

Overview

The San Francisco Bay Area Rapid Transit District (the “District” or “BART”) was created in 1957 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 has easements to operate within the County of Santa Clara on which BART is operating facilities, 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. The first phase of the extension of the BART System into the County of Santa Clara was completed in Fiscal Year 2019-20, as service to the Milpitas and Berryessa/North San José stations began on June 13, 2020.

The BART System is a primarily electrically powered rapid transit commuter rail system serving the residents of the San Francisco Bay Area.¹ As of August 2021, the BART System is comprised of approximately 131 miles of double track (including some areas of multiple tracks) and 50 stations, 42 of which are located in the Three BART Counties and six of which are located in San Mateo County on the San Francisco Peninsula, and two of which are located in Santa Clara County. 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. BART service lines run through the urban and suburban areas of the Three BART Counties, San Mateo County, and Santa Clara County. Service patterns are largely dictated by the topography of the region. Lines run along the west side of the San Francisco Bay on the San Francisco Peninsula from the Millbrae station and SFO station, under the San Francisco Bay (via the “Transbay Tube”), and then traverse the hills and valleys of the east side of the San Francisco Bay.

A typical passenger car gets about 22 miles per gallon, while a BART rider gets the equivalent of 181 miles per gallon. On average, BART is 8 times more efficient than a typical car driven alone (on a passenger-miles per gallon basis of comparison).

BART’s Sustainability Policy and Wholesale Energy Portfolio Policy, discussed below, demonstrate the District’s commitment to regional sustainability by providing safe, affordable, equitable and environmentally friendly access to low-carbon transportation, which is consistent with the Climate Bonds Initiative (“CBI”) Low Carbon Land Transport Standard Version 2.

Sustainability Policy

BART maintains a Sustainability Policy and a Sustainability Action Plan. These plans, among other sustainability-related information, are available at www.bart.gov/sustainability. BART has been committed to integrating sustainability into its daily operations and future transit investments with adoption of its first Sustainability Policy in 2005. BART has also been both a leader and participant in the American Public Transit Association (“APTA”) Sustainability Guideline development. In 2010, BART signed APTA’s Sustainability Commitment, achieving the Silver Recognition Award in 2016. BART’s 2015 Strategic Plan identifies several key goals of the District, one of which is to advance regional sustainability and public health outcomes.

¹ The vast majority of BART trains are 100% electric. BART’s Antioch Extension (“eBART”), which was commissioned in May 2018, is the only non-electrified segment of the BART system and its trains instead rely on renewable diesel as a propulsion fuel.

In 2017, the District adopted a revised Sustainability Policy and published a 10-year Sustainability Action Plan, which details the targets, current progress, and future actions to integrate sustainability as a standard practice throughout BART. A summary of vision and goals of BART's Sustainability Policy are highlighted below:

Vision: BART is committed to advancing regional sustainability by providing safe, affordable, equitable, and environmentally-friendly transit to move people to jobs, recreation and services. BART incorporates cost-effective sustainability through fulfillment of the following goals:

- i. Advance smart land use, livable neighborhoods and sustainable access to transit;
- ii. Choose sustainable materials, construction methods, and operations practices;
- iii. Use energy, water, and other resources efficiently;
- iv. Reduce harmful emissions and waste generation;
- v. Respond to risks from extreme weather, earthquakes, and other potential disruptions;
- vi. Improve patron and employee health and experience; and
- vii. Serve as a leader in sustainability for transit agencies and the communities that BART serves.

BART publishes an annual Sustainability Report, which communicates BART's progress with its sustainability program and includes key sustainability performance metrics. The most recent Sustainability Report can be found at www.bart.gov/sustainability.

Wholesale Electricity Portfolio Policy

BART is one of the largest end-users of electric power in Northern California, historically requiring about 410,000 megawatt hours of electricity annually. The composition of BART's power portfolio prioritizes renewable resources and other greenhouse gas (GHG) free sources of electric supply, further reinforcing the climate benefits of BART's transit service. By adopting an innovative Wholesale Electricity Portfolio Policy in April 2017, BART strengthened the region's commitment to sustainability. The vision of BART's Wholesale Electricity Portfolio Policy is as follows:

Vision: BART plays a critical role in affecting the environmental footprint of the Bay Area's overall transportation sector, by providing an alternative to driving that is affordable, accessible, convenient and environmentally-friendly. BART has wide latitude in designing its wholesale electricity portfolio and has a responsibility to manage its electricity purchases to advance sustainability goals while supporting low and stable operating costs. This BART Wholesale Electricity Portfolio Policy is designed to guide BART's electric portfolio design activities to support these goals and maintain BART's role as a transit leader.

Highlights of the policy include performance measures to maintain low and stable BART operating costs, and to achieve a wholesale electric portfolio that:

- i. Has an average emission factor no greater than 100 lbs-CO₂e/MWh during the period 2017 through 2024 (inclusive);
- ii. Is from at least 50% Eligible Renewable sources and from at least 90% low and zero carbon sources by 2025;
- iii. Is 100% from zero carbon sources by 2035; and
- iv. Is 100% from Eligible Renewable sources by 2045.

The most recent information on the BART Wholesale Electricity Portfolio Policy can be found at <https://www.bart.gov/sustainability/energy>.

Framework Overview

This Green Bonds framework sets out how BART proposes to use the proceeds of BART's Green Bonds for the financing or refinancing of eligible Green Projects in the BART System in a manner consistent with the District's Sustainability practices and the CBI Low Carbon Land Transport Standard. This framework will also detail how the District will provide transparency and accountability to investors making investment decisions. BART's Green Bond framework is established in accordance with the Climate Bonds Standard version 3.0.

Use of Proceeds

The District intends to apply the proceeds of Measure AA (Election of 2004) and Measure RR (Election of 2016) General Obligation Green Bond issues towards financing or refinancing projects under the respective bond measures that assist the District in providing mass transit services primarily using an electrified railway that provides a low-carbon alternative to automobile travel as well as substantial investment in resiliency measures to reduce the susceptibility of BART's assets to earthquakes and towards the costs of issuance for such bond issuances.

Additionally, the District has applied or intends to apply the proceeds of certain Climate Bond Certified Sales Tax Revenue Bonds (issued as "Green Bonds") towards the refunding of certain prior bonds or financing capital projects, of which proceeds were originally applied towards a variety of improvements to BART facilities including acquisition of hundreds of electric rail transit vehicles and passenger cars, automated train control equipment, energy conservation measures, system communication facilities, station and track improvement, commuter parking projects and street improvements, right-of-way agreements, and rehabilitation/enhancements to trains and train performance systems, and construction of the Oakland Airport Connector line. All proceeds of the prior bonds were issued to support the operations and maintenance of a sustainable mass transportation system.

Selection and Evaluation of Eligible Green Projects

BART debt issuances identified as "Green Bonds" use bond proceeds to finance or refinance projects that assist BART in providing mass transit services that reduce the amount of carbon dioxide that would otherwise be released if BART riders used automobiles that emit CO₂. BART's core system consists of electrically powered trains, a source of clean transportation, thereby further reducing CO₂ emissions.

BART uses a Strategic Asset Management Program ("AMP") to guide decisions about system reinvestment, minimize risk, and maintain financial stability. The AMP relies on detailed, ongoing data collection about each asset in the system, and follows international best practices to assess the likelihood of near-term failure for each asset and understand the impact that such a failure would have on the BART system, its riders, and the region.

The Board approved AMP (2015) has the following goals:

- Ensure that BART's services are provided and infrastructure is maintained in a sustainable manner
- Safeguard BART assets, including employees and physical assets, by implementing asset management strategies and directing appropriate resources to these strategies

- Demonstrate transparent and responsible asset management processes that align with accepted best practices and federal standards.
- Meet federal legislative requirements for asset management.

Consequently, the District develops Asset Management Plans that include detailed capital asset inventories and condition assessments, risk-based decision-making and a decision support tool, investment prioritization consistent with the System Safety Program with performance targets in relation to State of Good Repair measures, as required by the Federal Transit Administration.

The AMP process will be used to guide decisions about the appropriate timing of the projects funded by this program (“Green Projects”). The process will allow BART’s staff and Board of Directors, with input from the respective Independent Oversight Committee, to take a systematic, risk-focused approach to guide which investments will be undertaken and in what order. The process for selecting investments from this program will be closely coordinated with BART’s larger capital program.

The process has proceeded for the Measure AA projects and Measure RR projects financed to date, and the process will proceed in this manner for future Measure AA and Measure RR projects. The Measure AA projects are described in more detail at <https://www.bart.gov/about/projects/eqs>, and the Measure RR projects are described in more detail at <https://www.bart.gov/better-bart>.

For the prior projects that have been refinanced by the Sales Tax Refunding Bonds (Green Bonds), all projects were selected by the BART Board of Directors and critical to assisting the District operate and maintain a sustainable mass transit system.

Approval/Governance Process

Assets financed or to be financed must be selected and approved by the Board of Directors of BART and must meet the criteria of the BART Asset Management Plan. All BART projects financed with Green Bond proceeds meet the CBI Low Carbon Land Transport Standard, as each project supports BART’s primarily electrically powered rapid mass transit commuter rail system as previously described. BART has the authority to expend these funds, as approved by the State of California, only as permitted by the California Constitution.

Measure AA General Obligation 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”), titled “BART Earthquake Safety Bond.” 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”). Measure AA Green Bonds are to be issued to finance or refinance improvements to BART facilities authorized under Measure AA and the Earthquake Safety Program.

Measure RR General Obligation 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.” 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”). Measure RR Green Bonds are to be issued to finance or refinance improvements to BART facilities authorized under Measure RR and the System Renewal Program.

In order to provide sufficient funds for repayment of principal and interest when due on the Measure AA and Measure RR General Obligation 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.

BART Sales Tax Revenue Bonds are to be issued pursuant to the laws of the State of California, including Article 2, Chapter 7, Part 2, Division 10 of the California Public Utilities Code, as amended from time to time, and applicable portions of the Revenue Bond Law of 1941, as amended from time to time and Articles 10 and 11 of Chapter 3, Part 1 of Division 2 of Title 5 of the Government Code. 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 Bond proceeds may only be used for eligible BART projects. These statutory and legal protections ensure that the eligible proceeds will only be spent on eligible Green Projects supporting the BART System.

Management of Proceeds

For all capital and non-capital projects funded by grants, special measures, BART operating funds, or bonds, BART has detailed guidelines and procedures for Project Financial System Administration and Grant Management. These guidelines and procedures assist BART with project initiation into BART's financial system, monitoring those projects, accounting for the project costs, and closing projects. Although the guidelines are utilized by several BART groups such as Maintenance & Engineering ("M&E") as well as Planning & Development ("P&D"), the main group responsible for ensuring that funds are disbursed in accordance with the set guidelines and its intended purpose is BART's Capital Project Control staff within its Capital Budgets group.

As mentioned, Green Projects financed or to be financed must be selected and approved by the Board of Directors of BART and must meet the criteria of the measures under which they were approved, which by definition mean that they also meet the CBI Low Carbon Land Transport Standard as it relates to BART's primarily electrically powered rapid mass transit commuter rail system. Once Green Bonds are issued, unallocated bond proceeds are held by a trustee. The District tracks the bond proceeds by assigning a unique fund ID, which is issued by the Accounting Department. To ensure proper and accurate allocation of Green Bond funds to Green Projects, the Capital Budgets group will create a series of project IDs so that BART can manage and track all funds at the Green Project level and by activities within each. Purchase requisitions with respect to Green Projects will go to the BART board for approval before a purchase order can be generated and spending can take place. After spending takes place, reimbursement from the proper fund (in accordance with the fund ID management/tracking system) will occur.

In addition to BART's Capital Budgets division, M&E has drafted policies, procedures and mechanisms for a control system to ensure bond funds are used for legal and intended purposes. This includes transparency and oversight for increased protections against mismanagement or misuse of proceeds, best practice guidelines, audits, control documents, and mandatory training of all staff utilizing funds to provide standardized use of funds.

Additional M&E Controls include:

- Multiple layers of approval on financial transactions;
- Financial program manager for bond expenditure oversight;
- Asset management: commissioning process to insure asset register updates; and
- Dashboard development to track spend down and project performance.

In addition to BART's internal processes and controls for tracking bond proceeds, BART's general obligation bonds are subject to external oversight.

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. 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 Board, in which the Committee stated its consensus opinion that bond proceeds are being spent properly and in accordance with Measure AA.

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. Measure RR requires that members of the Measure RR Oversight Committee have expertise in certain specific subjects and reside within the District.

After debt issuance, bond proceeds will be invested in accordance with BART's Investment Policy, developed by BART's Controller-Treasurer and most recently approved by the Board of Directors in 2017, and Section 53600 et seq. of the California Government Code. The Investment Policy is subject to revision by the Controller-Treasurer, subject to approval by the Board of Directors, at any time and is reviewed periodically 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 current 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.

For further detail on the Investment Policy, please see

<https://www.bart.gov/sites/default/files/docs/Investment%20Policy%202017.pdf> .

Reporting

In accordance with BART's agreements with CBI, BART annually files certification which includes, (i) the use of proceeds for each issued green bond; (ii) the current allocated and outstanding amounts; (iii) confirmation that the use of proceeds of the green bonds is in alignment with BART's Green Bond

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Framework. BART intends to post these reports as a voluntary disclosure on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

In accordance with BART's agreements with CBI, BART will disclose any event of material non-conformance with the Certification Process and the action that BART is taking or expecting to take to bring the projects and/or assets into conformance, and any revocation of the Climate Bond Certification by CBI.

Contact

Christopher Gan
Interim Controller-Treasurer
San Francisco Bay Area Rapid Transit District
2150 Webster Street
Oakland, CA 94612

