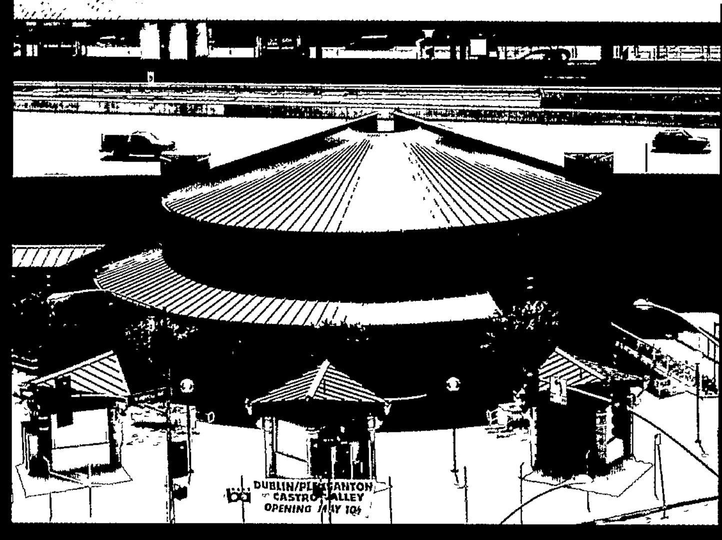
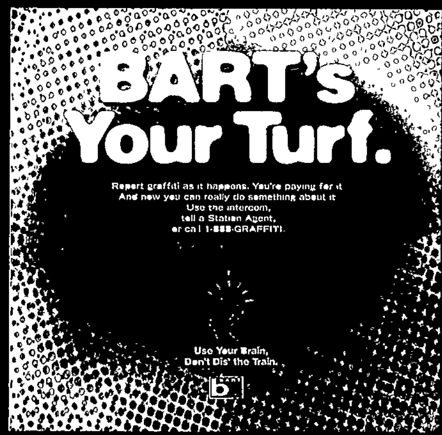
and Further . . .

Closer and Closer

Annual Report
Fiscal Year
1996/1997

BART





Accessibility

Message from Thomas E. Margro, General Manager

Providing reliable, safe and quality rapid rail transit service to the residents and businesses of the San Francisco Bay Area is BART's basic mission. As we examine Fiscal 1997, we find it was a year replete with milestones in our ridership, our highest year ever reaching 76 million total annual trips, our Extensions Program, significant progress in our Systemwide Renovation and notable achievements in technology. We also enjoyed financial performance that balanced fiscal responsibility with sound investment in a world-class transit system that will serve the San Francisco Bay Area well into the Millennium.

"BART is a very exciting place that has always been on the cutting edge of technology, and that is very intriguing to me."

As we observe BART's 25th year of service to the people of the San Francisco Bay Area, I must note as General Manager I take pride in serving the public with a professional and dedicated workforce that is second to none in the transit industry.

Extension Milestones

We began Fiscal 1997 with a stepped up effort to open the Pittsburg/Bay Point Station before the end of calendar year 1996. There was much to accomplish before we could open including integrating the new extension train control technology into BART's 25-year-old core system. Engineers took the time necessary to make adjustments and fix problems associated with train control integration. As a result, we successfully began new service at Pittsburg/Bay Point in December 1996, followed by opening the Castro Valley and Dublin/Pleasanton BART stations in May 1997.

The $506 million, 7.8-mile Pittsburg line completed the first phase extension from Concord to eastern Contra Costa County. The Pittsburg/Bay Point Station features a 2,000 space parking lot connected by a pedestrian bridge over Highway 4 and a multifaceted glass concourse structure. The $517 million, 14-mile extension to Dublin/Pleasanton initiates our expansion into the Tri Valley area. It was built with 21 BART bridge structures—five over water and 16 over traffic—and nine freeway bridges. We also widened Highways 238 and 580 with Caltrans to allow room for BART in the freeway median. Both projects together supported directly and indirectly about 50,000 jobs during construction. By the year 2005, Pittsburg/Bay Point is projected to carry 12,000 passengers daily, while Dublin/ Pleasanton is projected to carry over 22,000 passengers a day.

With the Dublin/Pleasanton line opening, we increased passenger capacity on the Fremont line by 20 percent during the commute and by 50 percent all day. We also increased the number of trains during the commute systemwide from 50 to 56. The BART system has now grown to 39 stations and 95 miles of trackway.

With the new stations open, we shifted responsibility for our BART Express service to Tri Delta Transit, which took over the eastern Contra Costa County service serving the Pittsburg/Bay Point BART Station, and to the Livermore Amador Valley Transportation Authority, which operates the WHEELS bus system. AC Transit assumed service on two lines between Hayward and the Castro Valley BART Station.

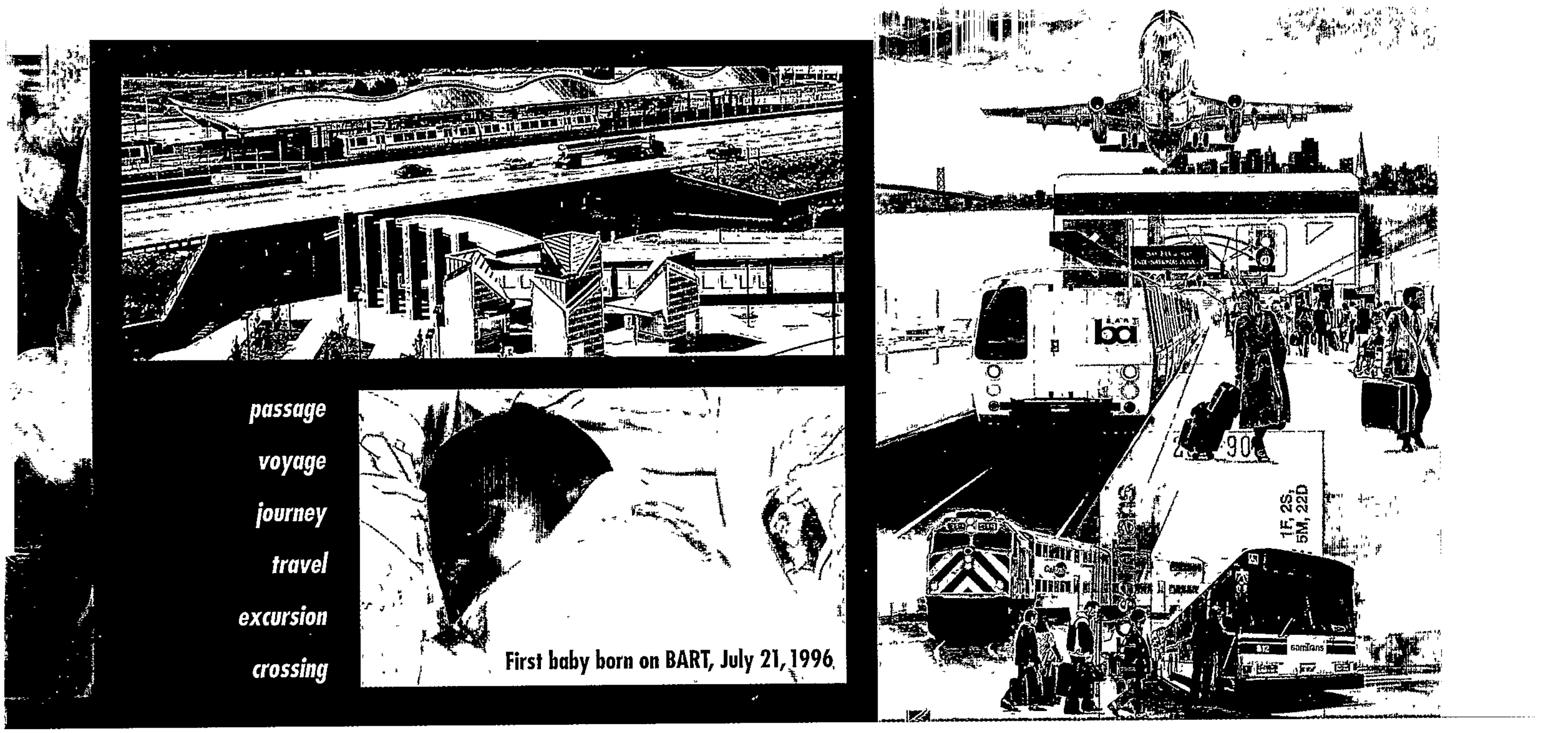
There was more to come as we looked to breaking ground in late 1997 for the BART/ San Francisco International Airport extension project.

BART to SF International Airport

We spent most of Fiscal 1997 preparing for the much-awaited project that will bring BART directly into the fifth busiest airport in the nation and earn BART the distinction as "Gateway to the World". We negotiated agreements, prequalified construction bidders, hosted an Open House at our Millbrae project site, and received a Full Funding Grant Agreement from the Federal Transit Administration, committing the $750 million federal share of the funding package.

This funding confirms the Clinton Administration's continued commitment to the BART/ SFO Extension. The BART to SFO project has also been named one of California's top three transportation priorities by Govenor Pete Wilson, who was instrumental in lobbying Congress for our continued funding. We also enjoyed bipartisan support from our Bay Area Congressional delegation and representatives to California's Legislature.

The new 8.7-mile line will extend 7.4 miles south from the Colma BART Station, through South San Francisco and San Bruno to Millbrae, where BART will link up with Caltrain via a connecting platform. An additional 1.3 miles of track will run east-west to serve the Interna-



First baby born on BART, July 21, 1996

tional Terminal at SFO.

Funding for the $1.167 billion project includes the $750 million federal share from the FTA, $200 million from the San Francisco International Airport, $108 million from the State of California, $99 million from Samtrans and $10 million from the Metropolitan Transportation Commission.

Service improvements

BART is always seeking new ways to improve service for our customers. With demolition of the Central Freeway in San Francisco, we encouraged commuters to seek "flex time" work schedules and use bus connections to ride the BART system. To our surprise and delight, the traffic nightmare expected by San Francisco officials never really materialized. We are confident our efforts to raise public awareness as to transit options helped ease the transition.

BART in September 1996 began the most significant change to our bicycle permit program, allowing riders with bicycles to ride in the rear of all cars (except the lead car and during specific times in the commute hour). We also did away with bike permits, which had been required since the early 1970s. We welcome cyclists and look forward to their increased use of BART.

BART and AC Transit began joint paratransit service for riders with disabilities unable to use existing public transportation, providing the service as the East Bay Paratransit Consortium. This alternative transit service is required by the Americans with Disabilities Act. The joint paratransit program allows both agencies to efficiently serve the disabled and senior rider population from San Francisco to locations in the East Bay within a three-quarter radius of any AC Transit route or BART station.

Finally, to promote intermodal travel, BART completed construction on improved bus facilities at the Walnut Creek BART Station, increasing bus bays from nine to 12. New bus canopies and lanes were also installed at Bay Fair, Concord, Daly City and Hayward. These facilities complement similar intermodal facilities at all of our new extensions stations.

Systemwide Renovation

Meanwhile, we continued our $1 billion systemwide renovation program, completing our "mint car" interior and exterior renovation of 100 original BART cars, which came in $300,000 under budget at $2.6 million. We replaced four escalators at the Embarcadero BART Station; began work on 19 other escalators in San Francisco; replaced floors and door sills in 10 elevators, began renovating 66 elevators and made significant progress on station renovation projects at Ashby, Fremont, Hayward, Orinda, Pleasant Hill, Richmond, Balboa Park and Glen Park. Twenty BART stations now feature new tactile signs to accommodate riders with sight impairment. The renovation program also includes upgrading fare gates, change and ticket machines, tracks (where necessary) and support equipment, such as electrical substation and necessary maintenance machinery in the shops.

We also continued our fleet car renovation project, being completed under a $340 million contract by Adtranz in its Pittsburg plant. The first two of the "like new" cars are expected off the assembly line by fall 1997. When placed back into revenue service, these BART cars should last another 20 years.

BART's systemwide renovation project is being supported in part by funds generated by a three-year phased in fare increase; the final increase of 11 percent went into effect April 1, 1997. Fares should contribute an estimated $200 million toward the renovation program, with $450 million coming from state and federal funds. Funds from the fare increase also go to our paratransit service and are helping to fund start-up operating costs at our new extensions stations.

New Technology

BART made it easier for passengers to purchase tickets by installing Charge A Ticket (CAT) machines that accept credit and ATM cards, thereby reducing the need for cash handling. While these state-of-the-art machines are routinely being installed in our extensions stations, older stations started receiving the "CAT" machines in August 1996, including 12th Street, 19th Street, Powell Street, Berkeley and Bay Fair. The BART CAT vending machines accept MasterCard, Visa, Discover and all ATM cards to purchase regular BART and BART Plus tickets.

We also continued testing our Advanced Automatic Train Control system on the operating line. This prototype train control system uses military tracking technology to pinpoint the location of an 80-mile-an-hour BART train to within 15 feet. This means we can reduce intervals between trains and improve peak-hour service and increase rider capacity. BART's participation with Hughes Aircraft in this project came after receiving a federal defense conversion grant of $19.5 million in "seed" money from the Defense Reinvestment Conversion Initiative.

A Higher Safety Profile

As part of the BART Police program to decentralize operations and increase officer visibility, two zone facilities opened at the Bay Fair and El Cerrito Del Norte stations in October and November 1996, respectively. They join a zone facility at Powell Street and a field office in Walnut Creek.

BART also declared "war" on graffiti and vandalism in January 1997 with our new "zero

tolerance" program, which includes additional video surveillance in several stations and transit vehicles. Through posters, station banners, electronic messages and public service announcements, we got the word out to the community that BART was on the watch for vandals. By May, 65 suspects had been arrested thanks to the efforts of undercover officers from BART and other law enforcement agencies. Following a three-month investigation with San Francisco and Berkeley police, a 21-year-old suspect was indicted by the San Francisco Grand Jury for felony damages of $37,000 to the BART system between Civic Center and Embarcadero. Graffiti and vandalism carry a $1.6 million annual price tag to our taxpaying customers. We intend to continue with this successful program to aggressively prosecute perpetrators.

Community Partnerships

For the 18th year, BART Police conducted their annual food drive, generating $2,000 in cash donations and almost a ton of food to feed 51 underprivileged families in Alameda, Contra Costa and San Francisco counties, along with four Bay Area shelters for children and battered women. Families in need are referred to us by churches and local charities. BART Police officers deliver the food as volunteers and we're proud of their commitment to the community.

BART joined with the Martin Luther King Commemorative Committee to present our annual celebration of Dr. King's life in January, inviting the community to participate in the ceremony, "I've Been to the Mountain Top." We were inspired by the words of Pastor Brian K. Woodson of Oakland's Church of the Good Shepard and the youthful voices of the Cole Elementary School Performing Arts Choir.

Our annual orientation tour for the visually impaired took place at the 19th Street BART Station in cooperation with the Lions Blind Center, Living Skills Center, the American Foundation for the Blind, Oakland schools and the California State Department of Rehabilitation. Visually impaired persons become familiar with station layout and train location, using fare machines, and other elements of station equipment. We're proud to continue this program to help make the system more accessible to persons with disabilities.

On the Track to Financial Fitness

We continue to build on our plan for responsible fiscal performance. For fiscal year 1997-98, BART's operating budget totals $284.9 million. This figure is up $15.8 million from our $269.1 million operating budget for 1996-97, reflecting costs to fully operate our five new extensions stations, continue our systemwide renovation program and invest in customer satisfaction, specifically, ticket vending machine reliability and maintenance of escalators and elevators, along with BART's continued commitment to "zero tolerance" for graffiti and vandalism.

We also for the first time in nearly a decade must restart the District's employer pension payments to the Public Employees Retirement System due to a depleted surplus. Our commitment to this program is $9.2 million annually, which we began paying on July 1, 1997.

In expenses, operating the core and extensions BART system will cost $278.5 million. We will also spend $6.3 million for paratransit services and other services for persons with disabilities, as required by the Americans with Disabilities Act.

Our revenue consists of $162 million from rail, express bus and shuttle services. We will also receive $142.7 million from BART's 75 percent share of the half-cent sales tax levied in BART's counties, $7.2 million in interest revenue and $13 million in property taxes.

Many savings can be attributed to BART's commitment to seek out alternative power sources. This year, we're budgeting $18.8 million to cover power costs, $2.7 million less than Fiscal 1997. From costs projected in the 1995 Short Range Transit Plan, we saved $4.9 million from alternate power sources and $2.4 million from reduced PG&E rates. We anticipate increasing our source from the U.S. Energy Department's Bonneville Power Administration to 20 megawatts from 5 MW in Fiscal 1997 and to receive 50 MW from the federal Western Area Power Administration, down from 57 MW in Fiscal 1997. We also anticipate saving $1 million annually from purchasing electric power stations on the Pittsburg/Bay Point and Dublin/Pleasanton lines. We have also turned over bus service to local operators in the Tri Valley area and eastern Contra Costa County, thereby saving the District $5.8 million.

In the service area, we expect to see 1.9 percent more customer trips at 76.9 million, 4.6 percent more passenger miles at 1 billion, and 6.5 percent more car miles at 59.3 million, all reflecting a full year of extensions service.

As we enter 1998, we look forward to continued improvements to our system and plant and improved service to BART riders. Of course, we will continue our commitment to the communities BART serves through effective partnerships. Last and most important, we look forward to quick progress as BART begins building our San Francisco International Airport extension.

T. E. Margro

Coopers & Lybrand

CALVIN Y. LOUIE

Coopers & Lybrand L.L.P.
(a joint venture)

a professional services firm

Report of Independent Accountants

To the Board of Directors of San Francisco Bay Area Rapid Transit District:

We have audited the accompanying financial statements of the San Francisco Bay Area Rapid Transit District (the District) as of June 30, 1997 and 1996 and for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Francisco Bay Area Rapid Transit District as of June 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued reports dated October 17, 1997, on our consideration of the District's internal control structure and on its compliance with laws and regulations.

San Francisco, California
October 17, 1997

Coopers & Lybrand L.L.P.

Coopers & Lybrand L.L.P., a registered limited liability partnership, is a member firm of Coopers & Lybrand (International)

San Francisco Bay Area Rapid Transit District

Balance Sheets

June 30, 1997 and 1996

Dollars in thousands	1997	1996
Assets		
Current assets:		
Cash and cash equivalents	$ 88,404	$ 81,920
Investments	3,882	4,217
Total cash, cash equivalents and investments (including restricted cash and investments of $4,963 in 1997 and $5,109 in 1996)	92,286	86,137
Deposits held by trustee - restricted	78,620	54,242
Capital grants and contributions receivable - restricted	84,931	98,616
Other receivables	11,695	12,909
Materials and supplies	20,852	20,479
Total current assets	288,384	272,383
Restricted and designated cash and investments:		
Investments for capital purposes	148,871	200,082
Board designated investments	17,200	17,903
Deferred compensation plan investments	—	141,376
Facilities, property and equipment, net	3,090,057	2,927,622
Capital grants and contributions receivable	—	9,076
Other receivables	39,431	42,585
Total assets	$ 3,583,943	$ 3,611,027
Liabilities and Fund Equity		
Current liabilities:		
Current portion of long-term debt	$ 137,030	$ 53,765
Payroll and other liabilities	79,241	80,181
Current portion of self-insurance liabilities	7,486	7,377
Unearned passenger revenue	3,890	2,794
Current portion of capital lease liability	3,154	3,154
Total current liabilities	230,801	147,271
Contracts payable - restricted assets	30,598	27,140
Self-insurance liabilities	16,763	15,197
Deferred compensation plan liabilities	—	141,376
Long-term debt, net	386,151	520,779
Long-term portion of capital lease liability	39,431	42,585
Total liabilities	703,744	894,348
Commitments and contingencies (Note 13).		
Fund equity:		
Contributed capital	1,920,048	1,789,506
Retained earnings	960,151	927,173
Total fund equity	2,880,199	2,716,679
Total liabilities and fund equity	$ 3,583,943	$ 3,611,027

The accompanying notes are an integral part of these financial statements

Statements of Revenues and Expenses

for the years ended June 30, 1997 and 1996

Dollars in thousands	1997	1996
Operating revenues:		
Fares	$ 149,465	$ 123,691
Other (including investment income)	14,661	13,236
Total operating revenues	164,126	136,927
Operating expenses:		
Transportation	86,517	76,184
Maintenance	108,366	98,036
Police services	19,470	18,086
Construction and engineering	11,178	9,751
General and administrative	72,122	72,182
Depreciation and amortization	56,654	54,023
Total operating expenses	354,307	328,262
Less capitalized costs	(29,916)	(29,977)
Net operating expenses	324,391	298,285
Operating loss	(160,265)	(161,358)
Non-operating income (expenses):		
Transactions and use tax (sales tax)	134,984	126,077
Property tax	58,576	58,091
State financial assistance	265	286
Local financial assistance	1,244	595
Other investment income	5,607	14,336
Interest expense	(31,356)	(33,785)
Other expense, net	(683)	(714)
Total nonoperating income , net	168,637	164,886
Net income	$ 8,372	$ 3,528

The accompanying notes are an integral part of these financial statements

Statements of Changes in Fund Equity

for the years ended June 30, 1997 and 1996

Dollars in thousands	Contributed Capital	Retained Earnings	Total Fund Equity
Balances, June 30, 1995	$ 1,582,962	$ 900,411	$ 2,483,373
Net income	—	3,528	3,528
Contributed capital	229,778	—	229,778
Other additions (deductions):			
Depreciation of assets acquired with contributed capital	(23,234)	23,234	—
Balances, June 30, 1996	1,789,506	927,173	2,716,679
Net income	—	8,372	8,372
Other additions (deductions):			
Contributed capital	155,148	—	155,148
Depreciation of assets acquired with contributed capital	(24,606)	24,606	—
Balances, June 30, 1997	$ 1,920,048	$ 960,151	$ 2,880,199

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

for the years ended June 30, 1997 and 1996

Dollars in thousands	1997	1996
Cash flows from operating activities:		
Operating loss	$ (160,265)	$ (161,358)
Less investment income included in operating revenue	(10,402)	(9,355)
Operating loss excluding investment income	(170,667)	(170,713)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	56,654	54,023
Loss on sale of facilities, property and equipment	—	123
Net effect of changes in:		
Receivables	23,522	(34,809)
Materials and supplies	(373)	(351)
Payroll and other liabilities	(939)	13,994
Self-insurance liabilities	1,675	5,692
Unearned passenger revenue	1,096	332
Net cash used in operating activities	(89,032)	(131,709)
Cash flows from noncapital financing activities:		
Transactions and use tax received	105,055	97,687
Property tax received	12,769	12,519
Financial assistance received	1,509	881
Net cash provided by noncapital financing activities	119,333	111,087
Cash flows from capital and related financing activities:		
Transactions and use tax received	29,929	28,390
Property tax received	45,806	45,572
Interest paid on debt	(29,661)	(32,255)
Capital grants received	155,149	229,778
Principal paid on long-term debt	(53,765)	(48,795)
Bond issuance costs	—	(52)
Expenditures for facilities, property and equipment	(218,953)	(331,919)
Proceeds from sale of facilities, property and equipment	—	2,038
Other, net	24	(124)
Net cash used in capital and related financing activities	(71,471)	(107,367)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	759,285	761,444
Purchase of investments	(720,457)	(630,770)
Interest on investments	8,826	14,654
Net cash provided by (used in) investing activities	47,654	145,328
Net increase in cash and cash equivalents	6,484	17,339
Cash and cash equivalents, beginning of year	81,920	64,581
Cash and cash equivalents, end of year	$ 88,404	$ 81,920

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

1. Significant Accounting Policies

Description of Reporting Entity

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

The District has defined its financial reporting entity in accordance with Government Accounting Standards No. 14, which states that the financial reporting entity should consist of (a) the primary government, (b) the organizations for which the primary government is financially accountable, and (c) the other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this definition, the financial statements of the District (the primary government) include those of the Transit Financing Authority (the Authority), a component unit.

Basis of Accounting and Presentation

The accrual basis of accounting is used by the District. Under this method, revenues are recognized when earned and expenses are recognized when they are incurred.

The financial statements of the District are presented as an enterprise fund and are accounted for in separate funds, principally the Operating Fund, Construction Fund and Debt Service Fund. Such funds are combined for financial reporting purposes in order to present the financial position and results of operations of the District as a whole.

Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Deposits held by trustee, deferred compensation plan investments (see Note 11), and investments restricted for Board designated purposes are treated as investments.

Investments

Investments are stated at cost or amortized cost, except for assets of the deferred compensation plan which are stated at market value (see Note 11). As a matter of policy, the District holds investments until their maturity.

Deposits Held by Trustee

Deposits held by trustee, consisting of cash and investments, are held by trustee banks in accordance with the District's various bond and note indentures and for general debt service requirements. Deposits are stated at cost.

Restricted and Designated Cash and Investments

Certain cash and investments are classified as restricted and designated assets on the balance sheets because their use is limited, either by certain bond covenants or by the Board of Directors' designations. The use of these funds is restricted for use in construction or for debt service payments.

Materials and Supplies

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

Facilities, Property and Equipment

Facilities, property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense on assets acquired with capital grant funds is transferred to contributed capital after being charged to operations.

Major improvements and betterments to existing facilities and equipment are capitalized. Costs for maintenance and repairs which do not extend the useful life of the applicable assets are charged to expense as incurred. Upon disposition, costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations.

The District capitalizes certain interest income and expense related to tax-free borrowings. The net effect of such interest capitalization was to (decrease) increase expenditures for facilities, property and equipment by $(3,319,000) and $57,000 during the years ended June 30, 1997 and 1996, respectively, for the difference between interest income and interest expense from applicable borrowings.

Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned.

Unearned Passenger Revenue

Unearned passenger revenue is an estimate of passenger tickets purchased which have not yet been used.

Contributed Capital

The District receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S. Department of Transportation, state, and local transportation funds for the acquisition of transit related equipment and improvements. Capital grants are recognized as donated capital to the extent that costs under the grant have been incurred and recorded as assets. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, are included in contributed capital.

Transactions and Use Tax (Sales Tax) Revenue

State of California legislation authorizes the District to impose a ½% transaction and use tax within District boundaries which is collected and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid directly to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The remaining 25% is allocated by the Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustee) as revenue.

Property Taxes, Collection and Maximum Rates

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

The District receives property tax revenues to meet the debt service requirements of its General Obligation Bonds. The District also receives an allocation of property tax revenues for transit operations. San Francisco, Alameda and Contra Costa Counties assess properties and bill for, collect, and distribute property taxes. Property taxes are recorded as revenue and receivables, net of estimated uncollectibles, in the fiscal year of levy.

Financial Assistance Grants

Financial assistance grants are accrued as other revenue in the period to which the grant applies.

Collective Bargaining

Approximately 87% of the District's employees are subject to collective bargaining. The current labor contracts expire on June 30, 2001.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 1996 financial statements to conform to the 1997 presentation. These reclassifications did not change total assets, total liabilities, fund equity, or net income.

2. Cash and Investments

The District maintains a cash and investment pool that includes cash and investments available for general use and restricted for Board designated purposes. Cash and investments of the District's deferred compensation plan (see Note 11) are held separately by the plan's administrator.

Deposits

The carrying amount of the District's deposits with banks and cash on hand was $4,243,000 and $7,080,000 at June 30, 1997 and 1996, respectively. The corresponding bank balance was $7,510,000 and $4,578,000 at June 30, 1997 and 1996, respectively. Of the bank balance, $236,000 and $300,000 for 1997 and 1996, respectively, was insured by federal depository insurance or collateralized by securities held by the District's agent in the District's name, and $7,274,000 (1996, $4,278,000) is required by Section 53652 of the California Government Code to be collateralized 110% by the pledging financial institutions. Such collateral is not required to be in the District's name.

Investments

State of California statutes and District policy authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, repurchase and reverse repurchase agreements, and the State Treasurer's investment pool. The District did not enter into any reverse repurchase agreements during 1997 or 1996.

Facilities, property and equipment at June 30, 1997 and 1996 are summarized as follows:

Dollars in thousands	Lives (Years)	1997	1996
Land		$ 242,079	$ 241,782
Improvements	80	1,770,779	1,542,612
System-wide operation and control	20	253,647	242,103
Revenue transit vehicles	30	559,641	548,294
Service and miscellaneous equipment	3-20	40,566	37,989
Capitalized construction and start-up costs	30	98,178	97,748
Repairable property items	30	15,992	15,800
Capital leases	30	53,366	48,777
		3,034,248	2,775,105
Less accumulated depreciation and amortization		(826,139)	(771,315)
		2,208,109	2,003,790
Construction-in-progress		881,948	923,832
Total		$ 3,090,05	$ 2,927,622

Depreciation expense on capital leases for the year ended June 30, 1997 was $1,944,000.

The District is currently involved in construction of Phase 1 of an extension project that will add 35 miles of track and 10 new stations to the system at a total cost of approximately $2,936,000,000. The District anticipates completing Phase 1 by the year 2002. The District anticipates funding for Phase 1 will come from the federal government ($878,000,000), State of California ($633,000,000), San Mateo County ($473,000,000), Alameda and Contra Costa Counties ($321,000,000), bridge tolls ($144,000,000), San Francisco International Airport ($200,000,000), and the District ($111,000,000), with the remaining source of funding yet to be identified.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $364,000,000 at June 30, 1997.

Notes to Financial Statements — continued

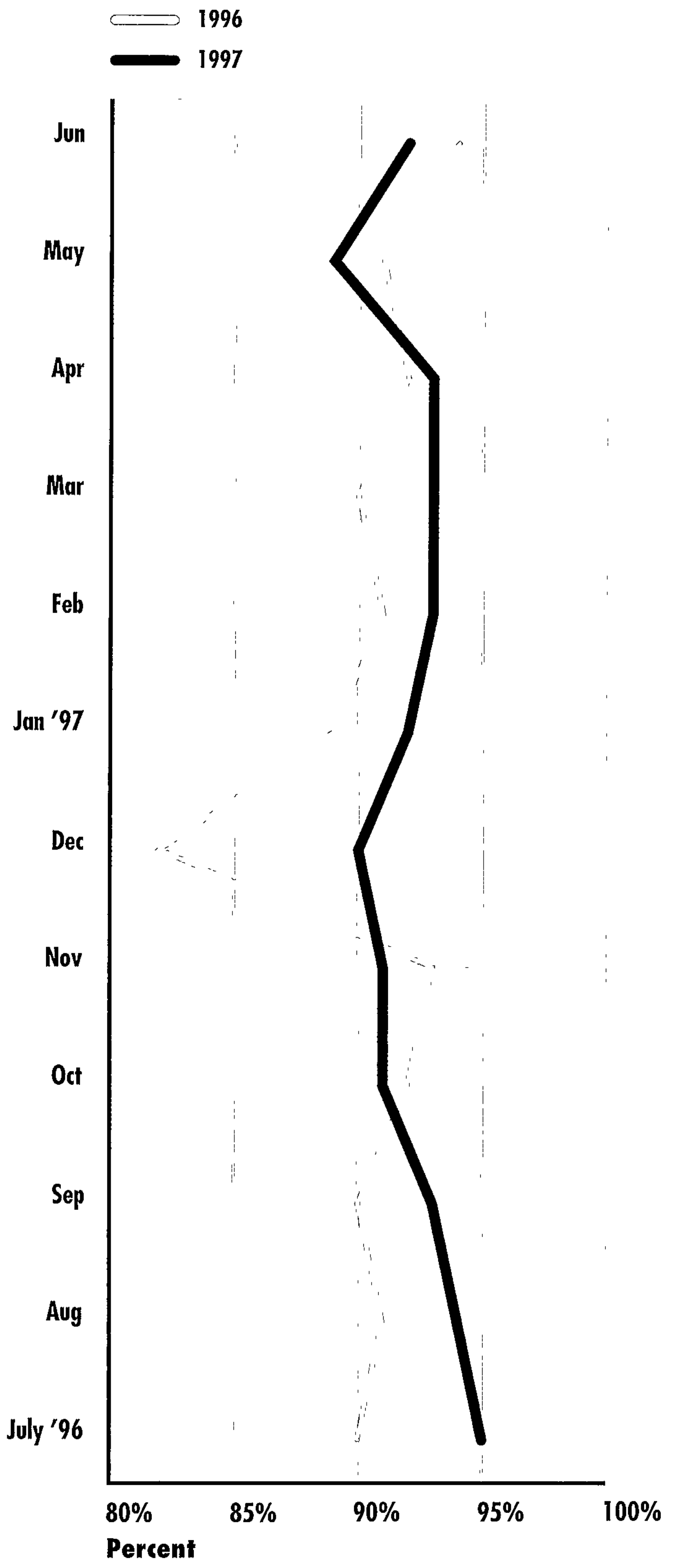
The District's investments are categorized below to give an indication of the credit risk assumed by the District at June 30, 1997. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes investments which are uninsured and unregistered, for which the securities are held by the broker's or dealer's trust department or agent, but not in the District's name.

The Board of Directors of the District have designated the following amounts, consisting of investments, as a reserve of fund equity for the following purposes:

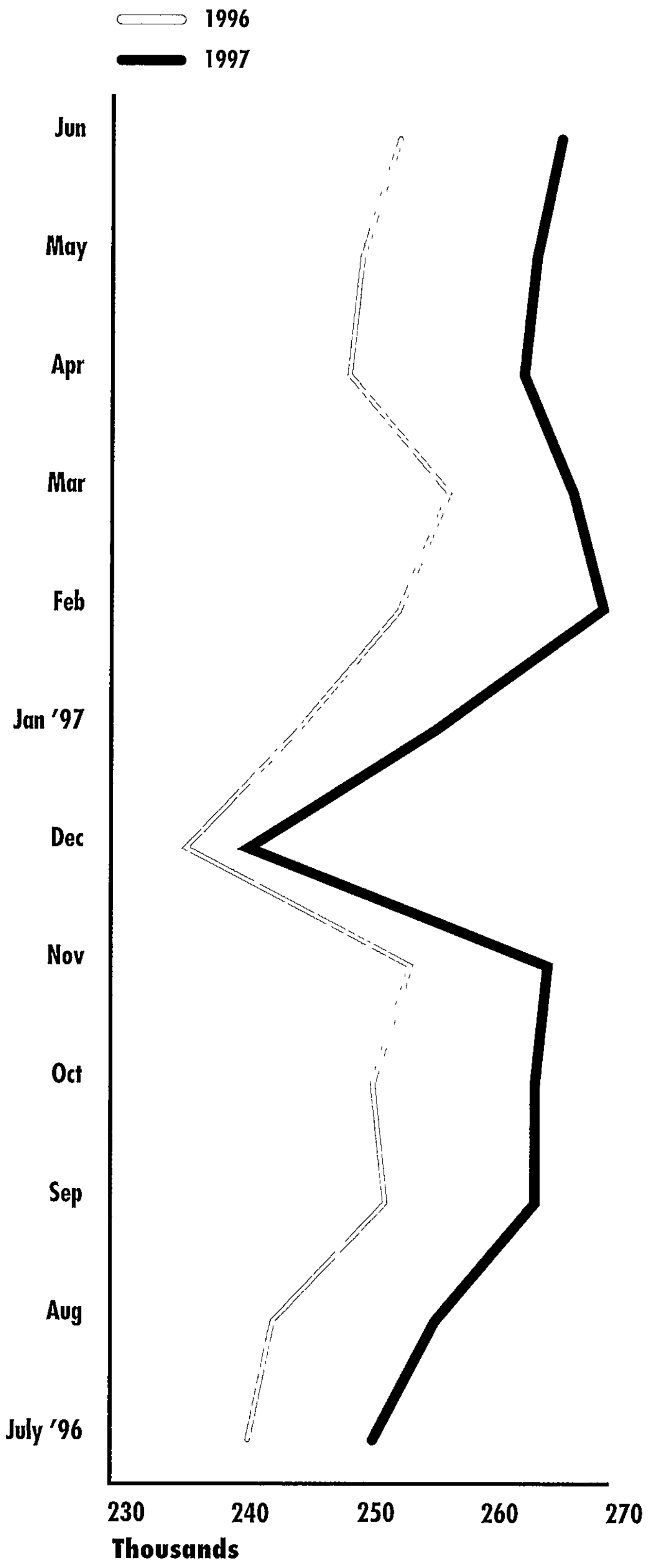
Dollars in thousands	1997	1996
Basic system completion	$ 767	$ 1,721
System improvement	1,703	1,797
Self-insurance	9,000	9,000
Operating	5,730	5,385
Total	$17,200	$17,903

	1997					1996				
	Category			Carrying	Market	Category			Carrying	Market
Dollars in thousands	1	2	3	Amount	Value	1	2	3	Amount	Value
Money market	—	$ 59,494	—	$ 59,494	$ 59,494	—	$ 26,153	—	$ 26,153	$ 26,153
U.S. Treasury bills	—	19,126	—	19,126	19,126	$ 71,814	—	—	71,814	71,259
U.S. Treasury notes	—	—	—	—	—	5,057	—	—	5,057	5,060
Federal agency obligations	$ 203,967	—	—	203,967	204,631	209,432	—	—	209,432	211,231
Repurchase agreements	31,265	—	—	31,265	31,265	24,108	—	—	24,108	24,108
Total	$ 235,232	$ 78,620	—	313,852	314,516	$ 310,411	$ 26,153	—	336,564	337,811
Cash on hand				1,041	1,041				1,867	1,867
Time and demand deposits				(3,302)	(3,302)				(5,213)	(5,213)
Investment in California local agency investment fund				15,000	15,000				15,000	15,000
Mutual funds - deferred compensation plan investments				—	—				141,376	141,376
Total				$ 326,591	$ 327,255				$ 489,594	$ 490,841
Reported as:										
Cash and cash equivalents				$ 88,404					$ 81,920	
Investments - current				3,882					4,217	
Payroll and other liabilities (representing cash overdraft)				(10,386)					(10,146)	
Deposits held by trustee - restricted - current and long-term				78,620					54,242	
Investments restricted for capital purposes				148,871					200,082	
Deferred compensation plan investments				—					141,376	
Investments restricted for Board designated purposes				17,200					17,903	
Total				$ 326,591					$ 489,594	

Daily On-Time Performance



Average Weekday Trips



Notes to Financial Statements — continued

1990 Sales Tax Revenue Refunding Bonds (the 1990 Bonds)

In July 1990, the District issued sales tax refunding bonds totaling $158,478,000. The 1990 Bonds are special obligations of the District payable from and collateralized by a pledge of the sales tax revenues At June 30, 1997, the 1990 Bonds consist of $116,765,000 of current interest bonds due from 1997 to 2012 with interest rates ranging from 6.40% to 6.94% and $26,535,000 of capital appreciation serial bonds ($16,828,000 original amount) with yields of 6.65% to 6.75% due from 2002 to 2005. Interest on the capital appreciation bonds is payable at maturity. For financial reporting purposes, accrued interest is added to the principal balance. The current interest bonds maturing on July 1, 2009 ($56,215,000) are redeemable after July 1, 2000, at the option of the District at prices ranging from 100% to 102%. The 1990 Bonds were issued to advance refund 1985 Sales Tax Revenue Bonds outstanding.

1991 Sales Tax Revenue Bonds (the 1991 Bonds)

The 1991 Bonds were issued in August 1991 in the amount of $56,010,000 and are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. At June 30, 1997, the 1991 Bonds consist of $12,140,000 of serial bonds due from 1997 to 2002 with interest rates ranging from 5.75% to 6.3% and $39,875,000 of term bonds due from 2005 to 2012 with interest rates ranging from 6.4% to 6.6%. The District is required to make sinking fund payments on the term bonds beginning on July 1, 2003. Additionally, the 1991 Bonds maturing after June 30, 2001 are redeemable, at the option of the District at prices ranging from 100% to 102%.

1993 Sales Tax Revenue Notes

In January 1993, the District issued subordinate sales tax revenue notes totaling $74,500,000 to provide funds for the acquisition of 30 mass transit rail vehicles. The notes are special obligations of the District payable from and collateralized by a pledge of certain sales tax revenues and by property tax revenues. The pledge of the sales tax revenue is subordinate to the District's pledge of sales tax revenues with respect to payment of its $158,478,000 original principal amount of Sales Tax Revenue Refunding Bonds, Series 1990, and its $56,010,000 original principal amount of Sales Tax Revenue Bonds, Series 1991, and any obligations of the District payable on a parity with such bonds pursuant to the terms of the indenture under which such bonds were issued.

1995 Sales Tax Revenue Bonds (the 1995 Bonds)

In June 1995, the District issued sales tax revenue bonds totaling $135,000,000 to provide funds for certain capital improvements including rehabilitation of District vehicles and facilities and energy conservation measures. The bonds are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. At June 30, 1997, the 1995 Bonds consist of $62,695,000 serial bonds due from 1997 to 2012 with interest rates ranging from 4.35% to 5.70% and $69,480,000 of term bonds due from 2015 to 2020 with interest rates of 5.50%. The District is required to make sinking fund payments on the term bonds beginning on July 1, 2012. In addition, the 1996 Bonds maturing after June 30, 2006 will be redeemable after July 1, 2005 at the option of the District at prices ranging from 100% to 101%.

Defeased Bonds

In prior years, the District defeased sales tax revenue bonds by placing the proceeds of new sales tax revenue refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 1996, the outstanding amount of sales tax revenue bonds defeased was $130,545,000. In July 1996 these defeased bonds were called. At June 30, 1997 there were no outstanding amounts of defeased bonds.

The District is subject to certain bond covenants, the most restrictive of which is to make no use of the proceeds of the bonds which will cause the bonds to be arbitrage bonds subject to federal income taxation.

Bond and note discount and issuance costs are amortized over the life of the related debt

Note Payable

In September 1994, the District entered into a note payable arrangement with Pitney Bowes Credit Corp. (Pitney) in the amount of $44,550,000 to finance the cost of constructing a telecommunications system (System) along the District's right-of-ways. The note is collateralized by a restricted deposit held by a trustee totaling approximately $19,641,000 at June 30, 1997. This account is to be used by the District for making progress payments to vendors who have been contracted for the design, development and construction of the System. The note payable matures in March of 1998. Interest on the note accrues at the rate of 7.08% per annum The District has incurred costs of approximately $29,670,000 related to the construction of the System, which has been recorded as construction in progress in the balance sheet at June 30, 1997.

6. Joint Ventures

Technology Reinvestment Project

During fiscal year 1996, the District and the joint venture of Hughes Transportation Control Systems, Inc. and Morrison Knudsen Train Control, Inc. (HMK) entered into a memorandum of understanding (MOU) to form an alliance (Alliance) to develop a cost-effective, highly reliable and safe train control system for passenger and freight carrying trains. The project is funded under the Technology Reinvestment Project managed by the Advanced Research Projects Agency (ARPA). The Federal Transit Administration (FTA) has agreed to manage and oversee the project on behalf of ARPA. This project has an initial term of 29 months.

The project is governed by an executive committee which will consist of eight members; three appointed by the District, four appointed by HMK, and one appointed by the FTA. The executive committee will be chaired by the District's general manager.

The District's participation in this project is in the form of in-kind contributions which consist primarily of labor costs, and direct costs that are reimbursable by the Alliance. For the years ended June 30, 1997 and 1996, the District had provided the Alliance with approximately $12,758,000 and $2,983,000 in in-kind contributions, respectively, and had incurred approximately $948,000 and $856,000 of cumulative costs that were reimbursable by the Alliance, respectively.

Paratransit Consortium

In 1994, the District and the Alameda-Contra Costa Transit District (AC Transit) executed a Joint Exercise of Powers Agreement establishing the East Bay Paratransit Consortium (the Consortium). The purpose of the Consortium is to enable the District and AC Transit to jointly administer ADA paratransit services in the service area overlapped by the District and AC Transit. The Consortium receives operating subsidies of State Transit Assistance funds administered by the MTC. The project receives direction from the Service Review Committee, which consists of the general manager (or designee) from each member agency.

For the year ended June 30, 1997, MTC established AC Transit as the lead agency responsible for administering the ADA paratransit services. The lead agency is rotated annually.

The District received approximately $286,000 and $265,000 from MTC in fiscal year 1997 and 1996, respectively.

7. Long-Term Debt

Long-term debt at June 30, 1997 and 1996 is summarized as follows:

Dollars in thousands	1997	1996
1962 General Obligation Bonds	$ 84,800	$ 126,950
1966 Special Service District Bonds	700	1,370
1990 Sales Tax Revenue Refunding Bonds	143,300	148,260
1991 Sales Tax Revenue Bonds	52,015	53,480
1993 Sales Tax Revenue Notes	74,500	74,500
1995 Sales Tax Revenue Bonds	132,175	135,000
Note payable	44,550	44,550
	532,040	584,110
Less:		
Unamortized bond discount and issuance costs	(8,859)	(9,566)
Current portion	(137,030)	(53,765)
Net long-term portion	$ 386,151	$ 520,779

1962 General Obligation Bonds

In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling $792,000,000 of General Obligation Bonds maturing through 1999, with interest rates ranging from 1.5% to 6%. Payment of both principal and interest is provided by the levy of District-wide property taxes.

1966 Special Service District Bonds

In 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of $20,500,000 of General Obligation Bonds maturing through 1998, of which $12,000,000 were issued for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within Special Service District No. 1. Bond interest rates range from 4% to 5.5%.

The following is a schedule of long-term debt principal payments required as of June 30, 1997 (in thousands):

Year ending June 30:	1962 General Obligations Bonds	1966 Special Service District Bonds	1990 Sales Tax Revenue Refunding Bonds	1991 Sales Tax Revenue Bonds	1993 Sales Tax Revenue Notes	1995 Sales Tax Revenue Bonds	Total
1998	$ 43,675	$ 700	$ 7,140	$ 1,610	$ 36,415	$ 2,940	$ 92,480
1999	41,125	—	7,655	1,770	38,085	3,070	91,705
2000	—	—	8,195	1,935	—	3,205	13,335
2001	—	—	8,785	2,090	—	3,355	14,230
2002	—	—	4,622	2,270	—	3,510	10,402
Thereafter	—	—	106,903	42,340	—	116,095	265,338
Sub total	$ 84,800	$ 700	$143,300	$ 52,015	$ 74,500	$ 132,175	487,490
Note payable							44,550
Total							$532,040

8. Federal Grants

The U.S. Department of Transportation provides financial assistance to the District for capital projects and planning and technical assistance. Grants which were active during the year ended June 30, 1997 are summarized as follows (in thousands):

Total approved project costs	$ 496,468
Total approved federal funds	$ 375,481
Less cumulative amounts earned	(276,592)
Remaining amount available under federal grants	$ 98,889

9. Local and State Financial Assistance

The District receives local operating and capital assistance from Transportation Development Act Funds (TDA). For the year ended June 30, 1997, TDA assistance was $1,244,000 (1996, $595,000), all of which was used for operating assistance. These funds are received from the counties of Alameda and Contra Costa to meet, in part, the District's operating requirements based on annual claims filed by the District and approved by MTC.

10. Employees' Retirement Plan

Plan Description

All permanent employees are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefit provisions and all other requirements are established by State statute and District ordinance.

Notes to Financial Statements — continued

The District was not required to make a contribution to the Fund for covered employees for the years ended June 30, 1997 and 1996 due to a surplus of the District's portion of the Fund's net assets over the District's pension benefit obligation caused by a change in 1988 in the actuarial valuation method and an actual rate of return on investment assets that exceeded the assumed rate. The District's covered payroll for employees participating in the Fund for the years ended June 30, 1997 and 1996 was $159,592,000 and $148,517,000, respectively. The District's 1997 and 1996 payroll for all employees was $175,655,000 and $165,363,000, respectively. The District, due to a Collective Bargaining Agreement, also has a legal obligation to contribute an additional 9% for public safety personnel and 7% for miscellaneous covered employees. Employees have no obligation to contribute to the Fund.

Funding Status and Progress

The pension benefit obligation is determined for each participating employer by the Fund's actuary and is a standardized disclosure measure that results from applying actuarial assumptions to estimate the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the District's portion of the Fund to which contributions are made on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1995, the latest available for the Fund. The significant actuarial assumptions used in the 1995 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.50%, annual payroll increases of 4.5% attributable to inflation, 0% attributable to real salary increases, and merit increases that vary by length of service, and no postretirement benefit increases.

The funding status applicable to the District's employee group at June 30, 1995 (the latest available for the Fund) is summarized as follows (in thousands):

Net assets available for benefits, at cost[1] (total market value, $535,018)	$ 503,310
Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	164,753
Current employees:	
Accumulated employee contributions and allocated investment earnings	147,430
Employer-financed, vested	88,206
Employer-financed, nonvested	4,629
Total pension benefit obligation	405,018
Net assets in excess of pension benefit obligation	$ 98,292

[1] *Includes District's surplus at June 30, 1995.*

During the year ended June 30, 1995, the Fund experienced a net increase of approximately $49,588,000 in the pension benefit obligation. This increase was not due to any changes in actuarial methods and assumptions.

Actuarially Determined Contributions Required and Contributions Made

The funding policy of the Fund provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to pay benefits when due. The District was not required to make a contribution to the Fund for the year ended June 30, 1996 in accordance with the actuarially determined requirements computed as of June 30, 1995 and 1994, respectively. The District's surplus asset position is being offset against the current year's normal cost contribution. The actuarially determined normal cost contribution rate before reduction for the surplus asset amortization was 14.076% for safety employees and 8.997% for miscellaneous employees in both 1995 and 1994, respectively.

The District's normal cost contribution rate is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. The Fund also uses the level percentage of payroll method to amortize the unfunded actuarial liability through the year 2000.

Significant actuarial assumptions used in the June 30, 1995 valuation to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

Historical Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information is not yet available.

For the District's portion of the Fund, trend information for the nine years ended June 30, 1995 is as follows.

Dollars in thousands	1995	1994	1993	1992	1991	1990	1989	1988	1987
Net assets available for benefits, at cost	$ 503,310	$ 466,222	$ 383,838	$ 340,459	$ 304,991	$ 277,041	$ 245,582	$ 214,290	$ 189,801
Pension benefit obligation	405,018	355,430	333,526	275,530	244,132	225,168	193,565	171,353	151,795
Net assets available for benefits as a percentage of pension benefit obligation	124%	131%	115%	124%	125%	123%	127%	125%	125%
Assets in excess of pension benefit obligation	98,292	110,792	50,312	64,929	60,859	51,873	52,017	42,937	38,006
Annual covered payroll	136,200	128,325	121,630	114,057	105,614	95,372	85,746	83,178	79,940
Assets in excess of pension benefit obligation as a percentage of annual covered payroll	72%	86%	41%	57%	58%	54%	61%	52%	48%
Contributions made in accordance with actuarially determined requirements as a percentage of annual covered payroll	—	—	—	—	—	—	—	—	—

Trend information for 1996 is not yet available. Also, information prior to 1987 is not available

Postretirement Health Care Cost

In addition to the retirement benefits described above, as specified in the District's ordinance, the District provides postretirement health care benefits assistance to all employees who retire directly from the District or to their surviving spouse. Substantially all of the District's employees may become eligible for those benefits if they reach age 55 while working for the District. Currently, 286 retirees are provided this benefit. The District reimbursed up to $21,000 per month for any health insurance premiums paid by the retiree or their surviving spouse during fiscal 1997. These benefits are fully funded by the District and accounted for on a pay-as-you-go basis through payments to the Plan. Cash reimbursement of these benefits totaled $193,000 in 1997.

Notes to Financial Statements — continued

11. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The deferred compensation plan, available to all officers and employees, permits them to defer receipt of a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, or certain other covered events.

On January 1, 1997, the District amended the Plan to conform to the Federal Small Business Protection Act of 1996 (SBPA). The amendment allowed the creation of a trust for the deferred compensation plan and all income attributable to those amounts. The funds are not subject to the claims of the District's general creditors. The Plan is no longer considered part of the District's assets.

The plan administrator has invested the deferred amounts in numerous participant-directed, uninsured investments. Total employee contributions for this plan for the years ended June 30, 1997 and 1996 were $10,737,000 and $9,900,000, respectively. The Deferred Compensation Plan assets at June 30, 1997 (excluded from the accompanying financial statements) and 1996 were $170,012,000 and $141,376,000, respectively.

12. Money Purchase Pension Plan

All District employees, except sworn police officers, participate in the Money Purchase Pension Plan, which is a supplemental retirement program. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes, on a pay-as-you-go basis, an amount equal to 6.65% of covered 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. Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the year ended June 30, 1997 and 1996 were $6,518,000 and $6,022,000, respectively. Money Purchase Pension Plan assets at June 30, 1997 and 1996 (excluded from the accompanying financial statements) were $173,210,000 and $150,916,000, respectively. At June 30, 1997 there were approximately 500 participants currently eligible to receive benefits under this plan.

13. Commitments and Contingencies

Litigation

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

Lease Commitments

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

Future minimum rental payments under non-cancelable operating leases with initial or remaining lease terms of over one year at June 30, 1997 are as follows:

Dollar in thousands	Operating Leases
1998	$ 704
1999	512
2000	444
2001	444
2002	—
Thereafter	—
Total minimum payments	$ 2,104

Rent expense under all operating leases was $2,144,000 and $1,566,000 for the years ended June 30, 1997 and 1996, respectively.

Sale/Leaseback

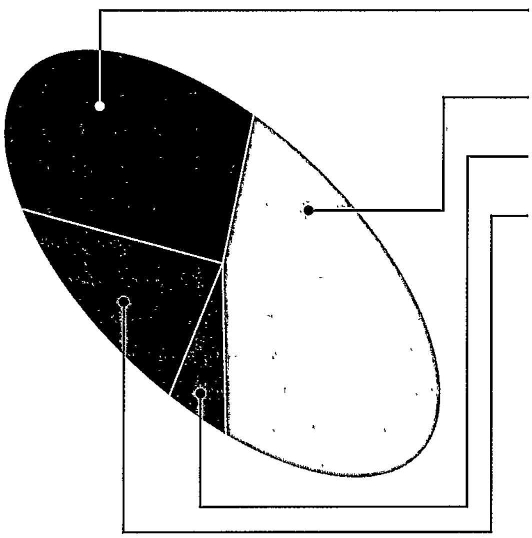
On March 30, 1995, the District entered into an agreement with a Swedish corporation to sell 25 newly manufactured C-2 rail cars for $50,383,000 and simultaneously entered into an agreement to lease them back. The lease agreement was effective on the closing date of September 15, 1995, and continues through January 15, 2011.

The District recognized a gain on the sale of approximately $2,000,000 which is equal to the amount of cash received on the sale. The gain was deferred and is being amortized over 30 years. In addition, the District recorded a receivable of $48,368,000 and a capital lease obligation of the same amount. The receivable and the liability will be reduced by a corresponding amount over the term of the lease. Other than the cash received upon the sale, no cash will be exchanged between the parties in settlement of the receivable and liability.

Operating Funds 1996-97

(Dollars in Thousands)

Sources of Funds



Total
$313,375 100.00%

Transactions and Use Sale Tax
$105,055 33.52%

Passenger Fares
$149,465 47.70%

Property Tax
$12,769 4.07%

Other
$46,086 14.71%

Investment Income and Other Operating Revenues
$14,661 4.68%

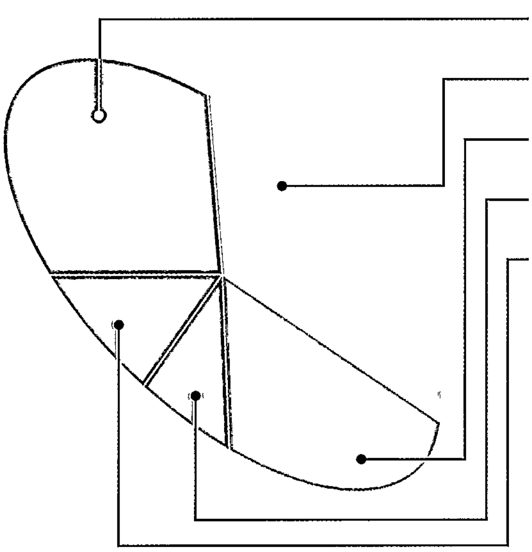
Construction Funds (Capitalized Costs)
$29,916 9.55%

Regional Financial Assistance

Local
$1,244 0 40%

State
$265 0.08%

Uses of Funds



Total
$313,375 100.00%

Maintenance
$108,366 34.58%

Transportation
$86,517 27.61%

General Administration
$72,122 23.01%

Police Services
$19,470 6.21%

Other
$26,900 8.59%

Capital Designation
$15,600 4.98%

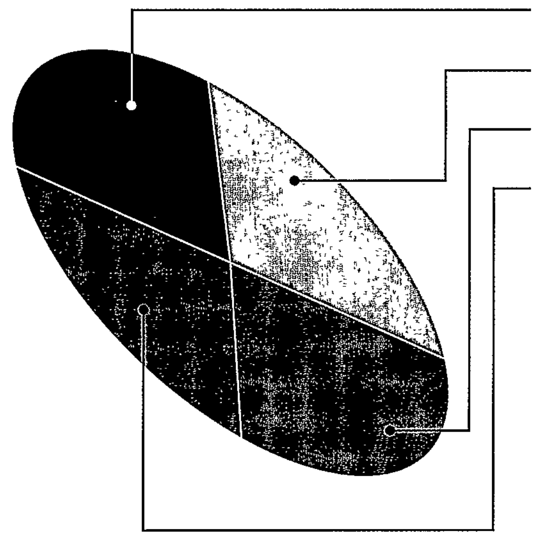
Construction and Engineering
$11,178 3.57%

Increase in Retained Earnings
$122 0.04%

Capital Funds 1996-97

(Dollars in Thousands)

Sources of Funds



Total
$226,789 100.00%

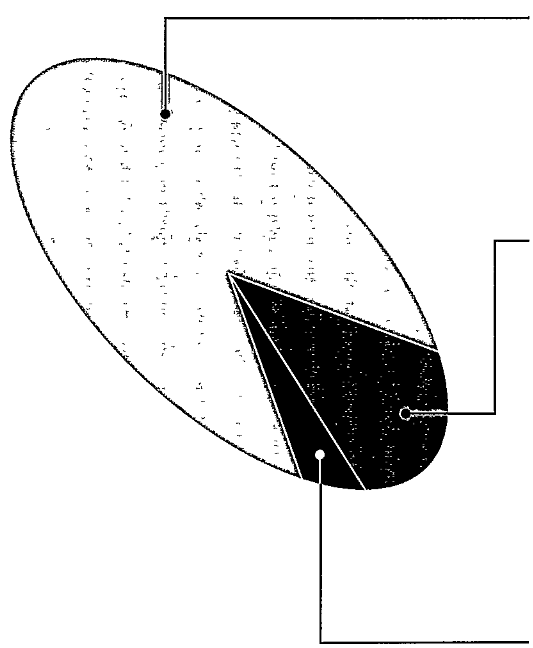
District
$60,377 26.62%

Federal
$53,544 23.61%

State
$61,701 27.21%

Local
$51,167 22.56%

Expenditures



Total
$226,789 100.00%

Construction
$172,624 76.11%

Line
$157,695 69.53%

Systemwide
$14,483 6.39%

Support Facilities
$446 0.19%

Equipment
$42,402 18.70%

Train Control
$5,287 2 33%

Communications
$43 0.02%

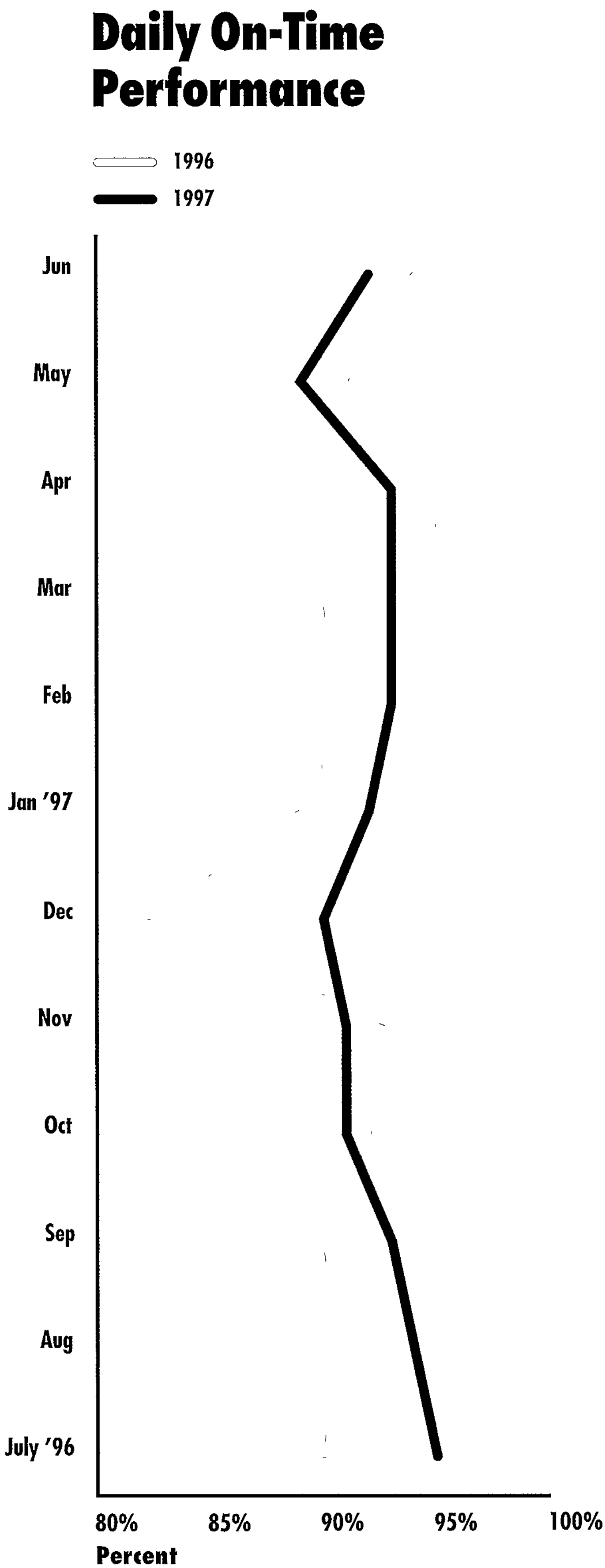
Transit Vehicles
$29,141 12 85%

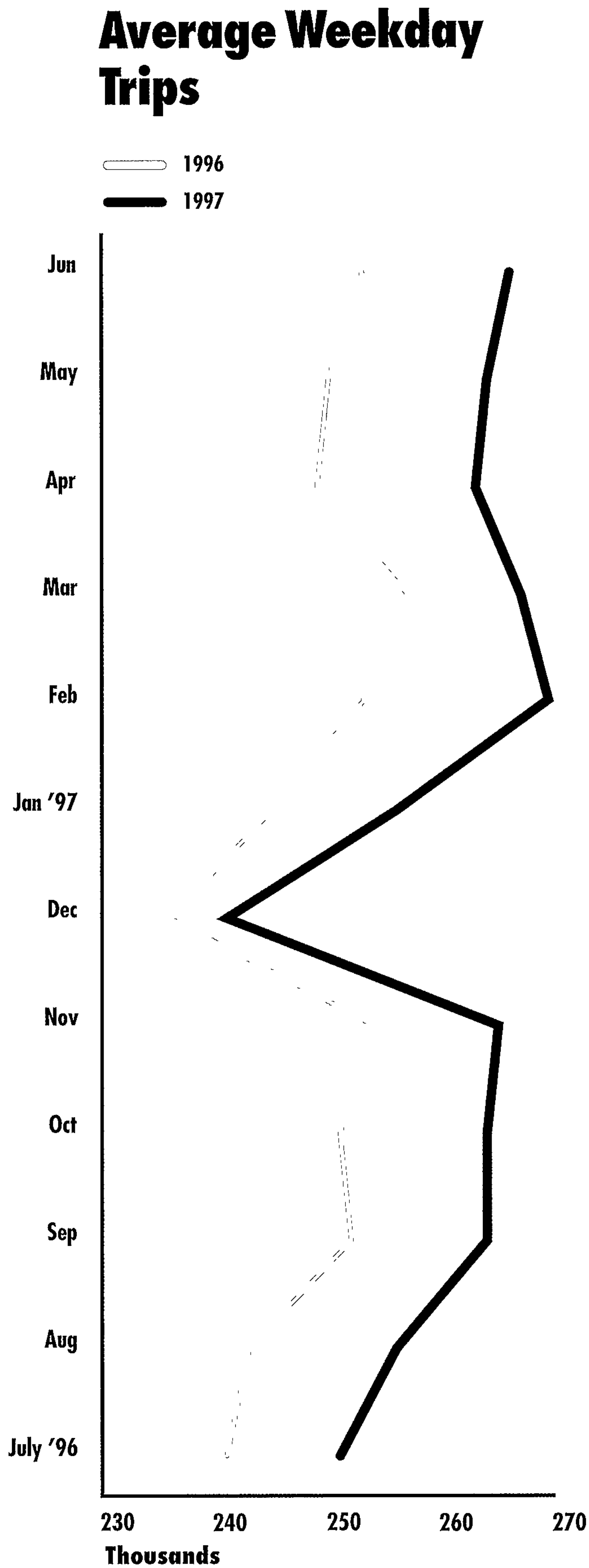
Automatic Fare Collections
$1,635 0.72%

Management Information Systems
$1,225 0.54%

Other Equipment
$5,071 2.24%

Studies Telesystem and Others
$11,763 5.19%


Daily On-Time Performance
1996
1997
Jun
May
Apr
Mar
Feb
Jan '97
Dec
Nov
Oct
Sep
Aug
July '96
80%
85%
90%
95%
100%
Percent


Average Weekday Trips
1996
1997
Jun
May
Apr
Mar
Feb
Jan '97
Dec
Nov
Oct
Sep
Aug
July '96
230
240
250
260
270
Thousands

BART patronage for fiscal year 1997 totaled 75,871,750 passenger trips, compared to 72,446,572 for fiscal year 1996.

Performance Highlights

Weekday passenger trips for fiscal 1997 averaged 260,543, up nearly 12,000 or 4 percent from an average 248,669 trips in fiscal 1996. Annual passenger miles totaled 967,427,593, up 5 million or 5 percent from fiscal 1996's 917,396,455 miles. Ridership for peak commute decreased slightly to 46.79 percent from 46.99 percent in fiscal 1996, while off-peak patronage increased slightly to 53.21 percent from 53.01 percent in fiscal 1996.

Net passenger revenue was up approximately $25 million to $149,464,741 from $123,691,284 in fiscal 1996, for a 20 percent increase. Total operating revenue totaled $164,125,516, up some $27 million or nearly 20 percent over fiscal 1996's $136,926,808 in total operating revenue. Approximately $14.6 million came from other sources of income than passenger revenue, including advertising and interest income. Net operating expenses totaled $267,736,984, up 9 percent from $244,262,400 in fiscal 1996. BART funded 55.83 percent of its FY97 net operating expenses from net passenger revenue, compared to 50.64 percent the previous year. The District's objective is to fund no less than 50 percent of its net operating expense from operating revenue. The operating ratio of 61.3 percent for FY97 relates total operating revenue to total net operating expense. We obviously met our objective in FY97 and continue to move in the right direction in terms of net revenue to expenses.

Net rail passenger revenue per passenger mile was $0.15 compared to $0.13 for FY96. Rail operating cost per passenger mile was $0.26, nearly identical to FY96's $0.255 or $0.26.

Besides funds from passenger fares, interest income, concession, advertising and other sources, BART received $105,054,808 in revenue from 75 percent of the one-half cent transit sales tax and $12,769,468 in property tax from the three BART counties, along with $1,243,599 in local funds and $264,873 in state financial assistance.

BART also received $29,929,086 in sales tax from our three counties and $45,806,093 in property tax for the payment of the principal and interest due on its bond obligations.

These numbers present BART as a forward–moving agency, meeting the transit and customer services challenges presented to our world class organization. As we move into FY98 and proceed with our extension to the San Francisco International Airport, we look forward to continued outstanding financial and ridership performance.

Performance		FY 1997	FY 1996
Rail Ridership	Annual passenger trips	75,871,750	72,446,572
	Average weekday trips	260,543	248,669
	Average trip length (miles)	12.75	12.66
	Annual passenger miles	967,427,593	917,396,455
	Daily train on-time performance	92.10%	90.32%
	System utilization	28.62%	29.32%
	End-of-period ratios: Peak patronage	46.79%	46.99%
	Off-peak patronage	53.21%	53.01%
Operations	Annual revenue car miles	48,523,158	44,877,306
	Unscheduled train removals—average per revenue day	2.17	2.60
	4:00 a.m. car availability	79.8%	76.1%
	Passenger accidents per million passenger trips	10.83	12.33
	Passenger crimes per million passenger trips	57.40	64.95
Financial	Net passenger revenue	$ 149,464,741	$ 123,691,284
	Other operating revenue	$ 14,660,775	$ 13,235,524
	Total operating revenue	$ 164,125,516	$ 136,926,808
	Net operating expenses	$ 267,736,984	$ 244,262,400
	System farebox ratio (net passenger revenue to net operating expense)	55.83%	50.64%
	System operating ratio (total operating revenue to total operating expense)	61.30%	56.06%
	Net rail passenger revenue per passenger mile	$ 0.15	$ 0.13
	Rail operating cost per passenger mile	$ 0.26	$ 0.26
	Net average rail passenger fare (including FastPass)	$ 1.95	$ 1.69

BART System Map