

2025–2026 Contra Costa County Civil Grand Jury

BART at a Crossroads: Structural Deficit, Governance Accountability, and the Choices Ahead

Report 2608
May 28, 2026

Approved by the Grand Jury



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Hon. Terri Mockler
JUDGE OF THE SUPERIOR COURT

5/29/26
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SUMMARY

The Contra Costa County Civil Grand Jury investigated the financial condition, cost structure, and governance of the San Francisco Bay Area Rapid Transit District (BART), a regional transit system serving Contra Costa County residents. BART faces a \$375 million structural operating deficit beginning in Fiscal Year (FY) 2027. BART's five-year (FY2027-FY2031) financial forecast does not identify a path to structural balance without new dedicated revenue, additional cost reductions, or both. The Grand Jury's investigation identified three interrelated factors driving the crisis: a fare-dependent revenue model, sustained changes in ridership patterns following the COVID-19 pandemic, and a cost structure in which 63% of expenses do not proportionally decline with reduced service levels. A glossary of financial, operational, and transit-related terms used in this report is provided in Appendix A.

BART's financial model has relied heavily on passenger fares to fund operating costs—a model that performed well under conditions of strong, concentrated commute demand. Ridership declines that began before the pandemic, combined with the shift to hybrid work patterns, have fundamentally altered demand for traditional peak-hour service. In FY2025, BART operated 18.5% more service hours than in FY2019 while recording only 44.6% of pre-pandemic passenger miles—a gap between service supplied and ridership demand that has not materially narrowed in recent years. Annual ridership has declined from approximately 128 million trips to 59 million trips, while staffing has increased 7.8% since FY2019.

BART's FY2027 Preliminary Operating Budget projects a \$375 million structural operating deficit in FY2027, the first fiscal year in which approximately \$2 billion in one-time federal and state emergency assistance used to sustain operations since FY2020 will be exhausted, exposing the underlying imbalance between revenues and operating costs. In response, BART has pursued cost reductions and revenue initiatives that are estimated to address approximately 11% of the projected structural deficit. Due to the fixed-cost nature of BART as a heavy rail system, service reductions alone produce limited savings and risk accelerating ridership loss.

Senate Bill 63, the Connect Bay Area Act, authorized a regional sales tax measure for the November 2026 ballot. BART has identified the resulting Connect Bay Area Measure (Measure) as the primary mechanism to address its projected structural deficit. Even if the Measure passes, BART's five-year financial forecast projects cumulative residual deficits of approximately \$192 million through FY2031. This indicates the Measure alone will not achieve structural balance and additional cost reductions will be required.

Three governance structures support the Board's oversight responsibilities. The Grand Jury's investigation identified governance and oversight conditions that affect the reliability, completeness, and timeliness of information available to the BART Board of Directors (Board). Internal Audit's organizational placement within management, and the Audit Committee's lack of authority to review rather than approve audit plans and charters, create conditions inconsistent with professional auditing standards. Internal Audit has appeared before the Audit Committee at only 10 of 28 meetings since the Committee's inception in January 2021, and complete audit reports were not routinely distributed to the Committee as a standard practice.

The Grand Jury’s review of BART’s Quarterly Financial Reports found that overtime expenditure drivers are not identified by cause or category in BART’s financial reporting—a finding consistent with the Office of Inspector General’s (OIG) 2025 overtime audit. Nine of ten OIG recommendations on overtime management and organizational structure remain unimplemented at the time of this report. The Audit Committee has not conducted required biennial reviews of the Employee Code of Conduct since its inception in 2021, despite a charter obligation to do so.

This report addresses both BART’s structural financial crisis and the governance conditions that affect the Board’s capacity to manage it. These subjects are presented in a single report because they are causally connected: the fiscal crisis demands a Board and oversight apparatus capable of receiving complete, timely, and independent analyses of agency performance. The investigation found conditions in which that capability is not fully supported.

CONFLICT OF INTEREST DISCLAIMER

One Grand Juror recused themselves due to a possible conflict of interest and did not participate in the investigation, preparation, or approval of this report.

BACKGROUND

Established in 1957 by California’s Legislature, BART was created as a special-purpose district designed to provide a modern rapid transit system for the metropolitan areas around San Francisco Bay. BART began service in September 1972. Today it runs five lines across a 131-mile network with 50 stations, serving both urban and suburban regions in San Francisco, San Mateo, Alameda, Contra Costa, and Santa Clara counties.

Fiscal Issues

BART is the region’s primary heavy rail system. Before the March 2020 Shelter-in-Place order, BART recorded 128.2 million passenger trips and averaged weekday ridership of 443,123 in FY2019. That year, fare and parking revenue generated \$520 million, covering 66.7% of operating costs, among the highest farebox recovery ratios nationally among similar heavy rail systems. BART’s financial stability and future service levels have been impacted by a steep decline in ridership that began during the COVID-19 pandemic, which have continued due to long-term shifts in commuting patterns, including increased remote and hybrid work. The FY2025 budget relied on \$328.2 million in federal aid. BART projects a \$375 million structural operating deficit in FY2027 with emergency funding fully exhausted after FY2026.

Governance

BART is governed by a nine-member elected Board. The Board sets policy, approves budgets, and appoints four officers: the General Manager, General Counsel, District Secretary, and Independent Police Auditor. The Board submits nominees to the Governor to lead the OIG. The BART Organizational Chart is in Appendix B.

Three governance structures support the Board's oversight responsibilities. An Audit Committee, composed of three Board Directors and two public finance experts, provides financial and compliance oversight. The OIG identifies fraud, waste, and opportunities for operational improvement. An Internal Audit function conducts operational and compliance reviews and reports to the Audit Committee.

Audit committees follow standards from the Institute of Internal Auditors (IIA) and U.S. Government Accountability Office (GAO), which require independence, direct oversight of auditors, and open communication with the governing body. The Audit Committee, governed by an Audit Committee Charter, leads the Board's oversight of financial management, operations, ethics, and compliance. The Audit Committee's responsibilities from the Charter include:

- Reviewing audit and investigation reports from Internal Audit, the OIG, and external auditors
- Monitoring management's implementation of audit or investigation recommendations and corrective actions, and discussing with management the reasons for any delays or failures to implement appropriate corrections
- Overseeing the selection and independence of external auditors
- Reviewing financial statements and internal control systems
- Assessing risks facing BART and ensuring compliance with applicable laws and policies

Bay Area Regional Measure 3, passed by voters in June 2018, established the OIG to independently oversee BART operations under California Public Utilities Code Sections 28840–28845. The OIG is authorized to audit, investigate, and review BART activities to improve operational efficiency. It informs the Board, management, and the public of its findings, evaluates data for resource allocation, and recommends best practices. The OIG reports its findings to the Board, the California Legislature, and the public.

BART's Internal Audit section is led by an audit manager and three principal auditors. The section reports to the Director of Performance and Audit, who is designated as the Chief Audit Executive (CAE). Performance and Audit is placed within the organizational structure of the Chief Financial Officer, who reports directly to BART's General Manager.

BART adopted an Internal Audit Charter in 2025. It defines the Internal Audit section's purpose, authority, responsibility, and position within the organization. The Charter adopts both the Institute of Internal Auditors Global Internal Audit Standards (IIA Standards) and the GAO's Generally Accepted Government Auditing Standards (GAGAS). According to those standards, an internal auditor's mission is to act as an independent and objective assurance and consulting function that aims to add value and improve the effectiveness of agency operations. Internal Audit reviews whether policies and procedures are being followed, risks are being managed appropriately, and controls are working as intended, and reports its findings to senior management and the governing body of the organization.

METHODOLOGY

The methods used by the Grand Jury in this investigation included:

- Interviews with BART leadership, staff, and labor representatives
- Interviews with local transit and public accounting experts
- Interviews with public officials
- Review of public records, media reports, and other relevant documents
- Review of videos of BART Board of Directors and Audit Committee meetings
- Review of Inspector General and Internal Audit standards and practices
- Review of the Connect Bay Area Act
- Review of BART’s Collective Bargaining Agreements

DISCUSSION

Ridership, the Farebox Revenue Model, and the Fiscal Crisis

Pre-Pandemic Ridership and a Structural Warning Sign

Between 2010 and 2016, BART experienced an increase in ridership fueled by increasing highway congestion, expanded airport connections, high fuel prices, and strong regional job growth, particularly in downtown San Francisco. Approximately two-thirds of weekday trips began or ended at downtown San Francisco stations. BART accounted for 25% of all statewide public transit passenger miles. Ridership peaked in FY2016 with 137.7 million annual trips and averaged 460,730 daily weekday riders.

Even prior to the COVID-19 pandemic, BART ridership had started to decline. By FY2019, annual ridership fell from its FY2016 peak to 128.2 million annual trips (443,123 average weekday boardings). Independent studies attribute this decline to factors including lower gas prices, more dispersed job locations, and increased ride-hailing (e.g., Lyft or Uber) options. Passenger miles traveled fell 1.0% over the same period. This metric measures the total distance covered by all riders and is closely tied to fare revenue in a distance-based system, where fares vary by origin and destination station.

At the same time, BART expanded its network, opening the Warm Springs/South Fremont station in March 2017 and the eBART extension to Antioch in May 2018. This increased revenue miles (the total distance traveled by trains while in passenger service) by 12.3% and revenue hours (the total hours those trains were available to carry passengers) by 9.5%. The result was a system growing its service capacity while its fare-generating ridership declined—more trains running more miles for more hours, carrying fewer paying passengers.

The Farebox-Dependent Financial Model

In FY2015, passenger fares generated \$464 million, covering 78% of BART’s total operating expenses. By FY2019, BART’s farebox recovery ratio—the percentage of operating costs covered by passenger fares—was 66.7%, according to Federal Transit Administration National Transit Database data. Rail transit agencies nationwide averaged 32% of operating costs recovered from fares during the same period, meaning BART recovered more than twice the national average from passenger fares and correspondingly less from public subsidies. A

financial model in which passenger fares fund two-thirds of operating costs is directly exposed to sustained declines in ridership—the condition that resulted from the pandemic.

The Pandemic Disruption and Ridership Collapse

In April 2020, following the March 16, 2020 Shelter-in-Place order, BART's daily weekday ridership fell from an average of 410,000 trips to approximately 25,000 trips. Within a few weeks, ridership declined by 93% and remained at roughly 10% of pre-pandemic levels through the end of 2020. Ridership began to slowly recover in FY2021 and has continued to grow modestly year over year. As of early 2026, however, total trip ridership remains at 50% of pre-pandemic levels. Travel patterns have shifted. Regional transportation studies note that the growth of hybrid work arrangements has reduced the demand for traditional peak-hour commute service. Weekends and off-peak periods are rebounding faster than traditional peak hours, and commutes are more dispersed than before the pandemic.

Passenger miles traveled, the metric most closely tied to fare revenue, in FY2025 amounted to 44.6% of the FY2019 pre-pandemic baseline. Year-over-year improvement has slowed from an increase of 9.0% between FY2022 and FY2023 to 2.3% between FY2024 and FY2025, indicating that the pace of recovery has slowed in recent years.

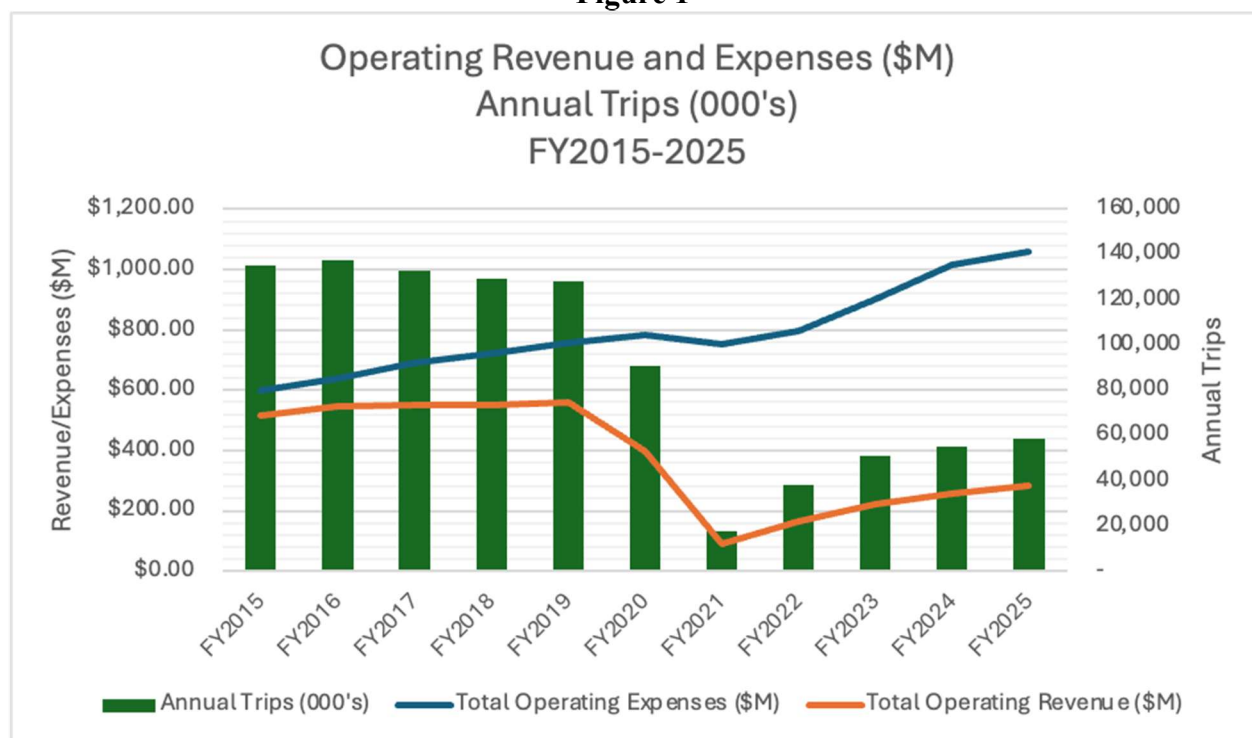


Source: Grand Jury

The Structural Financial Crisis Metrics

A structural deficit exists when recurring operating revenues cannot cover recurring operating expenses, independent of one-time funding sources. BART is in precisely that condition. As Figure 1 illustrates, BART's farebox recovery ratio (calculated from revenue and expense data in Figure 1) declined sharply following the pandemic. Fares covered 64% of operating costs in FY2019. That figure fell to 17% in FY2022 and has recovered to 25% in FY2025—less than the 66.7% pre-pandemic level.

Figure 1



Source: BART Financial Information

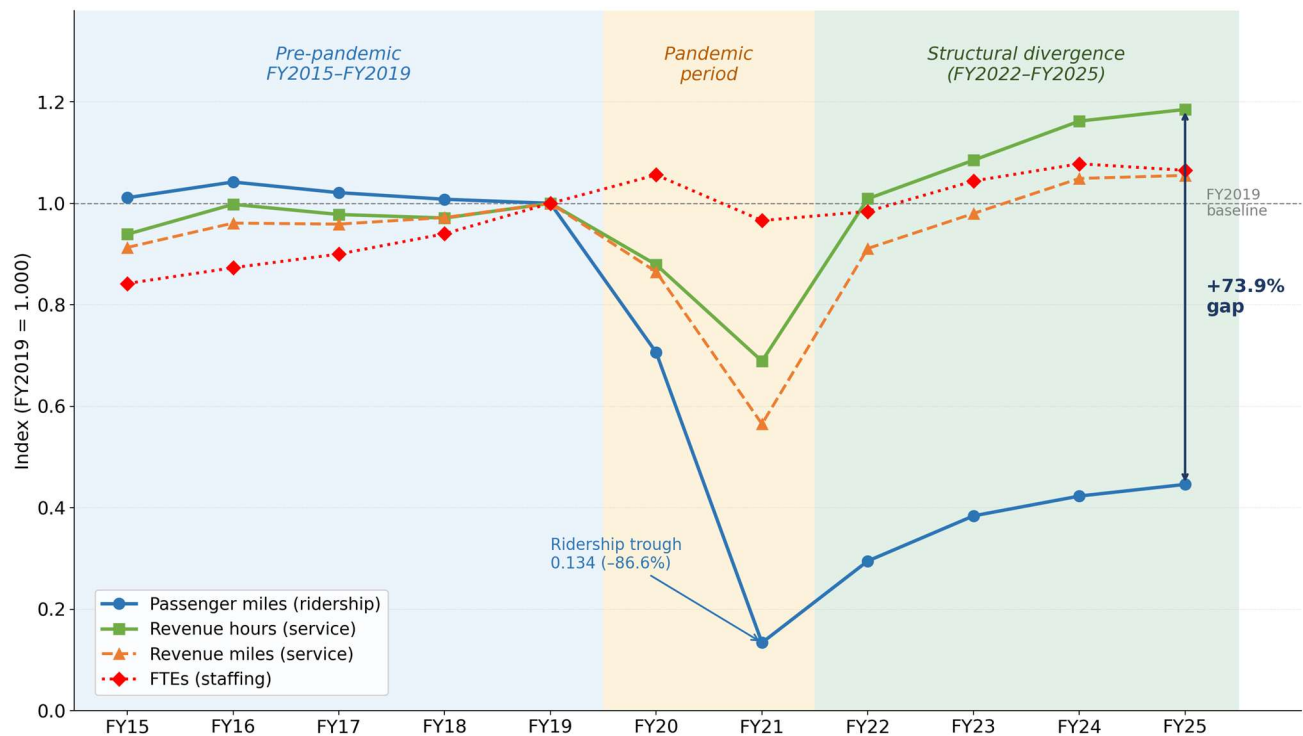
BART's FY2026 adopted operating budget of \$1.15 billion is balanced by drawing on the final installment of approximately \$2 billion in one-time federal and state emergency assistance that has sustained operations since FY2020. After FY2026, that funding will be exhausted. BART's FY2027 Preliminary Operating Budget, presented to the Board on March 31, 2026, projects \$1.102 billion in expenditures. That budget incorporates \$97.9 million in new borrowing, a \$59.3 million shift in sales tax revenue recognition methodology, and \$68 million in deferred contributions to the Retiree Health Benefits Trust—measures that BART's General Manager acknowledged in the FY2027 Preliminary Operating Budget are “not best practices.” Absent those measures, the FY2027 structural operating deficit stands at \$375 million.

Operational Trend Analysis

By FY2025, BART operated 18.5% more service hours than in FY2019 while recording only 44.6% of pre-pandemic passenger miles. Figure 2 below converts Passenger Miles Traveled, Revenue Hours, Revenue Miles, and employee Full-Time Equivalents (FTEs) to a FY2019 index, making their differing trends directly comparable over time. Each value is shown relative to a base year, with 1.00 representing FY2019. Unlike Figure 1, which focuses on revenue and costs, this figure illustrates the relationship between service levels and ridership demand.

Figure 2

BART Operational Metrics, FY2015-FY2025 (Indexed to FY2019 = 1.000)



Sources: BART Comprehensive Annual Financial Reports (FY2015–FY2025); FTA National Transit Database; BART Quarterly Financial Reports.

Pre-pandemic FY2015–FY2019

Ridership and service converging. Ridership starts to decline. Gap narrows from -7.2% to -3.7% , the system's closest approach to efficiency.

Pandemic collapse FY2021

Ridership plummets to 13.4% of baseline while staffing drops to 96.6%. Service-to-ridership gap spikes to $+55.5\%$.

Structural divergence FY2025

Service supply exceeds FY2019 ($+18.5\%$ hours, $+7.8\%$ FTEs). Ridership stalls at 44.6%. Gap: $+73.9\%$ — no trend toward closure.

Figure 2 shows that by FY2025 there was a 73.9% service-to-ridership gap (the difference between the amount of service provided and the level of ridership demand) that has not materially narrowed based on recent data. This divergence—more service supplied than riders to use it—is the operational condition that the following cost structure analysis shows cannot be resolved through service reductions alone. The system that once moved 128 million annual passenger trips now supports approximately 59 million trips annually. The number of staff required to keep the system running has increased 7.8% since FY2019, while ridership has been cut in half. This mismatch between staffing levels and ridership is associated with operating cost pressures that contribute to the projected \$375 million structural deficit.

The Rail Service Plan is the document through which the Board approves the system's service structure for each fiscal year, including train frequency, operating hours, and service changes. The Grand Jury reviewed BART's FY2027 Rail Service Plan, presented to the Board on April 23, 2026, and found that it does not include a formal framework defining target service levels relative to ridership demand or measurable utilization thresholds. In the absence of such a framework, the Board has no established criteria for evaluating whether current service levels are appropriately calibrated to actual passenger demand.

BART's Response to the Fiscal Crisis

Safe and Clean Plan

BART has identified ridership recovery as a primary objective of the Safe and Clean Plan. The Safe and Clean Plan is a system-wide strategy launched in the early 2020s to improve safety and cleanliness—conditions BART's own customer satisfaction surveys identified as the top priorities among riders following the pandemic. The program focuses on improving the rider experience through increased police presence, expanded cleaning crews, improved lighting, modernized fare gates designed to reduce fare evasion, and enhanced monitoring through surveillance cameras and station staffing. BART also introduced operational changes such as operating shorter trains to concentrate riders in fewer cars to improve safety and allow staff to better monitor activity.



Source: Grand Jury

A review of crime and performance reports shows these initiatives have reduced reported crime per rider, decreased fare evasion, and improved rider satisfaction ratings related to cleanliness and overall system conditions. BART's budget documents acknowledge, however, that improved rider experience metrics have not returned ridership to pre-pandemic levels, and the Safe and

Clean Plan's contributions to fare revenue recovery address only a portion of the \$375 million structural deficit projected in BART's FY2027 Preliminary Operating Budget.

Cost-Reduction Initiatives

BART characterizes its cost-saving strategies since the onset of the pandemic in four areas:

1. Service Adjustments: At the start of the pandemic, BART cut service by 40%, which saved \$25 million in FY2020 and nearly \$100 million in FY2021. The agency also stopped a planned off-peak service expansion (saving roughly \$30 million per year). .

2. Workforce and Structural Right-Sizing: In May 2020, BART eliminated 672 vacant jobs. Later that year, the Board introduced a District Retirement Incentive Program, leading to 287 retirements in March 2021. Although BART paid \$14.1 million in incentives, it achieved \$18.5 million in net savings for FY2022 due to lower staffing costs. Further actions included freezing hiring for 45 positions in FY2025, not granting wage increases to most employees in FY2022, canceling the addition of 76 police officers, consolidating headquarters space by one-third, and applying a 5% non-payroll budget reduction in FY2026.

3. Capital and Operational Efficiencies: The rail car fleet replacement was completed at \$395 million under budget. Beginning in FY2024, BART reduced train length, saving approximately \$8 million annually in energy costs. In FY2022, BART ended operating subsidies to the San Francisco Municipal Transportation Authority and AC Transit, saving \$48 million annually. Improved overhead cost accounting, implemented in FY2026, produces approximately \$3 million in annual savings.

4. Cash Flow and Liability Management: These efforts focus on shifting some expenses into the future. BART refinanced debt to save \$6.5 million in FY2026, postponed prepayments for retiree health and pensions to free up more than \$50 million a year in FY2026–27 (although this will increase costs by about \$8 million annually starting in FY2028), and deferred \$197 million in planned capital contributions through FY2027.

While some measures have produced permanent savings, others defer costs rather than eliminate them, which increases long-term liabilities in exchange for near-term budget relief.

Revenue Enhancement Initiatives

BART has pursued the following revenue initiatives to increase operating revenue:

- New faregate installation to reduce fare evasion: \$8–\$10 million in additional annual revenue
- Clipper BayPass: \$7 million
- Leases of underutilized parking lots: approximately \$1 million
- Fiber and cellular leases: \$7.8 million
- Transit-Oriented Development ground leases: approximately \$2 million
- Low Carbon Fuel Standard credits: \$16 million

These initiatives generate \$43–\$45 million in new annual recurring revenue above the FY2025 baseline, addressing approximately 11% of the projected \$375 million structural deficit.

BART's Long-Range Financial Plan is the primary instrument through which the Board evaluates long-term fiscal sustainability. The FY2027 Preliminary Operating Budget incorporates BART's current Long-Range Financial Plan projections. The Grand Jury's review of BART's FY2027 Preliminary Operating Budget found that the plan does not establish measurable targets for non-fare revenue as a percentage of total operating revenue. The plan does not include a formal strategy for reducing structural dependence on passenger fares.

BART's Cost Structure and the Limits of Service Reductions

BART, like other major heavy rail systems, has a cost structure where most expenses do not change even if service is reduced. Fixed costs include maintaining tracks, stations, infrastructure, and administrative operations. Whether trains run frequently or less often, these costs largely stay the same. Only a small portion of BART's costs is variable, meaning costs go up or down depending on how much service is provided. For example, electricity and staffing are tied directly to train operations. Operating data show this clearly: during the pandemic, BART reduced service by about 40%, closing earlier and running fewer trains, while operating costs only dropped by about 12%. In other words, large service cuts produced small savings. BART's own cost model confirms this. Based on its FY2025 costs of about \$1.06 billion:

- About 37% (\$394 million) of costs change with service levels
- About 36% (\$385 million) are somewhat flexible, but not directly tied to service levels
- About 27% (\$282 million) are completely fixed and do not change with service levels

The latter two points indicate that roughly 63% of BART's costs do not significantly decrease when service levels are reduced. Since most of BART's expenses are somewhat fixed, cutting service alone is not sufficient to close its financial gap.

When ridership falls, revenue drops. This often pressures agencies to cut service or raise fares—actions that inadvertently drive away even more riders. The Federal Transit Administration and academic transportation researchers have documented this dynamic, commonly referred to as a “transit death spiral.”

A 2024 peer-reviewed study published in *Transportation Research Record* found that transit ridership demand has become more responsive to service changes since COVID-19, meaning that service reductions now carry a greater risk of accelerating ridership decline than at any prior measured point. The study's findings indicate that riders who have access to alternative transportation, including personal vehicles, remote work arrangements, or ride-hailing services, are more likely to reduce or discontinue transit use when service levels decline. Riders without alternatives may continue using the system but face increased difficulty accessing essential destinations if service frequency or coverage is reduced. In other words, the riders most likely to stay when service declines are those least able to pay higher fares or ride more frequently — limiting BART's ability to recover fare revenue through the remaining ridership base.

Peer Benchmarking Analysis (FY2024)

The Grand Jury compared BART to six peer heavy rail systems using FY2024 data from the Federal Transit Administration's National Transit Database (see Appendix C). These systems operate heavy rail service in major urban regions with characteristics comparable to BART and have been referenced by BART as peer systems for benchmarking purposes. The six metrics analyzed divide into two categories. The first, cost per revenue hour, is an input measure of operational efficiency. The remaining four are output and effectiveness measures: how many riders per service hour; what each rider costs to serve; what each passenger mile costs; and what share of operating costs riders pay through fares (farebox recovery). Labor as a percentage of total operating costs is included as context because labor is the dominant cost driver in heavy rail systems and directly affects all four output metrics.

Analysis of the data indicates that BART's cost structure is relatively high, and it carries fewer riders relative to the level of service it operates when compared to its peers. BART's operating cost per revenue hour (\$374.50) is the second highest in the peer group, driven by a labor share of 73.2%. At 23.4 passenger trips per revenue hour, BART carries fewer riders per hour of service than any peer system, less than a quarter of the peer group's highest performing system of 100.2. That low utilization rate drives BART's cost per trip to \$16.00, the highest among peers. BART's cost per passenger mile (\$1.15, third in the peer group) is more favorable, but that is a function of the system's long average trip distances rather than operational efficiency.

Those long trips have not produced commensurate fare revenue: farebox recovery at 24.9% remains near the peer midpoint, and below the two highest-performing peer systems in the group—33.7% and 44.5%. This combination—the highest service hours per passenger in the peer group and the second highest cost per service hour—defines the structural cost challenge the peer data reflect. BART operates more service per rider than any peer system analyzed, at a cost per hour that rivals the most expensive systems in the group.

Fiscal Responses and Resolution Pathways

The following sections examine the Grand Jury's analysis of additional cost savings opportunities within BART's current operational framework, and the two resolution pathways BART has identified to address its structural deficit.

Opportunities for Additional Cost Savings

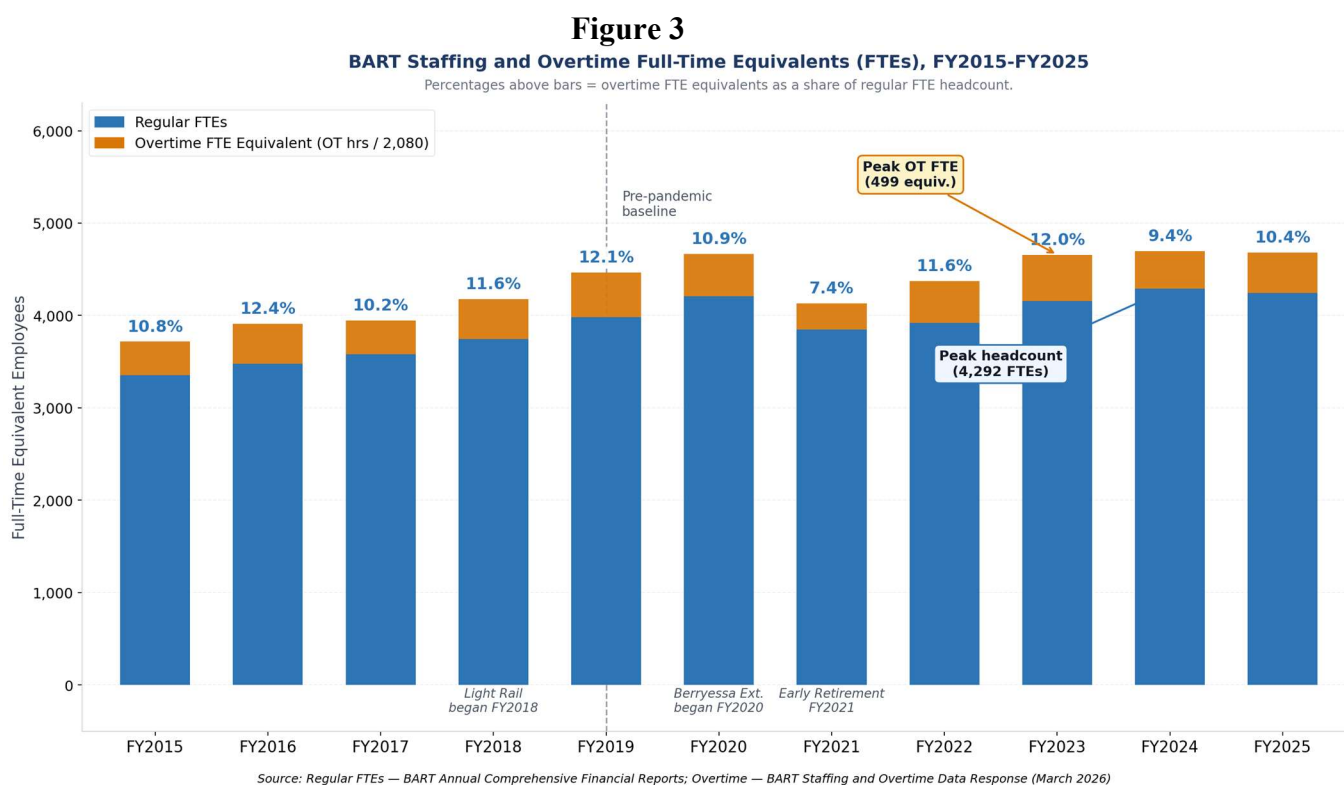
BART's five collective bargaining agreements (CBAs), covering 85% of BART's employees, govern the terms under which BART incurs its largest operating cost. Labor represents 73% of BART's operating costs and is partially driven by operational, safety, and regulatory requirements that mandate certified operators and continuous staffing of critical functions.

The CBA provisions limit management's ability to adjust labor costs in response to changing service levels or financial conditions. Specifically, minimum staffing levels are often tied to maintaining coverage at physical locations, stations, and facilities rather than to the level of service being operated. This means that even when train service is reduced, staffing levels cannot be reduced proportionally. In addition, workforce protections operate in a largely one-directional

manner: staffing levels, job protections, and work rules may expand over time but are difficult to scale back, even when operational needs change.

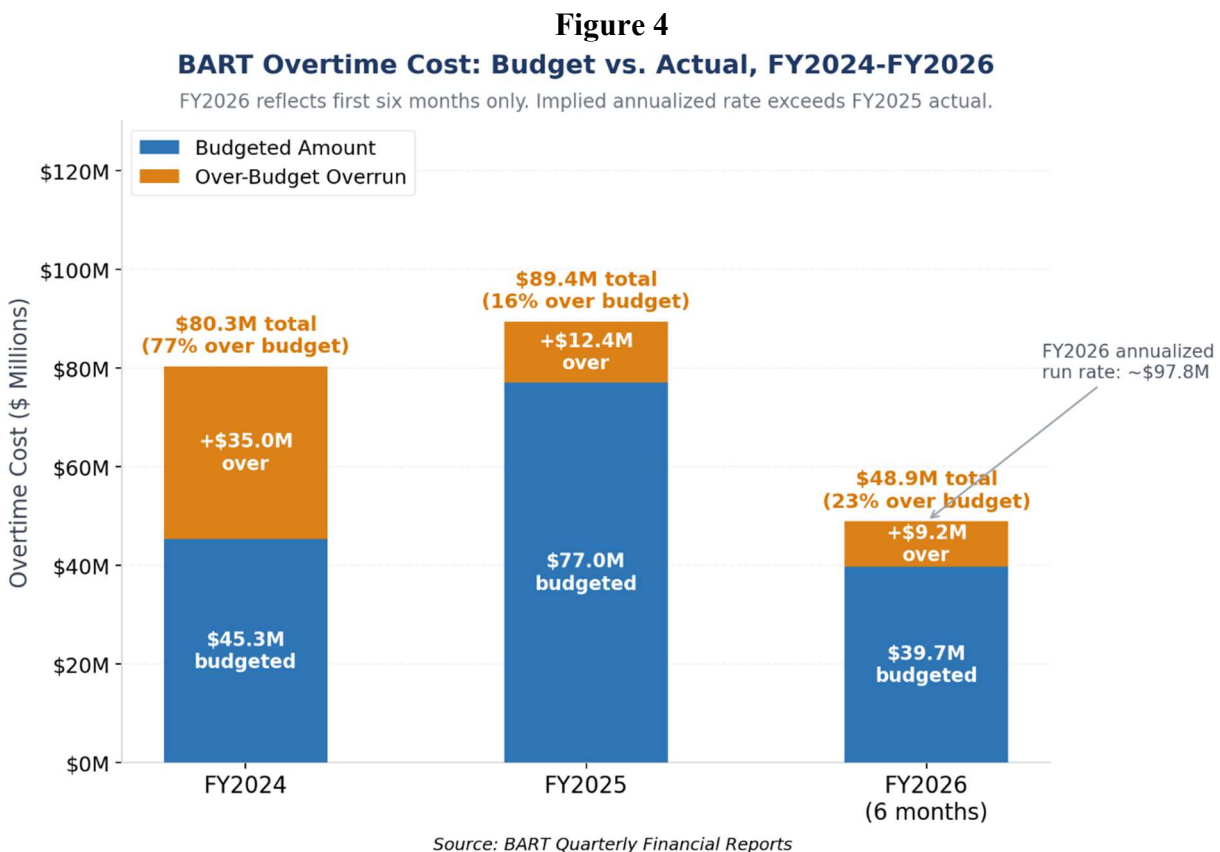
Some CBAs include overtime pay requirements triggered by scheduling conditions, such as shift changes or missed breaks, that are not separately tracked or analyzed. The Grand Jury's review of BART's Quarterly Financial Reports found that these obligations are not separately tracked or analyzed in BART's financial reporting, limiting management's visibility into this component of labor. Finally, BART's ability to contract out work is constrained by the provisions of multiple CBAs, which create procedural barriers to outsourcing even where it might be cost effective.

Figure 3 below presents BART's staffing picture: regular FTEs alongside the overtime FTE equivalent (total overtime hours divided by 2,080 standard annual hours) for each year from FY2015 through FY2025. The combined total represents the full labor input BART deployed in each fiscal year, regardless of how that labor was classified for payroll purposes.



The chart shows that BART's overtime consistently ranged from 9.4% to 12.4% of regular FTEs over the past decade, except during FY2021, when COVID-related service reductions and an early retirement program temporarily depressed the ratio. The simultaneous occurrence of peak regular headcount (4,292 FTEs, FY2024) and peak overtime labor equivalent (499 FTEs, FY2023) in consecutive fiscal years is instructive. BART's data indicate that overtime obligations are embedded in the operational model and are not driven by staffing shortfalls.

Figure 4 presents BART’s overtime expenditures against budgeted amounts for FY2024, FY2025, and the first half of FY2026, highlighting a consistent pattern of recurring variances between budgeted and actual overtime costs.



The Grand Jury reviewed eight BART Quarterly Financial Reports (QFRs) from FY2024 and FY2025 to determine whether they provide the Board and management with sufficient analytical detail to understand and manage overtime costs. All eight reports show whether spending was above or below budget, but none explain the operational causes of overtime; distinguish among overtime driven by staffing shortages, absence coverage, emergencies, or scheduling inefficiencies; or set a management target and measures progress toward it. The FY2025 Year End presentation added a departmental breakdown and suggested that California’s expanded sick leave laws may be increasing absenteeism-related backfill overtime but provided no absenteeism data to support that observation and did not connect it to a corrective plan. Overtime expenditures that consistently exceed budgeted amounts by double-digit percentages across multiple fiscal years indicate that BART’s budgeted overtime amounts have not kept pace with actual overtime expenditures.

Transportation—the department accounting for 41% of total overtime expenditure—exceeded its FY2025 overtime budget despite the prior year’s QFRs identifying increased hiring as the remedy. The FY2025 reports do not document whether that hiring occurred or explain why overtime expenditures continued to exceed budgeted amounts. The QFRs do not identify overtime drivers by cause or category. Without overtime reporting that identifies expenditures by

cause or category, the Board cannot determine from the QFRs whether overtime is driven by controllable factors or structural and contractual obligations, or whether budgeted overtime amounts reflect BART's actual overtime experience.

The Legislative Response to the Region's Transit Financial Crisis

Senate Bill 63 (SB 63), the Connect Bay Area Act, signed by California Governor Gavin Newsom on October 13, 2025, authorizes the Connect Bay Area Measure for the November 3, 2026, ballot. The measure proposes a 0.5% sales tax in Alameda, Contra Costa, San Mateo, and Santa Clara counties, and a 1% tax in San Francisco. If approved, the Measure is projected to generate approximately \$975 million annually for 14 years. Ballot qualification now depends on an independent citizen's initiative signature-gathering effort.

BART's projected annual allocation under the Measure is approximately \$310 million, based on its share of regional transit ridership and projected operating need. Approximately \$45 million per year is designated for rider-focused initiatives, including fare discounts, free or reduced-cost transfers, accessibility improvements, and regional transit signage enhancements.

BART's FY2027 Preliminary Operating Budget, presented to the Board on March 31, 2026, projects that the Measure's projected \$310 million annual allocation is less than the \$375 million FY2027 structural deficit. Additional cost reductions or revenue measures will be required to achieve a balanced budget in FY2027. The five-year forecast (FY2027-FY2031) further indicates that even with Measure revenues beginning in FY2028, cumulative net deficits over the four-year period FY2028 through FY2031 will total approximately \$192 million. BART's forecast does not identify a combination of measures sufficient to achieve structural balance without both Measure revenues and additional cost reductions.

BART's Alternative Service Plan

On February 26, 2026, the Board gave initial approval to the FY2027 Alternative Service Plan. The plan would be implemented in January 2027 if the Connect Bay Area Measure is not approved by voters and no alternative revenue source is secured. It is intended to address a projected operating deficit of approximately \$375 million in FY2027, growing to a projected cumulative \$1.475 billion over four years.

The plan includes potential operational changes such as adjustments to service frequency, operating hours, staffing levels, and other cost-reduction measures. Before implementation, the Board must adopt a revised FY2027 budget and vote separately on any proposed station or segment closures. Final votes are scheduled for November and December 2026 should the Measure fail.

From Financial Crisis to Governance Accountability

BART's fiscal challenges are compounded by conditions in its governance and oversight structures that affect the Board's access to complete, timely, and independent analysis of agency performance. The investigation found conditions in which that capability is not fully supported. The following sections document specific deficiencies in the authority and functioning of the

Audit Committee, the independence and reporting practices of Internal Audit, and the implementation of OIG recommendations—conditions that limit the completeness and independence of the oversight information available to the Board.

Governance and Oversight

Governance Authority Over Internal Audit

At BART, the Audit Committee Charter limits the Committee's role to reviewing, not approving, the Internal Audit Charter or the annual risk-based audit plan. BART's Internal Audit Charter and Audit Committee Charter both assign final approval authority to executive management rather than the Audit Committee. IIA Standards 6.2 and 6.3 require that this authority rest with the governing body. The current structure does not conform to that requirement.

Organizational Placement and Structural Independence

GAGAS Section 3.44 identifies placement of an audit function within the reporting line of the areas it audits as a structural threat to independence. GAGAS Sections 3.52 and 3.56 require that the head of internal audit be located outside the staff or line management of units under audit and have direct access to those charged with governance. IIA Standard 7.1 separately requires the board to establish a direct reporting relationship with the CAE and to position Internal Audit to perform its work without management interference.

BART's Internal Audit Charter states that Internal Audit functionally reports to the Audit Committee. The organizational chart (Appendix B), however, places Internal Audit within the executive management hierarchy, reporting through the Director of Performance and Audit and Chief Financial Officer to the General Manager. The chart does not show a direct reporting line to the Audit Committee. Internal Audit's organizational placement directly affects its independence.

Misalignment Between Governing Documents and Organizational Structure

IIA Standards 6.1 and 7.1 require that internal audit's authority, positioning, and reporting relationships be clearly defined and consistently reflected across governance frameworks. At BART, three documents govern these matters: the Internal Audit Charter, the Audit Committee Charter, and the organizational chart. These documents are inconsistent with one another in material respects.

The Internal Audit Charter states that Internal Audit reports functionally to the Audit Committee—meaning the Committee is responsible for overseeing Internal Audit's work, approving its plans, and receiving its findings. The Audit Committee Charter, however, provides that the Committee's role is to review, not approve, the Internal Audit Charter and annual audit plan, with approval authority residing with executive management. The organizational chart places Internal Audit within the executive management hierarchy reporting through the Chief Financial Officer, with no direct reporting line to the Audit Committee depicted. The result is lack of clarity about where authority over Internal Audit actually resides.

Independence Safeguards

BART's Internal Audit Manual incorporates independence safeguards including conflict-of-interest disclosures, restrictions on performing operational duties, and procedures for identifying threats to independence, consistent with GAGAS Sections 3.30–3.32 and IIA Standard 2.1.

These safeguards address general independence risks but do not address the structural threat created by Internal Audit's placement within management. The most significant gap involves audits of functions within the Chief Financial Officer's span of control—the same executive to whom Internal Audit reports administratively. Auditing an area managed by the executive you report to creates an inherent independence risk that general safeguards do not resolve.

GAGAS Sections 3.46–3.49 require that when this type of structural threat exists, auditors must document the threat, the safeguards applied, and a conclusion on whether independence has been maintained. The Grand Jury found no such documentation for Internal Audit's engagements within the Chief Financial Officer's (CFO) span of control. Without it, there is no documented basis for concluding that independence has been maintained—a condition GAGAS treats as an independence impairment.

Internal Audit Reporting to the Audit Committee

As of December 2025, the Audit Committee has held 28 meetings since its inception on January 14, 2021. The OIG presented at 24 of these meetings, while Internal Audit presented at 10, averaging two presentations per calendar year. The Internal Audit Charter requires the Manager of Internal Audit to “report periodically to the Audit Committee and senior management” regarding the audit function's purpose, performance relative to plan, budget status, and management responses to audit findings. Neither the Charter nor governing regulations define a specific numerical frequency (such as quarterly) for these periodic reports.

Professional auditing standards, however, establish frameworks regarding the nature and completeness of oversight communications:

- **IIA Standard 11.1** requires the Chief Audit Executive to communicate with the board to discuss the department's performance relative to its plan.
- **IIA Standard 11.2** mandates that internal audit communications be complete and timely.
- **IIA Standard 15.1** requires that the results of audit engagements, including conclusions and recommendations, be communicated to intended users.
- **GAGAS Standard 9.57** requires the distribution of reports to officials with oversight responsibility to ensure results are given due consideration.

A review of Audit Committee materials indicated that complete, unedited audit reports were not routinely distributed to the Committee members as a standard practice. Instead, Internal Audit provided executive summaries of audit activities during their 10 meeting appearances. Management stated that this reporting approach—utilizing summaries rather than full reports and focusing presentations on specific intervals—was intentionally designed to maintain collaborative working relationships with auditees.

Internal Audit Public Transparency and Accountability

Internal Audit recently added a webpage on BART's website that includes the Internal Audit Charter and annual activity reports containing summarized versions of audit findings. The webpage does not include the annual audit plan, completed audit reports, or the status of audit recommendation implementation.

GAGAS Section 9.56 requires that audit organizations make completed audit reports publicly available unless distribution is specifically limited by the terms of the engagement, law, or regulation. The Grand Jury found no documented engagement term, legal restriction, or regulatory limitation that would preclude public availability of Internal Audit's completed audit reports or annual audit plan. Activity report summaries do not constitute the completed audit reports that Section 9.56 requires to be made publicly available.

The OIG publishes completed audit reports, recommendations, and implementation status on its public website. Both the OIG and Internal Audit report to the same governing Board and serve oversight functions within BART. The difference in public availability of audit materials between the two functions is not explained by any documented engagement term, legal restriction, or regulatory limitation identified during this investigation.

Risk Assessment and Audit Plan Development

An annual audit risk assessment is a systematic process to identify, evaluate, and prioritize organizational risks to guide audit resource allocation. IIA Standard 9.3 requires the head of internal audit to establish methodologies to guide internal audit in a systematic and disciplined manner, including the function's approach to assessing risks for the organization. IIA Standard 9.4 requires the annual audit plan be based on a documented assessment of the organization's strategies, objectives, and risks, informed by input from the governing board and senior management and performed at least annually.

The BART Internal Audit Manual (Manual) describes the risk assessment process, stating that, "[t]he primary method of selecting an area to audit is by performing a risk assessment." The Manual lists six commonly applied risk categories: Financial & Compliance Risk, Security & Safety Risk, Operational & Strategic Risk, Image & Reputational Risk, Complexity of Implementation, and Time Since & Results of Last Audit.

The Manual's risk assessment description does not include documented scoring criteria for evaluating risks within those categories, a defined method for weighting categories relative to one another, a specified process for gathering risk information across the organization, or documentation requirements for the assessment. IIA Standard 9.3 requires that methodologies guide the internal audit function in a systematic and disciplined manner, including the function's approach to assessing organizational risk. The Manual's description does not demonstrate that the risk assessment process operates in that manner.

At a 2024 Audit Committee meeting, Internal Audit presented its 2025 annual audit plan. The Grand Jury's review of that presentation found that the plan relied in part on internal surveys to

identify risks. IIA Standard 9.4 requires that the risk assessment be informed by input from the board and senior management. The Grand Jury found no documentation of Audit Committee or Board input into the 2025 risk assessment prior to the plan's presentation.

Selection of the External Auditor and Audit Committee Oversight

The Audit Committee Charter requires the Committee to recommend to the Board the selection, compensation, and oversight of the external audit firm. The external auditor independently attests to the fairness of BART's financial statements and reports on compliance with applicable laws and federal grant requirements.

Documentation reviewed indicates that the Audit Committee involvement in the external audit procurement was limited in the 2020 and 2025 cycles. In both cycles, BART staff issued a Request for Proposal (RFP) for external auditor procurement without prior Committee review. The Committee was not provided the RFP or responses. The Committee was forced into a reactive position after critical decisions, such as evaluation criteria and scope, were already set by staff, undermining its ability to perform its responsibilities.

During public meetings, the Audit Committee reported "unclear roles and insufficient information" due to being involved late in the process. Key criteria such as "Qualifications" were assigned weighting without Committee input, influencing firm eligibility. Additionally, Committee members indicated that their late involvement, after key evaluation criteria had been established, limited their capacity to provide independent oversight of the procurement process.

The Audit Committee Charter assigns the Committee a defined role in recommending external auditor selection to the Board. The documented procurement process in both the 2020 and 2025 cycles did not reflect that role.

Audit Committee Responsibilities: Code of Conduct

Beyond its oversight of the Internal Audit function and external audit procurement, the Audit Committee has specific responsibilities outlined in its Charter. One such responsibility is the biennial review of BART's Employee Code of Conduct. This requirement ensures that BART's ethical standards and expectations remain current, relevant, and effectively communicated to all employees.

A review of BART's Board-adopted policies section on its website reveals that the current Employee Code of Conduct was adopted in 2013. An examination of the Audit Committee's meeting agendas since its inception in 2021 reveals that the Employee Code of Conduct has not been reviewed by the Committee. The Committee has not fulfilled this charter responsibility.

Implementation of OIG Audit Recommendations

The OIG conducted two audits directly relevant to BART's structural cost challenges: a 2024 span of control audit and a 2025 overtime management audit. The Grand Jury confirmed the implementation status of each recommendation. Four of the five recommendations from the 2025 overtime management audit remain unimplemented at the time of this report. BART

implemented one of the five OIG overtime management recommendations by requiring the use of Override Reason Codes in its PeopleSoft timekeeping system, making it mandatory for supervisors to identify the reason overtime is approved at the time of authorization. BART has indicated that data generated through this process is expected to provide additional insight into the primary drivers of overtime expenditure. All five recommendations from the 2024 span of control audit remain unimplemented at the time of this report.

Nine of ten OIG recommendations across both audits remain unimplemented. Without implementation of the overtime management recommendations, BART's budget process cannot produce reliable overtime projections, and the Board cannot distinguish controllable overtime from overtime required by structural or contractual obligations. Without implementation of the span of control recommendations, BART cannot systematically evaluate whether its supervisory structure is appropriately sized relative to operational requirements.

The Interconnected Challenges Facing BART

This investigation leads to two interconnected conclusions. The first is structural and financial; the second is institutional. They are intertwined and together define the challenges BART faces.

Structural and Financial Challenges

BART's FY2027 Preliminary Operating Budget, presented to the Board on March 31, 2026, identifies a projected \$375 million structural deficit. This reflects a sustained imbalance where ongoing operating costs consistently exceed the recurring revenues BART expects to collect.

Before 2020, BART utilized a revenue model highly dependent on ridership. Following the pandemic, structural shifts in commuting behavior caused a steep decline in ridership. Existing revenues, cost-reduction measures, and current ridership recovery trends are not sufficient to restore financial balance.

Due to the fixed-cost nature of heavy rail systems, service reductions alone produce limited cost savings and risk accelerating ridership loss. While BART's cost-reduction initiatives since 2020 have produced real savings, they only address approximately 11% of the projected structural deficit.

BART has identified the Connect Bay Area Measure as its primary potential source of new revenue. However, even if the Measure passes, BART's own five-year forecast projects a cumulative residual deficit of approximately \$192 million through FY2031. This indicates that the Measure alone will not achieve structural balance, and additional cost reductions or revenue generation will be required to close the gap.

Institutional Challenges

The Grand Jury's investigation also identified institutional conditions in BART's governance and oversight structures. Specifically, the investigation found that:

- BART's Internal Audit function does not fully conform to IIA and GAGAS standards regarding organizational independence, Audit Committee approval authority, reporting practices, risk assessment methodology, and public transparency.
- The Audit Committee's involvement in external auditor procurement has been limited, and complete Internal Audit reports have not been provided to the Committee.
- BART's QFRs do not identify overtime expenditure drivers by cause or category.
- Nine of ten OIG recommendations from the 2024 span of control audit and 2025 overtime management audit remain unimplemented.
- The Employee Code of Conduct, adopted in 2013, has not been reviewed by the Audit Committee since its inception in 2021, despite a charter requirement for biennial review.

The conditions documented in this investigation indicate that BART's governance and oversight structures do not fully operate in conformance with the requirements of IIA and GAGAS professional auditing standards or with the responsibilities defined in BART's own governing documents. Without reporting that identifies overtime drivers by cause or category, the Board cannot distinguish controllable overtime from structurally obligated overtime or evaluate whether management's corrective actions are producing results. Without complete and timely reporting from Internal Audit, the Board does not consistently receive the independent analysis the Internal Audit Charter and professional auditing standards require.

FINDINGS

F1. In FY2019, passenger fares generated \$520 million in revenue, covering 66.7% of the Bay Area Rapid Transit District's (BART) total operating expenses, nearly double the national heavy rail average of 32%, according to Federal Transit Administration National Transit Database data.

F2. BART's financial model depends on passenger fares for approximately two-thirds of its operating revenue, making the agency vulnerable to sustained declines in ridership.

F3. BART's annual ridership peaked at approximately 132 million trips in FY2016 and declined 5.2% to 128.2 million trips by FY2019, according to BART's National Transit Database reporting.

F4. Ridership had begun declining prior to the pandemic due to factors including lower gas prices, more dispersed job locations, and increased ride-hailing.

F5. In FY2025, passenger miles traveled amounted to 44.6% of the FY2019 figure, with year-over-year improvement slowing from 9.0% between FY2022 and FY2023 to 2.3% between FY2024 and FY2025.

F6. In Fiscal Year (FY) 2025, BART operated 18.5% more service hours than in FY2019 while recording 44.6% of FY2019 passenger miles.

F7. The gap between BART's service hours index and passenger miles index widened from 55.5% in FY2021 to 73.9% in FY2025, with no trend toward closure based on data through FY2025.

F8. Approximately 63% of BART's FY2025 operating costs are fixed or semi-fixed and do not decline proportionally with service reductions.

F9. Between FY2019 and FY2021, BART reduced service by approximately 40% while operating costs declined by only approximately 12%, demonstrating that large service reductions produce limited cost savings due to the fixed-cost nature of heavy rail operations.

F10. BART's FY2027 Preliminary Operating Budget, presented to the BART Board of Directors (Board) on March 31, 2026, projects a \$375 million structural operating deficit beginning in FY2027.

F11. BART's operating cost model, as documented in the FY2027 Preliminary Operating Budget, indicates that service reductions alone cannot close the \$375 million structural deficit.

F12. BART's cost-reduction strategies include both permanent savings and temporary cost deferrals, including \$197 million in deferred capital contributions through FY2027 and a retirement incentive program that generated \$18.5 million in net FY2022 savings but increased long-term retiree medical and pension obligations projected to begin in FY2028.

F13. BART has pursued revenue enhancement initiatives including new faregate installation (\$8–\$10 million), Clipper BayPass (\$7 million), fiber and cellular leases (\$7.8 million), parking lot leases (approximately \$1 million), Transit-Oriented Development ground leases (approximately \$2 million), and Low Carbon Fuel Standard credits (\$16 million).

F14. BART estimates its planned revenue enhancement initiatives will generate approximately \$43–\$45 million in annualized recurring revenue above the FY2025 baseline, addressing approximately 11% of the projected \$375 million structural deficit, according to BART's FY2027 Preliminary Operating Budget.

F15. The Connect Bay Area Measure is a regional sales tax authorized by Senate Bill 63 for the November 3, 2026 ballot, proposing a 0.5% tax in Alameda, Contra Costa, San Mateo, and Santa Clara counties and a 1% tax in San Francisco, projected to generate approximately \$975 million annually across the five-county area for a period of 14 years.

F16. BART has identified the Connect Bay Area Measure as the primary mechanism to address its projected structural deficit, with BART's projected annual allocation of approximately \$310 million.

F17. BART's FY2027 Preliminary Operating Budget projects that the Connect Bay Area Measure's \$310 million annual allocation to BART is less than the \$375 million FY2027 structural deficit, and that the Measure alone will not achieve structural balance in FY2027.

F18. BART's five-year financial forecast (FY2027-2031) projects cumulative net deficits of approximately \$192 million through FY2031 even with Connect Bay Area Measure revenues beginning in FY2028, and projects that additional cost reduction or revenue measures will be required to achieve structural balance.

F19. BART has not developed an integrated financial strategy combining Connect Bay Area Measure revenues with identified cost reduction measures sufficient to achieve structural balance across the FY2028-FY2031 forecast horizon.

F20. BART's five collective bargaining agreements have provisions that require minimum staffing levels tied to physical locations rather than service levels, and workforce protections that establish terms that can be expanded through bargaining but require further negotiation to modify.

F21. BART's overtime represented between 9.4% and 12.4% of regular Full-Time equivalent (FTE) staffing in every fiscal year from FY2015 through FY2025, with the exception of FY2021, when COVID-related service reductions and an early retirement program temporarily depressed the ratio.

F22. The FY2024 and FY2025 Quarterly Financial Reports did not identify overtime expenditure drivers by cause or category or establish a management target for overtime.

F23. All five recommendations from the OIG's 2024 span of control audit remain unimplemented.

F24. Four of the five recommendations from the OIG's 2025 overtime management audit remain unimplemented at the time of this report.

F25. BART's organizational chart places Internal Audit within the executive management hierarchy, reporting through the Director of Performance and Audit and Chief Financial Officer (CFO) to the General Manager, with no direct reporting line to the Audit Committee depicted.

F26. Internal Audit's engagements include audits of financial reporting and other functions within the CFO's organizational span of control.

F27. Generally Accepted Government Auditing Standards (GAGAS) Section 3.44 and 3.52 and Institute of Internal Auditors (IIA) Standard 7.1 identify the placement of an audit function within the reporting line of the areas it audits as a structural threat to independence.

F28. BART's Internal Audit Charter and Audit Committee Charter both reflect that final approval authority over the Internal Audit Charter and annual audit plan rests with executive management rather than the Audit Committee, while IIA Standards 6.2 and 6.3 require that the governing body hold this approval authority.

F29. Management's approval of the Internal Audit Charter and annual audit plan does not comply with IIA Standards 6.2 and 6.3, which require the governing body to approve these documents.

F30. The Audit Committee Charter is inconsistent with IIA Standards 6.2 and 6.3 because it requires only a review, rather than formal approval, of the Internal Audit Charter and the annual risk-based audit plan.

F31. BART's Internal Audit Charter states that Internal Audit functionally reports to the Audit Committee—meaning the Committee is responsible for overseeing Internal Audit's work, approving its plans, and receiving its findings.

F32. BART's organizational chart places Internal Audit within the executive management hierarchy with no direct reporting to the Audit Committee.

F33. There is no documented policy governing the form, content, or timing of Internal Audit's communications to the Audit Committee, as IIA Standard 15.1 requires. The Grand Jury's review of Audit Committee meeting materials found that the topics the Charter requires Internal Audit to address periodically were not always covered in Internal Audit's appearances.

F34. Complete Internal Audit reports were not provided to the Audit Committee on a consistent basis in connection with Internal Audit's appearances. Activity summaries were provided instead.

F35. There is no documented policy establishing how Internal Audit reports are to be distributed to the Audit Committee following completion of an engagement, as required by GAGAS Section 9.57 and IIA Standard 15.1.

F36. Internal Audit's public webpage includes the Internal Audit Charter and annual activity reports containing summarized audit findings but does not include the annual audit plan, completed audit reports, or the status of audit recommendation implementation.

F37. There are no documented restrictions precluding public availability of Internal Audit's completed audit reports, indicating that BART's Internal Audit function does not comply with the public distribution requirements of GAGAS Section 9.56.

F38. Internal Audit's risk assessment methodology does not comply with IIA Standards 9.3 and 9.4 because it does not include documented scoring criteria, risk-weighting factors, a defined process for gathering risk information, or evidence of management input.

F39. The 2025 annual audit plan presented to the Audit Committee relied on internal surveys to identify risks and did not include documented input from the Audit Committee or Board of Directors, contrary to IIA Standard 9.4, which requires that the risk assessment be informed by input from the board and senior management.

F40. During the 2020 and 2025 external auditor procurement cycles, BART staff issued the Request for Proposals in both cycles without prior Audit Committee review, and in the 2025 cycle the Committee was not provided the RFP or the responses received from prospective auditors.

F41. The Employee Code of Conduct was adopted in 2013.

F42. The Audit Committee Charter requires the Audit Committee to conduct biennial reviews of the Employee Code of Conduct.

F43. The Employee Code of Conduct has not been reviewed by the Audit Committee since the Committee's inception in 2021.

F44. BART's Internal Audit Charter, Audit Committee Charter, and organizational chart are inconsistent with one another regarding Internal Audit's reporting relationships and the Audit Committee's authority, creating ambiguity about where authority over Internal Audit actually resides. These conditions are inconsistent with IIA Standards 6.1 and 7.1, which require that internal audit authority, positioning, and reporting relationships be clearly defined and consistently reflected across governance frameworks.

RECOMMENDATIONS

R1. By March 1, 2027, the BART Board of Directors (Board) should consider directing management to incorporate into the Long-Range Financial Plan measurable targets for non-fare revenue as a percentage of total operating revenue, with annual reporting to the Board on progress against those targets, as a structural strategy to reduce the agency's dependence on fare revenue.

R2. By March 1, 2027, the BART Board should consider directing management to incorporate into the annual Rail Service Plan a formal service-to-ridership alignment framework that defines target service levels relative to ridership demand, establishes measurable utilization thresholds, and requires annual Board reporting on whether actual service hours are appropriately aligned with passenger miles traveled.

R3. By March 1, 2027, the BART Board should consider incorporating its existing fixed/semi-variable/variable cost model into regular Board reporting and budget presentations and requiring that any proposed service reduction be accompanied by a written analysis applying that model to demonstrate projected cost savings, estimated effects on ridership and fare revenue, and net impact on the structural deficit.

R4. By March 1, 2027, the BART Board should consider directing management to develop structural cost reductions in future budgets.

R5. By March 1, 2027, the BART Board should consider directing management to expand revenue initiatives.

R6. By March 1, 2027, the BART Board should consider directing management, during collective bargaining, to evaluate whether minimum staffing provisions tied to physical locations rather than service levels can be modified to provide greater operational flexibility in response to changing ridership demand.

R7. By March 1, 2027, the BART Board should consider directing management to implement analytical tools to identify, categorize, and manage the underlying drivers of overtime costs.

R8. By March 1, 2027, the BART Board should consider directing management to develop and implement a comprehensive workforce strategy informed by the analytical tools directed under R7, to evaluate whether changes to staffing levels, hiring practices, scheduling practices, or work

rules could reduce reliance on overtime as a recurring element of BART's workforce deployment.

R9. By March 1, 2027, the BART Board should consider directing management to develop a plan to integrate projected Measure revenues with long-term cost reduction strategies in the event the Measure passes as part of a comprehensive financial plan to achieve structural balance across the forecast horizon.

R10. By March 1, 2027, the BART Board should consider directing management to fully implement the outstanding Office of the Inspector General (OIG) recommendations from the 2024 span of control audit and 2025 overtime management audit.

R11. By April 1, 2027, the BART Board should consider restructuring Internal Audit's reporting to establish a direct reporting relationship between Internal Audit and the Audit Committee—meaning the Committee approves the audit plan, receives engagement results, and exercises oversight of the internal audit function—consistent with IIA Standards 6.1 and 7.1 and GAGAS Section 3.56.

R12. By April 1, 2027, the BART Board should consider amending the Audit Committee Charter to grant the Audit Committee authority to approve the Internal Audit Charter, the annual risk-based audit plan, and audit resources consistent with IIA Standards 6.1 (Organizational Positioning), 6.2 (Internal Audit Charter), and 7.1 (Organizational Independence).

R13. By April 1, 2027, the BART Board should consider directing management to align the Internal Audit Charter, Audit Committee Charter, and organizational chart to consistently reflect Internal Audit's reporting relationships and the Audit Committee's authority, as required by IIA Standards 6.1 and 7.1.

R14. By April 1, 2027, the BART Board should consider requiring Internal Audit to develop and implement a documented policy governing the form, content, and timing of its communications to the Audit Committee, consistent with IIA Standard 15.1, and to report to the Audit Committee on the topics defined in the Internal Audit Charter at each scheduled Committee meeting.

R15. By April 1, 2027, the BART Board should consider requiring that full Internal Audit reports be provided on a timely basis to the Audit Committee, OIG, and Board without restriction consistent with GAGAS Section 9.57.

R16. By April 1, 2027, the BART Board should consider directing Internal Audit to expand the Internal Audit webpage to include the annual audit plan, completed audit reports, and the status of recommendation implementation, consistent with the public availability requirements of GAGAS Section 9.56.

R17. By April 1, 2027, the BART Board should consider requiring Internal Audit to formalize and document its risk assessment methodology, including scoring, weighting, and prioritization criteria.

R18. By April 1, 2027, the BART Board should consider directing Internal Audit to implement a formal, documented process to obtain and incorporate input from the Audit Committee and Board into the annual risk assessment process, ensuring alignment with the IIA Standards and GAGAS.

R19. By April 1, 2027, the BART Board should consider clarifying and formalizing the Audit Committee's authority and role in external auditor procurement within the Audit Committee Charter, including defined responsibilities for participation in request for proposal development, evaluation criteria, and selection.

R20. By April 1, 2027, the BART Board should consider requiring the Audit Committee to conduct and document biennial reviews of the Employee Code of Conduct as required by the Audit Committee's Charter.

REQUEST FOR RESPONSES

Pursuant to California Penal Code § 933(b) et seq. and California Penal Code § 933.05, the 2025-2026 Contra Costa County Civil Grand Jury requests responses from the following governing bodies:

Responding Agency	Findings	Recommendations
BART Board of Directors	F1-F44	R1-R20

These responses must be provided in the format and by the date set forth in the cover letter that accompanies this report. An electronic copy of these responses in the form of a Word document should be sent by e-mail to ctadmin@contracosta.courts.ca.gov and a hard (paper) copy should be sent to:

Civil Grand Jury – Foreperson
725 Court Street
P.O. Box 431
Martinez, CA 94553-0091

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.

Appendix A

Glossary: Transit Metrics and Key Terms

Alternative Service Plan-A contingency plan involving a phased contraction of service—including potential station closures—if new funding is not secured by FY2027.

Chief Audit Executive (CAE)-The leadership role, defined by the IIA Standards, responsible for managing the internal audit function. The CAE is accountable to the governing body and serves as the primary point of communication between the internal audit function and the board.

Collective Bargaining Agreement (CBA)-Legally binding contracts between BART and its labor unions governing wages, benefits, and work rules.

Cost per Revenue Service Hour (OE/VRH)-The average cost to operate one hour of transit service, calculated by dividing total operating expenses by total vehicle revenue hours.

Connect Bay Area Measure -A regional sales tax measure authorized by Senate Bill 63 (the Connect Bay Area Act) for the November 2026 ballot to provide dedicated transit funding.

Fare Revenue-Revenue collected directly from passengers for use of the transit system.

Farebox Recovery Ratio-The percentage of operating expenses covered by passenger fares.

Farebox-Dependent Model-A financial model heavily reliant on passenger fare revenue, making agencies vulnerable to ridership declines.

Fiscal Year (FY)-A 12-month financial reporting period; BART's fiscal year runs from July 1 to June 30.

Fixed Costs-Operating expenses that do not vary with service levels, such as infrastructure maintenance and debt service.

Full-Time Equivalent (FTE)-A unit measuring labor input; one FTE equals 2,080 work hours annually.

Heavy Rail-A rail transit system that operates on exclusive right-of-way (no interaction with road traffic), using electric-powered trains capable of high speeds and frequent service, with stations spaced to support urban and regional travel demand.

Indexed Values (e.g., 2019 = 1.00)-A method of expressing change over time relative to a base year.

Labor Share-The proportion of total operating expenses attributable to labor costs.

Long-Range Financial Plan-A multi-year financial planning document developed by BART staff that projects revenues, expenditures, and funding gaps across an extended forecast horizon. The plan is the primary instrument through which the Board evaluates the agency's long-term fiscal sustainability and identifies structural imbalances requiring corrective action.

National Transit Database (NTD)-A federal database maintained by the Federal Transit Administration containing standardized transit data.

Office of the Inspector General (OIG)-An independent oversight body responsible for identifying fraud, waste, abuse, and operational inefficiencies.

Operating Cost per Passenger Mile (OE/PMT)-Operating expenses divided by total passenger miles traveled.

Operating Cost per Unlinked Passenger Trip (OE/UPT)-Operating expenses divided by total unlinked passenger trips, representing average cost per boarding.

Operating Costs (Operating Expenses)-Ongoing expenses required to operate transit service, excluding capital expenditures.

Operating Deficit-The gap between operating revenues and expenses when expenses exceed revenues.

Overtime FTE Equivalent-A metric converting overtime hours into equivalent full-time positions.

Passenger Miles (PMT)-The total distance traveled by all passengers.

Passenger Trips (Ridership)-The total number of boardings on transit vehicles.

Rail Service Plan-An annual document presented to the BART Board of Directors for approval that defines the system's service structure for a given fiscal year, including train frequency by line, operating hours, and scheduled service changes. It is the primary instrument through which the Board approves service delivery decisions.

Revenue Service Hours (VRH)-The total hours transit vehicles are in service and available to carry passengers.

Revenue Service Miles (VRM)-The total miles transit vehicles travel while in service.

Safe and Clean Plan-A BART initiative focused on improving rider experience through enhanced safety, cleaning, and fare enforcement measures.

Span of Control-The range of organizational activities, functions, and personnel over which a manager has direct authority and responsibility.

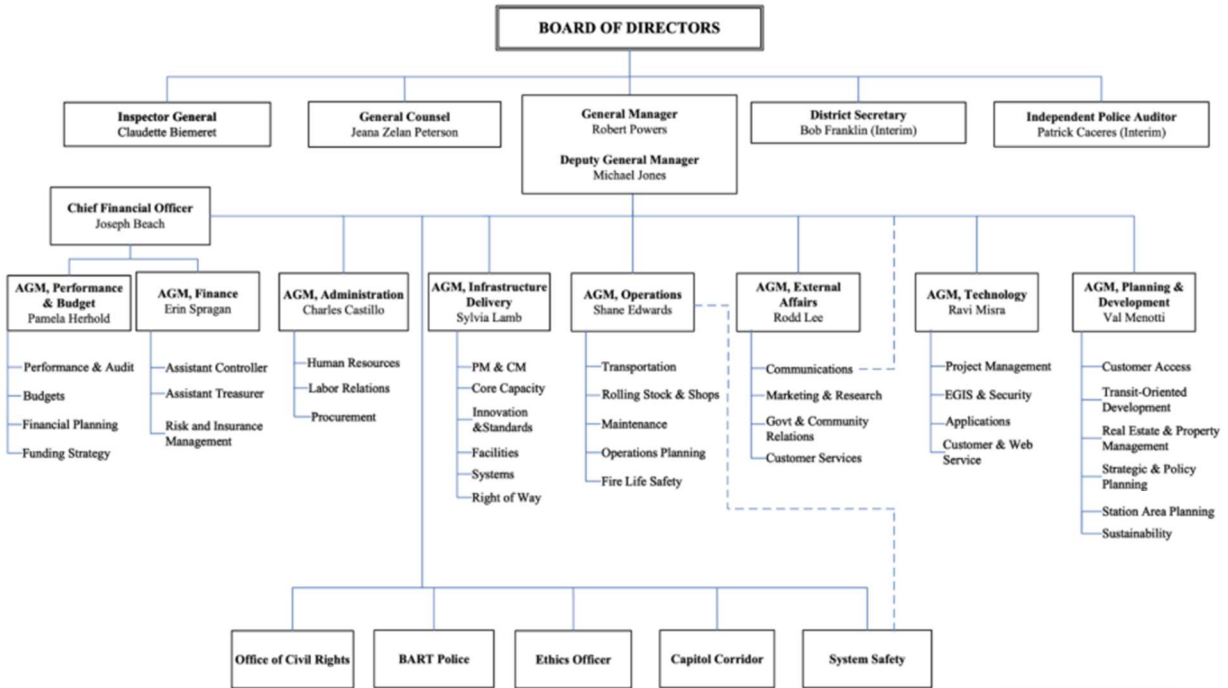
Structural Deficit-A long-term imbalance in which recurring revenues are insufficient to cover recurring expenses.

Unlinked Passenger Trip (UPT)-A single boarding, regardless of transfers.

Unlinked Passenger Trips per Vehicle Revenue Hour (UPT/VRH)-A measure of service-effectiveness showing riders per hour of service

Appendix B

SAN FRANCISCO BAY AREA RAPID TRANSIT ORGANIZATION CHART FY26 Adopted Budget



TOTAL HEADCOUNT	
Operating	3,760.1
Capital	795.1
Reimbursable	44.5

Appendix C

Peer Benchmarking Analysis

Operator	Operating Expenses/ Vehicle Revenue Miles (\$ lower=better)	Unlinked Passenger Trips/Vehicle Revenue Hours (riders/hr higher=better)	Operating Expenses/Unlinked Passenger Trips (\$/trip lower=better)	Operating Expenses/Passenger Miles Traveled (\$/mi lower=better)	Farebox Recovery higher=better	Labor Share
BART	\$374.50	23.4	\$16.00	\$1.15	24.9%	73.2%
WMATA (Washington, DC)	\$399.65	33.5	\$11.93	\$2.15	17.6%	69.5%
MARTA (Atlanta)	\$391.67	44.1	\$8.89	\$1.25	21.7%	63.1%
CTA (Chicago)	\$203.81	31.1	\$6.55	\$1.08	19.6%	72.5%
SEPTA (Philadelphia)	\$258.00	49.0	\$5.26	\$1.29	17.0%	74.5%
MBTA (Boston)	\$279.00	58.1	\$4.80	\$1.42	33.7%	47.6%
NYCT (New York)	\$295.07	100.2	\$2.95	\$0.83	44.5%	72.5%

Source: FY2024 National Transit Database. Green cells = best in peer group; red cells = worst in peer group.