APPENDIX A

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

General Description of the District

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

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

Powers of the District

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

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

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

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's election districts do not conform to the boundaries of the Three BART Counties. The nine electoral districts may include areas from one or more of the Three BART Counties.

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

The District Directors are:

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

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

The five statutory officers are:

Grace Crunican, General Manager

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

Rosemarie V. Poblete, Controller/Treasurer

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

Matthew Burrows, General Counsel

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

Kenneth A. Duron, District Secretary

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

Russell Bloom, Independent Police Auditor

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

Principal executive management staff appointed by the General Manager include:

Robert Powers, Deputy General Manager

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

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

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

<u>Paul Oversier, Assistant General Manager, Operations</u>

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 September 1, 2017, the District has 3,618 employees, of which 3,514 are full-time and 104 are part-time.

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

On May 12, 2016, upon ratification by all affected unions, the Board of Directors voted to adopt four year extensions of the collective bargaining agreements for ATU, SEIU and AFSCME. The agreements provide modest wage increases on July 1 each year as follows: 2.5% on July 1, 2017 and July 1, 2018, and 2.75% on July 1, 2019 and July 1, 2020. All other terms and conditions of employment were extended until June 30, 2021, with the exception of a contract reopener in

January 2018 regarding whether employees' required retirement contributions should be increased and, if so, under what circumstances. Any such agreement must be cost-neutral to the District.

In addition, employee contributions to medical premiums will increase by 3% per year, along with continuation of the additional employee premium contribution of $37 per month. Employees will continue to be eligible each year to receive a lump sum payment of $500 for each 1% that ridership increases above the District's Short Range Transit plan ridership forecast, up to a maximum of $1,000; however, such ridership increase payment will not be made if the pension costs increase by more than 16%, medical costs increase by more than 10%, or if there is an extraordinary unplanned expense exceeding 2.5% of the District's operating budget.

The collective bargaining agreements between the District and the BPOA and the BPMA will each expire on June 30, 2018. Negotiations with respect to these agreements are expected to commence in early 2018.

On March 10, 2016, the Board of Directors approved the BART Major Projects Stabilization Agreement ("BART-MPSA"). The agreement guarantees that craft work unions employed on named BART construction projects will not strike throughout the life of the covered projects. The BART-MPSA includes a provision that allows the designated labor management committee, which is established in the BART-MPSA, to include additional upcoming major projects in the scope of the agreement.

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

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

Litigation

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

THE BART SYSTEM

General Description

The BART System is an electrically powered rapid transit commuter rail system serving the residents of the San Francisco Bay Area. The BART System is currently comprised of 109 miles of double track (including some areas of multiple tracks) and 46 stations, 41 of which are located in the Three BART Counties, including the Warm Springs Extension (as defined herein) which began service on March 25, 2017, and five of which are located in San Mateo County on the San Francisco Peninsula. BART is powered by an electric third rail at 1,000 volts DC. The rail right-of-way is fully protected and has no grade crossings. Automatic fare collection equipment is located in each station to vend and process passenger tickets. As of September 1, 2017, the District owned 669 rail cars in operation. Trains are from three to ten cars in length and contain one control-equipped vehicle (an A-car or C-car) at each end with mid-train vehicles (B-cars or C-cars) making up the remainder of each train. Control-equipped C-cars, consisting of C-1 cars and C-2 cars, can be used as lead, mid-train, or trail vehicles. All station platforms are constructed to accommodate trains of up to ten cars. Trains are operated from the lead A-car or C-car. Computers located along the right-of-way automatically control train movements. BART System train supervision is provided by the BART train control computer located at the BART Operations Control Center ("Control Center") at the Lake Merritt station. Should the need arise, train operators aboard each train may override the automatic system. The District's 669-car operating fleet currently consists of 59 A cars, 380 B cars, 150 C-1 cars and 80 C-2 cars.

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

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

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

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

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

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

BART commenced service in November 2014 of the Oakland Airport Connector (“OAC”) which provides a transit link between the Oakland International Airport (“OAK”) and the BART System. The OAC is an automated driverless, cable-propelled people mover manufactured by Doppelmayr Cable Car that travels between the Coliseum BART station and OAK in about eight minutes on a primarily elevated guideway structure along the median of Hegenberger Road. Flatiron/Parsons JV constructed the approximately $485 million project which was funded in part with proceeds of the District’s Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable). The OAC project is operated pursuant to a 20-year Operations and Maintenance contract with Doppelmayr Cable Car. For fiscal year to-date, through September 2017, approximately 3,200 passengers per weekday used this service.

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

Ridership

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

Trip Locations:	2012	2013	2014	2015	2016	2017
East Bay	83,377	87,787	86,254	89,108	87,892	84,946
West Bay	102,603	108,726	107,682	112,492	112,889	106,814
Transbay	180,585	195,780	205,210	221,519	232,613	231,636
Average Total Weekday Trips	366,565	392,293	399,146	423,119	433,394	423,395
Percentage Annual Change	6.2%	7.0%	1.7%	6.0%	2.4%	(2.3)%

Following extraordinary ridership growth after the 2008-2011 recession, ridership growth started to stabilize to a more sustainable level, averaging over 423,000 weekday trips in Fiscal Year 2015 and growing 2.4% to just over 433,000 weekday trips in Fiscal Year 2016. In Fiscal Year 2017, ridership trended down, averaging 423,395 weekday trips for the year. Factors previously correlated with changes in BART ridership including employment, traffic congestion and the price of gas appear to have a weaker correlation presently than in past years. More recently, the increased utilization of Uber, Lyft, and other app-based services, also known as Transportation Network Companies (“TNCs”), appears to have contributed to the decline in ridership, though exactly to what extent is currently unknown. During Fiscal Year 2017, Transbay trips were down 0.4%, West Bay trips were down 5.4%, and trips within BART’s East Bay area were down 3.4%.

In addition to the decline in average weekday trips, weekend trips were down as well, with Saturday trips down 7.0%, and Sunday trips down 9.8% from the prior fiscal year. The single highest day of BART ridership, with 568,061 trips, occurred on October 31, 2012, in conjunction with the San Francisco Giants World Series Victory Parade held in downtown San Francisco. BART's peak month of ridership was in February 2016 with 446,650 average weekday trips, mainly due to Super Bowl 50 festivities.

Revenue Hours

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

Passenger Fares

BART rail fares are calculated based on distance traveled, with surcharges applied to certain trips, adjusted by a speed differential to account for trips that are slower or faster than a systemwide average. Surcharges apply to transbay trips; trips originating from or destined to stations located in San Mateo County; and a premium applies to trips to and from the SFO Station and the Oakland International Airport station via the OAC ("OAK Station"). A capital surcharge of $0.13 is applied to all trips within the Three BART Counties, as well as Daly City, which is in San Mateo County. Revenues resulting from such capital surcharge are applied to fund capital programs previously funded from the operating budget.

The current minimum one-way fare is $1.95 and, effective January 1, 2018, such minimum fare will increase to $2.00 for riders using the regional Clipper Card (as hereinafter defined) and $2.50 for riders using the magnetic stripe paper tickets. To encourage BART riders to switch to Clipper Cards, on June 22, 2017 the Board approved a 50 cent surcharge on each trip taken using the adult full-fare paper ticket. The current maximum one-way fare is $15.70, charged for the trip between SFO and OAK Stations; as of January 1, 2018, such fare will increase to $16.15 for Clipper Card users and $16.65 for paper ticket users. This fare includes three additive elements: the base fare, the SFO premium fare, currently valued at $4.42, and the BART-to-OAK project fare, currently valued at $6.00. As of January 1, 2018, the SFO premium fare for Clipper Card users will be $4.54 and the BART-to-OAK project fare for such users will be $6.16; the 50 cent surcharge will be added for paper ticket users.

Fare increases during the District's history are summarized below. In May 2003, the Board of Directors approved a series of productivity-adjusted Consumer Price Index-based fare increases to take effect in January of each even-numbered year from 2006 through 2012. On February 28, 2013, the Board approved extending the productivity-adjusted Consumer Price Index-based fare increase program so that fare increases would take effect in January of 2014, 2016, 2018, and 2020. The incremental fare revenue generated by the future fare increases through 2020 is intended pursuant to Board policy to be set aside to fund capital projects.

Average District Fare Increases

Date	Average Increase
November 1975	21.0%
July 1980	34.9
September 1982	18.4
January 1986	30.0
April 1995	15.0
April 1996	13.0
April 1997	11.4
January 2003	5.0
January 2004	10.0
January 2006	3.7
January 2008	5.4
July 2009	6.1*
July 2012	1.4
January 2014	5.2
January 2016	3.4
January 2018	2.7

* 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 a variety of fare discount programs ranging in value from 6.25% to 62.5% of the regularly-applicable fare. These discounts are available when patrons purchase high-value or discounted paper tickets or use the Clipper Card. Persons eligible for such discount programs include children under the age of 18, undergraduate and graduate students attending San Francisco State University, and seniors or persons with disabilities. Specific terms and eligibility requirements apply to each discount program.

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

Parking Programs

The District provides a variety of options for passengers who drive to BART stations. As of September 1, 2017, parking is provided at 34 of the District's 46 stations and the total number of parking spaces provided system-wide is approximately 49,000. Parking is provided in surface lots and in parking garages. The District commenced charging for parking to enhance revenues in 2002 and now charges for parking at all stations that have parking facilities. The District offers a paid monthly and single day reserved parking program system-wide and a paid airport/long term parking program at most of its stations. The monthly reserved parking program allows passengers to purchase guaranteed parking near the entrance to a station. Monthly parking fees vary from station to station within a range of $84 to $231, based upon the daily fee for each station. The number of spaces set aside for monthly reserved parking under current authorization cannot exceed 25% of the total spaces in a lot. All total reserved spaces may not exceed 40% of the station's total spaces. The airport/long term parking program allows passengers traveling to either SFO or OAK to purchase permits to park their vehicles at some BART stations for periods of time greater than 24 hours. Long-term permits can be purchased via the BART website for $6-7/day. At many stations, a number of spaces are set aside for carpoolers and for passengers who arrive at stations after 10 a.m.

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

Parking revenue for Fiscal Year 2016-17 was $35.1 million. The adopted budget for parking revenue for Fiscal Year 2017-18 is $35.2 million.

Power Supply

The operation of the BART System requires a substantial amount of electricity. The District's current annual electric energy requirement is approximately 400,000 megawatt-hours, with peak electric demand of approximately 80 megawatts ("MW").

The District historically purchased all of its electricity services, including both supply and delivery, from Pacific Gas & Electric Company ("PG&E"). In 1995, the California Legislature enacted statutory provisions authorizing the District to purchase electrical power supply from federal power marketing agencies, while continuing to take delivery services from PG&E under negotiated bilateral agreements. The District's authority to purchase electricity from other suppliers was expanded in 2004 to permit the District to obtain electrical power supply from local publicly owned electric utilities and again in 2015 to allow purchase from developers of renewable energy projects. Pursuant to this legislative authorization, the District's energy supply needs are currently met through a portfolio of medium-term and long-term supply contracts, including:

- Clean zero-carbon hydroelectric supply from the Western Area Power Administration for approximately 5% of the District's needs, under a long-term contract through 2024;
- Renewable hydroelectric supply from a 4.3 MW facility at the Nacimiento Dam for approximately 3% of the District's needs, under a long-term contract, through a contract with the Monterey County Water Resources Agency, through 2033;
- Renewable solar energy supply from a 2.5 MW solar facility in the City of Gridley, CA for approximately 1% of the District's needs, under a long-term contract through 2038;
- Renewable on-site solar energy supply at various BART locations, including the Warm Springs station and which total approximately 1 MW, for approximately 0.3% of the District's needs, under long-term contracts ending as late as 2038; and
- Clean low-carbon and zero-carbon supply imports from the Pacific Northwest for the majority of District remaining needs, under medium-term contracts with various suppliers, including Avangrid, through June 2020.

In April 2017, the Board of Directors adopted the District's first Wholesale Electricity Portfolio Policy, mandating that procurement activities: (1) "Support low and stable BART operating costs" and (2) "Maximize the use of low-carbon, zero-carbon and renewable electricity supply." Specifically, this policy implemented performance measures for the energy portfolio's carbon and renewables content and for cost stability, including a 100% renewable mandate by 2045 and long-term cost advantages over equivalent bundled energy services through PG&E. In line with this policy, in 2017 the District released requests for proposals for long-term clean energy supplies to secure the majority of its electricity supply needs beyond 2020 at low, fixed prices.

For energy delivery services, the District continues to utilize PG&E transmission and distribution facilities under negotiated bilateral agreements with the utility to deliver energy purchased by the District from its various suppliers. These current arrangements for energy supply and delivery are effective from 2017 through 2026. They provide significant savings to the District compared with the cost of standard bundled retail service from PG&E but distribution costs are expected to increase due to higher rates and higher total energy use by the District related to service extensions.

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

Service Challenges

After more than 45 years of service, BART faces two critical capital improvement challenges. First, significant reinvestment in the existing system is required to sustain reliable and safe service for current riders. Second, BART must invest to increase capacity to meet the growing demand for transit services in the region.

Record ridership in combination with BART's aging infrastructure has resulted in increased incidents of delays in service caused by equipment failures. Higher ridership has also contributed significantly to increased delays as it has resulted in more medical emergencies, more police calls and more delays prompted by passengers jamming doors as they try to board trains. As many sections of track and trackside equipment have not been upgraded since the system opened on September 11, 1972, the District anticipates increased requirements for maintenance of its track and other equipment and response activity to emergency breakdowns. Major repairs to the Transbay Tube and adjacent track are being undertaken and involved two weekend closures of the Transbay Tube in August and September of 2015. Sections of overhead track on the crossover between the West Oakland Station and the Transbay Tube and a system of switches and over 2,400 feet of rail were replaced. During the closures of the Transbay Tube, the first in the District's history, bus bridges were conducted as substitutes to the Transbay Tube travel and normal BART service was provided on both sides of the Bay. Service issues were also experienced in March and April 2016 on the Pittsburg/Bay Point line between the Pittsburg/Bay Point station and the North Concord station when electrical spikes damaged the propulsion equipment on approximately 50 C cars. Bus bridges and shuttle trains were employed until the problem was resolved. District management contracted with a number of outside subject matter experts to assist District engineers and maintenance staff in the investigation to determine the root cause of the voltage spike that damaged C car propulsion equipment and determined that track moisture and dirt contamination were factors. Most issues have been resolved but due to open track conditions surges may reoccur periodically. The District is accelerating its program of planned weekend track outages in order to accomplish major infrastructure repair projects. These continuous weekend work windows allow for the completion over a few weekends of major repairs and upgrades that, if attempted during the short window when the system is normally closed, would take years to complete. See "BART FINANCINGS AND CAPITAL PROGRAMS – System Reinvestment Program."

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

BART FINANCINGS AND CAPITAL PROGRAMS

Sources of Funds

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

General Obligation Bonds

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

Pursuant to voter approval in the Three BART Counties of Measure AA ("Measure AA") at the November 2, 2004 election, the District is authorized to issue general obligation bonds, in one or more series, in an amount not to exceed $980 million, in order to make earthquake safety improvements to the BART System. In May 2005, the District issued its 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 its General Obligation Bonds (Election of 2004), 2007 Series B (the "2007 B Bonds") in an aggregate principal amount of $400,000,000, and on November 21, 2013, its General Obligation Bonds (Election of 2004), 2013 Series C (the "2013 C Bonds") in the aggregate principal amount of $240,000,000. The 2005 A Bonds, 2007 B Bonds and the 2013 C Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, overhead and underground trackway structures, the Transbay Tube, the Berkeley Hills Tunnel and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and to finance additional retrofits to facilitate a rapid return to service after an earthquake or other disaster. In October 2015, the District issued the General Obligation Bonds (Election of 2004), 2015 Refunding Series D (the "2015 D Bonds") in the aggregate principal amount of $276,805,000. The proceeds from the 2015 D Bonds were used to fully refund the remaining outstanding principal balance of $34,680,000 of the District's 2005 A Bonds, to advance refund $265,735,000 principal amount of the District's 2007 B Bonds, and to pay costs of issuance of the 2015 D Bonds. In June 2017, the District issued the General Obligation Bonds (Election of 2004), 2017 Refunding Series E (Green Bonds) (the "2017 E Bonds") in an aggregate principal amount of $84,735,000. The proceeds from the 2017 E Bonds, together with other District funds, were used to current refund $93,780,000 principal amount of the District's outstanding 2007 B Bonds and to pay costs of issuance of the 2017 E Bonds.

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

At the November 8, 2016 election, voters in the Counties of Alameda and Contra Costa and the City and County of San Francisco approved a new general obligation bond measure ("Measure RR"), titled "BART Safety, Reliability and Traffic Relief" in the amount of $3.5 billion. See "—System Renewal Program" below. In June 2017, the District issued the General Obligation

Bonds (Election of 2016), 2017 Series A-1 (Green Bonds) (the "2017 A-1 Bonds") in an aggregate principal amount of $271,600,000 and 2017 Series A-2 (Federally Taxable) (Green Bonds) in an aggregate principal amount of $28,400,000 (the "2017 A-2 Bonds" and, together with the 2017 A-1 Bonds, the "2017 A Bonds"). The 2017 A Bonds were issued to finance critical infrastructure needs identified in the System Renewal Program.

As of December 1, 2017, the following issues of the general obligation bonds issued under Measure AA, including refunding bonds, and Measure RR, were outstanding:

Issue	Original Principal Amount	Amount Outstanding	Final Maturity
2013 C Bonds (Measure AA)	$240,000,000	$205,730,000	2037
2015 D Bonds (Measure AA)	276,805,000	275,755,000	2035
2017 E Bonds (Measure AA)	84,735,000	84,735,000	2037
2017A-1 Bonds (Measure RR)	271,600,000	271,600,000	2047
		$837,820,000	

Sales Tax Revenue Bonds

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

Issue	Original Principal Amount	Amount Outstanding	Final Maturity
Series 2010 Refunding Bonds	$129,595,000	$115,095,000	2028
Series 2012A Bonds	130,475,000	117,060,000	2036
Series 2012B Bonds (Taxable)	111,085,000	99,635,000	2042
Series 2015A Refunding Bonds	186,640,000	155,655,000	2034
Series 2016A Refunding Bonds	83,800,000	83,800,000	2036
		$571,245,000	

Rail Vehicle Replacement Program

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

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

Bombardier commenced delivery of 10 pilot vehicles in March 2016, which are undergoing eighteen months of testing, qualification, simulated revenue service and pre-production design review. Once the initial cars are approved, Bombardier will produce and deliver 16 vehicles per month. The District expects Bombardier to begin production by the end of calendar year 2017, although such production may be delayed if the initial cars do not pass critical safety inspections. During a test run on November 3, 2017 with the California Public Utilities Commission, the operator was not able to open the passenger doors of seven cars in a 10-car lineup. Bombardier and the District have been working to identify the problem.

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

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

BART anticipates funding its portion of the contract from the accumulated funds in the Rail Car Sinking Fund from annual operating funds of approximately $45 million for twelve years ending in Fiscal Year 2024-25. For Fiscal Years 2016-17 and 2017-18, BART budgeted $45 million for this sinking fund. A portion of the funds MTC expects to use to fund its share of the cars depends on FTA and Federal Highway Administration ("FHWA") funds that are subject to authorization and appropriation by Congress, and on other critical regional transit capital needs. Should the FTA and FHWA funds become unavailable, the District cannot predict what funds, if any, MTC will provide in their place. BART and MTC will need to execute a cash flow borrowing agreement during the term of the car delivery contract in order to meet payment obligations prior to the anticipated receipt of grant and other funding.

To set aside funding for vehicle replacement, the District and MTC entered into the BART Car Replacement Funding Exchange Agreement in 2006 (the "Exchange Agreement"). Under the Exchange Agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District deposits an equal amount of local unrestricted funds into a restricted account, the "BART Car Exchange Fund", established to fund BART's vehicle replacement program. MTC is the exclusive administrator of this restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the Board. In accordance with the agreement, MTC allocated Federal Section 5307 and 5337 Grants of $74,168,151 in Fiscal Year 2014-15, $50,176,122 in Fiscal Year 2015-16, and $52,547,712 in Fiscal Year 2016-17 to fund the District's preventative maintenance expenses. Accordingly, the District remitted or will remit to MTC the equivalent amount of its own funds, which funds are deposited by MTC to the BART Car Exchange Fund. The federal grant is shown as nonoperating revenue—operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements. The BART Car Exchange Fund for BART's car replacement program, which is excluded from the District's financial statements, showed a total cash and investment balance, at market value unaudited, of $381,528,219 as of June 30, 2017.

In addition to the 775 new vehicles on order, the District anticipates that an additional 306 more vehicles will be needed to achieve the goal of having 30 regularly scheduled ten-car trains per hour service through the Transbay Tube and to meet other increased capacity goals. The District is exploring funding options for the additional vehicles, including FTA grants, and the additional cars are included in MTC's updated Regional Transportation Plan and the Plan (defined herein). BART plans to phase in the 775 new cars and phase out the existing cars, which will not be able to connect to the new cars due to changes in technology.

Earthquake Safety Program

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

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

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

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

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

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

System Renewal Program

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

A major project under the System Renewal Program is the replacement of the train control system. In 2014, the Board approved the replacement of the existing track circuit (fixed block) train control system with a modern communications based train control ("CBTC") system. When in place, the new CBTC system, an approximately $1 billion project, will allow more trains to pass through the Transbay Tube in the peak hours. The ability to operate more trains per hour through the Transbay Tube will provide relief to the current crowded conditions and allow for some additional growth. The current schedule anticipates the selection of a CBTC vendor/installer in 2019. The new system will be installed, tested and deployed in phases from 2019 to 2027. In early 2026, when the new CBTC is installed through the Transbay Tube and the Oakland Wye, it is expected that additional capacity can be realized.

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

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

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

System Expansion Program

Planned extensions of the BART System include:

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

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

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

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

To date, relocation of UPRR facilities and third-party utilities along the BART corridor for SVBX, and grade separation of Mission Boulevard, Warren Avenue and Kato Road, all in the city of Fremont, have been completed. Construction of the guideway – in trench, at grade and aerial – is substantially complete as is construction of the stations and parking garages. Static testing of the extension is underway and dynamic testing is forecasted to begin in late 2017 or early 2018. Revenue services are forecasted to begin in summer 2018. As of December 2017, a supplemental agreement is being negotiated by VTA and BART which sets out the roles and responsibilities of each party during the environmental review, design, development and financing of an expansion to BART's existing Control Center necessitated by the extension of BART to Santa Clara.

Planning and environmental studies for the second phase have begun with the Federal Record of Decision anticipated in March 2018. FTA granted entry into the Federal New Starts Program in March of 2016 with the FTA's issuance of a Full Funding Grant Agreement anticipated sometime in 2019/2020. President Trump's budget proposal for Fiscal Year 2017-18 has raised concerns about the viability of the Federal New Starts Program.

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

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

BART to Livermore Extension. In February 2012, the Board directed staff to advance the proposed BART to Livermore Project to the next level of project development, including developing a Project-Level Environmental Impact Report ("EIR"). Study funding has been received from the Alameda County Transportation Commission and the MTC. The proposed project consists of a 4.8-mile BART extension along I-580 to a new station in the vicinity of the Isabel Avenue/I-580 interchange. In addition to the proposed project, four other alternatives are being evaluated in the EIR: (1) No-Build alternative assuming that the proposed project is not constructed; (2) DMU/EMU alternative implementing a new rail service from the existing Dublin/Pleasanton BART station to a new station in the vicinity of the Isabel Avenue/I-580 interchange using DMU or electric multiple unit ("EMU") technology; (3) Express Bus/Bus Rapid Transit alternative incorporating improvements that provide for more seamless bus-to-BART transfers including direct access bus ramps from the I-580 HOV/Express lanes to a new bus facility at the BART platform level of the existing Dublin/Pleasanton station; and (4) Enhanced Bus alternative including modest, low-cost improvements to existing bus services at the Dublin/Pleasanton BART station. A draft EIR was released for public review in July 2017. A final EIR and BART adoption of the proposed project or one of the alternatives is planned for mid-2018. A funding plan for the proposed investment needs to be developed subsequent to project adoption.

Irvington Station. Environmentally cleared and approved by the Board in 2003 as part of the Warm Springs Extension, the "Optional" Irvington Station is intended to be located in the Irvington district of Fremont, approximately midway between the Fremont and new Warm Springs/South Fremont station. The City of Fremont, which is responsible for securing funding for the Irvington Station, worked with the Alameda County Transportation Commission ("ACTC") and designated $120 million for the Irvington Station in Measure BB, a ballot measure approved by the voters of Alameda County in 2014. The City of Fremont is currently leading a $2.7 million effort to develop a station area plan, update the station site plan, and refresh the station's environmental clearance. It is anticipated that BART will lead the design, right-of-way acquisition, construction, testing certification and on-boarding phases of the project's implementation, thereafter, likely by the end of 2018.

System Reinvestment Program

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

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

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

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

Wayside Facility Infrastructure. This program consists of renovation of the system's backbone infrastructure, including rail and tie replacement, trackway and aerial structures, bridges, tunnels, ventilation fan, drainage systems, street grating renovation, non-revenue vehicles and other wayside facilities or equipment that will require repair and renovation on an on-going basis. Wayside Facilities that touch the track and guideway rail systems receive an annual allocation of funding from the FTA Section 5307 Formula Funding program and 5337 State of Good Repair funds.

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

Security Enhancement Program

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

Service and Capacity Enhancement Program

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

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

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

Construction has begun for El Cerrito Del Norte station, consisting of an expanded paid area including elevators, stairs, faregates and new circulation improvements.

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

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

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

Funding Developments

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

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

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

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

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

On April 25, 2017, in response to a lawsuit brought by Santa Clara County and the City and County of San Francisco, the District Court of the Northern District of California granted a preliminary injunction to enjoin the enforcement of Section 9(a) pending a ruling on the merits. On November 20, 2017, the District Court ruled that Section 9(a) is unconstitutional on its face and granted the counties' motions for summary judgment, permanently enjoining the enforcement of Section 9(a).

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

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

In April 2017, the California legislature passed and the Governor signed Senate Bill 1 ("SB1"), a transportation funding package that would invest $5.24 billion per year over the next decade to repair and maintain state highways and local roads, improve trade corridors, and support public transit and active transportation. Opponents of SB1 are in the process of soliciting signatures for a petition for a ballot measure for the November 2018 election to repeal provisions of SB1.

For public transit, the legislation increases the incremental sales tax on diesel fuel dedicated to the STA program by 3.50%, beginning November 1, 2017, generating approximately $250 million per year with CPI increases over time to be used for transit capital and operations purposes. The legislation also calls for another 0.50% increase on the incremental sales tax on diesel fuel, effective the same date, generating approximately $40 million per year with inflationary increases over time to intercity passenger and commuter rail systems.

A new "Transportation Improvement Fee" is established under the Vehicle License Fee law and begins January 1, 2018. Fee revenues will be dedicated to the STA program ($105 million per year) for "state of good repair" types of expenditures; the Transit and Intercity Rail Capital Program ("TIRCP") ($245 million per year); and a new "Solutions for Congested Corridors Program" ($250 million per year) for allocation to a balanced set of transportation, environmental and community access improvements within highly congested travel corridors in California, including public transit projects. The legislation also provides for accelerated loan repayment of $256 million from the State General Fund to public transit, which would be deposited into the TIRCP.

The TIRCP is a heavily-oversubscribed program currently reliant on unpredictable funding from the California State Transportation Agency generated through the State's greenhouse gas emission Cap-and-Trade Program. SB1's one-time infusion of funds to the TIRCP through this $256 million accelerated loan repayment, along with the expected additional $245 million per year in funding generated through the Transportation Improvement Fee would significantly increase the amount and certainty of funding for the TIRCP.

In November 2017, MTC estimated BART's share of Fiscal Year 2017-18 revenue-based STA at $27.2 million, with $6.9 million of that amount directed by MTC to feeder bus operators providing service to BART stations, leaving $20.3 million for BART operations. The new "state of good repair" revenue-based STA for Fiscal Year 2017-18 is estimated at $6.1 million, giving BART a total of $26.4 million, $0.4 million lower than the Fiscal Year 2017-18 budget of $26.8 million. With the new legislation, BART expects to receive an increase of STA funds, starting with a partial year in Fiscal Year 2017-18.

The District also applied and received an allocation from the Low Carbon Transit Operations Program ("LCTOP") which is funded from the State's Cap-and-Trade Program annual proceeds and was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. For additional information regarding LCTOP, see Note 9 to the audited financial statements of the District included as Appendix B to this Official Statement.

With respect to transit funding within the San Francisco Bay Area, on July 26, 2017 the Association of Bay Area Governments ("ABAG") and the MTC adopted Plan Bay Area (the "Plan"), an integrated transportation and land-use strategy through 2040 that meets the requirements of California's landmark Senate Bill 375 of 2008, which calls on each of the State's 18 metropolitan areas to develop a Sustainable Communities Strategy to accommodate future population growth and reduce greenhouse gas emissions from cars and light trucks. Working in collaboration with local jurisdictions and transit operators, the Plan provides a roadmap for accommodating expected growth, and connects it all to a transportation investment strategy that strives to move the Bay Area toward key regional goals for the environment, economy, and social equity. BART facilities play a critical role in meeting major goals and objectives of the Plan.

The Plan specifies how approximately $303 billion in anticipated federal, state and local funds will be spent through 2040. Nearly 90% (or $268 billion) will be used to operate, maintain, and modernize the transportation network that already exists. Maintenance, operation, and modernization of the Bay Area's existing public transit services and roadways will receive about 57% ($173 billion). Of this total, BART is expected to receive from all sources (including farebox, taxes and grants) approximately $44 billion in operating and capital funds. The remainder includes 27% for street, road, highway and bridge maintenance, operation, and modernization; 7% for transit expansion; 4% for investments that support focused growth; and 3% for roadway and bridge expansion. Debt service and cost contingency comprise the remaining 2% of expected revenues.

BART continues to receive approximately $50 million per year in capital renovation funds from the FTA Sections 5307, 5309 and 5337 Formula Funding programs, which are programmed regionally by MTC. Under its current policy, MTC funds only the District's highest scoring transit capital reinvestment needs in the Plan. Under the Plan, the District has a 24-year capital asset renovation and rehabilitation need of $13.1 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 65% of the District's 28-year capital asset renovation and rehabilitation needs are projected to be funded in Fiscal Years 2017-40. The remaining 35% of the District's reinvestment needs in this period, approximately $5 billion, remain unfunded. These District needs will have to be met with funding sources yet to be identified.

Regional Measure 3. On October 10, 2017, the Governor signed into law Senate Bill 595 ("SB595"). SB595 requires the MTC to place a measure, to be known as Regional Measure 3 ("RM3"), on the 2018 election ballot in the nine San Francisco Bay Area counties. RM3 authorizes the voters to approve an expenditure plan for improving and enhancing Bay Area bridges and corridors to be funded by an increase in the toll rate on the seven State-owned bridges within the MTC's jurisdiction.

If approved, the revenues generated from the bridge toll raise would finance a number of transit-related projects in the San Francisco Bay Area, including allocating $500 million to the District in connection with purchasing new railcars to expand the District's fleet and improve reliability. SB595 also provides for the establishment within the District of a new independent office of the BART Inspector General (the "Inspector General"). The Inspector General is charged with ensuring that the District makes effective use of bridge toll and other revenue and operates efficiently, effectively, and in compliance with applicable federal and State laws. SB595 also allocates $1 million to the Inspector General's office from bridge toll revenues to finance operations in the first year of the office's establishment.

The District cannot predict whether Bay Area voters will approve RM3 on the 2018 ballot, whether the contemplated additional toll bridge revenues will be authorized, or whether any legal challenges to SB595 or RM3 will arise.

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, 2017 AND 2016." The financial statements of the District included in Appendix B to this Official Statement have been examined by MGO, whose report thereon appears in such Appendix. MGO was not requested to consent to the inclusion of its report in Appendix B, nor has MGO undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by MGO with respect to any event subsequent to the date of its report.

Historical Financial Results

The table on the following page summarizes BART's historical financial operating results for its General Operating Fund for the Fiscal Years ending June 30, 2013 through June 30, 2017. This summary for the Fiscal Years ending June 30, 2013 through June 30, 2017 is derived from BART audited financial statements for the Fiscal Years indicated therein (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. Amounts reported in audited financial statements as "Other Income (expenses)" under "Nonoperating revenues (expenses)" are excluded from the presentation below because they pertain only to extraordinary transactions or those transactions associated with Other District Funds, i.e. debt issue and debt service costs. The income and expenses reported in the audited financial statements were based on consolidated information which included transactions pertaining to Other District Funds—Capital Funds and Debt Service Funds. Generally, income and expenses associated with the Other District Funds include investment income, interest expense and debt issue costs. However, in the table below summarizing historical financial operating results, only transactions related to the District's General Operating Fund are shown.

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

	(Fiscal Years Ending June 30)				
	2013	2014	2015	2016	2017
Annual Passengers (thousands)	117,815	117,074	125,979	128,524	124,171
Operating Revenues					
Passenger Revenues - Net	$406,890	$416,573	$463,634	$489,583	$485,674
Investment Income[(1)]	23	8	167	1,120	2,329
Other	36,383	46,587	50,908	56,217	61,426
Total Operating Revenues	$443,296	$463,168	$514,709	$546,920	$549,429
Financial Assistance:					
Sales Tax Revenues	$208,561	$221,149	$233,148	$241,546	$247,185
Property Tax Revenues[(2)]	31,686	32,054	34,324	38,086	41,622
Other	47,728	96,297	107,307	72,795	77,069
Total Financial Assistance	$287,975	$349,500	$374,779	$352,427	$365,876
Total Operating Revenues and Financial Assistance	$731,271	$812,668	$889,488	$899,347	$915,305
Operating Expenses:					
Labor	$407,076	$411,426	$421,707	$451,769	$514,692
Electrical Power	37,306	37,231	36,004	37,680	37,883
Express Feeder Bus [(3)]	220	1,346	3,399	3,465	3,772
Purchased Transportation-OAC	–	–	3,542	5,928	6,014
Other Non-Labor	122,410	121,297	132,464	139,452	153,827
Total Operating Expenses Net[(4)]	$567,012	$571,300	$597,116	$638,294	$716,188
Revenues for Bond Debt Service	$164,259	$241,368	$292,372	$261,053	$199,117
Bond Debt Service[(5)]	$62,442	$58,240	$55,958	$48,611	$50,448
BART Car Funding Exchange [(6)]	$23,980	$72,000	$74,168	$50,176	$52,548
Excess Revenues/(Deficit)	$77,837	$111,128	$162,246	$162,266	$96,121
Operating Ratio[(7)]	78%	81%	84%	83%	80%
Farebox Ratio[(8)]	72%	73%	79%	74%	70%

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

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

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

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

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

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

(7) Operating Ratio is defined as the total operating revenues divided by the total operating expenses, net of expenses associated with the implementation of GASB 68 and GASB 75, which affected pension expense and other post-employment benefit expenses.

(8) Farebox Ratio is defined as total passenger revenues divided by total operating expenses, net of expenses associated with the implementation of GASB 68 and GASB 75, which affected pension expense and other post-employment benefit expenses.

Management's Discussion of Historical Financial Results

During Fiscal Year 2012-13 through Fiscal Year 2015-16, the District saw continued growth in operating revenues and sales tax revenues. Starting in Fiscal Year 2015-16, sales tax growth started to slow. Total passenger ridership had grown from 117.8 million in Fiscal Year 2012-13 to 128.5 million in Fiscal Year 2015-16. In Fiscal Year 2016-17, ridership declined compared with prior years. Fiscal Year 2016-17 total ridership was 124.2 million, a 3.4% decline compared to the prior year. In July and October 2013 (Fiscal Year 2013-14), BART experienced two labor strikes, with a total of eight days of no rail service, which resulted in an estimated loss of about 3.7 million total trips. Total ridership decreased in Fiscal Year 2013-14 to 117.1 million, a 0.6% decrease from the Fiscal Year 2012-13. Revenue service started on the OAC in November 2014, creating a convenient rail link between the Coliseum station and OAK. During each of its first two years of service, the OAC had over one million riders. Compared with ridership on the previous AirBART bus service, average weekday ridership on the connector was about 36% higher. After November 2015 and compared with the prior year's BART-to-OAK service, ridership growth started to slow down. Fiscal Year 2016-17 total BART-to-OAK ridership decreased 2.2% compared to Fiscal Year 2015-16. This decline appears to be related to increased utilization of Uber, Lyft, and other app-based services, also known as TNCs. The OAK first permitted operation of TNCs in November 2015, with a noticeable shift in ridership for BART at that same time. The same decline in ridership due to TNCs is occurring at the SFO Station.

Passenger revenue grew from $407 million in Fiscal Year 2012-13 to $490 million in Fiscal Year 2015-16, due to fare increases and ridership growth. Passenger revenue decreased less than 1% to $486 million in Fiscal Year 2016-17 due to declines in ridership. The decline in passenger revenue was less than the decline in ridership because most of the ridership loss was in short trips that generate less revenue per trip. Total operating revenues and financial assistance increased from $731 million in Fiscal Year 2012-13 to $915 million in Fiscal Year 2016-17. This increase is due to fare revenue growth, sales tax and property tax growth, and increases in other operating revenue, including parking revenue, commercial communications and advertising revenue. In addition, amounts directed to the Rail Car Fund Exchange with MTC increased over this time; however there were no net impacts to net revenues since corresponding expenses were also recognized in grant assistance.

Sales tax revenues were $209 million in Fiscal Year 2012-13 and increased to $247 million in Fiscal Year 2016-17, with growth rates ranging from 6.8% in Fiscal Year 2012-13 to 2.3% in Fiscal Year 2016-17. Through the first quarter of Fiscal Year 2017-18, growth rebounded somewhat and sales tax revenues were up 4.1% from the same period last year.

Other operating assistance received by BART includes STA, ranging from $17.3 million to $20.0 million received annually during Fiscal Year 2012-13 through Fiscal Year 2016-17, although amounts have fluctuated. Recent legislation has made STA a more secure funding source for transit operators. STA revenue is projected to stabilize and grow due to the passage of SB1, which provides for new formula-based funding sources for public transit and augments the existing STA program. See "BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments – *State Transit Funding*" herein. Additional financial assistance comes from BART's portion of the one percent general property tax levy, which ranged from $31.7 million in Fiscal Year 2012-13 to $41.6 million in Fiscal Year 2016-17, with annual growth rates between

1% and 11% after recovery from the recession and continued increases in Bay Area real estate prices.

Operating expenses, excluding depreciation, increased by $149.2 million between Fiscal Year 2012-13 and Fiscal Year 2016-17. Expense increases during these five years included additional service and investments in the BART system to serve growing ridership, the opening of the OAC (November 2014), the opening of the Warm Springs Extension (March 25, 2017), as well as additional staff and funds to address areas such as system maintenance, employee safety and station cleanliness. Labor costs increased pursuant to labor contracts and benefit costs increased as well. Under new labor agreements effective Fiscal Years 2013-14 through Fiscal Year 2016-17 and recently renewed through Fiscal Year 2020-21, labor costs are anticipated to increase by reasonable amounts. See "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT – Employees and Labor Relations" herein.

Electric power costs remained fairly level over the five years, increasing by just 1.5% overall despite service increases. Savings are attributed to carbon fees not applying to District market power purchases and lower cost for energy. See "THE BART SYSTEM – Power Supply" herein.

In each Fiscal Year's budget process, management establishes an operating ratio goal (percentage of operating revenue to operating expenses). The District has achieved increasing operating ratios of above 70% in recent years, well above national averages for urban transit systems. Excluding the effect of GASB 68 and GASB 75 adjustments which impacted pension and other post-employment benefit expenses, the District's operating ratio for Fiscal Year 2016-17 was 80%, slightly below the budgeted goal of 83%.

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

Adopted Budget for Fiscal Year 2017-18

On June 22, 2017, the Board of Directors adopted a $920.6 million balanced operating budget for Fiscal Year 2017-18. The budget reflects assumptions of slowing revenue growth, based upon recent trends, and the opening of the Silicon Valley Berryessa and eBART extensions. Operating revenues also include one-half year of the January 1, 2018 productivity-adjusted, CPI-based fare increase and other fare changes**.**

Operating expenses in Fiscal Year 2017-18 are budgeted to decrease 1% from the adopted Fiscal Year 2016-17 budget. This decrease is mainly due to the termination of the MTC Rail Car Fund Swap, scheduled to conclude in Fiscal Year 2016-17. Excluding the Rail Car Fund Swap, the budget increased 4% over the Fiscal Year 2016-17 budget, primarily due to funding extensions, expansion of the Hayward Maintenance Complex, and contractual increases in wages and benefits. In addition, power and other non-labor expenses increased by 4% to meet liability reserve requirements and fund increases in contracts, materials, and inflation.

The Fiscal Year 2017-18 operating budget allocates $127 million to support capital projects, provide local match for grant funds, improve stations, and help fund high priority System Reinvestment and Capacity Enhancement programs such as Rail Car Replacement, the Hayward Maintenance Complex and the Train Control Modernization Project.

Nearly two-thirds of BART's $998 million capital budget for Fiscal Year 2017-18 is directed to the System Reinvestment and Renovation program, which is a collection of projects generally categorized as controls and communications, facilities, mainline, rolling stock and work equipment. Major components of the System Reinvestment program are the projects mentioned above, with $285 million directed to the Rail Car Replacement program and $100 million directed to the Earthquake Safety Program in Fiscal Year 2017-18. Other major expenditures reflect the increased emphasis on system reinvestment, including mainline rail and power distribution projects ($175 million), train control and fare collection ($63 million) and station modernization and renovation projects ($66 million).

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 $50 million per occurrence for equipment in the Control Center and $50 million per occurrence for all other insured property. Terrorism insurance coverage is provided for workers' compensation and $22 million for insured property. The self-insured retention for all insurance programs is $5 million per occurrence.

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

Pursuant to a recent evaluation of District liabilities for workers compensation, outstanding losses as of December 31, 2016 are projected to total $56,005,552 (undiscounted). The required reserves discounted 3% are $46,195,417. Ultimate District workers compensation losses are limited to $4,000,000 self-insured retention per occurrence for the forecast periods and are estimated at $17,658,900 for Fiscal Year 2017-18 and $17,919,700 for Fiscal Year 2018-19. Outstanding losses for automobile and general liability are projected to be $6,233,019 (undiscounted). The required reserves discounted 3% are $5,929,759.

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

Investment Policy

The investment of funds of BART is made in accordance with BART's investment policy, developed by BART's Controller/Treasurer and approved by the Board of Directors on May 16, 2017 (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 - The investment portfolio should be structured to minimize the probability of a loss of principal value through adequate diversification of investments across a variety of security offerings, maturities, and financial institutions.

2. Liquidity – Funds shall be invested only until date of anticipated need or for a lesser period. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

3. Yield – generation of the best available 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 July 31, 2017.

INVESTMENT DISTRIBUTION
as of July 31, 2017

Certificates of Deposit	$ 864,950
Cash on Hand and in Bank	227,297,815
Investments – Federal Agency Obligations	50,223,901
Investments – Treasury Bonds & Notes	357,846,361
Total	$636,233,027

Source: District.

As of July 31, 2017, the average duration of the District's investments (average days to maturity) was 160.9 days.

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

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

Employee Retirement Benefits

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

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

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

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

CalPERS prepares an Annual Actuarial Valuation Report ("CalPERS Actuarial Report") for its members. The District receives an annual report for its Miscellaneous Plan and a separate annual report for its Safety Plan. The latest CalPERS Actuarial Reports were received by the District in July 2017, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2016. These reports established the District's required minimum employer contribution rates for Fiscal Year 2018-19, which are 8.243% of covered payroll for the Employer Normal Cost and $34,569,728 for the Employer Payment of Unfunded Liability for the Miscellaneous Plan and 25.432% of covered payroll for the Employer Normal Cost and $8,137,254 for the Employer Payment of Unfunded Liability for the Safety Plan, before any cost sharing. Starting in Fiscal Year 2017-18, CalPERS changed the employer rate from a percentage of payroll to a percentage of payroll for the normal cost and a flat dollar amount for payment of the unfunded liability. The reports also included for District's Miscellaneous and Safety Plans the latest Schedule of Funding Progress, which shows a five-year history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of unfunded actuarial accrued liability to payroll, as discussed herein below. The employer contribution rates for new PEPRA employees will continue to be the same rates as classic employees.

The following chart lists the District's employer required contribution rates for Fiscal Years 2018-19, 2017-18, 2016-17 and 2015-16.

Valuation Date	Fiscal Year	Employer Rate for Miscellaneous	Employer Rate for Safety
As of June 30, 2016	FY 2018-2019	8.243% + $34,569,728	25.432% + $8,137,254
As of June 30, 2015	FY 2017-2018	7.931% + $26,868,170	24.708% + $6,914,785
As of June 30, 2014	FY 2016-2017	16.383%	56.474%
As of June 30, 2013	FY 2015-2016	14.787%	51.606%

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

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

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

Schedule of Funding Progress. The funding status applicable to the District's CalPERS Plans at June 30, 2016 (the most current information available for the plans) is summarized as follows:

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/14	$1,973,974	$1,663,622	$310,352	84.3	$239,710	129.5
6/30/15	2,063,049	1,653,930	409,118	80.2	256,334	159.6
6/30/16	2,180,799	1,614,430	566,369	74.0	277,522	204.0

(1) Dollars reflect rounding.
Sources: CalPERS Annual Valuation Report as of June 30, 2016; District's audited financial statements for year ended June 30, 2017 and 2016.

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

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/14	$271,775	$181,599	$90,176	66.8	$17,418	517.7
6/30/15	288,316	182,631	105,685	63.3	19,163	551.5
6/30/16	306,910	180,392	126,518	58.8	19,825	638.2

(1) Dollars reflect rounding.
Sources: CalPERS Annual Valuation Report as of June 30, 2016; District's audited financial statements for year ended June 30, 2017 and 2016.

CalPERS is continuing to implement strategies to improve the long-term health of the pension fund and recently approved a decrease in the discount rate assumed for future investment returns from 7.5% to 7%. This change will significantly increase the District's future contributions and together with other measures implemented are projected to require contributions by the District within ten years of more than double of the current contribution amounts. Such forecasts are subject to many variables and cannot be predicted with certainty.

Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan ("MPPP"), which is a supplemental retirement defined contribution plan under Internal Revenue Code Section 401(a). The District's total expense and funded contribution for this plan for the Fiscal Years 2016-17 and 2015-16 were $10,286,000 and $9,775,000, respectively. The MPPP assets at June 30, 2017 and 2016 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were $315,742,000 and $285,801,000, respectively. As of June 30, 2017, there were approximately 221 (210 in 2016) participants receiving payments under this plan. For additional information regarding MPPP, see Note 11 to the audited financial statements of the District included as Appendix B to this Official Statement.

Other Postretirement Benefits

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

Retiree Health Benefit Trust. In 2004, the Government Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for

Postemployment Benefits Other Than Pensions ("GASB 45"). GASB 45 required the District to change its accounting for other postemployment benefits ("OPEB") from pay-as-you-go to an accrual basis. Pursuant to Section 53620 of the California Government Code, a local agency may create a trust to fund postretirement health benefits. The assets of such a trust will qualify as an offset against liability under GASB 45. On May 18, 2004, the District created the Retiree Health Benefit Trust for the San Francisco Bay Area Rapid Transit District (the "Health Benefit Trust") in order to provide a vehicle for prefunding portions of retiree health benefits. Pursuant to the terms of the Health Benefit Trust, the assets of the Health Benefit Trust are to be held for the sole and exclusive purpose of providing benefits to participants and beneficiaries and to defray the reasonable expenses of administering the Health Benefit Trust and designated plans. Assets placed into the Health Benefit Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. The Health Benefit Trust is administered by a trustee appointed by the Board of Directors. The current trustee is the Controller/Treasurer of the District.

Pursuant to a Bartel Associates, LLC report dated April 25, 2017, entitled "Retiree Healthcare Plan, June 30, 2016 Actuarial Valuation" and "Retiree Life Insurance, June 30, 2016 Actuarial Valuation" (the "Bartel Report"), 2,118 retirees and surviving spouses are provided retiree medical benefits. The District made payments on a pay-as-you-go basis, net of retirees' and surviving spouses' share, of medical insurance premiums totaling $22,396,000 (including subsidy valued at $3,900,000) in Fiscal Year 2017 and $17,422,000 in Fiscal Year 2016, and life insurance premiums amounting to $685,000 (including subsidy valued at $541,595) in Fiscal Year 2017 and $154,000 in Fiscal Year 2016.

At June 30, 2017, net assets (unaudited) held in the Health Benefit Trust included money market mutual funds, U.S. Treasury obligations, corporate obligations, foreign obligations, domestic common stocks, equity mutual funds, and foreign stocks with a fair market value of approximately $270,151,227.

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

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

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

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

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

Life Insurance and Survivor Benefits. Additional benefits include providing BART employees with certain life insurance benefits after retirement. For survivor benefits, if an employee elects such benefits upon employment, the employee makes a monthly contribution and, upon the employee's death, the employee's survivors receive certain medical, dental and vision benefits. The Board has approved setting up a trust to hold such employee contributions but currently such benefits are provided on a pay-as-you-go basis by the District. See Note 12 to the audited financial statements of the District included as Appendix B to this Official Statement.