

## Board of Directors



**Barclay Simpson**  
District 1

A member of the Board since 1976 and Board President in 1977. Chairman of the Board, Simpson Company, San Leandro, and owner, Barclay Simpson Art Gallery, Lafayette. Lives in Orinda



**Margaret K. Pryor**  
District 4

A member of the Board since 1980 Urban Affairs Consultant. Active in national and local transportation. Chairperson, APTA, Minority Affairs Committee. Lives in Oakland.



**Wilfred T. Ussery**  
District 7

A member of the Board since 1978 and Board President in 1985. Chairperson, Public Affairs Access and Legislation Committee, 1986 and 1980. An urban planner. Active in Bay Area civic organizations. Past National Chairperson, Congress of Racial Equality, 1967 to 1969. Lives in San Francisco.



**Nello Bianco**  
District 2

Board President 1986, 1980 and 1975, and a member of the Board since 1969. Businessman. Former Richmond City Councilman. Lives in El Sobrante.



**Robert S. Allen**  
District 5

A member of the Board since 1974. President, 1983. Chairperson, Administration Committee, 1986. Employed 27 years in engineering and operations for three major railroads. Livermore resident since 1958.



**Eugene Garfinkle**  
District 8

A member of the Board since 1977, Board Vice President in 1986 and Board President in 1982. A San Francisco attorney. Lives in San Francisco.



**Arthur J. Shartsis**  
District 3

A member of the Board since 1976 and Board President in 1984. A San Francisco attorney. Lives in Oakland.



**John Glenn**  
District 6

A member of the Board since 1974. Chairperson, Engineering and Operations Committee, 1986. Board President, 1982. Chairperson, Policy Committee, Fremont-South Bay Corridor Study, 1986. Founder and President, John Glenn Adjusters and Administrators. Organizer and Director of Civic Bank of Commerce. Lives in Fremont.



**John H. Kirkwood**  
District 9

A member of the Board since 1974 and Board President in 1979. Chairperson, Engineering and Operations Committee, 1977 and 1978. Chairperson, Public Affairs, Access and Legislation Committee, 1981 and 1983. Advisory Board member, San Francisco Planning and Urban Renewal (SPUR) Association. Lives in San Francisco.

## Message from the President

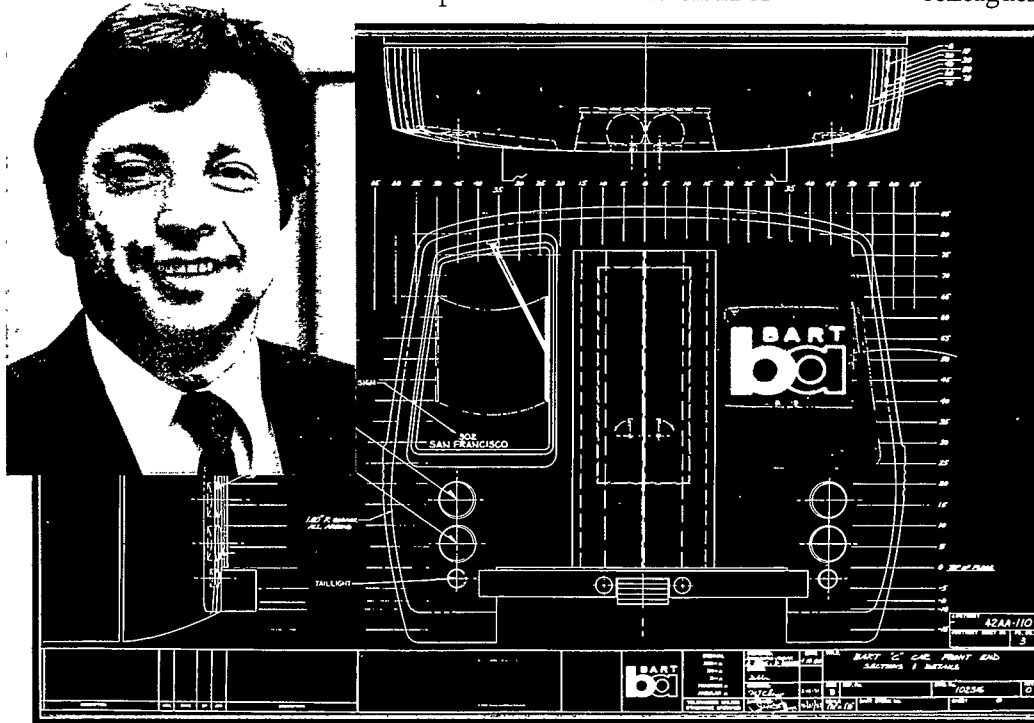
**M**y continuous service since 1969 on BART's Board of Directors, longer than any one else's, gives me a unique perspective. I'm able to look back to the very beginnings of BART and remember the problems and unforeseen difficulties we encountered in getting the system going. But I'm also able to look ahead to the future and to the role that BART will increasingly play in regional transportation.

Yes, we had our problems in the beginning, believe me, but a lot of them were due to the fact that we were trying to put together a unique rapid rail system, with more modern equipment and systems than had been attempted anywhere. It took a lot of work and dedication and persistence and, yes, faith to get BART going, but we stuck to it and gradually solved the problems.

Today BART is regarded as a leader in the field of public transit, a model for other systems, and we're just on the brink of providing the best service we've ever been able to offer.

Take a look at the existing system and at the projects aimed at increasing BART's capacity. The new K-E third line through Oakland is completed. We're already seeing the effects and benefits. Our Daly City project is right on schedule and we've almost finished with the testing of

the C-Car prototypes. The new car-borne Automatic Train Control system, which is the most advanced system of its kind, will dramatically reduce service disruption when installed on all of



BART's cars.

Financially, too, we're in strong shape. When interest rates dropped, we refinanced a portion of the bonds we had issued in 1982 to pay for the C-Cars, and

the A-1 rating the new bonds received tells you something about how the financial markets view us. Our decision to refinance was certainly prudent. My colleagues and I, after very careful study, voted an increase in fares to keep the system financially solvent at a time when federal and state funding for transit is on the decline. I regard that also as a prudent decision.

I have always favored the extension of BART's system. Three years ago the Board adopted my proposed extension policy and now we're in the first stages of reaching out to Antioch, Pittsburg, southern and eastern Alameda County — and now that it's possible to see it in the future — to Santa Clara and San Mateo counties.

For the future, I see BART as the spine of a truly regional transportation system. There is solid evidence all around us of cooperation and support. The dawn is breaking on a time of expanding service, mutual coordination by separate transportation agencies and increasing awareness by people of the advantages of up-to-date, safe and fast public transit.

That's a perspective of which I am truly proud!

Nello Bianco, President  
Board of Directors  
San Francisco Bay Area  
Rapid Transit District, 1986



## KE Track

The opening for passenger service in March of a third mainline track through downtown Oakland provided BART with the capability for smoother peak-hour service, more efficient car storage and, during service disruptions, better order and movement of trains.

The 1.5-mile KE track, beginning east of the Oakland West Station and extending in a tunnel from Washington Street to 23rd Street, connects three of BART's four routes at one of the system's busiest convergent points. During construction of the KE track, all trains moving through the area were operated manually, at slower speeds than is possible under automatic control. The opening of the new track, which cost \$25.4 million to construct, resulted in a return to full-speed automatic train operations between the MacArthur and 19th Street stations, reducing train delays and providing an improvement in on-time service for passengers.

The new track includes sidings in Oakland which allow trains to be stored during off-peak hours. Before the completion of the KE project, cars in use during the morning commute service were routed to East Bay storage yards during the day and then returned from the yards to peak passenger service in the afternoon. Operating savings of about \$350,000 a year are expected to result from the new KE project's storage capability.

## C-CARS

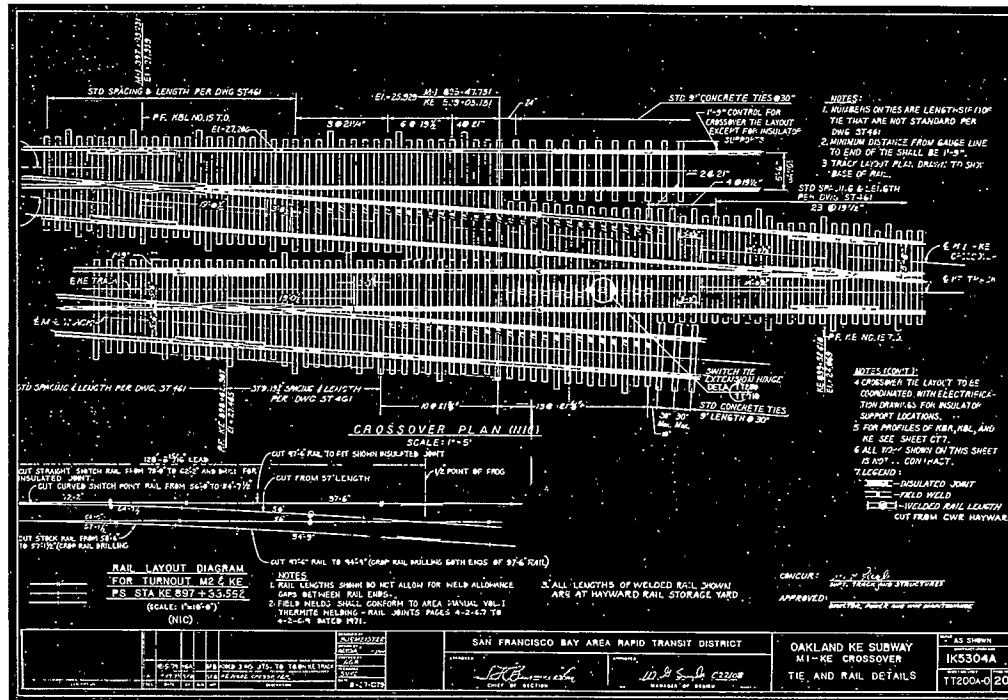
Rigorous testing of four prototype C-Cars was begun during the year, paving the way for the first delivery of production models in the spring of 1987.

The cars are a key element of BART's \$519.7 million capital improvement program to increase passenger capacity at peak hours. BART ordered 150

C-Cars in 1982 from a subsidiary of Alsthom-Atlantique, based in France and considered a leading manufacturer of railroad equipment. More than 60 percent of the components of the cars, however, will be supplied by American manufacturers.

The cars will not only provide additional passenger capacity, but additional flexibility in scheduling. They can be used as a lead car, a trailing car or a mid-car in a train.

The total cost of the C-Cars was originally estimated at \$279.4 million, but revised estimates now,



based on management efficiencies and less than anticipated inflation, put the total costs at \$241.5 million, a savings of \$37.5 million. BART's share of the revised total is approximately \$89 million. Federal and state funds and local bridge tolls will provide the balance.

## Vehicle Fire Hardening

Almost completed at the end of BART's operating year was a \$20.7 million project to sharply reduce the flammability of all the system's 440 passenger cars.

By June 30, 1986, 408 cars had been completely refurbished with new wall and ceiling liners, new floors and additional fire protection improvements, such as the installation of fire stops in the ceilings and walls. Special fire-retardant and insulation materials were placed between the car floor and undercar equipment, such as the electrical brake grids, to eliminate any danger from possible overheating.

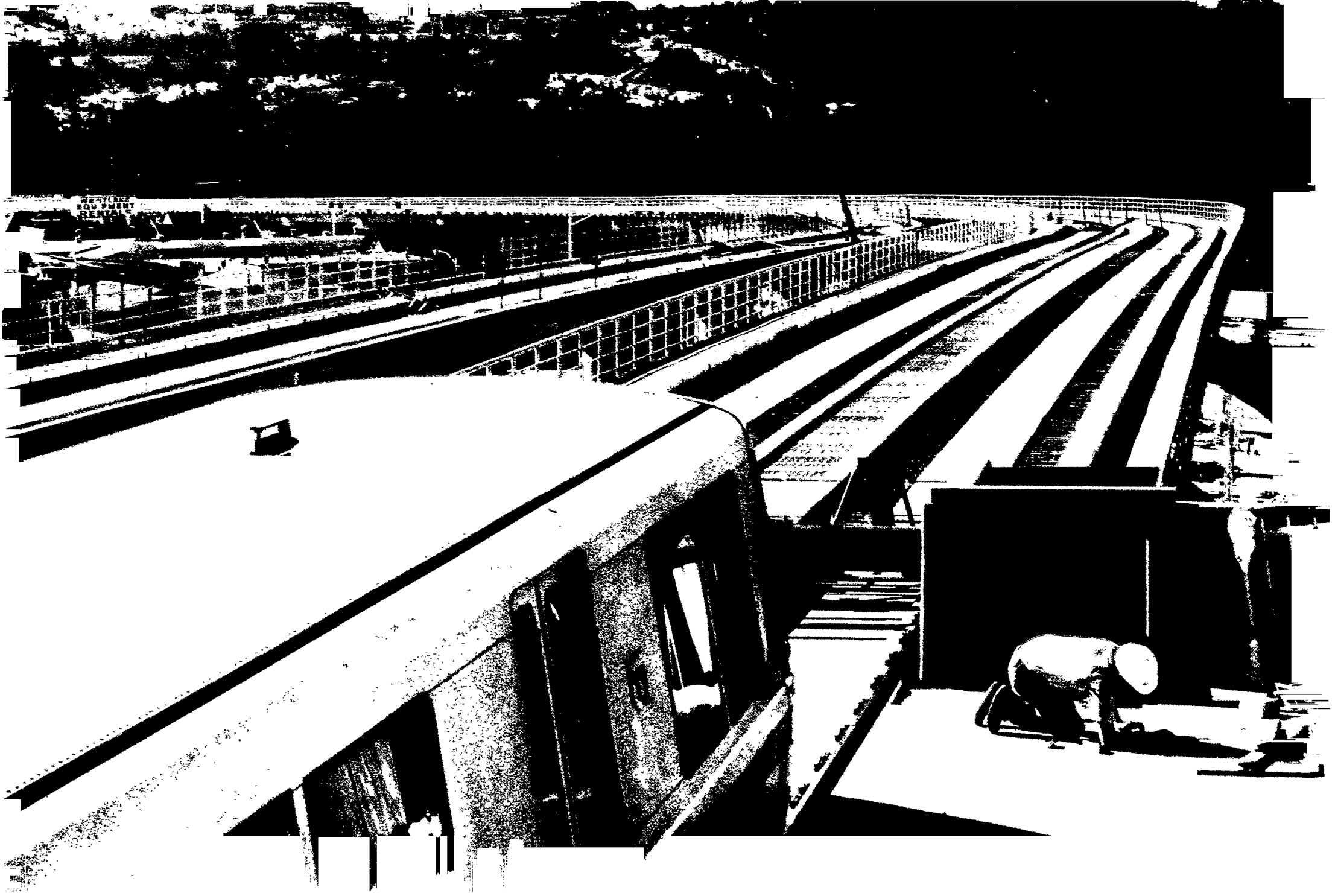
To be certain of the fire resistance and effectiveness of the materials used in the Fire Hardening project, BART engaged in a unique test and evaluation program to verify the performance of the materials under actual fire conditions. The results of these tests led to the development of the specifications for the vehicle fire-hardening project and assisted the federal government in developing fire performance guidelines for transit vehicle design.

## Extensions

Steps were taken to extend BART service to additional communities in Alameda and Contra Costa counties and to areas outside the current three-county District in San Mateo and Santa Clara counties.

BART continued to acquire land for planned future stations and worked during the year with local, regional, state and federal officials on efforts to extend BART's rail lines.

Following the overwhelming approval by San Mateo County voters on November 5, 1985, of a one-station BART extension into their county, BART began discussions with county officials for coordinated planning of a Colma Station.



## Daly City Turnback

The Daly City Turnback and Yard project, a key component in BART's efforts to expand its passenger-carrying capacity, reached the two-thirds completion mark by the end of the operational year.

The Turnback consists of three tracks extending south for 1.5 miles from the Daly City Station. The tracks will allow train controllers to turn trains back to East Bay stations faster than is now possible. BART's objective is to provide trains during peak hours at a frequency of 2.25 minutes, compared to the current maximum frequency of 3.75 minutes.

The Turnback capability, when the project is completed in 1988, will be a factor in allowing BART to eventually operate in excess of 57 trains at one time on the system, compared with the current limit of 49 trains.

The storage yard at Daly City, with a capacity of 165 cars, will eliminate the need to return empty cars to East Bay storage yards after the morning and evening commute hours. BART estimates a saving of \$1.4 million a year through the elimination of the empty or virtually empty return runs. A maintenance shop will also be built in the storage yard, providing additional savings and flexibility as the cars will no longer have to be brought back to the East Bay shops for repair.

The entire Turnback and Yard project, estimated to cost \$150 million, is scheduled for completion during the first quarter of 1988.

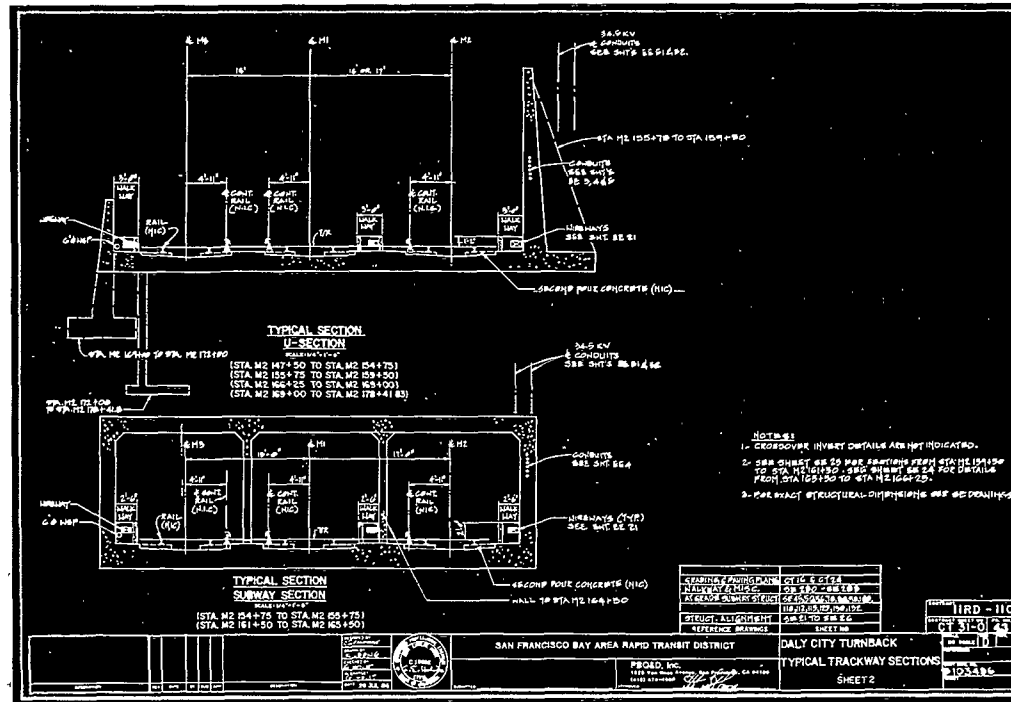
## Safety Record

BART's enviable record for passenger safety continued during the year. Since September, 1972, when BART's first paying passenger stepped aboard a train, the system has carried more than 560 million people 7.4 billion passenger miles without a single passenger fatality.

That record reflects the strong priority given to passenger safety by BART, beginning with the Board of Directors and extending through all levels of personnel. An on-going safety audit program is maintained to insure continued compliance with all BART safety procedures and guidelines.

## Coop-Emergency Programs

BART continued to conduct emergency and safety procedures programs during the year, providing



training for BART personnel and nearly 650 firefighters and emergency medical personnel from 13 localities throughout the system.

The object of the program is to assure prompt and coordinated action, well planned and tested in advance, to handle emergencies. The programs include familiarization tours of BART vehicles, stations and underground facilities, smoke-movement drills and simulated derailments and fires.

## Platform Edge Warning

After extensive testing at four stations of various tactile warning tiles, BART engineers selected a brightly colored tile material for installation throughout the system.

Tested at the Lake Merritt Station in Oakland, the selected tile is designed to alert passengers, particularly those who are blind or vision-impaired, that they are near the edge of the platform. The project is scheduled for completion in October, 1987.

## RADCOM

The upgrading of BART's radio communications systems, RADCOM, was completed during the year at a cost of \$3.7 million. The project included additional radio facilities, entailing a separate frequency for BART storage and maintenance yards and a dedicated channel for fire department use in all subway areas. The project also included the purchase of additional portable radios or upgrading existing portable radios for the San Francisco, Oakland, Berkeley, and Orinda fire departments.

## Promotional

Promotional efforts and special train scheduling were continued throughout the year to encourage the use of BART to attend parades, holiday celebrations,

commemorative festivities, sporting events, fairs and concerts. Also, a major off-peak marketing effort which began in May, 1985 was continued through December, 1985. The campaign, called "BART Goes Shopping Too!" was targeted for shoppers.

New weekday ridership records were set on September 18 and 19 in conjunction with two concerts at the Oakland Coliseum. Ridership was 238,866 the first day of the concert, topped by 240,292 trips the second day. About one-fourth of the 100,000 people attending the concerts used BART for transportation.





## Integrated Control System

The implementation of BART's new Integrated Control System (ICS), designed to boost from 49 to at least 57 the number of trains in operation at one time, continued during the year.

The ICS, which eventually will replace BART's current train control computers, is budgeted at \$31.8 million, 80 percent of which will be funded by the Urban Mass Transportation Administration. The project is scheduled for completion in October, 1987.

New computers for the ICS are already in place and work is also under way on software design and production, testing and integration of the current and new control systems.

## Joint Development

BART moved forward on several joint development projects, including a plan for a hotel and office facilities at the Pleasant Hill Station. The Pleasant Hill project, which has been under consideration for four years, is expected to be a source of revenue to BART, as well as a generator of jobs and taxes to local governments.

Additional projects, now in various stages of development, are planned in Concord, Daly City and Oakland.

## Access

To make it easier and more convenient for people to reach BART stations and use the trains, BART added 1,635 parking spaces at six locations and was nearing completion of another 443 spaces at the end of the fiscal year.

In May, following a 5-year lease agreement with the U.S. Navy, construction began on the North Concord/Martinez park and ride project, which is scheduled for completion by the end of 1986 and will provide 538 spaces.

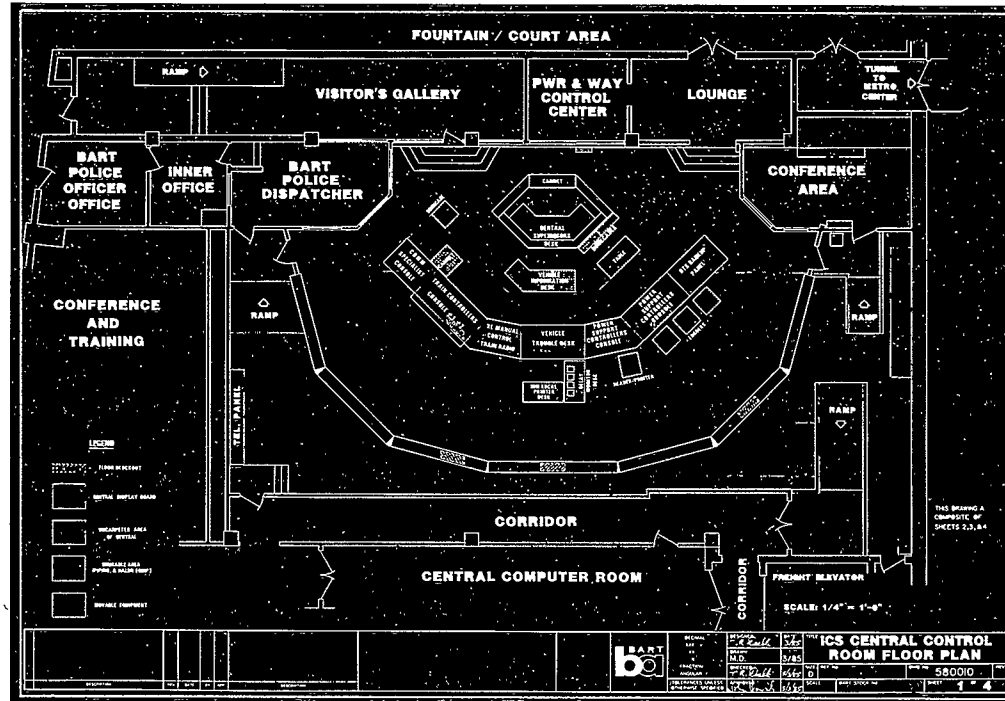
BART also improved its express bus service by

realigning routes onto freeways, extending the routes to the new park and ride facilities and providing more frequent service. An agreement was reached with the Alameda-Contra Costa Transit District, under which BART paid \$5.5 million to AC Transit to underwrite the costs of feeder service bus routes to BART stations. BART's efforts to modify station elevators continued, providing more convenient access for handicapped passengers. The project includes the installation of card readers, intercoms, closed circuit television, new call buttons and the lowering of control panels.

passengers on crowded platforms in downtown San Francisco stations.

BART police officers, who have full peace officer's authority and responsibility, patrol the system on foot to cover the stations and trains and in patrol cars to cover the parking lots and other District property.

Considering the number of passengers using the system, BART has an enviably low crime rate and efforts will continue to keep it at this level.



## BART Police

Professionalism and vigilance are the watchwords for BART's police force, which is charged with the protection of passengers and property on all trains, at 34 stations, in parking lots and other District property.

During the year, for example, BART plainclothes officers worked with their counterparts from the San Francisco Police Department to apprehend professional pickpockets who were preying on unsuspecting pas-

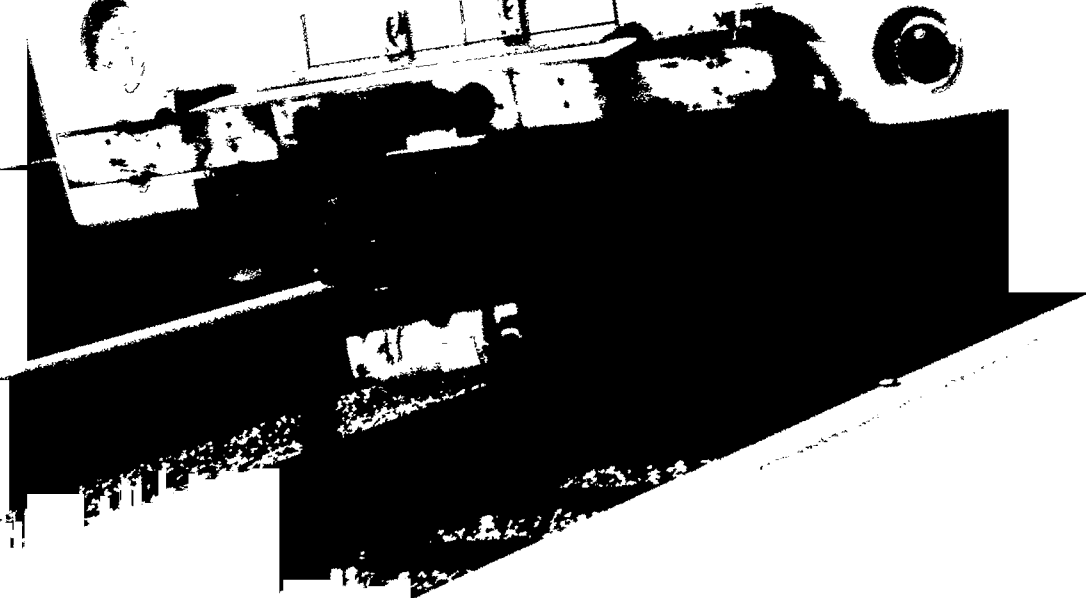
## Financial

The general decline of interest rates offered an opportunity during the year for BART to refinance a portion of the \$65 million in revenue bonds originally issued in 1982 to help pay for 150 C-Cars. The refinancing is projected to generate an additional \$75 million, earmarked for capital projects.

After extensive analysis and evaluation of alternatives, BART's Board of Directors approved a system-wide fare increase averaging 30 percent, which went into effect on January 1, 1986. The increase resulted in minimum and maximum one-way fares of 80 cents and \$3.00. The additional funds generated by this increase will be used to cover operating deficits and provide additional money for debt service and capital projects, including expanded parking.

BART also concluded an agreement with the Urban Mass Transportation Administration for full funding of the Daly City Turnback and Yard project.

BART  
**ba**



## Performance Highlights

Annual BART patronage declined by almost two million passengers from the prior year during the fiscal year 1985-1986, but revenue increased by \$5.5 million, due to the 30 percent fare increase effective January 1, 1986.

and stations, and other income, was \$82 million for FY 85-86, compared with \$74.3 million for the previous fiscal year.

BART's farebox ratio, reflecting the period of six months before the fare increase, was only 45.4 percent

expenses from operating revenues.

Net rail passenger revenue per passenger mile for FY 85-86 was 9.6 cents, up from the previous year's 8.4 cents. Rail operating cost per passenger mile for FY 85-86 was 19.6 cents, compared with 17.3 cents for FY 84-85, 4.3 percent above the budgeted level of 18.8 cents.

BART passengers logged a total of 58.9 million trips during FY 85-86, compared with 60.8 million for the previous year, and rode an average of 12.8 miles for each trip during FY 85-86, compared with 13 miles the year before.

In addition to funds derived from passenger fares, interest income and advertising, BART received \$84.2 million in revenues from 75 percent of the one-half cent transit sales tax in the three BART counties, \$2.4 million in State Transportation Development Act (TDA) funds and State Transit Assistance (STA) and \$6.8 million in property tax as its share of the one percent maximum property tax available to all local governments.

Directors were once again able to reduce the property tax BART levies for repayment of the general obligation bonds approved by voters in 1962 for

construction of the system. Directors set a tax rate of 5.08 cents per one hundred dollars of assessed value, down from 5.72 cents the previous fiscal year. The property tax generated revenues of \$51.5 million from property owners in Alameda, Contra Costa and San Francisco counties, the three counties making up the District.

FY 1985/86		FY 1984/85				FY 1985/86		FY 1984/85	
58,894,468	60,798,419	204,244	211,612	12.8 miles	13.0 miles	751,848,613	789,290,663		
89.1%	92.5%	34.2%	35.8%	49.2%	49.8%	50.8%	50.2%		
		37.8%	37.0%	65.0%	57.0%				
30,489,648	30,634,569	5.2	4.9	89.1%	89.3%	79.2	84.2		
				<b>Financial</b>					
				Passenger accidents reported per million passenger trips		16.62		16.55	
				Patron-related crimes reported per million passenger trips		26.35		23.39	
				Net passenger revenues		\$ 73,052,000		\$ 67,468,000	
				Other operating revenues		9,019,000		6,848,000	
				Total operating revenues		82,071,000		74,316,000	
				Net operating expenses		160,894,000		147,144,000	
				Farebox ratio (net passenger revenues to net operating expenses)		45.40%		45.85%	
				Operating ratio (total operating revenues to net operating expenses)		51.01%		50.50%	
				Net rail passenger revenue per passenger mile		9.6¢		8.4¢	
				Rail operating cost per passenger mile		19.6¢		17.3¢	
				Net average rail passenger fare (c)		\$1.22		\$1.09	
				<b>Notes</b>					
				General note: Data represent annual averages unless otherwise noted.					
				(a) Based on MTC Transbay survey data for October 1985 and April 1986 (7-9 a.m., 4-6 p.m.)					
				(b) At 8 a.m. each day					
				(c) Includes BART/MUNI Fast Pass					

BART funded 51 percent of its total operating expenses, which amounted to \$160.9 million for FY 85-86, from passenger fares and other operating revenue. Net passenger revenue for FY 85-86 amounted to \$73 million, compared to \$67.5 million for FY 84-85. Total operating revenue, including \$9 million in interest income, advertising in trains

for FY 85-86, below the previous year's percentage of 45.8. The ratio is expected to increase for FY 86-87 with the higher fares in effect for a full year.

The operating ratio, at 51 percent for FY 85-86, was slightly higher than the previous year's 50.5 percent. A continuing objective of the District is to fund approximately one-half of its net operating

# Financial Statements

The Board of Directors  
San Francisco Bay Area Rapid Transit District

We have examined the balance sheet of San Francisco Bay Area Rapid Transit District as of June 30, 1986 and 1985, and the related statements of operations, changes in net capital investment, changes in financial position, and revenues, expenditures and fund balances of debt service funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of San Francisco Bay Area Rapid Transit District as of June 30, 1986 and 1985, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Adams, Grant, Wessert & Co.*

September 5, 1986

*Kraig M. Henderson*

San Francisco, California

## BALANCE SHEET

June 30, 1986 and 1985 (In Thousands)

	1986	1985
<b>ASSETS</b>		
Cash (including time deposits — 1986, \$24,528; 1985, \$24,800)	\$ 26,016	\$ 26,349
Securities	278,437	172,693
Securities representing reserves	32,223	32,939
Deposits, notes and other receivables	93,051	59,997
Construction in progress	119,390	87,960
Facilities, property and equipment — at cost (less accumulated depreciation and amortization — 1986, \$350,550; 1985, \$316,929)	1,301,209	1,298,582
Materials and supplies — at average cost	14,279	13,065
Debt service funds, net assets	25,510	18,236
	<u>\$1,890,115</u>	<u>\$1,709,821</u>
<b>LIABILITIES AND CAPITALIZATION</b>		
Notes payable	\$ 67,655	\$ 26,450
Payroll and other liabilities	61,917	52,135
Unearned passenger revenue	1,577	1,384
Debt service funds	25,510	18,236
	<u>156,659</u>	<u>98,205</u>
Capitalization:		
Reserves	32,223	32,939
General Obligation Bonds	504,905	537,725
Sales Tax Revenue Bonds	145,000	64,510
Net capital investment	1,051,328	976,442
	<u>1,733,456</u>	<u>1,611,616</u>
	<u>\$1,890,115</u>	<u>\$1,709,821</u>

## STATEMENT OF OPERATIONS

Years Ended June 30, 1986 and 1985 (In Thousands)

	1986	1985
Operating revenues:		
Fares	\$ 80,898	\$ 74,108
Less discounts and other deductions	7,846	6,640
	<u>73,052</u>	<u>67,468</u>
Other	4,022	1,395
Investment income	4,997	5,453
	<u>82,071</u>	<u>74,316</u>
Total operating revenues		
Operating expenses:		
Transportation	60,658	53,923
Maintenance	63,170	58,041
Police services	8,601	8,025
Construction and engineering	5,597	4,985
General and administrative	29,497	27,177
	<u>167,523</u>	<u>152,151</u>
Less capitalized costs	6,629	5,007
	<u>160,894</u>	<u>147,144</u>
Net operating expenses		
	<u>78,823</u>	<u>72,828</u>
Operating loss before depreciation expense		
Depreciation (unfunded):		
Of assets acquired with own funds	17,940	17,026
Of assets acquired with grants and contributions by others	16,411	13,340
	<u>34,351</u>	<u>30,366</u>
Total depreciation	<u>34,351</u>	<u>30,366</u>
Operating loss	<u>113,174</u>	<u>103,194</u>
Financial assistance:		
Transactions and use tax	84,231	81,055
Property tax	6,757	5,733
State	1,826	3,646
Transportation Development Act of 1971	564	500
Debt service allocations	(11,566)	(8,221)
Capital allocations	(3,000)	(10,301)
	<u>78,812</u>	<u>72,412</u>
Total financial assistance	<u>78,812</u>	<u>72,412</u>
Net loss	<u>34,362</u>	<u>30,782</u>
Depreciation of assets acquired with grants and contributions by others		
	<u>16,411</u>	<u>13,340</u>
Net loss transferred to accumulated deficit	<u>\$ 17,951</u>	<u>\$ 17,442</u>
Reconciliation to net funded deficit:		
Operating loss before depreciation expense	\$ 78,823	\$ 72,828
Deduct financial assistance	78,812	72,412
Funded excess of expenses over revenues	<u>\$ 11</u>	<u>\$ 416</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CHANGES IN NET CAPITAL INVESTMENT**  
Years Ended June 30, 1986 and 1985 (In Thousands)

	Property Tax	Transactions and Use Tax	Grants and Contributions	Depreciation and Retirements of Assets Acquired With Grants and Contributions by Others	Accumulated Deficit	Interest on Capital	Capitalization of Interest	Reserves	Net Capital Investment
Balance, July 1, 1984	\$235,515	\$150,000	\$642,939	(\$111,779)	(\$160,511)	\$182,857	\$—	(\$34,684)	\$ 904,337
Net loss for the year	—	—	—	—	(17,442)	—	—	—	(17,442)
Proceeds from grants and contributions	—	—	45,955	—	—	—	—	—	45,955
Depreciation of assets acquired with grants and contributions by others	—	—	—	(13,340)	—	—	—	—	(13,340)
Interest on capital	—	—	—	—	—	23,937	—	—	23,937
Increase in operating reserve	—	—	—	—	—	—	—	(400)	(400)
Increase in construction fund reserve	—	—	—	—	—	—	—	(350)	(350)
Decrease in system completion reserve	—	—	—	—	—	—	—	1,409	1,409
Decrease in system improvement reserve	—	—	—	—	—	—	—	1,086	1,086
Bond principal	30,760	490	—	—	—	—	—	—	31,250
Balance, June 30, 1985	266,275	150,490	688,894	(125,119)	(177,953)	206,794	—	(32,939)	976,442
Net loss for the year	—	—	—	—	(17,951)	—	—	—	(17,951)
Proceeds from grants and contributions	—	—	63,038	—	—	—	—	—	63,038
Depreciation of assets acquired with grants and contributions by others	—	—	—	(16,411)	—	—	—	—	(16,411)
Interest on capital	—	—	—	—	—	25,393	—	—	25,393
Cost of 1982 Sales Tax Revenue Bonds defeasance	—	—	—	—	(1,748)	(2,846)	—	—	(4,594)
Capitalization of interest	—	—	—	—	—	—	(8,670)	—	(8,670)
Increase in operating reserve	—	—	—	—	—	—	—	(100)	(100)
Increase in construction fund reserve	—	—	—	—	—	—	—	(331)	(331)
Decrease in system completion reserve	—	—	—	—	—	—	—	457	457
Decrease in system improvement reserve	—	—	—	—	—	—	—	690	690
Bond principal	32,820	545	—	—	—	—	—	—	33,365
Balance, June 30, 1986	\$299,095	\$151,035	\$751,932	(\$141,530)	(\$197,652)	\$229,341	(\$8,670)	(\$32,223)	\$1,051,328

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**1 — Summary of Significant Accounting Policies**

**Description of District**

The San Francisco Bay Area Rapid Transit District is a public agency created by the legislature of the State of California in 1957 and regulated by the San Francisco Bay Area Rapid Transit District Act, as amended. The District does not have stockholders or equity holders and is not subject to income tax. The disbursement of all funds received by the District is controlled by statutes and by provisions of various grant contracts entered into with Federal and State agencies.

**Securities**

As a matter of policy, the District holds investments until their maturity and, accordingly, securities are carried at cost. At June 30, 1986, market value exceeded cost by \$12,646,000. At

June 30, 1985, market value exceeded cost by \$9,331,000. The face value of securities exceeded cost at June 30, 1986 and 1985.

**Facilities, Property and Equipment**

Facilities, property and equipment are carried at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The amount of depreciation of assets acquired with District funds is distinguished from depreciation of assets acquired with grants and contributions by others. The latter amount is shown on the statement of changes in net capital investment with the related grants and contributions.

**Federal and State Grants**

The District receives amounts from both Federal and State

governments to assist in operations and for capital or other projects. Grants for capital and other projects are recorded as additions to net capital investment on receipt. Grants for operating expenditures are included as financial assistance in the statement of operations.

**Sales Tax Revenue**

The one-half percent transactions and use tax is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is transmitted directly to the District's appointed trustee for the purpose of paying bond and note interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The District records the total taxes received as transactions and use tax and the amount retained by the trustee as special deposits and debt

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
Years Ended June 30, 1986 and 1985 (In Thousands)

	1986	1985
Cash and securities (used) provided by		
Operations:		
Net loss transferred to accumulated deficit	(\$ 17,951)	(\$ 17,442)
Deduct expenses not requiring cash:		
Depreciation of assets acquired with own funds	17,940	17,026
Cash and securities (used) by operations	(11)	(416)
Decrease in materials and supplies	—	69
Issuance of Sales Tax Revenue Bonds	145,000	—
Issuance of Sales Tax Anticipation Notes	21,775	19,860
Issuance of Grant Anticipation Notes	45,025	10,900
Contributions from U.S. Government grants and others	63,038	45,955
Increase in payroll and other liabilities	9,782	7,197
Increase in unearned passenger revenue	193	—
Interest on capital	25,393	23,937
Total cash and securities provided	<u>310,195</u>	<u>107,502</u>
Cash and securities applied to:		
Increase in deposits, notes and other receivables	33,054	14,494
Increase in construction in progress	31,430	20,769
Additions to facilities, property and equipment	36,978	36,570
Additions to materials and supplies	1,214	—
Defeased Sales Tax Revenue Bonds	63,965	—
Matured Sales Tax Anticipation Notes	19,860	16,000
Matured Grant Anticipation Notes	5,735	4,310
Decrease in unearned passenger revenue	—	48
Cost of 1982 sales tax revenue bond defeasance	4,594	—
Capitalization of interest	8,670	—
Total cash and securities applied	<u>205,500</u>	<u>92,191</u>
Increase in cash and securities	<u>\$104,695</u>	<u>\$ 15,311</u>

**NOTES TO FINANCIAL STATEMENTS (Cont'd)**

**1 — Summary of Significant Accounting Policies (Cont'd)**

service allocations upon receipt of the net amount. The State Board of Equalization estimates that transactions and use tax revenues for the period April 1, 1986 to June 30, 1986 will be approximately \$19,305,000. Of this amount, \$5,791,500 had been received and recorded by the District. Comparable figures for 1985 were \$18,169,000 and \$5,451,000 respectively.

**Property Tax Revenues**

The District receives property tax revenues to service the debt requirements of the General Obligation Bonds and records these revenues in the debt service funds. It also

**DEBT SERVICE FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES**  
Years Ended June 30, 1986 and 1985 (In Thousands)

	Year Ended June 30, 1986					Year Ended June 30, 1985
	General Obligation Bonds	Sales Tax Revenue Bonds	Sales Tax Anticipation Notes	Grant Anticipation Notes	Combined	Combined
Revenues:						
Property tax	\$55,022	\$ —	\$ —	\$ —	\$ 55,022	\$53,837
Bond proceeds	—	75,920	—	—	75,920	—
Accrued interest from bond sale	—	873	—	—	873	—
District deposits for principal payments	—	—	21,775	17,097	38,872	27,455
District deposit to Debt Service Reserve Account	—	—	—	—	—	473
Allocations from District revenues	—	10,387	1,179	—	11,566	8,221
Interest	2,089	1,212	477	1,017	4,795	3,485
Interest transferred from District	—	—	—	1,365	1,365	493
	<u>57,111</u>	<u>88,392</u>	<u>23,431</u>	<u>19,479</u>	<u>188,413</u>	<u>93,964</u>
Expenditures:						
Assets transferred to Trustee for 1982 Sales Tax Revenue Bonds defeasance	—	66,626	—	—	66,626	—
Interest	21,754	6,254	1,396	1,365	30,769	30,896
Principal	32,820	545	19,860	5,735	58,960	51,560
Service expense	—	28	6	—	34	7
Interest transmitted to District	—	1,269	809	262	2,340	1,959
	<u>54,574</u>	<u>74,722</u>	<u>22,071</u>	<u>7,362</u>	<u>158,729</u>	<u>84,422</u>
	<u>2,537</u>	<u>13,670</u>	<u>1,360</u>	<u>12,117</u>	<u>29,684</u>	<u>9,542</u>
Balance, beginning of year	12,737	10,618	21,524	3,282	48,161	38,619
Balance, end of year	<u>\$15,274</u>	<u>\$24,288</u>	<u>\$22,884</u>	<u>\$15,399</u>	<u>\$77,845</u>	<u>\$48,161</u>
Represented by:						
Cash (including time deposits — 1986, \$1,499; 1985, \$-0-)	\$ 2,141	\$ —	\$ —	\$ —	\$ 2,141	\$ 12
Securities	11,330	—	—	—	11,330	11,061
Taxes and interest receivable	1,803	—	—	—	1,803	1,664
Assets with fiscal agent	—	24,288	22,884	15,399	62,571	35,424
	<u>\$15,274</u>	<u>\$24,288</u>	<u>\$22,884</u>	<u>\$15,399</u>	<u>\$ 77,845</u>	<u>\$48,161</u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS (Cont'd)**

**1 — Summary of Significant Accounting Policies (Cont'd)**

receives an allocation of property tax revenues to provide for general and administrative expenses not involving construction, although such revenues may be used for construction if needed. The District records this property tax allocation as financial assistance.

**Interest Earned on Capital Sources**

The District accounts for interest earned on capital sources as an increase in net capital investment to recognize that this interest should be directly associated with the capital which gives rise to the interest and which is not available for current operations.

In accordance with this policy, management allocated to net capital investment \$15,941,000 of interest revenue earned on assets held in the General Operating Fund but which related to capital projects.

**Self-Insurance**

The District is largely self-insured for worker's compensation, general liability claims, and major property damage. The District records the costs of self-insured claims and major property damage when they are incurred.

**Capital Allocations**

The Board of Directors allocates a portion of unrestricted financial assistance and general fund revenues to net capital investment for capital projects.

**Capitalization of Interest**

The District capitalizes certain interest revenue and expenditures related to tax free borrowings in accordance with Financial Accounting Standards 62. The net effect for the fiscal year ending June 30, 1986 of these capitalizations is to decrease construction in progress by \$8,670,000 representing excess interest revenue from applicable borrowings over interest expenditures.

**Debt Service**

The District accounts for the debt service funds on the cash basis whereby expenditures are not recognized until resources are allocated and cash is spent. Hence, interest expense is not recognized until the payment is made.

**2 — Reserves**

Securities are separately classified on the balance sheet to reflect designation by the Board of Directors of a portion of the District's capitalization as reserves for the following purposes:

— — (in thousands) — —

	1986	1985
Basic System Completion	\$10,421	\$10,878
System Improvement	6,371	7,061
Construction	2,931	2,600
Self-Insurance	9,000	9,000
Operating	3,500	3,400
	<u>\$32,223</u>	<u>\$32,939</u>

**3 — Facilities, Property and Equipment**

Facilities, property and equipment, assets lives, and accumulated depreciation and amortization at June 30, 1986 and 1985 are summarized as follows:

(In Thousands)

	Lives (Years)	1986		1985	
		Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land	—	\$ 135,325	\$ —	\$ 122,209	\$ —
Improvements	80	1,088,998	165,854	1,082,053	152,259
System-wide operation and control	20	125,581	61,823	118,835	55,735
Revenue transit vehicles	30	164,598	65,241	159,408	57,120
Service and miscellaneous equipment	3 to 20	24,357	14,079	21,976	11,858
Capitalized construction and start-up costs	30	105,217	40,874	103,557	37,519
Repairable property items	30	7,683	2,679	7,473	2,438
		<u>\$1,651,759</u>	<u>\$350,550</u>	<u>\$1,615,511</u>	<u>\$316,929</u>

**4 — General Obligation Bonds**

(In Thousands)

	Composite Interest Rate	Year Last Series Matures	Original Amount		1986		1985	
			Authorized	Issued	Due in 1 Year	Total	Due in 1 Year	Total
			1962 District Bonds	3.93%	1999	\$792,000	\$792,000	\$34,225
1966 Special Service District Bonds	4.38%	1998	20,500	12,000	440	6,730	420	7,150
			<u>\$812,500</u>	<u>\$804,000</u>	<u>\$34,665</u>	<u>\$504,905</u>	<u>\$32,820</u>	<u>\$537,725</u>

In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling \$792 million of General Obligation Bonds. Payment of both principal and interest is provided by the levy of District wide property taxes. During 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of \$20.5 million of General Obligation Bonds for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within the Special Service District. Bond principal is payable annually on June 15 and interest is payable semiannually on June 15 and December 15 from debt service funds. Interest of \$9,996,000 on General Obligation Bonds and \$148,000 on Special Service District No. 1 Bonds is payable on December 15, 1986.

The following is a schedule of principal repayments required under General Obligation Bonds as of June 30, 1986 (in thousands):

Year Ending June 30	1962 District Bonds	1966 Special Service District Bonds	Total
1987	\$ 34,225	\$ 440	\$ 34,665
1988	36,250	460	36,710
1989	38,400	480	38,880
1990	40,200	500	40,700
1991	33,700	520	34,220
Later years	315,400	4,330	319,730
	<u>\$498,175</u>	<u>\$6,730</u>	<u>\$504,905</u>

**5 — Sales Tax Revenue Bonds**

(In Thousands)

	Year Last Series Matures	Original Amount		1986			1985	
		Authorized	Issued	Deceased	Due in 1 Year	Total	Due in 1 Year	Total
		1969 Sales Tax Revenue Bonds	1977	\$150,000	\$150,000	\$ —	\$ —	\$ —
1982 Sales Tax Revenue Bonds	2008	65,000	65,000	63,965	—	—	545	64,510
1985 Sales Tax Revenue Bonds	2011	145,000	145,000	—	—	145,000	—	—
		<u>\$360,000</u>	<u>\$360,000</u>	<u>\$63,965</u>	<u>\$ —</u>	<u>\$145,000</u>	<u>\$545</u>	<u>\$64,510</u>

**5 — Sales Tax Revenue Bonds (Cont'd)**

The 1969 Legislature of the State of California authorized the District to impose a one-half percent transactions and use tax within the District and issue Sales Tax Revenue Bonds totaling \$150 million. The State Legislature later extended the tax to June 30, 1978 and authorized the District to issue bonds totaling \$24 million to be used for operations. Payment of these Sales Tax Revenue Bonds was completed by June 30, 1978.

On September 30, 1977, the Governor signed legislation which extended the transactions and use tax indefinitely. The tax is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is allocated to the District and 25% is allocated by the Metropolitan Transportation Commission to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services on the basis of regional priorities established by the Commission.

In October 1982, the District issued revenue bonds totaling \$65 million to pay a portion of the cost of acquisition of 150 rail transit vehicles and related automatic train control equipment for use in the District's existing rapid transit system. The 1982 Bonds were special obligations of the District payable from and secured by a pledge of revenues, including certain sales tax revenues, all passenger fares and certain property tax revenues. Bond coupon rates ranged from 7% to 10% depending upon the various maturity dates.

In November 1985, the District issued revenue bonds totaling \$145,000,000 to refund and defease \$63,965,000 outstanding principal amount of the bonds issued in 1982, and to finance certain system improvements. The system improvements currently planned or underway include acquisition of 150 rail transit vehicles and associated capacity increase projects, new parking facility construction and improvements to existing lots, land and right-of-way acquisitions, enhancements to train performance systems, and system route extension studies.

The District recognized \$4,594,000 as a cost of defeasance in the statement of changes in net capital investment representing the difference between the book value of the bonds net of unamortized discount less the amount transferred to the trustee.

The 1985 Bonds are special obligations of the District secured by a pledge of the sales tax revenues and are payable from revenues, including all sales tax revenues, all passenger fares, certain property tax revenues, and certain interest, grants, and other income. Bond interest rates range from 6.40% to 9.00% depending upon the various maturity dates. The bonds maturing on or after July 1, 1996 are redeemable prior to maturity at the option of the District beginning July 1, 1995 on various dates at prices ranging from 103% to 100%. The bonds matur-

ing July 1, 2004 and July 1, 2011 are also subject to redemption prior to maturity on or after July 1, 1998 and July 1, 2005, respectively, at 100%.

Taxes collected by the State Board of Equalization are transmitted directly to the appointed trustee for the purpose of paying bond interest semiannually on July 1 and January 1, principal annually on July 1 and expenses of the trustee. Monies not required for these purposes are transmitted to the District. Additionally, the trustee retains amounts needed for the payment of principal and interest on \$21,775,000 Sales Tax Anticipation Notes maturing on August 1, 1986 (see Note 6). Taxes received by the trustee during the current fiscal year were \$84,231,000 of which \$33,341,000 was retained by the trustee for the above purposes and \$50,890,000 was transmitted to the District. The District records the total taxes received as transactions and use tax and the amount retained by the trustee as special deposits and debt service allocations upon receipt of the net amount.

Interest of \$8,379,000 on the 1985 Bonds is payable on July 1, 1986. The first principal payment of \$1,885,000 is due July 1, 1989.

The following is a schedule of principal repayments required under Sales Tax Revenue Bonds as of June 30, 1986 (in thousands):— (at right).

Year Ending June 30	1985 Sales Tax Revenue Bonds
1987	\$ —
1988	—
1989	—
1990	1,885
1991	2,070
Later years	141,045
	<u>\$145,000</u>

**6 — Sales Tax Anticipation Notes**

The District issued subordinated Sales Tax Anticipation Notes amounting to \$19,860,000 in July 1984. These notes matured on July 1, 1985 and were paid along with interest of \$1,396,000.

In July 1985, the District issued \$21,775,000 in subordinated Sales Tax Anticipation Notes to provide interim financing to defray operating expenses payable from the General Operating Fund of the District, in anticipation of the receipt of taxes, revenue and other monies to be received during or allocable to fiscal year 1985-86. The notes mature on August 1, 1986 with interest of \$1,179,000.

**7 — Grant Anticipation Notes**

In July 1984, the District sold \$10,900,000 in Grant Anticipation Notes to provide interim financing for certain expenditures prior to the receipt of certain anticipated revenues. The notes, which mature on various dates from May 1, 1985 through January 2, 1987, bear interest at rates ranging from 7.00% to 8.15%. Notes in the amount of \$10,045,000 have matured leaving \$855,000 outstanding at June 30, 1986.

**7 — Grant Anticipation Notes (Cont'd)**

In November, 1985, the District sold an additional \$45,025,000 in Grant Anticipation Notes. These notes mature on January 31, 1988, March 1, 1988, and May 1, 1988, and bear an interest rate of 6.50%.

**8 — U.S. Government Grants — Capital**

The U.S. Government, under grant contracts with the District, provides financial assistance for capital projects. Grants for capital projects are recorded as additions to net capital investment when received. A summary of Urban Mass Transportation Administration Grants in force at June 30, 1986 is as follows:

— — (in thousands) — —

Type of Grant	Maximum Grant	Funds Received
Beautification	\$ 1,961	\$ 1,961
Demonstration	13,355	13,335
Capital	575,137	410,763
	<u>\$590,453</u>	<u>\$426,059</u>

**9 — Litigation and Disputes with Contractors and Others**

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

**10 — Public Employees' Retirement System**

The District contributes to the Public Employees' Retirement System. The System is a contributory pension plan providing retirement, disability, and death benefits to employees of certain state and local governmental units. Substantially all full-time employees of the District are covered by the System. Pension costs of the system are determined actuarially and required contributions are expensed currently. Pension expense was \$8,513,000 and \$8,032,000 in 1986 and 1985, respectively.

**11 — Deferred Compensation Plan**

The District has deposited funds with a custodian pursuant to the District's deferred compensation plan. These deposits together with earnings had a market value of \$24,098,000 as of June 30, 1986. This amount is reflected on the balance sheet in deposits, notes and other receivables and in payroll and other liabilities.

**12 — Debt Service Funds, Net Assets**

The Debt Service Funds' end-of-year balances include deposits made by the District for principal payments on notes and for the debt service reserve pertaining to Sales Tax Revenue Bonds. These amounts also appear on the balance sheet as deposits, notes and other receivables. The Debt Service Funds, net assets on the balance sheet have, therefore, been decreased by the amount of \$52,335,000 at June 30, 1986 and \$29,925,000 at June 30, 1985.

**13 — Subsequent Events**

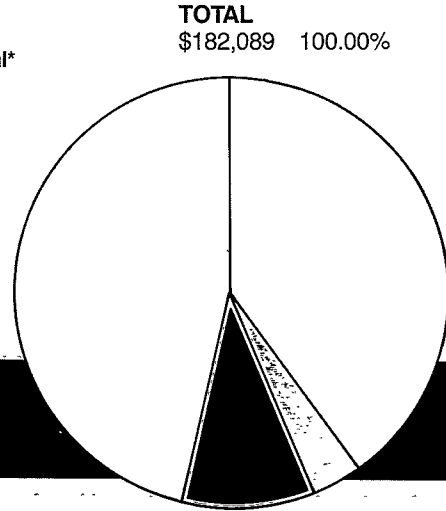
In July 1986, the District sold \$18,950,000 in subordinated Sales Tax Anticipation Notes to defray operating expenses payable from the General Operating Fund of the District.



**Where Funds Came From (In Thousands)**

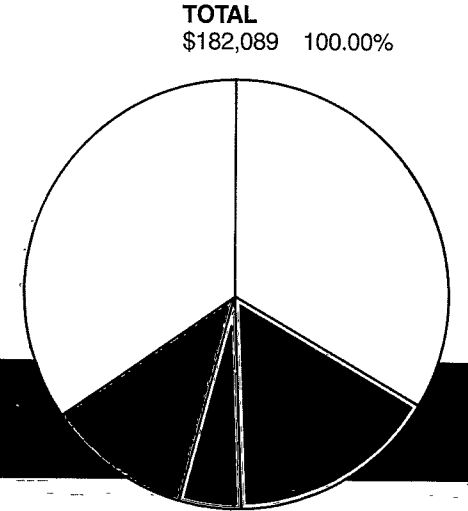
- Transaction & Use Sales Tax \$84,231 46.26%
- Fares \$73,052 40.12%
- Property Tax \$6,757 3.71%
- Other \$18,049 9.91%
- Investment Income and Other Operating Revenues \$9,019 4.95%
- State Financial Assistance \$1,826 1.00%
- Construction Funds \$6,629 3.64%
- Regional Financial Assistance \$564 0.31%
- Decrease in Working Capital\* \$11 0.01%

\*Funded excess of expenses over revenues



**How Funds Were Applied (In Thousands)**

- Maintenance \$63,170 34.69%
- Transportation \$60,658 33.31%
- General Administration \$29,497 16.20%
- Police Services \$8,601 4.73%
- Other \$20,163 11.07%
- Capital Allocations \$3,000 1.65%
- Debt Service Allocations \$11,566 6.35%
- Construction & Engineering \$5,597 3.07%

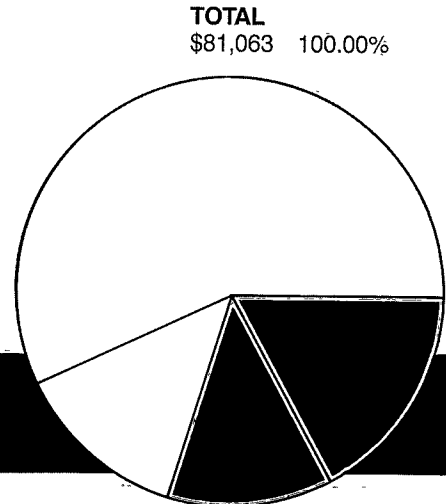


**OPERATING FUNDS**  
1985-86

\$182,089,000

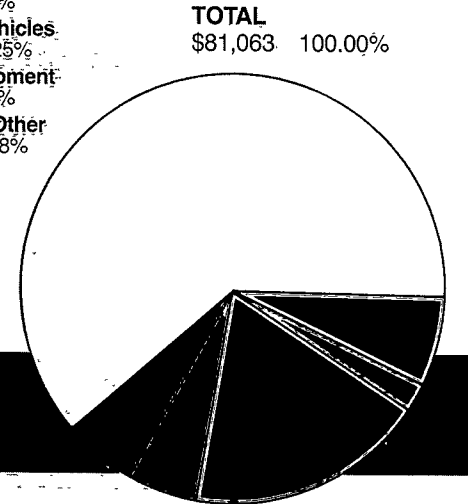
**Source of Funds (In Thousands)**

- District \$10,707 13.21%
- Federal \$46,107 56.88%
- State \$13,885 17.13%
- Local (including capital allocations) \$10,364 12.78%



**Expenditures (In Thousands)**

- Construction \$49,888 61.54%
- Line \$48,690 60.06%
- Systemwide \$898 1.11%
- Support Facilities \$300 0.37%
- Train Control \$5,484 6.77%
- Communications \$1,719 2.12%
- Transit Vehicles \$15,052 18.57%
- Miscellaneous Equipment \$4,317 5.32%
- Automatic Fare Collection \$1,592 1.96%
- Management Information Systems \$945 1.17%
- Support Vehicles \$1,014 1.25%
- Other Equipment \$766 0.94%
- Studies and Other \$4,603 5.68%



**CAPITAL FUNDS**  
1985-86

\$81,063,000

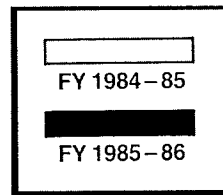
## Message from the General Manager

Those of us charged with the responsibility for BART's operation must always keep in mind a vital question. That question is, "Are we providing the services that people want?"

We know that many passengers use BART in the morning and afternoon on weekdays to get to and from work. We know that an increasing number of people also use BART to attend a variety of sporting, holiday and cultural events. We know the trains have been too crowded in recent years to properly serve this growing demand.

BART's capacity expansion program, now about half-way along, will eventually enable us to meet the demands of the peak-travel periods with roughly twice the passenger capacity we have today. However, benefits will begin to appear from this program with the addition of two peak-hour trains this fall. Parking capacity has also been expanded this year and will be expanded further next year. That's part of what BART riders want.

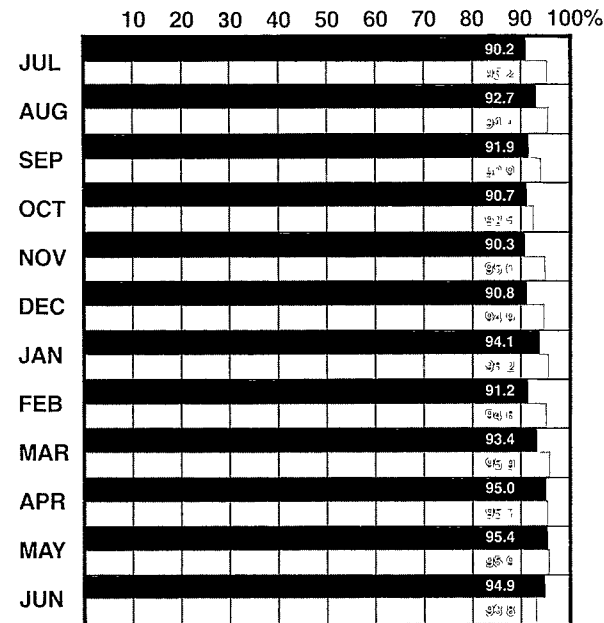
We also know, however, that patterns of ridership change. Transbay travel may be temporarily flattening out, reverse commute trips in the region are growing and peak-hour travel patterns may be changing. We cannot ignore the fact that, beginning in October, 1985, ridership on BART stopped growing, nor has it grown since the fare increase in January.



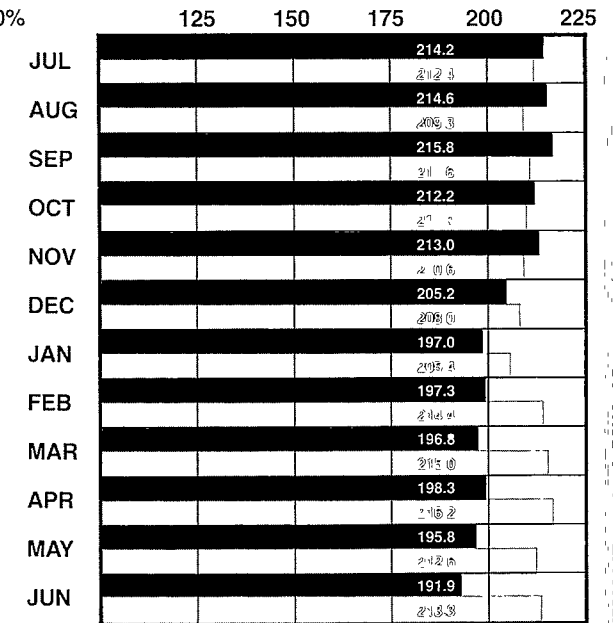
It's obviously important for us to understand the changes that are taking place in job locations, populations, community growth and transportation preferences so that we can adjust and provide

The challenge to all of us at BART is to keep working on the many things that we know the riders want. We must concentrate on providing the best current service we can, while at the same time building

DAILY ON-TIME PERFORMANCE



AVERAGE WEEKDAY PATRONAGE (000's)

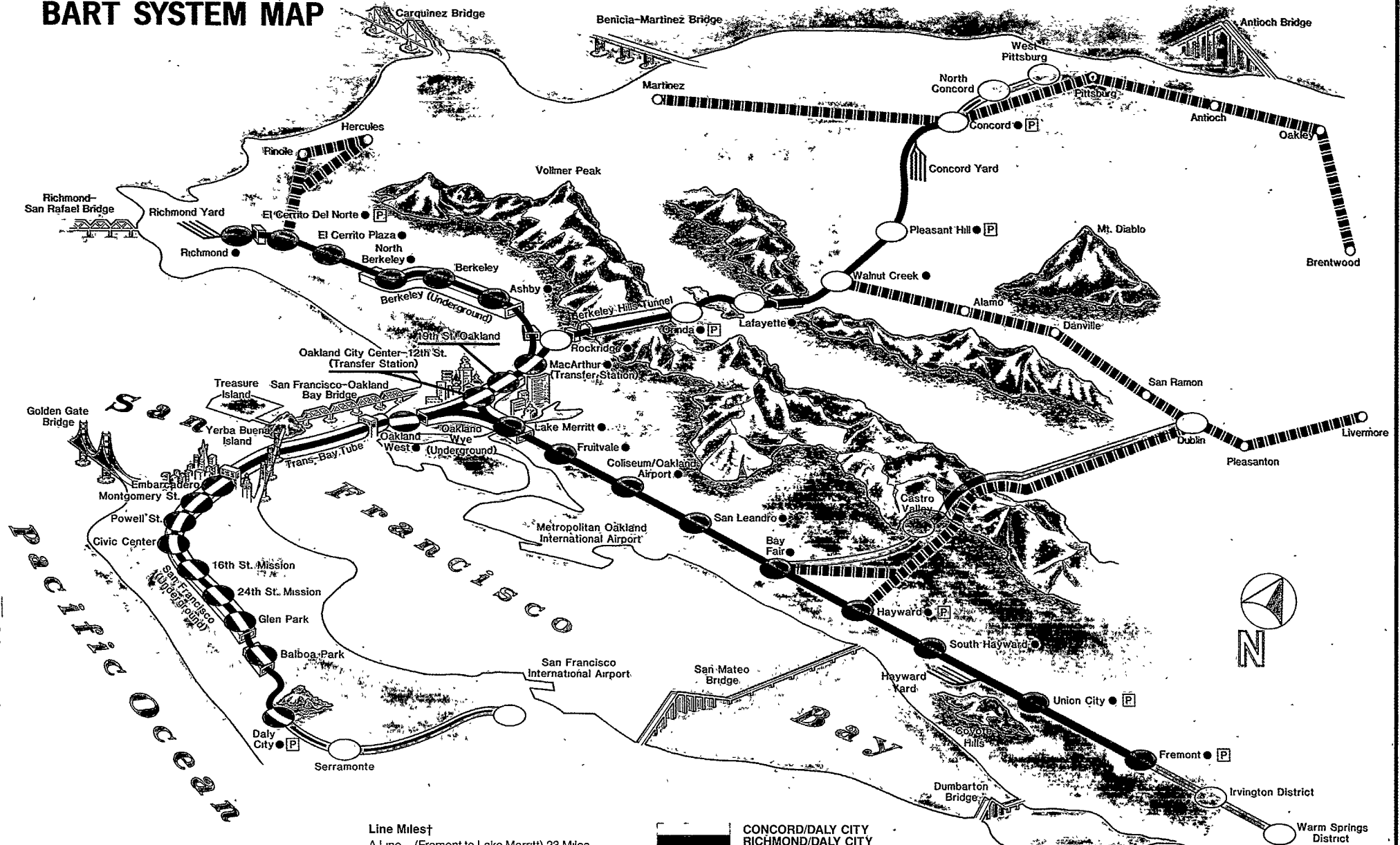


services to meet the changing needs of existing and potential new passengers. It's also important for us to continually strive to provide on-time service, reliable equipment, clean trains and stations, friendly helpful employees, and all the other things, big or small, which we know that riders want.

wisely for the future. We at BART are committed to doing just that.







Keith Bernard  
General Manager, BART

# BART SYSTEM MAP



Line Miles†	
A Line—(Fremont to Lake Merritt)	23 Miles
M Line—(Daly City to Oakland West)	15 Miles
R Line—(Richmond to MacArthur)	12 Miles
C Line—(Downtown Oakland to Concord)	21 5 Miles
	Total Miles 71 5 Miles

†All miles are calculated from the Oakland WYE

-  CONCORD/DALY CITY  
RICHMOND/DALY CITY  
RICHMOND/FREMONT  
FREMONT/DALY CITY
-  BART Express Bus
-  Parking
-  Preferential Carpool Parking
-  BART Rail System
-  BART First Phase Extensions

■ In accordance with BART Extension Policy adopted on February 2, 1984, stations outside the District are subject to satisfactory cost-sharing arrangement.

**System Information**  
Total number of automobile parking spaces at BART Stations 24,335 • (10% of these parking spaces for mid-day parking)



ACR RICHARDSON  
DOCUMENTATION Div '83

# B A T



## San Francisco Bay Area Rapid Transit District

Headquarters in Oakland  
800 Madison Street, P.O. Box 100  
Oakland, CA 94604 268-3333

Established in 1957 by the State of California  
Authorized to operate mass transit  
service

Governed by a Board of Directors  
by voters in Alameda, Contra Costa and San  
Francisco counties

### BOARD OF DIRECTORS

President:

Nello Bianco, District #2

Vice President:

Eugene Garfinkle, San Francisco

### MEMBERS OF THE BOARD

District #1 — Barclay Slaughter

District #2 — Nello Bianco

District #3 — Arthur J. Slaughter

District #4 — Margaret K. ...

District #5 — Robert S. ...

District #6 — John Green

District #7 — Wilfred J. Ussery

District #8 — Eugene Garfinkle

District #9 — John H. ...

### BOARD-APPOINTED OFFICERS

C. K. Bernard, General Manager

Alcolm M. Barrett, General Counsel

William F. Goetz, Controller

Phillip O. Ormsbee, District #1

### DEPARTMENT MANAGERS OF THE GENERAL MANAGER

Richard P. Demko, Executive Director

William B. Fleisher, Chief Engineer

Howard L. Goode, Finance Director

Chaet C. Healy, Planning Director

Ernest G. Howard, Administrative Director

John Mack, Audit Director

Redy Morant, Budget & Capital Director

Thomas R. Street, Public Affairs Director

William Thomas, Material Director

Alphonse S. Weite, District #9

Harry A. Williams, Employee Director

The Annual Report is published in  
October 1970, Public Utilities

Design DIVISIONS AND ASSOCIATES

101 California Street, San Francisco, CA 94111