NEW ISSUE – BOOK ENTRY ONLY

RATINGS: Moody's: Aaa
Standard & Poor's: AAA
See "Ratings" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the 2017 Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2017 Bonds. See "TAX MATTERS" herein.

$384,735,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT GENERAL OBLIGATION BONDS

Climate Bond Certified

$271,600,000	$28,400,000	$84,735,000
(ELECTION OF 2016), 2017 SERIES A-1 (GREEN BONDS)	**(ELECTION OF 2016), 2017 SERIES A-2 (FEDERALLY TAXABLE) (GREEN BONDS)**	**(ELECTION OF 2004), 2017 REFUNDING SERIES E (GREEN BONDS)**

Dated: Date of Delivery **Due:** August 1, as shown on inside cover

The San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-1 (Green Bonds) (the "2017A-1 Bonds") and 2017 Series A-2 (Federally Taxable) (Green Bonds) (the "2017A-2 Bonds" or the "Taxable Bonds" and, together with the 2017A-1 Bonds, the "2017A Bonds") are being issued to finance specific acquisition, construction and improvement projects approved by the voters and to pay the costs of issuance of the 2017A Bonds. The San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2017 Refunding Series E (Green Bonds) (the "2017E Bonds" and, together with the 2017A-1 Bonds, the "Tax-Exempt Bonds" and, collectively with the 2017A-2 Bonds, the "2017 Bonds") are being issued to refund certain outstanding general obligation bonds of the District and to pay the costs of issuance of the 2017E Bonds. The 2017 Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the 2017 Bonds will be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the 2017 Bonds will not receive bonds representing their beneficial ownership in the 2017 Bonds but will receive a credit balance on the books of their respective DTC Direct Participants or DTC Indirect Participants. The 2017 Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Principal on the 2017 Bonds is payable in the amounts and on the dates set forth on the inside cover. Interest on the 2017 Bonds, which is payable on February 1 and August 1 of each year, commencing August 1, 2017, and the principal of the 2017 Bonds is payable by U.S. Bank National Association, as trustee, to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of the 2017 Bonds through their respective DTC Direct Participants or DTC Indirect Participants.

The 2017 Bonds are general obligations of the San Francisco Bay Area Rapid Transit District (the "District"), payable from and secured solely by *ad valorem* taxes to be levied upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco, as more fully described herein. No other revenues of the District are pledged to the payment of the 2017 Bonds.

The 2017 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2017 Bonds are offered when, as and if issued by the District and received by the Underwriters, subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. Certain legal matters will be passed upon for the Underwriters by their counsel, Curls Bartling P.C., and for the District by its General Counsel, Matthew Burrows, Esq., and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the District. The 2017 Bonds in book-entry-only form are expected to be delivered through the facilities of DTC on or about June 1, 2017.

Barclays **STIFEL**

Alamo Capital **Backstrom McCarley Berry & Co., LLC** **BofA Merrill Lynch** **Blaylock Van, LLC**

Citigroup **Fidelity Capital Markets** **Goldman Sachs & Co. LLC**

J.P. Morgan **Morgan Stanley** **Raymond James** **Siebert Cisneros Shank & Co., L.L.C.**

Dated: May 10, 2017

MATURITY SCHEDULES

$271,600,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2016), 2017 SERIES A-1 BONDS (GREEN BONDS)

$140,480,000 SERIAL BONDS

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP (Base: 797661)‡
2018	$4,570,000	4.000%	0.850%	VT9
2019	4,750,000	4.000	0.950	VU6
2020	4,940,000	5.000	1.070	VV4
2021	5,185,000	5.000	1.210	VW2
2022	5,445,000	2.000	1.390	VX0
2023	5,555,000	2.000	1.550	VY8
2024	5,665,000	5.000	1.640	VZ5
2025	5,950,000	5.000	1.840	WA9
2026	6,250,000	5.000	2.010	WB7
2027	6,560,000	5.000	2.190	WC5
2028	6,890,000	5.000	2.320*	WD3
2029	7,235,000	5.000	2.440*	WE1
2030	7,595,000	5.000	2.520*	WF8
2031	7,975,000	5.000	2.600*	WG6
2032	4,090,000	3.000	3.160	WH4
2032	4,285,000	5.000	2.670*	WJ0
2033	8,710,000	5.000	2.720*	WK7
2034	9,145,000	4.000	3.210*	WL5
2035	9,510,000	4.000	3.270*	WM3
2036	9,890,000	4.000	3.310*	WN1
2037	10,285,000	5.000	2.950*	WP6

$58,500,000 4.000% Term Bond due August 1, 2042; Yield* 3.490%; CUSIP‡ 797661WQ4

$72,620,000 5.000% Term Bond due August 1, 2047; Yield* 3.080%; CUSIP‡ 797661WR2

$28,400,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2016), 2017 SERIES A-2 BONDS (FEDERALLY TAXABLE) (GREEN BONDS) †

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP (Base: 797661)‡
2017	$28,400,000	0.822%	0.822%	WS0

* Yield to call on August 1, 2027 at the principal amount thereof.

† Barclays Capital Inc. and Stifel, Nicolaus & Company Incorporated are the sole Underwriters of the 2017A-2 Bonds.

‡ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience only and neither the District nor the Underwriters takes any responsibility for the accuracy thereof. The CUSIP numbers are subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions, including, but not limited to, a refunding, in whole or in part of the 2017 Bonds.

$84,735,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2004), 2017 REFUNDING SERIES E BONDS (GREEN BONDS)

$84,735,000 SERIAL BONDS

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP (Base: 797661)[‡]
2018	$4,455,000	4.000%	0.850%	WT8
2019	5,220,000	5.000	0.950	WU5
2020	6,125,000	5.000	1.070	WV3
2036	33,115,000	5.000	2.910[*]	WW1
2037	35,820,000	4.000	3.370[*]	WX9

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[*] Yield to call on August 1, 2027 at the principal amount thereof.

[‡] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience only and neither the District nor the Underwriters takes any responsibility for the accuracy thereof. The CUSIP numbers are subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions, including, but not limited to, a refunding, in whole or in part of the 2017 Bonds.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

300 Lakeside Drive, 23rd Floor
Oakland, California 94612

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(continued)

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This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation or sale of the 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the San Francisco Bay Area Rapid Transit District (the “District”) or the underwriters identified on the cover page of this Official Statement (the “Underwriters”) to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the 2017 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2017 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been obtained from sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No representation, warranty or guarantee is made by the Financial Advisor as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Financial Advisor.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The 2017 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

The District maintains a website. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specifically indicated otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement and should not be relied upon in making investment decisions with respect to the 2017 Bonds.

IN CONNECTION WITH THE OFFERING OF THE 2017 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 2017 BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

FORWARD LOOKING STATEMENTS

This Official Statement, including the cover and inside cover page and all appendices hereto, contains forecasts, projections and estimates that are based on current expectations or assumptions. When included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements which speak only as of the date of this Official Statement. Any such statements inherently are subject to a variety of risks and uncertainties which could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in economic conditions, federal, state and local statutory and regulatory initiatives, litigation, seismic events, and various other events, conditions and circumstances, many of which are beyond the control of the District. The inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the District that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the District’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

CERTIFICATION AS CLIMATE BONDS

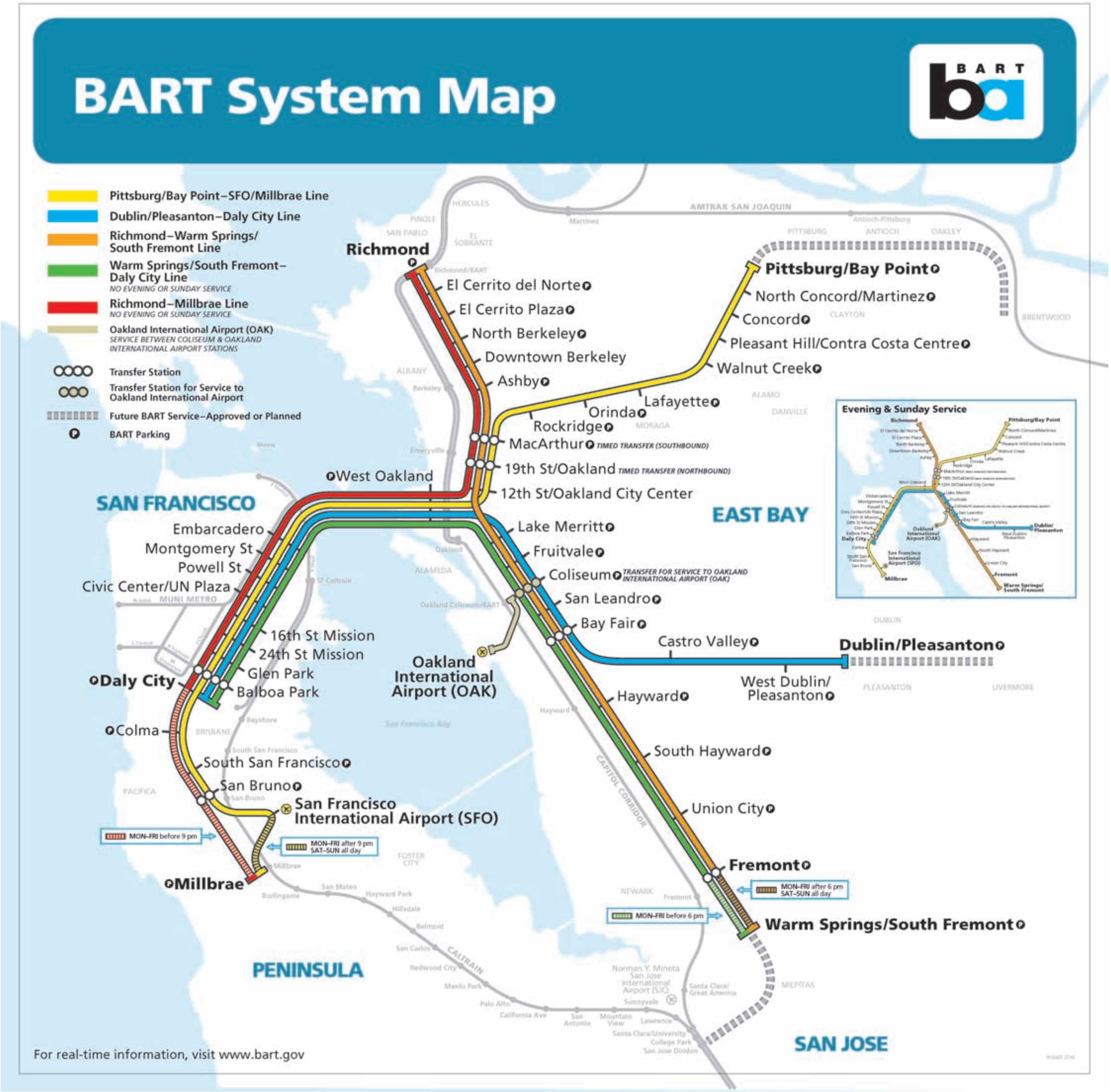
The Climate Bonds Initiative has provided the following paragraphs for inclusion in this official statement: The certification of the 2017 Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bonds Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the 2017 Bonds or any Nominated Project, including but not limited to the Official Statement, the transaction documents, the District or the management of the District.

The certification of the 2017 Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the District and is not a recommendation to any person to purchase, hold or sell the 2017 Bonds and such certification does not address the market price or suitability of the 2017 Bonds for a particular investor. The certification also does not address the merits of the decision by the District or any third party to participate in any Nominated Project and does not express and should not be deemed to be an expression of an opinion as to the District or any aspect of any Nominated Project (including but not limited to the financial viability of any Nominated Project) other than with respect to conformance with the Climate Bonds Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Nominated Project or the District. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Nominated Project. The certification may only be used with the 2017 Bonds and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the 2017 Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.



BART System Map
BART
Pittsburg/Bay Point–SFO/Millbrae Line
Dublin/Pleasanton–Daly City Line
Richmond–Warm Springs/South Fremont Line
Warm Springs/South Fremont–Daly City Line
NO EVENING OR SUNDAY SERVICE
Richmond–Millbrae Line
NO EVENING OR SUNDAY SERVICE
Oakland International Airport (OAK)
SERVICE BETWEEN COLISEUM & OAKLAND INTERNATIONAL AIRPORT STATIONS
Transfer Station
Transfer Station for Service to Oakland International Airport
Future BART Service–Approved or Planned
BART Parking
Richmond
El Cerrito del Norte
El Cerrito Plaza
North Berkeley
Downtown Berkeley
Ashby
MacArthur
TIMED TRANSFER (SOUTHBOUND)
19th St/Oakland
TIMED TRANSFER (NORTHBOUND)
12th St/Oakland City Center
West Oakland
Pittsburg/Bay Point
North Concord/Martinez
Concord
Pleasant Hill/Contra Costa Centre
Walnut Creek
Lafayette
Orinda
Rockridge
SAN FRANCISCO
Embarcadero
Montgomery St
Powell St
Civic Center/UN Plaza
16th St Mission
24th St Mission
Glen Park
Balboa Park
Daly City
Colma
South San Francisco
San Bruno
San Francisco International Airport (SFO)
Millbrae
MON–FRI before 9 pm
MON–FRI after 9 pm
SAT–SUN all day
EAST BAY
Lake Merritt
Fruitvale
Coliseum
TRANSFER FOR SERVICE TO OAKLAND INTERNATIONAL AIRPORT (OAK)
San Leandro
Bay Fair
Oakland International Airport (OAK)
Castro Valley
Dublin/Pleasanton
West Dublin/Pleasanton
Hayward
South Hayward
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Fremont
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Evening & Sunday Service
PENINSULA
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CALTRAIN
MUNI METRO
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OFFICIAL STATEMENT

$384,735,000
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
GENERAL OBLIGATION BONDS

$271,600,000 **(ELECTION OF 2016),** **2017 SERIES A-1** **(GREEN BONDS)**	**$28,400,000** **(ELECTION OF 2016),** **2017 SERIES A-2 (FEDERALLY TAXABLE)** **(GREEN BONDS)**	**$84,735,000** **(ELECTION OF 2004),** **2017 REFUNDING SERIES E** **(GREEN BONDS)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information in connection with the issuance by the San Francisco Bay Area Rapid Transit District (the "District" or "BART") of $300,000,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-1 (Green Bonds) (the "2017A-1 Bonds") and San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-2 (Federally Taxable) (Green Bonds) (the "2017A-2 Bonds" or the "Taxable Bonds" and, together with the 2017A-1 Bonds, the "2017A Bonds"), and of $84,735,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2017 Refunding Series E (Green Bonds) (the "2017E Bonds" and, together with the 2017A-1 Bonds, the "Tax-Exempt Bonds" and, collectively with the 2017A-2 Bonds, the "2017 Bonds").

The District was created in 1957 pursuant to the laws of the State of California (the "State") to provide rapid transit service in the San Francisco Bay Area. The District is composed of all of the area in the Counties of Alameda and Contra Costa and the City and County of San Francisco (herein referred to as the "Three BART Counties"), owns additional property in and extends service to the County of San Mateo and has planned extensions to Santa Clara County. The District's transit system extends over 100 miles, averages over 429,000 passengers each weekday and over 125 million passengers annually, and is the major provider of transbay transit between the East Bay and downtown San Francisco. The District is governed by an elected board of directors consisting of nine members. For additional information concerning the District, see Appendix A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION."

The 2017 Bonds represent general obligations of the District and will be payable solely by *ad valorem* taxes to be levied without limitation as to rate or amount upon all property subject to taxation within the Three BART Counties (except certain personal property which is taxable at limited rates). The aggregate assessed value of property in the District for the fiscal year ending June 30, 2017 ("Fiscal Year 2016-17") is $646.1 billion.

U.S. Bank National Association will serve as trustee (the "2017A Trustee") for the 2017A Bonds pursuant to a Trust Agreement (Measure RR), dated as of June 1, 2017 (the "Measure RR Trust Agreement") between the District and the 2017A Trustee. All capitalized terms used and not otherwise defined herein relating to the 2017A Bonds shall have the meanings assigned to such terms in the Measure RR Trust Agreement.

U.S. Bank National Association, as successor paying agent to The Bank of New York Mellon Trust Company, N.A., will serve as trustee (the "2017E Trustee" and, together with the 2017A Trustee, the "Trustee") for the 2017E Bonds pursuant to a Trust Agreement (Measure AA), dated as of June 1, 2017 (the "Measure AA Trust Agreement" and, together with the Measure RR Trust Agreement, the "Trust Agreements"), between the District and the 2017E Trustee. All capitalized terms used and not otherwise defined herein relating to the 2017E Bonds shall have the meanings assigned to such terms in the Measure AA Trust Agreement.

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to the entire contents of this Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein, a full review of which should be made by potential investors. All descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Copies of the Measure AA Trust Agreement and the Measure RR Trust Agreement are available upon request to the Controller/Treasurer of the District. The offering of the 2017 Bonds is made only by means of this entire Official Statement and is subject in all respects to the information contained herein.

PLAN OF FINANCE

The 2017A Bonds are part of a $3.5 billion authorization approved at an election held on November 8, 2016, by over two-thirds of the qualified voters of the District voting on a ballot measure ("Measure RR") titled "BART Safety, Reliability and Traffic Relief" which asked, "To keep BART safe; prevent accidents/breakdowns/delays; relieve overcrowding; reduce traffic congestion/pollution; and improve earthquake safety and access for seniors/disabled by replacing and upgrading 90 miles of severely worn tracks; tunnels damaged by water intrusion; 44-year-old train control systems; and other deteriorating infrastructure, shall the Bay Area Rapid Transit District issue $3.5 billion of bonds for acquisition or improvement of real property subject to independent oversight and annual audits?" Measure RR was placed on the ballot to fund a portion of the System Renewal Program, introduced by BART in 2016 to address critical infrastructure needs (the "System Renewal Program"). See Appendix A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – BART FINANCINGS AND CAPITAL PROGRAMS – System Renewal Program." The 2017A Bonds are the first tranche of general obligation bonds issued pursuant to the Measure RR authorization (the "Measure RR Bonds") and are being issued to finance projects approved by the voters of Measure RR. Upon issuance of the 2017A Bonds, the District will have $3.2 billion in remaining voter-approved authorization for future issuances under Measure RR.

The District intends to apply the proceeds of the 2017E Bonds to current refund $93,780,000 principal amount of the San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2007 Series B (the "2007B Bonds" and the portion to be refunded, the "Prior Bonds"). The Prior Bonds to be defeased upon issuance of the 2017E Bonds are listed below. The Prior Bonds are part of a $980 million authorization approved at an election held on November 2, 2004, by at least two-thirds of the qualified voters of the District voting on a ballot measure ("Measure AA"). Measure AA was titled "BART Earthquake Safety Bond" and asked, "To protect public safety and keep Bay Area traffic moving in the aftermath of an earthquake or other disaster, shall BART, the San Francisco Bay Area Rapid Transit District, be authorized to issue bonds not to exceed $980 million dollars to make earthquake safety improvements to BART facilities in Contra Costa, San Francisco and Alameda Counties, including strengthening tunnels, bridges, overhead tracks and underwater Transbay Tube, and establish an independent citizens' oversight committee to verify bond revenues are spent as promised?" Measure AA was placed on the ballot to fund a portion of the Earthquake Safety Program, adopted by BART in 2004 (the "Earthquake Safety Program"). See Appendix A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – BART FINANCINGS AND CAPITAL PROGRAMS – Earthquake Safety Program." In May 2005, the District issued the San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2005 Series A (the "2005 Bonds") in an aggregate principal amount of $100,000,000, none of which remain outstanding. In July 2007, the District issued the 2007B Bonds under Measure AA in an aggregate principal amount of $400,000,000, of which $97,830,000 remain outstanding. In November 2013, the District issued under Measure AA the San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2013 Series C (the "2013C Bonds") in the aggregate principal amount of $240,000,000, of which $225,545,000 remain outstanding. On September 24, 2015, the District issued the San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2015 Refunding Series D (the "2015D Bonds" and, together with the 2005 Bonds, the 2007B Bonds and the 2013C Bonds, the "Measure AA Bonds") in an aggregate principal amount of $276,805,000, in order to refund the 2005 Bonds and a portion of the 2007B Bonds. $276,805,000 of the 2015D Bonds remain outstanding. Of the Measure AA $980 million authorization for seismic safety projects, $740 million of bonds have been issued. Following the issuance of the 2017E Bonds and the defeasance of the Prior Bonds, $591,135,000 Measure AA Bonds, including the 2017E Bonds, remain outstanding. The District has $240 million in remaining voter-approved authorization for future issuances under Measure AA.

The moneys required to refund the Prior Bonds will be derived from the net proceeds of the 2017E Bonds and other available funds. The Prior Bonds will be redeemed on August 1, 2017. Pursuant to the Escrow Agreement to be entered into between the District and U.S. Bank National Association, as escrow agent for the Prior Bonds (the "Escrow Agent"), such moneys will be deposited in the escrow fund established for the Prior Bonds (the "Escrow Fund") and held in cash or applied to purchase direct obligations of the United States of America or obligations for which the faith and credit of the United States are pledged (the "Government Securities") to the redemption date. The Government Securities will be purchased and held by the Escrow Agent in the Escrow Fund in an amount sufficient to redeem the Prior Bonds to be refunded on the redemption date, at a redemption price equal to the principal amount of the Prior Bonds to be redeemed, plus interest thereon to the redemption date. See "VERIFICATION OF MATHEMATICAL ACCURACY."

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The 2007B Bonds to be redeemed or defeased upon issuance of the 2017E Bonds are set forth below.

San Francisco Bay Area Rapid Transit District
General Obligation Bonds (Election of 2004), 2007 Series B
Redemption Date: August 1, 2017
Redemption Price: 100%

Maturity Date (August 1)	Interest Rate	Principal Amount	CUSIP* (797661)
2018	4.125%	$4,840,000	RR8
2019	4.250	5,690,000	RS6
2020	4.250	300,000	RT4
2020	5.000	6,350,000	RU1
2021	4.375	170,000	RV9
2037†	4.750	76,430,000	SJ5
Total		$93,780,000	

The 2007B Bonds that will not be defeased upon issuance of the 2017E Bonds consist of the unrefunded 2007B Bonds set forth below.

Unrefunded 2007B Bonds

Maturity Date (August 1)	Interest Rate	Principal Amount	CUSIP* (797661)
2017	4.100%	$4,050,000	RQ0

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† Term Bond.

CLIMATE BOND CERTIFIED

The information set forth under this caption "Climate Bond Certified" concerning (1) the Climate Bonds Initiative (the "Climate Bonds Initiative") and the process for obtaining Climate Bond Certification (the "Climate Bond Certification"), and (2) First Environment, Inc. ("First Environment") in its role as a verifier with respect to the Climate Bond Certification, all as more fully described below, has been extracted from materials provided by the Climate Bonds Initiative and First Environment, respectively, for such purposes, and none of such information is guaranteed as to accuracy or completeness or is to be construed as a representation by the District or the Underwriters. Additional information relating to the Climate Bonds Initiative, the Climate Bonds Standard, the Certification Process (defined herein) and the process for obtaining Climate Bond Certification can be found at www.climatebonds.net. This hyperlink is included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

The terms "Climate Bond Certified" and "green bonds" are neither defined in, nor related to the Resolutions, and their use herein is for identification purposes only and is not intended to provide or imply that a holder of the 2017 Bonds is entitled to any additional security other than as provided in the Resolutions and the Trust Agreements. The District has no continuing legal obligation to maintain the Climate Bond Certification of the 2017 Bonds.

Introduction. Green Bonds, also known as Climate Bonds, were popularized in 2008 as a method for raising capital for climate-friendly projects across the globe. In 2016, $81 billion in Climate Bonds were issued worldwide, according to the Climate Bonds Initiative, an international nongovernmental, nonprofit organization dedicated to stimulating investment in projects and assets supporting environmental sustainability. The District has requested, and the Climate Bonds Standard Board has approved, the labeling of the 2017 Bonds as "Climate Bond Certified" based on the Climate Bonds Standard Verification Statement provided by First Environment. First Environment's factual findings assessed that the 2017E Bonds were used on eligible projects included in the District's Earthquake Safety Program and the 2017A Bonds will be used on eligible projects included in the District's System Renewal Program and conform to the Climate Bonds – Low Carbon Land Transport Standard. BART's Series 2017 Green Bonds will be the first bond issuance to be certified in the Western US by a transit agency under the Climate Bonds Initiative's Low Carbon Land Transport Standard.

The Climate Bonds Initiative and Climate Bond Certification. The 2017 Bonds are being issued to finance or refinance projects that assist the District in providing mass transit services using an electrified railway that provides a low-carbon alternative to automobile travel. BART's sustainability statistics include the following estimates:

(i) 1,844,516,471 passenger miles traveled in 2016;

(ii) 433,394 average weekday exits in 2016;

(iii) 14.7 miles average trip length in 2016;

(iv) 139,116 gallons of gasoline saved from all riders for one typical weekday;

(v) 2,724,313 pounds of carbon dioxide emissions avoided from automobiles otherwise used by riders for one typical weekday;

(vi) 283,325,856 kilowatt-hours of traction power in 2016;

(vii) BART trains are 100% electric, and in 2017 approximately 97% of such power comes from low- and zero-carbon sources, including solar and hydro facilities; and

(viii) According to a 2010 U.S. Department of Transportation Federal Transit Administration report titled "Public Transportation's Role in Responding to Climate Change," BART was the country's cleanest major transit system in its class emitting fewer pounds of carbon dioxide per passenger mile than any other transit system.

As such, the District applied to the Climate Bonds Initiative under the Climate Bonds Standard & Certification Scheme (the "Certification Process") for designation of the 2017 Bonds as "Climate Bond Certified." The Certification Process is a voluntary verification initiative which allows the District to demonstrate to the investor market, the users of the District's transportation system, and other stakeholders that the 2017 Bonds meet international standards for climate integrity, management of proceeds and transparency. The Certification Process provides a scientific framework for determining which projects and assets are consistent with a low carbon and climate resilient economy and, therefore, eligible for inclusion in a Certified Climate Bond. The Certification Process relating to the 2017 Bonds includes pre-issuance and post-issuance requirements.

The pre-issuance requirements are designed to ensure that the District has established appropriate internal processes and controls prior to issuance of the 2017 Bonds, and that these internal processes and controls are sufficient to enable conformance with the Certification Process after the 2017 Bonds have been issued and bond proceeds are expended.

As required by the Certification Process, the District will engage First Environment to provide a post-issuance certification of compliance. The District will provide to the Climate Bonds Initiative an annual statement with respect to the 2017A Bonds certifying, to the best of its knowledge, its conformance with the certification requirements of the Climate Bonds Standard. The District will also provide an annual report to bondholders of the 2017A Bonds regarding the projects financed by proceeds of the 2017A Bonds, and may voluntarily file such report on EMMA (as defined herein).

THE 2017 BONDS

Purpose and Application of Proceeds

The 2017A Bonds are being issued to finance improvements to BART facilities authorized under Measure RR and the System Renewal Program (the "Project"). See Appendix A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – BART Financings and Capital Programs – General Obligation Bonds." Proceeds will be applied to (i) finance the Project, (ii) pay a portion of debt service on the 2017A Bonds through February 1, 2018, including the debt service in full on the 2017A-2 Bonds, and (iii) pay costs of issuance of the 2017A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS." Proceeds of the 2017A Bonds deposited into the Project Fund may be invested in any investments permitted by the District's investment policy or in Investment Securities as such term is defined in the Trust Agreement. See Appendix H "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENTS" herein. Other funds held by the Trustee will be invested by the Trustee at the direction of the District in Investment Securities as such term is defined in the Measure RR Trust Agreement.

The 2017E Bonds are being issued to (i) current refund the Prior Bonds and to (ii) pay costs of issuance of the 2017E Bonds. Proceeds of the 2017E Bonds to refund the Prior Bonds will be deposited in the Escrow Fund. See "PLAN OF FINANCE" above.

Authority for Issuance

The 2017E Bonds are being issued pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Government Code"), the refunding bond provisions of the Government Code, to refund the Measure AA Bonds issued pursuant to the provisions of Part 2 of Division 10 of the Public Utilities Code of the State of California, commencing with Section 28500, and other applicable law, and according to the terms and in the manner set forth in the Measure AA Trust Agreement, as authorized by Resolution No. 5337 adopted by the Board of Directors of the District on March 23, 2017 (the "2017E Resolution").

The 2017A Bonds are being issued pursuant to the provisions of Part 2 of Division 10 of the Public Utilities Code of the State of California, commencing with Section 28500, Article 4.5 of Chapter 3 of Division 2 of Title 5 of the Government Code, commencing with Section 53506 and other applicable law, and according to the terms and in the manner set forth in the Measure RR Trust Agreement, as authorized by Resolution No. 5338 adopted by the Board of Directors of the District on March 23, 2017 (the "2017A Resolution" and, together with the 2017E Resolution, the "Resolutions").

Description of the 2017 Bonds

The 2017 Bonds will be dated their date of delivery and will mature at the times and in the principal amounts as set forth on the inside cover page of the Official Statement. Interest on the 2017 Bonds shall be payable on February 1 and August 1 of each year, commencing August 1, 2017. Interest on the 2017 Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Book-Entry-Only System

The 2017 Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2017 Bonds. Beneficial ownership interests in the 2017 Bonds may be purchased by or through a DTC Direct Participant (as such term is defined in Appendix E – "DTC AND THE BOOK-ENTRY-ONLY SYSTEM") in book-entry-only form in denominations of $5,000 or any integral multiple thereof. See Appendix E – "DTC AND THE BOOK-ENTRY-ONLY SYSTEM."

DTC will act as securities depository for the 2017 Bonds. See Appendix E – "DTC AND THE BOOK-ENTRY-ONLY SYSTEM." Payments of interest on, principal of and premium, if any, on the 2017 Bonds will be made by the Trustee to DTC or its nominee, Cede & Co., as registered owner of the 2017 Bonds. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the District or the Trustee with respect to the principal or redemption price of or interest on the 2017 Bonds to the extent of the sum or sums so paid.

The District and the Trustee cannot and do not give any assurances that DTC's Direct Participants or Indirect Participants (as such terms are defined in Appendix E – "DTC AND THE BOOK-ENTRY-ONLY SYSTEM") will distribute to beneficial owners (i) payments of interest and principal with respect to the 2017 Bonds, (ii) confirmation of ownership interests in the 2017 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the 2017 Bonds, or that DTC's Direct Participants or Indirect Participants will do so on a timely basis.

So long as the 2017 Bonds are held in the book-entry only system of DTC, the registered owner of the 2017 Bonds will be DTC, and not the beneficial owner.

Payments, Transfers and Exchanges Upon Abandonment of Book-Entry-Only System

The book-entry system for registration of the ownership of the 2017 Bonds in book-entry-only form may be discontinued at any time if: (1) DTC resigns as securities depository for the 2017 Bonds; or (2) the District determines that a continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the District. In each of such events (unless the District appoints a successor securities depository), the 2017 Bonds shall be delivered in such denominations and registered in the names of such persons as are requested in a certificate of the District, but without any liability on the part of the District or the Trustee for the accuracy of such designation. Whenever DTC requests the District and the Trustee to do so, the District and the Trustee shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of or to print bonds evidencing the 2017 Bonds. Thereafter, all 2017 Bonds are transferable or exchangeable as described in the Trust Agreements.

In the event that the book-entry-only system is no longer used with respect to the 2017 Bonds, payment of interest on the 2017 Bonds will be made on each interest payment date to the person whose name appears on the bond registration books of the Trustee as the registered owner of the 2017 Bonds as of the close of business on the fifteenth day of the month prior to such interest payment date, whether or not such day is a Business Day (the "Record Date"). Payment of the interest on any 2017 Bond will be made by check or draft mailed by first class mail to the registered owner of such 2017 Bond at such owner's address as it appears on the bond registration books of the Trustee or at such address as such owner may have filed with the Trustee for that purpose; or, upon the written request of the registered owner of 2017 Bonds aggregating not less than $1,000,000 in principal amount, given no later than the Record Date preceding the applicable interest payment date, by wire transfer in immediately available funds to an account maintained in the United States at such wire address as such owner shall specify in its written notice. Principal of, and premium, if any, and interest on the 2017 Bonds will be payable at the principal corporate trust office of the Trustee or at such other location as the Trustee may designate. The 2017 Bonds will be in the form of fully registered 2017 Bonds and will be issued in denominations of $5,000 or any integral multiple thereof.

Redemption Provisions

Optional Redemption. The 2017A Bonds maturing on or before August 1, 2027 are not subject to redemption prior to their maturity dates. The 2017A Bonds maturing on and after August 1, 2028 will be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2027, at the principal amount of such 2017A Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2017A Bonds are called for redemption, the 2017A Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2017A Bonds of any given maturity are called for redemption, the portions of 2017A Bonds of a given maturity to be redeemed shall be determined by lot.

The 2017E Bonds maturing on or before August 1, 2020 are not subject to redemption prior to their maturity dates. The 2017E Bonds maturing on and after August 1, 2036 will be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2027, at the principal amount of such 2017E Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2017E Bonds are called for redemption, the 2017E Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2017E Bonds of any given maturity are called for redemption, the portions of 2017E Bonds of a given maturity to be redeemed shall be determined by lot.

Mandatory Redemption. The 2017A-1 Term Bond maturing on August 1, 2042, is also subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Payment Date (August 1)	**Mandatory Sinking Fund Payment Amount**
2038	$10,800,000
2039	11,235,000
2040	11,680,000
2041	12,150,000
2042†	12,635,000

† Final Maturity

The 2017A-1 Term Bond maturing on August 1, 2047, is also subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Payment Date (August 1)	**Mandatory Sinking Fund Payment Amount**
2043	$13,140,000
2044	13,800,000
2045	14,490,000
2046	15,215,000
2047†	15,975,000

† Final Maturity

The principal amount of each mandatory sinking fund payment of any maturity shall be reduced as specified by the District, in $5,000 increments, by the amount of any 2017A Bonds of that maturity optionally redeemed prior to the mandatory sinking fund payment date.

Selection of Redemption. If less than all of the 2017 Bonds of a series are called for redemption, such 2017 Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the 2017 Bonds of any one maturity are designated for redemption, the Trustee shall select the 2017 Bonds to be redeemed by lot in any manner deemed fair by the Trustee. For purposes of such selection, each 2017 Bond shall be deemed to consist of individual 2017 Bonds of $5,000 denominations each, which may be separately redeemed.

Notice and Effect of Redemption. Notice of any redemption of any 2017 Bonds will be given by the Trustee upon written request of the District by first class mail to the registered owners of any 2017

Bonds designated for redemption at least 30 but not more than 60 days prior to the redemption date. Each notice of redemption shall contain all of the following information: (i) the date of such notice; (ii) the name of the 2017 Bonds and the date of issue of the 2017 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the 2017 Bonds to be redeemed; (vi) (if less than all of the 2017 Bonds of any maturity are to be redeemed) the distinctive numbers of the 2017 Bonds of each maturity to be redeemed; (vii) (in the case of 2017 Bonds redeemed in part only) the respective portions of the principal amount of the 2017 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of 2017 Bonds to be redeemed; (ix) a statement that such 2017 Bonds must be surrendered by the Owners at the principal corporate trust office of the Trustee, or at such other place or places designated by the Trustee; and (x) notice that further interest on such 2017 Bonds will not accrue from and after the designated redemption date. A certificate of the Trustee or the District that notice of redemption has been given to Owners and to the appropriate securities depositories and as may be further required in the Continuing Disclosure Agreement shall be conclusive as against all parties. The actual receipt by the Owner of any Bond or by any securities depository or any other party of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such 2017 Bonds or the cessation of interest on the date fixed for redemption. When notice of redemption has been given substantially as provided for in the applicable Trust Agreement, and when the redemption price of the 2017 Bonds called for redemption is set aside as provided in the Trust Agreement, the 2017 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such 2017 Bonds at the place specified in the notice of redemption, such 2017 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such 2017 Bonds so called for redemption after such redemption date shall look for the payment of such 2017 Bonds and the redemption premium thereon, if any, only to the interest and sinking fund of the District (the "Interest and Sinking Fund") or the escrow fund established for such purpose. All 2017 Bonds redeemed shall be cancelled forthwith by the Trustee and shall not be reissued.

Conditional Notice. Any notice of optional redemption delivered hereunder may be conditioned on any fact or circumstance stated therein, and if such condition will not have been satisfied on or prior to the redemption date stated in such notice, said notice will be of no force and effect on and as of the stated redemption date, the redemption will be cancelled, and the District will not be required to redeem the 2017 Bonds that were the subject of the notice. The Trustee will give notice of such cancellation and the reason therefor in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any 2017 Bond of notice of such cancellation will not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice will not affect the validity of the cancellation.

Right to Rescind Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for optional redemption by causing written notice of the rescission to be given to the registered owners of the 2017 Bonds so called for redemption. In addition, any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund established pursuant to the Trust Agreement or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the 2017 Bonds called for redemption. Any notice of rescission shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the registered owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the registered owners of all outstanding 2017 Bonds all of the principal, interest and premium, if any, represented by 2017 Bonds at the times and in the manner provided in the applicable Trust Agreement and in the 2017 Bonds, or as provided pursuant to the provisions of such Trust Agreement described in the following paragraph, or as otherwise provided by law consistent with the Trust Agreement, then such registered owners shall cease to be entitled to the obligation of the District to levy taxes for payment of the 2017 Bonds as described in the Trust Agreement, and such obligation and all agreements and covenants of the District to such registered owners under the Trust Agreement and under the 2017 Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the 2017 Bonds, but only out of monies on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment.

Pursuant to the Trust Agreements, the District may pay and discharge any or all of the 2017 Bonds by depositing in trust with the Trustee (or an escrow agent) at or before maturity, lawful money of the United States of America or non-callable Investment Securities described in clauses (i), (ii) or (vi) of the definition thereof, in an amount which, together with the interest to accrue thereon and available monies then on deposit in the Interest and Sinking Fund, will be fully sufficient to pay and discharge the indebtedness on such 2017 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates. See Appendix H – "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENTS" herein.

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ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the sale of the 2017 Bonds are expected to be applied as follows:

	2017A Bonds	**2017E Bonds**
Sources of Funds		
Principal Amount	$300,000,000.00	$84,735,000.00
Net Original Issue Premium	35,640,622.70	9,341,339.95
Debt Service Deposits	-	2,204,793.75
Total Sources	$335,640,622.70	$96,281,133.70
Uses of Funds		
Project Fund	$300,000,000.00	-
Escrow Deposit for Prior Bonds*	-	$95,850,300.88
Costs of Issuance†	1,088,993.77	430,832.82
Interest and Sinking Fund‡	34,551,628.93	-
Total Uses	$335,640,622.70	$96,281,133.70

* See “PLAN OF FINANCE.”

† Includes Underwriters’ discount and fees and expenses for rating agency, trustee, trustee counsel, escrow agent, verification agent, climate bond certification fees, printing, Bond and Disclosure Counsel, Financial Advisor, and other miscellaneous expenses. For details regarding the Underwriters’ discount, see “UNDERWRITING.”

‡ To be applied to pay debt service on the 2017A-2 Bonds at maturity on August 1, 2017 and a portion of interest due on the 2017A-1 Bonds through February 1, 2018.

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DEBT SERVICE SCHEDULES

The following table sets forth annual debt service on the 2017E Bonds together with the annual debt service of the prior series of bonds issued pursuant to Measure AA:

		2017E Bonds			
Year Ending August 1	Outstanding Measure AA Bonds Debt Service[(1)]	Principal	Interest	Total 2017E Bonds Debt Service	Aggregate Measure AA Bonds Debt Service
2017	$ 36,387,500	-	$ 639,000	$ 639,000	$ 37,026,500
2018	41,128,000	$ 4,455,000	3,834,000	8,289,000	49,417,000
2019	40,473,950	5,220,000	3,655,800	8,875,800	49,349,750
2020	39,760,350	6,125,000	3,394,800	9,519,800	49,280,150
2021	46,156,350	-	3,088,550	3,088,550	49,244,900
2022	38,783,500	-	3,088,550	3,088,550	41,872,050
2023	38,782,050	-	3,088,550	3,088,550	41,870,600
2024	38,780,550	-	3,088,550	3,088,550	41,869,100
2025	38,780,400	-	3,088,550	3,088,550	41,868,950
2026	38,784,000	-	3,088,550	3,088,550	41,872,550
2027	38,782,750	-	3,088,550	3,088,550	41,871,300
2028	38,781,250	-	3,088,550	3,088,550	41,869,800
2029	38,781,500	-	3,088,550	3,088,550	41,870,050
2030	38,775,250	-	3,088,550	3,088,550	41,863,800
2031	38,779,500	-	3,088,550	3,088,550	41,868,050
2032	38,780,250	-	3,088,550	3,088,550	41,868,800
2033	38,784,000	-	3,088,550	3,088,550	41,872,550
2034	38,782,850	-	3,088,550	3,088,550	41,871,400
2035	38,780,650	-	3,088,550	3,088,550	41,869,200
2036	5,062,250	33,115,000	3,088,550	36,203,550	41,265,800
2037	3,885,000	35,820,000	1,432,800	37,252,800	41,137,800
Total[(2)]	**$755,791,900**	**$84,735,000**	**$62,373,200**	**$147,108,200**	**$902,900,100**

(1) Excludes debt service of bonds to be redeemed or defeased upon issuance of the 2017E Bonds.
(2) Totals may reflect rounding.

The following table sets forth annual debt service on the 2017A Bonds issued pursuant to Measure RR:

Year Ending August 1	2017A Bonds[(1)(2)] Principal	Interest	Total Measure RR Bonds Debt Service
2017	$ 28,400,000	$ 2,072,999.67	$ 30,472,999.67
2018	4,570,000	12,204,550.00	16,774,550.00
2019	4,750,000	12,021,750.00	16,771,750.00
2020	4,940,000	11,831,750.00	16,771,750.00
2021	5,185,000	11,584,750.00	16,769,750.00
2022	5,445,000	11,325,500.00	16,770,500.00
2023	5,555,000	11,216,600.00	16,771,600.00
2024	5,665,000	11,105,500.00	16,770,500.00
2025	5,950,000	10,822,250.00	16,772,250.00
2026	6,250,000	10,524,750.00	16,774,750.00
2027	6,560,000	10,212,250.00	16,772,250.00
2028	6,890,000	9,884,250.00	16,774,250.00
2029	7,235,000	9,539,750.00	16,774,750.00
2030	7,595,000	9,178,000.00	16,773,000.00
2031	7,975,000	8,798,250.00	16,773,250.00
2032	8,375,000	8,399,500.00	16,774,500.00
2033	8,710,000	8,062,550.00	16,772,550.00
2034	9,145,000	7,627,050.00	16,772,050.00
2035	9,510,000	7,261,250.00	16,771,250.00
2036	9,890,000	6,880,850.00	16,770,850.00
2037	10,285,000	6,485,250.00	16,770,250.00
2038	10,800,000	5,971,000.00	16,771,000.00
2039	11,235,000	5,539,000.00	16,774,000.00
2040	11,680,000	5,089,600.00	16,769,600.00
2041	12,150,000	4,622,400.00	16,772,400.00
2042	12,635,000	4,136,400.00	16,771,400.00
2043	13,140,000	3,631,000.00	16,771,000.00
2044	13,800,000	2,974,000.00	16,774,000.00
2045	14,490,000	2,284,000.00	16,774,000.00
2046	15,215,000	1,559,500.00	16,774,500.00
2047	15,975,000	798,750.00	16,773,750.00
Total[(3)]	**$300,000,000**	**$233,644,999.67**	**$533,644,999.67**

(1) Includes 2017A-2 Bond maturing on August 1, 2017.
(2) Includes debt service to be paid from a portion of the proceeds of the 2017A Bonds through February 1, 2018. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.
(3) Totals may reflect rounding.

SECURITY AND SOURCE OF PAYMENT FOR THE 2017 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the 2017 Bonds, the District is empowered and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to all other taxes levied upon property within the District. Such taxes, when collected and received by the respective BART county collecting such taxes on behalf of the District, will be deposited in the applicable Interest and Sinking Fund for the bonds authorized by Measure AA, including the 2017E Bonds, and for the bonds authorized by Measure RR, including the 2017A Bonds.

The District, in the Measure RR Trust Agreement and the Measure AA Trust Agreement, pledges all revenues from the property taxes collected from the levy for the payment of the 2017A Bonds and the 2017E Bonds, respectively, and amounts on deposit in the respective Interest and Sinking Funds to the payment of the principal or redemption price of and interest on such Bonds. Each Trust Agreement provides that the pledge will be valid and binding from the date of the Trust Agreement for the benefit of the owners of the Bonds and successors thereto. The property taxes and amounts held in the such Interest and Sinking Fund will be immediately subject to this pledge, and the pledge will constitute a lien and security interest which will immediately attach to the property taxes and amounts held in such Interest and Sinking Funds to secure the payment of the related Bonds and will be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. "Bonds" for purpose of the pledge contained in the respective Trust Agreement means all bonds of the District heretofore or hereafter issued pursuant to the applicable voter approved Measure RR or Measure AA of the District.

California Senate Bill 222 (2015) ("SB 222"), effective January 1, 2016, provides that general obligation bonds are secured by a statutory lien on the *ad valorem* taxes levied and collected to pay principal and interest thereon. For more information, see "INVESTMENT CONSIDERATIONS – Limitation on Remedies" herein.

Property Taxation System

Local property taxation is the responsibility of the District and various officers of each of the Three BART Counties. In each county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding Bonds in each year, the District computes the rate of tax necessary to pay such debt service and transmits that information to each county auditor-controller. Each county auditor-controller prepares the tax rolls, and presents those rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. Each county treasurer- tax collector prepares and mails bills to taxpayers and collects the taxes. The treasurer-tax collectors of Alameda County, Contra Costa County and the City and County of San Francisco transmit the tax revenues collected to pay the District's outstanding general obligation bonds directly to the Trustee. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. The District levies taxes through the combination of its own actions and the actions of county officers as described above for payment of voter-approved bonds. The District receives an additional allocation of property taxes for general operating purposes which constitute a part of each county's general 1% levy. These taxes are deposited in the District's general fund and are used by the District for operations.

Assessed Valuation of Property Within the District

As required by the law of the State, the District utilizes the services of each of the Three BART Counties for the assessment and collection of *ad valorem* taxes on property, as discussed above. Such District taxes are collected at the same time and on the same tax rolls as are county, school district, and other special district taxes. The Three BART Counties have each adopted, subject to certain limitations, an Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (each, a "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, as described under "—Tax Rates, Collections and Delinquencies" and "—Teeter Plans" below.

Under Proposition 13, an amendment adopted in 1978 which added Article XIIIA to the California Constitution ("Article XIIIA"), the county assessor's valuation of real property is established as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property not otherwise adjusted may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and that may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership.

Proposition 13 has had the effect of stabilizing assessed valuation such that it does not fluctuate as significantly as the market value of property, but instead gradually changes as longer owned residential properties are transferred and reassessed upon such transfer. Residences newly constructed or acquired prior to a downturn in the housing market may substantially decrease in assessed value. Other factors which may affect the value of property and cause it to decline are substantial damage, destruction, or inflation. Proposition 13 allows that the full cash value base may reflect from year-to-year an inflationary rate not to exceed 2% for such increase in value. See "CONSTITUTIONAL LIMITATIONS" and "INVESTMENT CONSIDERATIONS" below.

Proposition 8 ("Proposition 8"), approved by California voters in November of 1978, subsequently amended Article XIIIA to permit reduction of the full cash value base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the full cash value base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways. Proposition 8 provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. The assessed value increases to its pre-reduction level (base year value escalated by the annual inflation rate of no more than 2%) following any year for which the reduction is applied. Assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors. See "INVESTMENT CONSIDERATIONS – Appeals of Assessed Values."

State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. State law also exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling provided that the owner files for such exemption.

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." State law requires that the assessment roll be finalized by August 20 of each year. Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the 2017 Bonds.

The following table shows a recent history of the assessed valuation of property in the District ("Fiscal Year" refers to fiscal years of July 1 through the following June 30 of the years indicated).

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San Francisco Bay Area Rapid Transit District
Assessed Valuation
(Fiscal Years Ending June 30)

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
		City and County of San Francisco Portion			
2006-07	$110,979,784,808	$124,473,509	$7,477,880,437	$118,582,138,754	7.75%
2007-08	120,790,890,780	145,235,265	7,721,465,207	128,657,591,252	8.50
2008-09	130,824,730,768	79,163,963	9,061,373,546	139,965,268,277	8.79
2009-10	139,453,860,923	50,879,439	10,405,985,652	149,910,726,014	7.11
2010-11	146,680,168,492	43,565,042	9,446,789,960	156,170,523,494	4.18
2011-12	147,612,367,616	41,527,475	9,249,419,572	156,903,314,663	0.47
2012-13	153,348,031,902	46,515,990	9,764,668,943	163,159,216,835	3.99
2013-14	160,650,767,471	35,943,747	9,867,122,786	170,553,834,004	4.53
2014-15	169,001,854,462	32,843,747	10,734,859,006	179,769,557,215	5.40
2015-16	180,311,079,707	250,473,678	11,784,296,408	192,345,849,793	7.00
2016-17	195,319,718,011	242,464,205	13,750,364,838	209,312,547,054	8.82
		Alameda County Portion			
2006-07	$167,868,240,571	$157,443,348	$10,103,970,074	$178,129,653,993	9.60%
2007-08	181,740,424,095	98,093,459	10,462,574,321	192,301,091,875	7.96
2008-09	190,471,878,466	94,381,821	10,984,359,699	201,550,619,986	4.81
2009-10	184,783,512,536	98,948,510	11,426,546,149	196,309,007,195	-2.60
2010-11	181,685,580,407	97,581,171	11,448,265,391	193,231,426,969	-1.57
2011-12	181,858,450,818	71,523,308	11,273,954,399	193,203,928,525	-0.01
2012-13	185,782,114,251	261,640,769	11,629,397,550	197,673,152,570	2.31
2013-14	195,515,528,517	969,629,855	11,531,178,412	208,016,336,784	5.23
2014-15	208,003,389,831	770,033,506	11,695,232,865	220,468,656,202	5.99
2015-16	224,219,586,188	758,810,176	12,564,441,697	237,542,838,061	7.74
2016-17	240,518,829,251	726,989,170	12,841,386,839	254,087,205,260	6.96
		Contra Costa County Portion			
2006-07	$139,284,484,420	$ 657,680,011	$4,524,187,080	$144,466,351,511	11.96%
2007-08	152,007,562,168	558,065,472	4,608,828,033	157,174,455,673	8.80
2008-09	151,955,031,630	576,695,232	4,997,996,781	157,529,723,643	0.23
2009-10	140,354,485,948	557,056,345	5,288,096,603	146,199,638,896	-7.19
2010-11	135,669,128,300	560,296,728	5,037,631,621	141,267,056,649	-3.37
2011-12	134,765,284,339	539,960,865	5,240,695,911	140,545,941,115	-0.51
2012-13	135,755,672,418	590,750,775	5,454,953,657	141,801,376,850	0.89
2013-14	140,680,879,833	986,316,033	5,404,238,387	147,071,434,253	3.72
2014-15	153,890,877,314	1,093,614,055	5,485,371,422	160,469,862,791	9.11
2015-16	166,143,700,424	989,438,611	5,238,343,881	172,371,482,916	7.42
2016-17	176,545,464,148	969,779,069	5,145,073,152	182,660,316,369	5.97
		Total			
2006-07	$418,132,509,799	$ 939,596,868	$22,106,037,591	$441,178,144,258	9.85%
2007-08	454,538,877,043	801,394,196	22,792,867,561	478,133,138,800	8.38
2008-09	473,251,640,864	750,241,016	25,043,730,026	499,045,611,906	4.37
2009-10	464,591,859,407	706,884,294	27,120,628,404	492,419,372,105	-1.33
2010-11	464,034,877,199	701,442,941	25,932,686,972	490,669,007,112	-0.36
2011-12	464,236,102,773	653,011,648	25,764,069,882	490,653,184,303	0.00
2012-13	474,885,818,571	898,907,534	26,849,020,150	502,633,746,255	2.44
2013-14	496,847,175,821	1,991,889,635	26,802,539,585	525,641,605,041	4.58
2014-15	530,896,121,607	1,896,491,308	27,915,463,293	560,708,076,208	6.67
2015-16	570,674,366,319	1,998,722,465	29,587,081,986	602,260,170,770	7.41
2016-17	612,384,011,410	1,939,232,444	31,736,824,829	646,060,068,683	7.27

Source: California Municipal Statistics, Inc.

Based upon information provided by the office of the Auditor-Controller for Contra Costa County, and by the Office of the Auditor-Controller for Alameda County and by the Controller's office in the City and County of San Francisco, the assessed value of taxable property within the District was approximately $646.1 billion in Fiscal Year 2016-17. Assessed value increased in Fiscal Year 2016-17 from Fiscal Year 2015-16 by approximately $43.8 billion, or 7.27%. Assessed values could decline or rise due to factors beyond the District's control, including taxpayer appeal, general economic conditions, or earthquakes or other natural or manmade disasters. See "CONSTITUTIONAL LIMITATIONS" and "INVESTMENT CONSIDERATIONS," below, and Appendix D – "THE ECONOMY OF THE THREE BART COUNTIES."

The following table gives the distribution of taxable property in the District by location.

San Francisco Bay Area Rapid Transit District
2016-17 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Alameda	$ 11,858,309,875	1.84%	$11,858,309,875	100.00%
City of Albany	2,456,826,665	0.38	$2,456,826,665	100.00%
City of Antioch	9,587,493,688	1.48	$9,587,493,688	100.00%
City of Berkeley	17,029,208,422	2.64	$17,029,208,422	100.00%
City of Brentwood	8,559,694,985	1.32	$8,559,694,985	100.00%
City of Clayton	2,077,197,672	0.32	$2,077,197,672	100.00%
City of Concord	14,813,960,870	2.29	$14,813,960,870	100.00%
Town of Danville	11,896,962,473	1.84	$11,896,962,473	100.00%
City of Dublin	13,742,624,059	2.13	$13,742,624,059	100.00%
City of El Cerrito	3,830,522,386	0.59	$3,830,522,386	100.00%
City of Emeryville	5,013,447,958	0.78	$5,013,447,958	100.00%
City of Fremont	44,695,061,356	6.92	$44,695,061,356	100.00%
City of Hayward	19,568,323,306	3.03	$19,568,323,306	100.00%
City of Hercules	3,313,165,098	0.51	$3,313,165,098	100.00%
City of Lafayette	7,477,900,437	1.16	$7,477,900,437	100.00%
City of Livermore	16,778,199,864	2.60	$16,778,199,864	100.00%
City of Martinez	5,445,125,587	0.84	$5,445,125,587	100.00%
Town of Moraga	3,817,066,062	0.59	$3,817,066,062	100.00%
City of Newark	7,605,225,527	1.18	$7,605,225,527	100.00%
City of Oakland	51,358,712,695	7.95	$51,358,712,695	100.00%
City of Oakley	3,692,970,378	0.57	$3,692,970,378	100.00%
City of Orinda	6,200,221,340	0.96	$6,200,221,340	100.00%
City of Piedmont	4,065,039,032	0.63	$4,065,039,032	100.00%
City of Pinole	2,231,990,406	0.35	$2,231,990,406	100.00%
City of Pittsburg	6,597,041,092	1.02	$6,597,041,092	100.00%
City of Pleasant Hill	5,581,884,642	0.86	$5,581,884,642	100.00%
City of Pleasanton	20,978,446,417	3.25	$20,978,446,417	100.00%
City of Richmond	13,634,135,198	2.11	$13,634,135,198	100.00%
City and County of San Francisco	209,312,547,054	32.40	$209,312,547,054	100.00%
City of San Leandro	11,795,463,763	1.83	$11,795,463,763	100.00%
City of San Pablo	1,638,485,798	0.25	$1,638,485,798	100.00%
City of San Ramon	19,342,305,394	2.99	$19,342,305,394	100.00%
City of Union City	9,622,453,139	1.49	$9,622,453,139	100.00%
City of Walnut Creek	16,470,297,114	2.55	$16,470,297,114	100.00%
Unincorporated Alameda County	17,519,863,182	2.71	$17,519,863,182	100.00%
Unincorporated Contra Costa County	36,451,895,749	5.64	$36,451,895,749	100.00%
Total District	$646,060,068,683	100.00%		
Summary by County:				
Alameda County	$254,087,205,260	39.33%	$254,087,205,260	100.000%
Contra Costa County	182,660,316,369	28.27	$182,660,316,369	100.000%
San Francisco City and County	209,312,547,054	32.40	$209,312,547,054	100.000%
Total District	$646,060,068,683	100.00%		

Source: California Municipal Statistics, Inc.

The following table shows the local secured assessed valuation and number of parcels by land use category for property in the District for Fiscal Year 2016-17.

San Francisco Bay Area Rapid Transit District
Assessed Valuation and Parcels by Land Use

	2016-17 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Residential:				
Single Family Residence	$329,248,885,766	53.60%	681,024	66.45%
Condominium/Townhouse	60,432,727,008	9.84	142,984	13.95
Mobile Home	155,021,841	0.03	4,061	0.40
2-4 Residential Units	28,371,989,272	4.62	55,321	5.40
5+ Residential Units/Apartments	41,630,900,725	6.78	22,649	2.21
Timeshare Units	26,242,620	0.00	6,740	0.66
Vacant Residential	3,081,257,568	0.50	28,887	2.82
Subtotal Residential	$462,947,024,800	75.36%	941,666	91.88%
Non-Residential:				
Agricultural/Rural	$ 3,633,028,384	0.59%	7,218	0.70%
Commercial/Office	98,393,278,166	16.02	28,145	2.75
Vacant Commercial	1,395,001,032	0.23	2,111	0.21
Industrial	38,067,389,299	6.20	11,520	1.12
Vacant Industrial	1,971,187,382	0.32	1,916	0.19
Power Plant/Utility Roll	1,939,232,444	0.32	101	0.01
Recreational	1,358,674,889	0.22	1,467	0.14
Government/Social/Institutional	1,764,376,939	0.29	23,247	2.27
Miscellaneous	941,909,718	0.15	2,254	0.22
Subtotal Non-Residential	$149,464,078,253	24.33%	77,979	7.61%
Unclassified Vacant Parcels	$1,912,140,801	0.31%	5,198	0.51%
Total	$614,323,243,854	100.00%	1,024,843	100.00%

(1) Total assessed valuation, excluding unsecured property.
Source: California Municipal Statistics, Inc.

Tax Rates, Collections and Delinquencies

Ad valorem taxes are levied for each Fiscal Year on taxable real and personal property on the tax rolls as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed and the current year's tax rate is applied to the reassessed value for the remainder of the tax year. The annual tax rate is limited to 1% of the full cash value, plus the amount necessary to pay all obligations legally payable from *ad valorem* taxes in the current year, including the 2017 Bonds. The rate of tax necessary to pay fixed debt service on the 2017 Bonds in a given year will depend on the assessed value of taxable property in that year. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the 2017 Bonds.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property secured by a lien which is sufficient, in the opinion of the applicable County Assessor if relating to property in Alameda County or Contra Costa County, or in the opinion of the Assessor-Recorder if relating to property in the City and County of San Francisco, to secure payment of the taxes. All other taxable property is assessed on the "unsecured roll" which generally comprises all property not attached to land, such as personal property or business equipment not otherwise exempt from taxation.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year, and become delinquent on December 10 and April 10, respectively. A penalty of ten percent (10%) attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five (5) years or more, the property is deeded to the State and then may be sold at public auction by the applicable County Treasurer-Tax Collector if relating to property in Alameda County or Contra Costa County and by the Assessor-Recorder if relating to property in the City and County of San Francisco.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent on August 31. A ten percent (10%) penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches on the first day of each month until paid. Each of the Three BART Counties has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment, such judgment to be filed in the office of the County Clerk-Recorder if relating to property in Alameda County or Contra Costa County, and to be filed in the office of the Assessor-Recorder if relating to property in the City and County of San Francisco, specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) recording a certificate of delinquency in the office of the County Clerk-Recorder if relating to property in Alameda County or Contra Costa County, and to be filed in the office of the Assessor-Recorder in the City and County of San Francisco if relating to property in the City and County of San Francisco in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

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The following table shows recent history of real property tax collections and delinquencies in the District.

San Francisco Bay Area Rapid Transit District
Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge	Amount Delinquent as of June 30	% Delinquent as of June 30
	City and County of San Francisco		
2006-07	$1,294,459,918	$18,333,929	1.42%
2007-08	1,412,410,299	29,135,871	2.06
2008-09	1,593,133,350	36,662,160	2.30
2009-10	1,691,156,025	38,793,839	2.29
2010-11	1,768,368,141	29,102,564	1.65
2011-12	1,810,103,262	25,476,315	1.41
2012-13	1,878,868,414	20,668,235	1.10
2013-14	2,018,013,991	19,020,178	0.94
2014-15	1,996,955,408	15,959,828	0.80
2015-16	2,146,646,004	14,089,301	0.66
	Alameda County		
2006-07	$2,346,314,207	$84,055,651	3.58%
2007-08	2,527,889,927	114,724,877	4.54
2008-09	2,678,200,557	120,458,280	4.50
2009-10	2,672,803,086	87,299,945	3.27
2010-11	2,622,091,573	66,671,453	2.54
2011-12	2,677,341,749	57,514,916	2.15
2012-13	2,728,535,736	42,358,154	1.55
2013-14	2,881,348,672	36,423,504	1.26
2014-15	3,061,123,272	34,486,942	1.13
2015-16	3,246,190,994	41,818,285	1.29
	Contra Costa County		
2006-07	$1,843,116,959	$60,661,461	3.29%
2007-08	2,007,908,928	95,281,163	4.75
2008-09	2,023,534,994	81,981,494	4.05
2009-10	1,942,410,318	53,621,790	2.76
2010-11	1,871,495,451	34,561,134	1.85
2011-12	1,914,539,235	54,091,753	2.83
2012-13	1,910,681,659	20,720,820	1.08
2013-14	2,018,861,039	19,163,615	0.95
2014-15	2,198,680,361	18,988,337	0.86
2015-16	2,323,318,942	18,134,715	0.78
	Total Three BART Counties		
2006-07	$5,483,891,084	$163,051,041	2.97%
2007-08	5,948,209,154	239,141,911	4.02
2008-09	6,294,868,901	239,101,934	3.80
2009-10	6,306,369,429	179,715,574	2.85
2010-11	6,261,955,165	130,335,151	2.08
2011-12	6,401,984,246	137,082,984	2.14
2012-13	6,518,085,809	83,747,209	1.28
2013-14	6,918,223,702	74,607,294	1.08
2014-15	7,256,759,041	69,435,107	0.96
2015-16	7,716,155,940	74,042,301	0.96

Source: California Municipal Statistics, Inc.

Teeter Plans

The City and County of San Francisco, the County of Alameda and the County of Contra Costa each adopted an Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (a "Teeter Plan"), as provided for in Section 4701 *et. seq.* of the California Revenue and Taxation Code. Under each Teeter Plan, each participating local agency levying property taxes is credited the amount of uncollected taxes in the same manner as if the amount credited had been collected. In return, the City and County of San Francisco, the County of Alameda and the County of Contra Costa receive and retain delinquent payments, penalties and interest as collected, that otherwise would have been due to the local agency. Taxes to pay the 2017 Bonds collected in the City and County of San Francisco and the County of Contra Costa are included in their respective Teeter Plans. The County of Alameda does not apply its Teeter Plan to collections of taxes for general obligation bonds, including the 2017 Bonds.

Each Teeter Plan is to remain in effect unless the Board of Supervisors of the applicable County orders its discontinuance or unless, prior to the commencement of a County's fiscal year (which commences on July 1), the Board of Supervisors of such County receives a petition for its discontinuance joined in by resolutions duly adopted by the governing boards of at least two-thirds of the participating revenue districts in such County. The applicable Board of Supervisors may, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency in such County if the rate of secured tax delinquency in that agency in any year exceeds three percent (3%) of the total of all taxes and assessments levied on the secured rolls in that agency.

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Largest Taxpayers in the District

The following table shows the largest secured taxpayers in the District.

San Francisco Bay Area Rapid Transit District
Largest Local Secured Taxpayers
Fiscal Year 2016-17

	Property Owner	Primary Land Use	2016-17 Assessed Valuation	% of Total(1)
1.	Chevron USA Inc.	Industrial – Refinery	$ 3,599,672,998	0.59%
2.	Tesla Motors Inc.	Industrial	2,000,551,063	0.33
3.	Equilon Enterprises LLC	Industrial – Refinery	1,594,391,226	0.26
4.	HWA 555 Owners LLC	Office Building	1,205,929,564	0.20
5.	Elm Property Venture LLC	Office Building	995,505,871	0.16
6.	Tosco Corporation	Industrial – Refinery	969,057,043	0.16
7.	PPF Paramount One Market Plaza	Office Building	801,910,043	0.13
8.	Parkmerced Owner LLC	Apartments	781,392,611	0.13
9.	Kilroy Realty LP / Kilroy Realty 303 LLC	Office Building	778,061,986	0.13
10.	NRG Marsh Landing LLC	Power Plant	642,800,000	0.10
11.	Emporium Mall LLC	Shopping Center	594,669,591	0.10
12.	Russell City Energy Company	Power Plant	512,700,000	0.08
13.	SHR St. Francis LLC	Hotel	481,242,447	0.08
14.	Union Investment Real Estate G	Office Building	473,754,688	0.08
15.	Post-Montgomery Associates	Office Building	458,982,136	0.07
16.	SPF China Basin Holdings LLC	Office Building	440,310,017	0.07
17.	Apple Computer Inc.	Industrial	439,523,681	0.07
18.	SHC Embarcadero LLC	Office Building	414,828,956	0.07
19.	Wells REIT II-333 Market St.	Office Building	411,153,285	0.07
20.	S.F. Hilton Inc.	Hotel	405,209,546	0.07
			$18,001,646,752	2.93%

(1) 2016-17 total secured assessed valuation: $614,323,243,854.
Source: California Municipal Statistics, Inc.

Taxation of State-Assessed Utility Property

Under the Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The State Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the State Board of Equalization is allocated by a formula to local jurisdictions in the county and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the State Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the State Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived.

The District is unable to predict future transfers of State-assessed property in the Three BART Counties, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Direct and Overlapping Debt Report

Contained within the District's boundaries are numerous overlapping local agencies. Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated April 1, 2017. The Debt Report speaks only as of its date and is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations are not payable from revenues of the District nor are they necessarily obligations secured by land within the District. The Debt Report does not include any information concerning any obligations authorized but not yet issued by any public agencies whose boundaries overlap the boundaries of the District in whole or in part.

The Debt Report does not include any information concerning sales tax revenue bonds issued by the District or obligations of the District, other than general obligation bonds, issued for the benefit of the District. For information concerning such sales tax revenue bonds and other obligations of the District, see Appendix A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – BART FINANCINGS AND CAPITAL PROGRAMS."

The first column in the table set forth on the following page names each public agency which has outstanding debt as of the date of the Debt Report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

San Francisco Bay Area Rapid Transit District
Schedule of Direct and Overlapping Bonded Debt

2016-17 Assessed Valuation: $646,060,068,683

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/17
San Francisco Bay Area Rapid Transit District	**100.000%**	**$ 600,180,000**(1)
City and County of San Francisco	100.000	2,259,305,853
Community College Districts	0.458-100.000	2,002,183,297
Oakland Unified School District	100.000	940,840,000
San Francisco Unified School District	100.000	916,490,000
West Contra Costa Unified School District	100.000	1,054,408,300
Other Unified School Districts	2.136-100.000	3,769,618,965
Union High School Districts	100.000	239,938,288
Elementary School Districts	100.000	189,935,863
City of Oakland	100.000	216,655,000
Other Cities	100.000	191,264,977
East Bay Municipal Utility District Special District No. 1	100.000	3,515,000
East Bay Regional Park District	100.000	124,405,000
Healthcare Districts	100.000	390,560,000
Pleasant Hill Recreation and Park District	100.000	25,595,000
Community Facilities Districts	100.000	511,892,032
1915 Act Bonds and Parcel Tax Obligations	100.000	315,162,842
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$13,751,950,417

OVERLAPPING GENERAL FUND DEBT:	% Applicable	Debt 4/1/17
Alameda County General Fund and Pension Obligation Bonds	100.000%	$ 884,868,989
Contra Costa County General Fund and Pension Obligation Bonds	100.000	456,820,570
City and County of San Francisco General Fund and Judgment Obligations	100.000	997,185,000
Community College District General Fund and Pension Obligation Bonds	100.000	160,162,846
Unified School District General Fund Obligations	100.000	243,459,817
School District Certificates of Participation	100.000	3,896,253
City of Fremont Certificates of Participation	100.000	127,815,000
City of Oakland General Fund and Pension Obligation Bonds	100.000	454,427,669
City of Richmond General Fund and Pension Obligation Bonds	100.000	235,962,529
Other City General Fund Obligations	100.000	429,262,049
Contra Costa Fire Protection District Pension Obligation Bonds	100.000	75,540,000
Special District General Fund Obligations	19.794-100.000	65,711,812
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$4,135,112,534
Less: Supported obligations		(147,496,211)
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$3,987,616,323
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$2,478,099,784
GROSS COMBINED TOTAL DEBT		$20,365,162,735(2)
NET COMBINED TOTAL DEBT		$20,217,666,524

(1) Excludes the 2017 Bonds described herein.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:
Direct Debt ($600,180,000)..0.09%
Total Direct and Overlapping Tax and Assessment Debt 2.13%
Gross Combined Total Debt 3.15%
Net Combined Total Debt..3.13%

Ratio to Redevelopment Incremental Valuation ($71,770,188,060):
Total Overlapping Tax Increment Debt 3.45%

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL LIMITATIONS

Limitations on Tax Revenues

<u>*Article XIIIA of the California Constitution*</u>**.** Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to one percent of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent (1%) limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District's general obligation bonds including the 2017E Bonds under the 2004 Measure AA election and the 2017A Bonds under the 2016 Measure RR election falls within the exception for bonds approved by two-thirds vote.

Section 2 of Article XIIIA of the California Constitution defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent (2%) per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than two percent, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

<u>*Article XIIIC and Article XIIID of the California Constitution*</u>. On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as the District from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its

maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. However, the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on the District's bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes or to otherwise interfere with performance of the duty of a county with respect to such taxes. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

The interpretation and application of Proposition 218 and Proposition 26 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determinations.

Expenditures and Appropriations

*Article XIIIB of the California Constitution***.** In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual "appropriations limit" or "Gann Limit" imposed by Article XIIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" exclude tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The District has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested over consecutive two-year periods. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

For the Fiscal Year ended June 30, 2016, the District had an appropriations limit of $547,685,850. Capital and operating expenditures subject to the limit were $294,810,254, creating a margin of $252,875,596. For the Fiscal Year ending June 30, 2017, the District has determined that its appropriations limit is $570,270,613. Pursuant to the Fiscal Year 2017 budget, capital and operating expenditures subject to the limit are $326,683,115, creating a margin of $243,587,498.

Prohibitions on Diverting Local Revenues for State Purposes

Beginning in Fiscal Year 1992-93, the State satisfied a portion of its Proposition 98 obligations for education by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22".

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment is to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted fiscal year 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes.

Dissolution of Redevelopment Agencies

Under California law, a city or county could prior to California legislation dissolving redevelopment agencies as described below, create a redevelopment agency. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including the District, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on the District's bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes were not affected or diverted by the operation of a redevelopment agency project area.

The adopted State budget for fiscal year 2011-12, as signed by the Governor on June 30, 2011, included trailer bill Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Assembly Bill No. AB 1484 ("AB1X 1484"), signed into law by the Governor on June 27, 2012, modified certain provisions enacted under AB1X 26, and together with AB1X 26, form the procedural framework for the dissolution of the redevelopment agencies.

The dissolution of redevelopment agencies by the State has had a modest positive impact on the District's finances related to the District's receipt of a portion of the 1% countywide general tax levy, which is used for general operating purposes.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 98 and 111, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

INVESTMENT CONSIDERATIONS

Economy of the Three BART Counties and the State

The economy of the Three BART Counties has recovered from the recession at the beginning of this decade as evidenced by increased sales tax revenues in recent fiscal years, accompanied by increased employment rates, total personal income and assessed valuation. The District's financial condition is dependent upon the level of economic activity in the Three BART Counties and in the State generally.

For information relating to current economic conditions within the Three BART Counties and the State, see Appendix D – "THE ECONOMY OF THE THREE BART COUNTIES."

Limitation on Remedies

The opinion of Bond Counsel notes that the rights and obligations under the 2017 Bonds and their enforceability are subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public transit districts like the District. BART cannot be forced into bankruptcy by an involuntary bankruptcy petition being filed against BART but, because it is a municipal governmental entity, BART may be eligible to file a bankruptcy petition under Chapter 9 ("Chapter 9") of the United States Bankruptcy Code under certain circumstances. Chapter 9 specifies that it does not limit or impair the power of the applicable state to control its municipalities in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. California state law provides that the *ad valorem* taxes levied for BART's general obligation bonds must be used for no other purpose than the payment of principal of and interest on the 2017 Bonds. BART believes that this law would be respected in any bankruptcy proceeding so that the tax revenues could not be used by BART for any purpose other than to make payments on the 2017 Bonds, but there are very few court decisions as to the precise meaning of this provision of Chapter 9, and no assurance can be given that a bankruptcy court would not conclude otherwise.

Possible adverse effects of a bankruptcy of BART include delays or reductions in payments on the 2017 Bonds or other losses to the holders of the 2017 Bonds. Regardless of any specific adverse determinations in a bankruptcy proceeding, the fact of a bankruptcy of BART could have an adverse effect on the liquidity and value of the 2017 Bonds.

Statutory Lien. Pursuant to Senate Bill 222 (2015) ("SB 222") that became effective on January 1, 2016, all general obligation bonds issued by local agencies in California, including the 2017 Bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. SB 222 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the 2017 Bonds during the pendency of the Chapter 9 proceeding could be delayed unless the 2017 Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the 2017 Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the 2017 Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for payment of the 2017 Bonds. Additionally, the *ad valorem* taxes levied for payment of the 2017 Bonds are permitted under the State Constitution only if the applicable bond proposition is approved by two-thirds of voters and such bonds must be issued for the acquisition or improvement of real property. Because State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of general obligation bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the District, before the remaining revenues are paid to the owners of the 2017 Bonds.

Reassessments and Appeals of Assessed Values

State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may informally request a reduction in assessment directly from the applicable County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers or blanket reassessments enacted by the assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the 2017 Bonds to increase accordingly, so that the fixed debt service on the 2017 Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the county treasurer against all taxing agencies who received tax revenues, including the District. See "CONSTITUTIONAL LIMITATIONS – Limitations on Tax Revenues – Article XIIIA of the California Constitution."

Risk of Earthquake

The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding Bay Area, most notably the Hayward Fault and the San Andreas Fault (both located within the District). On August 24, 2014, an earthquake occurred in Napa, California. The tremor's epicenter was located approximately 3.7 miles northwest of American Canyon near the West Napa Fault and registered 6.0 on the Richter scale of earthquake intensity. The Napa earthquake caused fires, damaged buildings and roads, and injured approximately 200 people. The Napa earthquake was the largest earthquake in the Bay Area since the 1989 Loma Prieta earthquake on the San Andreas Fault, which was centered about 60 miles south of San Francisco and registered 6.9 on the Richter scale of earthquake intensity. The Loma Prieta earthquake caused fires and collapses of and structural damage to buildings, highways and bridges in the Bay Area. Neither earthquake caused damage to BART facilities.

In 2014, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (the "U.S.G.S."), the California Geological Society, and the Southern California

Earthquake Center) reported that there is a 72% chance that one or more quakes of magnitude 6.7 or larger will occur in the Bay Area by the year 2043. Such earthquakes may be very destructive. Property within the District could sustain extensive damage in a major earthquake, and a major earthquake could adversely affect the area's economic activity, in addition to adversely affecting the assessed value of property in the District.

Climate Change

Hazards relating to climate change include sea level rise, flooding, heat wave, and severe storm and wind. Any such events, if unmitigated, may have major impacts to BART stations, trackway, traction power, train control and maintenance yard/shops, as well as wayside facilities. The impacts may directly impact patron safety, cause service disruptions and require prolonged recovery.

BART is responding to climate change impacts through developing adaptation strategies and hardening its infrastructure against such hazards. Current efforts include water intrusion mitigation, earthquake safety, erosion control, storm drainage treatment, power redundancy, and fire suppression. BART is also working with regional partners in the Bay Area to plan for regional adaptation needs. No assurance can be given that such measures will be sufficient to protect against all impacts of climate change.

Other Force Majeure Events

Operation of the BART System (as hereinafter defined) is also at risk from other events of force majeure, such as damaging storms, winds and floods, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots. The District cannot predict the potential impact of such events on the financial condition of the District.

Threats and Acts of Terrorism

BART police and other law enforcement authorities have undertaken security measures in an effort to reduce the probability that portions of the BART System could be attacked by terrorists. However, such measures are not guaranteed to prevent an attack on the BART System. The District cannot predict the likelihood of a terrorist attack on any portion of the BART System. Components of the BART System are not insured against terrorist attack. See Appendix A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – BART FINANCINGS AND CAPITAL PROGRAMS – Security Enhancement Program."

Potential Labor Disruptions

BART employees are represented by employee bargaining units that under State law are permitted to strike during negotiations for a contract. During strikes, the District does not operate service, which results in lost operating revenues. In 2013, the District suffered strikes during contract negotiations. See Appendix A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT – Employees and Labor Relations." The District cannot predict the potential impact of future labor disruptions on the financial condition of the District.

No Acceleration Provision

The Trust Agreements do not contain a provision allowing for the acceleration of the 2017 Bonds in the event of a default in the payment of principal and interest on the 2017 Bonds when due. In the event of a default by the District, each Series 2017E Bondholder and Series 2017A Bondholder will have the rights to exercise the remedies, subject to the limitations thereon, set forth in the respective Trust Agreement.

CITIZENS' OVERSIGHT COMMITTEES

Measure AA required that a BART Earthquake Safety Program Citizens' Oversight Committee (the "Measure AA Oversight Committee") be created by the District to confirm that proceeds of General Obligation Bonds are spent on seismic upgrades to BART structures as required by Measure AA and to review scheduling and budgeting of the projects to be funded. The current members and alternates of the Measure AA Oversight Committee were selected by the Board of Directors of the District in May 2015 and are appointed to serve until the end of calendar year 2017. Measure AA requires that members of the Measure AA Oversight Committee have expertise in certain specific subjects and reside within the District. Since its formation, the Measure AA Oversight Committee has held at least one annual meeting and the chairman of the Measure AA Oversight Committee has presented reports to the District's Board, in which the Committee stated its consensus opinion that bond proceeds are being spent properly and in accordance with Measure AA. The 2017E Bonds are refunding bonds and, as such, are not subject to review by the Measure AA Oversight Committee.

Measure RR, approved by voters on November 8, 2016, also requires that an independent Citizens' Oversight Committee ("Measure RR Oversight Committee") be created by the District to review and report to the public expenditures of the bond proceeds. The current members and alternates of the Measure RR Oversight Committee are expected to be selected by the Board of Directors of the District this year. Measure RR requires that members of the Measure RR Oversight Committee have expertise in certain specific subjects and reside within the District. The 2017A Bonds are the first series of bonds issued under the Measure RR authorization and will be subject to review by the Measure RR Oversight Committee.

The Measure AA Oversight Committee and the Measure RR Oversight Committee are responsible for confirming that work is completed and bond funds are expended in accordance with the applicable bond measure.

LEGAL MATTERS

The validity of the 2017 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. A complete copy of the proposed form of the opinion to be delivered by Bond Counsel is attached hereto as Appendix G. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Approval of certain other legal matters will be passed upon for the District by its General Counsel and by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriters by Curls Bartling P.C., none of which undertake any responsibility for the accuracy, completeness or fairness of this Official Statement.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel relating to the Tax-Exempt Bonds is set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Bonds is sold to the public.

The Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Tax-Exempt Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Tax-Exempt Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Taxable Bonds

In the opinion of Bond Counsel, interest on the Taxable Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Taxable Bonds. Investors are urged to obtain independent tax advice regarding the Taxable Bonds based upon their particular circumstances. A complete copy of the proposed form of opinion of Bond Counsel relating to the Taxable Bonds is set forth in Appendix G hereto.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Taxable Bonds that acquire their Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Bonds pursuant to this offering for the issue price that is applicable to such Taxable Bonds (i.e., the price at which a substantial amount of the Taxable Bonds are sold to the public) and who will hold their Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any investors in the Taxable Bonds other than investors that are U.S. Holders.

As used herein, "U.S. Holder" means a Beneficial Owner of a Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Taxable Bonds in light of their particular circumstances.

Interest. Interest on the Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Taxable Bonds is less than the amount to be paid at maturity of such Taxable Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Taxable Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Taxable Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Taxable Bond.

Sale or Other Taxable Disposition of the Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Taxable Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Taxable Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Taxable Bonds. If the District defeases any Taxable Bond, such Taxable Bond may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In that event, in general, a U.S. Holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the U.S. Holder's adjusted tax basis in the Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Foreign Account Tax Compliance Act ("FATCA"). Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Taxable Bonds and sales proceeds of Taxable Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain "passthru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the 2017 Bonds, the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending with respect to which the District has been served with process or, to the knowledge of the District, threatened against the District in any way affecting the existence of the District or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the 2017 Bonds, the application of the proceeds thereof in accordance with the Trust Agreements, or the levy, collection or application of the *ad valorem* taxes, or in any way contesting or affecting the validity or enforceability of the 2017 Bonds or the Trust Agreements or in any way contesting the completeness or accuracy of this Official Statement with respect to the 2017 Bonds.

RATINGS

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") and Moody's Investors Service ("Moody's") have assigned ratings of "AAA" and "Aaa", respectively, to the 2017 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from such rating agency at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041 and Moody's Ratings, Moody's Investors Service, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any credit ratings given to the 2017 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies, if, in their judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2017 Bonds.

FINANCIAL ADVISOR

Sperry Capital Inc., Sausalito, California, serves as Financial Advisor to the District with respect to the sale of the 2017 Bonds. The Financial Advisor has not conducted a detailed investigation of the affairs of the District to determine the completeness or accuracy of this Official Statement, has not independently verified any of the data contained herein and has no responsibility for the accuracy or completeness thereof.

The compensation of the Financial Advisor is contingent upon the issuance of the 2017 Bonds.

CONTINUING DISCLOSURE

To enable the Underwriters to comply with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the "Rule"), the District will enter into a Continuing Disclosure Agreement with U.S. Bank National Association, as dissemination agent, for the benefit of the Beneficial Owners (as such term is defined in such Continuing Disclosure Agreement) from time to time of the 2017 Bonds. A copy of the proposed form of Continuing Disclosure Agreement is set forth in Appendix F hereto. During the five-year period preceding the date of this Official Statement, the District was current in the filing of its required annual report filings under the Rule; however, within the last five years the District has determined that certain annual reports were not linked to all of the specific CUSIP numbers to which they related and that certain annual reports, while including District-wide assessed value information, did not include specific assessed value information by county as may have been required by a continuing disclosure agreement. The District filed notices on the Municipal Securities Rulemaking Board Electronic Municipal Market Access System ("EMMA") with respect to the affected bonds and provided the additional information. The District has engaged BLX Group to assist with its continuing disclosure obligations and U.S. Bank National Association to serve as Dissemination Agent.

UNDERWRITING

The 2017 Bonds are being purchased by Barclays Capital Inc., as representative of itself and the Underwriters identified on the cover page of this Official Statement (the "Underwriters") pursuant to a bond purchase agreement, dated the date of sale of the 2017 Bonds (the "Bond Purchase Agreement"), between the District and the Underwriters. The Bond Purchase Agreement provides that the Underwriters will purchase all of the 2017 Bonds, if any are purchased, at a purchase price of $429,032,903.49 (representing the principal amount of the 2017 Bonds, plus net original issue premium of $44,981,962.65 and less an underwriters' discount of $684,059.16).

The Underwriters are initially offering the 2017 Bonds to the public at the public offering yields indicated on the cover page hereof but the Underwriters may offer and sell the 2017 Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriters.

Backstrom McCarley Berry & Co., LLC ("BMcB"), one of the Underwriters of the 2017 Bonds, has entered into separate distribution agreements (each a "Distribution Agreement") with Wedbush Securities ("Wedbush"), TD Ameritrade ("Ameritrade"), D.A. Davidson & Co. ("Davidson") and Hilltop Securities ("Hilltop") that enables each distributor to distribute certain new issue municipal securities underwritten by or allocated to BMcB, which could include the 2017 Bonds. Under these Distribution Agreements, BMcB may share with Wedbush, Ameritrade, Davidson and Hilltop a portion of the fee or commission paid to BMcB.

Blaylock Van, LLC ("Blaylock Van" or "BV-LLC") has entered into a distribution agreement (the "Agreement") with TD Ameritrade, Inc. ("TD") for the retail distribution of certain municipal securities offerings underwritten by or allocated to Blaylock Van, including the Bonds. Under the Agreement, Blaylock Van will share with TD a portion of the underwriting compensation paid to BV-LLC.

Citigroup Global Markets Inc., one of the Underwriters of the 2017 Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for their selling efforts with respect to the 2017 Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2017 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2017 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2017 Bonds that such firm sells.

Morgan Stanley & Co. LLC, an underwriter of the 2017 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2017 Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the 2017E Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the District relating to the: (i) adequacy of forecasted receipts of principal and interest on the escrow securities and cash held in the escrow fund relating to the Prior Bonds; (ii) the scheduled payments of principal and interest with respect to the Prior Bonds on and prior to their projected maturity and/or redemption dates; (iii) yields on the securities to be deposited pursuant to the escrow fund relating to the Prior Bonds upon delivery of the 2017A Bonds, and (iv) level of debt service savings, will be verified by Causey Demgen & Moore P.C. (the "Verification Agent"). Such verification shall be based solely upon information and assumptions supplied to the Verification Agent by the Underwriters or the Financial Advisor. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

FINANCIAL STATEMENTS

The financial statements of the District included in Appendix B to this Official Statement have been examined by Macias, Gini & O'Connell LLP (the "Auditor"), whose report thereon appears in such Appendix. The Auditor was not requested to consent to the inclusion of its report in Appendix B, nor has the Auditor undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the District and the purchasers, holders or beneficial owners of any of the 2017 Bonds. All of the preceding summaries of the 2017 Bonds, the Trust Agreements, applicable legislation and other agreements and documents are made subject to the provisions of the 2017 Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Controller/Treasurer of the District for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the Controller/Treasurer of the District has been duly authorized by the District. Concurrently with the delivery of the 2017 Bonds, the District will furnish to the Underwriters a certificate of the District to the effect that this Official Statement, as of the date of this Official Statement and as of the date of delivery of the 2017 Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

By: /s/ Rosemarie V. Poblete
Controller/Treasurer

APPENDIX A

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
FINANCIAL AND OPERATING INFORMATION

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

General Description of the District

The San Francisco Bay Area Rapid Transit District (the "District" or "BART") was created in 1957 by Chapter 1056 of the Statutes of 1957 of the State of California, constituting Sections 28500 to 29757, inclusive, of the California Public Utilities Code, as amended (the "BART Legislation") to provide rapid transit to the San Francisco Bay Area. The District is presently composed of all the area in the Counties of Alameda and Contra Costa and the City and County of San Francisco (the "Three BART Counties"). In addition, the District owns property within the County of San Mateo on which BART facilities are located, and the District acquired the right to use additional right of way and station locations in connection with the extension of its rapid transit system (the "BART System") to the San Francisco International Airport ("SFO") located in the County of San Mateo. Extension of the BART System to the County of Santa Clara is currently under construction. See "BART FINANCINGS AND CAPITAL PROGRAMS – System Expansion Program" herein. Under certain conditions, other counties may be annexed to and become a part of the District.

References to "Fiscal Year" refer to the fiscal year beginning July 1 and ending June 30 of the following designated year.

Powers of the District

The BART Legislation grants the District the following powers, among others:

Financing and Taxation. The District may issue general obligation bonds, up to the amount authorized by a two-thirds vote of the electorate voting on the ballot measure proposing such general obligation bonds. Upon issuance of general obligation bonds authorized by the electorate, the District is obligated to levy and collect an *ad valorem* tax on property in the Three BART Counties at a rate sufficient to pay the annual debt service on such outstanding general obligation bonds when due and payable. Such tax may be offset to the extent that other moneys are legally made available for such purpose.

In addition to general obligation bonds, the District may issue: (1) sales tax revenue bonds; (2) revenue bonds payable solely from revenues of any facility or enterprise to be acquired or constructed by the District; (3) equipment trust certificates payable from revenues derived from the operation of the BART System; (4) special assessment bonds; (5) grant anticipation notes, bond anticipation notes and tax and revenue anticipation notes; and (6) such other obligations as are authorized by the laws of the State of California.

Eminent Domain. The District has the right, with certain limitations, of eminent domain for the condemnation of private property for public use.

Administration

Governance of the District is vested in a Board of Directors (the "Board" or the "Board of Directors") composed of nine members, each representing an election district within the District. The boundaries of the election districts have been set on the basis of, as nearly as practicable, equal population and, among other things, community of interest of the population within the election district. The election districts are adjusted to reflect population changes after every national census. The boundaries of the District election districts do not conform to the boundaries of the Three BART Counties. The nine electoral districts may include areas from one or more of the Three BART Counties.

Directors are elected to staggered four-year terms every two years, alternating between four and five available positions. Each term commences on the first Friday of December in the year of a November general election and ends on the first Friday of December four years later.

The District Directors are:

Director	District	City of Residence	Term Expiration (December)
Rebecca Saltzman, President	3	Oakland	2020
Robert Raburn, Vice President	4	Oakland	2018
Thomas Blalock	6	Fremont	2018
Nicholas Josefowitz	8	San Francisco	2018
Joel Keller	2	Brentwood	2018
John McPartland	5	Castro Valley	2020
Debora Allen	1	Clayton	2020
Bevan Dufty	9	San Francisco	2020
Lateefah Simon	7	Oakland	2020

The executive management staff of the District consists of statutory officers appointed by the Board and operating managers appointed by the General Manager.

The five statutory officers are:

Grace Crunican, General Manager

Ms. Crunican was appointed General Manager of BART by the BART Board of Directors in 2011. Prior to coming to BART, she was Director of the Seattle Department of Transportation (SDOT) for eight years, the Director of the Oregon Department of Transportation for five years, and the Deputy Administrator for the Federal Transit Administration (FTA) for three years. Before joining the FTA, Grace led the Surface Transportation Project and prior to that, she was with the City of Portland, Oregon for seven years, ending as Deputy Director of Transportation. She was a Presidential Management Intern with the U.S. Department of Transportation and served as professional staff for the U.S. Senate Transportation Appropriations Subcommittee. She holds a B.A. from Gonzaga University and a MBA from Willamette University.

Rosemarie V. Poblete, Controller/Treasurer

Ms. Poblete joined the District in May 1996 as a Treasury Analyst in the Finance Department. She was promoted to the Manager of Debit Credit Fare Programs in February 2008 and in December 2011 to Assistant Treasurer of the District. Effective June 29, 2015, Ms. Poblete was appointed by the Board of Directors to be the Interim Controller/Treasurer and was appointed as Controller/Treasurer in March 2016. Prior to joining the District, Ms. Poblete worked in banking as an operations manager and a private banker. Ms. Poblete holds a Bachelor's degree in Business Administration from the University of the Philippines.

Matthew Burrows, General Counsel

Mr. Burrows joined the District in February 1997 as an attorney in the Office of the General Counsel. In 2007, he was promoted to Associate General Counsel and in January, 2008, appointed General Counsel. Mr. Burrows received a Bachelor of Arts degree in Sociology from the University of California at Santa Barbara and his J.D. from the University of California, Hastings College of the Law.

Kenneth A. Duron, District Secretary

Mr. Duron joined the District in 1991 as a Senior Capital Program Planner in the Government and Community Relations Department. He served as Executive Assistant to the General Manager from 1995 to 2001 and was appointed District Secretary in February 2001. Prior to joining the District, Mr. Duron held staff and management positions with Xerox Corporation. His public transit experience includes five years as a member of the professional staff with the Southern California Rapid Transit District. Mr. Duron holds a Bachelor of Science degree in Public Administration from the University of Southern California, Center for Public Affairs.

Russell Bloom, Independent Police Auditor

Mr. Bloom is the Independent Police Auditor at the BART Office of the Independent Police Auditor (OIPA). Mr. Bloom came to OIPA as an Investigator in 2014 after working as an in-house investigator at an Oakland civil litigation law firm specializing in plaintiff-side asbestos exposure cases. Mr. Bloom has also served on the City of Berkeley California Police Review Commission, including terms as vice-chair and chair. He received an undergraduate degree from the University of California at Berkeley, and a JD from the New College of California School of Law. His law school experience included a judicial externship with U.S. District Court Judge Thelton Henderson. Mr. Bloom has experience in the areas of civil litigation, criminal law, family law, immigration law, and law enforcement accountability.

Principal executive management staff appointed by the General Manager include:

Robert Powers, Deputy General Manager

Robert Powers was named Deputy General Manager of BART in January of 2017. In this role, Mr. Powers provides support to the General Manager in the management of major District departments including Operations; System Safety; Planning, Development and Construction; Administration and Budget; Office of the CIO; Civil Rights; External Affairs and Human Resources. Mr. Powers also provides management support to the Board of Directors, Board-appointed officers and BART's executive staff.

Before his appointment to Deputy General Manager, Mr. Powers served as Assistant General Manager in Planning, Development and Construction at BART and was responsible for the design, construction and management of several major rail transit extension projects along with BART's Real Estate and Property Development; Strategic and Station Planning efforts; BART's Energy and Sustainability Program, and the Office of the District Architect. Prior to joining BART, Mr. Powers served as the Director, Major Projects and Deputy Director at the City of Seattle Department of Transportation (SDOT), where he oversaw SDOT's Major Projects, Traffic Management, Policy and Planning, and Capital Projects and Roadway Structures divisions. He also previously served as the Division Chief of Transportation in the Engineering and Construction Division (TEC) for the City of Baltimore Department of Transportation.

Mr. Powers is a licensed Professional Engineer. He holds a Bachelor of Science degree in Civil Engineering and Master of Science degree in Structural Engineering, both from the University of Illinois at Urbana-Champaign.

Paul Oversier, Assistant General Manager, Operations

Mr. Oversier joined the District in 1990 as Chief Transportation Officer. In June 1999, Mr. Oversier was appointed as the Assistant General Manager, Operations. Prior to joining the District, Mr. Oversier was the Chief Transportation Officer of the New York City Transit Authority for four years after serving as the Director of Operations Support for over two years. He was also the General Manager of the Centre Area Transportation Authority in State College, Pennsylvania for three years. Mr. Oversier holds a Master of Science Degree in Transportation from Northwestern University and a Bachelor's Degree in Economics from the University of California at Davis.

Employees and Labor Relations

As of April 21, 2017, the District has 3,587 employees, of which 3,480 are full-time and 107 are part-time.

Most District employees are represented by recognized employee organizations. Supervisors and professionals are represented by the American Federation of State, County and Municipal Employees ("AFSCME"), Local 3993. Station agents, train operators and clerical employees and foreworkers are represented by the Amalgamated Transit Union ("ATU"), Local 1555. Maintenance and clerical staff and fore workers supportive of the maintenance and associated clerical staff are represented by the Service Employees International Union ("SEIU"), Local 1021. In addition, BART police officers and non-managerial civilian staff of the BART Police Department are represented by the BART Police Officers Association ("BPOA") and police managers below the Deputy Chief level are represented by the BART Police Managers Association ("BPMA").

On May 12, 2016, upon ratification by all affected unions, the Board of Directors voted to adopt four year extensions of the collective bargaining agreements for ATU, SEIU and AFSCME. All of the current terms and conditions of employment are extended until June 30, 2021. The only change to the agreements are modest wage increases on July 1 each year; all other terms and conditions remain unchanged. The wage increases are 2.5% on July 1, 2017 and July 1, 2018, and 2.75% on July 1, 2019 and July 1, 2020. Employee contributions to medical premiums will increase by 3% per year, along with continuation of the additional employee premium contribution of $37 per month. Employees will continue to be eligible each year to receive a lump sum payment of $500 for each 1% that ridership increases above the District's Short Range Transit plan ridership forecast, up to a maximum of $1,000; however, such ridership increase payment will not be made if the pension costs increase by more than 16%, medical costs increase by more than 10%, or if there is an extraordinary unplanned expense exceeding 2.5% of the District's operating budget.

Negotiations between the District and the unions took place over a four-week period and were concluded 14 months prior to expiration of current labor agreements that would have expired on June 30, 2017. The contract extensions provide labor stability through June 2021. The talks were conducted in sharp contrast to the contentiousness that characterized labor negotiations in 2013, which were concluded only after two strikes.

Collective Bargaining Agreements between the District and the BPOA and the BPMA will expire on June 30, 2018. Negotiations are expected to commence in early 2018. On March 10, 2016, the Board of Directors approved the BART Major Projects Stabilization Agreement (BART-MPSA). The agreement guarantees that craft work unions employed on named BART construction projects will not strike for the life of the covered projects. The BART-MPSA includes a provision that allows the designated labor management committee, which is established in the BART-MPSA, to include additional upcoming major projects to the scope of the agreement.

Taken together, the District expects to enjoy a prolonged period of stability in its labor relations, both with its own unions and with construction craft unions whose members are employed on BART's construction projects.

BART experienced two strikes in 2013 for a total of eight days. Prior to 2013, BART had successfully negotiated a number of labor agreements with the unions in 2001, 2005 and 2009 without the employees resorting to strikes. Prior to 2013, BART had only experienced a strike in 1997 for a one-week period and strikes early in the District's history in 1976 and 1979.

Litigation

The District is involved in various lawsuits, claims and disputes. Many of those lawsuits arise as a result of personal injuries and property damage which are anticipated in connection with operations such as the District's. The District is currently named in three active lawsuits filed by current and former employees alleging various employment related claims including claims of discrimination, a number of civil rights lawsuits arising from its ongoing police activities, and litigation arising from construction-related contracts. As a public agency, BART is not liable for punitive damages.

THE BART SYSTEM

General Description

The BART System is an electrically powered rapid transit commuter rail system serving the residents of the San Francisco Bay Area. The BART System is currently comprised of 109 miles of double track (including some areas of multiple tracks) and 46 stations, 41 of which are located in the Three BART Counties, including the Warm Springs extension which began service on March 25, 2017, and five of which are located in San Mateo County on the San

Francisco Peninsula. BART is powered by an electric third rail at 1,000 volts DC. The rail right-of-way is fully protected and has no grade crossings. Automatic fare collection equipment is located in each station to vend and process passenger tickets. As of April 1, 2017, the District owned 669 rail cars. Trains are from three to ten cars in length and contain one control-equipped vehicle (an A-car or C-car) at each end with mid-train vehicles (B-cars or C-cars) making up the remainder of each train. Control-equipped C-cars, consisting of C-1 cars and C-2 cars, can be used as lead, mid-train, or trail vehicles. All station platforms are constructed to accommodate trains of up to ten cars. Trains are operated from the lead A-car or C-car. Computers located along the right-of-way automatically control train movements. BART System train supervision is provided by the BART train control computer located at the BART Operations Control Center ("Control Center") at the Lake Merritt station. Should the need arise, train operators aboard each train may override the automatic system. The District's 669-car operating fleet currently consists of 59 A-cars, 380 B-cars and 150 C-1 cars, and 80 C-2 cars.

BART service lines run through the urban and suburban areas of the Three BART Counties and San Mateo County. Service patterns are largely dictated by the topography of the region. Lines run along the east and west sides of the San Francisco Bay, under the San Francisco Bay and then traverse the hills and valleys of inland areas. The BART system radiates from the Oakland "Wye," which is located under downtown Oakland. Lines running west from the Wye travel under the San Francisco Bay, through downtown San Francisco and terminate at Daly City, Millbrae or SFO. Other lines radiate out from the Oakland Wye and terminate in Richmond, Pittsburg/Bay Point, Dublin/Pleasanton or Warm Springs/South Fremont. A second wye is located on the San Francisco Peninsula between the San Bruno station, the Millbrae station and the San Francisco International Airport station ("SFO Station"). In addition to the two wyes, merges and diverges also occur at two other locations in Alameda County. For more detailed information regarding BART System routes, see the BART System map in the front portion of this Official Statement. Approximately one-third of the BART System is underground or underwater, one-third is aerial and one-third is at grade.

BART stations are spaced approximately one-half mile apart in downtown San Francisco and Oakland and approximately two to four miles apart in suburban areas. A number of BART stations located in downtown San Francisco provide intermodal transfers to the San Francisco Metropolitan Transportation Authority ("SFMTA") light rail, cable cars and buses. The Millbrae station provides convenient transfers to the Caltrain commuter rail service, which provides commuter service along the San Francisco Peninsula and south to Gilroy, and the Richmond and Coliseum stations provide intermodal transfers to the Capitol Corridor intercity rail service between Sacramento and San Jose. The SFO Station is located in SFO. The Coliseum station in Oakland provides access to the Oakland-Alameda County Coliseum Complex where the Oakland Raiders, a professional football team, the Oakland Athletics, a professional baseball team, and the Golden State Warriors, a professional basketball team, currently play their home games. The Oakland Raiders have approved plans to relocate to Las Vegas in a few years and the Golden State Warriors are constructing a new arena in San Francisco and are expected to move to such facility in a few years.

The Control Center controls and monitors all mainline activities and equipment, including safety-critical and emergency equipment, such as emergency telephones and fire alarm systems, responds to emergencies, manages delays, and controls the electrification grid. Operational functions performed in the Control Center include the generation of daily train schedules, dispatching of trains from the ends of line and yards, keeping trains on schedule by adjusting the speeds between stations and/or dwell times at stations, control and monitoring of ventilation fans, dampers, sump pumps, traction power equipment, train location and other wayside systems equipment.

BART has three primary rail yard locations for purposes of conducting repairs, located in Concord, Daly City and Richmond, as well as a secondary facility in Hayward. The Concord, Daly City and Richmond facilities perform preventive and regular train maintenance based on operating hours as well as unscheduled failure repairs. The District's fleet of revenue vehicles are divided between the three primary maintenance facilities, with each location being responsible for supporting designated service routes: Concord, with 283 cars, supports Bay Point to San Francisco Airport; Daly City, with 101 cars, supports Daly City to Fremont; and Richmond, with 285 cars, supports Richmond to Fremont, Richmond to Millbrae and Fremont to Daly City. The additional facility in Hayward houses shops for secondary and component repairs, including electrical, pneumatic, HVAC, and hydraulic repairs, as well as brake system components, door operators, couplers, power supply and vehicle subsystem solid state electronic logics. An expansion of the Hayward Maintenance Complex ("HMC") is being undertaken in connection with the extension of the system into the county of Santa Clara. See "BART FINANCINGS AND CAPITAL PROGRAMS – System Expansion Program" herein.

The extension of the BART System into SFO and to the Millbrae Station (the "SFO Extension") was completed in 2003 and the District commenced revenue service on the SFO Extension in June, 2003. The final cost of the SFO Extension of $1.582 billion exceeded the amount budgeted by approximately $114 million. The additional cost was resolved by an agreement with the Metropolitan Transportation Commission ("MTC") and funding from federal grant financings provided additional assistance.

On April 27, 2007, with the assistance of MTC, BART and the San Mateo County Transit District ("SamTrans") reached a resolution (the "Settlement") regarding the financing of operations to the five San Mateo County stations south of Daly City that make up the SFO Extension. The resulting key terms of the Settlement give BART full responsibility over SFO Extension operations, with monetary contributions from SamTrans and MTC to offset the cost of operating outside the District. MTC and SamTrans provided a combined $56 million of up-front funding over several years, first used to fund operating deficits on the SFO Extension, and then directed $145 million to the Rail Vehicle Replacement Project per MTC Resolution 4123 dated December 13, 2013. BART also receives two forms of ongoing subsidy, consisting of: two percent of San Mateo County's Measure A half-cent sales tax, which is currently equal to approximately $1.5 million per year and was allocated to BART for 25 years beginning in Fiscal Year 2008-09; and SamTrans' annual Proposition 42 Traffic Congestion Relief Program ("TCRP") increment, approximately $100,000 in Fiscal Year 2007-08 and a fixed amount of approximately $800,000 beginning in Fiscal Year 2008-09, until the $145 million has been generated. Proposition 42 dedicates revenues from the State's share of the sales tax on gasoline to transportation projects and is subject to reduction or elimination by State budget action that reduces the sales tax. See "BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments" herein.

BART commenced service in November 2014 of the Oakland Airport Connector ("OAC") which provides a transit link between the Oakland International Airport ("OAK") and the BART System. The OAC is an automated driverless, cable-propelled people mover manufactured by Doppelmayr Cable Car that travels between the Coliseum BART station and OAK in about eight minutes on a primarily elevated guideway structure along the median of Hegenberger Road. Flatiron/Parsons JV constructed the approximately $485 million project which was funded in part with proceeds of the District's 2012 Series B Sales Tax Revenue Bonds. The OAC project is operated pursuant to a 20-year Operations and Maintenance contract with Doppelmayr Cable Car. Through March 2017, approximately 2,800 passengers per weekday used this service.

On March 25, 2017, BART service was extended south 5.4 miles from the Fremont Station to a new station in the Warm Springs district of Fremont in southern Alameda County. The Warm Springs Extension alignment is mostly at-grade; however, it runs beneath Fremont Central Park in a mile-long cut and cover subway. The project funding plan for the $890 million extension included substantial contributions from a variety of local and State sources and surplus revenues from the SFO Extension. The project had no Federal funding. The project was implemented via two major contracts: the $137 million Fremont Central Park Subway contract ("Subway") which was begun in August 2009 and completed on schedule and within budget in April 2013 and the $299 million design-build Line, Track, Station and Systems ("LTSS") contract which was begun in October 2011. The project was completed approximately $100 million under budget.

Ridership

Average weekday passenger trips for the Fiscal Years 2011-12 to the first half of 2016-17 are set forth below.

Trip Locations:	2012	2013	2014	2015	2016	2017*
East Bay	83,377	87,787	86,254	89,108	87,892	85,571
West Bay	102,603	108,726	107,682	112,492	112,889	109,328
Transbay	180,585	195,780	205,210	221,519	232,613	234,223
Average Total Weekday Trips	366,565	392,293	399,146	423,119	433,394	429,122
Percentage Annual Change	6.2%	7.0%	1.7%	6.0%	2.4%	(1.0)%

* Average passenger trips per weekday for half fiscal year, for period July 1, 2016 to December 31, 2016.

Following extraordinary ridership growth after the 2008-2011 recession, ridership growth started to stabilize to a more sustainable level, averaging over 423,000 weekday trips in Fiscal Year 2015 and growing 2.4% to just over 433,000 weekday trips in Fiscal Year 2016. In Fiscal Year 2017, ridership began to trend down, averaging just over 429,000 weekday trips for the first half of the year. Factors affecting BART ridership include employment, traffic congestion and the price of gas. The increased utilization of Uber, Lyft, and other app-based services, also known as Transportation Network Companies ("TNCs"), have contributed to the decline in ridership. In the first half of Fiscal Year 2017, Transbay trips were up 1.4%, West Bay trips were down 3.6%, and trips within BART's East Bay area were down 3.2%. Also in the first half of Fiscal Year 2017, weekday trips were down 0.8%, Saturday trips were down 5.8%, and Sunday trips were down 4.3% from the prior fiscal year. The single highest day of BART ridership, with 568,061 trips, occurred on October 31, 2012, in conjunction with the San Francisco Giants World Series Victory Parade held in downtown San Francisco. BART's peak month of ridership was in February 2016 with 446,650 average weekday trips, mainly due to Super Bowl 50 festivities.

Revenue Hours

BART revenue hours run from 4:00 a.m. to midnight Monday through Friday, from 6:00 a.m. to midnight on Saturdays, and from 8:00 a.m. to midnight on Sundays. The last trains depart each end of the line around midnight, so passengers can get anywhere in the BART system if they arrive at any station by midnight. Depending upon demand, holiday rail service is provided on a full or modified weekday schedule, a Saturday schedule or a Sunday schedule.

Passenger Fares

BART rail fares are computed using a distance-based formula. Distance-based fares are determined based on the fraction of scheduled travel time based on a system-wide average speed. In addition, surcharges apply to transbay trips and trips originating from or destined to stations located in San Mateo County, and a premium applies to trips to and from the SFO Station. Since January 1, 2016, the transbay surcharge, applied to transbay trips, is $0.97; the Daly City surcharge, applied to trips between the Daly City station and San Francisco stations, is equal to $1.12; and the San Mateo County surcharge, applied to trips beginning and ending at San Mateo County stations (except trips between the Millbrae station and SFO Station) and trips between San Mateo County stations (except Daly City) and San Francisco stations, is $1.41. In addition, a premium fare of $4.42 is applied to trips to or from the SFO Station, which premium is waived for trips made by SFO-badged employees to or from the SFO Station. Effective July 1, 2013, SFO began to pay BART the $4.42 SFO premium fare on behalf of SFO-badged employees, under an agreement between SFO and BART with a term of nine years through 2022. A capital surcharge of $0.13 is applied to all trips within the Three BART Counties, as well as Daly City, which is in San Mateo County. Revenues resulting from such capital surcharge will be applied to fund capital programs previously funded from the operating budget.

The current minimum one-way fare is $1.95. The current maximum one-way fare is $15.70, charged for the trip between SFO and OAK Stations. This fare includes three additive elements: the base fare, the SFO premium fare, currently valued at $4.42, and the BART-to-OAK project fare, currently valued at $6.00. Fare increases during the District's history are summarized below. In May 2003, the Board of Directors approved a series of productivity-adjusted Consumer Price Index-based fare increases to take effect in January of each even-numbered year from 2006 through 2012. On February 28, 2013, the BART Board approved extending the productivity-adjusted Consumer Price Index-based fare increase program so that fare increases would take effect in January of 2014, 2016, 2018, and 2020. The first increase of the extended program valued at 5.2% took effect on January 1, 2014, and the second increase of the extended program valued at 3.4% took effect on January 1, 2016. The incremental fare revenue generated by the future fare increases through 2020 is intended to be set aside to fund capital projects.

Average District Fare Increases

Date	Average Increase
November 1975	21.0%
July 1980	34.9
September 1982	18.4
January 1986	30.0
April 1995	15.0
April 1996	13.0
April 1997	11.4
January 2003	5.0
January 2004	10.0
January 2006	3.7
January 2008	5.4
July 2009	6.1*
July 2012	1.4
January 2014	5.2
January 2016	3.4

* All fares increased by an average 6.1% with the exception of the 16.7% increase to the minimum fare and the 167% increase to the premium fare charged for trips to or from SFO Station.

The District currently offers fare discounts ranging from 6.25% to 62.5%. These discounts are available when patrons purchase a high value paper ticket or use the regional Clipper fare payment smart card. A discount of 6.25% is given when a patron pays $45.00 or $60.00 and receives, respectively, $48.00 or $64.00 in BART value. A discount of 62.5% is provided to persons with disabilities, children ages 5 through 12 (children under age 5 ride for free) and senior citizens age 65 and over. Qualifying individuals must present proof of eligibility in order to obtain the appropriate Clipper smart card, which is specially encoded so that the discounted fare is automatically deducted each time the patron uses the card. A Clipper card so encoded may be confiscated if it is determined that the individual using the card is ineligible for the discount. When using discounted paper tickets, seniors or persons with disabilities are required to carry proof of age or disability. The District also offers tickets at a 50% discount to middle and secondary school students. These tickets are sold only at participating schools and are for use by students of these schools for school-related weekday trips.

The rates and charges of BART are by law free from the jurisdiction and control of any regulatory agency other than BART, including the California Public Utilities Commission. As provided in the California Public Utilities Code, passenger fares for BART are established by a two-thirds vote of the Board of Directors and are required to be reasonable. Any Board of Supervisors of a county or city and county, or the city council of a municipality having territory located within the District, may file a request for a hearing before the Board of Directors regarding the reasonableness of any fares. The hearing must be held between 15 and 60 days from the date of the request and a decision by the Board of Directors must be rendered in writing within 30 days after the hearing. Thereafter, the decision may be reviewed by the courts through a writ of mandate.

As a condition to receiving assistance from the federal government, acting through the Federal Transit Administration, BART complies with the requirements of Title VI of the Civil Rights Act of 1964. Public meetings and public hearings are held before any change in fares or any substantial reduction in service is made. Such change is made only after proper consideration has been given to the views and comments expressed by the public, including those who are minority, low-income, or have limited English proficiency, in public meetings and at public hearings and after consideration has been given to the effects on energy conservation and the economic, environmental and social impact of such change.

Parking Programs

The District provides a variety of options for passengers who drive to BART stations. As of April 1, 2017, parking is provided at 34 stations and the total number of parking spaces provided system-wide is approximately 49,000. Parking is provided in surface lots and in parking garages. The District commenced charging for parking to enhance revenues in 2002 and now charges for parking at all stations that have parking facilities. The District offers a paid monthly and single day reserved parking program system-wide and a paid airport/long term parking program at most of its stations. The monthly reserved parking program allows passengers to purchase guaranteed parking near the entrance to a station. Monthly parking fees vary from station to station within a range of $84 to $231, based upon the daily fee for each station. The number of spaces set aside for monthly reserved parking under current authorization cannot exceed 25% of the total spaces in a lot. All total reserved spaces may not exceed 40% of the station's total spaces. The airport/long term parking program allows passengers traveling to either SFO or OAK to purchase permits to park their vehicles at some BART stations for periods of time greater than 24 hours. Long-term permits can be purchased via the BART website for $6-7/day. At many stations, a number of spaces are set aside for carpoolers and for passengers who arrive at stations after 10 a.m.

The amount for the daily parking fee is demand-based, up to a $3 daily fee limit, except at the West Oakland BART station, which does not have a limit. Every 6 months, the utilization of the parking facility is evaluated. If the facility exceeds 95% capacity, then the daily fee may increase by $0.50 per weekday. Parking fees have now reached the $3 daily fee limit at 31 of the 34 stations with parking.

Parking revenue for Fiscal Year 2015 was $28.8 million and $34.1 million for Fiscal Year 2016. The adopted budget for parking revenue for Fiscal Year 2017 is $33.5 million.

Power Supply

The operations of the BART System require a substantial amount of electricity. The District's current annual electric energy requirement is approximately 390,000 megawatt-hours with peak electric demand of approximately 80 megawatts ("MW").

The District historically purchased all of its electricity services, including both supply and delivery, from Pacific Gas & Electric Company ("PG&E"). In 1995, the California Legislature enacted statutory provisions authorizing the District to purchase electrical power supply from federal power marketing agencies, while continuing to take delivery services from PG&E under negotiated bilateral agreements. Pursuant to this authorization, approximately five percent of the

District's electricity supply is provided by the Western Area Power Administration ("WAPA") under a long-term contract that runs through 2024. This power supply is provided by federal hydroelectric generating facilities at relatively inexpensive rates.

The District's authority to purchase electricity from other suppliers was expanded in 2004 to permit the District to obtain electrical power supply from local publicly owned electric utilities and again in 2015 to allow purchase from developers of renewable energy projects. Pursuant to these provisions, the District has executed a series of medium-term and long-term power supply agreements with Northern California Power Agency ("NCPA"), a California joint powers authority of which the District is a member, for the bulk of its electrical power supply requirements above the WAPA supplies.

In 2016, the District executed a power purchase agreement with the help of NCPA for approximately 90% of its energy needs through Fiscal Year 2018 from low-carbon and zero-carbon energy supply sources in the Pacific Northwest and British Columbia. In 2011, NCPA facilitated a 25-year power purchase agreement between the District and a solar developer for the output of a 2.5 MW solar photovoltaic project in the City of Gridley, CA and in 2014, NCPA facilitated a 20-year power purchase agreement between the District and the Monterey County Water Resources Agency for output from the 4.3 MW Lake Nacimiento renewable hydroelectric project in Monterey County, CA. Additionally, the District has entered into several long-term purchase contracts for the output of electricity from solar installations at passenger stations and other District facilities totaling approximately 3 MW.

For energy delivery services, the District continues to utilize PG&E transmission and distribution facilities under negotiated bilateral agreements with the utility to deliver energy purchased by the District from its various suppliers. These arrangements for energy supply and delivery support low and stable costs and provide significant savings to the District compared with the cost of standard retail service from PG&E.

The District is also a 6.6% participant/owner in NCPA's Lodi Energy Center, which began commercial operation in 2012, and is an obligor of a portion of the bonds issued for construction of the facility. The Lodi facility operates according to the needs of the California Independent System Operator ("CAISO"), which is responsible for power grid and power market operations state-wide. The District pays operations, maintenance, and fuel costs for its share of the facility, and receives a proportionate share of the revenues from the energy and ancillary services sales into the CAISO power market.

Service Challenges

After more than 40 years of service, BART faces two critical capital improvement challenges. First, significant reinvestment in the existing system is required to sustain reliable and safe service for current riders. Second, BART must invest to increase capacity to meet the growing demand for transit services in the region.

Record ridership in combination with BART's aging infrastructure has resulted in increased incidents of delays in service caused by equipment failures. Higher ridership has also contributed significantly to increased delays as it has resulted in more medical emergencies, more police calls and more delays prompted by passengers jamming doors as they try to board trains. As many sections of track and trackside equipment have not been upgraded since the system opened in 1973, the District anticipates increased requirements for maintenance of its track and other equipment and response activity to emergency breakdowns. Major repairs to the Transbay Tube (as defined below) and adjacent track are being undertaken and involved two weekend closures of the Transbay Tube in August and September of 2015. Sections of overhead track on the crossover between the West Oakland Station and the Transbay Tube and a system of switches and over 2,400 feet of rail were replaced. During the closures of the Transbay Tube, the first in the District's history, bus bridges were conducted as substitutes to the Transbay Tube travel and normal BART service was provided on both sides of the Bay. Service issues were also experienced in March and April 2016 on the Pittsburg/Bay Point line between the Pittsburg/Bay Point station and the North Concord station when electrical spikes damaged the propulsion equipment on approximately 50 C cars. Bus bridges and shuttle trains were employed until the problem was resolved. District management contracted with a number of outside subject matter experts to assist District engineers and maintenance staff in the investigation to determine the root cause of the voltage spike that damaged C car propulsion equipment and determined that track moisture and dirt contamination were factors. Most issues have been resolved but due to open track conditions surges may reoccur periodically. The District is accelerating its program of planned weekend track outages in order to accomplish major infrastructure repair projects. These continuous weekend work windows allow for the completion over a few weekends of major repairs and upgrades that, if attempted during the short window when the system is normally closed, would take years to complete. See "BART FINANCINGS AND CAPITAL PROGRAMS – System Reinvestment Program."

BART has an asset management program that supplies the data necessary to make decisions regarding whether to invest in capital infrastructure replacement or in maintenance to extend the life of an asset. The comprehensive Strategic Asset Management Plan (SAMP) allows BART to take a more systematic, risk-focused approach to prioritizing investment of scarce resources for both operating and capital needs.

BART FINANCINGS AND CAPITAL PROGRAMS

Sources of Funds

The District has received and expects to continue to receive grants from the federal government, from the State of California (the "State of California" or the "State"), from regional bridge tolls and from local governments for capital renovation and expansion of the BART System. In addition to grants and bridge toll revenues, capital renovation and expansion of the BART System is funded with BART revenues, including allocations from the operating budget and the proceeds of BART financings, as further described below. See "– Funding Developments – *Pension Reform and Grant Funding*" below.

General Obligation Bonds

Pursuant to voter approval in the Three BART Counties in 1962, the District issued a total of $792 million aggregate principal amount of general obligation bonds in twelve series during the years 1963 through 1969. General obligation bonds are payable from *ad valorem* taxes required to be levied on all properties subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. General obligation bond proceeds were used to pay a portion of the cost of planning, acquisition and construction of the original 71-mile BART System, excluding the San Francisco-Oakland rapid transit tube and its approaches (the "Transbay Tube"). All such original general obligation bonds have been paid.

Pursuant to voter approval in the Three BART Counties of Measure AA ("Measure AA") at the November 2, 2004 election, the District is authorized to issue general obligation bonds, in one or more series, in an amount not to exceed $980 million, in order to make earthquake safety improvements to the BART System. In May 2005, the District issued the General Obligation Bonds (Election of 2004), 2005 Series A (the "2005 A Bonds") in an aggregate principal amount of $100,000,000. On July 25, 2007, the District issued the General Obligation Bonds (Election of 2004), 2007 Series B (the "2007 B Bonds") in an aggregate principal amount of $400,000,000, and on November 21, 2013, the General Obligation Bonds (Election of 2004), 2013 Series C (the "2013 C Bonds") in the aggregate principal amount of $240,000,000. The 2005 A Bonds, 2007 B Bonds and the 2013 C Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, overhead and underground trackway structures, the Transbay Tube, the Berkeley Hills Tunnel and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and to finance additional retrofits to facilitate a rapid return to service after an earthquake or other disaster. In October 2015, the District issued the General Obligation Bonds 2015 Series D Refunding Bonds with a principal amount of $276,805,000. The proceeds from the 2015 Series D Refunding Bonds were used to fully refund the remaining outstanding principal balance of $34,680,000 of the District's 2005 A Bonds, to advance refund $265,735,000 principal amount of the District's 2007 B Bonds, and to pay costs of issuance of the 2015 Series D Refunding Bonds.

As of May 1, 2017, the following issues of the General Obligation Bonds were outstanding:

Issue	Original Principal Amount	Amount Outstanding	Final Maturity
2007 B Bonds	$400,000,000	$97,830,000	2037
2013 C Bonds	240,000,000	225,545,000	2037
2015 D Refunding Bonds	276,805,000	276,805,000	2035
		$600,180,000	

After the issuance of the 2005 A Bonds, 2007 B Bonds and 2013 C Bonds, the remaining principal amount of general obligation bonds that the District is authorized to issue under Measure AA is $240,000,000.

At the November 8, 2016 election, voters in the Counties of Alameda and Contra Costa and the City and County of San Francisco approved a new general obligation bond measure ("Measure RR") in the amount of $3.5 billion to finance the District's System Renewal Plan. See "PLAN OF FINANCE" in the Official Statement.

Sales Tax Revenue Bonds

Commencing in 1970, the District has issued from time to time bonds payable from and collateralized by a pledge of sales tax revenues (the "Sales Tax Revenue Bonds"), comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax imposed by the District within the Three BART Counties pursuant to Section 29140 of the California Public Utilities Code. The Sales Tax Revenue Bonds are special obligations of the District issued in order to finance or refinance the costs of constructing, improving and equipping the BART System. The following issues of sales tax revenue bonds are outstanding in the amounts indicated in the table below as of May 1, 2017:

Issue	Original Principal Amount	Amount Outstanding	Final Maturity
Series 2010 Refunding Bonds	$129,595,000	$118,140,000	2028
Series 2012A Bonds	130,475,000	119,665,000	2036
Series 2012B Bonds (Taxable)	111,085,000	102,215,000	2042
Series 2015A Refunding Bonds	186,640,000	171,240,000	2034
Series 2016A Refunding Bonds	83,800,000	83,800,000	2036
		$595,060,000	

Plan Bay Area

On July 18, 2013 the Association of Bay Area Governments ("ABAG") and the MTC adopted Plan Bay Area (the "Plan"), an integrated transportation and land-use strategy through 2040 that marks the nine-county region's first long-range plan to meet the requirements of California's landmark Senate Bill 375 of 2008, which calls on each of the State's 18 metropolitan areas to develop a Sustainable Communities Strategy to accommodate future population growth and reduce greenhouse gas emissions from cars and light trucks. Working in collaboration with local jurisdictions and transit operators, the Plan advances initiatives to expand housing and transportation choices, create healthier communities, and build a stronger regional economy. After spending a year collecting data from local transit agencies and other parties, MTC and ABAG approved a preferred land use scenario and transportation investment strategy that is designed to promote compact, mixed-use development that combines both residential and commercial uses and is located close to public transit, jobs, schools, shopping, parks, recreation and other amenities. BART facilities play a critical role in meeting major goals and objectives of the Plan. In November 2016, MTC and ABAG approved a preferred land use scenario and transportation investment strategy for Plan Bay Area 2040. This updated plan is currently under environmental review and is scheduled for potential adoption in Fall 2017.

The Plan includes the latest Regional Transportation Plan, which specifies how some $292 billion in anticipated federal, state and local funds will be spent through 2040. Nearly 87% (or $253 billion) will be used to maintain and operate the transportation network that already exists. Another way of looking at the distribution of the revenues — which include fuel taxes, public transit fares, bridge tolls, property taxes and dedicated sales taxes — is by mode of transportation. Maintenance and operation of the Bay Area's existing public transit services will receive about

54% ($159 billion) of the revenues. Of this total, BART is expected to receive from all sources (including farebox, taxes and grants) approximately $38 billion in operating and capital funds. The remainder includes: 32% for street, road, highway and bridge maintenance; 7% for transit expansion; and 5% for roadway and bridge expansion. A $3.1 billion reserve, comprised of anticipated future funding through the California Air Resources Board's Cap-and-Trade program for greenhouse gas emissions, accounts for another 1% of expected revenues.

BART continues to receive approximately $50 million per year in capital renovation funds from the FTA Sections 5307 and 5309 Formula Funding programs, which are programmed regionally by MTC. Under its current policy, MTC funds only the District's highest scoring transit capital reinvestment needs in the Plan. Under the Plan, the District has a 28-year capital asset renovation and rehabilitation need of $16.5 billion. MTC and participating counties fund these from a combination of federal formula funds, "STP/CMAQ" and State Transportation Improvement Program ("STIP") funds. For the District, this means approximately 63% of the District's 28-year capital asset renovation and rehabilitation needs are projected to be funded in FY2013-2040. The remaining 37% of the District's reinvestment needs in this period, approximately $6 billion, remain unfunded. These District needs will have to be met with funding sources yet to be identified.

Rail Vehicle Replacement Program

On May 10, 2012, the Board of Directors authorized the award of a contract to Bombardier Transit Corporation ("Bombardier") for the procurement of additional and replacement cars. The base contract provides for the design, engineering, manufacture, testing, management and support of 260 heavy rail transit vehicles, with several options to procure additional vehicles thereafter, including two options for 150 vehicles, one option for 115 vehicles, and one option for 100 vehicles.

The District awarded the base contract for 260 vehicles in May 30, 2012, and exercised Option 1 to procure an additional 150 vehicles on June 25, 2012. Options for an additional 365 vehicles were exercised on December 27, 2013 for a total purchase of 775 vehicles.

Bombardier commenced delivery of 10 pilot vehicles in March 2016, which are undergoing eighteen months of testing, qualification, simulated revenue service and pre-production design review. Once the initial cars are approved, Bombardier will produce and deliver 16 vehicles per month. The District expects Bombardier to begin production in October 2017.

The total project cost for the 775 vehicles will be approximately $2.584 billion, and will be paid from funding sources including funds from the MTC, the Santa Clara Valley Transportation Authority ("VTA"), and from BART itself.

MTC and the District have agreed in principle that MTC by allocation of federal and State funds will fund 75% and BART will fund the remaining 25% of the purchases under the replacement vehicle contract. There are 60 vehicles which will be attributed to vehicle needs for the expansion into Santa Clara County and which will be funded per the terms of a cost sharing agreement entered into by VTA and BART in April 2011. A successor agreement is currently being negotiated by VTA and BART, but it is not anticipated that the successor agreement will alter the cost allocation for the 60 cars attributable to VTA.

BART anticipates funding its portion of the contract from the accumulated funds in the Rail Car Sinking Fund from annual operating funds of approximately $45 million for twelve years ending in Fiscal Year 2024-25. For Fiscal Years 2015-2016 and 2016-17, BART budgeted $45 million for this sinking fund. A portion of the funds MTC expects to use to fund its share of the cars depends on FTA and Federal Highway Administration ("FHWA") funds that are subject to authorization and appropriation by Congress, and on other critical regional transit capital needs. Should the FTA and FHWA funds become unavailable, the District cannot predict what funds, if any, MTC will provide in their place. BART and MTC may need to execute a cash flow borrowing during the term of the car delivery contract in order to meet payment obligations prior to the anticipated receipt of grant and other funding.

To set aside funding for vehicle replacement, the District and MTC entered into the BART Car Replacement Funding Exchange Agreement in 2006 (the "Exchange Agreement"). Under the Exchange Agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District deposits an equal amount of local unrestricted funds into a restricted account, the "BART Car Exchange Fund", established to fund BART's vehicle replacement program. MTC is the exclusive administrator of this restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the Board. In accordance with the agreement, MTC allocated Federal Section 5307 Grants of $74,168,151 in Fiscal Year 2014-15 and $52,671,798 in Fiscal Year 2015-16 to fund the District's preventative maintenance expenses and has budgeted $47,116,668 in Fiscal Year 2016-17 for such purpose. Accordingly, the District remitted or will remit to MTC the equivalent amount of its own funds, which funds are deposited by MTC to the BART Car Exchange Fund. The federal grant is shown as nonoperating revenue—operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements. The BART Car Exchange Fund for BART's car replacement program, which is excluded from the District's financial statements, showed a total cash and investment balance, at market value unaudited, of $333,795,648.21 as of February 28, 2017.

In addition to the 775 new vehicles on order, the District anticipates that an additional 306 more vehicles will be needed to achieve the goal of having 30 regularly scheduled ten-car trains per hour service through the Transbay Tube and to meet other increased capacity goals. The District is exploring funding options for the additional vehicles, including possible Federal Transit Administration Grants and inclusion of the project in MTC's updated Regional Transportation Plan, Plan Bay Area, scheduled to be revised this summer.

Earthquake Safety Program

The original components of the BART System, constructed in the 1960s, were designed to withstand much greater seismic stress than required by construction standards of the time. The 1989 Loma Prieta Earthquake provided a significant test of that design. BART was back in service just hours after the event, while many roads, bridges, freeways, and other structures in the San Francisco Bay Area suffered major damage. With the San Francisco-Oakland Bay Bridge out of service, BART served as a vital link between San Francisco and the East Bay following the Loma Prieta Earthquake. However, the epicenter of the Loma Prieta Earthquake was located approximately 60 miles from most of the BART System. BART faces earthquake risk from several major fault lines in the immediate vicinity of BART rail lines.

In Fiscal Year 2000-01, BART embarked on a comprehensive study (the "Seismic Vulnerability Study") to assess the vulnerability of, and evaluate the risk to, the District's physical plant and systems from a major earthquake in the San Francisco Bay Area. The Seismic Vulnerability Study, developed by BART after more than a year of engineering analysis and presented to the Board of Directors on June 6, 2002, identified retrofit strategies to strengthen the BART System. In order to implement a retrofit strategy based on the Seismic Vulnerability Study, the Board of Directors adopted a resolution on July 25, 2002, placing a measure on the November 5, 2002 ballot seeking authorization to issue general obligation bonds, in one or more series, in an amount not to exceed $1.05 billion. The November 5, 2002 ballot measure failed to receive approval by at least a two-thirds vote in the Three BART Counties, receiving approval from 64.2% of the voters voting on the ballot measure.

Subsequently, on June 10, 2004, the Board of Directors adopted a General Obligation Bond Program Report, which defined a $1.307 billion earthquake safety program (which includes projected construction inflation costs through estimated completion) (the "Earthquake Safety Program"), based on the Seismic Vulnerability Study. The Earthquake Safety Program is based on maintaining operability of the core components of the BART System and retrofitting the rest of the BART System to a life safety level. The goals of the Earthquake Safety Program are (i) to protect aerial trackway structures, underground trackway structures, including the Transbay Tube, at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and (ii) to provide additional retrofits to facilitate a rapid return to service in the core of the BART System, spanning from the west portal of the Berkeley Hills Tunnel to the Daly City Yard.

In order to fund a portion of the Earthquake Safety Program, the Board of Directors adopted a resolution on June 10, 2004, placing Measure AA on the November 2, 2004 ballot seeking authorization to issue general obligation bonds, in one or more series, in an amount not to exceed $980 million. Measure AA received approval by at least a two-thirds vote in the Three BART Counties, receiving approval from 68.8% of the voters voting on Measure AA.

Another major funding source programmed by MTC for the Earthquake Safety Program is a statutory designation contained in the Regional Measure 2 ("RM2") program, which was approved by Bay Area voters in March 2004. Funded by an increase of toll revenues from the State-owned Bay Area toll bridges, RM2 provides $143 million to the Earthquake Safety Program, specifically to assist in the retrofit of the Transbay Tube. Other funding sources for the Earthquake Safety Program include $134 million of State Local Seismic Safety Retrofit Program funds and $54 million in Measure RR general obligation bond funds. The District has completed several retrofits of the Transbay Tube, including upgrading seismic joints, soil improvement, retrofitting the Oakland Ventilation Structure and installing structural steel liner in one Transbay Tube segment. The District is in the process of designing the last retrofit to the Transbay Tube, consisting of internal leakage liners combined with a pumping upgrade.

The program's scope has been increased due to current and projected cost savings from favorable construction bids on project components, and to achieve maximum seismic benefit at the Transbay Tube. The current budgeted value of the Earthquake Safety Program is $1.324 billion.

System Renewal Program

In 2016, BART introduced its System Renewal Program (the "System Renewal Program") in order to address critical infrastructure needs. Specific programs identified include the repair and replacement of critical safety infrastructure; the renewal of track, power infrastructure, mechanical infrastructure, and stations; the repair of tunnels and structures; the replacement of train control and other major system infrastructure to increase peak period capacity; the expansion of opportunities to safely access stations; the relief of crowding and reduction of traffic congestion; and the design and engineering of future projects to relieve crowding, increase system redundancy and reduce traffic congestion.

A major project under the System Renewal Program is the replacement of the train control system. Trains are controlled from the Control Center, which provides supervisory control of train operations, and controls electrification, ventilation and emergency response system. Display boards use computer imaging and video projection to display the entire system, including track and train positions and maintenance information. A network of control devices that control train speed, train separation, routing, and station stopping functions. It is comprised of analog and microprocessor-based systems in 45 stations and 12 control huts. The system also includes a backup train protection system.

In 2014, the BART Board approved the replacement of the existing track circuit (fixed block) train control system with a modern communications based train control ("CBTC") system. When in place, the new CBTC system, an approximately $1 billion project, will allow more trains to pass through the Transbay Tube in the peak hours. The ability to operate more trains per hour through the Transbay Tube will provide relief to the current crowded conditions and allow for some additional growth. The current schedule anticipates the selection of a CBTC vendor/installer in 2018. The new system will be installed, tested and deployed in phases from 2019 to 2027. In 2025, when the new CBTC is installed through the Transbay Tube and the Oakland Wye, it is expected that additional capacity can be realized.

The System Renewal Program also includes the renewal of the Traction Power System ("TPS"), which consists of 118 substations, over 700 high voltage circuit breakers and switchgear, 114 transformer-rectifiers, and over 1.5 million linear feet of cabling, most of which is past its design life expectancy. Traditionally, the primary funding source has been annual allocations from FTA Section 5307 federal formula funds, but this has been deferred or delayed since 2015. Measure RR funding covers about half the traction power renewal needs for the system and FTA 5307 along with other funding sources is needed to support the remaining critical needs.

Critical components of the track system, many of which were installed during original construction, are worn and reaching the end of their intended design life. Many of the basic mechanical elements that support BART operations also require renewal, such as the 40-year-old HVAC system that maintains temperature control for the Computer Room and Operations Control System, line sump pumps that are critical in keeping tunnels and trackways dry and which are experiencing increased failure rates due to age, severe corrosion and environmental contributors, and other aging infrastructure in shops and yards. Additionally, tunnels and structures are in need of repair and rehabilitation. Tunnel liner joints and cracks that have caused water intrusion problems, including increased electrolysis and damage to electrical components, rapid cooling of rails from water spray which has increased the occurrence of rail breaks, and deterioration of emergency egress structures. Under the System Renewal Program, BART plans to replace the aging components of the track system, renew and replace mechanical infrastructure, and repair tunnels and structures which BART expects will improve its service and safety, and reduce delays.

In order to fund a portion of the System Renewal Program, the Board of Directors adopted a resolution on June 9, 2016, placing Measure RR on the November 8, 2016 ballot seeking authorization to issue general obligation bonds, in one or more series, in an amount not to exceed $3.5 billion. Measure RR received approval by at least a two-thirds vote in the Three BART Counties, receiving approval from 70.5% of the voters voting on Measure RR.

System Expansion Program

Planned extensions of the BART System include:

Silicon Valley Program. The BART Silicon Valley Program (formerly referred to as the Silicon Valley Rapid Transit, or SVRT, Project) is a planned 16-mile extension of the regional BART system from BART's Warm Springs Station in Fremont, which opened in March, 2017, to the cities of Milpitas, San Jose and Santa Clara in the County of Santa Clara. The Program is being financed and implemented by VTA per the VTA - BART Comprehensive Agreement executed on November 19, 2001. The Comprehensive Agreement outlines the responsibilities of the two agencies concerning the construction, management, financing, operation and ongoing maintenance of this extension.

VTA acquired the right-of-way in December 2002 from the Union Pacific Railroad ("UPRR") securing a vital north/south transit corridor for Santa Clara County. As required under the right-of-way purchase agreement with UPRR, VTA has relocated the existing UPRR tracks off the BART corridor onto an adjacent corridor retained by UPRR. Additionally, as part of corridor preparation and in concert with the relocation of UPRR facilities, VTA has implemented flood control improvements where creeks cross the corridor and has relocated underground utilities that are in conflict with the BART and UPRR corridors.

The 16-mile extension is planned to include: six stations - one in Milpitas, four in San Jose and one in the city of Santa Clara; a five-mile tunnel in downtown San Jose and provision of a yard and shops at the end of the line in Santa Clara. The capital cost for the six station extension is estimated at $7.1 billion in Year-Of-Expenditure ("YOE") dollars. The extension program is being implemented in phases.

The first phase, The Silicon Valley Berryessa Extension Project ("SVBX"), is under construction and comprises a 10-mile extension of BART service with two stations – one in Milpitas and one in San Jose at Berryessa Road. Along with VTA constructing the first phase, BART is constructing a revenue vehicle primary maintenance facility at BART's Hayward Yard, and is adding 60 new cars to the revenue vehicle fleet. The first phase, with an estimated capital cost of $2.42 billion in YOE dollars, was granted a FTA Full Funding Grant Agreement in March of 2012.

To date, relocation of UPRR facilities and third party utilities along the BART corridor for SVBX, and grade separation of Mission Boulevard, Warren Avenue and Kato Road, all in the city of Fremont, have been completed. Construction of the guideway, in trench, at grade and aerial, has progressed substantially by the Line, Track, Stations and Systems Contractor (the "LTSS Contractor"). Integrated Systems Testing began in 2016. The LTSS Contractor has also made progress on the construction activities for stations at Milpitas and Berryessa, and installation of electrical and systems equipment. Construction of parking garages at the two stations began in late 2015. Revenue services are forecasted to begin in Fiscal Year 2017-18.

Planning and environmental studies for the second phase have begun with the Federal Record of Decision anticipated in December 2017. FTA granted entry into the Federal New Starts Program in March of 2016 with the Federal Transit Administration's issuance of a Full Funding Grant Agreement anticipated sometime in 2019/2020. President Trump's budget proposal for Fiscal Year 2017-18 has raised concerns about the viability of the Federal New Starts Program.

Hayward Maintenance Complex. The Hayward Maintenance Complex will consist of a maintenance yard to handle responsibilities relating to vehicles for the Silicon Valley expansion and related system maintenance needs. The first phase of $240 million of this $538.7 million project has been funded by federal grants and BART operations and is now under construction BART is actively seeking funds from various sources for this project, and is currently proceeding with a funding plan from Measure RR and its operating budget.

eBART/East Contra Costa Rail Extension. The eBART extension, designed to improve transit service in the congested California State Highway Route 4 ("State Route 4") corridor, consists of a 10-mile extension eastward from the Pittsburg/Bay Point BART station to the city of Antioch utilizing a diesel multiple unit ("DMU") technology. The eBART Project alignment will be in the median of State Route 4 with a transfer platform in the existing Pittsburg/Bay Point station BART tailtrack, a station in Pittsburg at Railroad Avenue, and terminus station at Hillcrest Avenue in Antioch. The eBART Project is estimated to cost approximately $524 million. Environmental review was completed and approved by the Board in April 2009. The contracts for the transfer platform and the maintenance facility have been completed. The major contract encompassing track construction, signaling systems, communications, station finishes and performing the systems integration is currently underway. The project is targeting a revenue service date of mid-2018. The project funding plan includes substantial contributions from Contra Costa County, MTC and various other local and State funding sources.

BART to Livermore Extension. In February 2012, the Board directed staff to advance the proposed BART to Livermore Project to the next level of project development, including developing a Project-Level Environmental Impact Report ("EIR"). Study funding has been received from the Alameda County Transportation Commission and the MTC. The proposed project consists of a 4.8-mile BART extension along I-580 to a new station in the vicinity of the Isabel Avenue/I-580 interchange. In addition to the proposed project, four other alternatives are being evaluated in the EIR: 1) No-Build alternative assuming that the proposed project is not constructed; 2) DMU/EMU alternative implementing a new rail service from the existing

Dublin/Pleasanton BART station to a new station in the vicinity of the Isabel Avenue/I-580 interchange using DMU or electric multiple unit ("EMU") technology; 3) Express Bus/Bus Rapid Transit alternative incorporating improvements that provide for more seamless bus-to-BART transfers including direct access bus ramps from the I-580 HOV/Express lanes to a new bus facility at the BART platform level of the existing Dublin/Pleasanton station; and 4) Enhanced Bus alternative including modest, low-cost improvements to existing bus services at the Dublin/Pleasanton BART station. The Board had previously adopted a Program Environmental Impact Report in July 2010. A funding plan for the proposed investment needs to be developed as part of the project-level environmental study.

System Reinvestment Program

In addition to the new CBTC System discussed above under "-- System Renewal Program," BART has adopted a System Reinvestment Program. To the extent the acquisition or improvement of real property is required, funds from Measure RR may be utilized for the projects in this program.

Automatic Fare Collection Modernization/ Clipper Card. The Automatic Fare Collection Modernization Program (the "AFC Modernization Program") provided for the complete renovation and replacement of fare collection equipment throughout the BART System, including ticket vendors, addfare machines, and faregates. The AFC Modernization Program also provided new bill-to-bill change machines for installation in each station, upgrades to the central Data Acquisition System and station infrastructure upgrades. The fare collection equipment is compatible with MTC's Clipper Card Program (formerly known as "Translink"), designed to enable a transit rider to utilize one ticket to access multiple transit systems within the San Francisco Bay Area. Clipper Card® has been operating on BART gates since August 2009.

Supervisory and Control Systems. These systems provide supervisory control of train operations, electrification, ventilation and emergency response systems to the Control Center. Display boards use computer imaging and video projection to display the entire system, including track and train positions and maintenance information. A central computer system monitors train operations and manages system schedules and dispatching, and sends commands to the train control systems to facilitate train movement and platform stopping and release functions.

Communications. The backbone of the supervisory and control systems is the operations communication network. It consists of fiber optic cable plant and computer systems that control and route all commands to the field from the Control Center. These computers, which are located throughout the system, have a limited service life and require periodic upgrading or replacement.

Replacement of the trunked radio system will be necessary within the next ten years. This system is used for train operation, communications between central operations and wayside, and for District police. Certain improvements and updates have been implemented to date; full replacement will occur at such time that funds become available.

Wayside Facility Infrastructure. This program consists of renovation of the system's backbone infrastructure including rail and tie replacement, trackway and aerial structures, bridges, tunnels, ventilation fan, drainage systems, street grating renovation, non-revenue vehicles and other wayside facilities or equipment that will require repair and renovation on an on-going basis.

Wayside Facilities that touch the track and guideway rail systems receive an annual allocation of funding from the FTA Section 5307 Formula Funding program and 5337 State of Good Repair funds.

As noted in several of the program descriptions above, the District will continue its practice of making necessary investments in ongoing renovation and replacement of major components of the District's infrastructure as needed. Included as ongoing system reinvestment projects are the mainline projects of Rail/Wayside Infrastructure Replacement, Traction Power System Renovation, Train Control Renovation and associated controls and communications projects like Trunk Radio, Transbay Tube Cathodic Protection; and stations and facilities rehabilitation projects including roofs, paving, waterproofing, painting and accessibility repairs. In addition, other projects are contemplated or underway to upgrade certain District systems.

Security Enhancement Program

It is the District's mission to provide safe, clean, reliable, and customer-friendly regional public transit service that increases mobility and accessibility, strengthens community and economic prosperity, and helps preserve the Bay Area's environment. Security programs are a key component in fulfilling this mission, and as such, BART's Security Program has been developed as a tool to make security resources readily available and integrate security programs into all of BART's operations and services. It is a goal of BART, through the effective implementation and administration of the Security Program, to take measures that will improve the overall security of its transit operations and services. To achieve this goal, BART must make significant capital investments in infrastructure security hardening, employee training and customer outreach. At present, the District anticipates that the majority of funding required for capital security improvements will need to be obtained from external grant sources.

Service and Capacity Enhancement Program

Major elements of this program include station enhancements and upgrades, capacity projects, station access improvements and transit-oriented development projects.

Station Enhancements and Upgrades. Station enhancement and upgrade projects include capacity expansion and other improvements within the paid and unpaid areas of stations. Such projects may be either system-wide projects or individual station projects, which are developed through a comprehensive planning process. Once projects are identified, grant funding is sought from a variety of sources to allow for project implementation. When grant funding is secured and identified for a particular project, such project is implemented. Projects identified, funded and implemented to date include the reconstruction of the station entrance plaza at the 16th/Mission Street station, streetscape improvements at the Concord station, and access and accessibility improvements at both the Glen Park and Balboa Park stations. Union City is undergoing station enhancements that are mostly complete, including creation of a non-paid corridor through the center of the station with a new east-side entrance; new bank of fare gates on either side of the non-paid corridor; two new elevators on the east and west side of the station and removal of old elevators to accommodate the new non-paid corridor and relocation and construction of a new station agent's booth. City of Union City and BART are working with UPRR to construct an at-grade crossing connecting the east-side entrance to new and future planned residential and commercial development.

Capacity Projects. BART is increasingly experiencing severe crowding on the system, both onboard trains and in stations. To address crowding onboard trains, BART is proceeding with the Transbay Corridor Core Capacity Project, which will implement a package of improvements (train control modernization, additional railcars, new traction power substations, and additional rail vehicle storage capacity) that will allow BART to increase frequencies on the system. This project is in the Project Development Phase of the FTA's Capital Investment Grant ("CIG") Program. BART will seek a Full Funding Grant Agreement ("FFGA") from FTA in FY2019. Other minor capacity enhancement projects such as tail track improvements and crossovers are implemented as grant funding is secured through a variety of sources.

Station capacity projects identified, funded and implemented to date include the phase one expansion at the Balboa Park station, consisting of a new escalator, stairs, faregates and emergency exit improvements.

System Access Improvements. BART's Station Access Policy, adopted in June 2016, seeks to support the broader livability goals of the Bay Area, reinforce sustainable communities, and enable riders to get to and from stations safely, comfortably, affordably, and cost-effectively. The Station Access Policy guides the District's station access investments, resource management, and practices through 2025. Consistent with BART's Access Policy, many of BART's efforts are directed at increasing and improving access options, supporting active modes, and reducing the share of riders that access stations in a drive-and-park mode. Implementation of System Access Improvements projects is dependent upon securing funding. When grant funding is secured and identified for a particular project, such project is implemented. Grant funds are often leveraged with other BART funds. Measure RR includes $135 million for station access projects, which will be used over the next 15 years to leverage other funds and get projects built.

Transit-Oriented Development. In 2016, the BART Board adopted three new policy documents guiding the Transit-Oriented Development ("TOD") program. On January 28, 2016, the Board adopted an Affordable Housing Policy, requiring that a minimum of 20% of the units developed on BART property at a station be affordable, with a preference for low, very low, and transit dependent populations. On June 9, 2016, the BART Board adopted a new TOD Policy which updated the original 2005 policy to emphasize BART's leadership in the implementation of Plan Bay Area, a focus on greenhouse gas reduction and expansion of transportation choices through TOD, encouragement of reverse commute and off-peak ridership, and inclusion of the affordable housing policy. On December 1, 2016, the Board adopted TOD Performance Targets, stating that the District aims to produce 20,000 housing units and 4.5 million square feet of office space on BART property by 2040, 35% of which will be affordable (totaling 7,000 affordable units). The TOD Performance Targets also establish that BART aims to influence development within a half-mile of BART.

To date, BART and its development partners have completed 11 residential and commercial projects at the Castro Valley, Richmond, Ashby, Pleasant Hill/Contra Costa Centre, Fruitvale, West Dublin/Pleasanton, MacArthur, South Hayward, and San Leandro stations. Projects at MacArthur, Millbrae, Walnut Creek, Richmond, West Dublin/Pleasanton, Pleasant Hill/Contra Costa Centre, Coliseum have been approved. Other projects in various stages of development are slated for the West Oakland and Balboa Park stations. Additional TOD activity has occurred at the Hayward and Dublin/Pleasanton stations through property exchanges with the local land use jurisdictions. The District continues to work closely with a variety of local jurisdictions, community groups and private development partners to advance such projects and to support their efforts to develop public and private funding plans for these projects. Participation in the planning and development process does not commit the District to funding any project.

Funding Developments

Pension Reform and Grant Funding. In October 2013 temporary legislation was passed exempting represented transit workers from the Public Employee's Pension Reform Act of 2013 ("PEPRA") which had been enacted in 2012 and took effect on January 1, 2013. The temporary legislation was required because the United States Department of Labor ("DOL") had refused to certify federal funding grants based on its determination that PEPRA infringed upon transit workers' collective bargaining rights. DOL certification is required in order for the Federal Transit Administration to approve and pay grants. Absent that certification, transit agencies in California could not receive federal funds. Once the temporary legislation was enacted, making represented transit employees exempt from PEPRA, the DOL permitted the release of federal funds to transit agencies including the District.

The State of California (and the Sacramento Regional Transit Agency) brought litigation in the U.S. District Court, Eastern District of California, which challenged the DOL's determination that PEPRA interfered with collective bargaining rights. On December 30, 2014, the U.S. District Court issued a ruling that the DOL's refusal to certify the federal grants was arbitrary and capricious. The District Court remanded the issue back to the DOL with instructions that it act in accordance with the District Court's order.

The legislation which exempted transit employees from PEPRA by its terms was to expire in 2015 or upon a determination by the District Court that the DOL erred in refusing to certify the federal funds. As a result, the temporary exemption expired on December 30, 2014, and all transit employees became subject to PEPRA.

However, the matter has not been resolved. The DOL took the position that the District Court's ruling does nothing more than require it to reconsider whether PEPRA infringes upon collective bargaining rights. However, the DOL agreed to conditionally certify the federal grants subject to certain terms and conditions. Those conditions require the District to potentially return the grant funds or alternatively to reimburse employees for pension contributions. Federal transit funds are currently being provided subject to these conditions. The litigation is still pending.

Executive Order Regarding Sanctuary Jurisdictions. On January 25, 2017, President Trump issued "Executive Order - Enhancing Public Safety in the Interior of the United States" (the "Executive Order") which aims to address certain immigration policies of the administration, including sanctuary jurisdictions, among other things. The Executive Order states, in part, that the policy of the executive branch will be to "ensure that jurisdictions that fail to comply with applicable federal law do not receive federal funds, except as mandated by law." Section 9(a) of the Executive Order provides that the Attorney General and the Homeland Security Secretary, in their discretion and to the extent consistent with law, shall ensure that jurisdictions that willfully refuse to comply with 8 U.S.C, 1373 (sanctuary jurisdictions) are not eligible to receive federal grants, except as deemed necessary for law enforcement purposes by the Attorney General or the Secretary. The Executive Order further provides that the Homeland Security Secretary has the authority to designate, in his discretion and to the extent consistent with law, a jurisdiction as a sanctuary jurisdiction, and that the Attorney General shall take appropriate enforcement action against any entity that violates 8 U.S.C. 1373, or which has in effect a statute, policy, or practice that prevents or hinders the enforcement of federal law.

BART does not know how federal officials will interpret or apply the Executive Order. The application of the Executive Order to specific grants is also unclear. To the extent that any federal grant mandated by Congress may be found to fall within the order's exception for funds "mandated by law," federal funds under particular statutes may be found to be excluded from the order altogether and therefore not subject to the withholding of funds. Currently, BART does not have sufficient information on the potential impact, if any, on any federal funding that may be withheld as a result of this order. BART is also unable to predict what actions, if any, that the Board may take with respect to the "sanctuary jurisdiction" issue generally or specifically in response to the Executive Order.

On April 25, 2017, in response to a lawsuit brought by Santa Clara County and the City and County of San Francisco, the District Court of the Northern District of California granted a preliminary injunction to enjoin the enforcement of Section 9(a) of the Executive Order.

State Transit Funding. State Transit Assistance ("STA") is funded by the State sales tax on diesel fuel and can be used for operating and capital purposes. Statewide collections can fluctuate based on diesel prices and consumption. Appropriations to transit operators vary based on calculations of qualifying revenues for the local operator and the region. STA funding has been inconsistent throughout the years and can be subject to actions in the governor's state budget. In some years, BART received no STA funds and more recently, STA revenues statewide have declined due to lower diesel prices.

The California legislature in April 2017 passed Senate Bill 1 ("SB1"), a transportation funding package that would invest $5.24 billion per year over the next decade to repair and maintain state highways and local roads, improve trade corridors, and support public transit and active transportation.

For public transit, the legislation increases the incremental sales tax on diesel fuel dedicated to the STA program by 3.50%, generating approximately $250 million per year with CPI increases over time to be used for transit capital and operations purposes. The legislation also calls for another 0.50% increase on the incremental sales tax on diesel fuel, generating approximately $40 million per year with inflationary increases over time to intercity passenger and commuter rail systems.

A new "Transportation Improvement Fee" is established under the Vehicle License Fee law. Fee revenues will be dedicated to the STA program ($105 million per year) for "state of good repair" types of expenditures; the Transit and Intercity Rail Capital Program ($245 million per year); and a new "Solutions for Congested Corridors Program" ($250 million per year) for allocation to a balanced set of transportation, environmental and community access improvements within highly congested travel corridors in California, including public transit projects.

The legislation also provides for accelerated loan repayment from the State General Fund to public transit, which would be deposited into the Transit and Intercity Rail Capital Program.

In October 2016, MTC estimated BART's share of Fiscal Year 2017 STA at $15.9 million, with $6.8 million of that amount directed by MTC to feeder bus operators providing service to BART stations, leaving $9.1 million for BART operations, slightly higher than the Fiscal Year 2017 budget. MTC's estimate in February 2017 has BART's share of Fiscal Year 2018 STA at $17.5 million, with $6.9 million of it directed to feeder bus operators, leaving a net of $10.6 million for the Fiscal Year 2018 Preliminary Budget. With the new legislation, BART will see an increase of STA funds, which are currently estimated at $14 million annually, starting with a partial year in Fiscal Year 2018.

DISTRICT FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements of the District prepared by Macias Gini & O'Connell LLP ("MGO"), Walnut Creek, California, is included as Appendix B to this Official Statement. See Appendix B—"SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT REPORT ON AUDITS OF FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015." The financial statements of the District included in Appendix B to this Official Statement have been examined by MGO, whose report thereon appears in such Appendix. MGO was not requested to consent to the inclusion of its report in Appendix B, nor has MGO undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by MGO with respect to any event subsequent to the date of its report.

Historical Financial Results

The table on the following page summarizes BART's historical financial operating results for its General Operating Fund for the Fiscal Years ending June 30, 2012 through June 30, 2016. This summary for the Fiscal Years ending June 30, 2012 through June 30, 2016 is derived from BART audited financial statements for the Fiscal Years indicated therein (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. Amounts reported in audited financial statements as "Other Income (expenses)" under "Nonoperating revenues (expenses)" are excluded from the presentation below because they pertain only to extraordinary transactions or those transactions associated with Other District Funds, i.e. debt issue and debt service costs. The income and expenses reported in the audited financial statements were based on consolidated information which included transactions pertaining to Other District Funds—Capital Funds and Debt Service Funds. Generally, income and expenses associated with the Other District Funds include investment income, interest expense and debt issue costs. However, in the table below summarizing historical financial operating results, only transactions related to the District's General Operating Fund are shown.

HISTORICAL FINANCIAL RESULTS OF GENERAL OPERATING FUND
($ in Thousands)

	(Fiscal Years Ending June 30)				
	2012	2013	2014	2015	2016
Annual Passengers (thousands)	110,777	117,815	117,074	125,979	128,524
Operating Revenues					
Passenger Revenues	$367,342	$406,890	$416,573	$463,634	$489,583
Investment Income[(1)]	123	23	8	168	1,120
Other	34,512	36,383	46,587	50,907	56,217
Total Operating Revenues	$401,977	$443,296	$463,168	$514,709	$546,920
Financial Assistance:					
Sales Tax Revenues	$195,214	$208,561	$221,149	$233,148	$241,547
Property Tax Revenues[(2)]	29,694	31,686	32,054	34,324	38,086
Other	49,894	47,728	96,297	107,307	72,794
Total Financial Assistance	$274,802	$287,975	$349,500	$374,779	$352,427
Total Operating Revenues and Financial Assistance	$676,779	$731,271	$812,668	$889,488	$899,347
Operating Expenses:					
Labor	$380,692	$407,076	$411,426	$421,707	$451,769
Electrical Power	35,062	37,306	37,231	36,004	37,680
Express Feeder Bus [(3)]	132	220	1,346	3,399	3,465
Purchased Transportation-OAC	–	–	–	3,542	5,928
Other Non-Labor	113,730	122,410	121,297	132,464	139,452
Total Operating Expenses Net[(4)]	$529,616	$567,012	$571,300	$597,116	$638,294
Revenues for Bond Debt Service	$147,163	$164,259	$241,368	$292,372	$261,053
Bond Debt Service[(5)]	$62,273	$62,442	$58,240	$55,958	$48,611
BART Car Funding Exchange [(6)]	$25,940	$23,980	$72,000	$74,168	$50,176
Excess Revenues/(Deficit)	$58,949	$77,837	$111,128	$162,246	$162,266
Operating Ratio[(7)]	76%	78%	81%	86%	86%
Farebox Ratio[(8)]	69%	72%	73%	78%	77%

(1) Investment income amount in audited financial statements is higher due to inclusion of investment income from District Funds other than the District Operating Fund.

(2) Excludes property tax revenue collected for the debt service of the general obligation bonds.

(3) Relates to District's share of expenses paid to local operators associated with providing passenger access to BART not covered by STA funds.

(4) Amount reported is higher in audited financial statements because such amounts in the financial statements include depreciation expense.

(5) "Bond Debt Service" reported above represents actual amount remitted to cover debt service paid from General Operating Fund, which excludes general obligation bonds. Amount in audited financial statements under "Interest Expense" represents interest expenses for all District debts, net of capitalized interest expense. For a complete discussion of BART's long term debt, see Note 6 to the audited financial statements of the San Francisco Bay Area Rapid Transit District included as Appendix B to this Official Statement.

(6) BART Car Funding Exchange represents a transfer to MTC in exchange for the same amount in Federal preventive maintenance grant provided by MTC to the District. The Federal grant received is shown as part of Financial Assistance – Other.

(7) Operating Ratio is defined as the total operating revenues divided by the total operating expenses.

(8) Farebox Ratio is defined as total passenger revenues divided by total operating expenses.

Management's Discussion of Historical Financial Results

During Fiscal Year 2011-12 through Fiscal Year 2015-16, the District saw continued growth in operating revenues and sales tax revenues. Starting in Fiscal Year 2015-16, sales tax growth started to slow. In Fiscal Year 2016-17, ridership declined slightly compared with prior years. Total passenger ridership had grown from 110.8 million in Fiscal Year 2011-12 to 128.5 million in Fiscal Year 2015-16. Through December of Fiscal Year 2016-17, total ridership was 63.0 million, a 2.0% decline compared with the same period in the prior year. Until Fiscal Year 2013-14, BART's ridership growth rate had been 6% to 7% as the Bay Area's economy recovered from the recent recession. In July and October 2013, BART experienced two labor strikes, with a total of eight days of no rail service, which resulted in an estimated loss of about 3.7 million total trips. Total ridership decreased in Fiscal Year 2013-14 to 117.1 million, a 0.6% decrease from the Fiscal Year 2012-13. The West Dublin/Pleasanton Station opened in February 2011 and revenue service started on the Oakland Airport Connector in November 2014, creating a convenient rail link between the Oakland Coliseum station and the Oakland International Airport (OAK). During each of its first two years of service, the Connector had over one million riders. Compared with ridership on the AirBART bus service, average weekday ridership on the connector was about 36% higher. After November 2015 and compared with the prior year's BART to OAK service, ridership growth started to slow down and in some months, showed a decline from the prior year. This decline appears to be related to increased utilization of Uber, Lyft, and other app-based services, also known as TNCs. The OAK first permitted operation of TNCs in November 2015, with a noticeable shift in ridership for BART at that same time. The same decline in ridership due to TNCs is occurring at the SFO Station.

Passenger revenue grew from $367 million in Fiscal Year 2011-12 to $490 million in Fiscal Year 2015-16, due to fare increases and ridership growth. Total operating revenues and financial assistance increased from $677 million in Fiscal Year 2011-12 to $899 million in Fiscal Year 2015-16. This increase is due to fare revenue growth, sales tax and property tax growth, and increases in other operating revenue, including parking revenue, commercial communications and advertising revenue. In addition, amounts directed to the Rail Car Fund Exchange with MTC increased over this time, however there were no net impacts to the bottom line since corresponding expenses were also recognized in grant assistance.

Sales tax revenues were $195 million in Fiscal Year 2011-12 and increased to $242 million in Fiscal Year 2015-16, with growth rates ranging from 8.0% in Fiscal Year 2011-12 to 3.6% in Fiscal Year 2015-16. Through the first half of Fiscal Year 2016-17, growth slowed and sales tax revenues were up only 2%.

Other operating assistance received by BART includes STA, ranging from $11.3 million to $20.0 million received during Fiscal Year 2011-12 through Fiscal Year 2015-16. Although legislation has been implemented in the past few years to make STA a more secure funding source for transit operators, STA is dependent on the price of diesel fuel and actual sales. Additional financial assistance comes from BART's portion of the one percent general property tax levy, which ranged from $29.7 million in Fiscal Year 2011-12 to $38.1 million in Fiscal Year 2015-16, with annual growth rates between 1% and 11% after recovery from the recession.

Operating expenses, excluding depreciation, increased by $108.7 million between Fiscal Year 2011-12 and Fiscal Year 2015-16. Expense increases during these five years included additional service and investments in the BART system to serve growing ridership, the opening of the Oakland Airport Connector (November 2014), the opening of the Warm Springs Extension (March 25, 2017), as well as additional staff and funds to address areas such as system maintenance, employee safety and station cleanliness. Labor costs increased pursuant to labor contracts and benefit costs increased as well. Electric power costs remained fairly level over the five years, increasing by just 7.5% overall despite service increases. Savings are attributed to carbon fees not applying to District market power purchases and lower than budgeted power purchases.

Under new labor agreements effective Fiscal Years 2013-14 through Fiscal Year 2016-17 and recently renewed through Fiscal Year 2020-21, labor costs are anticipated to increase by reasonable amounts.

In each Fiscal Year's budget process, management establishes an operating ratio goal (percentage of operating revenue to operating expenses). The District has achieved increasing operating ratios of above 70% in recent years, well above national averages for urban transit systems. Excluding the effect of GASB 68 adjustments which impacted pension expense, the District's operating ratio for Fiscal Year 2015-16 was 83%, slightly above the budgeted goal of 82%.

The District proceeded with major capital projects in Fiscal Year 2016-17, including the Rail Vehicle Replacement Program, the System Reinvestment Program, the Earthquake Safety Program and the System Renewal Program. See "BART FINANCINGS AND CAPITAL PROGRAMS" herein.

Adopted Budget for Fiscal Year 2016-17

On June 9, 2016, the BART Board of Directors adopted a $931.5 million balanced operating budget for Fiscal Year 2016-17. The budget reflects assumptions of slowing revenue growth, based upon recent trends, and the opening of the Warm Springs Extension. Operating revenues include a conservative outlook on ridership growth, a full year of the January 1, 2016 productivity-adjusted, CPI-based fare increase, increased parking fee and parking fine revenue, and additional revenue from commercial communications and advertising.

Operating expenses in Fiscal Year 2016-17 are budgeted to increase 5% over the adopted Fiscal Year 2015-16 budget. This increase is mainly driven by contractual increases in wages and benefits and the addition of nine operating positions to support station and access improvement projects. In addition, power and other non-labor expenses increased by 2% to account for increases in contracts, fees and inflation.

The Fiscal Year 2016-17 operating budget allocates $141 million to support capital projects, provide local match for grant funds, improve stations, and help fund high priority System Reinvestment and Capacity Enhancement programs such as Rail Car Replacement, the Hayward Maintenance Complex and the Train Control Modernization Project.

Nearly two-thirds of BART's $888 million capital budget for Fiscal Year 2016-17 is directed to the System Reinvestment and Renovation program, which is a collection of projects generally categorized as controls and communications, facilities, mainline, rolling stock and work equipment. Major components of the System Reinvestment program are the projects mentioned above, with $199 million directed to the Rail Car Replacement program and $165M directed to the Hayward Maintenance Complex in Fiscal Year 2016-17. Other major expenditures reflect the increased emphasis on system reinvestment, including mainline rail and power distribution projects ($71 million), train control and fare collection ($70 million) and station modernization and renovation projects ($65 million).

Preliminary Budget for Fiscal Year 2017-18

The Fiscal Year 2017-18 Budget is currently under development and expected to be approved by the BART Board in June, 2017. Initial budget projections anticipate a $31 million operating shortfall, primarily due to declining fare revenues. Staff has identified a number of potential solutions to eliminate the projected shortfall, including small additional fare increases, service adjustments and one-time reductions to operating to capital allocations. Board discussions of the potential budget shortfall solutions will continue in the spring of 2017.

Also expected to help the projected shortfall is an anticipated $10 million to $16 million of additional STA revenue in Fiscal Year 2017-18 from SB1. SB1 provides for ongoing revenue backed by new transportation-related taxes and fees and is expected to generate $52.4 billion for transportation investments over the next decade. See "BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments – *State Transit Funding*" herein.

Risk Management and Insurance

The District is partially self-insured for workers' compensation, public liability and property damage claims. The District's property is insured against flood damage but is not insured against earthquake damage, which is not currently commercially affordable. The District's property is insured for $65 million per occurrence for equipment in the Control Center and $50 million per occurrence for all other insured property. The self-insured retention for property is $5 million per occurrence. Terrorism insurance coverage is provided for workers' compensation and $22 million for insured property.

The District's self-insurance programs are administered by independent claims adjustment firms. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities are discounted at a 3% rate and are based, in part, upon the independent adjustment firms' estimate of reserves necessary for the settlement of outstanding claims and related administrative costs, and included estimates of claims that have been incurred but not yet reported. Such reserves are reviewed by professional actuaries and are subject to periodic adjustments as conditions warrant.

Pursuant to a recent evaluation of District liabilities for workers compensation, outstanding losses as of June 30, 2016 are projected to total $52,850,266 (undiscounted). The required reserves discounted 3% are $43,575,186. Ultimate District workers compensation losses are limited to $4,000,000 per occurrence for the forecast periods and are estimated at $15,877,400 for Fiscal

Year 2016-17 and $16,126,200 for Fiscal Year 2017-18. Outstanding losses for automobile and general liability are projected to be $6,006,598 (undiscounted). The required reserves discounted 3% are $5,712,132.

See also Note 7 to the audited financial statements of the District included as Appendix B to this Official Statement.

Investment Policy

The investment of funds of BART is made in accordance with BART's investment policy, developed by BART's Controller/Treasurer and approved by the Board of Directors on October 23, 2003 (the "Investment Policy"), and Section 53600 et seq. of the California Government Code. The Investment Policy is in the process of being revised by the Controller/Treasurer and the revised policy will be subject to approval by the Board of Directors. The policy is being reviewed to ensure compliance with the stated objectives of safety, liquidity, yield and current laws and financial trends.

All funds of BART and investment activities are governed by the Investment Policy, which sets forth the following primary objectives, in order of priority:

1. Preservation of capital.

2. Liquidity – funds shall be invested only until date of anticipated need or for a lesser period.

3. Yield – generation of a favorable return on investment without compromise of the first two objectives.

See Appendix C—"SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT STATEMENT OF INVESTMENT POLICY."

Set forth in the below table are the carrying values and types of investment securities in BART's General Fund as of February 28, 2017.

INVESTMENT DISTRIBUTION
as of February 28, 2017

Certificates of Deposit	$ 864,330
Cash on Hand and in Bank	179,653,223
Investments – Federal Agency Obligations	94,242,046
Investments Treasury Bonds & Notes	300,032,904
Total	$574,792,593

Source: District.

As of February 28, 2017, the average duration of the District's investments (average days to maturity) was 144 days.

All amounts deposited in the Project Fund established in connection with the outstanding general obligation bonds are invested at the direction of the District in Investment Securities as such term is defined in the applicable Trust Agreement entered into by the District in connection with the general obligation bonds. Investment Securities include guaranteed investment contracts.

All amounts held by the trustee for the Sales Tax Revenue Bonds in the funds and accounts established under the indenture pursuant to which such obligations were issued are invested at the direction of the District, subject to certain limitations contained in the applicable indenture.

Employee Retirement Benefits

The information concerning the California Public Employees' Retirement System ("CalPERS") set forth below is excerpted from publicly available sources which the District believes to be accurate, but the District cannot and does not guarantee such information as to accuracy and completeness. CalPERS should be contacted directly at CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, California 95814, Telephone: (888) 225-7377 for other information, including information relating to its financial position and investments.

Plan Description. All eligible employees may participate in the Public Employees' Retirement Fund (the "Fund") administered by CalPERS under the Miscellaneous Plan and the Safety Plan of the District. The Safety Plan covers all sworn police officers of the District; all other District employees are covered by the Miscellaneous Plan. The Fund is a multiple-employer public sector employee defined-benefit retirement plan that acts as a common investment and administrative agent for approximately 3,077 local public agencies and school districts within the State of California, including the District. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and compensation. New employees hired on or after January 1, 2013 whose benefits are limited by PEPRA under the Miscellaneous Plan, vest after five years of service and may receive retirement benefits starting at age 52. Under PEPRA, employees hired prior to January 1, 2013, also referred to as "classic" employees, and employees under the Safety Plan, vest after five years of service and may receive retirement benefits starting at age 50. These benefit provisions and all other requirements are established by State statute and District contractual agreements. Legislation was enacted in the State which exempted most District employees from the provisions of pension reform, at least as an interim measure pending the resolution of a dispute with DOL. The temporary exemption expired on December 30, 2014 and all transit employees became subject to PEPRA. See "BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments – *Pension Reform and Grant Funding*" herein.

Annual Actuarial Valuation Reports. CalPERS prepares an Annual Actuarial Valuation Report ("CalPERS Actuarial Report") for its members. The District receives an annual report for its Miscellaneous Plan and a separate annual report for its Safety Plan. The latest CalPERS Actuarial Reports were received by the District in August 2016, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2015. These Reports established the District's required minimum employer contribution rates for Fiscal Year 2017-18, which are 7.931% of covered payroll for the Employer Normal Cost and $26,868,170 for the Employer Payment of Unfunded Liability for the Miscellaneous Plan and 24.708% of covered payroll for the Employer Normal Cost and $6,914,785 for the Employer Payment of Unfunded

Liability for the Safety Plan, before any cost sharing. For Fiscal Year 2017-18, CalPERS changed the employer rate from a percentage of payroll to a percentage of payroll for the normal cost and a flat dollar amount for payment of the unfunded liability. The Reports also included for District's Miscellaneous and Safety Plans the latest Schedule of Funding Progress, which shows a five-year history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of unfunded actuarial accrued liability to payroll, as discussed herein below. The employer contribution rates for new PEPRA employees will continue to be the same rates as classic employees.

The following chart lists the District's employer required contribution rates for Fiscal Years 2017-18, 2016-17, 2015-16, and 2014-15.

Valuation Date	Fiscal Year	Employer Rate for Miscellaneous	Employer Rate for Safety
As of June 30, 2015	FY 2017-2018	7.931% + $26,868,170	24.708% + $6,914,785
As of June 30, 2014	FY 2016-2017	16.383%	56.474%
As of June 30, 2013	FY 2015-2016	14.787%	51.606%
As of June 30, 2012	FY 2014-2015	13.303%	47.789%

Funding Policy. CalPERS' funding policy for the Miscellaneous Plan and the Safety Plan (hereinafter sometimes referred to as the "CalPERS Plans") requires periodic contributions by the District based on CalPERS actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by contractual agreements between the District and its unions. The individual entry age normal method is used to determine the normal cost. There are two components to this cost: the employer cost and the employee cost. District payment for the employer portion of the contributions for the Miscellaneous and Safety Plan is to cover normal cost and to amortize the unfunded actuarial accrued liability.

The District, in compliance with the collective bargaining agreements, also reimburses "classic" employees as defined by CalPERS for all or a portion of the employee share of the pension contributions, which are 9% for public safety personnel and 7% for miscellaneous covered employees. The latest collective bargaining agreements require the District to reimburse represented "classic" miscellaneous employees of Amalgated Transit Union (ATU), Service Employees International Union (SEIU), and American Federation of State, County and Municipal Employees (AFSCME), for their contributions, effective on July 1, 2013 in the amount of 6.50%, effective on January 1, 2014 in the amount of 6%, effective January 1, 2015 in the amount of 5%, effective January 1, 2016 in the amount of 4% and effective January 1, 2017 in the amount of 3%. Contributions for nonrepresented miscellaneous employees will be made at the same level but effective 6 months later in conjunction with their wage increases. With the latest collective bargaining agreements for represented BART Police Officer Association (BPOA) and BART Police Managers Association (BPMA) employees, they will continue to be reimbursed for their contributions. However, they will contribute to the employer's share effective July 1, 2013 in the amount of 0.5%, effective January 1, 2014 in the amount of 1%, effective January 1, 2015 in the amount of 2%, effective January 1, 2016 in the amount of 3% and effective January 1, 2017 in the amount of 4%. Contributions for non-represented safety employees will be made at the same level as BPMA but effective 6 months later in conjunction with their wage increases.

Under PEPRA, effective January 1, 2013, "new" employees as defined by CalPERS and PEPRA who are not represented must contribute ½ of the total normal cost. The contribution rate is 13% for safety personnel and 6.25% for miscellaneous employees. State law exempted represented transit employees from these contributions; however, commencing on December 30, 2014, new represented employees began contributing at the PEPRA rate.

In calculating the annual actuarially required contribution rates, the CalPERS actuary calculates, on the basis of certain assumptions, the actuarial present value of benefits that CalPERS expects to fund under the CalPERS Plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that CalPERS expects to fund under the CalPERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions, including the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, calculation of the UAAL involves certain actuarial adjustments. As a result, prospective investors are encouraged to consider the UAAL as an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS Plans to retirees and active employees upon their retirement, and not as a fixed or hard expression of the liability the District owes to CalPERS under the CalPERS Plans.

CalPERS uses the rate stabilization methodologies in its actuarial valuations which have been shown to be very effective in mitigating rate volatility. See Note 10 to the audited financial statements of the District included as Appendix B to this Official Statement for a summary of principal assumptions and methods used by CalPERS to determine the District's annual required contributions to the Miscellaneous Plan and Safety Plan.

Schedule of Funding Progress. The funding status applicable to the District's CalPERS Plans at June 30, 2015 (the most current information available for the plans) is summarized as follows:

Funded Status of the Miscellaneous Plan
(in thousands of dollars)[1]

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/13*	$1,801,182	$1,449,050	$352,132	80.4	$233,176	151.0
6/30/14	1,973,974	1,663,622	310,352	84.3	239,710	129.5
6/30/15	2,063,049	1,653,930	409,118	80.2	256,334	159.6

*Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
(1) Numbers reflect rounding.
Sources: CalPERS Annual Valuation Report as of June 30, 2015; District's audited financial statements for year ended June 30, 2016 and 2015.

Funded Status of the Safety Plan
(in thousands of dollars)[1]

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/13*	$243,522	$157,104	$86,417	64.5	$16,871	512.2
6/30/14	271,775	181,599	90,176	66.8	17,418	517.7
6/30/15	288,316	182,631	105,689	63.3	19,163	551.5

* Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
(1) Numbers reflect rounding.
Sources: CalPERS Annual Valuation Report as of June 30, 2015; District's audited financial statements for year ended June 30, 2016 and 2015.

Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan ("MPPP"), which is a supplemental retirement defined contribution plan under Internal Revenue Code Section 401(a). The District's total expense and funded contribution for this plan for the years ended June 30, 2016 and 2015 were $9,775,000 and $9,115,000, respectively. The MPPP assets at June 30, 2016 and 2015 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were $285,801,000 and $288,874,000, respectively. As of June 30, 2016, there were approximately 210 (204 in 2015) participants receiving payments under this plan. For additional information regarding MPPP, see Note 11 to the audited financial statements of the District included as Appendix B to this Official Statement.

Other Postretirement Benefits

Postretirement Health Care Costs. In addition to the retirement benefits described above and as specified in the District's contractual agreements, the District provides postretirement health care benefits assistance to employees. Most employees who retire directly from the District (or their surviving spouses) are eligible if the employee retires from the District at or after age 50 with a minimum of 5 years of CalPERS service (which may be with another public entity) and elects to take an annuity from CalPERS within 120 days of leaving the District. ATU, SEIU, AFSCME, and non-represented employees first hired on or after January 1, 2014, BPOA employees first hired on or after July 1, 2014, and BPMA employees first hired on or after January 1, 2015 will be required to have 15 years of service in order to receive the full contribution.

Retiree Health Benefit Trust. In 2004, the Government Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"). GASB 45 required the District to change its accounting for other postemployment benefits ("OPEB") from pay-as-you-go to an accrual basis. Pursuant to Section 53620 of the California Government Code, a local agency may create a trust to fund postretirement health benefits. The assets of such a trust will qualify as an offset against liability under GASB 45. On May 18, 2004, the District created the Retiree Health Benefit Trust for the San Francisco Bay Area Rapid Transit District (the "Health Benefit Trust") in order to provide a vehicle for prefunding portions of retiree health benefits. Pursuant to the terms of the Health Benefit Trust, the assets of the Health Benefit Trust are to be held for the sole and exclusive purpose of providing benefits to participants and beneficiaries and to defray the reasonable expenses of administering the Health Benefit Trust and designated plans. Assets placed into the Health Benefit Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. The Health Benefit Trust is administered by a trustee appointed by the Board of Directors. The current trustee is the Controller/Treasurer of the District.

Pursuant to a Bartel Associates, LLC report dated April 25, 2017, entitled "Retiree Healthcare Plan, June 30, 2016 Actuarial Valuation" and "Retiree Life Insurance, June 30, 2016 Actuarial Valuation" (the "Bartel Report"), 2,118 retirees and surviving spouses are provided retiree medical benefits. Pursuant to the Retiree Health Benefit Trust Independent Auditor's Report for the Years Ended June 30, 2016 and 2015, the District made payments on a pay-as-you-go basis, net of retirees' and surviving spouses' share, of medical insurance premiums totaling $17,422,000 in Fiscal Year 2016 and $16,469,000 in Fiscal Year 2015, and life insurance premiums amounting to $154,000 in Fiscal Year 2016 and $167,000 in Fiscal Year 2015.

At December 31, 2016, net assets (unaudited) held in the Health Benefit Trust included money market mutual funds, U.S. Treasury obligations, corporate obligations, foreign obligations, domestic common stocks, equity mutual funds, and foreign stocks with a fair market value of approximately $252,909,955.

Funding projections are based on the Bartel Report, the most recent actuarial analysis prepared for the District. These funding projections are based on certain assumptions and are inherently subject to a variety of risks and uncertainties, including increases in the cost and duration of health care benefits, which could cause actual results to differ materially from those that have been projected. Pursuant to its labor agreements, effective January 1, 2010, the District's contribution toward medical coverage was limited to the highest Bay Area HMO rate under CalPERS minus the applicable retiree contribution. The actuarial accrued liability ("AAL") as of June 30, 2016 is estimated at approximately $537.9 million. The report also contained projected per capita claims cost updates based on Calendar Years 2015 and 2016 CalPERS premiums.

The following is the summary of results of the valuation. The Bartel Report employed different actuarial assumptions than prior actuarial valuations, including mortality improvement, inflation based on the plan's long-time horizon, age-based claims based on Society of Actuaries publications, and participation and coverage based in part on plan experience. Such assumptions contributed to an increased actuarial liability between the June 30, 2015 actuarial valuation date and the June 30, 2016 actuarial valuation date.

Funded Status of the Retiree Healthcare Plan
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Projected Covered Payroll* (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
6/30/2014	$202,181	$331,352	$129,171	61.0%	$274,387	47.1%
6/30/2015	221,766	333,141	111,375	66.6	292,532	38.1
6/30/2016	237,403	537,873	300,470	44.1	307,031	97.9

* The projected covered payroll is calculated out two years from the date of the actuarial valuation date.
Source: Bartel Report dated April 25, 2017

Life Insurance and Survivor Benefits. Additional benefits include providing BART employees with certain life insurance benefits after retirement. For survivor benefits, if an employee elects such benefits upon employment, the employee makes a monthly contribution and, upon the employee's death, the employee's survivors receive certain medical, dental and vision benefits. The Board has approved setting up a trust to hold such employee contributions but currently such benefits are provided on a pay-as-you-go basis by the District.

APPENDIX B

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT

Annual Financial Report

For the Years Ended June 30, 2016 and 2015

Certified
Public
Accountants

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
For the Years Ended June 30, 2016 and 2015

Table of Contents

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the San Francisco
Bay Area Rapid Transit District
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the San Francisco Bay Area Rapid Transit District (the District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the District as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of employer pension contributions, and the schedules of funding progress – other postemployment benefits identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Macias Gini É O'Connell LLP

Oakland, California
November 23, 2016

Introduction

The following discussion and analysis of the financial performance and activity of the San Francisco Bay Area Rapid Transit District (the District) provide an introduction and understanding of the basic financial statements of the District for the years ended June 30, 2016 and 2015. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The District is an independent agency created in 1957 by the legislature of the State of California for the purpose of providing an adequate, modern, interurban mass rapid transit system in the various portions of the metropolitan area surrounding the San Francisco Bay. The District started its revenue operations in September 1972. It presently owns a 108-mile, 45-station system serving the four counties of Alameda, Contra Costa, San Francisco and San Mateo. The governance of the District is vested in a Board of Directors composed of nine members, each representing an election district within the District.

The Financial Statements

The basic financial statements provide information about the District's Enterprise Fund and the Retiree Health Benefit Trust. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Enterprise Fund Financial Statements

The *Statements of Net Position* reports assets, deferred outflows of resources, liabilities, deferred inflows of resources and the difference as *net position*. The entire equity section is combined to report total *net position* and is displayed in three components - *net investment in capital assets; restricted net position; and unrestricted net position*.

The net position component *net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position consists of assets where constraints on their use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets. This net position component includes net position that has been designated by management for specific purposes, which in the case of the District include allocations to fund capital projects, and other liabilities, which indicate that management does not consider them to be available for general operations.

The *Statements of Revenues, Expenses and Changes in Net Position* consist of operating and nonoperating revenues and expenses based upon definitions provided by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus.* Accordingly, significant recurring sources of the District's revenues, such as capital contributions, are reported separately, after nonoperating revenues and expenses.

Statements of Cash Flows are presented using the direct method and include a reconciliation of operating loss to net cash used in operating activities.

Financial Highlights

In fiscal year 2015, the District implemented required changes to accounting and reporting for pensions. Due to the limited available information, fiscal year 2014 amounts have not been restated for GASB Statements Nos. 68 and 71.

Statements of Revenues, Expenses and Changes in Net Position
A summary of the District's *Statements of Revenues, Expenses and Changes in Net Position* for fiscal years 2016, 2015 and 2014 is as follows (dollar amounts in thousands):

	2016	2015	2014
Operating revenues	$ 545,800	$ 514,541	$ 463,160
Operating expenses, net	(834,746)	(767,141)	(718,952)
Operating loss	(288,946)	(252,600)	(255,792)
Nonoperating revenues, net	292,586	303,214	282,507
Capital contributions	328,123	256,231	326,690
Special item - settlement of loans	-	-	88,500
Change in net position	331,763	306,845	441,905
Net position, beginning of year, as restated	6,017,192	5,710,347	5,767,598
Net position, end of year	$ 6,348,955	$ 6,017,192	$ 6,209,503

Operating Revenues

In fiscal year 2016, operating revenues increased by $31,259,000 primarily due to (1) an increase of $25,949,000 in passenger fares accounted for by a half year fare increase of 3.4% implemented on January 1, 2016, and a slight increase in ridership; average weekday ridership in fiscal year 2016 was 433,394 trips, an increase of 2.4% over the prior fiscal year; and (2) an increase of $5,139,000 in parking revenue due to higher parking rates implemented in January 2016 at several stations.

In fiscal year 2015, operating revenues increased by $51,381,000 primarily due to (1) an increase of $47,061,000 in passenger fares due to a full year fare increase of 5.2% implemented on January 1, 2014, compared to a half year fare increase in fiscal year 2014, and an increase in ridership; average weekday ridership in fiscal year 2015 was 423,120 trips, an 8.77% increase over the prior fiscal year; (2) an increase of $8,354,000 in parking revenue due to higher parking rates implemented effective January 2015 at several stations; and offset by (3) a decrease of $4,485,000 in ground lease revenue due to a one time lump-sum recognition of revenue recorded in fiscal year 2014 from the reassignment of ground lease at the West Dublin Station to a new lessee.

Operating Expenses, Net

In fiscal year 2016, operating expenses, net, increased by $67,605,000, primarily due to (1) an increase of $41,100,000 in salaries and benefits principally from (a) an increase of $19,820,000 in employee wages from an additional 177 net positions hired in fiscal year 2016 and wage increases per contractual labor agreements; (b) an increase of $10,653,000 in overtime for increase operational needs, including major track maintenance involving closures of some stations; (c) an increase of $4,279,000 in health insurance expense primarily due to increase of about 9% in insurance premium rates; (d) increase of $3,045,000 in other postemployment benefit contributions required per actuarially determined valuation, particularly related to the District's Retiree Health Benefit Plan; (e) increase of $4,622,000 in pension expense; and offset by (f) decrease of $1,760,000 in workers compensation expense as actual claims have stabilized in recent years; (2) an increase of $3,629,000 in maintenance and repairs to keep the system in a good state of repairs; (3) an increase of $2,386,000 for full year recognition of purchased transportation costs for the Oakland Airport Connector; (4) an increase of $26,427,000 in depreciation expense due to capitalization of recently completed projects, which include among others the Oakland Airport Connector and a portion of the Seismic Upgrade Project; (5) increase of $1,099,000 in public liability insurance costs due to higher claims; (6) increase of $1,677,000 in traction and power costs due to increase in passenger miles; and offset by (7) a decrease in expenses of $11,795,000 from increase in labor reimbursements charged to capital grants.

In fiscal year 2015, operating expenses, net, increased by $48,189,000, primarily due to (1) an increase of $21,502,000 in salaries and benefits principally from (a) an increase of $19,923,000 in employee wages from an additional 87 net positions hired in fiscal year 2015, wage increases per contractual labor agreements, and increases associated with revaluation of unused leave benefits earned; (b) a lump sum payment of $3,367,000 paid to majority of the employees in fiscal year 2015 for meeting the criteria related to the District's operations as defined in the labor agreements; (c) an increase of $8,842,000 in overtime for increased operational needs; (d) an increase of $2,689,000 in health insurance expense due to a weighted average increase of 4.48% in insurance premiums; offset by (e) a net decrease of $10,997,000 in pension expense from adoption of GASB 68 ($16,487,000), offset by a $5,490,000 increase in pension contribution due to increase in contribution rates; and (f) a decrease of $3,451,000 in postemployment benefit expenses, as actuarially determined; (2) an increase of $7,242,000 in maintenance and repairs to keep the system in a good state of repairs; (3) an increase of $3,543,000 in purchase transportation costs for operating the new Oakland Airport Connector; (4) an increase of $3,240,000 in feeder agreement paid to AC Transit due to shortfall in state transit assistance; (5) an increase of $22,373,000 in depreciation expense due to capitalization of recently completed projects, which include among others the Oakland Airport Connector and a portion of the Seismic Upgrade Project; and (6) a decrease in expenses of $11,401,000 from increase in labor reimbursements charged to capital grants.

Nonoperating Revenues, Net

In fiscal year 2016, nonoperating revenues, net, decreased by $10,628,000 primarily from (1) a decrease of $34,513,000 in operating financial assistance principally from (a) decline of $31,471,000 in Federal Financial Assistance from the Federal Transit Administration (FTA) related to operating preventive maintenance project; (b) decrease of $6,507,000 in State Transit Assistance due to continued decline in diesel fuel prices; offset by (c) increase of $2,108,000 in Measure BB grants representing 9 more months of additional revenue compared to fiscal year 2015; and (d) increase of $1,596,000 in financial assistance from the State of California from Low Carbon Transit Operations Program (LCTOP) allocation (see Note 9); (2) a decrease of $10,307,000 in earmarked property tax revenue based on required debt service payments for the General Obligation Bonds, reduced by an increase of $3,762,000 in property tax revenue for general operations due to continued increase in property valuations in the San Francisco Bay Area; (3) decrease of $5,121,000 due to absence of revenue from donated assets recognized in fiscal year 2015; (4) decrease of $1,169,000 associated with the debt issuance costs incurred in fiscal year 2016 from the General Obligation Bonds and Sales Tax Revenue Bonds refunding (see Note 6); and offset by (5) an increase of $8,398,000 or about 3.6% in sales tax revenue as the economy in the San Francisco Bay Area continues to expand; (6) increase of $1,271,000 in gain from exchange of property arising from the land swap between the District and the City of Livermore; (7) an increase of $2,871,000 due to decrease in interest expense principally from lower outstanding Sales Tax Revenue Bonds and from lower interest rates due to refunding; and (8) an increase of $23,992,000 due to lower payments to the Metropolitan Transportation Commission (MTC) for restricted account established to fund the District's rail car replacement project (see Note 8).

In fiscal year 2015, nonoperating revenues, net, increased by $20,707,000 primarily from (1) an increase of $11,999,000 or about 5.4% in sales tax revenue as the economy in the San Francisco Bay Area continues to expand; (2) an increase of $13,329,000 in operating financial assistance received primarily from FTA related to operating preventive maintenance project, offset by a decrease of $2,333,000 in State Transit Assistance due to decline in diesel fuel prices; (3) an increase of $2,470,000 in investment income as more funds are channeled to investments and also from the fluctuation in market value of investments; (4) a gain of $6,012,000 from exchange of property between the District and the Richmond Transit, LLC (see Note 14); (5) donated income of $5,121,000 recognized from receipt of two parcels of land from Oakland Redevelopment Agency (see Note 14); offset by (6) a decrease of $12,127,000 in earmarked property tax revenue based on required debt service payments for the General Obligation Bonds, reduced by an increase of $2,270,000 in property tax revenue for general operations due to increase in property valuations in the San Francisco Bay Area; (7) a decrease of $4,498,000 due to increase in interest expense from the full year recognition of interest expense for the General Obligation Bonds issued in November 2013; and (8) a decrease of $2,168,000 due to higher payments to MTC for restricted account established to fund the District's rail car replacement project (see Note 8).

Capital Contributions

The revenues from capital contributions relate to grants and other financial assistance received by the District from federal, state and local agencies to fund capital projects. The District receives mostly reimbursement-type grants of which the District has to first incur eligible costs under the provider's program before qualifying for the grant resources. Revenues from capital contributions are recognized at the time when the eligible project costs are incurred.

In fiscal year 2016, revenue from capital contributions increased by $71,892,000 primarily from (1) a net increase in revenue of $5,817,000 from grants received from the State of California mostly due to (a) increase of $20,122,000 in High Speed Passenger Train Bond Funds grants received for the rail car procurement and Hayward Maintenance Complex projects; (b) increase of $19,289,000 from various projects funded by Proposition 1B Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA); offset by (c) a $17,339,000 decrease in realized revenue associated with reduction in Proposition 1B State Local Partnership Program (SLPP) grants for the Warm Springs Extension; (d) a decrease of $4,293,000 in security related grants funded by the State; (e) $7,926,000 reduction for the Union City Phase 2 Intermodal project ; and (f) a decrease of 4,036,000 in other grants received from the California Department of Transportation mostly for the Warm Springs Extension project as it gets closer to completion; (2) a net increase of $85,994,000 from federal fund sources primarily due to (a) reduction in federal grants revenue booked in fiscal year 2015 from recognizing a revenue offset of $43,900,000 for Port facility fees earned in prior years as a result of transfer of capital assets to the Port of Oakland, in conformity with the development agreement, upon completion of the Oakland Connector Project in November 2014; (b) increase of $32,642,000 mostly from higher utilization of federal funds as part of the current initiative undertaken by the District to spend down old FTA grants; and (c) increase of $9,452,000 in Department of Homeland Security grants revenue for security related projects; (3) an increase of $52,628,000 from a combination of funds received from MTC, Contra Costa Transportation Authority (CCTA) Measure J funds and City of Pittsburg primarily for the eBART extension project; (4) increase of $6,131,000 from Union City for the Phase 2 Intermodal project; and offset by (5) a decrease of $77,641,000 for funds received from Alameda County Transportation Commission (ACTC) from Measure B funds as the Warm Springs Extension project gets closer to completion.

In fiscal year 2015, revenue from capital contributions decreased by $70,459,000 primarily from (1) a net decrease in revenue of $79,964,000 from grants received from the State of California mostly due to (a) $27,932,000 reduction in funds utilized in fiscal year 2015 for the Warm Springs Extension project as funds received in prior years are fully expended; (b) a $59,148,000 decrease in grants received for the rail car procurement project; offset by (c) a $5,164,000 increase in revenue realized associated with security related grants; (2) a net decrease of $38,536,000 from federal fund sources primarily due to recognition of revenue offset of $43,900,000 associated with Port facility fees earned in prior years as a result of transfer of capital assets to the Port of Oakland upon completion of the Oakland Connector Project in conformity with the development agreement, offset by $5,364,000 increased utilization in FTA grants; (3) an increase of $1,289,000 from funds received from Union City for the Phase 2 intermodal project; (4) an increase of $27,256,000 for funds received from ACTC from Measure B funds ($21,512,000) for the Warm Springs Extension project and from CCTA Measure J funds ($5,744,000) for the eBart project; (5) an increase of $14,858,000 from Santa Clara Valley Transportation Authority (VTA) for the Hayward Maintenance Complex project and for the VTA extension project; and (6) an increase of $4,472,000 from MTC for the Warm Springs Extension project.

The major additions in fiscal years 2016 and 2015 to capital projects are detailed on page 11.

Statements of Net Position

A comparison of the District's *Statements of Net Position* as of June 30, 2016, 2015 and 2014 is as follows (dollar amounts in thousands):

	2016	2015	2014
Current assets	$ 1,452,232	$ 1,368,679	$ 1,148,987
Noncurrent assets - capital assets, net	7,378,033	7,129,693	6,894,032
Noncurrent assets - other	11,485	31,301	164,589
Total assets	8,841,750	8,529,673	8,207,608
Deferred outflow of resources	70,894	60,645	19,434
Current liabilities	339,134	305,811	262,830
Noncurrent liabilities	2,178,331	2,139,843	1,754,709
Total liabilities	2,517,465	2,445,654	2,017,539
Deferred inflow of resources	46,224	127,472	-
Net position			
Net investment in capital assets	6,055,965	5,816,753	5,611,108
Restricted	214,849	193,944	237,694
Unrestricted	78,141	6,495	360,701
Total net position	$ 6,348,955	$ 6,017,192	$ 6,209,503

Current Assets

In fiscal year 2016, current assets increased by $83,553,000 principally from (1) an offsetting increase of $53,137,000 in cash and cash equivalents and decrease in grants receivable from payments received from the granting agencies; (2) a net increase of $18,667,000 in cash and cash equivalents primarily from additional cash advances received, classified as current, for projects funded by Proposition 1B funds; (3) an increase of $6,894,000 primarily for advance payment of premium for medical insurance, traction power and rent; (4) an increase of $4,292,000 in materials and supplies inventory due to timing in the usage of supplies; offset by (5) a decrease of $14,379,000 from cash and cash equivalents held by the Operating Fund reinvested to noncurrent investments; (6) a decrease of $7,494,000 in unrestricted and restricted cash and current investment due to timing of payment of vendor invoices; (7) a decrease of $22,664,000 in cash and cash equivalents from the proceeds of the General Obligation Bonds for payments of seismic upgrade related expenses ($6,838,000) and reduction in the balance of the debt service funds ($15,826,000), as determined by debt service requirements; (8) a decrease of $7,910,000 in cash and cash equivalents from the proceeds of the 2012 Sales Tax Revenue Bonds for payment of expenses related to the Oakland Airport Connector project; (9) a decrease of $14,894,000 in the debt service funds for various Sales Tax Revenue Bonds, as determined by debt service requirements; and (10) increase of $122,233,000 in current investments from amounts reclassified from noncurrent investments due to length of maturity of investments from the end of fiscal year 2016.

In fiscal year 2015, current assets increased by $219,692,000 principally from (1) an increase of $56,417,000 in cash and cash equivalents from collections of grants receivable as the billing process improved; (2) a net increase of $48,380,000 from additions to operating reserves and unexpended net earnings set aside to fund capital projects; (3) an increase of $24,731,000 in unrestricted and restricted cash and current investment due to timing of payment of vendor invoices; (4) an increase of $36,575,000 from noncurrent investments reinvested in cash and cash equivalents; (5) an increase of $6,471,000 for advance payment of premium for medical insurance; (6) an increase of $3,453,000 in materials and supplies inventory due to timing in the usage of supplies; offset by (7) a decrease of $48,129,000 in cash and cash equivalents from the proceeds of the General Obligation Bonds for payments of seismic upgrade related expenses; (8) a decrease of $15,001,000 in cash and cash equivalents from the proceeds of the 2012 Sales Tax Revenue Bonds for payment of expenses related to the Oakland Airport Connector project; (9) a net decrease of $9,046,000 in cash and cash equivalents from usage of cash advances received for projects funded by Proposition 1B funds; (10) a decrease of $1,298,000 in accrued property tax receivable for general operations due to timing in receipts; and (11) increase of $115,237,000 in current investments from amounts reclassified from noncurrent investments due to length of maturity of investments from the end of fiscal year 2015.

Noncurrent Assets - Other

In fiscal year 2016, noncurrent assets – other decreased by $19,816,000 primarily from (1) an increase of $14,379,000 in noncurrent investments from funds originally held by the District in fiscal year 2015 as cash and cash equivalents; (2) a net increase of $88,347,000 from additions to operating reserves and unexpended net earnings set aside to fund capital projects; and (3) decrease of $122,233,000 in noncurrent investments due to amounts reclassified to current investments based on length of maturity of investments from the end of fiscal year 2016.

In fiscal year 2015, noncurrent assets – other decreased by $133,288,000 primarily from (1) a decrease of $33,513,000 in restricted noncurrent investments from the proceeds of the 2013 General Obligation Bonds; the funds were reinvested in current investments; (2) an increase of $17,728,000 in noncurrent investments from funds held by the Operating Fund; (3) a decrease of $2,226,000 in property tax receivable for debt service of the General Obligation Bonds; and (4) decrease of $115,237,000 in noncurrent investments due to amounts reclassified to current investments based on length of maturity of investments from the end of fiscal year 2015.

Current Liabilities

In fiscal year 2016, current liabilities increased by $33,323,000 primarily due to (1) an increase of $36,988,000 in payables to vendors and contractors due to timing of receiving and paying their invoices; (2) an increase of $3,604,000 in payables to employees due to timing in paying the payroll at the end of the fiscal year and in the remittances of payroll taxes and benefits; (3) an increase of $806,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) a decrease of $3,001,000 in interest payable; (5) a decrease of $27,540,000 for payments made during the fiscal year of principal balances of outstanding Sales Tax Revenue and General Obligation Bonds; (6) an increase of $27,225,000 in current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt; (7) an increase of $1,180,000 in current reserves required for workers compensation and general liability insurance; (8) reclassification to noncurrent liability leading to a decrease of $25,816,000 in unearned revenues associated with the deferral in recognizing the property exchange between MacArthur Community Partners, LLC and the District pending the transfer of title to the land subject to exchange (see Note 14); (9) an increase of $586,000 in unearned revenue related to passenger fare and parking; and (10) an increase of $18,848,000 in the current portion of advances from grantors based on projected fund utilization for fiscal year 2017.

In fiscal year 2015, current liabilities increased by $42,981,000 primarily due to (1) an increase of $17,976,000 in payables to vendors and contractors due to timing of receiving and paying their invoices; (2) an increase of $4,572,000 in payables to employees due to timing in paying the payroll at the end of the fiscal year and in the remittances of payroll taxes and benefits; (3) a decrease of $1,401,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) a decrease of $37,575,000 for payments made during the fiscal year of principal balances of outstanding Sales Tax Revenue and General Obligation Bonds; (5) an increase of $27,540,000 for current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt; (6) a decrease of $768,000 in current reserves required for workers compensation and general liability insurance; (7) an increase of $25,815,000 in unearned revenues associated with the deferral in recognizing the property exchange between MacArthur Transit Community Partners, LLC and the District pending the transfer of title to the land, which is the subject of the exchange (see Note 14); (8) an increase of $2,965,000 in unearned revenue related to passenger fare and parking; and (9) an increase of $3,743,000 in the current portion of advances from grantors based on projected fund utilization for fiscal year 2016.

Noncurrent Liabilities

In fiscal year 2016, noncurrent liabilities increased by $38,488,000 principally from (1) a decrease of $2,966,000 in payables to vendors and contractors due to timing of receiving and paying their invoices; (2) a decrease of $1,700,000 in payables to employees due to timing in the utilization of accrued compensated absences; (3) an increase of $1,636,000 in noncurrent portion of accruals for unfunded other postemployment benefits per actuarial calculation; (4) an increase of $69,757,000 in net pension liability primarily due to lower return on investments; (5) a net increase of $46,022,000 in unamortized premium from issuance of bonds consisted of: (a) increase of $73,650,000 from the issuance of the General Obligation Refunding Bonds and the Sales Tax Revenue Refunding Bonds in the current fiscal year; offset by (b) decrease of $18,396,000 due to reclassification of unamortized premium to deferred interest associated with the defeased bonds (see Note 6); and (c) decrease of $9,232,000 for amortization of the bond issue premium in fiscal year 2016; (6) a decrease of $27,225,000 for portion reclassified to current liability for Sales Tax Revenue and General Obligation Bonds; (7) decrease of $532,385,000 from the defeasance of Sales Tax Revenue Bonds and General Obligation Bonds, offset by increase of $463,445,000 from the issuance of the 2015 Sales Tax Revenue and General Obligation Refunding Bonds; (8) a decrease of $2,185,000 in the noncurrent portion of advances from grantors based on estimated utilization for the next fiscal year; (9) an increase of $25,815,000 due to reclassification to noncurrent liability of unearned revenue associated with the deferral in recognizing the property exchange between Richmond Transit, LLC and the District pending the transfer of title to the land, which is the subject of the exchange (see Note 14); and (10) a decrease of $1,325,000 in noncurrent portion of reserves required for workers compensation and general liability insurance.

In fiscal year 2015, noncurrent liabilities increased by $385,134,000 principally from (1) an increase of $4,075,000 in payables to employees due to timing in the utilization of accrued compensated absences; (2) an increase of $2,032,000 in noncurrent portion of accruals for unfunded other post-employment benefits per actuarial calculation; (3) an increase of $397,465,000 for recognition of net pension liability from the initial adoption of GASB 68; (4) a decrease of $4,270,000 for amortization on premiums from issuance of bonds; (5) a decrease of $27,540,000 for portion reclassified to current liability for Sales Tax Revenue and General Obligation bonds; (6) a decrease of $19,528,000 in the noncurrent portion of advances from grantors based on estimated utilization for the next fiscal year; (7) an increase of $30,110,000 in unearned revenue associated with the deferral in recognizing the property exchange between Richmond Transit, LLC and the District pending the transfer of title to the land, which is the subject of the exchange (see Note 14); and (8) an increase of $2,060,000 in noncurrent reserves required for workers compensation and general liability insurance.

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2016, 2015 and 2014 are as follows (dollar amounts in thousands):

	2016	2015	2014
Land and easements	$ 624,090	$ 576,443	$ 559,222
Stations, track, structures and improvements	4,249,176	4,020,786	3,158,779
Buildings	8,201	8,202	8,336
Revenue transit vehicles	159,096	144,599	175,086
Other	624,768	613,953	441,783
Construction in progress	1,712,702	1,765,710	2,550,826
Total capital assets	$ 7,378,033	$ 7,129,693	$ 6,894,032

The District's capital assets before depreciation and retirements showed a net increase of $446,792,000 in 2016 and $449,792,000 in 2015. There were no major retirements in 2016. In fiscal year 2015, $43,900,000 of capital assets acquired during the construction of the Oakland Airport Connector, which were funded by the Port of Oakland using port facilities fees, were transferred to the Port of Oakland based on the development agreement entered in January 2010 and is shown as a retirement of construction in progress in Note 4. Major additions in capital assets included capital expenditures for the acquisition and/or major improvements related to the following assets (dollar amounts in thousands):

	2016	2015
Guideway	$ 251,782	$ 236,422
Passenger stations	86,083	127,361
Maintenance & administration Buildings	51,547	44,428
Revenue transit vehicles	36,066	33,620
Automatic fare collections and other equipment	12,405	4,169

Guideway and Passenger Stations included among others the costs associated with the Oakland Airport Connector, which was completed in November 2014, Warm Springs Extension project, which is expected to be completed in early 2017, the eBart Extension project, and the ongoing Earthquake Safety Program. A significant portion of the additions to Maintenance & Administration Buildings are related to the new Hayward Maintenance Complex, which is being constructed to accommodate the much larger and more technologically advance new rail fleet. The Revenue Transit Vehicle expenses are associated with the project to procure and replace the existing rail cars and the new Diesel Cars for the eBART project.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $2,700,000,000 at June 30, 2016 and $2,022,590,000 at June 30, 2015.

Long-Term Debt

The outstanding balance of total long-term debt (including current portion but excluding unamortized balance of bond premium/discounts) as of June 30, 2016, 2015 and 2014 are as follows (dollar amounts in thousands):

	2016	2015	2014
Bonds payable from and collateralized by a pledge of sales tax revenues	$ 629,620	$ 698,800	$ 718,895
General Obligation Bonds	603,495	630,795	648,275
Total long-term debt	$ 1,233,115	$ 1,329,595	$ 1,367,170

Total long-term debt in fiscal year 2016 decreased by $96,480,000 due to (1) $304,105,000 principal payment of current outstanding General Obligation Bonds and full defeasance of the 2005 General Obligation Bonds as well as partial defeasance of the 2007 General Obligation Bonds, offset by the outstanding balance of $276,805,000 for the new 2015 General Obligation Refunding Bonds; and (2) $255,820,000 principal payment of current outstanding Sales Tax Revenue Bonds and full defeasance of the remaining outstanding 2005 Sales Tax Revenue Bonds and 2006 Sales Tax Revenue Bonds, offset by the outstanding balance of $186,640,000 for the new 2015 Sales Tax Revenue Refunding Bonds.

Total long-term debt in fiscal year 2015 decreased by $37,575,000 due to (1) $17,480,000 principal payment of current outstanding General Obligation Bonds; and (2) $20,095,000 principal payment of current outstanding Sales Tax Revenue Bonds.

Economic Factors and Next Year's Budgets

On June 9, 2016, The District's Board of Directors adopted a balanced operating budget of $931,539,000 and a capital budget of $888,483,000 for the fiscal year 2017.

The fiscal year 2017 budget for operating sources is $34,245,000 higher than the fiscal year 2016 budget (excluding the impact of a Federal pass-through grant), with ridership and sales tax growth in fiscal year 2016 contributing to the increase. In fiscal year 2016 total ridership grew 2.0% and was under budget by 0.7%. Moderate weekday ridership growth of 2.3% is budgeted for fiscal year 2017. In order to serve current crowded trains and future increases in ridership, the District is investing in its aging rail vehicle fleet and infrastructure and expanding shop capacity. The fiscal year 2017 preliminary budget supports the District's continued efforts to reinvest in the system, welcomes the first of at least 775 new rail cars and opens the Warm Springs/South Fremont station. However, limited funds were available for additional new programs as revenues are constrained due to a projected slowdown in ridership growth and sales tax income, which together account for 86% of the District's revenue sources. The District continues investment in our aging infrastructure in fiscal year 2017, at a level of self-help that is among the highest for a transit operator in the nation. Over the past five years, the District has reinvested over $500 million of operating funds into critical projects such as new rail cars and station renovation. The fiscal year 2017 capital budget also prioritizes reinvestment, with 67% of the $876M budget programmed to system reinvestment projects.

The current operating budget supplies critical funding to capital programs, and continues an annual $45,000,000 allocation to the Rail Car Sinking Fund as part of a $298,000,000 initial commitment for the District's share of the Phase I acquisition of 410 rail cars. In addition, the District's Board of Directors also dedicated all incremental revenue generated from the productivity-adjusted inflation-based fare increase program towards high priority capital projects, including the Rail Car Replacement Program, Hayward Maintenance Complex, and Train Control Modernization Project. In fiscal year 2017, this amount is estimated at just over $35,000,000. The fiscal year 2017 operating budget also included $40,645,000 for other state of good repair needs, such as right-of-way fencing, battery replacement, and the "baseline" State of Good Repair allocation that provides for local match on capital grants, stations and facilities renovation, equipment and other needs. Despite these investments, the District needs to aggressively seek other funding sources to increase its existing capital resources in order to sustain its current state of reliability. The BART Asset Management Program has identified a wide variety of system infrastructure funding needs.

A full 67% of capital expenditures next year are directed to System Renovation, at $584,463,000. This includes the Rail Car Replacement Program, the Hayward Maintenance Complex, station modernization, replacement of train control system, traction power, trackway renovation and other capital projects. The second largest is system expansion, including completion of the eBART and Warm Springs projects. Work will also continue on essential security upgrades, life safety improvements, service and capacity enhancements, and ADA/system accessibility improvements.

Contacting the District's Financial Management

The District's financial report is designed to provide the District's Board of Directors, management, investors, creditors, legislative and oversight agencies, citizens and customers with an overview of the District's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Rosemarie Poblete, Controller-Treasurer, at 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position
June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	$ 265,069	$ 222,851
Investments	387,204	288,059
Government receivables	139,283	192,420
Receivables and other assets	29,754	22,830
Materials and supplies	35,873	31,582
Total unrestricted current assets	857,183	757,742
Restricted assets		
Cash and cash equivalents	434,304	332,126
Investments	159,675	276,520
Receivables and other assets	1,070	2,291
Total restricted current assets	595,049	610,937
Total current assets	1,452,232	1,368,679
Noncurrent assets		
Capital assets		
Nondepreciable	2,336,792	2,342,153
Depreciable, net of accumulated depreciation	5,041,241	4,787,540
Unrestricted assets		
Receivables and other assets	198	226
Restricted assets		
Investments	-	20,035
Receivables and other assets	11,287	11,040
Total noncurrent assets	7,389,518	7,160,994
Total assets	8,841,750	8,529,673
Deferred Outflows of Resources		
Losses on refundings of debt	20,468	18,377
Pension related	50,426	42,268
Total deferred outflow of resources	70,894	60,645

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position, continued
June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Liabilities		
Current liabilities		
Accounts payable and other liabilities	$ 222,409	$ 184,013
Unearned revenue	71,021	76,958
Current portion of long-term debt	27,225	27,540
Self-insurance liabilities	18,479	17,300
Total current liabilities	339,134	305,811
Noncurrent liabilities		
Accounts payable and other liabilities	44,418	49,085
Unearned revenue	234,412	211,183
Long-term debt, net of current portion	1,334,403	1,384,546
Self-insurance liabilities, net of current portion	34,829	36,153
Other postemployement benefits	63,047	61,411
Net pension liability	467,222	397,465
Total noncurrent liabilities	2,178,331	2,139,843
Total liabilities	2,517,465	2,445,654
Deferred Inflows of Resources		
Related to pensions	46,224	127,472
Net position		
Net investment in capital assets	6,055,965	5,816,753
Restricted for debt service and other liabilities	214,849	193,944
Unrestricted	78,141	6,495
Total net position	$ 6,348,955	$ 6,017,192

The accompanying notes are an integral part of these financial statements.

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Operating revenues		
Fares	$ 489,583	$ 463,634
Other	56,217	50,907
Total operating revenues	545,800	514,541
Operating expenses		
Transportation	188,236	183,296
Maintenance	285,996	251,817
Police services	63,921	55,722
Construction and engineering	23,917	20,309
General and administrative	150,986	149,287
Depreciation	196,452	170,025
Total operating expenses	909,508	830,456
Less - capitalized costs	(74,762)	(63,315)
Net operating expenses	834,746	767,141
Operating loss	(288,946)	(252,600)
Nonoperating revenues (expenses)		
Transactions and use tax - sales tax	241,547	233,148
Property tax	55,849	62,394
Operating financial assistance	72,794	107,308
Contribution for BART car replacement funding exchange program	(50,176)	(74,168)
Investment income	2,752	2,507
Interest expense	(36,217)	(39,088)
Donated assets received	-	5,121
Gain from exchange of property	7,284	6,012
Other expense, net	(1,247)	(20)
Total nonoperating revenues, net	292,586	303,214
Change in net position before capital contributions and special item	3,640	50,614
Capital contributions	328,123	256,231
Change in net position	331,763	306,845
Net position, beginning of year	6,017,192	5,710,347
Net position, end of year	$ 6,348,955	$ 6,017,192

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Cash flows from operating activities		
Receipts from customers	$ 490,123	$ 465,484
Payments to suppliers	(191,834)	(171,644)
Payments to employees	(467,754)	(409,281)
Other operating cash receipts	56,689	50,072
Net cash used in operating activities	(112,776)	(65,369)
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	192,919	177,163
Property tax received	37,490	34,336
Financial assistance received	75,126	108,812
Net cash provided by noncapital financing activities	305,535	320,311
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	48,628	55,985
Property tax received	18,152	29,355
Capital grants received	399,253	314,490
Expenditures for facilities, property and equipment	(411,182)	(375,631)
Principal paid on long-term debt	(559,925)	(37,575)
Payments of long-term debt issuance and service costs	(1,201)	(59)
Proceeds from issuance of General Obligation Bonds	319,105	-
Proceeds from issuance of Sales Tax Revenue Bonds	217,990	-
Deferred interest paid for defeased bonds	(21,641)	-
Interest paid on long-term debt	(47,298)	(36,517)
Contribution for BART car replacement funding exchange program	(50,176)	(74,168)
Deposit refunded	(248)	(54)
Net cash provided by (used in) capital and related financing activities	(88,543)	(124,174)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	129,003	207,637
Purchase of investments	(90,918)	(542,457)
Investment income (loss)	2,095	(690)
Net cash used in investing activities	40,180	(335,510)
Net change in cash and cash equivalents	144,396	(204,742)
Cash and cash equivalents, beginning of year	554,977	759,719
Cash and cash equivalents, end of year	$ 699,373	$ 554,977
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current, unrestricted assets - cash and cash equivalents	$ 265,069	$ 222,851
Current, restricted assets - cash and cash equivalents	434,304	332,126
Total cash and cash equivalents	$ 699,373	$ 554,977

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows, continued
For the Years Ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (288,946)	$ (252,600)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	196,452	170,025
Amortization of deferred settlement costs	50	30
Net effect of changes in		
Receivables and other assets	(15,753)	(6,606)
Materials and supplies	(4,292)	(3,453)
Accounts payable and other liabilities	637	22,474
Self-insurance liabilities	(145)	1,293
Unearned revenue	(779)	3,468
Net cash used in operating activities	$ (112,776)	$ (65,369)
Noncash transactions		
Capital assets acquired with a liability at year-end	$ 89,715	$ 63,552
Increase in fair value of investments	349	1,462
Amortization of long-term debt premium, discount and issue costs	(9,234)	(4,270)
Bond premium reclassed to losses on refunding of debt	(18,394)	-
Amortization of loss on early debt retirement	1,153	1,056
Amortization of ground lease	534	534
Capital assets transferred to Port of Oakland	-	(43,900)
Property exchanged with the City of Richmond	-	36,260
Property exchanged with MacArthur Transit Community Partners, LLC	-	27,596
Other property exchanged, net	7,191	-
Donated land from the City of Oakland	-	5,121

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Trust Net Position
June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Assets		
Cash and cash equivalents	$ 1,162	$ 43
Receivables and other assets	404	1,350
Investments		
Domestic common stocks	101,231	90,569
U.S. Treasury obligations	53,413	35,808
Money market mutual funds	29,893	20,728
Mutual funds - equity	45,701	46,704
Corporate obligations	12,271	20,968
Foreign stocks	3,024	3,628
Foreign obligations	1,938	3,609
Total investments	247,471	222,014
Total assets	249,037	223,407
Liabilities		
Accounts payable	149	1,640
Pending trades payable	11,485	-
Total liabilities	11,634	1,640
Net position restricted for retiree health benefits	$ 237,403	$ 221,767

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Changes in Trust Net Position
For the Years Ended June 30, 2016 and 2015
(dollar amounts in thousands)

	2016	2015
Additions		
Employer contributions		
Cash contributions	$ 27,145	$ 23,704
Investment income		
Interest income	4,636	3,924
Net appreciation in fair value of investments	1,993	9,043
Investment expense	(513)	(432)
Net investment income	6,116	12,535
Total additions	33,261	36,239
Deductions		
Benefit payments	17,422	16,469
Legal fees	12	(2)
Audit fees	15	15
Insurance expense	26	24
Administrative fees	150	147
Total deductions	17,625	16,653
Increase in trust net position	15,636	19,586
Net position restricted for retiree health benefits		
Beginning of year	221,767	202,181
End of year	$ 237,403	$ 221,767

The accompanying notes are an integral part of these financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

The San Francisco Bay Area Rapid Transit District (the District) is a public agency created by the legislature of the State of California in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended, and subject to transit district law as codified in the California Public Utilities Code. The disbursement of funds received by the District is controlled by statutes and by provisions of various grant contracts entered into with federal, state and local agencies.

Basis of Accounting and Presentation

The basic financial statements provide information about the District's Enterprise Fund and the Retiree Health Benefit Trust Fund (the Trust). Separate statements for each fund category – proprietary and fiduciary – are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues from property taxes are recognized in the fiscal year for which the taxes are levied; revenue from sales taxes are recognized in the fiscal year when the underlying exchange takes place; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

The Enterprise Fund, a proprietary fund, distinguishes operating revenues and expenses from nonoperating items. The District's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases and rentals, and depreciation on capital assets. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Trust, a fiduciary fund, is used to account for assets held by the District as a trustee to pay retiree health care premiums. The assets of the Trust cannot be used to support the District's programs.

Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The District records investment transactions on the trade date. Investments in nonparticipating interest-earning investment contracts (e.g. nonnegotiable certificates of deposits and guaranteed investment contracts) are reported at cost and all other investments are at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As a matter of policy, the District usually holds investments until their maturity.

Restricted Assets

Certain assets are classified as restricted assets on the statement of net position because their use is subject to externally imposed stipulations, either by certain bond covenants, laws or regulations or provisions of debt agreements.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Grants/Contributions

The District receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S. Department of Transportation, the State of California, and local transportation funds for the acquisition of transit-related equipment, improvements and preventative maintenance. Capital grants receivables represent amounts expected from governmental agencies to reimburse the District for costs incurred for capital projects (Notes 8 and 9) and are reported as Government receivables on the Statement of Net Position.

Materials and Supplies

Materials and supplies consist primarily of replacement parts for the system and rail vehicles, which are stated at cost using the average-cost method. Materials and supplies are expensed as consumed.

Bond Discounts, Premiums and Losses on Refunding

The bond discounts, premiums and losses on refunding, are deferred and amortized over the term of the bonds as a component of interest expense. The unamortized portion of these items, except the losses on refunding, which are reported as deferred outflows of resources, are presented as a reduction of the face amount of bonds payable.

Capital Assets

Capital assets are stated at cost or at fair value of donated assets, and depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 80 years. The District's policy is to capitalize acquisitions of capital assets with a cost of $5,000 or more and a useful life of more than one year, and all costs related to capital projects, regardless of amounts. Upon disposition, costs and accumulated depreciation/amortization are removed from the accounts and resulting gains or losses are included in operations.

The District capitalizes as intangible capital assets, internally generated intangibles such as computer software. Easements and rights-of-way are capitalized and recorded as part of land and are not amortized as they have indefinite useful lives while computer software is amortized over a period of 20 years.

Major improvements and betterments to existing facilities and equipment are capitalized. Costs for maintenance and repairs that do not extend the useful life of the applicable assets are charged to expense as incurred. The District capitalizes certain interest income and expense related to tax-free borrowings until the assets are ready for their intended use. The amount capitalized is the difference between the interest revenue and interest expense associated with the applicable tax-free borrowings. Amounts capitalized were net interest expense of $13,029,000 in fiscal year 2016 and $20,058,000 in fiscal year 2015.

Unearned Revenue

Unearned revenue consists of (1) prepayments of revenues related to license fees paid by telecommunication companies for the use of the District's right of way for wireless accessibility to their customers; (2) estimated passenger tickets sold but unused; (3) advances received from grant agreements; (4) prepayments of ground lease revenues (Note 15); and (5) value of property received in exchange for the District's property not yet transferred at the end of the fiscal year.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Compensated Absences

Compensated absences are reported and accrued as a liability in the period incurred. Compensated absences have a total balance of $61,169,000 as of June 30, 2016 and $62,063,000 as of June 30, 2015 and are shown in the statements of net position in accounts payable and other liabilities (see Note 5) as follows (dollar amounts in thousands):

	2016	2015
Current liabilities	$ 18,899	$ 18,093
Noncurrent liabilities	42,270	43,970
Total	$ 61,169	$ 62,063

Pollution Remediation

The recognition of pollution remediation obligations (including contamination) address the current or potential detrimental effects of existing pollution by estimating costs associated with participating in pollution remediation activities, such as site assessments and cleanups. There are no known material remediation obligations that the District is currently or potentially involved in.

Net Position

Net investment in capital assets include capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation and include amounts restricted for debt service and other liabilities. All other net position is unrestricted. Generally, the District's policy is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Transactions and Use Tax (Sales Tax) Revenues

The State of California legislation authorizes the District to impose a 0.5% transaction and use tax within District boundaries, which is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is paid directly to the District for the purpose of paying operating expenses, except for the portion that is paid directly to trustees to cover principal and interest payments of maturing sales tax revenue bonds. The remaining 25% is allocated by the Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustees) as nonoperating revenue.

Property Taxes, Collection and Maximum Rates

The State of California Constitution Article XIII.A provides that the general purpose maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII.A and may be adjusted by no more than 2% per year, unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts, such as the District.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

The District receives an allocation of property tax revenues for transit operations. Additionally, beginning in fiscal year 2006, the District received property tax allocations for the debt service payments on the 2005, 2007, 2013 and 2015 General Obligation Bonds. As required by the law of the State of California, the District utilizes the services of each of the three BART Counties of Alameda, Contra Costa and San Francisco for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as county, school district and other special district taxes. Property taxes are recorded as revenue in the fiscal year of levy. Assessed values are determined annually by the Assessor's Offices of City and County of San Francisco, County of Alameda and County of Contra Costa on January l, and become a lien on the real properties at January 1. The levy date for secured and unsecured properties is July 1 of each year. Secured taxes are due November l and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent after August 31.

Operating Financial Assistance

Financial assistance grants for operations from federal, state and local agencies are reported as nonoperating revenue in the period in which all eligibility requirements have been satisfied (Notes 8 and 9).

Collective Bargaining

Approximately 86% of the District's employees are subject to collective bargaining. The current bargaining units consist of the following:

- American Federation of State, County and Municipal Employees (AFSCME), Local 3993
- Amalgamated Transit Union (ATU), Local 1555
- Service Employees International Union (SEIU), Local 1021
- BART Police Officers Association (BPOA)
- BART Police Managers Association (BPMA)

Capitalized Costs

The District initially charges employee salaries, wages and benefits to operating expenses by functional expense category. Labor costs included in those amounts that are associated with capital projects are subsequently adjusted to be included in the cost of the related capital asset. This adjustment is reflected in the statement of revenues, expenses and changes in net position as a reduction of operating expenses. The amounts of $74,762,000 and $63,315,000 were capitalized during the years ended June 30, 2016 and 2015, respectively.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's Pension Plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassification and Presentation
Certain reclassifications of prior year's balances have been made to conform with the current year presentation. The reclassifications have no effect on the financial position, results of operations, or cash flows.

New Accounting Pronouncements Adopted
In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application,* which is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurements of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The statement also requires that donated capital assets, works of art and similar assets and capital assets received in service concession agreements be reported at acquisition value rather than fair value. Please refer to Note 2 for more information.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statements 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), which establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), as well as for the assets accumulated for the purposes of providing those pensions. GASB 73 amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68 for pension plans and pensions that are within their respective scopes. GASB 73 addresses the recognition of the total pension liability of such plans and the disclosures necessary for the plans that did not meet the definition of GASB 68. This statement did not have a significant impact to the District's financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments* (GASB 76), which clarifies the hierarchy of GAAP and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. This statement did not have a significant impact to the District's financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This statement establishes criteria for an external investment pool to qualify for making the election to measure all investments at amortized cost for financial reporting purposes. Pool participants should also measure their investments at amortized cost if the external pool meets these criteria. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost and for governments that participate in those pools. The requirements of this statement are effective for the District's fiscal year ended June 30, 2016, except for provisions on portfolio quality, custodial credit risk and shadow pricing. Those provisions are effective for the District's fiscal year ended June 30, 2017. This statement did not have a significant impact to the District's financial statements.

Recent Accounting Pronouncements That Have Not Been Adopted

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which establishes new accounting and financial reporting requirements for Other Post-Employment Benefits (OPEB) plans, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB 74 is effective for the District's fiscal year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB plans improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. The statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 is effective for the District's fiscal year ending June 30, 2018.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77), which requires governments that enter into tax abatement agreements to disclose additional information about the agreements including a brief descriptive information, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. GASB 77 is effective for the District's fiscal year ending June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). The objective of this statement is to address a practice issue regarding the scope and applicability of GASB 78 associated with pensions provided through certain cost-sharing multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Such plans are not considered a state or local government pension plan and are used to provide benefits to both employees of state and local governments and employees of employers that are not state or local governments. GASB 78 is effective for the District's fiscal year ended June 30, 2017.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* (GASB 80), to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. GASB 80 is effective for the District's fiscal year ending June 30, 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB 81 is effective for the District's fiscal year ending June 30, 2018.

In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82), to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in Actuarial Standards of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 is effective for the District's fiscal year ending June 30, 2017.

2. Cash, Cash Equivalents and Investments

A. Cash, Cash Equivalents and Investments of the Enterprise Fund

Cash, cash equivalents and investments are reported in the Enterprise Fund as follows (dollar amounts in thousands):

	2016			2015		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Current assets						
Cash and cash equivalents	$ 265,069	$ 434,304	$ 699,373	$ 222,851	$ 332,126	$ 554,977
Investments	387,204	159,675	546,879	288,059	276,520	564,579
Noncurrent assets						
Investments	-	-	-	-	20,035	20,035
Total	$ 652,273	$ 593,979	$ 1,246,252	$ 510,910	$ 628,681	$ 1,139,591

2. Cash, Cash Equivalents and Investments (Continued)

Investment Policy

The California Public Utilities Code, Section 29100, and the California Government Code (CGC), Section 53601, provide the basis for the District's investment policy. To meet the objectives of the investment policy – (1) preservation of capital, (2) liquidity, and (3) yield – the investment policy, approved by the Board of Directors, specifically identifies the types of permitted investments, as well as any maturity limits and other restrictions. The following table presents the authorized investment, requirements, and restrictions per the CGC and the District's investment policy:

	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating (2)	
Investment Type	CGC	District	CGC	District	CGC	District	CGC	District
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	None	None	None	None	None
Bankers' Acceptances	180 days	180 days	40%	40%	30%	30%	None	None
Commercial Paper (3)	270 days	270 days	25%	25%	10%	10%	P1	P1
Negotiable Certificates	5 years	5 years	30%	30%	None	None	None	None
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements	92 days	90 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	(4)	None	None	None	None
Non-Negotiable Time Deposits	5 years	5 years	30%	30%	None	None	None	None
Medium Term Notes/Bonds (3)	5 years	5 years	30%	30%	None	None	A	A
Municipal Securities of California Local Agencies	5 years	5 years	None	None	None	None	None	None
Mutual Funds	N/A	N/A	20%	(4)	10%	10%	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	None
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	None	None	AAA	AAA
Financial Futures (3)	N/A	N/A	None	None	None	None	None	None

Footnotes
(1) In the absence of a specified maximum, the maximum is 5 years.
(2) Minium credit rating categories include modifications (+/-).
(3) District will not invest in these investment types unless specifically authorized by the Board.
(4) District may invest in an amount not to exceed $25,000,000.

2. Cash, Cash Equivalents and Investments (Continued)

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds and funds set aside for debt service. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Securities of the U.S. Government and its agencies	None	None	None	None
Housing Authority Bonds or project notes issued by public agencies or municipalities fully secured by the U.S.	None	None	None	None
Obligations of any state, territory, or commonwealth of the U.S. or any agency or political subdivisions thereof	None	Aa1/AA+	None	None
Collateralized time deposits	None	A-1	None	None
Commercial paper	None	Aaa/AAA	None	None
Repurchase agreements	None	None	None	None
Money market mutual funds	None	None	None	None
Investment agreements	None	Aa1/AA+	None	None
Other investments approved by the Board that will not adversely affect ratings on bonds	None	None	None	None
Corporate bonds, notes, and debentures	None	Aa1/AA+	None	None
Local Agency Investment Fund	None	None	None	None

2. Cash, Cash Equivalents and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. One of the District's primary objectives is to provide sufficient liquidity to meet its cash outflow needs, however, the District does not have any policies specifically addressing interest rate risk, except as outlined in the CGC. A summary of investments by type of investments and by segmented time distribution as of June 30, 2016 and 2015 is as follows (dollar amounts in thousands):

		Investment Maturities (in Years)		
	2016	Less Than 1	1 - 5	6 - 10
Money market mutual funds*	$ 80,676	$ 80,676	$ -	$ -
U.S. government agencies	508,905	508,905	-	-
Commercial paper	208,917	208,917	-	-
California municipal bonds	26,974	26,974	-	-
Foreign government bonds	25,037	25,037	-	-
Certificate of deposit	962	962	-	-
Total investments	851,471	$ 851,471	$ -	$ -
Deposits with banks	391,858			
Imprest funds	2,923			
Total cash and investments	$ 1,246,252			

		Investment Maturities (in Years)		
	2015	Less Than 1	1 - 5	6 - 10
Money market mutual funds*	$ 58,710	$ 58,710	$ -	$ -
U.S. government agencies	581,933	561,898	20,035	-
Commercial paper	139,437	139,437	-	-
Repurchase agreements	36,822	36,822	-	-
Certificate of deposit	859	859	-	-
Total investments	817,761	$ 797,726	$ 20,035	$ -
Deposits with banks	316,796			
Imprest funds	5,034			
Total cash and investments	$ 1,139,591			

* weighted-average maturity

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

The District's credit rating risk is governed by Section 53601 of the CGC which, among others, limits investments in money market mutual funds to those funds with the highest evaluations granted by the rating agencies, which is AAAm. The District has investments in U.S. Treasury and government agencies, bank repurchase agreements (underlying of U.S. Treasury securities and others), and in money market mutual funds. There are no investment limits on the securities of U.S. Treasury or certain U.S. government agencies that are backed by the full faith and credit of the United States government. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's, Fitch Ratings and/or Moody's as of June 30, 2016 and 2015 (dollar amounts in thousands):

		Credit Ratings			
	2016	AAA	AA	A	Not Rated
Money market mutual funds	$ 80,676	$ 28,463	$ -	$ 52,213	$ -
U.S. government agencies	508,905	508,905	-	-	-
Commercial paper	208,917	-	-	208,917	-
California municipal bonds	26,974	-	26,974	-	-
Foreign government bonds	25,037	25,037	-	-	-
Certificate of deposit	962	-	-	-	962
Total investments	851,471	$ 562,405	$ 26,974	$ 261,130	$ 962
Deposits with banks	391,858				
Imprest funds	2,923				
Total cash and investments	$ 1,246,252				

		Credit Ratings			
	2015	AAA	AA	A	Not Rated
Money market mutual funds	$ 58,710	$ 47,602	$ -	$ 11,108	$ -
U.S. government agencies	581,933	232,309	106,898	242,726	-
Commercial paper	139,437	-	-	139,437	-
Repurchase agreements	36,822	-	-	36,822	-
Certificate of deposit	859	-	-	-	859
Total investments	817,761	$ 279,911	$ 106,898	$ 430,093	$ 859
Deposits with banks	316,796				
Imprest funds	5,034				
Total cash and investments	$ 1,139,591				

2. Cash, Cash Equivalents and Investments (Continued)

Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the District does not value any of its investments using Level 3 inputs).

All of the District's investments fall under the Marketable/Actively traded assets category. The custodian banks rely on the pricing by nationally known vendors. In the event that a particular category is not priced by the primary pricing vendor, the custodian banks engage a secondary vendor or other sources.

The following is a summary of the fair value of investments of the District as of June 30, 2016 and June 30, 2015 (dollar amounts in thousands):

Investments at		Fair Value Hierarchy				
Fair Value Level	**6/30/2016**	**(Level 1)**	**(Level 2)**	**6/30/2015**	**(Level 1)**	**(Level 2)**
Money market mutual funds	$ 80,676	$ -	$ 80,676	$ 58,710	$ -	$ 58,710
U.S. government agencies	508,905	173,968	334,937	581,933	-	581,933
Commercial paper	208,917	-	208,917	139,437	-	139,437
California municipal bonds	26,974	-	26,974	-	-	-
Foreign government bonds	25,037	-	25,037	-	-	-
Repurchase agreements	-	-	-	36,822	-	36,822
Total Investments at Fair Value	850,509	$173,968	$676,541	816,902	$ -	$816,902
Excluded from FMV hierarchy reporting						
Certificate of deposit	962			859		
Total investments	$851,471			$817,761		

Investments valued at $173,968,000 in fiscal year 2016 and $0 in fiscal year 2015 are classified in Level 1 of the fair value hierarchy. This asset category mainly consists of U.S Treasury Notes which are valued using Institutional Bond quotes, i.e., quoted market prices in active markets.

Total investments valued at $676,541,000 in fiscal year 2016 and $816,902,000 in fiscal year 2015 are classified in Level 2 of the fair value hierarchy. Fair value was determined using Matrix Pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

2. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk
The District does not have a policy to limit investments in any one issuer to no more than 5% of the total portfolio. However, the CGC Section 53601.7 requires that investments in one issuer do not exceed 5% of the entity's total portfolio at the time of purchase, except obligations of the United States government, United States government agencies, and United States government-sponsored enterprises, and no more than 10% of the entity's total portfolio may be invested in any one mutual fund at the time of purchase. At June 30, 2016 and 2015, the District did not have investments that exceed 5% of the District's total investment portfolio.

Custodial Credit Risk - Deposits
For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The CGC Section 53652 requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral is considered to be held in the District's name.

Custodial Credit Risk - Investments
For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the District may not be able to recover the value of its investments. The exposure to the District is limited as the District's investments are held in the District's name by a third-party safe-keeping custodian that is separate from the counterparty or in the custody of a trust department, as required by bond covenants.

B. Investments of the Retiree Health Benefit Trust

Investment Policy
The investment objective of the Trust is to achieve consistent long-term growth for the Trust and to maximize income consistent with the preservation of capital for the sole and exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Trust. The District's Board of Directors establishes the general investment policy and guidelines for the Trust. Allowable investments under the Trust investment guidelines include:

- Cash equivalents such as U.S. Treasury bills, money market trusts, short-term interest fund (STIF) trusts, commercial paper rated A1/P1, banker's acceptances, certificates of deposits and repurchase agreements;

- Fixed income securities, which include U.S. agency and corporation bonds (including Yankees) and preferred stock and Rule 144A issues, and mortgage or asset-backed securities; and

- Equity securities, including U.S. traded common, preferred stocks and convertible stocks and bonds, including American Depository Receipts.

2. Cash, Cash Equivalents and Investments (Continued)

Interest rate risk

The Trust's investment policies mitigate exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum	Preferred
Equity securities	45%	70%	60%
Fixed income securities	25%	45%	35%
Cash equivalents	3%	10%	5%

Fixed income securities have the following maturity restrictions: (1) maximum maturity for any single security is 40 years, and (2) the weighted average portfolio maturity may not exceed 25 years.

A summary of investments by type of investments and by segmented time distribution as of June 30, 2016 and 2015 is as follows (dollar amounts in thousands):

		Investment Maturities (in Years)			
	2016	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 53,413	$ 10,926	$ 20,713	$ 16,895	$ 4,879
Money market mutual funds*	29,893	29,893	-	-	-
Corporate obligations	12,271	817	6,707	1,836	2,911
Miscellaneous obligation	-				
Foreign obligations	1,938	-	971	622	345
Investments subject to interest rate risk	97,515	$ 41,636	$ 28,391	$ 19,353	$ 8,135
Domestic common stocks	101,231				
Mutual funds - equity	45,701				
Foreign stocks	3,024				
Total investments	$247,471				

* weighted-average maturity

2. Cash, Cash Equivalents and Investments (Continued)

		Investment Maturities (in Years)			
	2015	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 35,808	$ 3,174	$ 15,485	$ 9,906	$ 7,243
Money market mutual funds*	20,728	20,728	-	-	-
Corporate obligations	20,968	6,798	8,984	2,203	2,983
Miscellaneous obligation					
Foreign obligations	3,609	-	2,543	712	354
Investments subject to interest rate risk	81,113	$ 30,700	$ 27,012	$ 12,821	$ 10,580
Domestic common stocks	90,569				
Mutual funds - equity	46,704				
Foreign stocks	3,628				
Total investments	$222,014				

* weighted-average maturity

Credit Risk

The Trust's credit risk policy is defined in its Statement of Investment Policy approved by the District's Board of Directors. The policy states that the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives and that the Trust's investment managers are expected to make reasonable efforts to control risk. The investment policy requires that all of the Trust's assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market prices. The investment policy also demands that no single investment shall exceed five percent of the total Trust assets, at market value, except obligations of the U.S. government, short-term money market funds, index funds and other diversified commingled accounts; and for actively managed equity accounts, where, for issues that comprise more than 4% of the account's stated benchmark, the limit shall be 125% of the weight of the common stock benchmark.

2. Cash, Cash Equivalents and Investments (Continued)

The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's and/or Moody's as of June 30, 2016 and 2015 (dollar amounts in thousands):

		Credit Ratings			
	2016	AAA	AA	A	BBB
U.S. Treasury obligations	$ 53,413	$ -	$ 53,413	$ -	$ -
Money market mutual funds	29,893	29,893	-	-	-
Corporate obligations	12,271	88	356	5,288	6,539
Foreign obligations	1,938	-	-	1,255	683
Investments subject to credit risk	97,515	$ 29,981	$ 53,769	$ 6,543	$ 7,222
Domestic common stocks	101,231				
Mutual funds - equity	45,701				
Foreign stocks	3,024				
Total investments	$ 247,471				

		Credit Ratings			
	2015	AAA	AA	A	BBB
U.S. Treasury obligations	$ 35,808	$ -	$ 35,808	$ -	$ -
Money market mutual funds	20,728	20,728	-	-	-
Corporate obligations	20,968	2,510	2,326	11,230	4,902
Foreign obligations	3,609	-	406	1,872	1,331
Investments subject to credit risk	81,113	$ 23,238	$ 38,540	$ 13,102	$ 6,233
Domestic common stocks	90,569				
Mutual funds - equity	46,704				
Foreign stocks	3,628				
Totoal investments	$ 222,014				

Fair Value Hierarchy

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the Trust does not value any of its investments using Level 3 inputs).

All of the Trust investments fall under the Marketable/Actively traded assets category. The custodian bank relies on the pricing by nationally known vendors. In the event that a particular category is not priced by the primary pricing vendor, the custodian bank engages a secondary vendor or other sources.

2. Cash, Cash Equivalents and Investments (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Trust as of June 30, 2016 and June 30, 2015 (dollar amount in thousands):

	Fair Value Hierarchy					
Investments by Fair Value Level	6/30/2016	(Level 1)	(Level 2)	6/30/2015	(Level 1)	(Level 2)
Domestic common stocks	$ 101,231	$ 101,231	$ -	$ 90,569	$ 90,569	$ -
Foreign stocks	3,024	3,024	-	3,628	3,628	-
Money market mutual funds	29,893	-	29,893	20,728	-	20,728
U.S. Treasury obligations	53,413	43,868	9,545	35,808	28,111	7,697
Corporate obligations	12,271	-	12,271	20,968	-	20,968
Foreign obligations	1,938	-	1,938	3,609	-	3,609
Total Investments by fair value level	201,770	$ 148,123	$ 53,647	175,310	$ 122,308	$ 53,002
Investment measured at Net Asset Value						
Mutual funds - equity	45,701			46,704		
Total Investments measured at fair value	$ 247,471			$ 222,014		

Investments classified in Level 1 of the fair value hierarchy valued at $148,123,000 and $122,308,000 in fiscal year 2016 and 2015, respectively, are valued using quoted prices in active markets

Investments amounting to $53,647,000 in fiscal year 2016 and $53,002,000 in fiscal year 2015 are classified under Level 2 of the fair market value hierarchy and are valued using Matrix pricing, which is used to value securities based on the securities' relationship to benchmark quoted prices.

Mutual fund-equity totaling $45,701,000 and $46,704,000 in 2016 and 2015, respectively, are valued using the Net Asset Value (NAV) methodology. Per GASB72, the government entity should be permitted to calculate the fair value of certain investments that do not have a readily determinable fair value using a practical expedient method based on the investment's NAV per share. A mutual fund may include several different underlying investments. The NAV is derived from the value of these investments, accrued income, anticipated cash flows (maturities), management fees and other fund expenses. Certain investments within the fund may be deemed unobservable and not readily determined in an active market.

Concentration of Credit Risk

The Trust's investment policies mitigate exposure to concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than 5% of the total portfolio.

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the Trust may not be able to recover the value of its investments. The exposure to the Trust is limited as the Trust's investments are in the custody of a third-party custodian that is separate from the counterparty.

3. Receivables and Other Assets

The District reports the following aggregated accounts as receivables and other assets in the statements of net position as of June 30, 2016 and 2015 (dollar amounts in thousands):

	2016	2015
Interest receivable - other investments	$ 2,046	$ 1,737
Deferred charges	227	267
Deposit for power supply	11,287	11,039
Off-site ticket vendor receivable	2,393	2,475
Capitol Corridor Joint Powers Authority receivable (Note 14)	1,044	1,034
Property tax receivable	2,259	2,053
Prepaid expenses	15,240	8,347
Imprest deposits for self-insurance liabilities	2,029	1,338
Other	7,019	8,797
Allowance for doubtful accounts	(1,235)	(700)
Total receivables and other assets	$ 42,309	$ 36,387
Current, unrestricted portion	$ 29,754	$ 22,830
Current, restricted portion	1,070	2,291
Noncurrent, unrestricted portion	198	226
Noncurrent, restricted portion	11,287	11,040
Total receivables and other assets, as presented in the basic financial statements	$ 42,309	$ 36,387

4. Capital Assets

Changes to capital assets during the year ended June 30, 2016 were as follows (dollar amounts in thousands):

	Lives (Years)	2015	Additions and Transfers	Retirements and Transfers	2016
Capital assets, not being depreciated					
Land and easements	N/A	$ 576,443	$ 49,555	$ (1,908)	$ 624,090
Construction in progress	N/A	1,765,710	446,792	(499,800)	1,712,702
Total capital assets, not being depreciated		2,342,153	496,347	(501,708)	2,336,792
Capital assets, being depreciated					
Tangible Asset					
Stations, track, structures and improvements	5-80	5,143,450	326,388	-	5,469,838
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	628,877	6,429	(19)	635,287
Revenue transit vehicles	30	1,123,559	-	-	1,123,559
Service and miscellaneous equipment	3-20	319,845	42,990	(1,140)	361,695
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	311,819	63,502	(60)	375,261
Intangible Asset					
Information systems	20	43,552	10,936	-	54,488
Total capital assets, being depreciated		7,680,139	450,245	(1,219)	8,129,165
Less accumulated depreciation		(2,892,599)	(196,452)	1,127	(3,087,924)
Total capital assets, being depreciated, net		4,787,540	253,793	(92)	5,041,241
Total capital assets, net		$ 7,129,693	$ 750,140	$ (501,800)	$ 7,378,033

4. Capital Assets (Continued)

Changes to capital assets during the year ended June 30, 2015 were as follows (dollar amounts in thousands):

	Lives (Years)	2014	Additions and Transfers	Retirements and Transfers	2015
Capital assets, not being depreciated					
Land and easements	N/A	$ 559,222	$ 17,330	$ (109)	$ 576,443
Construction in progress	N/A	2,550,826	380,815	(1,165,931)	1,765,710
Total capital assets, not being depreciated		3,110,048	398,145	(1,166,040)	2,342,153
Capital assets, being depreciated					
Tangible Asset					
Stations, track, structures and improvements	80	4,206,549	936,901	-	5,143,450
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	608,124	20,753	-	628,877
Revenue transit vehicles	30	1,103,557	20,002	-	1,123,559
Service and miscellaneous equipment	3-20	291,974	28,961	(1,090)	319,845
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	146,565	165,254	-	311,819
Intangible Asset					
Information systems	20	41,746	1,806	-	43,552
Total capital assets, being depreciated		6,507,552	1,173,677	(1,090)	7,680,139
Less accumulated depreciation		(2,723,568)	(170,025)	994	(2,892,599)
Total capital assets, being depreciated, net		3,783,984	1,003,652	(96)	4,787,540
Total capital assets, net		$ 6,894,032	$ 1,401,797	$ (1,166,136)	$ 7,129,693

After the completion of the San Francisco International Airport Extension in 2004, which added 38 miles of track and 10 new stations to the system, the District embarked on three expansion projects, which include the East Contra Costa BART Extension (eBART) in Contra Costa County, the Oakland Airport Connector (OAC) in Alameda County and the Warm Springs Extension (WSX) also in Alameda County. Expected completion date for WSX is in early 2017 and eBART is expected to be completed in spring of 2018.

The Warm Springs Extension Project (WSX) is a 5.4-mile BART extension south from the Fremont BART Station into the Warm Springs District of Fremont. There were two major construction contracts for WSX, the Fremont Central Park Subway Construction Contract (Subway) and the Design-Build Line, Track, Station and Systems Contract (LTSS). The Subway contract, which constructed a cut and cover subway structure through Fremont Central Park and beneath a portion of Lake Elizabeth and the operating Union Pacific Rail Road (UPRR) freight track along the park's east side, was completed in 2013. The LTSS contract includes the final design and construction of the Warm Springs / South Fremont Station, the remaining trackway including the tie-in at the Fremont Station, and the transit systems (traction power, electrification, train control, and communications) for the entire extension, and provisions for a future station in Irvington. The WSX is projected to commence revenue service in January 2017.

4. Capital Assets (Continued)

The construction of the District's OAC project was substantially completed in 2014 and revenue operations started on November 22, 2014. In fiscal year 2015, $410,067,000 and $18,804,000 for fiscal year 2016 in capitalized costs related to OAC were reclassified from construction in progress to land and easements and other depreciable assets. The development agreement between the District and the Port of Oakland (Port) for the 3.2 mile Automated Guideway Transit extension to the Oakland Airport calls for the transfer of Port-funded components to the Port, including On-Airport Components of the OAC which are wholly or partially paid for with Passenger Facility Charges (PFCs). The Port pays the District based on PFCs collected. As of June 30, 2016, the unpaid balance amounted to $2,793,000 and is shown as part of government receivables. In fiscal year 2015, the District recognized the transfer of $43,900,000 worth of capital assets to the Port.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $2,700,000,000 at June 30, 2016 and $2,022,590,000 at June 30, 2015.

5. Accounts Payable and Other Liabilities

The District reports the following aggregated payables as accounts payable and other liabilities in the statements of net position as of June 30, 2016 and 2015 (dollar amounts in thousands):

	2016	2015
Payable to vendors and contractors	$ 146,266	$ 112,246
Employee salaries and benefits	33,701	30,096
Accrued compensated absences	61,169	62,063
Accrued interest payable	25,691	28,693
Liabilities at the end of year	266,827	233,098
Less: noncurrent portion	(44,418)	(49,085)
Net current portion	$ 222,409	$ 184,013

6. Long-Term Debt

Long-term debt activity for the year ended June 30, 2016 is summarized as follows (dollar amounts in thousands):

	2015	Additions	Payments/ Amortization	2016
2005 Sales Tax Revenue Refunding Bonds	$ 246,380	$ -	$ (246,380)	$ -
2006 Sales Tax Revenue Bonds	1,155	-	(1,155)	-
2006A Sales Tax Revenue Refunding Bonds	96,985	-	(1,145)	95,840
2010 Sales Tax Revenue Refunding Bonds	122,685	-	(1,620)	121,065
2012A Sales Tax Revenue Refunding Bonds	124,290	-	(2,985)	121,305
2012B Sales Tax Revenue Bonds	107,305	-	(2,535)	104,770
2015A Sales Tax Revenue Refunding Bonds	-	186,640	-	186,640
2005 General Obligation Bonds	35,730	-	(35,730)	-
2007 General Obligation Bonds	369,520	-	(268,375)	101,145
2013 General Obligation Bonds	225,545	-	-	225,545
2015 General Obligation Bonds	-	276,805	-	276,805
	1,329,595	463,445	(559,925)	1,233,115
Add (less):				
Original issue premiums and discounts, net	82,491	73,650	(27,628)	128,513
Long-term debt, net of accumulated accretion and debt-related items	1,412,086	$ 537,095	$ (587,553)	1,361,628
Less: current portion of long-term debt	(27,540)			(27,225)
Net long-term debt	$ 1,384,546			$ 1,334,403

6. Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2015 is summarized as follows (dollar amounts in thousands):

	2014	Additions	Payments/ Amortization	2015
2005 Sales Tax Revenue Refunding Bonds	$ 259,825	$ -	$ (13,445)	$ 246,380
2006 Sales Tax Revenue Bonds	1,300	-	(145)	1,155
2006A Sales Tax Revenue Refunding Bonds	99,055	-	(2,070)	96,985
2010 Sales Tax Revenue Refunding Bonds	124,265	-	(1,580)	122,685
2012A Sales Tax Revenue Refunding Bonds	127,145	-	(2,855)	124,290
2012B Sales Tax Revenue Bonds	107,305	-	-	107,305
2005 General Obligation Bonds	36,745	-	(1,015)	35,730
2007 General Obligation Bonds	371,530	-	(2,010)	369,520
2013 General Obligation Bonds	240,000	-	(14,455)	225,545
	1,367,170	-	(37,575)	1,329,595
Add (less):				
Original issue premiums and discounts, net	86,761	-	(4,270)	82,491
Long-term debt, net of accumulated accretion and debt-related items	1,453,931	$ -	$ (41,845)	1,412,086
Less: current portion of long-term debt	(37,575)			(27,540)
Net long-term debt	$ 1,416,356			$ 1,384,546

2005 Sales Tax Revenue Refunding Bonds (the 2005 Refunding Bonds)

In August 2005, the District issued the Sales Tax Revenue Bonds, Refunding Series 2005A totaling $352,095,000. The 2005 Refunding Bonds were used to advance refund $349,925,000 in aggregate principal amount of sales tax revenue bonds related to the Sales Tax Revenue Bonds, Series 1995, 1998, 1999, and 2001. The 2005 Refunding Bonds are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. In October 2015, the remaining outstanding balance of $231,250,000 were refunded from the proceeds of the 2015 Series A Sales Tax Revenue Refunding Bonds.

6. Long-Term Debt (Continued)

2006 Sales Tax Revenue Bonds (the 2006 Bonds)
In June 2006, the District issued Sales Tax Revenue Bonds with an aggregate principal amount of $64,915,000 to finance a portion of the cost of construction of a new transit station, the West Dublin/Pleasanton Station, including two parking facilities, pedestrian bridges, a bus intermodal facility and related improvements. The 2006 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues. In October 2012, the 2006 Bonds with principal amounts totaling $63,615,000 were refunded from the proceeds of the 2012 Series A Refunding Bonds. In October 2015, the remaining outstanding balance of $720,000 were refunded from the proceeds of the 2015 Series A Sales Tax Revenue Refunding Bonds.

2006 Series A Sales Tax Revenue Refunding Bonds (the 2006A Refunding Bonds)
On November 30, 2006, the District issued the 2006 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of $108,110,000 to advance refund a portion of the 2001 Bonds with an aggregate principal amount of $102,560,000. The 2006A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2016, the 2006A Refunding Bonds consist of serial bonds amounting to $41,270,000 due from 2017 to 2028 with interest rates ranging from 4.0% to 5.0%, and term bonds totaling $54,570,000 of various maturity dates from 2029 to 2037 with an interest rate of 4.25%. The term bonds are subject to redemption in part, by lot, from mandatory sinking account payments required by the indenture on certain dates, at the principal amount of the 2006A Refunding Bonds to be redeemed plus accrued interest, if any, to the redemption date.

2010 Sales Tax Revenue Refunding Bonds (the 2010 Refunding Bonds)
On May 5, 2010, the District issued the 2010 Sales Tax Revenue Refunding Bonds, with a principal amount of $129,595,000 to provide sufficient funds to refund a portion of the 1998 Bonds with an aggregate principal amount of $143,825,000, to fund a deposit to the 2010 Refunding Bonds Reserve Account in the bond reserve fund and to pay costs of issuance of the 2010 Refunding Bonds. The District funded from its own funds the Bond Reserve Fund in the amount of $14,202,000. The 2010 Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2016, the 2010 Refunding Bonds consist of serial bonds amounting to $121,065,000 with interest rates ranging from 4.0% to 5.0%, with various maturity dates from 2017 to 2029.

2012 Series A Sales Tax Revenue Refunding Bonds (the 2012A Refunding Bonds)
On October 4, 2012, the District issued the 2012 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of $130,475,000 and a premium of $23,439,000 to provide sufficient funds, along with $10,690,000 in other District funds, to refund $51,605,000 principal amount of the Association of Bay Area Governments BART SFO Extension Bond (Airport Premium Fare), 2002A Bonds, to refund the remaining balance of the 2001 Bonds with an aggregate principal amount of $41,745,000, to refund $63,615,000 principal amount of the 2006 Bonds, and to fund costs of issuance of the 2012A Refunding Bonds. The 2012A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2016, the 2012A Refunding Bonds consist of serial bonds amounting to $88,970,000 with interest rates ranging from 4.0% to 5.0% with various maturity dates from 2017 to 2033, and a term bond with interest rate of 5% in the amount of $32,335,000 due in 2037.

6. Long-Term Debt (Continued)

2012 Series B Sales Tax Revenue Bonds (the 2012B Bonds)
On October 4, 2012, the District issued the 2012 Series B Sales Tax Revenue Bonds, with a principal amount of $111,085,000 to provide financing for the Oakland International Airport Connector Project and to fund the costs of issuance. The 2012B Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2016, the 201B Bonds consist of serial bonds amounting to $18,745,000 with interest rates ranging from 1.041% to 2.677% with various maturity dates from 2017 to 2023, a term bond in the amount of $15,670,000 with interest rate of 3.477% due in 2028, a term bond in the amount of $18,815,000 with interest rate of 4.087% due in 2033 and a term bond in the amount of $51,540,000 with interest rate of 4.287% due in 2043.

2015 Series A Sales Tax Revenue Refunding Bonds (the 2015A Refunding Bonds)
In October 2015, the District issued the 2015 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of $186,640,000 and a premium of $31,350,000, along with other District funds, to provide sufficient funds to (1) refund $231,250,000 principal amount of the District's 2005 Refunding Bonds; (2) refund $720,000 principal amount of the District's 2006 Bonds; and (3) fund costs of issuance associated with the 2015A Refunding Bonds. The 2015A 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. At June 30, 2016, the 2015A Refunding Bonds consist of serial bonds amounting to $186,640,000 with interest rates ranging from 2.0% to 5.0%, with various maturity dates from 2017 to 2035. The refunding resulted in economic gain of $41,601,000 and cash flow savings of $59,633,000.

2005 General Obligation Bonds (the 2005 GO Bonds)
In May 2005, the District issued the 2005 Series A General Obligation Bonds (Elections 2004), with an aggregate principal amount of $100,000,000. The 2005 GO Bonds constitute a portion of the total authorized amount of $980,000,000 of general obligation bonds of the District duly authorized by at least two-thirds of the qualified voters of the District voting on a ballot measure ("Measure AA") at an election held on November 2, 2004. The 2005 GO Bonds constitute the first issue of general obligation bonds being issued pursuant to the Measure AA authorization.

The 2005 GO Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, underground trackway structures, including the Transbay Tube, and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and to finance additional retrofits to facilitate a rapid return to service after an earthquake or other disasters. The 2005 GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2005 GO Bonds. In October 2015, the remaining outstanding balance of $34,680,000 were refunded from the proceeds of the 2015 GO Bonds.

6. Long-Term Debt (Continued)

2007 General Obligation Bonds (the 2007 GO Bonds)
On July 25, 2007, the District issued the 2007 Series B General Obligation Bonds (Election of 2004), with a principal amount of $400,000,000. The 2007 GO Bonds constitute the second issue of general obligation bonds being issued pursuant to the Measure AA authorization as discussed in the preceding paragraph regarding the 2005 GO Bonds. Similar to the 2005 GO Bonds, the 2007 GO Bonds were issued to finance earthquake safety improvements to BART facilities in the three BART Counties, including strengthening tunnels, bridges, overhead tracks and the underwater Transbay Tube. The 2007 GO Bonds are general obligations of the District payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2007 GO Bonds. In October 2015, a portion of the 2007 GO Bonds, in the amount of $265,735,000, were advance refunded from the proceeds of the 2015D GO Bonds. At June 30, 2016, the 2007 GO Bonds consist of $24,715,000 in serial bonds due from 2017 to 2022 with interest rates ranging from 4.00% to 5.00%, and two term bonds totaling $76,430,000 due in 2037 ($36,755,000) and 2038 ($39,675,000), with interest rate of 5.00%. The term bonds maturing in 2037 and 2038 are subject to mandatory sinking fund redemptions starting in 2037.

2013 General Obligation Bonds, Series C (the 2013 GO Bonds)
On November 21, 2013, the District issued the 2013 Series C General Obligation Bonds, with a principal amount of $240,000,000. The 2013 GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2013 GO Bonds. The 2013 GO Bonds constitute the third issue of general obligation bonds issued pursuant to the Measure AA authorization to provide financing for earthquake safety improvements to District facilities in the Three District Counties, including strengthening tunnels, bridges, overhead tracks, the underwater Transbay Tube and the Berkeley Hills Tunnel.

At June 30, 2016, the 2013 GO Bonds consist of $205,420,000 in serial bonds due from 2018 to 2034 with interest ranging from 3.0% to 5.00%, and term bonds totaling $20,125,000 due in 2038. The serial bonds maturing on or after August 1, 2024 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2023, at the principal amount called for redemption, without premium, plus accrued interest. The term bonds are also subject to mandatory sinking fund redemption on August 1 beginning 2034, at the principal amount, without premium, plus accrued interest.

2015 General Obligation Bonds Refunding Series D (the 2015 GO Bonds)
In October 2015, the District issued the 2015 Series D General Obligation Bonds, with a principal amount of $276,805,000 and a premium of $42,300,000. The 2015 GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2015 GO Bonds. The purpose of the 2015 GO Bonds is to apply the proceeds and refund $34,680,000, principal amount of the District's 2005 GO Bonds and to advance refund $265,735,000 principal amount of the District's 2007 GO Bonds, and to pay costs of issuance of the 2015 GO Bonds. The refunded bonds were issued to finance earthquake safety improvements to the District facilities, including aerial trackway structures, overhead and underground trackway structures, stations and administrative, maintenance, and operations facilities, and to finance additional retrofits to facilitate rapid return to service after an earthquake or other disasters.

6. Long-Term Debt (Continued)

At June 30, 2016, the 2015 GO Bonds consist of $276,805,000 in serial bonds due from 2018 to 2036 with interest ranging from 3.0% to 5.00%. The serial bonds maturing on or after August 1, 2026 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2025, at the principal amount of such 2015 GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2015 GO Bonds are called for redemption, the 2015 GO Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2015 GO Bonds of any given maturity are called for redemption, the portions of 2015 GO Bonds of a given maturity shall be determined by lot. The refunding resulted in economic gain of $42,384,000 and cash flow savings of $42,378,000.

After the issuance of the 2005, 2007, 2013, and the 2015 GO Bonds, the remaining General Obligation Bonds that can be issued by the District as authorized under Measure AA is $240,000,000.

Defeased Bonds

On various dates, the District issued bonds to refund certain outstanding sales tax revenue bonds previously issued by the District. In October 2015, $231,250,000 aggregate principal amount of the District's 2005 Refunding Bonds, and $720,000 aggregate principal amount of the 2006 Bonds were refunded from the proceeds of the 2015A Refunding Bonds. Also in October 2015, $34,680,000 aggregate principal amount of the District's 2005 GO Bonds, and $265,735,000 aggregate principal amount of the 2007 GO Bonds were refunded from the proceeds of the 2015 GO Bonds.

On the above described defeasances, the District placed in irrevocable trusts, the required amounts to pay the future debt service payments on the defeased bonds. The advance refunding met the requirement of the in-substance debt defeasance, and the defeased bonds were removed from the District's long-term debt. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the District's financial statements.

The outstanding principal balance of the defeased General Obligation Bonds is $265,735,000 as of June 30, 2016 and $0 as of June 30, 2015. There are no outstanding principal balances for the defeased Sales Tax Revenue Bonds on June 30, 2016 and 2015.

Arbitrage Bonds

The District is subject to certain bond covenants, including the rules set forth by IRS Code Section 148a, which requires that interest earned on the proceeds of a tax exempt bond issuance does not exceed the interest expense related to those bonds, which qualifies those bonds as arbitrage bonds. Any excess interest income is subject to a 100% tax and is payable to the Federal Government. As of June 30, 2016, the District has recorded an estimated arbitrage liability amounting to $4,000 in fiscal year 2016 and 2015, which is included in accounts payable and other liabilities in the statements of net position.

6. Long-Term Debt (Continued)

Pledge of Revenue to Repay Sales Tax Revenue Bonds

The District issues sales tax revenue bonds primarily to finance a portion of its capital projects. The sales tax revenue bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts. The sales tax revenue bonds outstanding as of June 30, 2016 consist of the 2006A Refunding Bonds, the 2010 Refunding Bonds, the 2012A Refunding Bonds, the 2012B Bonds, and the 2015A Refunding Bonds. Interest on the sales tax revenue bonds are payable on January 1 and July 1 of each year, and the principal on July 1 of the scheduled year until 2043. The total principal and interest remaining on these sales tax revenue bonds is $944,309,000 as of June 30, 2016 ($1,053,070,000 as of June 30, 2015), which is 9.31% in 2016 (10.03% in 2015) of the total projected sales tax revenues of $10,145,390,000 as of June 30, 2016 ($10,501,998,000 as of June 30, 2015). The total projected sales tax revenues cover the period from fiscal year 2016 through fiscal year 2043, which is the last scheduled bond principal payment.

The pledged sales tax revenues recognized in fiscal year 2016 was $241,547,000 ($233,148,000 in fiscal year 2015) as against a total debt service payment of $48,628,000 in fiscal year 2016, and $55,958,000 in fiscal year 2015.

6. Long-Term Debt (Continued)

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required as of June 30, 2016 (dollar amounts in thousands):

Sales Tax Revenue Bonds

Year ending June 30:	2006A Refunding Bonds Principal	2006A Refunding Bonds Interest	2010 Refunding Bonds Principal	2010 Refunding Bonds Interest	2012A Refunding Bonds Principal	2012A Refunding Bonds Interest
2017	$ 1,390	$ 4,020	$ 2,925	$ 5,903	$ 1,640	$ 5,885
2018	1,105	3,963	3,045	5,784	2,605	5,800
2019	1,520	3,910	3,165	5,660	3,045	5,687
2020	3,485	3,810	10,490	5,334	3,255	5,545
2021	3,630	3,665	11,020	4,797	3,565	5,393
2022-2026	20,600	15,876	67,385	12,606	22,915	24,104
2027-2031	25,470	11,009	23,035	1,765	34,245	17,051
2032-2036	31,500	4,978	-	-	42,020	7,043
2037-2041	7,140	152	-	-	8,015	200
2042-2043	-	-	-	-	-	-
	$ 95,840	$ 51,383	$ 121,065	$ 41,849	$ 121,305	$ 76,708

Year ending June 30:	2012B Bonds Principal	2012B Bonds Interest	2015A Refunding Bonds Principal	2015A Refunding Bonds Interest
2017	$ 2,555	$ 3,878	$ 15,400	$ 8,402
2018	2,580	3,847	15,585	7,936
2019	2,615	3,807	15,815	7,308
2020	2,660	3,759	7,405	6,807
2021	2,715	3,701	7,785	6,427
2022-2026	14,700	17,300	41,710	28,061
2027-2031	17,425	14,471	64,365	10,572
2032-2036	21,240	10,540	18,575	1,914
2037-2041	26,175	5,494	-	-
2042-2043	12,105	525	-	-
	$ 104,770	$ 67,322	$ 186,640	$ 77,427

6. Long-Term Debt (Continued)

Year ending June 30:	2007 General Obligation Bonds Principal	2007 General Obligation Bonds Interest	2013 General Obligation Bonds Principal	2013 General Obligation Bonds Interest	2015 General Obligation Bonds Principal	2015 General Obligation Bonds Interest	Total Principal	Total Interest
2017	$ 3,315	$ 4,642	$ -	$ 10,424	$ -	$ 12,355	$ 27,225	$ 55,509
2018	4,050	4,493	19,815	10,046	1,050	12,340	49,835	54,209
2019	4,840	4,310	18,050	9,319	1,085	12,307	50,135	52,309
2020	5,690	4,089	18,100	8,566	1,115	12,269	52,200	50,179
2021	6,650	3,803	18,185	7,760	1,165	12,223	54,715	47,769
2022-2026	170	18,156	61,235	28,918	51,665	57,016	280,380	202,037
2027-2031	-	18,152	47,255	16,394	86,035	40,888	297,830	130,302
2032-2036	-	18,152	34,560	6,043	134,690	14,826	282,585	63,496
2037-2041	76,430	3,700	8,345	394		-	126,105	9,940
2042-2043	-	-	-	-		-	12,105	525
	$ 101,145	$ 79,497	$ 225,545	$ 97,864	$ 276,805	$ 174,224	$ 1,233,115	$ 666,275

7. Risk Management

The District is partially self-insured for workers' compensation, public liability and property damage claims. The self-insured retention for workers' compensation is $4,000,000 per accident and the limit of liability is $10,000,000. The self-insured retention for public liability and property damage is $5,000,000 for any one occurrence. Claims in excess of self-insured retentions are covered up to a total of $145,000,000 by insurance policies. There have been no settlement amounts during the past three years that have exceeded the District's insurance coverage.

The self-insurance programs are administered by independent claims adjustment firms. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities are discounted at a 3% rate, in part, upon the independent adjustment firms' estimate of reserves necessary for the settlement of outstanding claims and related administrative costs, and include estimates of claims that have been incurred but not yet reported, including loss adjustment expenses. Such reserves are estimated by professional actuaries through June 30 and are subject to periodic adjustments as conditions warrant.

The estimated liability for insurance claims at June 30, 2016 is believed to be sufficient to cover any costs arising out of claims filed or to be filed for accidents occurring through that date. At June 30, 2016 and 2015, the estimated amounts of these liabilities were $53,308,000 and $53,453,000, respectively.

7. Risk Management (Continued)

Changes in the reported liabilities since the beginning of the respective fiscal years are as follows (dollar amounts in thousands):

	2016	2015
Liabilities at beginning of year	$ 53,453	$ 52,160
Current year claims and changes in estimates	15,747	16,408
Payments of claims	(15,892)	(15,115)
Liabilities at the end of year	53,308	53,453
Less current portion	(18,479)	(17,300)
Net noncurrent portion	$ 34,829	$ 36,153

8. Federal Capital Contributions and Operating Financial Assistance

The U.S. Department of Transportation and other federal agencies provide capital funding to the District for construction projects, planning and technical assistance. Cumulative information for grants which were active during the years ended June 30, 2016 and 2015 are summarized as follows (dollar amounts in thousands):

	2016	2015
Total approved project costs	$ 1,520,634	$ 1,620,202
Cumulative amounts of project costs incurred and earned	$ 954,922	$ 923,216
Less: approved federal allocations received	(916,474)	(885,951)
Government receivables - Federal	$ 38,448	$ 37,265

The District's fleet replacement project consisting of construction for the A, B, C1 and C2 fleet replacement was formally launched in 2013. To set aside funding for this program, the District and MTC, on May 24, 2006, entered into the BART Car Replacement Funding Exchange Agreement. Under the agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District will deposit an equal amount of local unrestricted funds into a restricted account established to fund BART's car replacement program. MTC is the exclusive administrator of the restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the District's Board. In accordance with the agreement, MTC allocated Federal Section 5307 and 5337 Grants for $50,176,000 in fiscal year 2016 and $74,168,000 in fiscal year 2015 to fund the District's preventive maintenance expenses. The District remitted to MTC the full amount of $50,176,000 in fiscal year 2016 and $74,168,000 in fiscal year 2015, the equivalent amount of its own funds, which were deposited by MTC to the restricted account. The federal grant is shown as nonoperating revenue – operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements. The restricted account for BART's car replacement program held by MTC, which is excluded from the District's financial statements, reported a balance of $327,340,000 as of June 30, 2016 and $275,988,000 as of June 30, 2015.

9. State and Local Operating and Capital Financial Assistance

The District is eligible to receive local operating and capital assistance from the Transportation Development Act Funds (TDA). There was no TDA capital and operating assistance received in fiscal years 2016 or 2015. The District may be entitled to receive state operating and capital assistance from the State Transit Assistance Funds (STA). These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies. The District was awarded STA operating allocations, which amounted to $219,000 in fiscal year 2011, $490,000 in fiscal year 2013, $99,000 in fiscal year 2014, $17,697,000 in fiscal year 2015 and $15,429,000 in fiscal 2016. Of these allocations, $11,253,000 was earned in fiscal year 2016 and $18,081,000 was earned in fiscal year 2015.

The District also received STA capital allocations amounting to $1,170,000 awarded in fiscal year 2004, $752,000 awarded in 2011 and $328,000 awarded in fiscal year 2015. For the STA capital allocations, $0 was earned during fiscal year 2016 and $421,000 was earned during fiscal year 2015.

Beginning in fiscal year 2015, the District has applied and received an allocation from the Low Carbon Transit Operations Program (LCTOP). The LCTOP is one of several programs established by the California Legislature in 2014 through Senate Bills 862 (SB 862) and 852 (SB 852). The source of funds for LCTOP is from the state's Cap-and-Trade Program annual proceeds and was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Eligible projects and programs include new or expanded bus or rail services, expanded intermodal transit facilities, equipment acquisition, fueling, maintenance and other operating costs. The District received an allocation of $1,596,000 in fiscal year 2015 and $4,477,000 in fiscal year 2016. The District earned in full the fiscal year 2015 allocation in fiscal year 2016. The allocation for 2016 has been set aside for the procurement of new rail cars and will be earned as revenue when capital expenditures are incurred.

The District receives Paratransit funds provided to cities and transit operators from Alameda County Transportation Commission (ACTC) Measure B funds to be used for services aimed at improving mobility for seniors and persons with disabilities. Beginning in April 2015, the ACTC also allocated to the District Measure BB funds to supplement the funding needed for the paratransit program. Additional Measure BB funds were also allocated to the District for transit operations, maintenance and safety programs. ACTC is the administrator of both Measure B and BB funds. The District's revenues that relate to the Measure B funds were $1,905,000 in fiscal year 2016 ($1,839,000 in fiscal year 2015). Revenues from Measure BB funds for transit operations were $653,000 in fiscal year 2016 ($126,000 in fiscal year 2015), and for paratransit operations, were $1,957,000 in fiscal year 2016 ($376,000 in fiscal year 2015). The District also received annual assistance for its paratransit program from the Contra Costa Transportation Authority Measure J funds. Revenues from Measure J funds received in fiscal year 2016 were $79,000 ($69,000 in fiscal year 2015).

9. State and Local Operating and Capital Financial Assistance (Continued)

On February 28, 2007, the District, San Mateo County Transit District (SamTrans), and MTC entered into a Tri-Party Financial Agreement establishing the operational and financial arrangement regarding the BART San Francisco International Airport Extension. To fund the operating costs of the SFO Extension, the agreement provided that (1) the District will receive up-front funding of $24,000,000 from MTC and $32,000,000 from SamTrans from their shares of Proposition 1B funds; (2) the District will also receive 2% of the San Mateo County half cent sales tax, Measure A, which was reauthorized by the voters of San Mateo County in 2004, for 25 years beginning in fiscal year 2009; this amount is currently equal to approximately $1,600,000 per year; and (3) MTC shall allocate to the District additional STA revenue-based funds beginning in fiscal year 2009, which would otherwise be available for allocation to SamTrans as a result of the completion of the Traffic Congestion Relief Program projects, in an amount of $801,000 annually. The above funds will be used first to cover any operating deficit on the SFO Extension and then to complete SamTrans' funding commitment of $145,000,000 to the District's Warm Springs Extension Project. In December, 2013 MTC adopted Resolution No. 4123, the Transit Core Capacity Challenge Grant Program, which re-directs the $145,000,000 of SFO Net Operating Revenues to BART's New Railcar Procurement Program.

The up-front funding of $24,000,000 from MTC was allocated to the District in 2008 in the form of Regional Measure 2 (RM2) revenues as local match to capital projects funded by the Transit Capital Priorities Program. For the purpose of the Tri-Party Agreement, the District made up-front deposits equivalent to the RM2 revenues in the reserve account, and is currently being reimbursed by MTC with RM2 revenues, as the funds are earned. SamTrans' $32,000,000 contribution was funded with approximately $22,500,000 in Proposition 1B funds and $9,500,000 in a direct allocation.

As of June 30, 2016 and 2015, the balance of the reserve account is as follows (dollar amounts in thousands):

	2016	2015
Reserve account at beginning of year	$ 29,511	$ 24,755
Received/accrued	5,935	5,549
Add interest earnings	10	8
Total	35,456	30,312
Less: amount used to cover SFO Extension operating expenses	(801)	(801)
Reserve account at end of year	$ 34,655	$ 29,511

In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2016 of $2,396,000 from SamTrans ($2,421,000 in fiscal year 2015) and $3,539,000 from MTC ($3,128,000 in fiscal year 2015).

PTMISEA Grants

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of $4 billion to be deposited in the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA). Of this amount, $3.6 billion in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects.

9. State and Local Operating and Capital Financial Assistance (Continued)

The District has cumulatively received a total $299,903,000 in PTMISEA grant funds to fund various BART capital projects. The grants received are in the form of cash for $294,388,000 and reimbursement grants for $5,515,000.

The following schedules show the changes in activities related to the PTMISEA grant funds during the fiscal years 2016 and 2015 (dollar amounts in thousands):

2016	Grant Fund Balance at Beginning of Year	Grants Received	Project Costs Incurred	Grant Fund Balance at End of Year
eBART Extension	$ 16,976	$ 1,098 [4]	$ 15,584	$ 2,490
Ashby Elevator	272	-	10	262
Station Modernization	89,764	39,134 [5]	18,984	109,914
Seismic Retrofit	(405)	-	-	(405) [2]
Oakland Airport Connector	(54)	-	-	(54) [2]
Warm Springs Extentsion	160	-	1	159
Balboa Park Eastside	359	9,028 [4]	1,064	8,323
Berkeley Station Entrance	647	3,726 [4]	262	4,111
Access Improvements	4,083	-	343	3,740
Station Signage [1]	1,380	-	31	1,349
Train Control	15,670	-	2,242	13,428
	$ 128,852	$ 52,986	$ 38,521	$ 143,317

2015	Grant Fund Balance at Beginning of Year	Grants Received	Project Costs Incurred	Grant Fund Balance at End of Year
eBART Extension	$ 19,036	$ 160 [3]	$ 2,220	$ 16,976
Ashby Elevator	272	-	-	272
Station Modernization	97,339	4,605 [3]	12,180	89,764
Seismic Retrofit	(211)	-	194	(405) [2]
Oakland Airport Connector	(54)	-	-	(54) [2]
Warm Springs Extentsion	1,092	160 [3]	1,092	160
Balboa Park Eastside	777	-	418	359
Berkeley Station Entrance	721	-	74	647
Access Improvements	4,415	-	332	4,083
Station Signage [1]	1,583	-	203	1,380
Train Control	17,500	-	1,830	15,670
	$ 142,470	$ 4,925	$ 18,543	$ 128,852

[1] This grant is on a reimbursement basis.
[2] Covered by interest earnings.
[3] New grants received in fiscal year 2015.
[4] Amount was reallocated from Station Modernization.
[5] New grant of $52,986,000 received in FY 2016, net of $1,098,000 reallocated to eBART Extension, $9,028,000 reallocated to Balboa Park Eastside and $3,726,000 reallocated to Berkeley Station Entrance.

9. State and Local Operating and Capital Financial Assistance (Continued)

As of June 30, 2016 and 2015, the unused portion of PTMISEA grant funds received in cash are shown on the statements of net position as a component of unearned revenues as follows (dollar amounts in thousands):

	2016	2015
Cash available, end of year	$ 142,656	$ 127,472
Less noncurrent portion	(101,982)	(107,086)
Net current portion	$ 40,674	$ 20,386

At the end of fiscal year 2016, the PTMISEA funds had earned interest income of $2,094,000 from inception, of which $526,000 was earned in fiscal year 2016 and $77,000 in fiscal year 2015.

10. Employees' Retirement Benefits

Plan Description

All eligible employees participate in the Public Employees' Retirement Fund (the Fund) of CalPERS under the Miscellaneous Plan and the Safety Plan of the San Francisco Bay Area Rapid Transit District. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for 3,093 local public agencies and school districts within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and compensation. Most employees become eligible for benefits after five years of service and 50 years of age (age 52 for employees hired after January 1, 2013, see paragraph below).These benefit provisions and all other requirements are established by State statute and District contractual agreements.

Pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA), new members, defined as active members first hired on or after January 1, 2013, or who were hired after a break in service of more than six months, are required to contribute 50% of the "normal" pension cost. That amount is currently 12% for safety and 6.25% for miscellaneous. Represented employees were exempt from this provision; however, as a result of a court decision, they were determined to be covered effective December 30, 2014. There is currently a pending District Court case related to PEPRA's impact on represented employees which could alter the applicability of PEPRA to represented employees in the future.

Copies of CalPERS' annual financial report may be obtained from their Executive Office by writing or calling the Plan: California PERS, P.O. Box 942709, Sacramento, CA 94229-2709, (916) 326-3420. A separate report for the District's plan is not available.

Benefits Provided

The District provides service retirement and disability retirements, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit is as follows: The Basic Death Benefit for Miscellaneous employees and for Safety employees, it is the 4th level of 1959 Survivor Benefit.

10. Employees' Retirement Benefits (Continued)

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Plan		Safety Plan	
Hire date	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2% @ 55	2.0% @ 62	3.0% at 50	2.70% @ 57
Benefit vesting schedule	5 years	5 years	5 years	5 years
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	62	50	57
Monthly benefits, as a percentage of eligible compensation	2.0%	2.0%	3.0%	2.7%
Required employee contribution rates	7.00%	6.25%	9.00%	12.00%
Required employer contribution rates	14.79%	14.79%	51.61%	51.61%

At June 30, 2016 and 2015, the following employees were covered by the benefit terms:

June 30, 2016	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	2,584	275
Inactive employees entitled to but not yet receiving benefits	192	10
Active employees	3,158	184
Total	5,934	469

June 30, 2015	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	2,512	261
Inactive employees entitled to but not yet receiving benefits	175	13
Active employees	3,072	182
Total	5,759	456

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The average employee contribution rate for the Miscellaneous plan is 6.977% and for the Safety Plan is 9.021% of their annual covered payroll. The District was required to contribute for fiscal year 2016 and 2015 at an actuarially determined rate of 14.79% (13.303% in fiscal year 2015) and 51.61% (47.789% in fiscal year 2015) for Miscellaneous and Safety plans, respectively, of annual covered payroll for the District's employees. Annual covered payroll amounted to $286,188,000 and $265,335,000 for the years ended June 30, 2016 and 2015, respectively. The District contributed $50,426,000 and $42,268,000 in fiscal year 2016 and fiscal year 2015, respectively.

10. Employees' Retirement Benefits (Continued)

Net Pension Liability

The District net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The plan's net pension liability as of June 30, 2016 and 2015 were measured as of June 30, 2015 and 2014 (measurement date), using an annual actuarial valuation of June 30, 2014 and 2013, respectively. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The June 30, 2016 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

June 30, 2016	Miscellaneous	Safety
Valuation date	June 30, 2014	June 30, 2014
Measurement date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Investment rate of return 1	7.50%	7.50%
Mortality rate table 2	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

1 Net of pension plan investment and administrative expenses, including inflation

2 The possibilities of mortality are based on 2010 CalPers Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

10. Employees' Retirement Benefits (Continued)

June 30, 2015	Miscellaneous Plan	Safety Plan
Valuation date	June 30, 2013	June 30, 2013
Measurement date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Investment rate of return[1]	7.50%	7.50%
Mortality rate table[2]	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

[1] Net of pension plan investment and administrative expenses, including inflation

[2] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and other actuarial assumptions used in the June 30, 2014 and 2013 valuations were based on the results of a January 2014 actuarial experience study for the period from 1997 to 2011. The Experience Study report can be obtained on the CalPERS' website.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2016 and 2015 were 7.65% and 7.50%, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% and 7.50% are applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

10. Employees' Retirement Benefits (Continued)

According to GASB 68, the long-term discount rate should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference to the agent multiple-employer plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. CalPERS will continue to check the materiality of the difference in calculation until such time as it changes its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flow. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short- term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

10. Employees' Retirement Benefits (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation for the June 30, 2015 measurement date was as follows:

	Miscellaneous Plan			Safety Plan		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51%	5.25%	5.71%	51%	5.25%	5.71%
Global Fixed Income	20%	0.99	2.43	20%	0.99	2.43
Inflation Sensitive	6%	0.45	3.36	6%	0.45	3.36
Private Equity	10%	6.83	6.95	10%	6.83	6.95
Real Estate	12%	4.50	5.13	12%	4.50	5.13
Liquidity	1%	(0.55)	(1.05)	1%	(0.55)	(1.05)
Total	100%			100%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

The target allocation or the June 30, 204 measurement was as follows:

	Miscellaneous Plan			Safety Plan		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47%	5.25%	5.71%	47%	5.25%	5.71%
Global Fixed Income	19%	0.99	2.43	19%	0.99	2.43
Inflation Sensitive	6%	0.45	3.36	6%	0.45	3.36
Private Equity	12%	6.83	6.95	12%	6.83	6.95
Real Estate	11%	4.50	5.13	11%	4.50	5.13
Infrastructure and Forestland	3%	4.50	5.09	3%	4.50	5.09
Liquidity	2%	(0.55)	(1.05)	2%	(0.55)	(1.05)
Total	100%			100%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

10. Employees' Retirement Benefits (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability of the Plan as of the June 30, 2015 measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate (dollar amounts in thousands):

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan			
Plan's Net Pension Liability (Asset)	$ 617,713	$ 371,399	$ 164,394
Safety Plan			
Plan's Net Pension Liability (Asset)	133,363	95,823	64,982

The following presents the net pension liability of the Plan as of the June 30, 2014 measurement date, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate (dollar amounts in thousands):

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Miscellaneous Plan			
Plan's Net Pension Liability (Asset)	$ 545,655	$ 312,373	$ 115,510
Safety Plan			
Plan's Net Pension Liability (Asset)	120,179	85,092	56,120

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

10. Employees' Retirement Benefits (Continued)

Change in Net Pension Liability

The following table shows the changes in the net pension liability for the year ended June 30, 2016 (dollar amounts in thousands):

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2015	$ 1,978,781	$ 1,666,408	312,373
Changes in the year:			
Service cost	36,151	-	36,151
Interest on the total pension liability	146,226	-	146,226
Changes of assumptions	(32,773)	-	(32,773)
Differences between expected and actual experience	(4,807)	-	(4,807)
Plan to Plan resource movement	-	(36)	36
Contributions from the employer	-	32,466	(32,466)
Contributions from the employees	-	17,818	(17,818)
Net investment income	-	37,388	(37,388)
Benefit payments, including refunds of employee contributions	(95,653)	(95,653)	-
Administrative expense	-	(1,865)	1,865
Net Changes	49,144	(9,882)	59,026
Balance at June 30, 2016	$ 2,027,925	$ 1,656,526	$ 371,399

10. Employees' Retirement Benefits (Continued)

Safety Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2015	$ 266,981	$ 181,889	$ 85,092
Changes in the year:			
Service cost	5,935	-	5,935
Interest on the total pension liability	20,099	-	20,099
Changes of assumptions	(4,942)	-	(4,942)
Differences between expected and actual experience	4,794	-	4,794
Plan to Plan resource movement	-	1	(1)
Contributions from the employer	-	9,428	(9,428)
Contributions from the employees	-	1,917	(1,917)
Net investment income	-	4,015	(4,015)
Benefit payments, including refunds of employee contributions	(14,140)	(14,140)	-
Administrative expenses	-	(206)	206
Net Changes	11,746	1,015	10,731
Balance at June 30, 2016	$ 278,727	$ 182,904	$ 95,823

Total of Miscellaneous and Safety Plans

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2015	$ 2,245,762	$ 1,848,297	$ 397,465
Changes in the year:			
Service cost	42,087	-	42,087
Interest on the total pension liability	166,325	-	166,325
Changes of assumptions	(37,715)	-	(37,715)
Differences between expected and actual experience	(14)	-	(14)
Plan to Plan resource movement	-	(35)	35
Contributions from the employer	-	41,894	(41,894)
Contributions from the employees	-	19,735	(19,735)
Net investment income	-	41,403	(41,403)
Benefit payments, including refunds of employee contributions	(109,793)	(109,793)	-
Administrative expense	-	(2,071)	2,071
Net Changes	60,890	(8,867)	69,757
Balance at June 30, 2016	$ 2,306,652	$ 1,839,430	$ 467,222

10. Employees' Retirement Benefits (Continued)

The following table shows the changes in the net pension liability for the year ended June 30, 2015 (dollar amounts in thousands):

Miscellaneous Plan	**Increase (Decrease)**		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balance at July 1, 2014	$ 1,892,636	$ 1,455,588	$ 437,048
Changes in the year:			
Service cost	36,182	-	36,182
Interest on the total pension liability	139,931	-	139,931
Contributions from the employer	-	28,276	(28,276)
Contributions from the employees	-	21,375	(21,375)
Net investment income	-	251,137	(251,137)
Benefit payments, including refunds of employee contributions	(89,968)	(89,968)	-
Net Changes	86,145	210,820	(124,675)
Balance at June 30, 2015	$ 1,978,781	$ 1,666,408	$ 312,373

Safety Plan	**Increase (Decrease)**		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balance at July 1, 2014	$ 255,505	$ 157,679	$ 97,826
Changes in the year:			
Service cost	5,790	-	5,790
Interest on the total pension liability	18,885	-	18,885
Contributions from the employer	-	7,442	(7,442)
Contributions from the employees	-	2,817	(2,817)
Net investment income	-	27,150	(27,150)
Benefit payments, including refunds of employee contributions	(13,199)	(13,199)	-
Net Changes	11,476	24,210	(12,734)
Balance at June 30, 2015	$ 266,981	$ 181,889	$ 85,092

10. Employees' Retirement Benefits (Continued)

Total of Miscellaneous and Safety Plans

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at July 1, 2014	$ 2,148,141	$ 1,613,267	$ 534,874
Changes in the year:			
Service cost	41,972	-	41,972
Interest on the total pension liability	158,816	-	158,816
Contributions from the employer	-	35,718	(35,718)
Contributions from the employees	-	24,192	(24,192)
Net investment income	-	278,287	(278,287)
Benefit payments, including refunds of employee contributions	(103,167)	(103,167)	-
Net Changes	97,621	235,030	(137,409)
Balance at June 30, 2015	$ 2,245,762	$ 1,848,297	$ 397,465

10. Employees' Retirement Benefits (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2016 and 2015, the District incurred a pension expense of $30,403,000 and $25,781,000, respectively. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 39,768	$ -
Changes of assumptions	-	(24,970)
Differences between actual and expected experience	-	(3,663)
on plan investments	-	(15,848)
Total	$ 39,768	$ (44,481)

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,658	$ -
Changes of assumptions	-	(3,530)
Differences between actual and expected experience	-	3,424
Net differences between projected and actual earnings on plan investments	-	(1,637)
Total	$ 10,658	$ (1,743)

Total Miscellaneous and Safety	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 50,426	$ -
Changes of assumptions	-	(28,500)
Differences between actual and expected experience	-	(239)
Net differences between projected and actual earnings on plan investments	-	(17,485)
Total	$ 50,426	$ (46,224)

10. Employees' Retirement Benefits (Continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

Miscellaneous Plan	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to measurement date	$ 32,756	$ -
Differences between actual and expected experience	-	-
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(115,006)
Total	$ 32,756	$ (115,006)
Safety Plan		
Pension contributions subsequent to measurement date	$ 9,512	$ -
Differences between actual and expected experience	-	-
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(12,466)
Total	$ 9,512	$ (12,466)
Total Miscellaneous and Safety		
Pension contributions subsequent to measurement date	$ 42,268	$ -
Differences between actual and expected experience	-	-
Changes of assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(127,472)
Total	$ 42,268	$ (127,472)

The amount reported as deferred outflow of $50,426,000 in fiscal year 2016 and $42,268,000 in fiscal year 2015, relate to contributions made subsequent to the measurement date. The District recognized the $42,268,000 deferred outflow in fiscal year 2015 as reduction of pension liability in fiscal year 2016. The $50,426,000 deferred outflow in fiscal year 2016 will be recognized as a reduction of net pension liability in fiscal year 2017.

10. Employees' Retirement Benefits (Continued)

The deferred inflow of resources related to pensions will be recognized in future pension expense as follows (dollar amounts in thousands):

	Miscellaneous Plan		Safety Plan	
Year Ending June 30,	Deferred Outflows/ (Inflows) of resources		Deferred Outflows/ (Inflows) of resources	
2017	$	(20,098)	$	(1,231)
2018		(20,098)		(1,231)
2019		(20,097)		(1,209)
2020		15,812		1,928
Total	$	(44,481)	$	(1,743)

Payable to the Pension Plan

At June 30, 2016 and 2015, the District reported a net pension liability of $467,222,000 and $397,465,000, respectively.

11. Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan (MPPP), which is a supplemental retirement defined contribution plan. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of eligible employees' annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868 for all employees except those represented by BPOA and BPMA pursuant to their labor agreements effective January 1, 2010. An additional contribution to the MPPP equal to 1.627% of eligible compensation is provided to all employees except for represented sworn police officers. Payment of this additional contribution was also suspended for all CalPERS eligible individuals, with various effective dates, pursuant to labor agreements and District policy as a cost saving measure. These payments resumed on July 1, 2013. However, under the latest labor agreements with ATU, SEIU, and AFSCME, the District retained 0.0888% of the 1.627% contribution. The District also retained this same amount for non-represented employees. In addition, the District retained $37 per month of the 1.627% for ATU, SEIU, and AFSCME employees who elected medical to pay for medical premiums.

The annual compensation limit subject to the additional contribution is established by the Internal Revenue Code Section 401(a) (17). Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 2016 and 2015 were $9,775,000 and $9,115,000, respectively. The MPPP assets at June 30, 2016 and 2015 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were $285,801,000 and $288,874,000, respectively. At June 30, 2016, there were approximately 210 (204 in 2015) participants receiving payments under this plan.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing or calling: BART Investments Plans Committee, 300 Lakeside Drive, Oakland, California 94612, (510) 464-6238.

12. Other Postemployment Benefits

In addition to the retirement benefits described in Notes 10 and 11, and specified in the District's contractual agreements, the District provides certain other postemployment benefits ("OPEB") to employees, which may include medical benefits to retirees and surviving spouses, retiree life insurance, survivor dental and vision benefits, and medical benefits to survivors of active employees. Most employees who retire directly from the District or their surviving spouses are eligible for medical benefits if the employee retires at or after age 50 with a minimum of 5 years of service with the District, elects to take an annuity from CalPERS and makes a timely election of retiree medical.

In compliance with GASB requirements, the District accounts for OPEB on an accrual basis and created the Retiree Health Benefit Trust. The purpose of establishing the Trust is to facilitate the provision of medical benefits and other health and welfare benefits ("retiree medical benefits") for the qualifying retirees of the District; to provide the means for financing the costs and expenses of operating and administering such benefits; to hold Trust assets for the sole and exclusive purpose of providing benefits to participants and beneficiaries; and to defray the reasonable expenses of administering the Trust and designated plans. Assets placed into the Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. Under California state law, the restrictions on the use of any proceeds from liquidation of the Trust are significant enough to render the Trust effectively irrevocable. The Trust is administered by one or more Trustees appointed by the District's Board of Directors. Currently, the Board has appointed the District's Controller-Treasurer as the Trustee. The Trust issues a publicly available audited financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Retiree Health Benefit Trust, San Francisco Bay Area Rapid Transit District, 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

Currently, the Trust covers the funding only for the "retiree medical benefits", which include retiree medical benefits and medical benefits provided to widows and widowers of retirees. It does not fund the "additional OPEB" which includes the retiree life insurance premiums or the cost to the District of additional benefits available to survivors of employees and retirees who, at the time of hire, elected to contribute to a survivor health benefit program. Survivors of employees and retirees who elected this program and who continue to contribute are eligible for medical, dental and vision coverage at a cost of $15/mo. The District is currently in process of establishing a new trust for the additional OPEB.

Basis of Accounting

The financial statements of the Trust are prepared using the accrual basis of accounting. Beginning with fiscal year 2007, the Trust implemented the GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which established the accounting and financial reporting standards for plans that provide OPEB. The Trust recognizes contributions from the District in accordance with the provisions contained on the District collective bargaining agreements, as described briefly in the following discussion.

Method Used to Value Investments

Investments are reported at fair value as determined by the financial institutions, which have custody of the investments based on quoted market prices.

12. Other Postemployment Benefits (Continued)

Funding Policy and Long-Term Contract for Contributions

The District's current collective bargaining agreements with its unions (CBA) describe the District's funding commitments to the Trust. Beginning fiscal year 2008, the District is funding the Trust with a "ramp up" (increasing) percentage of the "full" annual required contribution (ARC) in addition to funding the pay-as-you-go amount outside of the Trust every year for the following six years. Including fiscal years 2007 and 2008, this "ramp-up" contribution funds an eight-year period covering fiscal years 2006 through 2013. The CBAs include the baseline "ramp-up" percentages, which is the minimum amount that the District is committed to contribute to the Trust during the "ramp-up" period. The District shall commission an actuarial study of the retiree medical insurance plan liabilities and funding needs, including the ARC, every year. The revised "ramp-up" percentage shall be the basis of the District's contribution to the Trust, except when it is less than the baseline "ramp-up" percentage. In addition, in fiscal year 2009 the District contributed into the Trust a lump sum make up payment reflecting the amounts it would have contributed for fiscal years 2006 and 2007, which was actuarially calculated at $14,629,000.

Beginning in fiscal year 2014, the District contributed to the Trust each pay period an amount equal to the full GASB compliant ARC. Also effective on July 1, 2013, retiree health insurance premiums and related administration fees are paid by the Trust.

Funding Policy

The annual OPEB cost for fiscal year 2016, using the June 30, 2014 actuarial valuation, as a percent of covered payroll for the year, are 9.89% (9.10% in fiscal year 2015) for retiree medical benefits and 0.81% (0.94% in fiscal year 2015) for additional OPEB, which amounted to $26,974,000 and $1,961,000, respectively ($23,646,000 and $2,258,000 in fiscal year 2015). In fiscal year 2016, the District contributed cash equivalent to the full annual required contribution to the Trust amounting to $27,145,000 ($23,704,000 in fiscal year 2015) for the retiree medical benefits and zero (zero in fiscal year 2015) for the additional OPEB to partially fund the OPEB cost for the year. The District also paid in fiscal year 2016 life insurance premiums, on a pay as you go basis, amounting to $154,000 ($167,000 in fiscal year 2015). The District does not charge any administration cost to the Trust. Currently, most retirees pay $137.79 per month for their share of the medical premium and the balance is paid by the District.

12. Other Postemployment Benefits (Continued)

The following tables show the components of the District's annual OPEB cost, the amount contributed to the Trust, pay-as-you-go payments and changes in the net OPEB obligation for fiscal years 2016 and 2015 (dollar amounts in thousands):

Retiree Medical Benefits

	2016	2015
Annual Required Contribution (ARC)	$ 27,145	$ 23,704
Interest on net OPEB obligation	3,044	3,048
Adjustments to ARC	(3,215)	(3,106)
Annual OPEB Cost	26,974	23,646
Contributions made	(27,145)	(23,704)
Increase in Net OPEB obligation	(171)	(58)
Net OPEB obligation, beginning of year	45,093	45,151
Net OPEB obligation, end of year	$ 44,922	$ 45,093

Additional OPEB

	2016	2015
Annual Required Contribution (ARC)	$ 2,226	$ 2,452
Interest on net OPEB obligation	693	604
Adjustments to ARC	(958)	(798)
Annual OPEB Cost	1,961	2,258
Contributions made	(154)	(167)
Increase in Net OPEB obligation	1,807	2,091
Net OPEB obligation, beginning of year	16,318	14,227
Net OPEB obligation, end of year	$ 18,125	$ 16,318

The total net OPEB obligations of $63,047,000 in fiscal year 2016 and $61,411,000 in fiscal year 2015 are shown on the statements of net position as Other post-employment benefits, under noncurrent liabilities.

12. Other Postemployment Benefits (Continued)

The three-year trend for the OPEB costs and net OPEB obligation follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Retiree Medical Benefits	June 30, 2014	$ 27,076	99.8%	$ 45,151
	June 30, 2015	23,646	100.2%	45,093
	June 30, 2016	26,974	100.6%	44,922
Additional OPEB	June 30, 2014	2,187	3.5%	14,227
	June 30, 2015	2,258	7.4%	16,318
	June 30, 2016	1,961	7.9%	18,125

Funded Status and Funding Progress of the Retiree Medical Plan. As of June 30, 2016, based on Keenan and Associates (Keenan)'s most recent actuarial report, the Retiree Medical Plan is 66.57% funded. The actuarial accrued liability for benefits was $333,141,000, and the actuarial value of assets was $221,766,000 resulting in an unfunded actuarial accrued liability (UAAL) of $111,375,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $260,861,000 and the ratio of the UAAL to the covered payroll was 42.70%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress of the Additional OPEB Plan. As of June 30, 2016, based on Keenan's most recent actuarial report, the Additional OPEB Plan is zero percent funded. The actuarial accrued liability for benefits was $30,659,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $30,659,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $260,861,000, and the ratio of the UAAL to the covered payroll was 11.75%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

12. Other Postemployment Benefits (Continued)

Actuarial Assumptions and Methods

The latest OPEB actuarial valuation was performed by Keenan in February 2016 using District data as of June 30, 2015. A summary of principal assumptions and methods used by Keenan to determine the District's annual required contributions to the OPEB plans is shown below:

Valuation date	June 30, 2015	June 30, 2014	June 30, 2013
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Closed, Level percent of payroll	Closed, Level percent of payroll	Closed, Level percent of payroll
Remaining amortization period	18 years	19 years	20 years
Asset valuation method	Market value	Market value	Market value
Discount rate	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB
Inflation rate	2.75%	2.75%	2.75%
Payroll growth rate	3.00% per year	3.00% per year	3.00% per year
Health care cost trend rate for the first year	5.00%	5.50%	6.00%
Ultimate trend rate	3.75%	3.75%	3.75%
Year that rate reaches the ultimate rate	2020	2020	2020

13. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses for the years ended June 30, 2016 and 2015 amounted to $26,000 and $31,000, respectively.

14. Related Organizations and Joint Venture Projects

Capitol Corridor Joint Powers Authority

The Joint Exercise of Powers Agreement dated December 31, 1996, between the District and five other transportation authorities in surrounding counties (Agencies) provided for the creation of the Capitol Corridor Joint Powers Authority (Capitol Corridor), a public instrumentality of the State of California. Capitol Corridor was formed for the purpose of administering and managing the operation of the Capitol Corridor Rail Service as part of the California intercity passenger rail system. The District is the managing agency of Capitol Corridor and in that capacity shall provide all necessary administrative support to Capitol Corridor. Capitol Corridor entered into an Interagency Transfer Agreement with the State of California and assumed administration and operation commencing on July 1, 1998. The initial term of the Interagency Transfer Agreement was for three years beginning July 1, 1998, and was extended for three additional years effective July 1, 2001. In 2004, State legislation was enacted that eliminated the sunset date of the Interagency Transfer Agreement, which now exists indefinitely.

The governing board of Capitol Corridor consists of six members from the District and two members from each of the five other Agencies. Neither the District nor the other Agencies are responsible for any debt, liabilities and obligations of Capitol Corridor and the District would not be entitled to any of Capitol Corridor's net assets should it terminate.

The District charged Capitol Corridor a total of $3,504,000 for marketing and administrative services during 2016 and $3,834,000 during 2015. In addition, Capitol Corridor reimburses the District for its advances for capital project expenditures and other operating expenses. Reimbursements for expenses incurred by the District on behalf of and in providing services to Capitol Corridor are netted against the corresponding expense in the statements of revenues, expenses and changes in net position. Unreimbursed expenses and advances for capital project costs from Capitol Corridor amount to $1,044,000 and $1,034,000 as of June 30, 2016 and 2015, respectively. All unreimbursed expenses and advances are included as current receivables and other assets in the statements of net position. As the District has no ownership involvement or ongoing financial interest or responsibility in Capitol Corridor, its financial statements include only amounts related to the services and advances it provides to Capitol Corridor.

East Bay Paratransit Consortium

In 1994, the District and the Alameda-Contra Costa Transit District (AC Transit) executed an agreement establishing the East Bay Paratransit Consortium (the Consortium). The purpose of the Consortium is to enable the District and AC Transit to jointly provide paratransit services in the overlapping service area of the District and AC Transit. Revenues and expenditures for the Consortium are split 31% and 69% between the District and AC Transit, respectively, except the program coordinator's expenses, which are split 50/50 starting in 2011. The District's financial statements reflect its portion of revenues and expenditures as operating activities. The District supported the project primarily through its own operating funds, with some financial assistance from Alameda County Measure B and BB funds and from the Contra Costa Transportation Authority Measure J funds (Note 9). The District has no equity interest in the Consortium.

14. Related Organizations and Joint Venture Projects (Continued)

Pleasant Hill BART Station Leasing Authority

In July 2004, the District, the County of Contra Costa (County) and the Contra Costa County Redevelopment Agency (Agency) entered into a Joint Exercise of Powers Agreement (JPA Agreement) to create the Pleasant Hill BART Station Leasing Authority (Pleasant Hill Authority). In 2012, the Agency was dissolved by California Assembly Bill ABx1 26, and the Pleasant Hill Authority now consists of the District and Contra Costa County. The Pleasant Hill Authority was created as a means of accomplishing the cooperation and coordination among the agencies to provide for the development of a mixed-used transit village located at BART's Pleasant Hill/Contra Costa Centre Station, which includes rental residential, retail and a future office development. The original lease to the Pleasant Hill Authority was for a 99-year term expiring on May 14, 2105. All subsequent leases will be conterminous with the May 14, 2105 date.

On June 30, 2009, the District received as ground lease payments for the full term of the lease, a cash base rent of $99 and a noncash base rent in the form of a newly constructed parking structure located at the Pleasant Hill BART station. The District accepted the completion of the new parking structure and became its new owner effective June 30, 2009. The replacement parking garage was recorded as a capital asset at a value of $51,236,000, which is its final construction cost as reported by its developer. As a result of the Agency's funding of the replacement parking garage, future sublease revenue will be split between the County and BART at 75% and 25%, respectively, after defeasance of Agency's final incremental contribution to the parking garage project.

The Pleasant Hill Authority is a public entity separate from any member and as such its debts, liabilities and obligations shall not be the debts, liabilities and obligations of any of the members. The governing body of the Pleasant Hill Authority is a Board of Directors consisting of four persons – two each from the County and the District.

Richmond Redevelopment Agency or Successor Agency

On April 11, 2002, the District entered into a Disposition and Development Agreement with Richmond Redevelopment Agency and Richmond Transit, LLC for the development of a mixed use transit village on the property owned by the Redevelopment Agency, the City of Richmond and BART.

The transit village will be developed in two phases. The first phase has been completed and consists of the development of the townhouses on the western side of the tracks, a parking structure that includes, retail space incorporated within the structure (the "Phase One Improvements").

The second phase will consist of the development of additional housing and the improvement of Nevin Avenue and the Nevin Avenue walkway on the eastern side of the Tracks (the "Phase Two Improvements").

The District had agreed to issue grant deeds to the developer pertaining to two parcels with approximate total size of 245,070 square feet in both the West side and the East side for the development projects. The agreement states that in exchange for the parcels, the Richmond Redevelopment Agency, at their expense, will construct a parking structure on the West side of BART's property, and transfer ownership of the garage to the District upon completion. The transfer of maintenance and responsibility to the District of the parking structure, which consisted of 750 parking spaces and approximately 9000 +/- square feet of commercial space, occurred in September 2014. As of June 30, 2016, only the parcel on the West side of the development project has been transferred by the District to the developer. The transfer of the parcel on the East side is expected to occur in fiscal year 2017.

14. Related Organizations and Joint Venture Projects (Continued)

The District allocated the value of the garage, which amounted to $36,260,000, between the two parcels. The total cost of the structure was recorded as part of capital assets. A gain of $6,012,000 was recognized in fiscal year 2015 pertaining to the value allocated to the West side parcel that was transferred to the developer, after deducting the cost. The allocated value pertaining to the East side parcel amounting to $30,110,000 was recognized as unearned revenue, pending the transfer, and is shown as part of noncurrent unearned revenue.

MacArthur Transit Village

On July 29, 2010, the District entered into a Purchase and Lease Option agreement with MacArthur Transit Community Partners LLC (Developer) pertaining to the development of the MacArthur Transit Village, a mixed-use, transit-oriented project, including affordable and market rate housing, retail/commercial and community space and replacement parking adjacent to the MacArthur BART Station.

The District owns a portion of the project's real property totaling approximately 7.76 acres that is to be used to develop the project.

As a consideration for the purchase of parcels totaling 198,642 square feet and lease of a 34,404 square feet parcel, the Developer constructed a parking garage structure, funded in part by the Oakland Redevelopment Agency, with 450 parking spaces and 5,200 square feet of retail spaces. The parking structure was completed and transferred to the District in September 2014. In addition to the parking structure, Phase 1 of the project included a BART Plaza and Transportation Improvements. These improvements are also the responsibility of the Developer as part of the consideration for the land. The total value of the garage and the improvements amounted to $27,596,000 and were recognized as part of depreciable capital assets. $1,780,000 of the consideration was allocated to Phase 2 of the project which is for a 99 year term ground lease; and was recorded as deferred ground lease. The remaining $25,816,000 was recognized and reported under noncurrent unearned revenue, pending the transfer of the land to the developer.

Using the City of Oakland Redevelopment Agency funds, the project acquired two parcels under the District's name which were used for the construction of the BART Garage Structure. The total consideration paid by the City of Oakland for the two parcels was $5,121,000. The costs of these parcels were recorded by the District as non-depreciable capital assets. The District also recognized a revenue (donated income) equivalent to the value of the land received.

South Hayward Transit Oriented Development

On June 18, 2012, the District and JMJ Development LLC (Developer) entered into an Option Agreement for a Transit Oriented Development (TOD). That agreement also includes the right to purchase approximately 1.65 acres of land from the District. The right to purchase was exercised in fiscal year 2014 for a total consideration of $692,000. Grant deed for the transfer was issued on October 8, 2014. The District recognized a gain of $620,000 from this sale.

An Option Agreement between the District and the Developer provided further consideration to the District of a transfer benefit fee (TBF) which guarantees the District a perpetual revenue stream. The TBF amounts to a 1% assessment against successive transfers of each of the development units (i.e. unit sales) or a 1% annual assessment against Gross Annual Rental Revenue from rental of the units. A total of 206 market rate units are expected to be completed by the end of calendar year 2016 with an estimated market value exceeding $350,000 per unit.

14. Related Organizations and Joint Venture Projects (Continued)

South Hayward BART Station Access Authority

On September 1, 2011, the District entered into a Joint Exercise of Powers Agreement with the City of Hayward which provided for the creation of a public entity known as the South Hayward BART Station Access Authority (South Hayward JPA). The purpose of the South Hayward JPA is to manage and administer parking and access within the boundaries of the South Hayward JPA in an equitable and orderly fashion in order to promote transit-oriented development, support access to the station by District patrons, maximize BART ridership and protect the neighborhoods surrounding the South Hayward Station.

The governing board of the South Hayward JPA consists of four members, two each from the governing Board of the District and from the City of Hayward, appointed by the governing board of the District and the Hayward City Council, respectively. Neither the District nor the City of Hayward is responsible for any debt, liabilities and obligation of the South Hayward JPA.

The parking fees collected by the District for the South Hayward Station are transferred to the South Hayward JPA to cover maintenance and other expenses. Parking fees collected in fiscal year 2016 amounts to $516,000 ($356,000 in fiscal year 2015). The District and the City of Hayward are entitled to reimbursement of operating and/or capital expenses incurred for the benefit of the South Hayward JPA. Net revenues will be used by the South Hayward JPA to implement parking and access projects in line with the objectives set forth in the Joint Exercise of Powers Agreement.

15. Commitments and Contingencies

Litigation

The District is involved in various lawsuits, claims and disputes, which for the most part are normal to the District's operations. It is the opinion of the District's management that the costs that might be incurred in the disposition of these matters, if any, would not materially affect the District's financial position.

Power Purchases

The District purchases electrical power for self-consumption at multiple points of delivery such as Traction Power, Passenger Station Power and Miscellaneous Power from the Northern California Power Agency (NCPA). Power purchase contracts with the NCPA are in place through December 31, 2016, with a total remaining contract value of $8,366,000 as of June 30, 2016.

Operations and Maintenance Agreement for the Oakland International Airport Connector

On October 1, 2010, the District entered into an Operations and Maintenance Contract with Doppelmayr Cable Car, Inc, to operate and maintain the OAC for an amount not to exceed $4,907,000 (base service payment in 2009 dollars) annually for a period of twenty (20) years from revenue service date, subject to annual escalation based on Consumer Price Index. Total operating expenses incurred under this agreement amounts to $5,928,000 in fiscal year 2016 ($3,542,000 in fiscal year 2015). As part of the contract, the District is also required to deposit to a reserve account, the amount of $768,000 annually, subject to escalation, for Capital Asset Replacement Program (CARP). The CARP will cover all major maintenance and rehabilitation expenditures during the term of the Operations and Maintenance agreement. The OAC started revenue operations on November 22, 2014

15. Commitments and Contingencies (Continued)

Lease Commitments

The District leases certain facilities under operating leases with original terms ranging from one to fifty years with options to renew.

Future minimum rental payments under noncancelable operating leases with initial or remaining lease terms of over one year at June 30, 2016 are as follows (dollar amounts in thousands):

Year ending June 30:	Operating Leases
2017	$ 12,639
2018	12,657
2019	12,969
2020	13,167
2021	13,374
2022-2025	13,255
2026-2030	12,500
2031-2035	12,500
2036-2040	12,500
2041-2045	12,500
2046-2050	12,500
2051-2055	4,792
Total minimum rental payments	$ 145,353

Rent expenses under all operating leases were $8,768,000 and $11,385,000 for the years ended June 30, 2016 and 2015, respectively.

Fruitvale Development Corp.

On October 1, 2001, the District entered into a ground lease agreement with Fruitvale Development Corporation (FDC) pertaining to 1.8 acres of land for the purpose of constructing thereon portions of a mixed-use development project commonly known as the Fruitvale Transit Village, which consists of approximately 250,000 square feet of commercial, community service and residential improvements. The lease agreement became effective December 9, 2003 and continues through January 31, 2077.

The terms of the lease require FDC to pay the District a Base Rent and a Percentage Rent. The Base Rent is a fixed amount determined at the inception of the lease subject to periodic CPI adjustments. Percentage Rent is calculated equal to 15% of annual net revenues, as defined in the ground lease agreement.

The District provided FDC a Rent Credit with an initial amount of $7,247,000, to acknowledge its assistance in obtaining grants for the construction of a Replacement BART Commuter Parking Garage near the Fruitvale Transit Village. The initial Rent Credit earned interest on the outstanding balance at simple interest based on the prime rate and can only be applied to satisfy the Base Rent.

15. Commitments and Contingencies (Continued)

In October 2010, there was a second amendment to the ground lease agreement, which recalculated the initial Rent Credit available to FDC as it relates to the replacement parking. The amount of the Replacement Parking Rent Credit was revised to $4,642,000, after a payment of $5,500,000 coming from the proceeds of the sale of land at the Fruitvale BART Station to the City of Oakland Redevelopment Agency. The second amendment also stated that no interest shall accrue on the revised Replacement Parking Rent Credit and that beginning on December 1, 2003 and continuing throughout the term of the ground lease, base rent shall be subtracted from the Replacement Parking Rent Credit balance, until there is no longer a positive Replacement Parking Rent Credit. The offset base rent for fiscal year 2016 and fiscal year 2015 amounted to $169,000 each year. The remaining balance in the Replacement Parking Rent Credit was $2,944,000 as of June 30, 2016 ($3,113,000 as of June 30, 2015).

Based on the agreement, FDC shall not be under any obligation to make any cash payment to the District for base rent at any time that the Replacement Parking Rent Credit still has a positive balance.

16. Subsequent Events

2016 Series A Sales Tax Revenue Bonds Refunding Bonds (2016A Refunding Bonds)
In August 2016, the District issued the 2016 Series A Sales Tax Revenue Refunding Bonds with a principal amount of $83,800,000 to, along with other District funds, provide sufficient funds to current refund $94,450,000 principal amount of the District’s 2006A Refunding Bonds and to fund costs of issuance associated with the 2016A Refunding Bonds. The 2016A 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 2016A Refunding Bonds are issued on a parity with certain other bonds issued by the District and currently outstanding.

Passage of Measure RR
Voters in San Francisco, Alameda and Contra Costa Counties voted on November 8, 2016 to pass Measure RR. The District’s Measure RR authorizes the sale of not to exceed $3.5 billion in general obligation bonds to invest in the District’s safety, reliability and traffic relief program, to repair and replace critical infrastructure, prevent accidents, breakdowns and delays, relieve overcrowding, reduce traffic congestion and pollution, improve earthquake safety and expand safe access into the stations, including access for seniors and persons with disability. The system renewal plan would be implemented over the course of 21 years, from 2017 through 2038.

The bond would be backed by a tax levied on the assessed value of taxable property within the three-county BART District (San Francisco, Alameda and Contra Costa counties).

DEFINED BENEFIT PENSION PLAN

Schedule of Changes in Net Pension Liability and Related Ratios (dollar amounts in thousands) (Last 10 years*)

	Miscellaneous Plan	
	2016	**2015**
Total pension liability		
Service cost	$ 36,151	$ 36,182
Interest on total pension liability	146,226	139,931
Changes of assumptions	(32,773)	-
Differences between expected and actual experience	(4,807)	-
Benefit payments, including refunds of employee contributions	(95,653)	(89,968)
Net change in total pension liability	49,144	86,145
Total pension liability - beginning	1,978,781	1,892,636
Total pension liability - ending	$ 2,027,925	$ 1,978,781
Plan fiduciary net position		
Contributions - Employer	$ 32,466	$ 28,276
Contributions - Employee	17,818	21,375
Plan to Plan resource movement	(36)	-
Net investment income	37,388	251,137
Benefit payments, including refunds of employee contributions	(95,653)	(89,968)
Administrative expense	(1,865)	-
Net change in fiduciary net position	(9,882)	210,820
Plan fiduciary net position - beginning	1,666,408	1,455,588
Plan fiduciary net position - ending	$ 1,656,526	$ 1,666,408
Plan net pension liability - ending	$ 371,399	$ 312,373
Plan fiduciary net position as a percentage of the total pension liability	81.69%	84.21%
Covered-employee payroll	$ 246,901	$ 240,171
Plan net pension liability as a percentage of covered-employee payroll	150.42%	130.06%

*Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only two years of information is shown.

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Schedule of Changes in Net Pension Liability and Related Ratios (dollar amounts in thousands) (Last 10 years*) (Continued)

	Safety Plan	
	2016	**2015**
Total pension liability		
Service cost	$ 5,935	$ 5,790
Interest on total pension liability	20,099	18,885
Changes of assumptions	(4,942)	-
Differences between expected and actual experience	4,794	-
Benefit payments, including refunds of employee contributions	(14,140)	(13,199)
Net change in total pension liability	11,746	11,476
Total pension liability - beginning	266,981	255,505
Total pension liability - ending	$ 278,727	$ 266,981
Plan fiduciary net position		
Contributions - Employer	$ 9,428	$ 7,442
Contributions - Employee	1,917	2,817
Plan to Plan resource movement	1	-
Net investment income	4,015	27,150
Benefit payments, including refunds of employee contributions	(14,140)	(13,199)
Administrative expense	(206)	-
Net change in fiduciary net position	1,015	24,210
Plan fiduciary net position - beginning	181,889	157,679
Plan fiduciary net position - ending	$ 182,904	$ 181,889
Plan net pension liability - ending	$ 95,823	$ 85,092
Plan fiduciary net position as a percentage of the total pension liability	65.62%	68.13%
Covered-employee payroll	$ 17,941	$ 17,377
Plan net pension liability as a percentage of covered-employee payroll	534.10%	489.68%

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions – The discount rate was changed from 7.50% (net of administrative expense) in 2015 to 7.65% in 2016.

*Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only two years of information is shown.

Schedule of Employer Pension Contributions (dollar amounts in thousands)
(Last 10 years*)

	Miscellaneous Plan			Safety Plan		
	2016	2015	2014	2016	2015	2014
Actuarially determined contribution	$ 39,768	$ 32,756	$ 28,213	$ 10,658	$ 9,512	$ 7,423
Contributions in relation to the actuarially determined contribution	(39,768)	(32,756)	(28,213)	(10,658)	(9,512)	(7,423)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 265,778	$ 245,593	$ 226,893	$ 20,410	$ 19,741	$ 17,077
Contribution as a percentage of covered-employee payroll	14.96%	13.34%	12.43%	52.22%	48.18%	43.47%

*Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only three years of information is shown.

The significant actuarial methods and assumptions used to compute the actuarially determined annual required contributions and the funded status based on valuation date of June 30, 2013 follows:

Miscellaneous and Safety	
Actuarially determined contribution for fiscal year	June 30, 2016
Valuation date	June 30, 2013
Methods and assumptions used to determine contributions rates	Based on the June 30, 2013 CalPERS Annual Valuation Report.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of payroll
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the CalPERS Experience Study adopted by the CalPERS Board first used in the June 30, 2009 valuation. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

Other Postemployment Benefits
Schedules of Funding Progress
(dollar amounts in thousands)

Retiree Medical Benefits

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (%)	Covered Payroll	UAAL as a Percentage of Covered Payroll (%)
6/30/13	$ 297,955	$ 165,639	$ 132,316	55.6	$ 243,406	54.36
6/30/14	331,352	202,181	129,171	61.0	253,264	51.00
6/30/15	333,141	221,766	111,375	66.6	260,861	42.70

Additional OPEB

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (%)	Covered Payroll	UAAL as a Percentage of Covered Payroll (%)
6/30/13	$ 33,027	$ -	$ 33,027	-	$ 245,406	13.57
6/30/14	29,130	-	29,130	-	253,264	11.50
6/30/15	30,659	-	30,659	-	260,861	11.75

APPENDIX C

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
STATEMENT OF INVESTMENT POLICY*

The Treasurer of the District shall invest District funds in a manner the Treasurer deems prudent, suitable and advantageous under existing circumstances and in accordance with the following objectives, in order of priority:

1. Preservation of Capital.

2. Liquidity – funds shall be invested only until date of anticipated need or for a lesser period.

3. Yield – generation of a favorable return on investment without compromise of the first two objectives.

The Treasurer may invest in Securities authorized by the Public Utilities Code Sections 29100 through 29102; Government Code Sections 53601, 53601.1 and 53635 and Board Resolution 2697 with the following exception: the Treasurer will not invest in commercial paper, financial or commodity futures, options contracts, medium-term corporate notes, or mutual funds unless specifically authorized by the Board.

The Treasurer may invest in repurchase agreements and will accept as security only securities of the U.S. government and U.S. governmental agencies which have a market value, including accrued interest, equal to the amount of the repurchase agreement. The maturity date of the collateral may, however, be later than that required by Objective 2 above.

The Treasurer may invest in reverse repurchase agreements with a maturity of 90 days or less.

The Treasurer may invest in "swaps" defined as, the simultaneous buying and selling of a security of approximately the same maturity to increase yield, cash flow or to improve quality.

In addition to the securities authorized above, the Treasurer may invest in public time deposits in financial institutions having at least one branch within the BART boundaries. The Treasurer will accept as collateral securities authorized by the Government Code Section 53651 (a) through (p) excluding subsection (m) promissory notes secured by first mortgages and first trust deeds. The Treasurer will require 110% collateralization, less the portion authorized by Government Code Section 53653 on public time deposits, except for San Francisco Federal Home Loan Bank Letters of Credit, in which case the collateralization will be 105%.

The Treasurer has the authority to waive the required collateralization and substitute Federal Deposit Insurance Corporation (FDIC) for the first $100,000 of the investment.

The Treasurer will continue to seek minority Banks and Savings and Loan Associations, as defined by the Federal Government, for the placement of some of the District's funds.

The Treasurer may invest in money market mutual funds as authorized by Section 53601(k) of the Government Code up to a maximum total of $25,000,000. The funds must carry a credit rating of

* The District is in the process of reviewing and updating its investment policy. The revised investment policy once adopted by the Board will be available from the Controller/Treasurer of the District.

"AAA" by both Standard & Poor's and Moody's and their portfolio must consist entirely of direct obligations of the U. S. Government, its agencies or instrumentalities, and repurchase agreements backed by such obligations.

The Treasurer may invest in the State of California Local Agency Investment Fund as authorized by Government Code Sections 16429.1 *et seq.* in an amount not to exceed $25,000,000.

The District's investment policy shall also discourage the investment of funds in any institution or business which conducts operations or invests funds in any country whose laws discriminate against individuals based upon race, color or creed.

The foregoing defines the Treasurer's investment policies for calendar year 2003 and thereafter unless and until they are modified by the Treasurer and approved by the Board.

APPENDIX D

THE ECONOMY OF THE THREE BART COUNTIES

General

The San Francisco Bay Area (the "Bay Area") encompasses the nine counties which border San Francisco Bay. The Three BART Counties (the City and County of San Francisco, Alameda County and Contra Costa County) comprise a 1,512-square-mile central core of the nearly 7,000 square miles of land in the Bay Area. The City and County of San Francisco occupies approximately 49 square miles, while Alameda County and Contra Costa County are approximately 733 and 734 square miles in size, respectively. The San Francisco Bay Area Rapid Transit District (the "District" or "BART") service area also includes northern San Mateo County, adjacent to the southern border of San Francisco. The surrounding non-member six counties, Marin, Sonoma, Napa and Solano to the north and San Mateo and Santa Clara to the south, provide reciprocal economic support, potential users and expansion area for the District's centrally located system. All capitalized terms used and not otherwise defined in this Appendix D shall have the meanings set forth in the front portion of this Official Statement.

The City and County of San Francisco occupies the tip of a peninsula situated between the Pacific Ocean and San Francisco Bay (the "Bay") and is separated from Marin County and other northerly counties by the Golden Gate, which forms the entrance to the Bay and is spanned by the Golden Gate Bridge. Alameda and Contra Costa Counties, bordering the east side of the Bay across from San Francisco, stretch eastward up to 40 miles beyond the series of hills between the Bay and the Central Valley (the Sacramento and San Joaquin Valleys) of California. Contra Costa County is bordered on the northwest by San Pablo Bay and the north by the Carquinez Strait and the extensive delta area of the Sacramento and San Joaquin Rivers, which empty into the Bay. Alameda County adjoins Santa Clara County at the southern end of the Bay. Linking the Bay Area are seven major bridges.

Sales taxes levied in the Three BART Counties are a principal source of District revenues. Sales tax revenues depend on economic activity and trends as well as the demographic characteristics of the Three BART Counties. Historical trends are summarized below and forecasts are presented for the population and employment of the Three BART Counties.

Historical Population and Employment Trends

Table 1 shows historical population for cities within the Three BART Counties for the selected years between 2000 and 2017. Population in the Three BART Counties increased approximately 15.4% between 2000 and 2017 and approximately 1.1% between 2016 and 2017.

Table 1
HISTORICAL POPULATION
Alameda and Contra Costa Counties and City and County of San Francisco
2000, 2010 and 2014 through 2017

	2000(1)	2010(1)	2014(2)	2015(2)	2016(2)	2017(2)	% Change 2016-2017
Alameda County							
Alameda	72,259	73,812	76,785	77,657	79,338	79,928	0.4%
Albany	16,444	18,539	18,682	18,841	18,905	18,988	1.0
Berkeley	102,743	112,580	117,399	118,923	119,997	121,238	4.0
Dublin	30,023	46,036	53,512	56,014	57,394	59,686	1.1
Emeryville	6,882	10,080	10,822	10,967	11,730	11,854	0.9
Fremont	203,413	214,089	224,836	227,582	229,504	231,664	1.2
Hayward	140,030	144,186	154,832	157,305	159,104	161,040	1.6
Livermore	73,464	80,968	85,049	86,368	88,207	89,648	1.5
Newark	42,471	42,573	43,835	44,284	44,767	45,422	0.7
Oakland	399,566	390,724	413,626	419,539	423,191	426,074	0.5
Piedmont	10,952	10,667	11,018	11,138	11,227	11,283	1.2
Pleasanton	63,654	70,285	71,990	73,776	75,040	75,916	0.4
San Leandro	79,452	84,950	86,453	87,209	87,882	88,274	0.6
Union City	66,869	69,516	71,719	72,412	73,010	73,452	0.6
Other Areas	135,717	141,266	147,079	148,750	149,937	150,892	0.4
	1,443,939	1,510,271	1,587,637	1,610,765	1,629,233	1,645,359	1.0%
Contra Costa County							
Antioch	90,532	102,372	110,028	111,973	113,495	114,241	0.7%
Brentwood	23,302	51,481	55,353	57,072	59,058	61,055	3.4
Clayton	10,762	10,897	11,096	11,159	11,262	11,284	0.2
Concord	121,872	122,067	126,851	128,063	128,280	128,370	0.1
Danville	41,715	42,039	42,145	42,491	43,287	43,355	0.2
El Cerrito	23,171	23,549	23,980	24,132	24,490	24,600	0.4
Hercules	19,488	24,060	24,430	24,578	24,909	25,675	3.1
Lafayette	23,908	23,893	24,321	24,732	25,041	25,199	0.6
Martinez	35,866	35,824	36,497	36,931	37,224	37,658	1.2
Moraga	16,290	16,016	16,337	16,434	16,581	16,676	0.6
Oakley(3)	25,619	35,432	38,864	39,609	40,327	41,199	2.2
Orinda	17,599	17,643	18,083	18,578	18,838	18,935	0.5
Pinole	19,039	18,390	18,560	18,660	18,827	18,975	0.8
Pittsburg	56,769	63,264	66,053	67,119	68,133	69,818	2.5
Pleasant Hill	32,837	33,152	33,708	33,918	34,232	34,657	1.2
Richmond	99,216	103,701	108,447	109,568	110,886	111,785	0.8
San Pablo	30,256	29,139	30,196	30,498	30,972	31,053	0.3
San Ramon	44,722	72,148	76,472	77,470	78,729	80,550	2.3
Walnut Creek	64,296	64,173	67,954	68,652	70,340	70,974	0.9
Other Areas	151,557	159,785	167,797	169,506	171,913	173,454	0.9
	948,816	1,049,025	1,097,172	1,111,143	1,126,824	1,139,513	1.1%
City and County of San Francisco	776,733	805,235	848,186	857,508	864,889	874,228	1.1%
Three BART Counties	3,169,488	3,364,531	3,542,317	3,579,416	3,620,946	3,659,100	1.1%

(1) As of April 1 of that year.
(2) As of January 1 of that year.
(3) The City of Oakley was incorporated in 1999.
Source: For 2000-2010: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2010, with 2000 & 2010 Census Counts. Sacramento, California, November 2012; For 2011-15: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark. Sacramento, California, May 2016; For 2016-2017: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2016 and 2017. Sacramento, California, May 2017.

Table 2-A shows historical nonagricultural employment for the Three BART Counties by industry sector in calendar year 2015 and Table 2-B shows total nonagricultural employment for the Three BART Counties by industry sector in calendar years 2005 and 2015.

Table 2-A
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Year 2015
(Not Seasonally Adjusted)

	Alameda County		Contra Costa County		City and County of San Francisco	
	Number	Percent[2]	Number	Percent[2]	Number	Percent[2]
Total Nonagricultural Employment[1]	745,900	–	349,200	–	668,700	–
Major Classifications						
Manufacturing	71,500	9.6%	15,200	4.4%	10,300	1.5%
Transportation, Warehousing and Public Utilities	27,700	3.7	10,500	3.0	12,300	1.8
Wholesale Trade	38,100	5.1	9,600	2.7	15,000	2.2
Retail Trade	70,700	9.5	42,300	12.1	47,700	7.1
Finance and Insurance	13,500	1.8	19,300	5.5	38,400	5.7
Real Estate, Rental and Leasing	9,900	1.3	6,900	2.0	13,600	2.0
Information	12,700	1.7	8,300	2.4	31,700	4.7
Professional & Business Services	132,700	17.8	50,200	14.4	184,600	27.6
Educational & Health Services	114,500	15.4	63,900	18.3	85,700	12.8
Leisure & Hospitality	67,900	9.1	38,400	11.0	93,300	14.0
Other Services	25,500	3.4	12,600	3.6	26,200	3.9
Government	119,300	16.0	49,400	14.1	91,600	13.7

(1) Totals may reflect rounding.
(2) Represents percentage of total nonagricultural employment; reflects rounding.
Source: California Employment Development Department, Labor Market Information Division with March 2015 Benchmark.

Table 2-B
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Total Three BART Counties
Calendar Years 2005 and 2015
(Not Seasonally Adjusted)

	2005		2015	
	Number	Percent[2]	Number	Percent[2]
Total Nonagricultural Employment[1]	1,574,300	–	1,763,800	–
Major Classifications				
Manufacturing	105,600	6.7%	97,000	5.5%
Transportation, Warehousing and Public Utilities	49,800	3.2	50,500	2.9
Wholesale Trade	60,500	3.8	62,700	3.6
Retail Trade	155,200	9.9	160,700	9.1
Finance and Insurance	91,500	5.8	71,200	4.0
Real Estate, Rental, and Leasing	30,300	1.9	30,400	1.7
Information	48,000	3.0	52,700	3.0
Professional & Business Services	259,600	16.5	367,500	20.8
Educational & Health Services	203,300	12.9	264,100	15.0
Leisure & Hospitality	155,800	9.9	199,600	11.3
Other Services	56,900	3.6	64,300	3.6
Government	195,200	12.4	260,300	14.8

(1) Totals may reflect rounding.
(2) Represents percentage of total nonagricultural employment; reflects rounding.
Source: California Employment Development Department, Labor Market Information Division with 2015 Benchmark.

Total nonagricultural employment in the Three BART Counties increased approximately 12% between 2005 and 2015.

As shown in Table 2-A and Table 2-B, the economy of the Three BART Counties is well diversified, with emphasis on educational and health services, professional and business services, and government.

Alameda County. Alameda County accounts for approximately 45% of the population and approximately 42.3% of the nonagricultural employment of the Three BART Counties. Alameda County's population increased approximately 12.7% between 2000 and 2016.

Alameda County has a diverse economic base. A large number of new jobs have been, and are expected to be, created by firms classified in the services industry. Many of these jobs will be highly skilled professional, technical, and managerial positions. The two largest employment sectors are professional and business services and government, which account for approximately 34% of total nonagricultural employment. The transportation, warehousing and public utilities sector, accompanied by both retail trade and wholesale trade categories, averaged 136,500 jobs in 2015, comprising approximately 18.3% of total nonagricultural employment. The professional and business services industry averaged 132,700 jobs for 2015, comprising approximately 17.8% of total nonagricultural employment. Major employers in Alameda County include Kaiser Permanente, University of California at Berkeley, Alameda County, Lawrence Livermore National Laboratory, Oakland Unified School District, Alta Bates Summit Medical Center and Lawrence Berkeley National Laboratory, as shown in Table 4-A.

Contra Costa County. Contra Costa County, predominantly a low-density residential area, accounts for approximately 31% of the population and approximately 19.8% of total nonagricultural employment of the Three BART Counties in 2015. Contra Costa County's population increased approximately 18.4% between 2000 and 2016.

Contra Costa County has one of the fastest-growing work forces among Bay Area counties, with growth in its employment base being driven primarily by the need to provide services to an increasing local population. Contra Costa County has also experienced an influx of white-collar jobs due to the relocation of companies from more expensive locations in the Bay Area. The professional and business services, educational and health services, retail trade and government employment sectors account for approximately 58.9% of the nonagricultural employment base. Major employers in Contra Costa County include Contra Costa County, Safeway Inc., Chevron Corp. and John Muir/Mount Diablo Health System, as shown in Table 4-A.

City and County of San Francisco. The City and County of San Francisco (the "City") is a major employment center of the Three BART Counties, accounting for approximately 37.9% of the nonagricultural employment and approximately 24% of the population of the Three BART Counties. The population of San Francisco is relatively dense and has increased slowly in recent years, with an overall increase of approximately 1.1% between 2015 and 2016.

The City has the benefit of a highly skilled, professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. Major employers in San Francisco include the City and County of San Francisco, the University of California at San Francisco, Wells Fargo & Co. Inc., and the San Francisco Unified School District, as shown in Table 4-B.

Table 3 shows the average annual unemployment rates for the Three BART Counties and the State of California and the United States for the calendar years 2012 through 2017.

Table 3
AVERAGE ANNUAL UNEMPLOYMENT RATES

Alameda County, Contra Costa County, City and County of San Francisco, State of California and the United States Calendar Years 2012 Through 2017

Calendar Year	Alameda County	Contra Costa County	City and County of San Francisco	State of California	United States
2012	9.0%	9.0%	7.2%	10.4%	8.1%
2013	7.4	7.4	5.7	8.9	7.4
2014	5.9	6.1	4.4	7.5	6.2
2015	4.7	5.0	3.6	6.2	5.3
2016	4.2	4.4	3.3	5.4	4.9
2017	3.9	4.1	3.0	5.2	4.7

Sources: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

Table 4-A identifies the major employers of Alameda and Contra Costa Counties and Table 4-B identifies the major employers in the City and County of San Francisco.

Table 4-A
MAJOR EMPLOYERS
Alameda and Contra Costa Counties
As of 2015

Employer	Number of Employees
University of California, Berkeley	23,962
Kaiser Permanente	18,450
Alameda County	9,147
State of California	8,930
Contra Costa County	8,500
Chevron Corp.	6,631
Safeway Inc.	6,270
U.S. Postal Service	5,948
John Muir Health	5,857
Wells Fargo Bank	5,400
City of Oakland	5,055
PG&E Corp.	4,625
Alta Bates Summit Medical Center	4,471
Oakland Unified School District	4,359
Lawrence Livermore National Lab	4,051
FedEx Corp.	4,000
Alameda Health System	3,800
Lam Research Corp.	3,465
UPS	3,369
Contra Costa Community College District	3,100
Hayward Unified School District	3,054
Tesla Motors Inc.	3,000
West Contra Costa Unified School District	2,968
San Ramon Valley Unified School District	2,900

Sources: San Francisco Business Times, *2015 Book of Lists* and San Francisco Business Journal.

Table 4-B
MAJOR EMPLOYERS
City and County of San Francisco
As of 2016

Employer	Number of Employees[1]
City and County of San Francisco	26,207
University of California, San Francisco	20,600
San Francisco Unified School District	8,497
Wells Fargo Bank	8,300
California Pacific Medical Center	5,837
Salesforce	5,000
Gap Inc.	4,438
PG&E Corp.	4,297
State of California	4,078
Kaiser Permanente	3,500
San Francisco State University	3,234
United States Postal Service	2,980
Academy of Art University	2,519
Dignity Health	2,428
Charles Schwab & Co. Inc.	2,400
San Francisco VA Medical Center	2,354
City College of San Francisco	2,339
Accenture	2,200
University of San Francisco	2,141
Safeway Inc.	2,000
Twitter Inc.	2,000
Williams-Sonoma Inc.	1,760
BlackRock	1,547
Google Inc.	1,500
Lucasfilm Ltd.	1,500
PricewaterhouseCoopers LLP (PwC)	1,500

Source: San Francisco Business Times, *2016 Book of Lists*
(1) San Francisco employees.

Population and Employment Forecasts

Table 5 presents population and employment projections for the Three BART Counties prepared by the Association of Bay Area Governments ("ABAG"). ABAG projects the population of the Three BART Counties to increase to approximately 4,258,200 people by 2035, as compared with the actual population of 3,617,877 in January 2016, with most of the growth occurring in Contra Costa and Alameda counties. Employment in the Three BART Counties is projected by ABAG to increase to 2,402,160 in 2035, as compared with the actual 1,853,500 employment level as of May 2016 (the most recent data available). Most of the growth in employment is projected by ABAG to occur in the professional and managerial services and health and educational services sectors in each of the Three BART Counties. ABAG also projects the largest growth in employment will occur in San Francisco County.

Table 5
PROJECTED POPULATION AND EMPLOYMENT
Alameda and Contra Costa Counties and City and County of San Francisco
Population

County	2016[1] (Actual)	2035 (Projected)	% Change 2016-2035 (Projected)
Alameda	1,627,865	1,966,300	20.8%
Contra Costa	1,123,429	1,322,900	17.8
San Francisco	866,583	969,000	11.8
Three BART Counties	3,617,877	4,258,200	17.7%

Employment

County	2016[2]	2035 (Projected)	% Change 2016-2035 (Projected)
Alameda	792,700	1,039,680	31.2%
Contra Costa	526,900	555,650	5.5
San Francisco	533,900	806,830	51.1
Three BART Counties	1,853,500	2,402,160	29.6%

(1) As of January 1, 2016.
(2) Preliminary data for May 2016; not seasonally adjusted.
Sources: State of California Department of Finance; State of California Employment Development Department; Association of Bay Area Governments, *Jobs-Housing Connections Strategy*.

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table 6 below presents the latest available total income and per capita personal income for the Three BART Counties, the State and the nation for the calendar years 2010 through 2015 (the most recent annual data available). The Three BART Counties have traditionally had per capita income levels significantly higher than those of the State and the nation.

Table 6
PERSONAL INCOME
Alameda County, Contra Costa County, City and County of San Francisco, State of California and United States
Calendar Years 2010 through 2015

Year and Area	Personal Income (millions of dollars)[1]	Per Capita Personal Income (dollars)
2010		
Alameda County	$70,374	$46,494
Contra Costa County	56,112	53,293
San Francisco County	57,619	71,503
State of California	1,583,447	42,411
United States	12,459,613	40,277
2011		
Alameda County	75,974	49,575
Contra Costa County	60,709	56,919
San Francisco County	63,102	77,308
State of California	1,691,003	44,852
United States	13,233,436	42,453
2012		
Alameda County	80,530	51,746
Contra Costa County	66,154	61,290
San Francisco County	70,574	85,061
State of California	1,812,315	47,614
United States	13,904,485	44,266
2013		
Alameda County	85,174	53,798
Contra Costa County	66,729	60,885
San Francisco County	72,858	86,619
State of California	1,849,505	48,125
United States	14,064,468	44,438
2014		
Alameda County	90,631	56,261
Contra Costa County	70,850	63,752
San Francisco County	77,233	90,600
State of California	1,939,528	49,985
United States	14,683,147	46,049
2015		
Alameda County	101,370	61,879
Contra Costa County	74,757	66,348
San Francisco County	89,533	103,529
State of California	2,103,669	53,741
United States	15,458,500	42,095

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
[1] Numbers reflect rounding.

Table 7 shows the total dollar volume of sales and other taxable transactions (which correlate with sales tax receipts) in the Three BART Counties for calendar years 2011 through 2015 (the most recent data available).

Table 7
HISTORICAL TAXABLE TRANSACTIONS
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Years 2011 Through 2015
($ in thousands)

Fiscal Year	Alameda County	Contra Costa County	San Francisco County	Total Three BART Counties	Percentage Change
2011	$23,430,799	$12,799,857	$14,890,527	$51,121,183	8.9%
2012	25,181,571	13,997,249	15,953,605	55,132,425	7.8
2013	26,624,571	14,471,988	17,094,163	58,190,722	5.5
2014	28,377,714	15,030,047	18,469,729	61,877,490	6.3
2015	29,770,157	15,670,053	18,871,834	64,312,044	3.9

Source: California State Board of Equalization, 2011-2015 Annual Reports.

Table 8 shows taxable transactions by type of business for the Three BART Counties for the year ended December 31, 2015 (the most recent annual data available).

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Table 8
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
Alameda and Contra Costa Counties and the City and County of San Francisco
For Calendar Year 2015
($ in thousands)

Type of Business	Alameda County	Contra Costa County	City and County of San Francisco
Retail and Food Services			
Motor Vehicle and Parts Dealers	3,932,865	2,245,947	565,639
Home Furnishings and Appliance Stores	1,347,605	686,740	1,010,769
Building Material and Garden Equipment and Supplies Dealers	1,566,918	1,060,312	588,279
Food and Beverage Stores	1,146,357	816,995	830,061
Gasoline Stations	1,807,464	1,341,604	471,496
Clothing and Clothing Accessories Stores	1,573,419	902,810	2,163,743
General Merchandise Stores	1,787,594	1,392,414	825,300
Food Services and Drinking Places	3,027,990	1,613,644	4,441,352
Other Retail Group	2,512,594	1,359,781	2,136,115
Total Retail and Food Services[(1)]	**18,702,806**	**11,420,248**	**13,032,755**
All Other Outlets[(1)]	**11,067,352**	**4,249,805**	**5,839,079**
Total All Outlets[(1)]	**29,770,157**	**15,670,053**	**18,871,834**

(1) Totals may reflect rounding.
Source: California State Board of Equalization.

Table 9 shows a comparison of taxable transactions among several large northern and southern California counties (including the Three BART Counties) and state-wide over the calendar years 2011 through 2015 (the most recent annual data available).

Table 9
COMPARISON OF TAXABLE TRANSACTIONS TRENDS
FOR MAJOR CALIFORNIA COUNTIES
Calendar Years 2011 Through 2015
($ in thousands)

	2011	2012	2013	2014	2015	% Change (2011-2015)
Three BART Northern Counties						
Alameda	$23,430,799	$25,181,571	$26,624,571	$28,377,714	$29,770,157	27.1%
Contra Costa	12,799,857	13,997,249	14,471,988	15,030,047	15,670,053	22.4
San Francisco	14,890,527	15,953,605	17,094,163	18,469,729	18,871,834	26.7
Total Three BART Counties	$51,121,183	$55,132,425	$58,190,722	61,877,490	64,312,044	25.8
Other Northern Counties						
Sacramento	$18,003,765	$19,089,848	$20,097,095	$21,061,901	$22,043,196	22.4%
San Mateo	13,020,643	13,906,978	14,611,618	15,298,434	15,487,010	18.9
Santa Clara	33,431,217	36,220,445	37,621,606	39,628,655	41,231,759	23.3
Southern Counties						
Los Angeles	$126,440,737	$135,295,582	$140,079,708	$147,446,927	$151,033,781	19.5%
Orange	51,731,139	55,230,612	57,591,217	60,097,128	61,358,087	18.6
Riverside	25,641,497	28,096,009	30,065,467	32,035,687	32,910,910	28.4
San Bernardino	27,322,980	29,531,921	31,177,823	33,055,967	35,338,556	29.3
San Diego	45,090,382	47,947,035	50,297,331	52,711,639	54,185,588	20.2
Ventura	11,020,181	11,958,260	12,824,296	13,366,628	13,784,346	25.1
Statewide	$520,568,055	$558,387,250	$586,839,618	$615,821,874	$633,941,952	21.8%

Source: California State Board of Equalization.

APPENDIX E

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system has been obtained from sources that the San Francisco Bay Area Rapid Transit District (the "District") believes to be reliable, but neither the District nor the Underwriters takes any responsibility for the accuracy thereof. The District and the Underwriters cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on ("Debt Service") the 2017 Bonds; (b) confirmations of ownership interest in the 2017 Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2017 Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Direct Participants and Indirect Participants are on file with DTC.

None of the District, the Underwriters nor the Trustee will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the 2017 Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the applicable Trust Agreement; or (4) any consent given or other action taken by DTC as registered owner of the 2017 Bonds.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (each a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of 2017 Bonds may wish to ascertain that the nominee holding the 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District or to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the 2017 Bonds, the provisions of the applicable Trust Agreement relating to place of payment, transfer and exchange of the 2017 Bonds, regulations with respect to exchanges and transfers, bond register, 2017 Bonds mutilated, destroyed or stolen, and evidence of signatures of Bond Owners and ownership of 2017 Bonds will govern the payment, registration, transfer, exchange and replacement of the 2017 Bonds. Interested persons should contact the District for further information regarding such provisions of the applicable Trust Agreement.

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the San Francisco Bay Area Rapid Transit District (the "Issuer") and U.S. Bank National Association, as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $300,000,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-1 (Green Bonds) and 2017 Series A-2 (Federally Taxable) (Green Bonds) (together, the "2017A Bonds") and $84,735,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2017 Refunding Series E (Green Bonds) (the "2017E Bonds" and, together with the 2017A Bonds, the "2017 Bonds"). The 2017A Bonds are being issued pursuant to Resolution No. 5338, adopted by the Board of Directors of the Issuer on March 23, 2017, and according to the terms and in the manner set forth in the Trust Agreement, dated as of June 1, 2017 (the "Measure RR Trust Agreement"). The 2017E Bonds are being issued pursuant to Resolution No. 5337, adopted by the Board of Directors of the Issuer on March 23, 2017, and according to the terms and in the manner set forth in the Trust Agreement, dated as of June 1, 2017 (the "Measure AA Trust Agreement" and, together with the Measure RR Trust Agreement, the "Trust Agreement"), each between the Issuer and the Trustee. The Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Holders and the Beneficial Owners (as hereinafter defined) of the 2017 Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the applicable Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement and not otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2017 Bonds (including persons holding 2017 Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Controller/Treasurer of the Issuer or his designee, or such other officer or employee of the Issuer as the Controller/Treasurer of the Issuer shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"Holder" shall mean the person in whose name any 2017 Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the 2017 Bonds required to comply with the Rule in connection with offering of the 2017 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission or any successor agency thereto.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than eight (8) months after the end of the Issuer's fiscal year (presently June 30), commencing with the Annual Report for the fiscal year of the Issuer ending June 30, 2017, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Trustee nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice, in electronic format, to the MSRB, such notice to be in substantially the form attached as Exhibit A.

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, dated May 10, 2017, relating to the 2017 Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when such audited financial statements become available.

(b) An update (as of the most recently ended fiscal year of the Issuer) for the table set forth in the Official Statement under the caption "Debt Service Schedule" and an update for the tables entitled "San Francisco Bay Area Rapid Transit District Assessed Valuation" and "San Francisco Bay Area Rapid Transit District Secured Tax Charges and Delinquencies," each set forth in the Official Statement under the caption "Security and Source of Payment for the 2017 Bonds."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2017 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2017 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2017 Bonds or other material events affecting the tax status of the 2017 Bonds;

2. Modifications to rights of bond holders;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution, or sale of property securing repayment of the 2017 Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Issuer shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Issuer shall determine if such event would be material under applicable federal securities laws.

(e) If the Issuer learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Issuer shall within ten business days of the occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2017 Bonds pursuant to the Resolution.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2017 Bonds. If such termination occurs prior to the final maturity of the 2017 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2017 Bonds, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2017 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the 2017 Bonds in the same manner as provided in the applicable Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the 2017 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee, at the written request of any

Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding 2017 Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys, or any Owner or Beneficial Owner of the 2017 Bonds, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the applicable Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the applicable Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the applicable Trust Agreement and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's or the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Trustee or the Dissemination Agent and payment of the 2017 Bonds. The Dissemination Agent has no power to enforce performance on the part of the Issuer under this Disclosure Agreement.

The Dissemination Agent agrees to accept and act upon instructions or directions pursuant to this Disclosure Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Dissemination Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Dissemination Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Dissemination Agent acts upon such instructions, the Dissemination Agent's understanding of such instructions shall be deemed controlling. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Dissemination Agent and that there may be more secure methods of transmitting instructions than the method(s) selected by the Issuer; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

(i) If to the Issuer:
San Francisco Bay Area Rapid Transit District
300 Lakeside Drive
Oakland, California 94612-3534
Attention: Controller/Treasurer
Telephone: (510) 464-6070
Fax: (510) 464-6011

(ii) If to the Dissemination Agent:
U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust Services
Telephone: (415) 677-3596
Fax: (415) 677-3769

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Notices may also be given by electronic means.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2017 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed under the laws of the State of California.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: June 1, 2017.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

By_________________________________
Controller/Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent

By_________________________________
Authorized Officer

Exhibit A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Francisco Bay Area Rapid Transit District
Name of Bond Issue:	San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2017 Refunding Series E (Green Bonds)
	San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-1 (Green Bonds)
	San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-2 (Federally Taxable) (Green Bonds)
Date of Issuance of Bonds:	June 1, 2017

NOTICE IS HEREBY GIVEN that the San Francisco Bay Area Rapid Transit District (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement, dated ______________, 2017, between the Issuer and U.S. Bank National Association, as dissemination agent. [The Issuer anticipates that the Annual Report will be filed by _______.]

Dated:____________________

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent on behalf of the San Francisco Bay Area Rapid Transit District

cc: Issuer

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

San Francisco Bay Area
Rapid Transit District
Oakland, California

San Francisco Bay Area Rapid Transit District
General Obligation Bonds (Election of 2016),
2017 Series A-1
(Green Bonds)

San Francisco Bay Area Rapid Transit District
General Obligation Bonds (Election of 2016),
2017 Series A-2 (Federally Taxable)
(Green Bonds)

San Francisco Bay Area Rapid Transit District
General Obligation Bonds (Election of 2004),
2017 Refunding Series E (Green Bonds)

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Francisco Bay Area Rapid Transit District (the "District") in connection with the issuance of $271,600,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-1 (Green Bonds) (the "2017A-1 Bonds"), $28,400,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-2 (Federally Taxable) (Green Bonds) (the "2017A-2 Bonds" and, together with the 2017A-1 Bonds, the "2017A Bonds"), authorized at an election held in the District on November 8, 2016, and $84,735,000 aggregate principal amount of San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2017 Refunding Series E (Green Bonds) (the "2017E Bonds" and, together with the 2017A Bonds, the "2017 Bonds"), authorized at an election held in the District on November 2, 2004. The 2017A Bonds are issued under and pursuant to a resolution of the Board of Directors of the District adopted on March 23, 2017 (the "2017A Resolution"), and in accordance with the terms of a Trust Agreement (Measure RR), dated as of June 1, 2017 (the "Measure RR Trust Agreement"), between the District and U.S. Bank National Association, as trustee (the "Trustee"). The 2017E Bonds are issued under and pursuant to a resolution of the Board of Directors of the District adopted on March 23, 2017 (the "2017E Resolution" and, together with the 2017A Resolution, the "Resolutions"), and in accordance with the terms of a Trust Agreement (Measure AA), dated as of June 1, 2017 (the "Measure AA Trust Agreement" and, together with the Measure RR Trust Agreement, the "Trust Agreements"), between the District and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the respective Trust Agreements.

In such connection, we have reviewed the Resolutions, the Trust Agreements, the Tax Certificate of the District dated the date hereof (the "Tax Certificate"), opinions of counsel to the District and others, certificates of the District, the Trustee, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2017 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Trust Agreements and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2017A-1 Bonds and the 2017E Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2017 Bonds, the Resolutions, the Trust Agreements and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public transit districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Trust Agreements or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2017 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2017 Bonds constitute the valid and binding obligations of the District.

2. The Resolutions have been duly and legally adopted and constitutes valid and binding obligations of the District.

3. The Trust Agreements have been duly executed and delivered by the District, and, assuming due authorization, execution and delivery by the other party thereto, constitutes valid and binding agreements of the District.

4. The District has the power and is obligated to cause the levy of *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the principal of the 2017 Bonds and the interest thereon.

5. Interest on the 2017A-1 Bonds and the 2017E Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2017A-1 Bonds and the 2017E Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the

2017A-2 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2017 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2017 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX H

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENTS

The following is a brief summary of certain provisions of the Trust Agreement (Measure AA) and the Trust Agreement (Measure RR), each dated as of June 1, 2017, each between the San Francisco Bay Area Rapid Transit District (the "District") and U.S. Bank National Association, as trustee (the "Trustee") (hereinafter collectively referred to as the "Trust Agreement"). The Trust Agreements contain parallel provisions other than the differences required by the separate voter authorizations and the issuances thereunder. The Trust Agreements are summarized together for convenience, however they are separate trusts and the Trustee will maintain separate Interest and Sinking Funds in which the separate levies for the Measure AA Bonds and the Measure RR Bonds will be held. This summary is not intended to be complete or definitive, and is qualified in its entirety by reference to the full terms of the Trust Agreement. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the respective Trust Agreement.

Definitions

Accreted Value means, with respect to any Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, the principal amount thereof plus the interest accrued thereon at and prior to the maturity or earlier redemption thereof, in the case of a Capital Appreciation Bond, or at and prior to the date of conversion of such Bond to a Current Interest Bond, in the case of a Convertible Capital Appreciation Bond, compounded on the basis of a 360-day year of twelve 30-day months at the approximate interest rate thereon on each compounding date specified therein . The Accreted Value of a Bond at any date of computation shall be an amount equal to the principal amount of such Bond plus interest accrued thereon from the date of issuance, such interest to accrue at the rate per annum established as provided in a Supplemental Trust Agreement and be compounded periodically, plus, if such date of computation shall not be a compounding date, the ratable portion of the difference between the Accreted Value computed as of the immediately preceding compounding date (or the date of issuance thereof if the date of computation is prior to the first compounding date succeeding the date of issuance) and the Accreted Value computed as of the immediately succeeding compounding date, calculated based on the assumption that the Accreted Value increases during any period in equal daily amounts (with straight-line interpolation between compounding dates).

Accreted Value Table means the table denominated as such which appears as an exhibit to, and to which reference is made in, a Supplemental Trust Agreement providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Trust Agreement.

Act shall mean the San Francisco Bay Area Rapid Transit District Act, being Part 2 (Section 28500 and following) of Division 10 of the Public Utilities Code of the State of California, and Articles 4.5, 9 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code, commencing with 53506 and other applicable law as now in effect and as it may from time to time hereafter be amended, modified or supplemented.

Authorized District Representative shall mean the Controller/Treasurer of the District, any designee of the Controller/Treasurer of the District, the General Manager of the District, the President of the Board or any other officer of the District designated by the Board.

BART Counties means the County of Alameda, the County of Contra Costa and the City and County of San Francisco.

Beneficial Owner means any Person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bond, including, without limitation, any Person holding Bonds through nominees or depositories, including the Securities Depository.

Board shall mean the Board of Directors of the District.

Bond Counsel means a firm of nationally-recognized attorneys-at-law experienced in legal work relating to the issuance of municipal bonds selected by the District.

Bondholder or Owner, whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

Bond Obligation means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond or Convertible Capital Appreciation Bond, the Accreted Value thereof.

Bonds shall mean all general obligation bonds of the District authorized by and issued pursuant to Measure AA at the election conducted in the District on November 2, 2004 and Measure RR at the election conducted in the District on November 8, 2016 and all general obligation bonds issued to refund any such bonds that are issued pursuant to and are Outstanding under the Trust Agreement.

Book-Entry Obligations means Obligations issued under a book-entry only depository system as provided in the Trust Agreement.

Business Day shall mean any day other than a Saturday, Sunday, or other day on which banking institutions in the State, or the State of New York, or any state in which the Principal Corporate Trust Office of the Trustee is located, are authorized or required by law to close, or any day on which the New York Stock Exchange is closed.

Capital Appreciation Bonds means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Trust Agreement providing for the issuance of such Series of Bonds and on which interested is compounded and paid at maturity or on prior redemption.

Certificate, Statement, Request, Requisition and Order of the District mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the District by an Authorized District Representative.

Continuing Disclosure Agreement shall mean the Continuing Disclosure Agreement and any other continuing disclosure agreement entered into in connection with a Series of Bonds, including the Continuing Disclosure Agreements executed with respect to the 2007B Bonds, the 2013C Bonds and the 2015D Bonds of Measure AA as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Code shall mean the Internal Revenue Code of 1986, as the same shall be hereafter amended, and any regulations heretofore issued or which shall be hereafter issued by the United States Department of the Treasury thereunder.

Controller/Treasurer shall mean the Controller/Treasurer of the District.

Convertible Capital Appreciation Bonds means Bonds that initially are issued as Capital Appreciation Bonds, but later convert to Bonds on which interest is paid periodically. Convertible

Capital Appreciation Bonds shall be Capital Appreciation Bonds until the conversion date and from and after such conversion date shall no longer be Capital Appreciation Bonds, but shall be treated as Current Interest Bonds having a principal amount equal to their Accreted Value on the conversion date.

Corporate Trust Office means the corporate trust office of the Trustee at One California Street, Suite 1000, San Francisco, California 94111, Attention: Global Corporate Trust Services, or such other or additional offices as may be designated by the Trustee, including for purposes of transfer, exchange or payment of Bonds, such office initially in St. Paul, Minnesota.

Costs of Issuance shall mean all items of expense directly or indirectly payable by or reimbursable to District and related to the authorization, issuance, sale and delivery of a Series of Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee, underwriting fees, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and expenses related to any credit enhancement (including without limitation bond insurance) for the Bonds, fees and expenses with respect to the conduct of the election and other proceedings authorizing the issuance of the Bonds, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

Current Interest Bonds means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Trust Agreement providing for the issuance of such Series of Bonds and that pay interest to the Owners thereof on a periodic basis prior to maturity.

District shall mean the San Francisco Bay Area Rapid Transit District, a public transit district duly organized and existing under and pursuant to the laws of the State of California.

DTC means The Depository Trust Company, New York, New York, or any successor thereto.

Electronic Means means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

EMMA means Electronic Municipal Market Access.

Escrow Agreement (2007B Bonds) means that certain Escrow Agreement (2007B Bonds) by and between the District and U.S. Bank National Association, as escrow agent, dated as of June 1, 2017, relating to the Measure AA Bonds.

Event of Default means any of the events of default described below under the caption "Events of Default and Remedies."

General Obligation Bond Tax Revenues shall mean the taxes required to be levied and collected on account of interest, principal, and sinking fund of the Bonds pursuant to California Public Utilities Code Sections 29121 and 29122.

Interest and Sinking Fund shall mean the "Election of 2004 General Obligation Bond Interest and Sinking Fund" and the "Election of 2016 General Obligation Bond Interest and Sinking Fund" each created pursuant to their respective Trust Agreement for the payment of the Bonds authorized in the election conducted in the District on November 2, 2004 and November 8, 2016, respectively, including the 2017E Bonds and the 2017A Bonds.

Interest Payment Date shall mean February 1 or August 1 of each year, as specified in the Trust Agreement with respect to the 2017A Bonds and the 2017E Bonds and with respect to each other Series of Bonds as specified in the Supplemental Trust Agreement establishing the terms of such Series of Bonds.

Investment Securities shall mean:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America and including interest strips of bonds issued by the Resolution Funding Corporation and held in book-entry form by the Federal Reserve Bank of New York;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i);

(iii) obligations of the Fannie Mae Corporation, the Government National Mortgage Association, Farm Credit System Financial Corporation, Federal Home Loan Banks and Federal Home Loan Mortgage Corporation;

(iv) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that such obligations are rated in the highest Rating Category by Moody's and S&P Global Ratings;

(vi) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the Trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i) or (ii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i) or (ii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vi) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (vi), as appropriate, and (d) which are rated in the highest long-term Rating Category by Moody's and S&P Global Ratings;

(vii) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee or any of its affiliates) or by a state licensed branch of any foreign bank, provided that such certificates of deposit shall be purchased directly from such a bank, trust company, national banking association or branch and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (v), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee or third-party agent, as custodian, by the bank, trust company, national banking association or branch issuing such certificates of deposit, and the bank, trust company, national banking association or branch issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking;

(viii) taxable commercial paper or tax-exempt commercial paper rated in the highest short-term Rating Category by Moody's and S&P Global Ratings which matures not more than 270 calendar days after the date of purchase;

(ix) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the holder thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the holder thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest short-term Rating Category, if any, and in the highest long-term Rating Category, if any, by Moody's and S&P Global Ratings, and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligations by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in the highest long-term Rating Category by Moody's and S&P Global Ratings;

(x) any repurchase agreement approved by the Board which does not cause the rating on the Bonds to be reduced or withdrawn, or entered into with a financial institution or insurance company which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in the highest long-term Rating Category by Moody's and S&P Global Ratings, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii), (iii) or (iv) above, which shall have a market value (exclusive of accrued interest and valued at least weekly) at least equal to one hundred three percent (103%) of the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian, by the provider executing such repurchase agreement, and the provider executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to the Trustee that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least weekly) will be an amount equal to one hundred three percent (103%) of the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(xi) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (x) of this definition of Investment Securities and any money market fund including money market funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (x) of this definition of Investment Securities; provided that as used in this clause (xi) and clause (xii) investments will be deemed to satisfy the requirements of clause (x) if they meet the requirements set forth in clause (x) ending with the words clauses (i), (ii), (iii) or (iv) above and without regard to the remainder of such clause (x);

(xii) any investment agreement with, or the obligations under which are guaranteed by, a financial institution or insurance company or domestic or foreign bank which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in the highest long-term Rating Category by Moody's and S&P Global Ratings, approved by the Board and which does not cause the rating on the Bonds to be reduced or withdrawn;

(xiii) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Trust Agreement; and

(xiv) any other investment approved by the Board which does not cause the rating on the Bonds to be reduced or withdrawn.

Maximum Interest Rate means twelve percent (12%) per annum.

Measure AA means the measure approved by the voters of the District at the November 2, 2004 election authorizing not to exceed $980 million dollars in bonds for the Earthquake Safety Program as more fully defined in the recitals in the Trust Agreement (Measure AA).

Measure RR means the measure approved by the voters of the District at the November 8, 2016 election authorizing $3.5 billion dollars in bonds for the System Renewal Program as more fully defined in the recitals in the Trust Agreement (Measure RR).

Moody's shall mean Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term Moody's shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

Opinion of Bond Counsel shall mean a written Opinion of Bond Counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

Outstanding, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Trust Agreement except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds deemed to be paid in accordance with the provisions of the Trust Agreement described below under the caption "Discharge of Liability on Bonds" and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Trust Agreement.

Owner shall mean the person in whose name any Bond shall be registered.

Principal Payment Date shall mean August 1 of each year in which principal of a Series of Bonds is scheduled to be paid.

Project shall mean the improvements to District facilities authorized by Measure AA and Measure RR, respectively, to be funded with the proceeds of the Bonds.

Project Account shall mean an account established in the Project Fund to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the Project to which such Project Account relates.

Project Fund shall mean the fund by that name established pursuant to the provisions of the Trust Agreement described below under the caption "Project Fund."

Proportionate Basis, when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed; provided, however that, any Bond may only be redeemed in an authorized denomination. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the mandatory sinking account payments, and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of a portion of Bonds, Proportionate Basis shall have the same meaning set forth above except that pay or purchase shall be substituted for redeem or redemption and paid or purchased shall be substituted for redeemed.

Rating Agency means, as and to the extent applicable to a Series of Bonds, each of Moody's and S&P Global Ratings then maintaining a rating on such Series of Bonds at the request of the District.

Rating Category shall mean: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

Rebate Fund shall mean the fund by that name established pursuant to the provisions of the Trust Agreement.

Rebate Requirement shall mean the Rebate Requirement for a Series of Bonds defined in the Tax Certificate related to such Series of Bonds.

Record Date shall mean the fifteenth day of the month prior to an Interest Payment Date, whether or not such day is a Business Day.

Redemption Date shall mean the date on which the Bonds or any of them are called for redemption, as provided in the Trust Agreement and as provided in the respective Supplemental Trust Agreement with respect to other Series of Bonds.

Refunding Bonds shall be any Bonds issued thereunder for the purpose of refunding Bonds authorized by and issued under Measure AA or Measure RR and issued thereunder.

Resolution 2017A shall mean Resolution No. 5338, adopted by the Board of Directors of the District on March 23, 2017, authorizing the issuance of the 2017A Bonds.

Resolution 2017E shall mean Resolution No. 5337, adopted by the Board of Directors of the District on March 23, 2017, authorizing the issuance of the 2017E Bonds.

Securities Depository means DTC, or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other securities depositories, or no such depositories, as the District may designate in a Certificate of the District delivered to the Trustee.

Series shall mean, whenever used herein with respect to Bonds, all of the Bonds designated as being of the same series, regardless of variations in maturity, interest rate and other provisions.

S&P Global Ratings shall mean S&P Global Ratings, a Standard & Poor's Financial Services LLC business, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P Global Ratings shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

State means the State of California.

Supplemental Trust Agreement shall mean any Supplemental Trust Agreement hereafter duly executed and delivered, supplementing, modifying or amending the Trust Agreement, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized thereunder.

Tax Certificate shall mean a tax certificate concerning certain matters pertaining to the use of proceeds of a Series of Bonds, executed and delivered by the District on the date of issuance of such Series of Bonds, including all exhibits attached thereto, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

Term Bond shall mean a Bond subject to mandatory sinking fund redemption prior to its stated maturity date, without a redemption premium, in part by lot, from mandatory sinking fund payments in the amounts and years specified herein or in the Supplemental Trust Agreement relating to such Bond, as applicable.

Trustee shall mean U.S. Bank National Association, acting as Trustee, registrar, and transfer agent with respect to the Bonds, its successors and assigns and any other corporation or association which may at any time be substituted in its place as provided in the Trust Agreement.

Trust Agreement shall mean the Trust Agreement (Measure AA) and the Trust Agreement (Measure RR), each dated as of June 1, 2017, each between the Trustee and the District, as the same may be supplemented, modified or amended in accordance with their respective terms.

2017A Bonds means collectively the 2017A-1 Bonds and the 2017A-2 Bonds.

2017A-1 Bonds shall mean the San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-1, issued under the Trust Agreement (Measure RR).

2017A-2 Bonds shall mean the San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2016), 2017 Series A-2 (Federally Taxable), issued under the Trust Agreement (Measure RR).

2017A Account means the account of such name established in the Interest and Sinking Fund pursuant to Trust Agreement (Measure RR) to hold proceeds to be used to pay debt service on the 2017A Bonds.

2017A Costs of Issuance Fund means the fund designated as the 2017A Costs of Issuance Fund created pursuant to the Trust Agreement (Measure RR).

2017A Project Account shall mean the account of such name created within the Project Fund pursuant to the Trust Agreement (Measure RR).

2017E Bonds shall mean the San Francisco Bay Area Rapid Transit District General Obligation Bonds (Election of 2004), 2017 Refunding Series E, issued under the Trust Agreement (Measure AA).

2017E Costs of Issuance Fund means the fund designated as the "2017E Costs of Issuance Fund" created pursuant to the Trust Agreement (Measure AA).

Pledge of Taxes

The Bonds are general obligation bonds of the District issued pursuant to the Act, including Section 53506 of the Government Code of the State and are payable as to both principal and interest, and any premium upon redemption thereof, exclusively from the General Obligation Bond Tax Revenues. All General Obligation Bond Tax Revenues are thereby pledged pursuant to California Government Code Section 5451 to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein. Said pledge will constitute a lien on the General Obligation Bond Tax Revenues and will be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act. The General Obligation Bond Tax Revenues constitute a trust fund for the security and payment of the Bonds. In addition, the Bonds are general obligation bonds within the meaning of Section 53515 of the Government Code of the State and pursuant to such law are secured by a statutory lien applicable to the General Obligation Tax Revenues.

Out of the General Obligation Bond Tax Revenues there will be applied as thereinafter set forth all sums required for the payment of the principal of (including any premium thereon) and interest on the Bonds, together with any sinking fund payments of Bonds. The pledge of General Obligation Bond Tax Revenues therein made will be irrevocable until all of the Bonds are no longer Outstanding.

Establishment and Application of Funds and Accounts

Each of the funds and accounts described below is established pursuant to the Trust Agreement.

Project Fund. The Trustee will establish, maintain and hold in trust for the District a fund designated as the "Project Fund." For each Series of Bonds, the Trustee will establish within the Project Fund a separate account for such Series of Bonds, designated as the "_______ Project Account," inserting therein the Series designation of such Bonds. Upon receipt by the Trustee of the proceeds of the sale of a Series of Bonds, the Trustee will deposit in the applicable Project Account the amount specified in the Request of the District delivered in connection with the issuance of such Series of Bonds to be deposited in such Project Account. The moneys in each Project Account will be used and withdrawn by the District to pay the costs of the Project or the Costs of Issuance of the Series of Bonds to which such Project Account relates.

Before any payment from a Project Account will be made by the Trustee, the District will file or cause to be filed with the Trustee a Requisition of the District in substantially the form specified in the respective Trust Agreement.

Upon issuance of each such Requisition, the Trustee will pay the amount set forth in such Requisition as directed by the terms thereof out of the Project Account. The Trustee need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the District determines that all payments with respect to the portion of the Project to which a Project Account relates have been made, the District will deliver to the Trustee a Certificate of the District stating: (i) the fact and date of such completion, (ii) that all of the costs with respect to the applicable portion of the Project have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund for such Series of Bonds is to be maintained in the full amount of such claims until such dispute is resolved), and (iii) instructing the Trustee to transfer the remaining balance in the Project Account for such Series of Bonds, less the amount of any such retention, to another Project Account, or, if no other Project Account then exists, to the Interest and Sinking Fund for application to the payment of debt service on the Bonds.

Under the Trust Agreement (Measure AA), the Trustee will establish the 2013 Project Account. The Trustee will transfer to and hold funds currently held in the Project Fund under the Paying Agent Agreement into the 2013 Project Account.

2017 Costs of Issuance Fund

The monies set aside and placed in the 2017A Costs of Issuance Fund and the 2017E Costs of Issuance Fund will be expended for the purpose of paying the Costs of Issuance of the 2017A Bonds and the 2017E Bonds. Before any payment from the 2017A Costs of Issuance Fund and the 2017E Costs of

Issuance Fund will be made by the Trustee, the District will file or cause to be filed with the Trustee a requisition of the District in the form attached to the Trust Agreement to be signed by an Authorized Representative.

Interest and Sinking Fund. All amounts in the Interest and Sinking Fund will be used and withdrawn by the Trustee solely for the purposes of paying principal of, interest and premium, if any, on the Bonds as it will become due and payable. The District will direct the General Obligation Tax Revenues to be deposited by the respective Counties collecting such revenues directly with the Trustee. On or prior to the date any payment is due in respect of the Bonds, such monies as will be lawfully available for the payment of the Bonds will be deposited with the Trustee sufficient to pay the principal of, interest and premium, if any, on all Bonds outstanding coming due on such payment date. In the event that the Trustee will fail to receive an amount sufficient to make such payment by the close of business on the Record Date preceding a scheduled Interest Payment Date or Principal Payment Date, the Trustee will promptly notify the District in writing of the amount of such insufficiency by fax or other electronic means of communication acceptable to the District, receipt of which by the District will be confirmed by the Trustee.

Rebate Fund. Upon receipt of money to be applied to the Rebate Requirement for a Series of Bonds, the Trustee will establish and maintain a fund separate from any other fund established and maintained under the Trust Agreement designated as the Rebate Fund. Within the Rebate Fund, the Trustee will maintain such accounts as will be necessary in order to comply with the terms and requirements of the applicable Tax Certificate as directed in writing by the District. Subject to the transfer provisions provided in the Trust Agreement, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and neither the Trustee nor the District nor the Owner of any Bonds will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the Trust Agreement and by the applicable Tax Certificate. The District thereby covenants to comply with the directions contained in the applicable Tax Certificate and the Trustee thereby covenants to comply with all written instructions of the District delivered to the Trustee pursuant to such Tax Certificate (which instructions will state the actual amounts to be deposited in or withdrawn from the Rebate Fund and will not require the Trustee to make any calculations with respect thereto).

Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Trust Agreement will be invested, as directed by the District, solely in Investment Securities; provided that any amounts in the Project Fund may be investment in any security permitted by the Investment Policy of the District. All Investment Securities will, as directed by the District in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in the provisions of the Trust Agreement described below under the caption "Tax Covenants," the limitations as to maturities hereinafter in this caption set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the District. If and to the extent the Trustee does not receive investment instructions from the District with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Trust Agreement, such moneys will be invested in Investment Securities described in clause (xi) of the definition thereof and the Trustee will thereupon request investment instructions from the District for such moneys.

Moneys will be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Trust Agreement, all interest, profits and other income received from the investment of moneys in any fund or account, other than the Rebate Fund or the Interest and Sinking Fund, will be transferred to the Project Fund when received. All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited in the Rebate Fund, except as provided above under the caption "Rebate Fund." All interest, profits and other income received from the investment of moneys in the Interest and Sinking funds will be deposited in the Interest and Sinking Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security will be credited to the fund or account from which such accrued interest was paid.

The Trustee may at its sole discretion commingle any of the funds or accounts established pursuant to the Trust Agreement into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Trust Agreement will be accounted for separately as required by the Trust Agreement. The Trustee may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the District may impose its customary charge therefor. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment.

Issuance of Additional Series of Bonds

The District may from time to time issue one or more additional Series of Bonds or Refunding Bonds pursuant to the Act, Measure AA and Measure RR. Whenever the District shall determine to issue an additional Series of Bonds, the District will authorize the execution of a Supplemental Trust Agreement specifying the principal amount, and prescribing the forms of Bonds of such Series and providing the Series designation, terms, conditions, distinctive designation, denominations, methods of numbering, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions and place or places of payment of principal or redemption premium, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series.

Before such additional Series of Bonds will be issued and delivered, the District will file the following documents with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied): (i) an executed copy of the Supplemental Trust Agreement authorizing such Series, and (ii) an Opinion of Bond Counsel to the effect that the execution of the Supplemental Trust Agreement has been duly authorized by the District in accordance with the Trust Agreement and that such Series of Bonds, when duly executed by the District and authenticated and delivered by the Trustee, will be valid and binding obligations of the District; and (iii) except in the case of Refunding Bonds, a Certificate of the District to the effect that upon the delivery of such Series the aggregate principal amount of Bonds then issued and outstanding will not exceed the amounts permitted by the Act or by Measure AA or Measure RR, respectively.

Proceeds of each Series of Bonds will be applied as specified in the Supplemental Trust Agreement pursuant to which such Series of Bonds is created.

Certain Covenants of the District

Obligation to Levy Taxes For Payment of Bonds. The Board will, at the time of fixing the general tax levy and in the manner provided for the general tax levy, levy and collect annually until the

Bonds are paid, or until there is a sum on deposit with the Trustee set apart for that purpose to meet all sums coming due for principal and interest on the Bonds as they become due and payable, a tax sufficient to pay the annual interest on the Bonds and such part of the principal thereof, including any sinking fund installments required hereby, as becomes due before the proceeds of a tax levied at the next general tax levy will be available for such purposes.

The money for the payment of principal and interest on the Bonds will be raised by the levy and collection of ad valorem taxation upon all property in the District subject to taxation by the District without limitation as to rate or amount. The Board will, on or before the first weekday in September in each year any Bonds are Outstanding, fix the rate of taxes, designating the number of cents upon each hundred dollars, using as a basis the value of property transmitted to the Board by the respective county auditors of the BART Counties, which rate of taxation will be sufficient to raise the amount fixed by the Board.

The District will have the County of Alameda, the County of Contra Costa and the City and County of San Francisco to each remit taxes collected for payment of the Bonds directly to the Trustee for deposit in the respective Interest and Sinking Fund.

Validity of Bonds. The recital contained in the Bonds that the same are regularly issued pursuant to all applicable laws will be conclusive evidence of their validity and of compliance with the provisions of the law in their issuance.

Tax Covenants. The District covenants that it will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Bonds under Section 103 of the Code; provided that, prior to the issuance of a Series of Bonds, the District may exclude the application of the covenants described under this caption and pursuant to the provisions of the Trust Agreement described above under the caption "Rebate Fund" to such Series of Bonds that are not intended to be tax-exempt. Without limiting the generality of the foregoing, the District covenants that it will comply with the requirements of each Tax Certificate. This covenant will survive payment in full or defeasance of the Bonds.

In the event that at any time the District is of the opinion that for purposes of these covenants it is necessary or helpful to restrict or limit the yield on the investment of any monies held by the Trustee or other custodian on behalf of the District, the District will so instruct the Trustee or other custodian in writing.

Notwithstanding any provision of this section, if the District will obtain and provide to the Trustee or other custodian, as appropriate, an Opinion of Bond Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, said party may conclusively rely on such Opinion of Bond Counsel in complying with the requirements of these covenants and of the Tax Certificate, and the covenants thereunder will be deemed to be modified to that extent.

Continuing Disclosure Covenant. Upon the issuance of any Series of Bonds requiring an undertaking regarding continuing disclosure under Securities and Exchange Commission Rule 15c2-12, the District and the Trustee thereby covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed and delivered in connection with such Series of Bonds. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Agreement will not be considered an event of default hereunder; provided that any Owner or Beneficial Owner (as defined below) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the

District to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Against Encumbrances. The District will not create any pledge, lien or charge upon any of the General Obligation Bond Tax Revenues having priority over or having parity with the lien of the Bonds.

Events of Default and Remedies of Bondholders

Events of Default. The following are Events of Default:

(i) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable; or

(ii) default in the due and punctual payment of the principal or redemption price of any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, or otherwise, or default in the redemption from any sinking account of any Bonds in the amounts and at the times provided therefor.

Application of General Obligation Bond Tax Revenues and Other Funds After Default. If and for so long as an Event of Default will occur and be continuing, the District will immediately transfer to the Trustee all General Obligation Bond Tax Revenues held by it, if any, and request that each of the BART Counties transfer any General Obligation Bond Tax Revenues held by such county to the Trustee and the Trustee will apply all General Obligation Bond Tax Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Trust Agreement (except as otherwise provided in the Trust Agreement) to the payment of the whole amount of Bond Obligation then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Trust Agreement, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds which will have become due, whether at maturity, by call for redemption or otherwise, in the order of their due dates, with interest on the overdue Bond Obligation at the rate borne by the respective Bonds, and, if the amount available will not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof on a Proportionate Basis, according to the amounts of principal (plus accrued interest) or Accreted Value due on such date to the persons entitled thereto, without any discrimination or preference.

Notwithstanding anything in the Trust Agreement to the contrary, in no event are the Bonds subject to acceleration if an Event of Default occurs and is continuing.

Trustee to Represent Bondholders. The Trustee is thereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Trust Agreement, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate amount of the principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained, herein, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Trust Agreement, the Act or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the General Obligation Bond Tax Revenues, pending such proceedings. All rights of action under the Trust Agreement or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Trust Agreement.

Bondholders' Direction of Proceedings. Anything in the Trust Agreement to the contrary notwithstanding, the Owners of a majority in aggregate amount of Bond Obligation then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction will not be otherwise than in accordance with law and the provisions of the Trust Agreement, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Bondholders' Right to Sue. No Owner of any Bond will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Trust Agreement, the Act or any other applicable law with respect to such Bond, unless (1) such Owner will have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than twenty-five percent (25%) in aggregate amount of Bond Obligation of the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners will have tendered to the Trustee reasonable, indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee; and (5) the Trustee will not have received contrary directions from the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are thereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement or the rights of any other Owners of Bonds, or to enforce any right under the Trust Agreement, the Act or other applicable law with respect to the Bonds, except in the manner therein provided, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Trust Agreement.

Remedies Not Exclusive. No remedy therein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Liability of Trustee

The recitals of facts in the Trust Agreement and in the Bonds contained will be taken as statements of the District, and the Trustee assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Trustee on each Bond), and makes no representations as to the validity or sufficiency of the Trust Agreement or of the Bonds or of any Investment Security, as to the sufficiency of the General Obligation Bond Tax Revenues or the priority of the lien of the Trust Agreement thereon, or as to the financial or technical feasibility of any Project and will not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein or in the Bonds assigned to or imposed upon it. The Trustee will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee will not be liable in connection with the performance of its duties hereunder, except for its own negligence, willful misconduct or breach of the express terms and conditions hereof. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under the Trust Agreement. The Trustee may in good faith hold any other form of indebtedness of the District, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the District and make disbursements for the District and enter into any commercial or business arrangement therewith, without limitation.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duty under the Trust Agreement, but the Trustee will be answerable for the negligence or misconduct of any such attorney, agent, or receiver selected by it; provided that the Trustee will not be answerable for the negligence or misconduct of any attorney or certified public accountant selected by it with due care.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than twenty-five percent (25%) in aggregate amount of the Bond Obligation of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Bondholders pursuant to the provisions of the Trust Agreement, including, without limitation, the provisions stated above under the caption "Events of Default and Remedies of Bondholders," unless such Bondholders will have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

No provision of the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

Modification or Amendment of the Trust Agreement

Amendments Permitted. The Trust Agreement and the rights and obligations of the District, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the District and the Trustee may enter into with the written consent of the Owners of a majority in aggregate amount of the Bond Obligation of the Bonds (or, if such Supplemental Trust Agreement is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding will have been filed with the Trustee; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of, any calculation of Bonds Outstanding under the Trust Agreement.

The Trust Agreement and the rights and obligations of the District, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the District and Trustee may execute without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the purposes set forth in the Trust Agreement or for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Prohibited Amendments. No such modification or amendment will (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any mandatory sinking account payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of amount of Bond Obligation of the Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the General Obligation Bond Tax Revenues and other assets pledged under the Trust Agreement prior to or on a parity with the lien created by the Trust Agreement, or deprive the Owners of the Bonds of the lien created by the Trust Agreement on such General Obligation Bond Tax Revenues (except as expressly provided in the Trust Agreement), without the consent of the Owners of all of the Bonds then Outstanding.

Approval of Form; Springing Amendment. It will not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Trust Agreement, but it will be sufficient if such consent will approve the substance thereof. The District may evidence Owner consent to an amendment to the Trust Agreement by providing that the effectiveness thereof will occur when the Bonds Outstanding evidenced by a majority of the Bond Obligation were issued after the amendment was proposed, acquisition of the Bonds by the Owners thereof evidencing consent to the amendment. Promptly after the execution and delivery by the Trustee and the District of any Supplemental Trust Agreement, the Trustee will mail a notice, setting forth in general terms the substance of such Supplemental Trust Agreement to the Owners of the Bonds at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or, any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

Effect of Supplemental Trust Agreement. From and after the time any Supplemental Trust Agreement becomes effective pursuant to this Article, the Trust Agreement will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement of the District, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement will be deemed to be part of the terms and conditions of the Trust Agreement for any and all purposes.

Defeasance

Discharge of Liability on Bonds. Bonds of any Series or a portion thereof may be paid by the District in any of the following ways:

(A) by paying or causing to be paid the principal amount of and interest on such Outstanding Bonds, as and when the same become due and payable;

(B) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided below in Discharge by Deposit) to pay or redeem such Outstanding Bonds; or

(C) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

Discharge of Trust Agreement. If the District will pay all Outstanding Bonds and also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a Certificate of the District, filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Trust Agreement), and notwithstanding that any Bonds will not have been surrendered for payment, the Trust Agreement and the pledge of General Obligation Bond Tax Revenues and other assets made under the Trust Agreement and all covenants, agreements and other obligations of the District under the Trust Agreement will cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the District, the Trustee will cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and will execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Trust Agreement which, as evidenced by a verification report, upon which the Trustee may conclusively rely, from a firm of certified public accountants or other verification entity, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge by Deposit. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided pursuant to the provisions of the Trust Agreement described under the caption "Deposit of Money or Securities with Trustee") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption will have been given as provided pursuant to the provisions of the Trust Agreement under the caption "Redemption of Bonds" or provision satisfactory to the Trustee will have been made for the giving of such notice, then all liability of the District in respect of such Bond will cease, terminate and be completely discharged, provided that the Owner thereof will thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the District will remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Trust Agreement described under the caption "Payment of Bonds After Discharge of Trust Agreement" and the continuing duties of the Trustee under the Trust Agreement.

Deposit of Money or Securities with Trustee. Whenever in the Trust Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee, escrow agent or other fiduciary money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement and will be:

(A) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given as in Article IV provided or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(B) Non-callable Investment Securities described in clauses (i), (ii) or (vi) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant or other verification entity delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as required or provision satisfactory to the Trustee will have been made for the giving of such notice; provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Trust Agreement or by Request of the District) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

If the escrow agent is other than the Trustee, the Trustee shall be provided written certification from the escrow agent, upon which certification the Trustee may conclusively rely, that the escrow agent is in receipt of funds in the necessary amount for the defeasance.

Payment of Bonds After Discharge of Trust Agreement. Any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Trust Agreement), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will, upon Request of the District, be repaid to the District free from the trusts created by the Trust Agreement, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal or interest or premium on Bonds, whether at redemption or maturity, will be held in trust for the account of the Owners thereof and the Trustee will not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the District) for any interest earned on, moneys so held. Any interest earned thereon will belong to the District and will be deposited monthly by the Trustee into the Revenue Fund.

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT • GENERAL OBLIGATION BONDS (ELECTION OF 2016), 2017 SERIES A-1 (GREEN BONDS) AND 2017 SERIES A-2 (FEDERALLY TAXABLE) (GREEN BONDS) AND (ELECTION OF 2004), 2017 REFUNDING SERIES E (GREEN BONDS)

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