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 located in the County of San Mateo. 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.

Directors are elected to four-year terms. 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	City of Residence	Term Expiration (December)
Tom Radulovich	San Francisco	2016
President		
Joel Keller	Brentwood	2014
Vice President		
Thomas M. Blalock	Fremont	2014
James Fang	San Francisco	2014
John McPartland	Castro Valley	2016
Zakhary Mallett	El Sobrante	2016
Gail Murray	Walnut Creek	2016
Robert Raburn	Oakland	2014
Rebecca Saltzman	Oakland	2016

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 the District by the Board of Directors on August 31, 2011. She oversees the BART staff of approximately 3,000 full time employees and the BART transportation infrastructure. Ms. Crunican has 32 years of experience in the public transportation industry, proven leadership abilities, and a focus on providing safe and reliable transportation. Ms. Crunican has previously served as Director of the Seattle Department of Transportation, the Director of the Oregon Department of Transportation, the Deputy Director with the Federal Transit Administration and Deputy of the City of Portland, Oregon Department of Transportation. She holds a B.A. from Gonzaga University and an MBA from Willamette University.

Scott L. Schroeder, Controller/Treasurer

Mr. Schroeder joined the District in November 1988 as an Investment Analyst in the Finance Department. He served as Assistant Treasurer of the District from January 1996 until June 1997. In June 1997, the Board of Directors appointed Mr. Schroeder Controller/Treasurer. Prior to joining the District, Mr. Schroeder worked as a portfolio manager and government bond trader. Mr. Schroeder holds a Bachelor degree in Business Administration from California State University, Chico and became a Chartered Financial Analyst ("CFA") in 1992.

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.

Mark P. Smith, Independent Police Auditor

Mr. Smith was appointed in 2011 as the first-ever Independent Police Auditor for BART, where he has been working to develop the Office of the Independent Police Auditor (OIPA) from the ground up. Mr. Smith has previously served as the First Deputy Chief Administrator of Chicago's Independent Police Review Authority and as a Special Investigator for the Los Angeles Police Commission's Office of Inspector General. Mr. Smith received his bachelor's degree from the University of California at Berkeley and his law degree from the University of California at Los Angeles School of Law.

Principal executive management staff appointed by the General Manager include:

Marcia deVaughn, Deputy General Manager

Ms. deVaughn joined the staff of the District in September 2001 and was appointed to the position of Deputy General Manager in January 2008. Ms. deVaughn has over twenty years of public sector experience. During her tenure at BART, Ms. deVaughn has provided leadership, direction and management to the Office of Civil Rights, Internal Audit and System Safety Departments as Executive Manager of Transit System Compliance and served as Acting Executive Manager of the Office of Planning and Budget. Prior to BART, Ms. deVaughn served as Deputy Director of Public Works for Operations for the City and County of San Francisco and served the City and County of San Francisco as Director of the Solid Waste Management Program and was an appointed member of the California Integrated Waste Management Board Technical Advisory Committee. Prior to joining the City and County of San Francisco, she worked for the City of Berkeley Public Works Department. Ms. deVaughn holds a B.S. in Business Administration from the University of San Francisco and a MBA from Golden Gate University.

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 July 1, 2013, the District had 3,260 employees, of which 3,147 were full-time and 113 were part-time. Most District employees are represented by recognized employee organizations. Some supervisors and professionals are represented by the American Federation of State, County and Municipal Employees ("AFSCME"), Local 3993. Station agents, train operators and some clerical employees and foreworkers supportive of the train operators and station agents are represented by the Amalgamated Transit Union ("ATU"), Local 1555. Maintenance and some clerical staff and foreworkers 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 police managers are represented by the BART Police Officers Association ("BPOA") and the BART Police Managers Association ("BPMA"), respectively.

As of July 1, 2013, the average BART employee had been with the District 12.83 years and earned an annualized salary of $76,038.18.

Contracts with BART employees expired on June 30, 2013 and labor negotiations for all five unions are currently in progress. BART employees called for a strike on July 1, 2013 and were on strike for 4 days. The unions agreed to return to work under the terms of the expired contract for a thirty day period while negotiations continued. During the strike, major traffic delays occurred, especially in congested cross bay traffic corridors. On August 11, 2013, at the request of the Governor of the State, a judge ordered a 60 day cooling off period, during which time the employees were precluded from striking. The period ended on October 10, 2013.

District and union officials continued to negotiate, but were unable to reach an agreement and two of the District's unions proceeded to strike on Friday, October 18, 2013. On Monday, October 21, 2013, a tentative agreement was reached among the negotiators and the union workers represented by two unions, SEIU and ATU, returned to work on Tuesday, October 22, 2013. Principal areas of discussion included wages, pension and medical contributions and work force rules. The District's proposed offer for the four year contract consisted of 3% wage increases in each of the first three years and 3.5% in the fourth year, with possible additional payments of up to $1,000 per employee per year, contingent on ridership increases; pension contributions by employees that rise up to 4% by the last year of the contract; and increased medical payments by employees. To reach agreement, the District consented to increased wages with certain offsets from pension and medical contributions, such that the District does not expect the agreement to have a material impact on its FY 2013-14 budget although a budget revision will be necessary to reflect the new agreement. The agreement is subject to ratification by the unions and approval by the District's Board of Directors, which actions are anticipated to occur within a couple of weeks. During the strike, the District estimated that its ongoing expenses less savings due to the reduced labor costs and other expenses will result in a net loss in revenues of approximately $4 million.

A fatal accident involving one BART employee and a contractor who were both struck by an out-of-service BART train occurred on the afternoon of October 19, 2013. At the time of the accident, the workers were performing track inspections between the Walnut Creek and Pleasant Hill stations, approximately one mile north of the Walnut Creek Station, in response to a report. The accident is currently under investigation by the National Transportation Safety Board and the investigation is in its preliminary stages.

Litigation

The District is involved in various lawsuits, claims and disputes, which for the most part are expected in connection with operations such as the District's. An atypical incident occurred on January 1, 2009, New Year's Day, in connection with disturbances on a BART platform that involved a fatal shooting by a BART policeman of a suspect. BART settled the actions brought by the deceased's mother ($1.3 million) and daughter ($1.5 million). Claims brought by the decedent's father and six others are still pending. As a public agency, BART is not liable for punitive damages.

BART SYSTEM FINANCINGS

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") and from regional bridge tolls 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 "CAPITAL PROGRAMS" in this Appendix A.

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. Such general obligation bonds were payable from *ad valorem* taxes required to be levied on all properties subject to taxation by the District. 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 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 (Elections 2004), 2007 Series B (the "2007 B Bonds") in an aggregate principal amount of $400,000,000. The 2005 A Bonds and the 2007 B 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. General obligation 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 general obligation bonds.

As of August 1, 2013, the following issues of the General Obligation Bonds are outstanding:

Issue	Original Principal Amount	Amount Outstanding	Final Maturity	Interest Rates
2005 A Bonds	$100,000,000	$ 36,745,000	2035	3.00-5.00%
2007 B Bonds	400,000,000	371,530,000	2037	3.70-5.00%

After the issuance of the 2005 A Bonds and 2007 B Bonds, the remaining principal amount of general obligation bonds that the District is authorized to issue under Measure AA is $480,000,000, not taking into account the issuance of the 2013 C Bonds.

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 and at the rates indicated in the table below as of August 1, 2013:

Issue	Original Principal Amount	Amount Outstanding[1]	Final Maturity	Interest Rates
Series 2005A Bonds	$352,095,000	$259,825,000	2034	3.625-5.00%
Series 2006 Bonds	64,915,000	1,300,000	2016	4.00-5.00%
Series 2006A Bonds	108,110,000	99,055,000	2036	4.00-5.00%
Series 2010 Refunding Bonds	129,595,000	124,265,000	2028	3.00-5.00%
Series 2012A Bonds	130,475,000	127,145,000	2036	2.00-5.00%
Series 2012B (Taxable)	111,085,000	107,305,000	2042	.46-4.287%

(1) As of August 1, 2013.

Leaseback Transactions

On March 19, 2002, the District entered into a lease financing transaction (consisting of three separate tranches) (the “Network Lease Transaction”) to lease rail traffic control equipment (the “Network”) to investors under head lease agreements that expire March 19, 2042, January 25, 2050 and March 19, 2042, respectively, and to simultaneously sublease the Network back from the investors under sublease agreements that each expire January 2, 2018, at which point the District has the option to purchase the head lease interests in the Network from the investors. At the closing, the investors prepaid their entire rent obligations to the District under the head lease agreements in the amount of approximately $206,000,000 (which amount represented the fair market value of the Network at closing), of which the District paid approximately $146,000,000 to a payment undertaker in consideration for the payment undertaker’s agreement to make rent payments on the District’s behalf under the subleases. The net cash benefit the District received from this lease/leaseback transaction at closing amounted to approximately $23,000,000. See Appendix B – “San Francisco Bay Area Rapid Transit District Report on Audits of Financial Statements for the Years Ended June 30, 2012 and 2011. (Note #6).” On September 2, 2009, the District terminated one of the three tranches of the Network Lease Transaction (representing $104,990,500 of the $206,000,000 fair market value of equipment in the Network Lease Transaction at closing) and acquired the head lease interest for the equipment that was leased under such tranche.

On June 27, 2013, the District terminated the remaining two tranches of the Network Lease Transaction and acquired back full interest of the equipment under the head lease.

SFO Extension

The extension of the BART System into the San Francisco International Airport and to the Millbrae Station (the "SFO Extension") was completed in 2003 and the District commenced revenue service on the SFO Extension. The final cost of the SFO Extension of $1.582 billion exceeded the amount budgeted by approximately $114 million. Approximately $43 million of proceeds of the Premium Fare Bonds (described below) were applied to fund a portion of such additional costs. An agreement with the Metropolitan Transportation Commission ("MTC") and funding from federal grant financings provided additional assistance (see "MTC MOU" below).

During Fiscal Year 2006-07, with the assistance of MTC, BART and the San Mateo County Transit District ("SamTrans") reached a resolution 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 agreements 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, then to complete the funding commitment of $145 million to the Warm Springs Extension project. See "CAPITAL PROGRAMS – System Expansion Program – Warm Springs Extension" below. BART also receives two forms of ongoing subsidy. Two percent of San Mateo County's Measure A half-cent sales tax, which is currently equal to approximately $1.5 million per year, was allocated to BART for 25 years beginning in Fiscal Year 2008-09. BART also receives 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 Warm Springs Extension funding is completed. 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 "CAPITAL PROGRAMS – Funding Developments" herein.

MTC MOU

On June 28, 2006, BART reached agreement with MTC relating to $60 million in funding previously made available to the District for the SFO Extension by MTC from certain bridge toll reserve funds held by MTC to fund rail extension projects in the East Bay. Such funding was a loan to the District, to be repaid by the District upon receipt of the final payment from the Federal Transit Administration ("FTA") under a full funding grant agreement (which final payment was received in June 2007). MTC agreed to extend the repayment period and amortize the principal for the loan over a nine-year term, charging 3% simple interest, with the final payment due in June 2014. As of July 1, 2013, the outstanding balance of the loan was $5,000,000.

Premium Fare Financing

On October 31, 2002, the Association of Bay Area Governments ("ABAG") issued BART SFO Extension Bonds ("Airport Premium Fare Bonds"), 2002 Series, in the amount of $56,715,000. The Airport Premium Fare Bonds were issued to finance a portion of the costs of the SFO Extension project, including all system-wide and associated improvements and expenditures related to the project. The Airport Premium Fare Bonds were limited obligations of ABAG payable solely from and collateralized solely by amounts received from the District pursuant to a pledge of the premium fare (currently $4.06) imposed and collected by the District from passengers who board or depart the District's rapid transit system at the San Francisco International Airport station. All outstanding 2002 Airport Premium Fare Bonds were refunded in October 2012 from the proceeds of the District's sales tax revenue bonds.

Vehicle Replacement Program

This program consists of the replacement of the District's current fleet of 669 vehicles (A2, B2, C1 and C2). To set aside funding for this future need, the District and MTC entered into the BART Car Replacement Funding Exchange Agreement in 2006. 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, the Rail Car Sinking Fund, established to fund BART's car 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 $23,979,594 in Fiscal Year 2012-13 to fund the District's preventative maintenance expenses and has budgeted $72 million in Fiscal Year 2013-14 for such purpose. Accordingly, the District remitted or will remit to MTC the equivalent amount of its own funds, which is 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, which is excluded from the District's financial statements, showed a total cash and investment balance, at market value, of $129,104,927 as of August 31, 2013. See – "CAPITAL PROGRAMS – *Rail Vehicle Replacement Program*" below.

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 104 miles of double track (including some areas of multiple tracks) and 44 stations, 39 of which are located in the Three BART Counties 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 AC. 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 June 30, 2012, 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 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 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 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 San Francisco Bay, through downtown San Francisco and terminate at Daly City, Millbrae or the San Francisco International Airport. Other lines radiate out from the Oakland Wye and terminate in Richmond, Pittsburg/Bay Point, Dublin/Pleasanton or 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. 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, 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 station provides intermodal transfers to the Capitol Corridor intercity rail service to Sacramento. The San Francisco International Airport station is located in the San Francisco International Airport. 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, play their home games.

In addition, a bus shuttle service is operated between BART Oakland Coliseum Station and the Oakland Airport by ShuttlePort under a contract with the Port of Oakland (the "Port"). The Port and BART have an agreement that the Port operates this service, and revenues and expenses are divided between the Port and BART (See *"—Oakland Airport Connector*" below). The AirBART shuttle service has been serving Oakland Airport travelers, employees and other users since the late-1970s.

The BART Operations Control Center (the "OCC") 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 OCC 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; 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 yard is being undertaken in connection with the extension of the system into the county of Santa Clara. See "CAPITAL PROGRAMS - System Expansion Program" below.

Revenue Hours

BART revenue hours run from 4:00 a.m. to midnight Monday through Friday, 6:00 a.m. to midnight on Saturdays, and 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 then adjusted based on the scheduled travel time versus 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 San Francisco International Airport station. As of August 1, 2013, the transbay surcharge, applied to transbay trips, is equal to $0.89; the Daly City surcharge, applied to trips between the Daly City station and San Francisco stations, is equal to $1.03; and the San Mateo County surcharge, applied to trips beginning and ending at San Mateo County stations (except trips between the Millbrae station and the San Francisco International Airport station) and trips between San Mateo County stations (except Daly City) and San Francisco stations, is equal to $1.30. In addition, a premium fare of $4.06 is applied to trips to or from the San Francisco International Airport (SFO) station, which premium is reduced to $1.50 for trips between Millbrae and SFO Station and for trips made by SFO-badged employees to or from SFO station. Effective July 1, 2013, SFO will pay BART the $1.50 SFO Premium Fare instead of SFO-badged employees, under an agreement between SFO and BART with a term of nine years. A capital surcharge equal to $0.12 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 $1.75 and the current maximum one-way fare is $11.05. 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. The 3.7% increase effective January 1, 2006 was the first of these productivity-adjusted Consumer-Price Index-based fare increases. The second such increase of 5.4% was effective January 1, 2008. The third fare increase took effect July 1, 2009, and included a CPI-based increase of 6.1% on all fares, an increase of the minimum fare from $1.50 to $1.75, and an increase of $2.50 to the premium fare for trips to or from SFO, raising the premium fare to $4.00. The fourth fare increase of 1.4% was effective July 1, 2012. On February 28, 2013, the BART Board approved extending the productivity-adjusted Consumer Price Index-based fare increase program so that fares will increase in January of 2014, 2016, 2018, and 2020. The first increase of the extended program to take effect on January 1, 2014 is valued at 5.2%. The incremental fare revenue generated by the future fare increases 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

* 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 primarily made available when patrons 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 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.

Ridership

Average weekday passenger trips for the Fiscal Year 2007-08 through Fiscal Year 2012-13 are set forth below.

Trip Locations:	2008	2009	2010	2011	2012	2013
East Bay	82,840	82,872	75,742	78,713	83,377	87,787
West Bay	106,482	107,089	96,523	97,126	102,603	108,726
Transbay	168,452	166,751	162,719	169,417	180,585	195,780
Average Total Weekday Trips	357,775	356,712	334,984	345,256	366,565	392,293
Percentage Annual Change	5.4%	-0.3%	-6.1%	3.1%	6.2%	7.0%

Employment patterns in the Bay Area affect BART ridership, as do the fluctuations in the price of gas, and construction on the San Francisco-Oakland Bay Bridge, the primary means of crossing the bay by automobile. After recovering from the effect of the recession, BART is carrying more riders than ever, peaking in October 2012 with 416, 932 average weekday trips. Ridership has been particularly strong on the SFO Extension, with annual passengers at the San Francisco International Airport Station exceeding 4.2 million trips in Fiscal Year 2012-13. The single highest day of BART ridership, 568,061, occurred on October 31, 2012 in conjunction with the San Francisco Giants World Series Victory Parade held in downtown San Francisco.

Parking Programs

The District provides a variety of options for passengers who drive to BART stations. As of August 1, 2013, parking is provided at 33 stations and the total number of parking spaces provided system-wide is approximately 46,400. Parking is provided in surface lots and in parking garages. The District commenced charging for parking to enhance revenues in 2005. The District offers a paid monthly 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 $30 to $115.50 based on demand. The number of spaces set aside for monthly reserved parking under current authorization cannot exceed 25% at East Bay stations and 40% at stations located on the west side of San Francisco Bay (the "West Bay stations"). The airport/long term parking program allows passengers traveling to either San Francisco International Airport or Oakland Airport 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 web site for $5.00/day for East Bay Stations and $6.00/day for West Bay stations. At many stations, a number of spaces are set aside for carpoolers and for passengers who arrive at stations after 10 a.m.

Current parking programs include criteria-based daily weekday parking fees at selected stations, including Daly City, and a Single Day Reserved Program for East Bay stations.

The criteria for implementing daily weekday parking fees at an East Bay station is (i) parking at such station fills three or more days a week or (ii) the local government jurisdiction requests that the District implement a daily fee. Nineteen of twenty-six East Bay stations have met the criteria and have implemented a Single Day Reserved Parking Permit Program. These permits are available for purchase via the BART web site at a cost ranging from $3.00 to $6.00.

Parking Revenue (unaudited) for Fiscal Year 2012-13 was $15.7 million.

Power Supply; Participation in NCPA's Lodi Energy Center

The operations of the BART System require a substantial amount of electricity. The District's current annual electric energy requirement is approximately 380,000 megawatt hours and its current peak electric load is approximately 80 megawatts ("MW").

The District traditionally purchased all of its electricity requirements from Pacific Gas & Electric Company ("PG&E"). In 1995, the California Legislature enacted statutory provisions authorizing the District to purchase electricity from federal power marketing agencies. Pursuant to this authorization, approximately three percent of the District's electricity supply is provided by the Western Area Power Administration ("WAPA") under a contract that runs through 2025. This power supply is provided by federal hydroelectric generating facilities at relatively inexpensive rates.

The District's authority to purchase electricity from other supplies was expanded in 2004 to permit the District to obtain electrical power supply from local publicly owned electric utilities. Pursuant to these provisions, the District has entered into long-term power supply agreements with Northern California Power Agency ("NCPA"), a California joint powers authority of which the District is a member, for all of its electrical power supply requirements above the WAPA supplies. NCPA presently sells power to the District at wholesale market rates under a ten-year supply arrangement. These arrangements provide significant savings to the District compared to the cost of standard retail service from PG&E. The District utilizes PG&E transmission and distribution facilities to deliver its power supply.

The District has elected to participate in NCPA's Lodi Energy Center, a natural gas generation plant developed by NCPA with thirteen public agency participants. Commercial operation of the plant started in October 2012. NCPA sold revenue bonds to finance a portion of the $388 million cost of the Lodi Energy Center. Pursuant to contracts with NCPA, the District is one of the obligors of such bonds. The District has authorized a Generation Entitlement Share ("GES") of 6.6%, representing approximately 18.5 MW of capacity from the plant. This is expected to meet about 25% of the District's present annual energy requirements. The District's participation in the Lodi Energy Center diversifies its power supply portfolio and provides an efficient and reliable source of power at an average cost lower than the market alternative.

CAPITAL PROGRAMS

On July 18, 2013 the Association of Bay Area Governments ("ABAG") and the Metropolitan Transportation Commission ("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 2008 Senate Bill 375, 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.

Plan Bay Area 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 percent (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 percent ($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 percent for street, road, highway and bridge maintenance; 7 percent for transit expansion; and 5 percent 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 percent of expected revenues.

Rail Vehicle Replacement Program.

On May 10, 2012, the Board of Directors of the District 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.

The total project cost for the 410 base contract and Option 1 vehicles will be approximately $1.348 billion, and will be paid from funding sources including funds from the MTC, the Santa Clara Valley Transportation Authority, 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. 60 vehicles will be attributed to vehicle needs for the expansion into Santa Clara County and will be funded per the terms of a cost sharing agreement entered into by the Santa Clara Valley Transportation Authority ("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 and from annual operating funds of approximately $45 million for twelve years ending in Fiscal Year 2024-25. For Fiscal Year 2013-2014 BART budgeted $63.935 million for this contract. No debt is planned for the funding of the rail vehicle replacement program.

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.

The District expects Bombardier to deliver 10 pilot vehicles in July 2015, which will undergo eighteen months of testing, qualification, simulated revenue service and pre-production design review. Once the initial cars are approved, Bombardier will produce and deliver 10 vehicles per month. The District expects Bombardier to begin production in December 2016.

The District is considering executing its remaining options in order to purchase a total of 775 vehicles at a total cost of $2.56 billion with payments made through Fiscal Year 2026-27 utilizing similar funding sources.

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 (which includes projected construction inflation costs through estimated completion) earthquake safety program (the "Measure AA Earthquake Safety Program") based on the Seismic Vulnerability Study. The Measure AA 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 Measure AA Earthquake Safety Program is designed (i) to protect aerial trackway structures, underground trackway structures, including the Transbay Tube, and 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 Measure AA 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 for the Measure AA 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 Measure AA Earthquake

Safety Program, specifically to assist in the retrofit of the Transbay Tube. Other funding sources for the Measure AA Earthquake Safety Program include $134 million of State Local Seismic Safety Retrofit Program funds and a $50 million contribution from BART from sources to be identified by the District.

The Program's funding plan has been reduced and its scope has been increased due to current and projected cost savings from favorable construction bids on project components. The current budgeted value of the Earthquake Safety Program is $1.22 billion.

System Expansion Program

Planned or proposed extensions of the BART System include:

Oakland Airport Connector. The Oakland Airport Connector ("OAC") project will provide an improved transit link between the Oakland International Airport ("OAK") and the BART System. The OAC project follows a 3.1-mile, aerial and at-grade alignment from the Coliseum BART station to the OAK, and is designed to accommodate a potential future intermediate station. The total budget to build the project is $484.1 million. Although there is a strong local funding commitment from several sources, BART financing was necessary to meet project funding requirements. Feasibility studies found that projected OAC ridership could generate sufficient revenue such that BART could contribute a portion of the funding to the project by issuing debt that would be paid back from the long-term revenue generated by the OAC ridership.

In May 2009, the Board approved the OAC financial plan which assumed a conservative ridership estimate (90% confidence level) and a $6 fare. BART issued a Request for Qualification/Proposal to interested parties for a Design-Build construction and startup project followed by a 20-year Operations and Maintenance contract in May 2009. On November 1, 2010, Flatiron/Parsons JV was awarded with a notice to proceed with a design-build contract for $361 million along with a 20-year operations and maintenance contract to Doppelmayr Cable Car Inc. The Flatiron/Parsons JV has proposed an automated driverless, cable-propelled people mover manufactured by Doppelmayr Cable car that will travel between BART and the airport in about eight minutes, primarily on an elevated guideway structure along the median of Hegenberger Road. BART will fund approximately $105 million of the cost of this project with proceeds of the 2012 Series B Sales Tax Revenue Bonds. The OAC project is projected to begin revenue service in September 2014.

Warm Springs Extension. This $890 million extension will extend south 5.4 miles from the present terminus at the Fremont Station to a new station in the Warm Springs district of Fremont in southern Alameda County. An optional station in the Irvington district, located north of Warm Springs, will be added if funding from the Alameda County Transportation Commission becomes available. The Warm Springs Extension alignment will be mostly at-grade; however, it will run beneath Fremont Central Park in a mile-long cut and cover subway. A Supplemental Environmental Impact Report was completed and the project was adopted by the Board of Directors in June 2003. Thereafter, an Environmental Impact Statement was completed and a Record of Decision was issued by the FTA in October 2006. The project funding plan includes substantial contributions from a variety of local and State sources and surplus revenues from the SFO Extension. The project has no Federal funding. The project is being implemented via two major contracts: the $137 million Fremont Central Park Subway contract ("Subway") which was begun in August 2009 and the $299 million design-build Line, Track, Station and Systems ("LTSS") contract which was begun in October 2011. The Subway contract has achieved substantial completion on schedule. The LTSS (design build) contract is nearly through the final design stage and major construction activities have begun. Revenue service to the Warm Springs/South Fremont station is expected late in 2015.

Silicon Valley Rapid Transit Project. The BART Silicon Valley Program is a planned 16-mile extension of the regional BART system from BART's Warm Springs Station in Fremont, which is currently under construction, to the cities of Milpitas, San Jose and Santa Clara in the County of Santa Clara. The Program is being financed and implemented by Santa Clara Valley Transportation Authority ("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 is relocating 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 is relocating underground utilities that are in conflict with the BART and UPRR corridors.

The planned 16-mile extension will include: six stations - one in Milpitas, four in San Jose and one in 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 $6.81 billion in Year-Of-Expenditure (YOE) dollars. The extension is planned to be constructed in phases.

The first phase, The Berryessa Extension Project, is under construction and comprises a 10-mile extension of BART service with two stations – one in Milpitas and one at Berryessa. Along with the first phase, there will be provisions for a revenue vehicle primary maintenance facility at BART's Hayward Yard, and an addition of 60 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, the BART corridor for the Berryessa Extension Project, from the recently completed grade separation at Kato Road, in the City of Fremont, excluding the portion of the corridor in the vicinity of the UP Industrial Lead Bridge in the City of Milpitas, has been cleared of UPRR tracks and prepared for the BART extension. The relocation of UPRR facilities north of Kato Road, including the grade separation of Warren Avenue and widening of Mission Boulevard (State Route 262), both in the City of Fremont, is underway with the BART corridor north of Kato Road forecast to be available for construction activities in the third quarter of 2014. Acquisition of real estate and relocation of utility for the first phase is underway, with most of the utilities along the corridor relocated. In April 2012, a design/build contractor was given full Notice-to-proceed by VTA for a Line, Track, Stations and Systems (LTSS) Contract. The LTSS contractor has made progress in the design and is anticipated to substantially complete design by the third quarter of 2014. Following a Groundbreaking Ceremony in April 2012, the LTSS contractor initiated construction activities and is currently focusing on relocation of utilities that cross the corridor, construction of aerial structures at Berryessa, and construction of trench in the vicinity and across Hostetter Road and Montague Expressway. Revenue services are forecasted to begin in the last quarter of 2017.

Planning and environmental studies for the second phase have begun with the Federal Record of Decision anticipated in winter of 2015. Preparation for entry into the Federal New Starts Program is planned for the first quarter of 2014 with the Federal Transit Administration's approval of VTA's request anticipated in the third quarter of 2014.

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 this $405 million project is being funded by VTA and is projected to be under construction in 2014.

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 and a terminus station at Hillcrest Avenue in Antioch. The eBART Project is estimated to cost approximately $487 million. Environmental review was completed and approved by the Board in April 2009. Final design is underway in cooperation with Caltrans and the Contra Costa Transportation Authority. There are currently two construction contracts underway to implement this project. Future contracts will be underway over the next year dependent on the State Route 4 widening schedule. The project is targeting a revenue service date of late 2017. The project funding plan includes substantial contributions from Contra Costa County 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 project-level environmental review. Study funding is expected to come from the Alameda County Transportation Commission and the Metropolitan Transportation Commission. The proposed project would provide an alternative to traffic congestion on Interstate 580, and improve transit connectivity in the Tri-Valley area (the Dublin, Livermore and Pleasanton area). 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

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 new 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 in revenue service on BART gates since August 2009.

Train Control. Trains are controlled from the Operations 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 44 stations and 12 control huts. The system also includes a backup train protection system.

Supervisory and Control Systems. These systems provide supervisory control of train operations, electrification, ventilation and emergency response systems to the Operations 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 Operations 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.

Traction Power System. The Traction Power System ("TPS") 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 will be at or exceed its life expectancy within the next 10 years. The Fiscal Year 2005-06 CIP began to address this critical system need by staging a reinvestment program starting in 2006 to repair and replace this equipment with annual allocations from FTA Section 5307 Federal formula funds. Currently, projects are underway to replace miles of cable and replace 14 TPS substations.

Wayside Facility Infrastructure. This program consists of renovation of the system's backbone infrastructure including rail and tie replacement, ventilation fan and street grating renovation, and other wayside facilities that will require repair and renovation on an on-going basis. Wayside Facilities which touch the track and guideway rail systems receive an annual allocation of funding from the FTA Section 5307 Formula Funding program.

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 project, Transbay Tube Cathodic Protection; and Stations and Facilites 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 mission of the San Francisco Bay Area Rapid Transit District (BART) 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 Plan 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 this Security Plan, to take proactive 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 upgrade projects 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 16^{th}/Mission Street station, streetscape improvements at the Concord station, and access and accessibility improvements at both the Glen Park and Balboa Park stations.

Capacity Projects. Capacity projects may be either system wide projects or station-specific projects. 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. 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. 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.

Transit-Oriented Development. During 2004, a policy review panel, comprised of representatives of the Board of Directors, ABAG, MTC, the Bay Area Air Quality Management District and the Center for Transit-Oriented Development, a national organization formed to address transit-oriented development issues, conducted a comprehensive review of BART development activity in order to revise existing BART policies regarding real estate development. On July 14, 2005, the Board of Directors adopted the revised "Transit-Oriented Development Policy" (the "TOD Policy"), which resulted from this review. The TOD Policy is intended to guide development on BART land, to provide for interface with private development adjacent to BART stations, and to assure that access to BART stations will be accommodated by all development around BART stations.

To date, BART and its development partners have completed residential and commercial projects at the Castro Valley, Richmond, Ashby, Pleasant Hill/Contra Costa Centre and Fruitvale stations. Projects at West Dublin/Pleasanton, McArthur and South Hayward are under construction. Other projects in various stages of development are slated for the Coliseum, Millbrae, Walnut Creek, San Leandro, and Glen 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

MTC Plan Bay Area. 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 MTC Plan Bay Area. Under Plan Bay Area 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, constituting $6 billion., remain unfunded These Project needs will have to be met with funding sources yet to be identified by the District.

Pension Reform and Grant Funding. In October 2013, the Governor of the State of California signed legislation temporarily exempting certain transit workers from the State's Public Employee's Pension Reform Act of 2013 ("PEPRA"). The legislation was in response to the refusal by the United States Department of Labor ("USDOL") to certify that transit employees rights to collective bargaining were not infringed by PEPRA. The certification is required for the Federal Transit Administration to pay grants, and without the certification transit agencies in California were not receiving planned federal aid. The State has filed a lawsuit against the USDOL to clarify that PEPRA does not violate the collective bargaining rights protected by federal law. The State legislation resolves the temporary interference with the receipt of grant funds and provides that if the court upholds the position of the USDOL, the transit employees will continue to be exempt for PEPRA. Without the resolution provided by the legislation, the District, which through MTC and agreements with VTA and other transit partners receives substantial capital funding from the FTA, potentially could have had its capital program adversely affected by the dispute.

State Transit Funding. In Fiscal Year 2009-2010, the Governor enacted the "gas tax swap" which decreased the sales tax and increased the excise tax on gasoline, providing the State with additional revenue to pay State general obligation bond debt service, and decreased the excise tax and increased the sales tax on diesel fuel, thereby providing revenue for the Public Transportation Account to fund the State Transit Assistance ("STA") program beginning in Fiscal Year 2011-12. The gas tax swap legislation requires STA to be continuously appropriated on the basis of revenue generations, thus the final STA funding each year for the District will be dependent on actual receipts from the sales tax on diesel fuel.

The District received STA funds of $17,305,464 in Fiscal Year 2012-2013 and $18,244,671 in Fiscal Year 2011-12.

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, 2012 and 2011." 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.

In 2011, the District converted to its new Business Advancement Program ("BAP"), which included the financials, materials management and maintenance modules. Every facet of the District's operations was impacted by the implementation. In a letter to the Board of Directors of the District, the District's auditors identified several issues with the implementation which, taken together, they identified as a material weakness. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The District's auditors identified the following specific weaknesses. Due to insufficient training, some users of the BAP system were performing certain financial tasks manually or in spreadsheets that should have been completed using the BAP system. The late closing of the Capital Project module negatively impacted the District's ability to bill or request for grant reimbursements of project costs, which constrained the District's available cash, and caused delays in audit planning, execution and the issuance of the District's financial statements. The implementation of the BAP system was, in the auditor's opinion, insufficiently tested, and did not use formal signoffs to note which stages of the plan had been performed. Finally, the auditors found that the BAP system listed users that had retired in 2011, although the auditors did not find any instances of such users accessing the system after their retirement date.

The District has responded to the finding by implementing a corrective plan, which includes additional training, supervisory oversight, tighter controls on user authorization, and hiring specialists to support the system and end users. The District's corrective plan was substantially implemented by the end of fiscal year 2012-13.

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, 2009 through June 30, 2013. This summary for the Fiscal Years ending June 30, 2009 through June 30, 2012 is derived from BART audited financial statements for the Fiscal Years indicated therein (excluding certain non-cash items and after certain other adjustments, as summarized in the footnotes to the table) and are qualified in their entirety by reference to such statements, including the notes thereto. The data presented for the year ended June 30, 2013 are unaudited. 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)				
	2009	2010	2011	2012	2013[1]
Annual Passengers (thousands)	106,874	101,004	103,714	110,777	117,815
Operating Revenues					
Passenger Revenues	$318,094	$332,018	$343,472	$367,342	$406,890
Investment Income[2]	1,069	297	228	123	23
Other	30,144	36,374	33,273	34,512	36,383
Total Operating Revenues	$349,307	$368,688	$376,973	$401,977	$443,296
Financial Assistance:					
Sales Tax Revenues	$184,286	$166,520	$180,819	$195,214	$208,561
Property Tax Revenues[3]	30,356	30,114	29,515	29,694	31,686
Other	34,068	59,428	28,134	49,894	$47,728
Total Financial Assistance	$248,710	$256,062	$238,469	$274,802	$287,975
Total Operating Revenues and Financial Assistance	$598,017	$624,750	$615,441	$676,779	$731,271
Operating Expenses:					
Labor	$386,847	$366,666	$358,249	$380,692	$407,076
Electrical Power	36,784	35,332	35,297	35,062	37,306
Express Feeder Bus	833[4]	8,307	223	132	220
Other Non-Labor	105,151	101,949	97,639	113,730	122,410
Total Operating Expenses[5]	$529,615	$512,254	$491,408	$529,616	$567,012
Net Revenues	$68,402	$112,496	$124,033	$147,163	$164,259
Bond Debt Service[6]	$65,312	$68,389	$68,074	$62,273	$62,442
Rail Car Replacement Funding Exchange [7]	$ 22,682	$22,683	–	$25,940	$23,980
Excess Revenues/(Deficit)	$(19,592)	$21,424	$55,959	$58,949	$77,837
Operating Ratio[8]	66%	72%	77%	76%	78%
Farebox Ratio[9]	60%	65%	70%	69%	72%

(1) Unaudited for the year ended June 30, 2013.

(2) Investment income amount in audited financial statements is higher due to inclusion of investment income from District Funds other than the District Operating Fund. Amounts reported in audited financial statements as "Other income (expenses)" under "Nonoperating revenues (expenses)" are also excluded from the above presentation because they pertain only to extraordinary transactions or those transactions associated with Other District Funds - i.e. debt issue and debt service costs.

(3) Excludes property tax revenue earmarked for the debt service of the general obligation bonds issued in 2005.

(4) Relates to District's share of expenses paid to local operators associated with providing passenger access to BART not covered by STA funds. There was no Feeder Bus Expense prior to Fiscal Year 2008-09 due to availability of STA funds.

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

(6) "Bond Debt Service" reported above represents actual amount remitted to cover debt service (for principal and interest payments on debt paid from General Operating Fund, which excludes general obligation bonds), paid from revenues (sales tax, premium fare and financial assistance) recognized in the General Operating Fund. The amount reported includes

remittances to the Trustee for Sales Tax Revenue Bonds, Airport Premium Fare Bonds and payment of Construction Loan from MTC relating to the San Francisco Airport Extension Project. Amount in audited financial statements under "Interest Expense" represents interest expenses for all District debts, net of capitalizable interest expense. For a complete discussion of BART's long term debt, see Note 7 to the audited financial statements of the San Francisco Bay Area Rapid Transit District included as Appendix B to this Official Statement.

(7) Rail Car Replacement 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 is shown as part of Financial Assistance – Other.

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

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

Management's Discussion of Historical Financial Results

In fiscal year ending June 30, 2013, the District saw continued growth in ridership, operating revenues and sales tax revenues, while managing increases in operating expenses to a corresponding level. Total passenger ridership increased to over 117.8 million, a 6.4% increase from the prior fiscal year. Total operating revenues increased 8% to $ $731 million due to increased ridership and improving sales tax revenues. In Fiscal Year 2012-13, BART's parking program generated $15.7 million and advertising and telecommunication programs generated $7.8 million and $6.6 million, respectively.

Sales Tax Revenues increased $209 million, growing by 6.8% from the prior fiscal year and exceeding the pre-recession peak of $203 million. The economy appears to be more vibrant due to the location of many technology companies in the area and the increase of tourism to San Francisco and the Bay Area. The large number of education, healthcare, government and research facilities located in the area also provides stability to the local economy compared to the general State economy.

Other operating assistance received by BART includes State Transit Assistance (STA), with $17.3 million received in Fiscal Year 2012-13. It should be noted that although legislation has been implemented in the past few years to make STA a more secure funding source for transit operators, future State budget problems could result in reduced STA. Additional revenue comes from BART's portion of the one percent general property tax levy that amounts to nearly $32 million in Fiscal Year 2012-13, up 7% from the prior fiscal year.

Operating expenses increased by $37 million (7%) in Fiscal Year 2012-13 due to both planned budget initiatives and unexpected spending increases. Planned increases to expenses included investments related to the rising ridership such as increasing front line operations staff, which also was aimed at addressing absences and reduce overtime; investments in information technology and federally mandated compliance programs; increased funding for important infrastructure needs of the system, added staffing in certain areas impacted by budget cuts in past years as well as other investments critical to providing safe, reliable and convenient transportation to the San Francisco Bay Area. Unexpected expenses include increased overtime costs required to keep the system operational and material costs related to maintaining the rail fleet.

The District's labor force was increased by 57 positions in Fiscal Year 2012-13, mainly to address targeted priority areas such as front line service and compliance areas. Under the prior labor agreements, labor costs have been stable, reflecting management's prudent additions to the workforce and the lack of contractual wage increases in the current labor agreements. District electrical supply costs have been kept constant due to existing power supply contracts.

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. The District's operating ratio for Fiscal Year 2012-13 was 78.2%, slightly above the budgeted goal of 77.9%.

The District implemented a new business system in 2011 and initially faced difficulties with customary budgeting and operating procedures resulting in decreased cash flow for the District and a material weakness noted by the District's auditor in connection with the Fiscal Year 2011-12 audit. These processing difficulties were addressed in the 2012-13 Fiscal Year and the District does not expect to experience further cash flow constraints from the operation of its business systems.

The District proceeded with major capital projects in Fiscal Year 2012-2013, including the Warm Springs Extension, the Oakland Airport Connector project and the Rail Vehicle Replacement Program. See *"—Capital Programs.*"

Adopted Budget for Fiscal Year 2013-14

On June 13, 2013, BART's nine-member Board of Directors adopted a $797 million, balanced budget for the Fiscal Year 2013-14. The budget will be revised once labor negotiations have concluded and new labor contracts have been approved. After persevering through the most severe economic downturn in its history, BART is carrying more riders than ever while maintaining 95% passenger on-time performance. This trend in ridership growth is expected to continue. In order to address both the increased ridership and its impact on system capacity and the need to ensure that critical infrastructure rehabilitation projects advance, there are three areas requiring focus: Infrastructure, Stations, and Sustainability. System reinvestment needs are significantly underfunded.

The Fiscal Year 2013-14 operating budget included a $46.0 million allocation to the Rail Car Sinking Fund, which makes up a part of the District's initial $298 million commitment for its share of the Phase 1 purchase of 410 new rail cars. This funding, combined with previously "banked" funding and future funding commitments, enabled BART to award the base contract and Option 1 of the new vehicle contract, totaling 410 cars, in May and June, 2012, respectively, and will allow for the District to secure new rail vehicles needed to maintain reliability and meet current and future capacity demands.

The budget also allocated $32.8 million to other State of Good Repair needs, including continuing multi-year rehabilitation programs to replace seats and floors in the current fleet, and C-1 car propulsion and heating/air conditioning units, and the "baseline" State of Good Repair allocation that provides for local match on capital grants, stations and facilities renovation, equipment, and other important needs not typically eligible for grants. These allocations are on top of $53.0 million in debt service payment mainly due to bond issues for prior year capital rehabilitation programs. The 5.2% fare increase scheduled to take effect on January 1, 2014 is estimated to generate $7.5 million in Fiscal Year 2013-14. The additional fare revenue is dedicated to capital projects, specifically to three priority programs: the new rail cars, the Hayward Maintenance Complex, and the replacement of the District's automated train control system.

In addition to the Rail Car Sinking Fund and seat and floor replacement budget initiatives, the Fiscal Year 2013-14 operating budget included $12.6 million and 44 positions in operating initiatives to address a number of essential operating needs, including Station Initiatives, technology improvements, compliance efforts, and other smaller needs. Most of these initiatives were recommended to keep the District functioning effectively.

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 operations 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 the first $50 million of public liability and $22 million for insured property.

Pursuant to a recent evaluation of District liabilities for workers compensation, outstanding losses as of June 30, 2013 are projected to total $50,387,738 (undiscounted). The required reserves discounted 3% are $43,844,989. Ultimate District workers compensation losses are limited to $4,000,000 per occurrence for the forecast periods and are estimated at $12,431,000 for Fiscal Year 2012-13 and $13,053,400 for Fiscal Year 2013-14. Outstanding losses for automobile and general liability are projected to be $5,163,671 (undiscounted). The required reserves discounted 3% are $4,917,945.

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.

See also Note 8 to the audited financial statements of the District included as Appendix B to this Official Statement.

Investment Policy

The investment of funds of BART are 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 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 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 September 30, 2013.

INVESTMENT DISTRIBUTION
as of September 30, 2013

Certificates of Deposit	$ 854,060
Cash on Hand and in Bank	196,914,079
Total	$197,768,139

Source: District.

As of June 30, 2013, the average duration of the District's investments (average days to maturity) was 365 days.

All amounts deposited in the Project Fund established in connection with the general obligation bonds will be invested at the direction of the District in Investment Securities as such term is defined in the Paying Agent 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 an agent multiple-employer public sector employee defined-benefit retirement plan that acts as a common investment and administrative agent for approximately 3,064 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 Assembly Bill (AB) 340, California Public Employees' Pension Reform Act ("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 exempts most District employees from the provisions of pension reform, at least as an interim measure pending the resolution of a suit to be brought in Federal court. See "CAPITAL PROGRAMS – Funding Developments – Pension Reform and Grant Funding," above.

Annual Actuarial Valuation Reports. CalPERS prepares an Annual Actuarial Valuation Report ("CalPERS Actuarial Report") for its members. The District receives the 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 October 2013, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2012. These Reports established the District's required minimum employer contribution rates for Fiscal Year 2014-15, which are 13.303% of covered payroll for the Miscellaneous Plan for employees and 47.789% of covered payroll for the Safety Plan for employees, before any cost sharing. 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. CalPERS issued letters on December 19, 2012 indicating the employer contribution rates for new PEPRA employees will be the same rates as classic employees. The impact of most of the PEPRA changes will first appear in the rates and benefit provision listings of the June 30, 2013 valuation for the Fiscal Year 2015-16 rates.

The District's employer required contribution rates for Fiscal Years 2012-13 and 2013-14 were determined by actuarial valuations of the Plans as of June 30, 2010 and 2011, respectively. The employer required contribution rates for Fiscal Year 2012-2013 were 11.736% of covered payroll for the Miscellaneous Plan and 41.566% of covered payroll for the Safety Plan, and the employer required contribution rates for Fiscal Year 2013-2014 are 12.269% of covered payroll for the Miscellaneous Plan and 42.885% of covered payroll for the Safety Plan.

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, and for the valuation year ended June 30, 2012, the average remaining amortization period is 16 years for the Miscellaneous Plan and 21 years for the Safety Plan. 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 Plan to cover normal cost and to amortize the unfunded actuarial accrued liability, as a percentage of covered payroll, were 11.736% for Fiscal Year 2012-13, 11.986% for Fiscal Year 2011-12 and 9.446% for Fiscal Year 2010-2011, respectively. District payment for the employer portion of the contributions for the Safety Plan to cover normal cost and to amortize the unfunded actuarial accrued liability, as a percentage of covered payroll, were 41.566% for Fiscal Year 2012-13, 38.001% for Fiscal Year 2011-12 and 32.321% for Fiscal Year 2010-11, respectively. In accordance with agreements with the labor organizations representing District employees and District policy applicable to non-represented employees, the District also pays the employee portion of the normal contributions, which are 7% of covered payroll for Miscellaneous Plan employees and 9% of covered payroll for Safety Plan personnel. Effective January 1, 2013, under PEPRA, non-represented employees hired on or after January 1, 2013 started contributing half of the total normal cost and starting on July 1, 2013, under PEPRA, bargaining unit employees hired on or after January 1, 2013 started contributing half of the total normal cost.

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 will 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 will 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, including the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). 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.

In calculating the UAAL in an actuarial valuation, the CalPERS actuary smooths gains and losses over multiple years using a smoothing technique that generally only recognizes a portion of the gain or loss realized in a given fiscal year. In each actuarial valuation, the CalPERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the CalPERS Plans at the end of the fiscal year (which assumes, among other things, that the real rate of return during that fiscal year equaled the assumed rate of return of 7.50%). CalPERS has recently acted to change certain of its actuarial assumptions, and is considering additional changes intended to amortize the unfunded liability more quickly. Beginning with the June 30, 2013 valuations that will set the Fiscal Year 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. For complete updated inflation, actuarial and other assumptions, please contact CalPERS at the above-referenced address.

Schedule of Funding Progress. The funding status applicable to the District's Plans at June 30, 2012 (the most current available for the Fund) 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)	Funded Status (Market Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/08	$1,391,792	1,349,563	42,229	97.0%	98.8%	218,889	19.3%
6/30/09	1,520,140	1,405,192	114,948	92.4	67.4	222,864	51.6
6/30/10	1,575,249	1,462,840	112,409	92.9	72.5	219,269	51.3
6/30/11	1,661,566	1,530,454	131,112	92.1	81.5	219,833	59.6
6/30/12	1,728,926	1,581,046	147,880	91.4	76.2	226,128	65.4

Source: CalPERS Annual Valuation Report as of June 30, 2012.
[1] Numbers reflect rounding.

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)	Funded Status (Market Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/08	$164,993	131,846	33,147	79.9%	81.1%	17,721	187.0%
6/30/09	183,177	140,580	42,597	76.7	56.2	18,373	231.8
6/30/10	197,342	148,970	48,372	75.5	59.5	17,601	274.8
6/30/11	213,592	157,704	55,888	73.8	66.1	18,864	296.3
6/30/12	225,612	166,268	59,343	73.7	61.9	17,406	340.9

Source: CalPERS Annual Valuation Report as of June 30, 2012.
[1] Numbers reflect rounding.

Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan, 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. Pursuant to its collective bargaining agreements and District policy, the District contributes an amount equal to 6.65% of eligible employee's annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868. As a result of labor contract negotiations over the 2009-2013 collective bargaining agreements, the District suspended the "6.65%" contributions on behalf of employees represented by the BART Police Managers Association, effective January 1, 2010 and BART Police Officers Association from July 1, 2010 through FY 2013 during the term of the 2009-2013 agreements. These contributions remain suspended during negotiations over the successor agreements.

In addition, the District contributes an additional 1.627% of payroll for eligible represented (sworn represented are excluded) and eligible non-represented employees, subject to the Internal Revenue Code Section 401(a)(17) limits on compensation which may be taken into account.

The District suspended the 1.627% contributions for all eligible employees through June 30, 2013. The 2009-2013 collective bargaining agreements provide that in Fiscal Years ending June 30, 2014 through 2034, the District's obligation with respect to the 1.627% contribution to the MPPP is contingent on the relationship of the projected Annual Required Contribution (ARC) for retiree medical benefits to that which is set forth in the current collective bargaining agreements. Under those terms, contributions would resume for FY 2014. However, this is an open issue in the ongoing current negotiations over the successor agreements. The District's total expense and funded contribution for this Plan for Fiscal Year 2011-12 was $4,888,311 and for the Fiscal Year 2010-11 was $5,705,996. The Money Purchase Pension Plan assets at June 30, 2012 and 2011 (excluded from the financial statements in Appendix B), as shown in the Plan administrator's unaudited report, were $249,514,823 and $260,388,390, respectively. At June 30, 2013, there were approximately 238 (242 in 2012 and 295 in 2011) 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.

Postretirement Health Care 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. Pursuant to a Keenan Associates report dated April 30, 2013 entitled "Post-Employment Benefit Valuation Report, under GASB 43/45 as of June 30, 2012" (the "Keenan Report"), 1,797 retirees and surviving spouses are provided this benefit. Pursuant to the Retiree Health Benefit Trust Independent Auditor's Report for the Years Ended June 30, 2012 and 2011, the District made payments on a pay-as-you-go basis, net of retirees' and surviving spouses' share, medical insurance premiums totaling $14,516,000 in Fiscal Year 2011-12 and $13,272,000 in Fiscal Year 2010-11, and life insurance premiums amounting to $70,000 in Fiscal Year 2011-12 and $81,000 in Fiscal Year 2010-11.

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 requires 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 of 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.

At June 30, 2012, net assets 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 $138,933,254.

The District's collective bargaining agreements require that, beginning July 1, 2007, the District contribute into its Health Benefit Trust amounts that at a minimum, reflect an eight year "ramp up" to District payment of the full GASB 45-compliant ARC beginning July 1, 2013 using an open group valuation method with a closed thirty year amortization schedule for unfunded liability ending June 30, 2034.

Funding projections are based on the Keenan 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, 2012 is estimated at approximately $329 million. The report also contained projected per capita claims cost updates based on Calendar Years 2012 and 2013 CalPERS premiums. The combination of premium rate and enrollment changes resulted in a large reduction in the AAL. This is primarily due to a 10% reduction in Medicare premiums. A comprehensive analysis of retirement and turnover rates was conducted by Milliman, who recommended alternative assumptions. These new assumptions reduced the AAL, but had an uneven impact on the components of the ARC.

Following is the summary of results of the valuation:

	(in $ Millions)		
	Retiree Medical Plan	Additional OPEB Plan	Total
June 30, 2012 Valuation Results			
Actuarial Accrued Liability	$329	$33	$362
Actuarial Value of Assets	139	0	139
Unfunded Actuarial Accrued Liability	190	33	223
Results for Fiscal Year 2011-12			
ARC (Percentage of Pay)	11.52%	0.72%	12.24%
ARC (Dollar Amount)	$28.002	$1.813	$29.815
BART Payments			
Benefit Payments from General Assets	$14.516	$.070	$14.586
Contributions to Trust	10.100	–	10.100
Total	$24.616	$.070	$24.686

Source: Keenan Report dated April 30, 2013 and the District.