around potential year-end liabilities and accruals (which will be known between April and June). At this time, staff expect the emergency assistance needed to balance the deficit between revenue and expense at year-end will be very close to budget.

The District's cash position as of December 31, 2025 remains healthy, with over \$1.57 billion (B) in cash and investments directly managed by the District. The cash position includes over \$394M in proceeds from the second tranche of the Transportation Infrastructure Finance & Innovation Act (TIFIA) loan. As BART draws down emergency assistance, this balance will decline. Outstanding debt, secured by property and sales tax revenues in the three BART District counties, remained steady.

### Ridership

Ridership totaled 28.8M exits through Q2 FY26, 7.3% above budget and 11.2% higher than the same period one year ago. Average weekday ridership during this period was 186,306 exits, 6.0% above budget, and 10.0% higher than one year ago.

Second quarter FY26 ridership continued the elevated trend that started in early 2025. Year-over-year ridership growth (11.8%) was substantial and exceeded the previous quarter's year-over-year growth (10.5%). On a month-to-month basis, average weekday ridership fluctuated along seasonal expectations: October (199,158), November (186,872), and December (172,171).

### Operating Revenue

**Operating Revenue** was \$13.7M (9.3%) above budget through Q2 FY26. **Net Passenger Revenue** was \$12.6M (10.1%) positive, and **Parking Revenue** was \$0.2M (1.9%) above expectations, both due to higher than budgeted ridership. **Other Operating Revenue** was \$0.9M (7.6%) above budget, driven primarily by higher than budgeted advertising revenue, but offset by under budget Digital Railway revenues.

### Non-Operating Revenue

**Investment Income** was \$4.2M (29.3%) above budget through Q2 driven primarily by the investment income on remaining loan proceeds of TIFIA tranche #1.

### Financial Assistance

**Sales Tax** revenue was \$4.8M (3.1%) above budget through Q2 FY26. The FY26 budget assumed a small decline in taxable sales, however, actual performance has remained steady driven by strong results from general consumer goods and hospitality sectors. **Property Tax** revenue was \$0.5M (1.4%) favorable through Q2. Property Tax revenues were above budget in Alameda and Contra Costa counties, and below budget in San Francisco. **State Transit Assistance (STA)** was \$1.7M (7.4%) favorable through Q2 due to prior year carryover in the STA State of Good Repair program. **VTA Financial Assistance** was \$0.2M (1%) higher than budgeted due to operating expenses attributable to VTA that were updated after FY26 budget adoption.

**Other Assistance** through Q2 was \$6.6M (26.5%) below budget. Unbudgeted non-emergency federal assistance was \$2M favorable, unbudgeted state assistance was \$2.5M favorable, and local assistance was \$1.2M favorable. These favorable results were offset by Low Carbon Fuel Standard (LCFS) credit sales, which were \$1.7M (25%) below budget, and \$10.5M of LCTOP revenues, which were budgeted in Q2 but are now expected in Q3.

### Operating Expense

**Total Operating Expense** was nearly on budget, at \$87,000 higher than budget through Q2. Total Gross Wages, Fringe Benefits & Other Labor were \$3.4M (0.8%) under budget. However, Net Operating Wages, Fringe Benefits & Other Labor finished \$7.7M (2.2%) above budget, primarily due to higher than budget overtime expense and lower reimbursements. For comparison, in FY25 Net Operating Wages, Fringe Benefits & Other Labor ended Q2 \$4.2M (1.2%) unfavorable to budget, primarily due to \$12.3M (16.0%) in below-budget Capital Labor Reimbursements.

**Total Gross Overtime** was \$48.9M through Q2, exceeding budget by \$9.2M and surpassing FY25 Q2 by \$4.1M. Some of BART's overtime costs are reimbursed by other (primarily capital) sources; when these are excluded, the **Net Operating Overtime** variance is \$4.5M (15.2%) unfavorable to budget. This is below the \$5.8M (20.5%) in higher than budget overtime through FY25 Q2.

The vast majority of BART's overtime hours are generated in four operational areas: Transportation, Maintenance, BART Police, and Rolling Stock & Shops (RS&S). The first three overspent their overtime budgets in the first half of FY26, while savings in RS&S partially offset the total.

<b>FY26 Year to Date (YTD) Q2 Net Operating Overtime</b>				
<b>Department</b>	<b>Budget</b>	<b>Actuals</b>	<b>Variance \$</b>	<b>Variance %</b>
Transportation	11,808,768	16,502,777	(4,694,009)	-39.8%
Maintenance	4,457,727	5,119,603	(661,876)	-14.8%
Police	7,527,268	8,634,846	(1,107,578)	-14.7%
Rolling Stock and Shops	4,350,307	2,144,564	2,205,743	50.7%
All Other Departments	1,346,462	1,569,379	(222,917)	-16.6%
<b>Grand Total</b>	<b>29,490,533</b>	<b>33,971,170</b>	<b>(4,480,637)</b>	<b>-15.2%</b>

**Labor Reimbursements** were \$6.4M (7.7%) below budget through Q2. Through November, reimbursements were better than budget; however, December’s financial close included accounting adjustments reclassifying current and prior year capital labor hours as operating. These adjustments resulted in a negative Q2 variance.

**Non-Labor** costs were \$12.1M (10.4%) below budget YTD through December.

- Professional Fees were \$1.8M (8.0%) under budget, mainly due to the timing of vendor invoice payments and reduced spending. This positive variance was partially offset by \$5.6M in unbudgeted Miscellaneous Non-Capital Professional Fees, which were funded by capital grants or allocations. These expenses were initially budgeted as capital work but eventually adjusted to operating expenses (see Note 2).
- Electrical Power was \$6.3M (19.1%) favorable. BART's electricity costs continue to be low through Q2. BART's wholesale electricity costs also stayed low due to favorable hydroelectric costs.
- Miscellaneous Expenses were \$1.6M (16.9%) under budget, mainly due to the delay of transition to Clipper 2, which resulted in fees not being incurred.
- Material Usage was \$1.5M (6.4%) under budget, primarily because of reduced spending on inventory materials.

Debt Service and Allocations

**Debt Service** was \$2.9M favorable compared to budget, due to the issuance of 2025 Sales Tax Revenue refunding bonds in September 2025. By refunding 2015 Sales Tax Revenue Bonds (STRB), BART achieved a savings of \$0.7M in the first quarter and \$2.2M in the second quarter.

**Note 1: Revenue Bond Debt Service Allocation:**

2025 Series A Sales Tax Revenue Refunding Bonds (the 2025A Refunding Bonds): On September 11, 2025, the District issued the 2025 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of \$73,440,000 and a premium of \$6,754,000, along with other District funds, provide sufficient funds to refund \$82,940,000 principal amount of the District's remaining outstanding 2015A bonds. The Refunded Bonds were issued to refund prior Bonds of the District that financed or refinanced District capital improvements, including but not limited to extensions of District facilities to the San Francisco International Airport and the West Dublin Pleasanton Station. The 2025A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. The refunding resulted in economic gain of \$6,562,000 and cash flow savings of \$6,439,000.

**Allocations** were \$6.4M (31.2%) favorable YTD. Reverse Capital Allocations of \$7.6M were made to offset reclassifications of capital costs to operating. \$19.1M was deposited into an operating reserve account for Retiree Health Benefit Trust contributions as part of the District’s strategy to conserve cash in advance of FY27.

**Note 2: Accounting Adjustments**

BART accounting staff make adjustments in the District’s operating revenues and expenses related to non-capitalizable projects in compliance with Generally Accepted Accounting Principles (GAAP). In order to

present a clearer picture of BART's financial performance compared to budget, the staff narrative and attached budget to actuals include the following adjustments:

- 1) A share of BART's \$315M in budgeted SB 125 emergency assistance (\$58M) is pass through federal FTA 5337 State of Good Repair (SOGR) funding; for the purposes of this memo, the two sources are combined; by the end of FY26, there will be approximately \$58M less SB 125 revenue, which will be offset by \$58M in unbudgeted FTA 5337 revenues. The net effect will be neutral.
- 2) In order to draw down the FTA 5337 revenue described above, BART staff must log project hours for costs to be reimbursed. Staff hours are charged to the gross labor budget, then reimbursed. However, in compliance with GAAP, when the nature of the work is not capital, BART staff revert the charges back to operating while recording corresponding (offsetting) operating revenue.

#### Emergency Assistance

The District required \$102.2M in SB 125 Transit Program funding to cover the shortfall between operating revenue and expense through the second quarter of FY26, which was \$27.7M (21.3%) less than anticipated in the budget. This is a positive result; the District is experiencing stronger operating revenue than expected, while operating expense is essentially on budget.

### **Financial Position**

#### Accounts Receivable, Cash, and Investments

As of December 31, 2025, \$76.9M in accounts receivable was outstanding, with \$32.4M (42%) of receivables in current status, \$33.8M (44%) outstanding for 31-60 days and \$10.7M (14%) outstanding over 60 days. After December 31, 2025 approximately \$60M (78%) of the total outstanding accounts receivable have been collected.

BART had \$1.57B in cash and investments between its capital accounts allocated from operations and General Fund. BART's weighted average return on investments in Q2 was 3.78%.

#### Reserves

BART's total operating reserves declined by \$0.4M for the quarter, ending at \$456M as of December 31, 2025. The decrease was due to the \$10.6M draw from reserve to fund the quarter's operating deficit, offset by \$10.2M in combined RHBT deferral and interest income.

Beginning in May 2025, the District implemented a temporary deferral of the Actuarially Determined Contribution (ADC) to the Retiree Health Benefit Trust (RHBT), with the deferred amounts set aside in an operating reserve account. For the second quarter of FY26, \$9.5M was deferred and transferred to the operating reserve account, bringing the cumulative total of deferred RHBT contributions to \$24.8M.

As of December 31, 2025, BART's reserve balance includes \$188.8M from the unused portion of SB 125 earned in FY26 and a Working Capital Reserve fund with a balance of \$95.1M. BART's other remaining operating reserve funds (Operating Reserve, Insurance Calamity Reserve, General Reserve for Economic Uncertainty, Low Carbon Fuel Standard Credits, and RHBT Deferred Contribution) totaled \$174.7M as of December 31, 2025.

#### Outstanding Bonds, Loan and Debt Service

As of December 31, 2025, the District had \$3.5B in outstanding principal bond obligations. In November 2025, the District received \$394.6M from TIFIA Loan Tranche #2, bringing the total outstanding TIFIA loan balance to \$553M. The TIFIA loan is secured by Sales Tax revenues and is subordinate to all outstanding bonds.

Debt service payments on General Obligation bonds are due on February 1 and August 1 of each year, and payments on Sales Tax Revenue bonds are due on January 1 and July 1. All required debt service payments were made on time and in full, in accordance with the applicable debt service schedules. Annual debt service for all outstanding obligations was paid as scheduled.

### Post-Employment Benefits

BART maintains three trusts to offset liabilities associated with post-employment benefits. For the first half of FY26, net assets of all three trusts benefited from the upward run in global financial markets as central banks cut interest rates. Investment gain of 6.0% and 5.6% were posted for the RHBT and the Survivor's Benefit Trust (SBT), respectively. The District's Section 115 Pension Trust gained 1.9% during the first two quarters of FY26, driven by declining interest rates, which increased bond valuations.

As of December 31, 2025, the District's assets in its Section 115 Pension Trust, which was set-up to offset future pension liabilities, increased to \$43.9M, a gain of \$0.56M (1.3%) in Q2 of FY26. BART's two Other Post Employment Obligations (OPEB), the RHBT and SBT, saw returns of \$13.8M (1.9%) and \$0.3M (2.0%), respectively.

Milliman, the District's actuary, completed the actuarial valuation on the Retiree Health Benefit Trust, the Survivor Benefit Trust and Retiree Life Insurance Plan as of June 30, 2024. The latest valuation reported that the funded ratio of the RHBT has improved from 70.5%, as shown in the previous valuation, to 74.3%. The actuarial valuation for the SBT also reflected an increase in funded ratio, from the previous valuation of 51.9% to 66.1%.

If you have any questions about this report, please contact Joseph Beach, Chief Financial Officer, at [joseph.beach@bart.gov](mailto:joseph.beach@bart.gov).

DocuSigned by:  
*Michael Jones*  
47000790F2D7463...  
Robert Powers

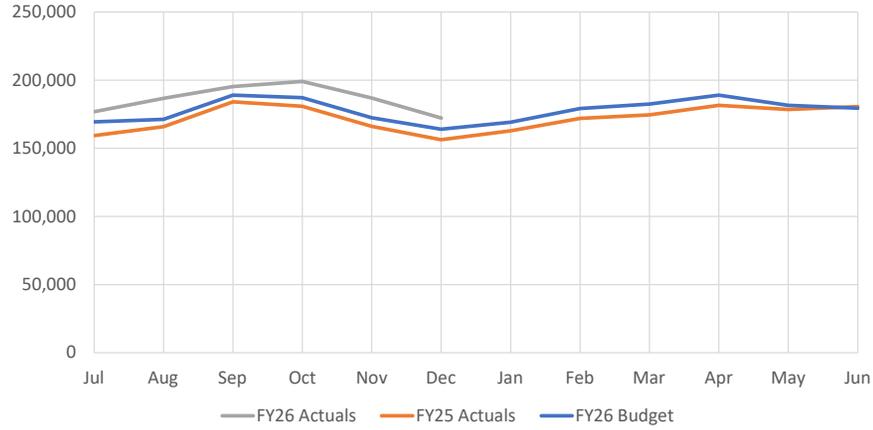
cc: Board Appointed Officers  
Deputy General Manager  
Executive Staff

**Attachment 1: Budget to Actuals Report**  
**Quarterly Financial Report - Second Quarter FY26**

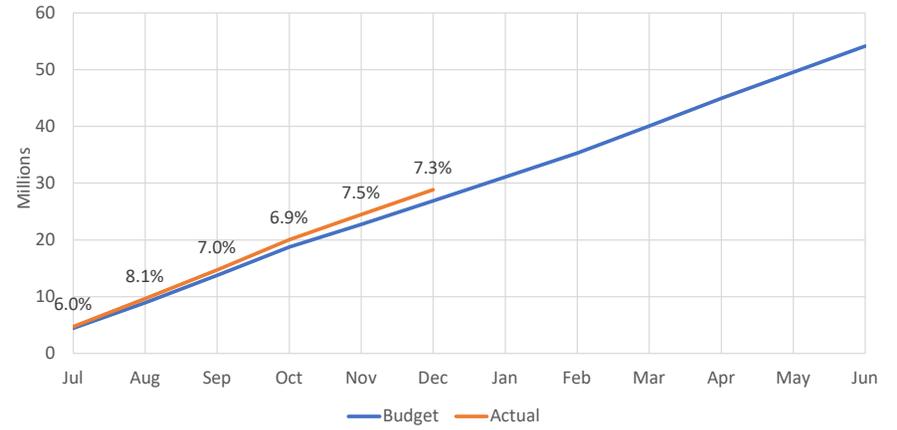
	Q1 Actuals	Q2 Budget	Q2 Actuals	Q2 Variance	YTD Budget	YTD Actuals	YTD Variance	YTD Variance %	FY26 Annual Adopted Budget
<b>Operating Revenue</b>									
Total Net Operating Revenue	81.8	72.2	78.8	6.5	146.9	160.6	13.7	9.3%	303.7
Total Non Operating Revenue	9.5	6.1	9.0	2.9	14.3	18.6	4.2	29.3%	21.4
Total Financial Assistance	115.2	149.8	143.2	(6.6)	257.7	258.3	0.6	0.2%	511.8
<b>Total Operating Sources</b>	<b>206.5</b>	<b>228.1</b>	<b>230.9</b>	<b>2.9</b>	<b>419.0</b>	<b>437.5</b>	<b>18.5</b>	<b>4.4%</b>	<b>836.9</b>
<b>Operating Expense</b>									
Total Operating Labor	191.9	189.4	201.4	(12.0)	381.2	393.4	(12.2)	-3.2%	763.3
Total Non Labor	45.6	58.9	59.3	(0.4)	117.0	104.9	12.1	10.4%	243.4
Total Debt Service and Allocations	23.0	25.3	18.4	6.9	50.7	41.4	9.3	18.3%	145.2
<b>Total Operating Uses</b>	<b>260.5</b>	<b>273.7</b>	<b>279.1</b>	<b>(5.4)</b>	<b>548.8</b>	<b>539.6</b>	<b>9.2</b>	<b>1.7%</b>	<b>1,151.8</b>
<b>Net Operating Result Before Emergency Assistance</b>	<b>(54.0)</b>	<b>(45.6)</b>	<b>(48.2)</b>	<b>(2.5)</b>	<b>(129.9)</b>	<b>(102.2)</b>	<b>27.7</b>	<b>21.3%</b>	<b>(315.0)</b>
Federal Emergency Assistance Applied	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
SB 125 Emergency Assistance Applied	54.0	45.6	48.2	2.5	129.9	102.2	(27.7)	-21.3%	315.0
<b>Net Operating Result After Emergency Assistance</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.0</b>
<b>Operating Result (Deficit)</b>	<b>(155.7)</b>	<b>(176.1)</b>	<b>(181.9)</b>	<b>(5.8)</b>	<b>(351.3)</b>	<b>(337.6)</b>	<b>13.6</b>	<b>3.9%</b>	<b>(703.0)</b>
<b>System Operating Ratio</b>	34.5%	29.1%	30.2%	1.1%	29.5%	32.2%	2.7%		30.2%
<b>Rail Cost / Passenger Mile (\$)</b>	\$ 1.02	\$ 1.21	\$ 1.18	\$ 0.03	\$ 1.18	\$ 1.10	\$ 0.09	7.3%	

### Attachment 2: FY26Q2 (Jul-Dec) Ridership Stats

Average Weekday Ridership



FY26 Cumulative Budget to Actual Variance



Exits	Actual FY25 YTD	Budget FY26 YTD	Actual FY26 YTD
Weekday	168,898	175,797	186,306
Saturday	95,985	97,973	113,351
Sunday	73,992	75,135	82,241
Total	25,939,139	26,869,000	28,835,873

FY26 YTD Actual vs.	
FY25 YTD Actual	FY26 YTD Budget
110.3%	106.0%
118.1%	115.7%
111.1%	109.5%
111.2%	107.3%

Clipper Product Avg Net Fare

