APPENDIX A

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
FINANCIAL AND OPERATING INFORMATION
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General Description of the District

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

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

Powers of the District

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

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

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

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

Administration

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

Directors are elected to four-year terms. Each term commences on the first Friday of
December in the year of a November general election and ends on the first Friday of December
four years later.

The District Directors are:

<table>
<thead>
<tr>
<th>Director</th>
<th>City of Residence</th>
<th>Term Expiration (December)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thomas M. Blalock, President</td>
<td>Fremont</td>
<td>2018</td>
</tr>
<tr>
<td>Tom Radulovich, Vice President</td>
<td>San Francisco</td>
<td>2016</td>
</tr>
<tr>
<td>Joel Keller</td>
<td>Brentwood</td>
<td>2018</td>
</tr>
<tr>
<td>Nicholas Josefowitz</td>
<td>San Francisco</td>
<td>2018</td>
</tr>
<tr>
<td>John McPartland</td>
<td>Castro Valley</td>
<td>2016</td>
</tr>
<tr>
<td>Zakhary Mallett</td>
<td>El Sobrante</td>
<td>2016</td>
</tr>
<tr>
<td>Gail Murray</td>
<td>Walnut Creek</td>
<td>2016</td>
</tr>
<tr>
<td>Robert Raburn</td>
<td>Oakland</td>
<td>2018</td>
</tr>
<tr>
<td>Rebecca Saltzman</td>
<td>Oakland</td>
<td>2016</td>
</tr>
</tbody>
</table>

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

The five statutory officers are:

Grace Crunican, General Manager

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

Rosemarie V. Poblete, Interim 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, following
the announcement by the incumbent Controller/Treasurer, Scott Schroeder, of his planned
retirement, Ms. Poblete was appointed by the Board of Directors to be the Interim
Controller/Treasurer. Prior to joining the District, Ms. Poblete worked in banking as an operations manager and a private banker. Ms. Poblete holds a Bachelor 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.

Mark P. Smith, Independent Police Auditor

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

Principal executive management staff appointed by the General Manager include:

Marcia deVaughn, Deputy General Manager

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

Paul Oversier, Assistant General Manager, Operations

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

Employees and Labor Relations

As of June 30, 2015, the District had 3,400 employees, of which 3,300 were full-time and 100 were part-time. As of such date, the average BART employee had been with the District for 12.63 years and earned an annualized salary of $81,444.73 (full-time) and $45,326.87 (part-time).

Most District employees are represented by recognized employee organizations. Some supervisors and professionals are represented by the American Federation of State, County and Municipal Employees (“AFSCME”), Local 3993. Station agents, train operators and some clerical employees and foreworkers supportive of the train operators and station agents are represented by the Amalgamated Transit Union (“ATU”), Local 1555. Maintenance and some clerical staff and foreworkers supportive of the maintenance and associated clerical staff are represented by the Service Employees International Union (“SEIU”), Local 1021. In addition, BART police officers and 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”).

Prior to 2013, BART had successfully negotiated a number of labor agreements with the unions in 2001, 2005 and 2009 without the employees resorting to strikes. Prior to 2013, BART had experienced a strike in 1997 for a one week period and earlier strikes in the District’s history in 1976 and 1979. When the then-current labor agreements with BART employees expired on June 30, 2013, BART employees called for a strike on July 1, 2013 and were on strike for 4 days. The unions agreed to return to work under the terms of the expired contracts for a thirty day period while negotiations continued. During the strike, major traffic delays occurred, especially in congested cross bay traffic corridors. On August 11, 2013, at the request of the Governor of the State, a judge ordered a 60 day cooling off period, during which time the employees were precluded from striking. The period ended on October 10, 2013. District and union officials continued to negotiate, but were unable to reach an agreement and two of the District’s unions proceeded to strike on Friday, October 18, 2013. On Monday, October 21, 2013, a tentative agreement was reached among the negotiators and the union workers represented by two unions, SEIU and ATU, returned to work on Tuesday, October 22, 2013.
Principal areas of discussion included wages, pension and medical contributions and work force rules. On November 1, 2013, the members of ATU and SEIU voted to ratify the contract. Due to a dispute over the validity of one tentative agreement, the parties did not formally ratify and adopt the labor agreements until January 2014.

The terms of the current four-year contracts (AFSCME, ATU and SEIU) and five-year contracts (BPMA and BPOA) include an approximate 15.5 percent aggregate pay raise by the end of the four-year period, but require employees to make pension contributions for the first time (increasing annually to a 4 percent contribution rate by the fourth year of the contract), resulting in a net effective pay increase of approximately 12.5 percent. Employee monthly health care contributions also increased from a prior contribution level of approximately $95, to $140 by the fourth year. During the term of the contracts, employees will 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.

Following the adoption and ratification of the 2013-2017 labor agreements between the District and AFSCME, ATU and SEIU, the Board of Directors commissioned the Bay Area Rapid Transit Collective Bargaining Report and Recommendations. The report was conducted by Agreement Dynamics, and based on the direction given by the Ad Hoc Labor Negotiations Review Committee the study provided an analysis of the 2013 collective bargaining process, pro and cons of binding interest arbitration and recommendations for implementation by the District that will improve the process of labor negotiations and labor relations and offer safeguards to minimize future labor disputes.

The term of the Ad Hoc Labor Negotiations Committee was extended in order to review, direct and monitor the progress by the parties in working through the 63 report recommendations.

Litigation

The District is involved in various lawsuits, claims and disputes. Many of those lawsuits arise as a result of injuries and damages which are expected in connection with operations such as the District’s. The District is also currently involved in seven lawsuits 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 involving claims of inverse condemnation and construction related claims. 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 104 miles of double track (including some areas of multiple tracks) and 45 stations, 40 of which are located in the Three BART Counties and five of which are located in San Mateo County on the San Francisco Peninsula. BART is powered by an electric third rail at 1,000 volts AC. The rail right-of-way is fully protected and has no grade crossings. Automatic fare collection equipment is located in each station to vend and process passenger tickets. As of June 30, 2015, the District owned 669 rail cars. Trains are from three to ten cars in length and contain one control-equipped vehicle (an A-car or C-car) at each end with mid-train vehicles (B-cars or C-cars) making up the remainder of each train. Control-equipped C-cars can be used as lead, mid-train, or trail vehicles. All station platforms are constructed to accommodate trains of up to ten cars. Trains are operated from the lead A-car or C-car. Computers located along the right-of-way automatically control train movements. BART System train supervision is provided by the BART train control computer located at the BART Operations Control Center (“Control Center”) at the Lake Merritt station. Should the need arise, train operators aboard each train may override the automatic system. The District’s 669-car operating fleet currently consists of 59 A-cars, 380 B-cars and 150 C-1 cars, and 80 C-2 cars.

BART service lines run through the urban and suburban areas of the Three BART Counties and San Mateo County. Service patterns are largely dictated by the topography of the region. Lines run along the east and west sides of the San Francisco Bay, under the San Francisco Bay and then traverse the hills and valleys of inland areas. The BART system radiates from the Oakland Wye, which is located under downtown Oakland. Lines running west from the Wye travel under the San Francisco Bay, through downtown San Francisco and terminate at Daly City, Millbrae or SFO. Other lines radiate out from the Oakland Wye and terminate in Richmond, Pittsburg/Bay Point, Dublin/Pleasanton or Fremont. A second wye is located on 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, one-third is aerial and one-third is at grade.

BART stations are spaced approximately one-half mile apart in downtown San Francisco and Oakland and approximately two to four miles apart in suburban areas. A number of BART stations located in downtown San Francisco provide intermodal transfers to the San Francisco Metropolitan Transportation Authority (“SFMTA”) light rail, cable cars and buses. The Millbrae station provides convenient transfers to the Caltrain commuter rail service, which provides commuter service along the San Francisco Peninsula and south to Gilroy, and the Richmond station provides intermodal transfers to the Capitol Corridor intercity rail service to Sacramento. The 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 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 OCC include the generation of daily train schedules, dispatching of trains from the ends of line and yards, keeping trains on schedule by adjusting the speeds between stations and/or dwell times at stations, control and monitoring of ventilation fans, dampers, sump pumps, traction power equipment, train location and other wayside systems equipment.

BART has three primary rail yard locations for purposes of conducting repairs, located in Concord, Daly City and Richmond, as well as a secondary facility in Hayward. The Concord, Daly City and Richmond facilities perform preventive and regular train maintenance based on operating hours as well as unscheduled failure repairs. The District’s fleet of revenue vehicles are divided between the three primary maintenance facilities, with each location being responsible for supporting designated service routes: Concord, with 283 cars supports Bay Point to San Francisco Airport; Daly City, with 101 cars, supports Daly City to Fremont; Richmond, with 285 cars supports Richmond to Fremont, Richmond to Millbrae and Fremont to Daly City. The additional facility in Hayward houses shops for secondary and component repairs, including electrical, pneumatic, HVAC, and hydraulic repairs, as well as brake system components, door operators, couplers, power supply and vehicle subsystem solid state electronic logics. An expansion of the Hayward 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” below.

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. The final cost of the SFO Extension of $1.582 billion exceeded the amount budgeted by approximately $114 million. The additional cost was resolved by an agreement with the Metropolitan Transportation Commission (“MTC”) and funding from federal grant financings provided additional assistance.

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

BART commenced service in November, 2014 of the Oakland Airport Connector (“OAC”) which provides a transit link between the Oakland International Airport (“OAK”) and the BART System. The OAC is an automated driverless, cable-propelled people mover manufactured by Doppelmayr Cable Car that travels between the Coliseum BART station and OAK in about eight minutes on a primarily elevated guideway structure along the median of Hegenberger Road. Flatiron/Parsons JV constructed the project and the approximately $485 million project was funded in part with proceeds of the District’s 2012 Series B Sales Tax Revenue Bonds. The OAC project is operated pursuant to a 20-year Operations and Maintenance contract with Doppelmayr Cable Car. Through August 2015, approximately 3,300 passengers per week used this service. The Fiscal Year 2015-16 operations and maintenance cost for OAC is estimated at $5.7 million.

Revenue Hours

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

Passenger Fares

BART rail fares are computed using a distance-based formula. Distance-based fares are then adjusted based on the scheduled travel time versus travel time based on a system wide average speed. In addition, surcharges apply to transbay trips and trips originating from or destined to stations located in San Mateo County, and a premium applies to trips to and from the SFO Station. As of June 30, 2015, the transbay surcharge, applied to transbay trips, is equal to $0.94; the Daly City surcharge, applied to trips between the Daly City station and San Francisco stations, is equal to $1.03; and the San Mateo County surcharge, applied to trips beginning and ending at San Mateo County stations (except trips between the Millbrae station and SFO Station) and trips between San Mateo County stations (except Daly City) and San Francisco stations, is equal to $1.37. In addition, a premium fare of $4.27 is applied to trips to or from the SFO Station, which premium is waived for trips made by SFO-badged employees to or from SFO Station. Effective July 1, 2013, SFO began to pay BART the $4.27 SFO premium fare instead of SFO-badged employees, under an agreement between SFO and BART with a term of nine years. A capital surcharge equal to $0.13 is applied to all trips within the Three BART Counties, as well as Daly City, which is in San Mateo County. Revenues resulting from such capital surcharge will be applied to fund capital programs previously funded from the operating budget.

The current minimum one-way fare is $1.85. The current maximum one-way fare is $15.40, charged for the trip between SFO and the OAK, which includes three additive elements: the base fare, the SFO premium fare, currently valued at $4.27, and the BART-to-OAK project
fare, currently valued at $6.00. Fare increases during the District’s history are summarized below. In May 2003, the Board of Directors approved a series of productivity-adjusted Consumer-Price Index-based fare increases to take effect in January of each even-numbered year from 2006 through 2012. On February 28, 2013, the BART Board approved extending the productivity-adjusted Consumer Price Index-based fare increase program so that fare increases would take effect in January of 2014, 2016, 2018, and 2020. The first increase of the extended program valued at 5.2% took effect on January 1, 2014. The second increase of the extended program valued at 3.4% is scheduled to take effect on January 1, 2016. The incremental fare revenue generated by the future fare increases is intended to be set aside to fund capital projects.

### Average District Fare Increases

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

* 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.
† Scheduled.

The District currently offers fare discounts ranging from 6.25% to 62.5%. These discounts are primarily made available when patrons use the regional Clipper fare payment smart card. A discount of 6.25% is given when a patron pays $45.00 or $60.00 and receives, respectively, $48.00 or $64.00 in BART value. A discount of 62.5% is provided to persons with disabilities, children ages 5 through 12 (children under age 5 ride for free) and senior citizens age 65 and over. Qualifying individuals must present proof of eligibility in order to obtain the appropriate Clipper smart card, which is specially encoded so that the discounted fare is automatically deducted each time the patron uses the card. A Clipper card so encoded may be confiscated if it is determined that the individual using the card is ineligible for the discount. When using discounted paper tickets, seniors or persons with disabilities are required to carry proof of age or disability. The District also offers tickets at a 50% discount to middle and secondary school students. These tickets are sold only at participating schools and are for use by students of these schools for school-related weekday trips.
The rates and charges of BART are by law free from the jurisdiction and control of any regulatory agency other than BART, including the California Public Utilities Commission. As provided in the California Public Utilities Code, passenger fares for BART are established by a two-thirds vote of the Board of Directors and are required to be reasonable. Any Board of Supervisors of a county or city and county, or the city council of a municipality having territory located within the District, may file a request for a hearing before the Board of Directors regarding the reasonableness of any fares. The hearing must be held between 15 and 60 days from the date of the request and a decision by the Board of Directors must be rendered in writing within 30 days after the hearing. Thereafter, the decision may be reviewed by the courts through a writ of mandate.

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

**Ridership**

Average weekday passenger trips for the Fiscal Year 2009-10 through Fiscal Year 2014-15 are set forth below.

<table>
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<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>East Bay</td>
<td>75,742</td>
<td>78,713</td>
<td>83,377</td>
<td>87,787</td>
<td>86,254</td>
<td>89,108</td>
</tr>
<tr>
<td>West Bay</td>
<td>96,523</td>
<td>97,126</td>
<td>102,603</td>
<td>108,726</td>
<td>107,682</td>
<td>112,492</td>
</tr>
<tr>
<td>Transbay</td>
<td>162,719</td>
<td>169,417</td>
<td>180,585</td>
<td>195,780</td>
<td>205,210</td>
<td>221,519</td>
</tr>
<tr>
<td>Average Total Day</td>
<td>334,984</td>
<td>345,256</td>
<td>366,565</td>
<td>392,293</td>
<td>399,146</td>
<td>423,119</td>
</tr>
<tr>
<td>Percentage Annual Change</td>
<td>-</td>
<td>3.1%</td>
<td>6.2%</td>
<td>7.0%</td>
<td>1.7%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

Ridership continues to grow and averaged over 423,000 weekday trips in Fiscal Year 2015 and is projected to average just under 430,000 weekday trips in Fiscal Year 2016. Employment patterns in the Bay Area affect BART ridership, as do the fluctuations in the price of gas. After recovering from the effect of the recession, BART is carrying more riders than ever, peaking in October 2014 with 441,428 average weekday trips. Ridership has been particularly strong on the SFO Extension, with annual passengers at the SFO Station just under 4.3 million trips in Fiscal Year 2013-14. The single highest day of BART ridership, 568,061, occurred on October 31, 2012 in conjunction with the San Francisco Giants World Series Victory Parade held in downtown San Francisco.

**Parking Programs**

The District provides a variety of options for passengers who drive to BART stations. As of August 1, 2015, parking is provided at 33 stations and the total number of parking spaces provided system-wide is approximately 47,000. Parking is provided in surface lots and in
parking garages. The District commenced charging for parking to enhance revenues in 2005 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 $52.50 to $189 based upon demand. The number of spaces set aside for monthly reserved parking under current authorization cannot exceed 25% at East Bay stations and 40% at stations located on the west side of San Francisco Bay (the “West Bay stations”). The airport/long term parking program allows passengers traveling to either 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 $5.00-$9.50/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 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% full, then the daily fee may increase by $0.50 per weekday. Parking fees have now reached the $3 daily fee limit at 23 of the 33 stations with parking.

Parking Revenue (unaudited) for Fiscal Year 2014-15 was $28.3 million and $30.7 million in parking revenue is budgeted for Fiscal Year 2015-16.

**Power Supply Center**

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

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

The District’s authority to purchase electricity from other suppliers was expanded in 2004 to permit the District to obtain electrical power supply from local publicly owned electric utilities and again in 2015 to allow purchase from developers of renewable energy projects. Pursuant to these provisions, the District has entered into long-term power supply agreements with Northern California Power Agency (“NCPA”), a California joint powers authority of which the District is a member, for all of its electrical power supply requirements above the WAPA supplies. NCPA presently sells power to the District at wholesale market rates under a ten-year supply arrangement. NCPA also entered into a 25 year contract to purchase the output of a 2.5 megawatt solar photovoltaic project in the City of Gridley, and a 20 year contract for the output from the Lake Nacimiento hydroelectric project in Monterey County, CA on behalf of the
District. These arrangements provide significant savings to the District compared to the cost of standard retail service from PG&E. The District utilizes PG&E transmission and distribution facilities to deliver its power supply.

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

Service Challenges

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

Record ridership in combination with BART’s aging infrastructure has resulted in increased incidents of delays in service caused by equipment failures. Higher ridership has also contributed significantly to increased delays as it has resulted in more medical emergencies, more police calls and more delays prompted by passengers jamming doors as they try to board trains. As many sections of track and trackside equipment have not been upgraded since the system opened in 1973, the District anticipates increased requirements for maintenance of its track and other equipment and response activity to emergency breakdowns. Major repairs to the Transbay Tube 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 planned closures of the Transbay Tube, the first in the District’s history, bus bridges were conducted to replace the Transbay Tube travel and normal service was provided on both sides of the Bay. The repairs are estimated to cost $2 million and the added bus service $1.5 million and lost farebox revenue is estimated at approximately $0.7 million. Following the repairs, more reliable faster service with a smoother ride is anticipated. Other major track repairs will be undertaken in the near future to maintain the system’s integrity. See “BART FINANCINGS AND CAPITAL PROGRAMS – System Reinvestment Program.”

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

Sources of Funds

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

General Obligation Bonds

Pursuant to voter approval in the Three BART Counties in 1962, the District issued a total of $792 million aggregate principal amount of general obligation bonds in twelve series during the years 1963 through 1969. Such general obligation bonds were payable from ad valorem taxes required to be levied on all properties subject to taxation by the District. General obligation bond proceeds were used to pay a portion of the cost of planning, acquisition and construction of the original 71-mile BART System, excluding the San Francisco-Oakland rapid transit tube and its approaches (the “Transbay Tube”). All such general obligation bonds have been paid.

Pursuant to voter approval in the Three BART Counties of Measure AA (“Measure AA”) at the November 2, 2004 election, the District is authorized to issue general obligation bonds, in one or more series, in an amount not to exceed $980 million, in order to make earthquake safety improvements to the BART System. In May 2005, the District issued the General Obligation Bonds (Election of 2004), 2005 Series A (the “2005 A Bonds”) in an aggregate principal amount of $100,000,000. On July 25, 2007, the District issued the General Obligation Bonds (Election of 2004), 2007 Series B (the “2007 B Bonds”) in an aggregate principal amount of $400,000,000 and on November 21, 2013, the General Obligation Bonds (Election of 2004), 2013 Series C (the “2013 C Bonds”) in the aggregate principal amount of $240,000,000. The 2005 A Bonds, 2007 B Bonds and the 2013 C Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, overhead and underground trackway structures, including 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 disasters. General obligation bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the general obligation bonds.
As of September 1, 2015, the following issues of the General Obligation Bonds were outstanding:

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<thead>
<tr>
<th>Issue</th>
<th>Original Principal Amount</th>
<th>Amount Outstanding</th>
<th>Final Maturity</th>
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<tr>
<td>2005 A Bonds</td>
<td>$100,000,000</td>
<td>$34,680,000</td>
<td>2035</td>
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<td>2007 B Bonds</td>
<td>400,000,000</td>
<td>366,880,000</td>
<td>2037</td>
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<td>2013 C Bonds</td>
<td>240,000,000</td>
<td>225,545,000</td>
<td>2037</td>
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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. The District has authorized the issuance of not to exceed $400 million 2015 General Obligation Bonds, Refunding Series D to refund all or a portion of the 2005 A Bonds and 2007 B Bonds.

BART is in the process of analyzing whether it should submit an additional general obligation bond measure to the voters to address some of its capital needs. Public information and polling will be conducted to determine the feasibility of such an initiative that may result in a measure requesting authorization of over $3 billion in additional general obligation bonds. Any such measure would require approval of two-thirds of the voters voting on the measure.

Sales Tax Revenue Bonds

Commencing in 1970, the District has issued from time to time bonds payable from and collateralized by a pledge of sales tax revenues (the “Sales Tax Revenue Bonds”), comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax imposed by the District within the Three BART Counties pursuant to Section 29140 of the California Public Utilities Code. The Sales Tax Revenue Bonds are special obligations of the District issued in order to finance or refinance the costs of constructing, improving and equipping the BART System. The following issues of sales tax revenue bonds are outstanding in the amounts and at the rates indicated in the table below as of September 1, 2015:
### Issue

<table>
<thead>
<tr>
<th>Issue</th>
<th>Original Principal Amount</th>
<th>Amount Outstanding</th>
<th>Final Maturity</th>
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<tbody>
<tr>
<td>Series 2005A Refunding Bonds</td>
<td>$352,095,000</td>
<td>$231,250,000</td>
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<tr>
<td>Series 2006 Bonds</td>
<td>64,915,000</td>
<td>720,000</td>
<td>2016</td>
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<td>Series 2006A Bonds</td>
<td>108,110,000</td>
<td>95,840,000</td>
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<td>Series 2010 Refunding Bonds</td>
<td>129,595,000</td>
<td>121,065,000</td>
<td>2028</td>
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<tr>
<td>Series 2012A Bonds</td>
<td>130,475,000</td>
<td>121,305,000</td>
<td>2036</td>
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<tr>
<td>Series 2012B (Taxable)</td>
<td>111,085,000</td>
<td>104,770,000</td>
<td>2042</td>
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<tr>
<td></td>
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#### Plan Bay Area

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

The Plan includes the latest Regional Transportation Plan, which specifies how some $292 billion in anticipated federal, state and local funds will be spent through 2040. Nearly 87 percent (or $253 billion) will be used to maintain and operate the transportation network that already exists. Another way of looking at the distribution of the revenues — which include fuel taxes, public transit fares, bridge tolls, property taxes and dedicated sales taxes — is by mode of transportation. Maintenance and operation of the Bay Area’s existing public transit services will receive about 54 percent ($159 billion) of the revenues. Of this total, BART is expected to receive from all sources (including farebox, taxes and grants) approximately $38 billion in operating and capital funds. The remainder includes: 32 percent for street, road, highway and bridge maintenance; 7 percent for transit expansion; and 5 percent for roadway and bridge expansion. A $3.1 billion reserve, comprised of anticipated future funding through the California Air Resources Board’s Cap-and-Trade program for greenhouse gas emissions, accounts for another 1 percent of expected revenues.

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

**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 2, 3 and 4 for an additional 365 vehicles were exercised on December 27, 2013 for a total purchase of 775 vehicles.

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

The 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. 60 vehicles will be attributed to vehicle needs for the expansion into Santa Clara County and will be funded per the terms of a cost sharing agreement entered into by 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 2014-2015 and 2015-16 BART budgeted $45.00 million for this sinking fund. No debt is planned for the funding of the rail vehicle replacement program.

A portion of the funds MTC expects to use to fund its share of the cars depends on FTA and Federal Highway Administration (“FHWA”) funds that are subject to authorization and appropriation by Congress, and on other critical regional transit capital needs. Should the FTA
and FHWA funds become unavailable, the District cannot predict what funds, if any, MTC will provide in their place.

To set aside funding for vehicle replacement, the District and MTC entered into the BART Car Replacement Funding Exchange Agreement in 2006 (the “Exchange Agreement”). Under the Exchange Agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC’s programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District deposits an equal amount of local unrestricted funds into a restricted account, the “BART Car Exchange Fund”, established to fund BART’s vehicle replacement program. MTC is the exclusive administrator of this restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the Board. In accordance with the agreement, MTC allocated Federal Section 5307 Grants of $72,000,000 in Fiscal Year 2013-14 and $74,168,151 in Fiscal Year 2014-15 to fund the District’s preventative maintenance expenses and has budgeted $52,671,798 in Fiscal Year 2015-16 for such purpose. Accordingly, the District remitted or will remit to MTC the equivalent amount of its own funds, which funds are deposited by MTC to the BART Car Exchange Fund. The federal grant is shown as nonoperating revenue—operating financial assistance and the District’s remittance to MTC is shown as nonoperating expense in the District’s financial statements. The BART Car Exchange Fund for BART’s car replacement program, which is excluded from the District’s financial statements, showed a total cash and investment balance, at market value unaudited, of $275,998,407 as of June 30, 2015.

Earthquake Safety Program

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

In Fiscal Year 2000-01, BART embarked on a comprehensive study (the “Seismic Vulnerability Study”) to assess the vulnerability of, and evaluate the risk to, the District’s physical plant and systems from a major earthquake in the San Francisco Bay Area. The Seismic Vulnerability Study, developed by BART after more than a year of engineering analysis and presented to the Board of Directors on June 6, 2002, identified retrofit strategies to strengthen the BART System. In order to implement a retrofit strategy based on the Seismic Vulnerability Study, the Board of Directors adopted a resolution on July 25, 2002, placing a measure on the November 5, 2002 ballot seeking authorization to issue general obligation bonds, in one or more series, in an amount not to exceed $1.05 billion. The November 5, 2002 ballot measure failed to receive approval by at least a two-thirds vote in the Three BART Counties, receiving approval from 64.2% of the voters voting on the ballot measure.
Subsequently, on June 10, 2004, the Board of Directors adopted a General Obligation Bond Program Report, which defined a $1.307 billion (which includes projected construction inflation costs through estimated completion) earthquake safety program (the “Measure AA Earthquake Safety Program”) based on the Seismic Vulnerability Study. The Measure AA Earthquake Safety Program is based on maintaining operability of the core components of the BART System and retrofitting the rest of the BART System to a life safety level. The Measure AA Earthquake Safety Program is designed (i) to protect aerial trackway structures, underground trackway structures, including the Transbay Tube, and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and (ii) to provide additional retrofits to facilitate a rapid return to service in the core of the BART System, spanning from the west portal of the Berkeley Hills Tunnel to the Daly City Yard.

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

Another major funding source for the Measure AA Earthquake Safety Program is a statutory designation contained in the Regional Measure 2 ("RM2") program, which was approved by Bay Area voters in March 2004. Funded by an increase of toll revenues from the State-owned Bay Area toll bridges, RM2 provides $143 million to the Measure AA Earthquake Safety Program, specifically to assist in the retrofit of the Transbay Tube. Other funding sources for the Measure AA Earthquake Safety Program include $134 million of State Local Seismic Safety Retrofit Program funds. 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, consisting of internal leakage liners combined with a pumping upgrade.

The Program’s funding plan has been reduced and its scope has been increased due to current and projected cost savings from favorable construction bids on project components. The current budgeted value of the Earthquake Safety Program is $1.27 billion.

System Expansion Program

Planned extensions of the BART System include:

*Warm Springs Extension.* This $890 million extension will extend BART service south 5.4 miles from the present terminus at the Fremont Station to a new station in the Warm Springs district of Fremont in southern Alameda County. Revenue service to the Warm Springs/South Fremont station is expected to commence in 2016. An optional station in the Irvington district, located north of Warm Springs, will be added if funding from the Alameda County Transportation Commission becomes available. The Warm Springs Extension alignment will be mostly at-grade; however, it will run beneath Fremont Central Park in a mile-long cut and cover subway. A Supplemental Environmental Impact Report was completed and the project was
adopted by the Board of Directors in June 2003. Thereafter, an Environmental Impact Statement was completed and a Record of Decision was issued by the FTA in October 2006. The project funding plan includes substantial contributions from a variety of local and State sources and surplus revenues from the SFO Extension. The project has no Federal funding. The project is being implemented via two major contracts: the $137 million Fremont Central Park Subway contract (“Subway”) which was begun in August 2009 and 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 Subway contract has achieved substantial completion on schedule. The LTSS (design build) contract is approaching 90% completion with factory and on-site testing of systems well underway.

**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 is currently under construction, to the cities of Milpitas, San Jose and Santa Clara in the County of Santa Clara. The Program is being financed and implemented by VTA per the VTA - BART Comprehensive Agreement executed on November 19, 2001. The Comprehensive Agreement outlines the responsibilities of the two agencies concerning the construction, management, financing, operation and ongoing maintenance of this extension.

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

The 16-mile extension is planned to include: six stations - one in Milpitas, four in San Jose and one in the City of Santa Clara; a five-mile tunnel in downtown San Jose and provision of a yard and shops at the end of the line in Santa Clara. The capital cost for the six station extension is estimated at $8.1 billion in Year-Of-Expenditure (YOE) dollars. The extension program is being implemented in phases.

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

To date, relocation of UPRR facilities and third party utilities along the BART corridor for SVBX, and grade separation of Mission Boulevard, Warren Avenue and Kato Road, all in the City of Fremont, have been completed. Construction of the guideway, in trench, at grade and aerial, has progressed substantially by the Line, Track, Stations and Systems Contractor (the “LTSS Contractor”). The LTSS Contractor has also made progress on the construction activities
for stations at Milpitas and Berryessa, and installation of electrical and systems equipment. The 
design of parking garages at the two station campus locations is underway with major 
construction activities anticipated to begin later in 2015. Revenue services are forecasted to 
bEGIN in the last quarter of 2017.

Planning and environmental studies for the second phase have begun with the Federal 
Record of Decision anticipated in spring of 2017. Preparation for entry into the Federal New 
Starts Program is planned for the first quarter of 2016 with the Federal Transit Administration’s 
issuance of a Full Funding Grant Agreement anticipated sometime after 2018.

**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 $409 
million project has been funded by Federal grants and BART operations and is now under 
construction. Further funding for this project is expected from VTA.

**eBART/East Contra Costa Rail Extension.** The eBART extension, designed to improve 
transit service in the congested California State Highway Route 4 (“State Route 4”) corridor, 
consists of a 10-mile extension eastward from the Pittsburg/Bay Point BART station to the City 
of Antioch utilizing a diesel multiple unit (“DMU”) technology. The eBART Project 
alignment will be in the median of State Route 4 with a transfer platform in the existing 
Pittsburg/Bay Point station BART tailtrack, a station in Pittsburg at the 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. 
Completion of this contract is dependent on the progress of the State Route 4 widening schedule. 
The project is targeting a revenue service date of late 2017. The project funding plan includes 
substantial contributions from Contra Costa County, 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) A No Build alternative assuming that the proposed project is not 
constructed; 2) A DMU/EMU (as defined below) 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) An 
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) An Enhanced Bus alternative including modest, low-cost improvements to existing bus 
services at the Dublin/Pleasanton BART station. The Board had previously adopted a Program
Environmental Impact Report in July 2010. A funding plan for the proposed investment needs to be developed as part of the project-level environmental study.

System Reinvestment Program

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

*Train Control.* Trains are controlled from the Control Center, which provides supervisory control of train operations, and controls electrification, ventilation and emergency response system. Display boards use computer imaging and video projection to display the entire system, including track and train positions and maintenance information. A network of control devices that control train speed, train separation, routing, and station stopping functions. It is comprised of analog and microprocessor based systems in 44 stations and 12 control huts. The system also includes a backup train protection system.

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

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

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

*Traction Power System.* The Traction Power System (“TPS”) consists of 118 substations, over 700 high voltage circuit breakers and switchgear, 114 transformer-rectifiers, and over 1.5 million linear feet of cabling, most of which will be at or exceed its life expectancy within the next 10 years. The Fiscal Year 2005-06 Capital Improvement Program began to address this
critical system need by staging a reinvestment program starting in 2006 to repair and replace this equipment with annual allocations from FTA Section 5307 Federal formula funds. Currently, projects are underway to replace miles of cable and replace 14 TPS substations.

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

As noted in several of the program descriptions above, the District will continue its practice of making necessary investments in ongoing renovation and replacement of major components of the District’s infrastructure as needed. Included as ongoing system reinvestment projects are the mainline projects of Rail/Wayside Infrastructure Replacement, Traction Power System Renovation, Train Control Renovation and associated controls and communications project, Transbay Tube Cathodic Protection; and Stations and 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 this Security Program, to take proactive measures that will improve the overall security of its transit operations and services. To achieve this goal, BART must make significant capital investments in infrastructure security hardening, employee training and customer outreach. At present, the District anticipates that the majority of funding required for capital security improvements will need to be obtained from external grant sources.

**Service and Capacity Enhancement Program**

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

*Station Enhancements and Upgrades.* Station enhancement and upgrade projects include capacity expansion and upgrade projects within the paid and unpaid areas of stations. Such projects may be either system wide projects or individual station projects, which are developed through a comprehensive planning process. Once projects are identified, grant funding is sought from a variety of sources to allow for project implementation. When grant funding is secured and identified for a particular project, such project is implemented. Projects identified, funded and implemented to date include the reconstruction of the station entrance plaza at the 16th/Mission Street station, streetscape improvements at the Concord station, and access and accessibility improvements at both the Glen Park and Balboa Park stations.
**Capacity Projects.** Capacity projects may be either system wide projects or station-specific projects. Once projects are identified, grant funding is sought from a variety of sources to allow for project implementation. When grant funding is secured and identified for a particular project, such project is implemented. Station capacity projects identified, funded and implemented to date include the phase one expansion at the Balboa Park station, consisting of a new escalator, stairs, faregates and emergency exit improvements.

**System Access Improvements.** Implementation of System Access Improvements projects is dependent upon securing funding. When grant funding is secured and identified for a particular project, such project is implemented.

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

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

**Funding Developments**

**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 finding that PEPRA infringed upon transit workers’ collective bargaining rights. DOL certification is required in order for the Federal Transit Administration to pay grants. Absent that certification transit agencies in California could not receive federal funds. Once the temporary legislation making represented transit employees exempt from PEPRA was enacted the DOL permitted the release of federal funds to transit agencies including the District.
The State of California (and the Sacramento Regional Transit Agency) brought litigation in the U.S. District Court, Eastern District of California which challenged the DOL’s determination that PEPRA interfered with collective bargaining rights. On December 30, 2014, the U.S. District Court issued a ruling that the DOL’s refusal to certify the federal grants was arbitrary and capricious. The District Court remanded the issue back to the DOL with instructions that it act in accordance with the District Court’s order.

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

However, the matter has not been resolved, since the date of the ruling the DOL refused and continues to refuse to certify any new federal grants to California transit agencies. The DOL is taking the position that the District Court’s ruling does nothing more than require it to reconsider whether PEPRA infringes upon collective bargaining rights. As a result, disputed federal transit funds are not currently being released.

BART has approximately $90 million in federal grants which could be affected. The DOL has made its certification of grant funds subject to certain terms and conditions. Those conditions may require the District to either refuse to comply with PEPRA or alternatively to return the grant funds.

State Transit Funding. In Fiscal Year 2009-10, the Governor enacted the “gas tax swap” which decreased the sales tax and increased the excise tax on gasoline, providing the State with additional revenue to pay State general obligation bond debt service, and decreased the excise tax and increased the sales tax on diesel fuel, thereby providing revenue for the Public Transportation Account to fund the State Transit Assistance (“STA”) program beginning in Fiscal Year 2011-12. The gas tax swap legislation requires STA to be continuously appropriated on the basis of revenue generations, thus the final STA funding each year for the District will be dependent on actual receipts from the sales tax on diesel fuel.

The District received STA funds of $20,021,402.03 in Fiscal Year 2013-14 and approximately $21.9 million in Fiscal Year 2014-15 and the District has budgeted $16.5 million in Fiscal Year 2015-16.

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, 2014 AND 2013.” The financial statements of the District included in Appendix B to this Official Statement have been examined by MGO, whose report thereon appears in such Appendix. MGO was not requested to consent to the inclusion of its report in Appendix B, nor has MGO undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by MGO with respect to any event subsequent to the date of its report.

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

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

The District responded to the findings by implementing a corrective plan, which included additional training, supervisory oversight, tighter controls on user authorization, and hiring specialists to support the system and end users. The District’s corrective plan was implemented by the end of Fiscal Year 2014 and the material weakness finding was removed.

In Fiscal Year 2014, MGO noted a significant deficiency finding related to the late recognition of the extinguishment of loans from SamTrans and MTC as a result of the termination of the 1999 Memorandum of Understanding between the District, SamTrans and MTC in 2007. During 2014, the District re-evaluated the provisions of the termination agreement and the Tri-Party Financial Agreement between the District, SamTrans and MTC and concluded that the obligations to SamTrans for $72,000,000 and MTC for $16,500,000 were extinguished. A special item to recognize a special gain was recorded in Fiscal Year 2014. Please refer to Note 6 of the audited financial statements of the District included as Appendix B to the Official Statement for more information.
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, 2010 through June 30, 2014 and preliminary unaudited results for Fiscal Year 2014-15. This summary for the Fiscal Years ending June 30, 2010 through June 30, 2014 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 data presented for Fiscal Year 2014-15 consists of preliminary unaudited information that does not reflect the implementation of GASB 68 relating to pension funding and liabilities. 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)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015 (1)</th>
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<tr>
<td><strong>Annual Passengers (thousands)</strong></td>
<td>101,004</td>
<td>103,714</td>
<td>110,777</td>
<td>117,815</td>
<td>117,074</td>
<td>125,979</td>
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<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Passenger Revenues</td>
<td>$332,018</td>
<td>$343,472</td>
<td>$367,342</td>
<td>$406,890</td>
<td>$416,573</td>
<td>$463,645</td>
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<td>Investment Income(2)</td>
<td>297</td>
<td>228</td>
<td>123</td>
<td>23</td>
<td>8</td>
<td>167</td>
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<tr>
<td>Other</td>
<td>36,374</td>
<td>33,273</td>
<td>34,512</td>
<td>36,383</td>
<td>46,587</td>
<td>50,659</td>
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<td><strong>Total Operating Revenues</strong></td>
<td>$368,688</td>
<td>$376,973</td>
<td>$401,977</td>
<td>$443,296</td>
<td>$463,168</td>
<td>$514,471</td>
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<td><strong>Financial Assistance:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sales Tax Revenues</td>
<td>$166,520</td>
<td>$180,819</td>
<td>$195,214</td>
<td>$208,561</td>
<td>$221,149</td>
<td>$233,148</td>
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<td>Property Tax Revenues(3)</td>
<td>30,114</td>
<td>29,515</td>
<td>29,694</td>
<td>31,686</td>
<td>32,054</td>
<td>34,324</td>
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<td>Other</td>
<td>59,428</td>
<td>28,134</td>
<td>49,894</td>
<td>47,728</td>
<td>96,297</td>
<td>101,275</td>
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<td><strong>Total Financial Assistance</strong></td>
<td>$256,062</td>
<td>$238,469</td>
<td>$274,802</td>
<td>$287,975</td>
<td>$349,500</td>
<td>$368,747</td>
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<td><strong>Total Operating Revenues and Financial Assistance</strong></td>
<td>$624,750</td>
<td>$615,541</td>
<td>$676,779</td>
<td>$731,271</td>
<td>$812,668</td>
<td>$883,218</td>
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<td><strong>Operating Expenses:</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Labor</td>
<td>$366,666</td>
<td>$358,249</td>
<td>$380,692</td>
<td>$407,076</td>
<td>$411,426</td>
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<td>Electrical Power</td>
<td>35,332</td>
<td>35,297</td>
<td>35,062</td>
<td>37,306</td>
<td>37,231</td>
<td>36,568</td>
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<td>Express Feeder Bus (6)</td>
<td>8,307</td>
<td>223</td>
<td>132</td>
<td>220</td>
<td>1,346</td>
<td>3,542</td>
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<td>Purchased Transportation-OAC</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Other Non-Labor</td>
<td>101,949</td>
<td>97,639</td>
<td>113,730</td>
<td>122,410</td>
<td>121,297</td>
<td>132,728</td>
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<tr>
<td><strong>Total Operating Expenses</strong></td>
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<td>$491,408</td>
<td>$529,612</td>
<td>$567,012</td>
<td>$571,300</td>
<td>$614,071</td>
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<td><strong>Net Revenues</strong></td>
<td>$112,496</td>
<td>$124,033</td>
<td>$147,163</td>
<td>$164,259</td>
<td>$241,368</td>
<td>$269,147</td>
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<td><strong>Bond Debt Service(8)</strong></td>
<td>$68,389</td>
<td>$68,074</td>
<td>$62,273</td>
<td>$62,442</td>
<td>$58,240</td>
<td>$55,958</td>
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<tr>
<td><strong>BART Car Exchange Funding(9)</strong></td>
<td>$22,683</td>
<td>–</td>
<td>$25,940</td>
<td>$23,980</td>
<td>$72,000</td>
<td>$74,168</td>
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<td><strong>Excess Revenues/(Deficit)</strong></td>
<td>$21,424</td>
<td>$55,959</td>
<td>$58,949</td>
<td>$77,837</td>
<td>$111,128</td>
<td>$139,021</td>
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<tr>
<td><strong>Operating Ratio(10)</strong></td>
<td>72%</td>
<td>77%</td>
<td>76%</td>
<td>78%</td>
<td>81%</td>
<td>84%</td>
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<tr>
<td><strong>Farebox Ratio(11)</strong></td>
<td>65%</td>
<td>70%</td>
<td>69%</td>
<td>72%</td>
<td>73%</td>
<td>76%</td>
</tr>
</tbody>
</table>

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1. Preliminary unaudited amounts, subject to change.
2. Investment income amount in audited financial statements is higher due to inclusion of investment income from District Funds other than the District Operating Fund.
3. Excludes property tax revenue collected for the debt service of the general obligation bonds.
4. Excluding additional STA financial assistance not yet accrued.
5. Before adjustment related to the implementation of GASB 68.
6. Relates to District’s share of expenses paid to local operators associated with providing passenger access to BART not covered by STA funds.
7. Amount reported is higher in audited financial statements because such amounts in the financial statements include depreciation expense.
8. “Bond Debt Service” reported above represents actual amount remitted to cover debt service paid from General Operating Fund, which excludes general obligation bonds. Amount in audited financial statements under “Interest Expense” represents interest expenses for all District debts, net of capitalized interest expense. For a complete discussion of BART’s long term debt, see Note 6 to the audited financial statements of the San Francisco Bay Area Rapid Transit District included as Appendix B to this Official Statement.
9. BART Car Exchange Funding 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.
10. Operating Ratio is defined as the total operating revenues divided by the total operating expenses.
11. Farebox Ratio is defined as total passenger revenues divided by total operating expenses.
Management’s Discussion of Historical Financial Results

In fiscal year ending June 30, 2014, the District saw continued growth in operating revenues and sales tax revenues, while managing increases in operating expenses to a corresponding level. The two labor strikes in July and October 2013, with a total of eight days of no rail service, resulted in an estimated loss of about 3.7 million total trips. Total passenger ridership decreased to 117.1 million, a 6% decrease from the prior fiscal year. Total operating revenues and financial assistance increased 11% to $813 million due to a $48M increase in the Rail Car Fund Swap, other operating revenue and improving sales tax revenues. In Fiscal Year 2013-14, BART’s parking program generated $20.0 million and advertising and telecommunication programs generated $8.3 million and $6.4 million, respectively.

Sales Tax Revenues increased to $221 million, growing by 6% from the prior fiscal year and exceeding the pre-recession peak of $203 million. The economy appears to be more vibrant due to the location of many technology companies in the area and the increase of tourism to San Francisco and the Bay Area. The large number of education, healthcare, government and research facilities located in the area also provides stability to the local economy compared to the general State economy.

Other operating assistance received by BART includes STA, with $20.0 million received in Fiscal Year 2013-14. It should be noted that although legislation has been implemented in the past few years to make STA a more secure funding source for transit operators, STA is dependent on the price of diesel fuel and actual sales. In addition, future State budget problems could result in reduced STA. Additional revenue comes from BART’s portion of the one percent general property tax levy that amounted to nearly $32.5 million in Fiscal Year 2013-14, up 6% from the prior fiscal year, including an adjustment for an incorrect booking from Fiscal Year 2013-14.

Operating expenses, excluding depreciation, increased by $4.3 million (1%) in Fiscal Year 2013-14. The Fiscal Year 2013-14 included investments in the BART system related to rising ridership and reinvesting in infrastructure, as well as additional staff and funds to address areas such as employee safety and station cleanliness. Actual labor and benefit costs for the fiscal year were slightly over budget primarily due to the labor contract settlement. Offsetting the cost increases was a lower required allocation to BART’s Workers Compensation Reserve and reduced expenses during the eight days of labor strike in July and October 2013, as well as favorable electric power due to savings from carbon fees not applying to District market power purchases and lower than budgeted power purchases.

The District’s labor force was increased by 52 positions in Fiscal Year 2013-14, with many of the positions addressing targeted priority areas such as station cleanliness and improvements. Under the new labor agreements, labor costs are anticipated to increase by reasonable amounts. In each Fiscal Year’s budget process, management establishes an operating ratio goal (percentage of operating revenue to operating expenses). The District has achieved increasing operating ratios of above 70% in recent years, well above national averages for urban transit systems. The District’s operating ratio for Fiscal Year 2013-14 was 81.1%, slightly above the budgeted goal of 80.2%.
The District proceeded with major capital projects in Fiscal Year 2013-2014, including the Warm Springs Extension, the Oakland Airport Connector project and the Rail Vehicle Replacement Program. See “BART FINANCINGS AND CAPITAL PROGRAMS.”

**Preliminary Results for Fiscal Year 2014-15 and Adopted Budget for Fiscal Year 2015-16**

On June 12, 2014, BART’s nine-member Board of Directors adopted a $854 million, balanced budget for the Fiscal Year 2014-15. Preliminary financial results for Fiscal Year 2014-15 were positive with increases in both operating revenue and financial assistance revenue, while expenses increased within expectations. BART is carrying more riders than ever while maintaining high passenger on-time performance. In order to address both the increased ridership and its impact on system capacity and the need to ensure that critical infrastructure rehabilitation projects advance, four areas required focus: Safety, Infrastructure, Stations and Sustainability.

The Fiscal Year 2014-15 operating budget included a $45.0 million allocation to the Rail Car Sinking Fund, which makes up a part of the District’s initial $298 million commitment for its share of the Phase 1 purchase of 410 new rail cars. This funding, combined with previously “banked” funding and future funding commitments, enabled BART to award the base contract and Option 1 of the new vehicle contract, totaling 410 cars, in May and June, 2012, respectively, and will allow for the District to secure new rail vehicles needed to maintain reliability and meet current and future capacity demands.

The budget also allocated $43 million capital reinvestment needs, including continuing multi-year rehabilitation programs to replace seats and floors in the current fleet, and replace obsolete lighting in tunnels and facilities to improve worker visibility, as well as allocations towards the Control Center renovation and the Millbrae Tail Track. Also included were the “baseline” State of Good Repair allocation that provides for local match on capital grants, stations and facilities renovation, equipment, and other important needs not typically eligible for grants. These allocations were on top of $56.0 million in debt service payment mainly due to bond issues for prior year capital reinvestment programs, which also included $6.5 million for debt related to the OAC project. The 5.2% fare increase implemented on January 1, 2014 combined with increased ridership produced approximately $47 million in increased passenger fare revenue in Fiscal Year 2014-15. Approximately $18.8 million of such additional fare revenue was dedicated to capital projects, specifically to three priority programs: the Rail Vehicle Replacement Program, the Hayward Maintenance Complex, and the replacement of the District’s automated train control system. While funding for many projects has been identified, overall, system reinvestment needs still require significant future funding.

In addition to the Rail Car Sinking Fund and capital reinvestment budget allocations, the Fiscal Year 2014-15 operating budget included $10.9 million and 56 positions in operating initiatives to address a number of essential operating needs, including worker safety initiatives, station improvements, parking enforcement, technology improvements, and other smaller needs. Most of these initiatives were recommended to keep the District functioning effectively.

On June 11, 2015, the BART Board of Directors adopted a $903 million balanced operating budget for Fiscal Year 2015-16 that expects increased ridership on the system with a
further increase expected relating to the opening of service on the Warm Springs Extension by the end of 2015. Corresponding increased farebox revenues are projected, assisted by the scheduled January 1, 2016 CPI based fare increase. Other operating revenue is also expected to increase consisting primarily of parking revenue and commercial communications and advertising revenue. The District plans to utilize 4G technology in its underground cellular network and expand availability of its fiber optic cable and cellular sites for revenue licensing as well as improved service to customers. Sales Tax Revenues are expected to increase to $244.6 million and property tax revenues and other operating assistance are also expected to increase to $63 million.

The Fiscal Year 2015-16 operating budget continues the annual $45.0 million allocation to the Rail Car Sinking Fund, recognizing it as a critical investment in BART infrastructure and its required contribution to the $2.6 billion rail vehicle purchases.

Operating expenses are budgeted to increase by 10% over the prior Fiscal Year budget. Major factors for such increase, in addition to the ongoing typical increases in wages, benefits and power purchases, are the added costs of providing service to the Warm Springs Extension and related system investments and other Board initiatives resulting in 52 (171 if capital positions also included) new staff positions. In order to obtain full utilization of the existing fleet of rail vehicles pending the delivery of new cars in future years expanded maintenance shop employment is required. Recognizing the need for better customer service and in response to customer satisfaction surveys additional station, grounds and right of way maintenance personnel are also budgeted. With increase ridership and an aging system, operating funds directly support the high priority items of System Reinvestment and Capacity Enhancement programs: Rail car replacement, Hayward Maintenance Complex and Train Control Modernization Project.

BART’s capital budget for the Fiscal Year 2015-16 of $665 million also focuses on the System Reinvestment program which is a collection of approximately 100 discrete projects generally categorized as controls and communications, facilities, mainline, rolling stock and work equipment. A major component of the System Reinvestment program is the “Big 3” projects – replacement/augmentation of the rail fleet, modernization of the train control system and construction of the Hayward Maintenance Complex. The “Big 3” initiative cost in Fiscal Year 2015-16 is $170 million and represents one of the largest commitments in the Fiscal Year 2015-16 capital budget. Also in the System Reinvestment program are station investments and passenger and worker safety related projects (life safety systems, circulation, access control, coverboards, aerial structure fall protection, and others). System Reinvestment expenditures overall have increased by 17% over Fiscal Year 2014-15 due to increased focus and prioritization of several reinvestment projects in operational areas of high risk exposure (track condition, traction power transformers and substations, rail tie/switch replacement, wayside equipment and existing train control rehabilitation).

**Risk Management and Insurance**

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

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

Pursuant to a recent evaluation of District liabilities for workers compensation, outstanding losses as of June 30, 2014 are projected to total $52,531,643 (undiscounted). The required reserves discounted 3% are $45,733,407. Ultimate District workers compensation losses are limited to $4,000,000 per occurrence for the forecast periods and are estimated at $15,837,100 for Fiscal Year 2014-15 and $16,264,700 for Fiscal Year 2015-16. Outstanding losses for automobile and general liability are projected to be $6,721,687 (undiscounted). The required reserves discounted 3% are $6,426,481.

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

**Investment Policy**

The investment of funds of BART are made in accordance with BART’s investment policy, developed by BART’s Controller/Treasurer and approved by the Board of Directors on October 23, 2003 (the “Investment Policy”), and Section 53600 et seq. of the California Government Code. The Investment Policy is subject to revision by the Controller/Treasurer, subject to approval by the Board of Directors, at any time and is reviewed periodically to ensure compliance with the stated objectives of safety, liquidity, yield and current laws and financial trends.

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

1. Preservation of capital.
2. Liquidity – funds shall be invested only until date of anticipated need or for a lesser period.
3. Yield – generation of a favorable return on investment without compromise of the first two objectives.

See Appendix C—“SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT STATEMENT OF INVESTMENT POLICY.”
Set forth in the below table are the carrying values and types of investment securities in BART’s General Fund as of June 30, 2015.

### INVESTMENT DISTRIBUTION
as of June 30, 2015

<table>
<thead>
<tr>
<th>Type</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of Deposit</td>
<td>$858,559</td>
</tr>
<tr>
<td>Cash on Hand and in Bank</td>
<td>240,662,274</td>
</tr>
<tr>
<td>Investments – Federal Agency Obligations</td>
<td>262,714,534</td>
</tr>
<tr>
<td>Total</td>
<td>$504,235,367</td>
</tr>
</tbody>
</table>

Source: District.

As of June 30, 2015, the average duration of the District’s investments (average days to maturity) was 266 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 Paying Agent Agreement entered into by the District in connection with the general obligation bonds. Investment Securities include guaranteed investment contracts.

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

### Employee Retirement Benefits

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

**Plan Description.** All eligible employees may participate in the Public Employees’ Retirement Fund (the “Fund”) administered by CalPERS under the Miscellaneous Plan and the Safety Plan of the District. The Safety Plan covers all sworn police officers of the District; all other District employees are covered by the Miscellaneous Plan. The Fund is a multiple-employer public sector employee defined-benefit retirement plan that acts as a common investment and administrative agent for approximately 3,089 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. See “BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments – Pension Reform and Grant Funding,” above.

Annual Actuarial Valuation Reports. CalPERS prepares an Annual Actuarial Valuation Report (“CalPERS Actuarial Report”) for its members. The District receives 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 October 2014, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2013. These Reports established the District’s required minimum employer contribution rates for Fiscal Year 2015-16, which are 14.787% of covered payroll for the Miscellaneous Plan and 51.606% of covered payroll for the Safety Plan, before any cost sharing. The Reports also included for District’s Miscellaneous and Safety Plans the latest Schedule of Funding Progress, which shows a five-year history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of unfunded actuarial accrued liability to payroll, as discussed herein below. CalPERS issued letters on December 19, 2012 indicating the employer contribution rates for new PEPRA employees will be the same rates as classic employees. The impact of most of the PEPRA changes first appeared in the rates and benefit provision listings of the June 30, 2013 valuation for the Fiscal Year 2015-16 rates.

The District’s employer required contribution rates for Fiscal Years 2013-14 and 2014-15 were determined by actuarial valuations of the Plans as of June 30, 2011 and 2012, respectively. The employer required contribution rates for Fiscal Year 2013-2014 were 12.26% of covered payroll for the Miscellaneous Plan and 42.885% of covered payroll for the Safety Plan, and the employer required contribution rates for Fiscal Year 2014-2015 were 13.303% of covered payroll for the Miscellaneous Plan and 47.789% of covered payroll for the Safety Plan.

Funding Policy. CalPERS’ funding policy for the Miscellaneous Plan and the Safety Plan (hereinafter sometimes referred to as the “CalPERS Plans”) requires periodic contributions by the District based on CalPERS actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by contractual agreements between the District and its unions. The individual entry age normal method is used to determine the normal cost. There are two components to this cost: the employer cost and the employee cost. District payment for the employer portion of the contributions for the Miscellaneous Plan to cover normal cost and to amortize the unfunded actuarial accrued liability, as a percentage of covered payroll, were 12.269% for Fiscal Year 2013-2014 and 11.736% for Fiscal Year 2012-13. District payment for the employer portion of the contributions for the Safety Plan to cover normal cost and to amortize the unfunded actuarial accrued liability, as a percentage of covered payroll, were 47.789% for Fiscal Year 2014-15, 42.885% for Fiscal Year 2013-2014 and 41.566% for Fiscal Year 2012-13, and will be 51.606% for Fiscal Year 2015-16.

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 nonrepresented safety employees will be made at the same level as BPMA but effective six months later in conjunction with their wage increases.

Under PEPRA, effective January 1, 2013, “new” employees as defined by CalPERS and PEPRA who are not represented must contribute ½ of the total normal cost. The contribution rate is 12% for safety personnel and 6.25% for miscellaneous employees. State law excluded represented employees from these contributions until a recent federal court ruling was made. Beginning on December 30, 2014, represented employees began contributing at the PEPRA rate.

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

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>June 30, 2013</th>
<th>June 30, 2011</th>
<th>June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial cost method</td>
<td>Entry age normal</td>
<td>Entry age normal</td>
<td>Entry age normal</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level percent of payroll</td>
<td>Level percent of payroll</td>
<td>Level percent of payroll</td>
</tr>
<tr>
<td>Average remaining period</td>
<td>Closed; 30 years as of the valuation date for Miscellaneous Plan; and the Safety Plan*</td>
<td>Closed; 20 years as of the valuation date for the Miscellaneous Plan and 24 years for the Safety Plan</td>
<td>Closed; 17 years as of the valuation date for the Miscellaneous Plan and 22 years for the Safety Plan</td>
</tr>
<tr>
<td>Asset valuation method</td>
<td>Market Value</td>
<td>15 year smoothed market</td>
<td>15 year smoothed market</td>
</tr>
<tr>
<td>Investment rate of return</td>
<td>7.50% (net of administrative expenses)</td>
<td>7.50% (net of administrative expenses)</td>
<td>7.75% (net of administrative expenses)</td>
</tr>
<tr>
<td>Projected salary increases</td>
<td>3.30% to 14.20% depending on age, service and type of employment</td>
<td>3.30% to 14.20% depending on age, service and type of employment</td>
<td>3.55% to 14.45% depending on age, service and type of employment for the Miscellaneous Plan; and 3.55% to 13.15% for the Safety Plan</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.75%</td>
<td>2.75%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Payroll growth</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.25%</td>
</tr>
<tr>
<td>Individual salary growth</td>
<td>A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%</td>
<td>A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%</td>
<td>A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%</td>
</tr>
</tbody>
</table>

* Initial unfunded liabilities are amortized over a closed period that depends on the plan’s date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year period with Direct Rate Smoothing with a 5-year ramp up/ramp down. If the plan’s accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.
**Schedule of Funding Progress.** The funding status applicable to the District’s CalPERS Plans at June 30, 2013 (the most current information available for the plans) is summarized as follows:

**Funded Status of the Miscellaneous Plan**  
*(in thousands of dollars)*

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Entry Age Normal Accrued Liability</th>
<th>Actuarial Value of Assets</th>
<th>Unfunded Liability (Excess Assets)</th>
<th>Funded Status (Actuarial Value)</th>
<th>Funded Status (Market Value)</th>
<th>Annual Covered Payroll</th>
<th>UAAL as a Percentage of Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/09</td>
<td>1,520,140</td>
<td>1,405,192</td>
<td>114,948</td>
<td>92.4</td>
<td>67.4</td>
<td>222,864</td>
<td>51.6</td>
</tr>
<tr>
<td>6/30/10</td>
<td>1,575,249</td>
<td>1,462,840</td>
<td>112,409</td>
<td>92.9</td>
<td>72.5</td>
<td>219,269</td>
<td>51.3</td>
</tr>
<tr>
<td>6/30/11</td>
<td>1,661,566</td>
<td>1,530,454</td>
<td>131,112</td>
<td>92.1</td>
<td>81.5</td>
<td>219,833</td>
<td>59.6</td>
</tr>
<tr>
<td>6/30/12</td>
<td>1,728,926</td>
<td>1,581,046</td>
<td>147,880</td>
<td>91.4</td>
<td>76.2</td>
<td>226,128</td>
<td>65.4</td>
</tr>
<tr>
<td>6/30/13</td>
<td>1,801,182</td>
<td>1,449,050</td>
<td>352,132</td>
<td>80.4</td>
<td>80.4*</td>
<td>233,176</td>
<td>151.0</td>
</tr>
</tbody>
</table>

*Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.


(1) Numbers reflect rounding.

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### Funded Status of the Safety Plan

(in thousands of dollars)(1)

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Entry Age</th>
<th>Normal Accrued Liability</th>
<th>Actuarial Value of Assets</th>
<th>Unfunded Liability (Excess Assets)</th>
<th>Funded Status (Actuarial Value)</th>
<th>Funded Status (Market Value)</th>
<th>Annual Covered Payroll</th>
<th>UAAL as a Percentage of Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/09</td>
<td>183,177</td>
<td>140,580</td>
<td>42,597</td>
<td>76.7</td>
<td>56.2</td>
<td>18,373</td>
<td>231.8</td>
<td></td>
</tr>
<tr>
<td>6/30/10</td>
<td>197,342</td>
<td>148,970</td>
<td>48,372</td>
<td>75.5</td>
<td>59.5</td>
<td>17,601</td>
<td>274.8</td>
<td></td>
</tr>
<tr>
<td>6/30/11</td>
<td>213,592</td>
<td>157,704</td>
<td>55,888</td>
<td>73.8</td>
<td>66.1</td>
<td>18,864</td>
<td>296.3</td>
<td></td>
</tr>
<tr>
<td>6/30/12</td>
<td>225,612</td>
<td>166,268</td>
<td>59,343</td>
<td>73.7</td>
<td>61.9</td>
<td>17,406</td>
<td>340.9</td>
<td></td>
</tr>
<tr>
<td>6/30/13</td>
<td>243,522</td>
<td>157,104</td>
<td>86,417</td>
<td>64.5</td>
<td>64.5*</td>
<td>16.871</td>
<td>512.2</td>
<td></td>
</tr>
</tbody>
</table>

* Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.


(1) Numbers reflect rounding.

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

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

The District’s total expense and funded contribution for this plan for the years ended June 30, 2014 and 2013 were $9,895,000 and $5,776,000, respectively. The Money Purchase Pension Plan assets at June 30, 2014 and 2013 (excluded from the accompanying financial statements) per the plan administrator’s unaudited reports were $285,335,000 and $258,290,000,
respectively. At June 30, 2015, there were approximately 204 (222 in 2014) participants receiving payments under this plan.

**Postretirement Health Care Benefits**

*Postretirement Health Care Costs.* In addition to the retirement benefits described above and as specified in the District’s contractual agreements, the District provides postretirement health care benefits assistance to employees. Most employees who retire directly from the District (or their surviving spouses) are eligible if the employee retires from the District at or after age 50 with a minimum of 5 years of CalPERS service (which may be with another public entity) and elects to take an annuity from CalPERS within 120 days of leaving the District. 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 with BART in order to receive the full contribution.

Pursuant to a Keenan Associates report dated May 11, 2015, entitled “Post-Employment Benefit Valuation Report, under GASB 43/45 as of June 30, 2014” (the “Keenan Report”), 1,939 retirees and surviving spouses are provided this benefit. Pursuant to the Retiree Health Benefit Trust Independent Auditor’s Report for the Years Ended June 30, 2014 and 2013, the District made payments on a pay-as-you-go basis, net of retirees’ and surviving spouses’ share, of medical insurance premiums totaling $16,337,000 in Fiscal Year 2013-14 and $15,463,000 in Fiscal Year 2012-13, and life insurance premiums amounting to $76,000 in Fiscal Year 2013-14 and $74,000 in Fiscal Year 2012-13.

*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.

At June 30, 2014, net assets held in the Health Benefit Trust included money market mutual funds, U.S. Treasury obligations, corporate obligations, foreign obligations, domestic common stocks, equity mutual funds, and foreign stocks with an actuarial value of approximately $202,181,000.
The District’s collective bargaining agreements require that, beginning July 1, 2007, the District contribute into its Health Benefit Trust amounts that at a minimum, reflect an eight year “ramp up” to District payment of the full GASB 45-compliant ARC beginning July 1, 2013 using an open group valuation method with a closed thirty year amortization schedule for unfunded liability ending June 30, 2034.

Funding projections are based on the Keenan Report, the most recent actuarial analysis prepared for the District. These funding projections are based on certain assumptions and are inherently subject to a variety of risks and uncertainties, including increases in the cost and duration of health care benefits, which could cause actual results to differ materially from those that have been projected. Pursuant to its labor agreements, effective January 1, 2010, the District’s contribution toward medical coverage was limited to the highest Bay Area HMO rate under CalPERS minus the applicable retiree contribution. The actuarial accrued liability (“AAL”) as of June 30, 2014 is estimated at approximately $331.4 million. The report also contained projected per capita claims cost updates based on Calendar Years 2014 and 2015 CalPERS premiums.

Following is the summary of results of the valuation:

<table>
<thead>
<tr>
<th>(in $ Millions)</th>
<th>Retiree Medical Plan</th>
<th>Additional OPEB Plan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 30, 2014 Valuation Results</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial Accrued Liability</td>
<td>$331.4</td>
<td>$29.1</td>
<td>$360.5</td>
</tr>
<tr>
<td>Actuarial Value of Assets</td>
<td>202.2</td>
<td>0</td>
<td>202.2</td>
</tr>
<tr>
<td>Unfunded Actuarial Accrued Liability</td>
<td>129.2</td>
<td>29.1</td>
<td>158.3</td>
</tr>
<tr>
<td><strong>Results for Fiscal Year 2016</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARC (Percentage of Pay)</td>
<td>9.89%</td>
<td>0.81%</td>
<td>10.70%</td>
</tr>
<tr>
<td>ARC (Dollar Amount)</td>
<td>$27.1</td>
<td>$2.2</td>
<td>$29.4</td>
</tr>
<tr>
<td>Estimated BART Payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit Payments from General Assets</td>
<td>$0.0</td>
<td>$0.7</td>
<td>$0.7</td>
</tr>
<tr>
<td>Contributions to Trust</td>
<td>27.1</td>
<td>0.0</td>
<td>27.1</td>
</tr>
<tr>
<td>Total</td>
<td>$27.1</td>
<td>$0.7</td>
<td>$27.8</td>
</tr>
</tbody>
</table>