

# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

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## MEMORANDUM

**TO:** Board of Directors

**DATE:** May 22, 2026

**FROM:** General Manager

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

### Executive Summary

This package contains BART's Fiscal Year 2026 (FY26) Third Quarter (Q3) Financial Report, covering the period between January 1 and March 31, 2026. 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 Q3 due to the continued use of state and federal emergency assistance funds allocated through the Senate Bill 125 (SB 125) Transit Program. This allowed BART to close a \$157.8 million (M) operating deficit (the difference between revenues and expenses incurred) over the first three quarters of FY26; this is \$52.4M less than budgeted.

Thes positive variance was primarily driven by two factors:

- 1) Above-budget operating revenues, the majority of which came from stronger than anticipated ridership revenue and investment income; the latter has benefited from higher than anticipated cash balances and interest rates, as well as more active management; and
- 2) Operating expense, which was \$8.6M below budget. Though BART spent \$13.1M more than budgeted on labor, this was offset by \$21.7M in underspending in non-labor operating expense. A debt refunding has also generated \$4.9M in positive debt service variance.

Despite positive trends through the first nine months of the fiscal year, significant uncertainty remains, particularly regarding potential year-end liabilities and accruals (which will be finalized by the end of the first quarter of FY27). At this time, BART staff project that at least \$52.4M less SB 125 than budget will be needed; this may increase up to the current staff projection of \$73.5M if current trends hold.

The District's cash position as of March 31, 2026, remains healthy, with over \$1.59 billion (B) in cash and investments directly managed by the District. The cash position includes over \$399M 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, remains steady.

Ridership

Ridership totaled 43.4M exits through Q3 FY26, 8.4% above budget and 12.4% higher than the same period one year ago. Average weekday ridership during this period was 188,314 exits, 6.9% above budget, and 11.3% higher than one year ago.

Third quarter FY26 ridership continued the elevated trend that started in early 2025. Year-over-year ridership growth (14.9%) was substantial and exceeded the previous quarter's year-over-year growth (11.8%). On a month-to-month basis, average weekday ridership fluctuated in line with seasonal expectations: January (183,042), February (192,523), and March (200,697).

Operating Revenue

**Operating Revenue** was \$31.6M (13.1%) above budget through Q3 FY26. **Net Passenger Revenue** was \$20.0M (10.5%) above budget, and **Parking Revenue** was \$0.8M (5.8%) above expectations, both due to higher than budgeted ridership. **Other Operating Revenue** was \$1.6M (8.7%) above budget, driven primarily by higher than budgeted advertising, fiber optics and special fees and permits revenues, which were collectively \$6.1M above budget, but offset by under budget Digital Railway revenues, which were \$4M below budget.

Non-Operating Revenue

**Investment Income** was \$9.2M (49.5%) above budget through Q3, driven by large TIFIA cash balances and a more active cash management and optimization strategy.

Financial Assistance

**Sales Tax** revenue was \$7.7M (3.2%) above budget through Q3 FY26. The budget assumed a small decline in taxable sales, but actual performance has remained steady, driven by strong results from the general consumer goods and hospitality sectors. An additional boost is assumed to be due to the Super Bowl and related events in the region, which occurred in February. **Property Tax** revenue was on budget through Q3. **State Transit Assistance (STA)** was \$1.0M (3%) favorable through Q3. **VTA Financial Assistance** was \$0.3M (1%) higher than budgeted due to operating expenses attributable to VTA, which were updated after FY26 budget adoption.

**Other Assistance** through Q3 was \$0.5M (1.4%) below budget. Unbudgeted non-emergency federal assistance was \$2.7M favorable, unbudgeted state assistance was \$6.0M favorable, and the total local assistance was \$2.7M favorable. These favorable results were offset by Low Carbon Fuel Standard (LCFS) credit sales, which were \$1.7M (11.5%) below budget.

Operating Expense

**Total Operating Expense** was \$8.6M below budget through Q3; Total Operating Labor was \$13.1M above budget while Non labor was \$21.7M below budget.

Gross Wages, Fringe Benefits & Other Labor were \$3.3M (0.5%) over budget, while Net Operating Wages, Fringe Benefits & Other Labor finished \$6.8M above budget, primarily due to \$11.6M YTD higher than budget Benefits expenditures, specifically from rate increases in Health Insurance and Sick Pay, and \$3.5M lower reimbursements, net of Capital to Operating Reimbursement Offsets.

**Total Gross Overtime** was \$72.0M through Q3, exceeding budget by \$12.7M and surpassing FY25 Q3 by \$5.4M. Some of BART's overtime costs are reimbursed by other (primarily capital) sources; when these are excluded, the **Net Operating Overtime** variance is \$6.3M (14.3%) unfavorable to budget. This is below the \$7.6M (17.8%) of higher than budget overtime through FY25 Q3.

The 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 areas overspent their overtime budgets in the first 9 months of FY26, while savings in RS&S partially offset the total.

<b>FY26 Year to Date (YTD) Q3 Net Operating Overtime</b>				
<b>Department</b>	<b>Budget</b>	<b>Actuals</b>	<b>Variance \$</b>	<b>Variance %</b>
Transportation	17,669,797	24,681,730	(7,011,933)	-39.7%
Maintenance	6,628,698	7,248,048	(619,350)	-9.3%
Police	11,249,616	12,782,208	(1,532,592)	-13.6%
Rolling Stock and Shops	6,505,444	3,437,511	3,067,932	47.2%
All Other Departments	1,996,609	2,207,164	(210,555)	-10.5%
<b>Grand Total</b>	<b>44,050,164</b>	<b>50,356,662</b>	<b>(6,306,498)</b>	<b>-14.3%</b>

**Labor Reimbursements**, including capital overtime, were \$2.9M favorable to budget through Q3 after adjustments described in Note 1 (below) are accounted for.

**Non-Labor** costs were \$21.7M (12.1%) under budget YTD through March.

- Professional Fees were \$9.1M (25.7%) under budget, excluding \$21.9M of unbudgeted Miscellaneous Non-Capital Professional Fees, which were funded by capital grants or allocations.
- Electrical Power was \$12.8M (24.8%) favorable. BART's electricity costs continue to be lower than forecast through Q3. BART's wholesale electricity costs have stayed low due to no spikes in statewide electric costs and high hydroelectric production. The final three months of FY26 will likely see very little additional savings or small overages due to seasonal expectations around energy costs and recent geopolitical events.
- Miscellaneous Expenses were \$2.8M (20.1%) under budget, mainly due Clipper 2 transition delays.
- Material Usage was \$4.1M (12.0%) over budget, due to the purchase of \$3M of train axles that will be capitalized in the fourth quarter; in this report they still show as operating expense (timing issue). Other variance drivers were the purchase of train wheels, increased usage of cleaning supplies to maintain station cleanliness from inclement weather, escalator step replacement at six stations to comply with state inspections, Dell replacement computer equipment, and preemptive inventory pulls from storehouses by Train Control for future maintenance.

**Note 1: Accounting Adjustments**

BART accounting staff makes 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 than budgeted, which will be offset by \$58M in unbudgeted FTA 5337 revenues. The net effect is neutral.
- 2) BART staff log hours for reimbursable work. Staff hours charged for work that is reimbursable but not defined as capital under GAAP is reversed into the gross labor budget. An offsetting revenue is also added. Likewise, certain non-labor expenses are treated similarly. This accounting adjustment is neutral, but has the effect of portraying BART’s operating revenues and expense higher than anticipated in the budget. In order to present this information as closely to a budget basis as possible, staff have adjusted out both revenues and expenses that were posted for both prior fiscal year and non-capital (under the GAAP definition) adjustments.

Debt Service and Allocations

**Debt Service** was \$4.9M 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 savings of \$0.7M in the first quarter, \$2.2M in the second quarter, and \$2.1M in the third quarter.

**Note 2: 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 a total economic gain of \$6,562,000 and cash flow savings of \$6,439,000.

**Allocations** were \$1.3M (4.1%) unfavorable YTD. \$28.6M 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.

#### Emergency Assistance

The District required \$158M in SB 125 Transit Program funding to cover the shortfall between operating revenue and expense, net of Capital to Operating adjustments, through the third quarter of FY26, which was \$52.4M (24.9%) less than anticipated in the budget.

#### FY26 Year-End Projection

At this time, the staff projects to end FY26 balanced, due to the availability of SB 125 emergency assistance, which is used to offset operating losses. Without emergency assistance, staff projects a \$241.5M operating loss. This compares favorably with the adopted budget, which assumed a \$315.0M operating loss. If the projection is accurate, there will be an additional \$73.5M in SB 125 funds remaining at the end of FY26, which may be used to offset operating deficits in FY27. This is a staff projection subject to significant levels of uncertainty, which may increase or decrease by the end of the fiscal year.

### **Financial Position**

#### Accounts Receivable, Cash, and Investments

As of March 31, 2026, \$70.6M in accounts receivable was outstanding, with \$14.1M (20%) of receivables in current status, \$43.7M (62%) outstanding for 31-60 days and \$12.8 (18%) outstanding over 60 days. After March 31, 2026, approximately \$49.2M (70%) of the total outstanding accounts receivable have been collected.

BART had \$1.59B in cash and investments between its capital accounts allocated from operations and General Fund. BART's weighted average return on investments was 3.67%.

#### Reserves

BART's total operating reserves declined by \$29M for the quarter, ending at \$430M as of March 31, 2026. The decrease was due to the \$39M draw from SB125 reserve to fund the quarter's operating deficit, offset by \$10M 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 third quarter of FY26, \$9.5M was deferred and transferred to the operating reserve account, bringing the cumulative total of deferred RHBT contributions to \$34.3M.

As of March 31, 2026, BART's reserve balance includes \$150M from the unused portion of SB 125 earned in FY26 and a Working Capital Reserve fund with a balance of \$95.7M. 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 \$184.3M as of March 31, 2026.

#### Outstanding Bonds, Loan and Debt Service

As of March 31, 2026, the District had \$3.5B in outstanding principal bond obligations. The TIFIA loan balance, which was fully drawn as of November 2025, is \$561M, inclusive of capitalized interest. 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. Through the third quarter of FY26, net assets of all three trusts benefited from strong performance in the upward run in global financial markets following central bank interest rate cuts despite some negative investment returns in the third quarter.

Overall, the RHBT and the Survivor's Benefit Trust (SBT) posted investment gains of 5.5% and 5.4% respectively, through March 2026. The District's Section 115 Pension Trust gained 2.9% through the third quarter of FY26, primarily driven by declining interest rates, which increased bond valuations.

As of March 31, 2026, the District's assets in its Section 115 Pension Trust, which was set-up to offset future pension liabilities, remained almost the same compared to last quarter with a quarter ending balance of \$43.9M.

Milliman, the District's actuary, completed the actuarial valuation on the Retiree Health Benefit Trust as of June 30, 2025, and 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 74.30%, as shown in the previous valuation, to 75.4% despite the \$5.7M deferral of RHBT contribution in FY25. 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