

TO: Board of Directors

DATE: November 25, 2025

FROM: General Manager

SUBJECT: FY26 First Quarter Financial Report (QFR)

Executive Summary

This package contains BART's Fiscal Year 2026 (FY26) First Quarter Financial Report, covering the period between July 1 and September 30, 2025.

The District's net operating result was balanced through the first quarter (Q1) of FY26 due to the continued use of state emergency assistance funds allocated through the SB 125 Transit Program. This funding enabled the District to cover a \$53.5 million (M) operating deficit (the difference between revenues and expenses incurred) over the three months of July 1, 2025 to September 30, 2025. However, BART ended the quarter requiring \$30.7M less emergency assistance than budgeted. If this trend holds, BART may be able to extend its SB 125 funds into FY27.

This positive variance was driven by above-budget operating revenues, primarily from ridership, steady sales tax revenues, and investment income. On the expense side, BART spent slightly more than budgeted on labor, though the District is now showing a favorable recovery of reimbursable capital hours worked by staff, which offsets most of the negative labor variance. As expected for the first quarter, Non-labor costs stayed under budget, but staff expects this favorability to level out by year-end. At this time, despite the strong first quarter result, staff are not projecting positive or negative budget variance at fiscal year end.

The District's cash position as of September 30, 2025, remains healthy, with over \$1.15B in cash and investments directly managed by the District. As BART draws down emergency assistance, this number will decline. Outstanding debt, secured by property and sales taxes in the three BART District counties and the operating budget remained steady.

Ridership

Ridership totaled 14.7M exits through Q1 FY26, 7.0% above budget and 10.5% higher than the same period one year ago. Average weekday ridership during this period was 186,155 exits, 5.5% above budget, and 10.0% higher than one year ago.

First quarter FY26 ridership continued the elevated trend that started in earnest earlier this calendar year. Year-over-year ridership growth (10.5%) was substantial and on par with the previous quarter's year-over-year growth (10.1%). On a month-to-month basis, average weekday ridership fluctuated along seasonal expectations: July (176,962), August (186,600), and September (195,341).

Operating Revenue

Operating Revenue was \$7.2M (9.6%) above budget through Q1 FY26. **Net Passenger Revenue** was \$6.8M (10.4%) positive, and **Parking Revenue** was \$0.1M (2.4%) above expectations. **Other Operating Revenue** was \$0.4M (6.2%) above budget, driven primarily by higher-than-expected advertising revenue offset by under budget Commercial Communications Revenue Program (CCRP) revenue.

Non-Operating Revenue

Investment Income was \$1.3M (15.8%) above budget through Q1 FY26, driven primarily by the disbursement of the second SB 125 tranche in July which generated unbudgeted interest revenues.

Financial Assistance

Sales Tax revenue was \$2.8M (3.6%) above budget through Q1 FY26. While the budget assumed a minor decline in taxable sales in FY26, actual performance has remained steady. **Property Tax** revenue was \$0.4M (11.3%) favorable through Q1 with actual revenues above budget in Alameda County. **State Transit Assistance (STA)**, was on budget through Q1. **VTA Financial Assistance** was \$0.1M (1%) higher than budgeted due to operating expenses attributable to VTA that were updated after FY26 budget adoption.

Other Assistance through Q1 was \$1.1M (21.6%) favorable. Unbudgeted non-emergency Federal Assistance was \$0.7M favorable, unbudgeted State Assistance was \$0.7M favorable, and Local Assistance was \$0.3M favorable. Low Carbon Fuel Standard (LCFS) credit sales were \$0.5M (30%) below budget.

Operating Expense

Total Operating Expense was \$12.3M (4.9%) lower than budget through the first quarter of FY26.

- Labor costs slightly exceeded budget in the first quarter by \$0.2M (0.1%), mainly due to high overtime and PERS Health Insurance.
- Total Gross Wages, Fringe Benefits & Other Labor were \$0.8M (0.4%) under budget. However, Net Operating Wages, Fringe Benefits & Other Labor finished Q1 \$2.7M (1.5%) favorable to budget, primarily driven by \$1.8M (5.0%) in favorable Capital Labor Reimbursements.

For comparison, FY25's Net Operating Wages, Fringe Benefits & Other Labor ended Q1 \$2.2M (1.2%) unfavorable to budget, mainly due to \$5.2M (13.6%) in below-budget Capital Labor Reimbursements.

Total Gross Overtime was \$24.4M through Q1, exceeding the budget by \$4.8M and surpassing FY25 Q1 by \$3.0M. FY26 Q1 recorded 27,341 more overtime hours than FY25 Q1. Capital funding sources reimburse a portion of BART's overtime costs; when these are excluded, the **Net Operating Overtime** variance is \$2.9M (19.9%) unfavorable to the budget, compared to \$2.3M (16.4%) in FY25 Q1.

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

FY26 Q1 OPERATING OVERTIME				
DEPARTMENT	BUDGET	ACTUALS	VARIANCE (\$)	VARIANCE (%)
Maintenance	2,167,391	2,731,298	(563,908)	-26.0%
RS&S	2,150,066	1,626,760	523,306	24.3%
Transportation	5,819,484	8,140,928	(2,321,444)	-39.9%
Police	3,742,953	4,325,268	(582,315)	-15.6%
All Others	692,663	649,598	43,064	6.2%
TOTAL	14,572,557	17,473,853	(2,901,296)	-19.9%

Non-labor costs were \$12.5M (21.5%) below budget YTD through September.

- Professional Fees were \$5.2M (47.1%) under budget, mainly due to the timing of vendor invoice payments and reduced spending in Q1. This positive variance was partially offset by \$1.0M in unbudgeted Miscellaneous Non-Capital Professional Fees. These expenses were initially budgeted as capital work but reclassified as operating expenses. The revenues funding these costs were also reclassified to operating, and the net effect is neutral as the adjustments offset each other.
- Electrical Power was \$3.5M (20.1%) favorable. BART's electricity costs were lower in Q1 due to a mild summer with few statewide electric price spikes. Car miles were also lower than planned in Q1 but are expected to rise by 5% in Q2 due to a change in train scheduling.
- Miscellaneous Expenses were \$1.9M (39.3%) under budget, mainly due to the non-payment of Clipper 2 fees until its full implementation, most likely after Q2.
- Material Usage was \$0.9M (8.1%) under budget, primarily because of reduced spending on Inventory Materials.

Debt Service and Allocations

- **Debt Service** was \$0.7M favorable to budget due to a refunding of existing sales tax backed revenue bonds. By refunding existing 2015 Sales Tax Revenue Bonds (STRB), BART achieved a savings of \$0.7M in the first quarter. **Allocations** were \$1.6M (15.7%) favorable through Q1. Reverse Capital Allocations of \$1.6M were made in Q1 to offset reclassifications of capital costs to operating.
- \$9.5M 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, which was budgeted for Q1.

Note on net neutral first quarter accounting adjustments

The numbers shown in the attached documents include higher revenues and expenses than anticipated due to first quarter accounting adjustments to re-classify approximately \$8.9M in expense from capital to operating expenses. These costs were budgeted and undertaken as capital work (e.g. for State of Good Repair preventive maintenance) but were ultimately appropriately classified as operating expenses. The funding for these costs has also been moved to operating, so both revenue and expense were increased; the net effect is neutral as the adjustments fully offset each other.

Emergency Assistance

The District required \$53.5M in SB 125 Transit Program funding to cover the shortfall between operating revenue and expense through the first quarter of FY26, which was \$30.7M (36.4%) less than anticipated in the budget. This is a positive result; though some of the variance can be credited to timing of Financial Assistance payments and slower non-labor spending in Q1 that is expected to catch up to budget by year-end, the District is experiencing stronger operating revenue than expected while overall operating expense remains very close to budget.

Financial Position

Accounts Receivable, Cash, and Investments

As of September 30, 2025, \$62.4M in accounts receivable was outstanding, with \$46.7M (74.9%) of receivables in current status, \$9.7M (15.5%) receivables outstanding between 31 to 90 days, and \$6.0M (9.6%)

over 90 days due. After September 30, 2025, approximately \$16.4M (26%) of the total outstanding accounts receivable have been collected.

BART had \$1.15B in cash and investments between its capital accounts allocated from operations and General Fund. BART's weighted average return on investments in US government securities in Q1 was 4.05%.

Reserves

BART's total reserves increased by \$193M in Q1 FY26, from \$265.8M to \$459M. The increase was primarily driven by the \$224M receipt of SB125 State Regional Assistance, offset with the draw of \$42.6M to cover the quarter's operating deficit.

Starting May 2025, the District began deferring contributions of the Actuarially Determined Contribution (ADC) to the Retiree Health Benefit Trust (RHBT) and set it aside to an operating reserve account. For Q1 FY26, the amount deferred and set aside to an operating reserve account was \$9.5M., bringing the cumulative amount of RHBT contributions deferral to \$15.2M.

As of September 30, 2025, BART's reserve balance is comprised of \$199.4M from the unused portion of SB125 earned in fiscal year 2026 and Working Capital Reserve fund with a balance of \$94.5M. 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 \$165.1M as of September 30, 2025

Outstanding Bonds, Loan and Debt Service

As of September 30, 2025, the District has outstanding principal bonds obligations of \$3.5B and \$155M for the TIFIA loan. In September 2025, the District issued \$700M of Measure RR bonds and refunded Measure AA and Sales Tax Revenue Bonds for \$226M and \$73M, respectively. Debt service payments for outstanding bond obligations are paid on August 1 and February 1 of each year for General Obligation bonds and July 1 and January 1 for Sales Tax bonds. All debt service payments were made timely and in accordance with the debt service schedules. Annual debt service of all combined debt was paid accordingly.

Post-Employment Benefits

BART maintains three trusts to offset liabilities generated by post-employment benefits. For Q1 FY26, net assets of all three trusts benefited from the upward run in global financial markets as central banks cut interest rates. Investment gain of 6.0% and 5.9% were posted for the RHBT and the Survivor's Benefit Trust (SBT), respectively. The District's Section 115 Pension Trust gained 1.6% during the quarter due to the decline in interest rates on bonds, which lifted the price of bonds.

As of September 30, 2025, the District's assets in its Section 115 Pension Trust, which was set-up to offset future pension liabilities, increased to \$43.3M, a gain of \$700K (2%) in Q1 FY26. In Q1 FY26, BART's two Other Post Employment Obligations (OPEB), the RHBT and Survivor Benefit Trust (SBT), saw returns of \$41.4M (6%) and \$800K (5.9%), respectively.

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

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Robert Powers

cc: Board Appointed Officers
Deputy General Manager
Executive Staff

Attachment 1 - Quarterly Financial Report - First Quarter FY26

(\$ Millions)	Q1 Budget	Q1 Actuals	YTD Variance	YTD Variance %	FY26 Annual Adopted Budget
<u>Operating Revenue</u>					
Net Passenger Revenue	63.9	70.6	6.7	10.4%	259.8
Parking Revenue	4.8	4.9	0.1	2.4%	19.9
Other Operating Revenue	5.9	6.3	0.4	6.2%	24.0
Total Net Operating Revenue	74.7	81.8	7.2	9.6%	303.7
Non Operating Revenue - Investment Income	8.2	9.5	1.3	15.8%	21.4
Total Non Operating Revenue	8.2	9.5	1.3	15.8%	
Total Revenue	82.9	91.4	8.5	10.2%	325.1
<u>Financial Assistance</u>					
Sales Tax	78.6	81.4	2.8	3.6%	314.1
Property Tax	3.7	4.1	0.4	11.3%	68.0
State Transit Assistance	11.4	14.6	3.2	27.9%	45.8
VTA Financial Assistance	9.0	9.1	0.1	1.0%	35.9
Other Assistance, Net of Emergency Assistance	5.3	6.4	1.1	21.6%	47.9
Total Financial Assistance	108.0	115.6	7.6	7.1%	511.8
Total Operating Sources	190.9	207.0	16.1	8.4%	836.9
<u>Operating Expense</u>					
Gross Wages, Fringe & Other Labor	213.7	212.9	0.8	0.4%	849.1
Capital Reimbursements - Labor & Fringe	(36.6)	(38.4)	1.8	5.0%	(145.1)
Subtotal - Net Operating Labor & Fringe	177.1	174.5	2.7	1.5%	704.0
Gross Overtime	19.7	24.4	(4.8)	-24.2%	79.7
Capital Reimbursements - Overtime	(5.1)	(6.9)	1.9	36.3%	(20.4)
Subtotal - Net Operating Overtime	14.6	17.5	(2.9)	-19.9%	59.3
Total Operating Labor	191.7	191.9	(0.2)	-0.1%	763.3
Electric Power	17.2	13.7	3.5	20.1%	65.0
Purchased Transportation	8.2	8.0	0.3	3.3%	34.8
Other Non Labor	32.7	23.9	8.8	26.8%	143.5
Total Non Labor	58.1	45.6	12.5	21.5%	243.4
Total Operating Expense	249.8	237.6	12.3	4.9%	1,006.7
<u>Debt Service and Allocations</u>					
Debt Service	15.0	14.3	0.7	4.8%	60.2
Capital and Other Allocations, Net of Emergency Assistance	10.3	8.7	1.6	15.7%	85.0
Total Debt Service and Allocations	25.3	23.0	2.3	9.2%	145.2
Total Operating Uses	275.1	260.5	14.6	5.3%	1,151.8
Net Operating Result Before Emergency Assistance	(84.2)	(53.5)	30.7	36.4%	(315.0)
SB 125 Emergency Assistance Applied	84.2	53.5	(30.7)	-36.4%	315.0
Net Operating Result After Emergency Assistance	0.0	(0.0)	0.0	0%	0.0
Operating Result (Deficit)	(175.1)	(155.7)	19.4	11.1%	(703.0)
System Operating Ratio	29.9%	34.5%	4.6%		30.2%
Rail Cost / Passenger Mile (\$)	1.16	1.02	0.14	12.4%	

Attachment 2 - Emergency Assistance to BART

FY26 Q1

Emergency Assistance to BART (as of September 30, 2025)

Expenditures (\$M) - applied to offset incurred expenses as of 9/30/25	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Actual	FY26 Actual	Total Applied
CARES	120	257	0	0	0	0	0	377
CRRSAA	0	41	287	50	0	0	0	378
ARPA + Add'l Assistance	0	0	0	266	314	274	0	853
SB125 State and Regional Assistance	0	0	0	0	0	41	54	94
Subtotal - all expenditures	120	298	287	316	314	314	54	1,702

Remaining emergency assistance in FY26 **258**

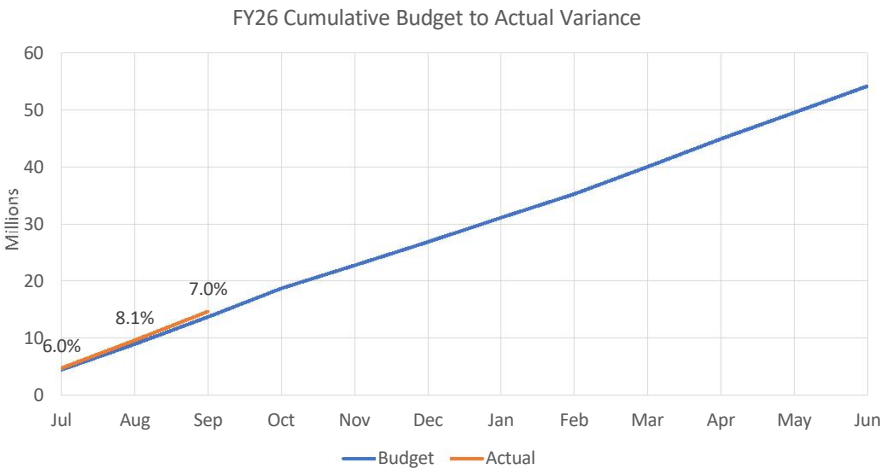
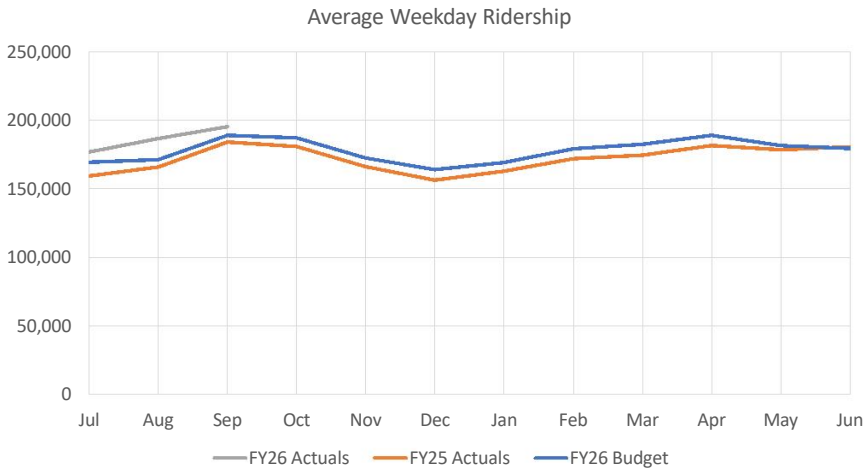
BART received \$58M in SB 125 funds in FY25. An additional \$224M was received in July 2025; the remaining \$70M of the full \$352M in planned funding is expected by the end of FY26.

Federal emergency assistance glossary:

- CARES: Coronavirus Aid, Relief, and Economic Security Act of 2020
- CRRSAA: Coronavirus Response and Relief Supplemental Appropriations Act of 2021
- ARPA: American Recovery Plan Act of 2021

Attachment 3 - FY26 Q1 Ridership Review

FY26Q1 (Jul-Sep) Ridership Stats



Exits	Actual FY25 YTD	Budget FY26 YTD	Actual FY26 YTD
Weekday	169,291	176,427	186,155
Saturday	99,394	99,538	115,248
Sunday	77,498	76,354	85,125
Total	13,283,052	13,726,700	14,683,945

FY26 YTD Actual vs.	
FY25 YTD Actual	FY26 YTD Budget
110.0%	105.5%
116.0%	115.8%
109.8%	111.5%
110.5%	107.0%

