



# Final Fiscal Year 2027 Operating Budget Update

BART Board of Directors

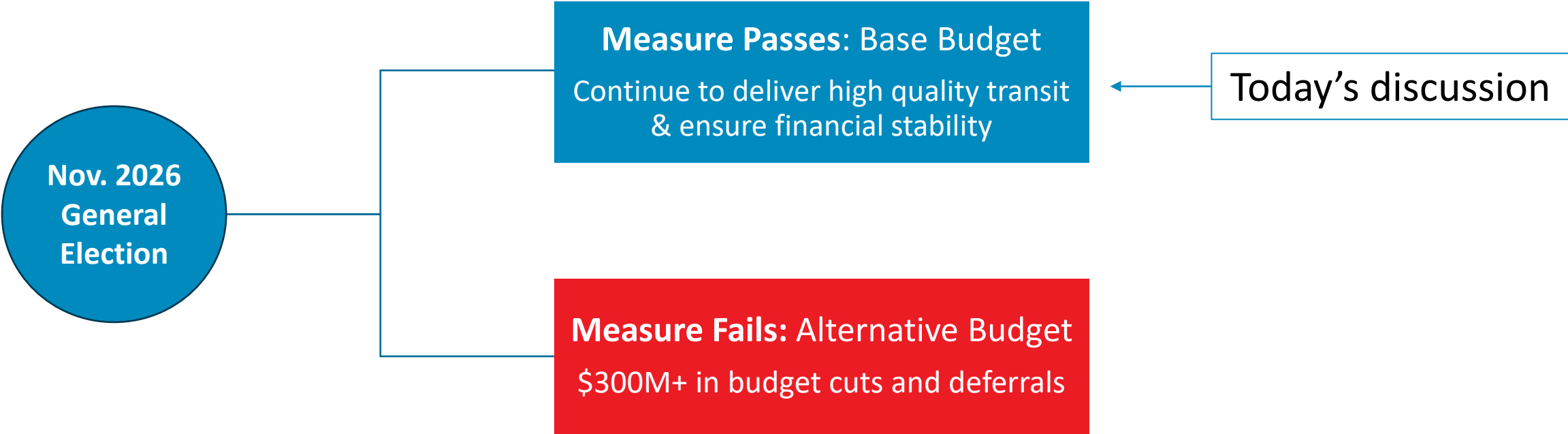
May 28, 2026



# Agenda

- FY27 Context: Planning for Multiple Outcomes
- Summary of Changes since Preliminary Budget
- Operating Revenues
- Operating Expense
- Capital Budget
- Five-year Outlook
- Next Steps
- Budget Adoption Timeline

# FY27 Context: Planning for Multiple Outcomes



# Base Budget: Context

- The FY27 Budget assumes current service levels and the successful passage of a regional tax measure to authorize additional operating revenues for Bay Area transit operators
- FY27 Budget is balanced, but remains heavily reliant on one-time actions
  - This is necessary to maintain current service levels before revenues that ease BART's structural deficit begin to flow
- BART's Alternative Service Plan (ASP) is a contingency planning document to provide the public with transparency as to what actions BART would need to pursue should the measure not pass; it is not a budget proposal
- The figures shown in the following slides are what BART staff will ask the Board to approve on June 11<sup>th</sup>

# Significant Changes from FY27 Preliminary Budget

- BART is assuming regional revenue measure funds begin flowing in the last quarter of FY27, leaving a 9-month gap when expenses will exceed revenues
- In the Preliminary Budget, after ongoing reductions, one-time actions, and capital deferrals were factored in, a \$166M in deficit remained; staff proposed to fill this with \$98M in borrowing and \$68M in deferred Retiree Health Benefit Trust (RHBT) contributions
- Since then, the FY27 expense budget (what BART plans to spend money on, called uses) has not changed significantly
- How BART plans to fund that budget (sources) has changed:
  - Additional operating revenue from ridership and investment income reduced the FY27 deficit
  - BART's strong financial performance in FY26 is expected to result in SB 125 funds being available in FY27 ("carry forward")
  - Analysis of loans, deferrals, and reserves resulted in selection of TIFIA as best borrowing source and replacement of RHBT deferrals with additional borrowing

# How BART Plans to Balance FY27

Sources Available (\$M)	March 31st Preliminary Budget	Proposed Budget	Change since Preliminary Budget
Improved Revenue Projections	0	25	25
FY26 SB 125 Carry Forward	0	52	52
RHBT Deferral	68	0	(68)
Federal TIFIA Loan	98	89	(9)
<b>Total</b>	<b>166</b>	<b>166</b>	<b>0</b>

- SB 125 funds carried forward from FY26 and improved revenue projections reduced reliance on borrowing and deferrals in FY27 by \$78M
- RHBT deferral eliminated; federal TIFIA borrowing reduced by \$9M
- Total borrowing and deferrals in budget reduced from \$166M in Preliminary Budget to \$89M

# Incorporating FY26 Year-end Result

- Previous informational item (FY26 3<sup>rd</sup> Quarter Financial Report) shows that BART has required less emergency assistance (via SB 125) than anticipated through three quarters
- FY26 adopted budget assumes all SB 125 is expended by FY end
- Much uncertainty remains around year-end financial result, but staff are optimistic SB 125 funds will be available in FY27
- Staff recommendation is that any positive FY26 year-end variance be used to reduce borrowing and deferrals in FY27
- As of March 2026, BART used \$52.4M less SB 125 than budgeted
  - Staff projection of year-end result variance is higher (\$73.5M) but will not be finalized until end of FY27 Q1
  - At this time, staff are conservatively assuming \$52.4M will be available in FY27

# Incorporating Staff Recommendation on Borrowing, Deferrals, and Reserves

- On April 23, staff presented analysis recommending sequencing for borrowing, deferral, and reserves usage in FY27
- Preliminary FY27 budget assumed a combination of federal TIFIA loan (borrowing) and deferral of Retiree Health Benefit Trust (RHBT) to eliminate deficit
- Based on staff recommendation and Board concurrence, RHBT deferral is being replaced with additional TIFIA borrowing

April 23, 2026 Board Presentation

## FY27 Liquidity Playbook — Sequencing Considerations

### 1 Use TIFIA Cash — First \$394.6M

- Already borrowed — cost already incurred
- Payments deferred: interest to 2029, principal to 2034
- Covers entire FY27 deficit with ~\$20M remaining
- Avoids new debt; preserves reserves intact

### 2 State Loan — Before Reserves \$285M

- Draw state loan before tapping reserves
- Repaid from STA funds — separate from sales tax pledge
- Preserves reserve balance for credit profile and FY28+
- SMIF floating rate; 2-yr interest only then 10-yr amortization

### 3 Operating Reserves — Last Internal Resource \$245.5M

- Preserve as long as possible — difficult to rebuild
- Earns ~3.6% on unrestricted investments
- \$113.6M (unrestricted)
- \$88.0M accessible (board action)
- \$43.9M (restricted)

### 4 RHBT (Operating) Deferrals — Last Resort Only \$68.3M

- Smallest tool relative to deficit size
- Highest cost: RHBT earns ~6.2% long-term
- Creates actuarial funding pressure on retiree benefits
- Avoid entirely if any other option is available

8



- Given possibility of a measure failing and BART needing access to all available cash, staff propose to continue current strategy of temporarily redirecting RHBT contributions into a reserve fund
  - *If measure passes, funds will be deposited into RHBT*
  - *If measure fails, funds will be available for emergency use*



# FY27 Proposed Sources and Uses

SOURCES AND USES (\$Millions)	FY26	FY27	FY27	Change Prelim vs Proposed	
	Adopted	Prelim	Proposed	\$	%
Operating Revenue	325.1	342.9	386.7	43.8	13%
Financial Assistance	511.8	527.7	529.4	1.7	0%
<i>Total Sources</i>	<i>836.9</i>	<i>870.6</i>	<i>916.1</i>	<i>45.5</i>	<i>5%</i>
Operating Expense	1,006.7	1,048.3	1,063.8	15.5	1%
Debt Service & Allocations	145.2	53.9	127.3	73.4	136%
<i>Total Uses</i>	<i>1,151.8</i>	<i>1,102.1</i>	<i>1,191.0</i>	<i>88.9</i>	<i>8%</i>
<b>Operating Result</b>	<b>(315.0)</b>	<b>(231.6)</b>	<b>(275.0)</b>	<b>(43.4)</b>	<b>19%</b>
SB 125 Emergency Assistance	315.0	-	-	-	-
SB 125 Carry Forward from FY26	-	-	52.4	52.4	-
Sales Tax Accrual Change	-	59.3	59.7	0.4	1%
Federal TIFIA Loan	-	97.9	88.5	(9.4)	(10%)
Regional Sales Tax	-	74.4	74.4	-	-
<b>Total Net Result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# FY27 Proposed Sources: Operating Revenue

OPERATING REVENUE (\$Millions)	FY26	FY27	FY27	Change Prelim vs Proposed	
	Adopted	Prelim	Proposed	\$	%
Rail Passenger Revenue	259.1	299.7	308.0	8.3	3%
ADA Passenger Revenue	0.6	0.7	0.7	-	-
Parking Revenue	19.9	22.4	22.4	-	-
Other Operating Revenue	45.4	20.1	42.1	22.0	109%
State Loan Interest Income	-	-	13.5	13.5	-
<b>Total - Operating Revenue</b>	<b>325.1</b>	<b>342.9</b>	<b>386.7</b>	<b>43.8</b>	<b>13%</b>

- Sustained FY26 ridership increases justify higher ridership income assumptions in FY27
- Other operating revenue increased due to higher projection of investment income on BART's cash balances
- State loan interest income now included (offset by increase in debt service budget)

# FY27 Proposed Sources: Financial Assistance

FINANCIAL ASSISTANCE (\$Millions)	FY26	FY27	FY27	Change Prelim vs Proposed	
	Adopted	Prelim	Proposed	\$	%
Sales Tax Proceeds	314.1	325.1	327.2	2.1	1%
Property Tax Proceeds	68.0	70.4	70.4	-	-
VTA Financial Assistance	35.9	46.2	45.7	(0.5)	(1%)
State Transit Assistance	45.8	38.5	38.5	-	-
Low Carbon Funding Programs	32.2	31.3	31.3	-	-
Local & Other Assistance	15.7	16.2	16.2	0.1	0%
<b>Total - Financial Assistance</b>	<b>511.8</b>	<b>527.7</b>	<b>529.4</b>	<b>1.7</b>	<b>0%</b>

- Sales tax projections recently increased

# FY27 Proposed Sources: Non-traditional Revenue

FINANCIAL ASSISTANCE (\$Millions)	FY26	FY27	FY27	Change Prelim vs Proposed	
	Adopted	Prelim	Proposed	\$	%
SB 125 Emergency Assistance	315.0	0.0	0.0	0.0	-
SB 125 Carry Forward from FY26	0.0	0.0	52.4	52.4	-
Sales Tax Accrual Change	0.0	59.3	59.7	0.4	1%
Regional Revenue Measure Proceeds	0.0	74.4	74.4	-	-
Federal TIFIA Loan	0.0	97.9	88.5	(9.4)	(10%)
<b>Total - Financial Assistance</b>	<b>315.0</b>	<b>231.6</b>	<b>275.0</b>	<b>43.4</b>	<b>19%</b>

- BART is using several non-traditional revenue sources to reduce the FY27 deficit
- These are shown separately in order to provide transparency around recurring and one-time revenue sources

# FY27 Proposed Uses: Labor

LABOR & BENEFITS (\$Millions)	FY26	FY27	FY27	Change Prelim vs Proposed	
	Adopted	Prelim	Proposed	\$	%
Wages	547.8	568.7	568.8	0.0	0%
Overtime	79.7	84.3	84.3	-	-
CalPERS Pension	145.3	155.1	155.1	-	-
Active Employee Medical Insurance	92.5	108.1	108.1	-	-
Retiree Medical – deferred	38.2	43.0	43.0	-	-
Retiree Medical – shifted to allocations	(38.2)	(43.0)	(33.8)	9.3	(22%)
Workers' Compensation	24.6	26.0	26.0	-	-
Other Benefits*	39.0	40.4	40.4	-	-
<b>Subtotal – Gross Labor</b>	<b>928.8</b>	<b>982.6</b>	<b>991.9</b>	<b>9.3</b>	<b>1%</b>
Reimbursements	(145.1)	(167.0)	(166.9)	0.1	0%
Reimbursed Overtime	(20.4)	(21.4)	(21.4)	-	-
<b>Subtotal – Reimbursements</b>	<b>(165.5)</b>	<b>(188.3)</b>	<b>(188.3)</b>	<b>0.1</b>	<b>0%</b>
<b>Total - Labor &amp; Benefits</b>	<b>763.3</b>	<b>794.3</b>	<b>803.7</b>	<b>9.4</b>	<b>1%</b>

- No substantive changes to overall labor budget
- Full retiree medical cost shown here for transparency; BART plans to continue to defer contributions into a reserve (budgeted under allocations) until after November election
  - In Preliminary Budget, Retiree Medical was \$0, with no deposits into a reserve

\*Other benefits includes Vision, Dental, Medicare, Life Insurance, Disability, Unemployment, Meal and Uniform Allowances

# FY26 to FY27 Proposed Budget FTE Changes

FY26 to FY27 Full-Time Equivalents (FTE) Summary			
	Operating	Capital / Reimbursable	Total FTEs
FY26 Adopted Budget	3,760	840	4,600
Mid-Year Additions	4	0	4
Technical Adjustments	(2)	1	(1)
Reductions	(65)	(2)	(67)
<b>Total Adjustments</b>	<b>(63)</b>	<b>(2)</b>	<b>(64)</b>
<b>FY27 Proposed Budget</b>	<b>3,698</b>	<b>838</b>	<b>4,536</b>

*FTE counts rounded to nearest whole number for clarity*

- Operating budget reduced by 63 FTEs
- Capital/Reimbursable budget reduced by 2 FTEs
- Total authorized FTEs decrease from 4,600 to 4,536
- FY27 Preliminary had 4,537 FTEs; 1 additional FTE removed since then



# FY27 Proposed Uses: Non-labor

NON-LABOR (\$Millions)	FY26	FY27	FY27	Change Prelim vs Proposed	
	Adopted	Prelim	Proposed	\$	%
Clipper and Bank Fees	7.3	14.1	15.1	1.0	7%
Insurance	9.8	11.2	11.2	-	-
Materials & Supplies	47.3	44.7	44.7	-	-
Professional & Technical Fees	48.3	50.9	50.9	-	-
Repairs & Maintenance	13.4	13.5	13.5	-	-
Rent	3.9	4.0	4.0	-	-
Power	65.0	65.8	69.8	4.0	6%
ADA Paratransit	26.3	27.8	27.8	-	-
Purchased Transportation	8.5	8.9	8.9	-	-
Utilities	8.6	7.9	8.1	0.2	2%
Other Miscellaneous	4.9	5.3	6.3	1.0	19%
<b>Total - Non-Labor</b>	<b>243.4</b>	<b>254.0</b>	<b>260.1</b>	<b>6.2</b>	<b>2%</b>

- Clipper fees scheduled increase in FY27 to cover cost of parallel systems during C2 transition
- Power budget increased in anticipation of higher energy prices in FY27
- Increased Telecommunications slightly to align with actuals
- Increase in estimated election costs

# FY27 Proposed Uses: Debt Service & Allocations

DEBT SERVICE & ALLOCATIONS (\$Millions)	FY26	FY27	FY27	Change Prelim vs Proposed	
	Adopted	Prelim	Proposed	\$	%
Debt Service	60.2	60.2	60.2	-	-
State Loan Debt Service	-	-	14.3	14.3	
Capital Reinvestment	43.8	16.0	16.0	-	-
Priority Capital Projects/Programs	-	-	-	-	-
Other Allocations	3.0	3.0	3.0	-	-
RHBT FY25 & FY26 Deferral	38.2	(34.6)	-	34.6	100%
RHBT FY27 Contributions	-	9.3	33.8	24.5	265%
<b>Total - Debt Service &amp; Allocations</b>	<b>145.2</b>	<b>53.9</b>	<b>127.3</b>	<b>73.4</b>	<b>136%</b>

- State loan debt service added to the budget
- Retiree Health Benefits Trust (RHBT) deferral from FY25 and FY26 no longer included in budget
- Operating share of FY27 RHBT will be deposited into a temporary reserve for potential use if revenue measure fails

# FY27 Capital Budget

(\$Millions)	Preliminary FY27	Proposed FY27	Difference
Measure RR	213.6	222.3	8.7
Federal	150.9	149.8	(1.1)
Local	138.2	137.7	(0.5)
BART	89.2	92.3	3.1
FTA Capital Investment Grant (CIG)	86	87.3	1.3
State	70.6	69.6	(1.0)
MTC	69.9	69.0	(0.9)
<b>Total Sources</b>	<b>818.3</b>	<b>828.0</b>	<b>9.7</b>
Rail Cars	266.7	261.3	(5.4)
Train Control and Communications	161.9	164.1	2.2
Traction Power	88.7	93.2	4.5
Stations	86.5	90.1	3.6
Track and Structures	84.9	88.1	3.2
Shops, Yards, and Facilities	63	63.7	0.7
Electrical and Mechanical	26.5	27.1	0.6
System Support	23.6	23.6	0.0
System Development	16.6	16.9	0.3
<b>Total Uses</b>	<b>818.3</b>	<b>828.0</b>	<b>9.7</b>

- Proposed FY27 projections increase total anticipated capital expenditures in FY27 by \$9.7M, for a total investment of \$828M
- Notable changes:
  - Updated labor & overhead rates
  - Updated recruitment plan & hiring timeline
  - ~\$5M shift of railcar payment into FY26

# Five-year Outlook

(\$Millions)	FY26 Adopted	FY27 Proposed	FY28 Forecast	FY29 Forecast	FY30 Forecast	FY31 Forecast
Operating Revenues	325	387	370	385	404	423
Financial Assistance	512	529	550	567	584	600
<b>Total Regular Revenues</b>	<b>837</b>	<b>916</b>	<b>919</b>	<b>952</b>	<b>988</b>	<b>1,023</b>
Operating Expense	1,007	1,064	1,162	1,204	1,229	1,257
Debt Service & Allocations	145	127	123	120	134	134
<b>Total Uses</b>	<b>1,152</b>	<b>1,191</b>	<b>1,284</b>	<b>1,324</b>	<b>1,363</b>	<b>1,391</b>
<i>Net Result</i>	<b>(315)</b>	<b>(275)</b>	<b>(365)</b>	<b>(372)</b>	<b>(375)</b>	<b>(368)</b>
SB 125 Emergency Assistance	315	-	-	-	-	-
SB 125 Carry Forward from FY26	-	52	-	-	-	-
Sales Tax Accrual Change	-	60	-	-	-	-
Federal TIFIA Loan	-	89	-	-	-	-
Regional Sales Tax	-	74	308	318	328	339
<b>Total Net Result</b>	<b>0</b>	<b>0</b>	<b>(57)</b>	<b>(54)</b>	<b>(47)</b>	<b>(28)</b>

# Next Steps: June 11 Board Meeting

- Board will be asked to adopt the proposed FY27 operating and capital budget
  - Staff do not plan any significant changes from what has been presented today
- Budget resolution will contain a clause directing the General Manager authority to redirect any positive FY26 year-end result toward reducing reliance on borrowing in FY27
- The proposed FY27 operating budget no longer assumes a deferral of Retiree Health Benefit Trust (RHBT) contributions to balance the budget; staff plan to continue to defer payments until after the November election to maximize cash flexibility if revenue measure fails
  - Staff intent is to transfer all deferred RHBT contributions since May 2025 into the RHBT

# FY27 Budget Adoption Timeline



# Discussion