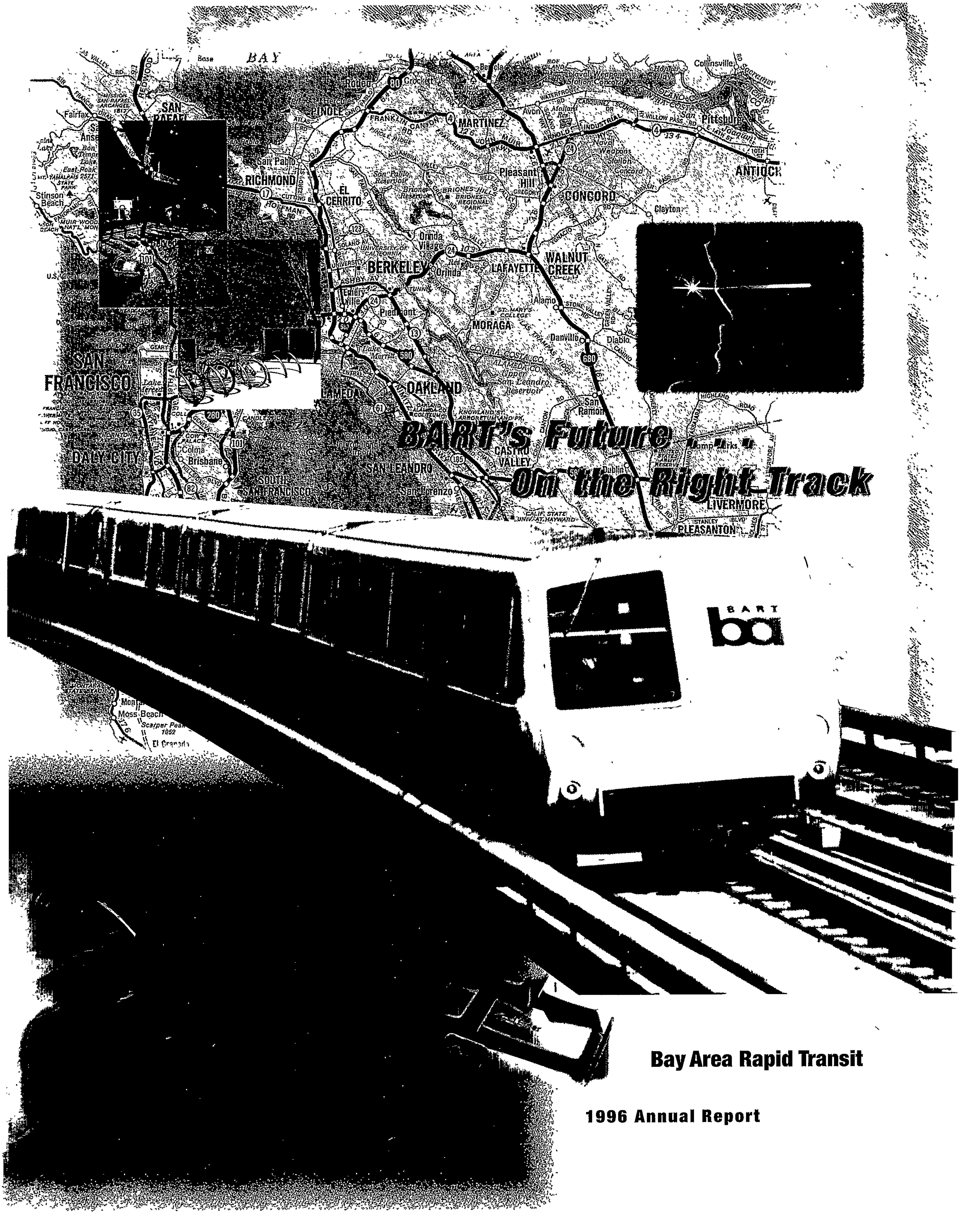


Bay Area Rapid Transit

1996 Annual Report

Message from Thomas E. Margro, General Manager

While I have recently taken the reins as BART's new General Manager, I'm pleased to report on a strong and vital legacy inherited from former General Manager Richard A. White who left in June to become General Manager of the Washington area Metro Transit Authority.

BART began fiscal year 1996 with a new vision of its future. We set forth with a blueprint for what we wanted BART to be. It is an ambitious forward-looking plan for rail extensions and expanded service using cutting-edge technology. It is a fiscally-responsible plan that protects the investment taxpayers already have in BART's existing system. It is a financially-attainable plan that incorporates innovative new funding sources. Finally, it is a plan that reflects broad public support from throughout the Bay Area. Achieving this plan will take time and we can expect some bumps along the way. But when we look back, we will remember 1996 as the year BART's future was put firmly on the right track.

Extension Milestones

BART's East Bay extensions moved forward, culminating in the historic opening last December of the North Concord/Martinez Station, the first new extension to be opened by BART since the original system was completed in 1972. One of 11 new stops included in BART's $2.6 billion expansion plan, North Concord/Martinez completes the first leg of the 8-mile Pittsburg/Antioch extension. It includes parking for 2,000 vehicles and a transit center for bus connections.

Two months later, transit leaders gathered on the Peninsula to celebrate the opening of BART's Colma Station in San Mateo County. Although situated just 2 miles south of the Daly City Station, Colma is expected to be a huge boon to ridership, serving some 12,000 new passengers trips a day. One of the largest stations in the BART system, the Colma facility is built over a train storage yard, includes a five-level, 1,400-space garage, which is supplemented by adjacent surface parking lots. As was the case in 1995, when construction timetables slipped due to one of the Bay Area's wettest winters, not all of this year's extension news is positive. Technical problems involved with integrating old and new train control technology led to postponing the opening of two other extensions. Service to the Pittsburg/Bay Point Station, though still about four months ahead of its original schedule, was delayed until fall 1996. Meanwhile the opening of the Dublin/Pleasanton extension was postponed to 1997.

Delaying the openings was not easy. However, we concluded that acting now will head off problems later, thus assuring our patrons of smooth, quality service once the extensions open. The 14-mile Dublin/Pleasanton line is essentially complete, awaiting only the installation and testing of complex train control equipment. That equipment, and software, must achieve a seamless meld of original, and new state-of-the-art technology, where the new line intersects with the main line at Bay Fair.

BART-to-SFIA

We are on the verge of achieving one of the nation's most significant intermodal transit projects, the BART extension to the San Francisco International Airport (SFIA). The governing boards of BART and the San Mateo County Transit District have adopted final plans and certified environmental documents for the SFO extension, ending six years of study and review on the most cost-efficient way to bring BART to the airport.

The adopted plan for the 8.2-mile extension calls for stations in South San Francisco, San Bruno, inside the airport, and in Millbrae, where passengers can transfer easily to or from CalTrain. Weekday ridership on the new line is projected to reach 68,600 by the year 2010 and according to the Draft San Mateo Transportation Plan, could eliminate some 35,000 vehicle trips per day along San Mateo's key corridors. An aerial guideway spanning Highway 101 will carry trains to SFIA's new international terminal where luggage can be immediately checked in for all airlines. At least half of all airport-bound passengers will disembark within a five-minute walk of their airline ticket counter. The remainder can board the planned Airport Light Rail System for trips to more distant terminals and workplaces.

The switch to an aerial alignment will save $200 million, lowering the project cost to about $1.17 billion. Major funding for the extension will come from the U.S. Department of Transportation's Federal Transit Administration, $750 million; San Francisco International Airport, $200 million; the state of California, $108 million; SamTrans, $99 million, and $10 million from the Metropolitan Transportation Commission.

Federal funding for the SFO extension was included in the Intermodal Surface Transportation Act in 1991. However, BART has had to aggressively lobby Congress each year for an annual appropriation to keep the project moving forward. This coming year, the region will receive $27.5 million, more than twice the funding received in 1995. This is a continued commitment by Congress supported by the Clinton administration and California Governor Pete Wilson, who have deemed the SFIA extension to be both a national and state transportation priority. We currently anticipate breaking ground on the airport extension during fiscal year 1997 with the project scheduled for completion in the year 2000.

The Capitol Corridor

BART expansion took on a different meaning when the state Legislature passed Senate Bill 457, which names BART to manage the Capitol Corridor rail service between Sacramento and San Jose. The bill, authored by Senator David Kelley, R-San Diego, and signed into law by Governor Wilson, calls for the creation of a joint powers board to oversee the operation, while BART would manage the system for at least the first three years.

Capitol Corridor trains currently are being operated by Amtrak under contract with the state. Four daily roundtrips carry about 1,000 passengers per day. However, weekend and holiday excursions account for most of this ridership. BART is studying how to expand the service to promote greater travel during peak weekday periods. With the timely addition of equipment and track repairs, service could be expanded to six daily roundtrips within three years. The cost will be borne by the state and the Southern Pacific Transportation Company.

The Capitol Corridor service is a great opportunity for BART to serve new markets and geographic areas and a logical step toward becoming the Bay Area's principal provider of rail service.

Equipment Upgrades

There's more to expanding service than laying new guideways, of course, and BART is a step ahead with planning for additional rolling stock. This year, BART received the last of 80 new C2 cars, featuring all new state-of-the-art train technology. An additional 26 new cars will be added in 1997 to meet extension needs. Almost all of these cars were built locally by Amerail, formerly a division of Morrison Knudsen Corp., in a converted steel plant in Pittsburg. Some 300 people were employed assembling the vehicles. BART invested about $142 million in the new cars, saving $18 million on the deal through tough bargaining with the final three bidders on the project.

Refurbishment of BART's original fleet of 439 cars also will take place locally. AEG Transportation Systems, Inc., now Adtranz, won a $330 million contract to renovate the fleet over the next seven years, has retooled the Pittsburg plant to accommodate this project. The work got under way in June.

The BART fleet now totals 669 transit vehicles.

Other System Improvements

BART's $1-billion, system-wide revitalization also includes station renovation. Work was begun on the Walnut Creek and Oakland Coliseum stations, and contract specifications were being prepared for work on eight more stations: Hayward, Fremont, Orinda, Pleasant Hill, Glen Park, Balboa Park, Ashby and Richmond. The eight-station project, which includes new escalators, security gates, lighting systems, roofing, irrigation systems, landscaping and bicycle lockers and refurbished rest rooms and parking lots as needed, is expected to run about $8 million. Much of BART's behind the scenes support will also be renovated.

Safety and Convenience

As part of BART's Security Improvement Program, a new police facility was opened at the Walnut Creek BART Station which is the second facility to open, with additional facilities recently opened at the El Cerrito Del Norte and Bay Fair Stations. These facilities were constructed as part of an overall enhanced security program for the transit system by the police department to decentralize its operation, and have its personnel more visible and available on the system The first facility was opened last year at the Powell Street Station in San Francisco.

BART allocated an additional $5.8 million to beef up security throughout the system this year. The effort is paying off with major crimes, such as assault, robbery, and auto theft, all down markedly from the prior year.

Finally, we took pride in seeing our new paratransit service take shape. BART and AC Transit formed the East Bay Paratransit Consortium to provide alternative public transit for people with disabilities as required by the Americans with Disabilities Act of 1990.

New Technology

A year after becoming the first transit district in the nation to receive a federal defense conversion grant, BART successfully tested a prototype for a new train control system that uses battle-proven military tracking technology. The Advanced Automatic Train Control (AATC) system performed without flaw at the Hayward test track in May. Further testing is planned next year on a segment of operating line, followed by installation system-wide at the turn of the century.

The AATC will ultimately help BART to improve peak-hour service and increase rider capacity by reducing the intervals between trains. An outgrowth of Global Positioning Satellite defense technology employed by U.S. military forces during the Persian Gulf war, the AATC system uses radio transmitters and receivers placed alongside BART tracks and in the lead and tail cars of trains to determine location. The position of a train traveling 80 mph can be pinpointed to within 15 feet, even when traveling through the Transbay Tube.

AATC is being developed by BART and Hughes Aircraft, which have matched a $19.5 million seed grant from the U.S. Defense Department through the Clinton Administration's Defense Reinvestment Conversion Initiative.

On another potentially important front, BART welcomed the arrival of so-called "station cars" as part of a station access demonstration project. Built in Norway, these small electrically-powered vehicles are especially designed for use by transit customers to get to and from systems such as BART. BART, in partnership with Pacific Gas and Electric Co., obtained $1.4 million in funding for a two-year test. Forty of the two-seat vehicles have been leased under the program for use by employees of Sybase, PG&E and other employers.

On the Financial Front

We continue to build our financial plans on conservative estimates of revenues and costs. For fiscal year 1996-97, the operating budget totaled $272.2 million. This figure is up from the $240.1 million spending plan adopted for 1995–96. However, it also is $3 million less than the preliminary budget outlined in March.

On the expense side, operation of the "core" BART system will cost $230.8 million, up 3 percent. Another $32 million is earmarked for operating the new extensions and five new stations. BART also will spend $6.3 million to provide paratransit service in compliance with the federal Americans With Disabilities Act.

Our revenues will consist of $145.7 million from the sale of BART and BART Express bus tickets. The figure includes $32.8 million from the April 1 fare increase, which is earmarked for system-wide renovation, extensions and ADA compliance. We also received $128.9 million from BART's 75 percent share of the half-cent sales tax levied in BART counties, $7.7 million in earned interest, and about $5.1 million from other sources.

We are finding new ways to save money, too. This year, we entered into a 20-year agreement with the U.S. Energy Department's Bonneville Power Administration for purchase of electricity at a potential savings of $9 million per year. BART currently uses 70 megawatts of power annually to operate trains and facilities at a cost of $21 million per year. The transit district had been buying most of its power from Pacific Gas and Electric Co. Since 1994, about six percent has come from Western Area Power Administration, which also is under Department of Energy jurisdiction.

We also are looking at consolidating the transit district's scattered administrative and training offices into a central location. Rather than occupying space in eight separate buildings, we are looking at proposals for accommodating up to 800 employees in a single location with up to 309,000 square feet of office space. Negotiations are under way with nine finalists.

As we prepare for opening new lines, renovating our core system infrastructure, and begin the construction work on the San Francisco International Airport Extension, the future looks bright.

Coopers
&Lybrand

CALVIN Y. LOUIE

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

a professional services firm

Report of Independent Accountants

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

We have audited the accompanying financial statements of the San Francisco Bay Area Rapid Transit District (the District) as of June 30, 1996 and 1995 and for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Francisco Bay Area Rapid Transit District as of June 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued reports dated October 25, 1996, on our consideration of the District's internal control structure and on its compliance with laws and regulations.

San Francisco, California
October 28, 1996

Coopers & Lybrand L.L.P.   Calvin Y. Louie

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

Balance Sheets

June 30, 1996 and 1995

Dollars In thousands	1996	1995
Assets		
Current assets:		
Cash and cash equivalents	$ 81,920	$ 64,581
Investments	4,217	4,235
Total cash, cash equivalents and investments (including restricted cash and investments of $5,109 in 1996 and $4,602 in 1995)	86,137	68,816
Deposits held by trustee - restricted	54,242	62,840
Capital grants and contributions receivable - restricted	98,616	72,385
Other receivables	12,909	9,873
Materials and supplies	20,479	20,128
Total current assets	272,383	234,042
Restricted and designated assets:		
Investments for capital purposes	200,082	313,763
Board designated investments	17,903	17,606
Deferred compensation plan investments	141,376	121,856
Facilities, property and equipment, net	2,927,622	2,682,992
Capital grants and contributions receivable	9,076	—
Other receivables	42,585	—
Total assets	$3,611,027	$3,370,259
Liabilities and Fund Equity		
Current liabilities:		
Current portion of long-term debt	53,765	48,795
Payroll and other liabilities	80,181	66,187
Current portion of self-insurance liabilities	15,197	9,544
Unearned passenger revenue	2,794	2,462
Current portion of capital lease liability	3,154	—
Total current liabilities	155,091	126,988
Contracts payable - restricted assets	27,140	58,402
Self-insurance liabilities	7,377	7,338
Deferred compensation plan liabilities	141,376	121,856
Long-term debt, net	520,779	572,302
Long-term portion of capital lease liability	42,585	—
Total liabilities	894,348	886,886
Commitments and contingencies (Note 13).		
Fund equity:		
Contributed capital	1,789,506	1,582,962
Retained earnings	927,173	900,411
Total fund equity	2,716,679	2,483,373
Total liabilities and fund equity	$ 3,611,027	$ 3,370,259

The accompanying notes are an integral part of these financial statements

Statements of Revenues and Expenses

for the years ended June 30, 1996 and 1995

Dollars In thousands	1996	1995
Operating revenues:		
Fares	$ 123,691	$ 103,877
Other (including investment income)	13,236	12,663
Total operating revenues	136,927	116,540
Operating expenses:		
Transportation	76,184	70,174
Maintenance	98,036	92,201
Police services	18,086	15,512
Construction and engineering	9,751	7,419
General and administrative	72,182	59,346
Depreciation	54,023	45,581
Total operating expenses	328,262	290,233
Less capitalized costs	(29,977)	(26,318)
Net operating expenses	298,285	263,915
Operating loss	(161,358)	(147,375)
Other revenues (expenses):		
Transactions and use tax (sales tax)	126,077	115,186
Property tax	58,091	57,236
State financial assistance	286	—
Local financial assistance	595	550
Other investment income	14,336	13,312
Interest expense	(33,785)	(26,999)
Other expense, net	(714)	(578)
Total other revenues	164,886	158,707
Net income	$ 3,528	$ 11,332

The accompanying notes are an integral part of these financial statements

Statements of Changes in Fund Equity

for the years ended June 30, 1996 and 1995

Dollars In thousands	Contributed Capital	Retained Earnings	Total Fund Equity
Balances, June 30, 1994	$1,383,677	$ 863,380	$2,247,057
Net income	—	11,332	11,332
Other additions (deductions):			
Contributed capital	224,984	—	224,984
Depreciation of assets acquired with contributed capital	(25,699)	25,699	—
Balances, June 30, 1995	1,582,962	900,411	2,483,373
Net income	—	3,528	3,528
Other additions (deductions):			
Contributed capital	229,778	—	229,778
Depreciation of assets acquired with contributed capital	(23,234)	23,234	—
Balances, June 30, 1996	$1,789,506	$ 927,173	$2,716,679

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

for the years ended June 30, 1996 and 1995

Dollars In thousands	1996	1995
Cash flows from operating activities:		
Operating loss	$ (161,358)	$ (147,375)
Less investment income included in operating revenue	(9,355)	(8,814)
Operating loss excluding investment income	(170,713)	(156,189)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	54,023	45,581
Loss on sale of facilities, property and equipment	123	—
Net effect of changes in:		
Receivables	(34,809)	22,273
Materials and supplies	(351)	2,337
Payroll and other liabilities	13,994	13,130
Self-insurance liabilities	5,692	(1,302)
Unearned passenger revenue	332	137
Net cash used in operating activities	(131,709)	(74,033)
Cash flows from noncapital financing activities:		
Transactions and use tax received	97,687	93,625
Property tax received	12,519	12,002
Financial assistance received	881	550
Net cash provided by noncapital financing activities	111,087	106,177
Cash flows from capital and related financing activities:		
Transactions and use tax received	28,390	21,561
Property tax received	45,572	45,234
Interest paid on debt	(32,255)	(25,514)
Capital grants received	229,778	224,984
Principal paid on long-term debt	(48,795)	(46,660)
Proceeds from issuance of sales tax revenue bonds	—	135,000
Bond issuance costs	(52)	(4,649)
Expenditures for facilities, property and equipment	(331,919)	(338,957)
Proceeds from sale of facilities, property and equipment	2,038	—
Proceeds from note payable	—	44,550
Other, net	(124)	(3)
Net cash provided by (used in) capital and related financing activities	(107,367)	55,546
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	761,444	566,118
Purchase of investments	(630,770)	(665,903)
Interest on investments	14,654	11,137
Net cash provided by (used in) investing activities	145,328	(88,648)
Net increase (decrease) in cash and cash equivalents	17,339	(958)
Cash and cash equivalents, beginning of year	64,581	65,539
Cash and cash equivalents, end of year	$ 81,920	$ 64,581

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

1. Significant Accounting Policies

Description of Reporting Entity

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

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

Basis of Accounting and Presentation

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

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

Cash and Cash Equivalents

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

Investments

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

Deposits Held by Trustee

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

Restricted and Designated Cash and Investments

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

Materials and Supplies

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

Facilities, Property and Equipment

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

Facilities, Property and Equipment, continued

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

The District capitalizes certain interest income and expense related to tax-free borrowings. The net effect of such interest capitalization was to increase expenditures for facilities, property and equipment by $57,000 and $1,833,000 during the years ended June 30, 1996 and 1995, respectively, for the difference between interest income and interest expense from applicable borrowings.

Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Amounts payable at June 30 are included on the balance sheets in payroll and other liabilities.

Unearned Passenger Revenue

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

Contributed Capital

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

Transactions and Use Tax (Sales Tax) Revenue

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

Property Taxes, Collection and Maximum Rates

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

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

Financial Assistance Grants

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

2. Cash and Investments

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

Deposits

At June 30, 1996 (and 1995), the District's cash on hand was $1,867,000 (1995, $750,000) and the carrying amount of the District's time and demand deposits was $5,213,000 (1995, ($8,052,000)) with the corresponding bank balance of $4,578,000 (1995, $4,359,000). Of the bank balance, $300,000 and $200,000 for 1996 and 1995, respectively, was insured by federal depository insurance or collateralized by securities held by the District's agent in the District's name, and $4,278,000 (1995, $4,159,000) is required by Section 53652 of the California Government Code to be collateralized 110% by the pledging financial institutions. Such collateral is not required to be in the District's name.

Investments

State of California statutes and District policy authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, repurchase and reverse repurchase agreements, and the State Treasurer's investment pool. The District did not enter into any reverse repurchase agreements during 1996 or 1995.

Notes to Financial Statements — continued

The District's investments are categorized below to give an indication of the credit risk assumed by the District at June 30, 1996. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes investments which are uninsured and unregistered, for which the securities are held by the broker's or dealer's trust department or agent, but not in the District's name.

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

	1996	1995
Basic system completion	$ 1,721	$ 2,002
System improvement	1,797	1,794
Self-insurance	9,000	9,000
Operating	5,385	4,810
Total	$17,903	$17,606

Dollars in thousands	1996 Category 1	2	3	Carrying Amount	Market Value	1995 Category 1	2	3	Carrying Amount	Market Value
Money market	—	$26,153	—	$ 26,153	$ 26,153	—	$18,831	—	$ 18,831	$ 18,831
U.S. Treasury bills	$ 71,814	—	—	71,814	71,259	$130,960	—	—	130,960	131,850
U.S. Treasury notes	5,057	—	—	5,057	5,060	5,037	1,011	—	6,048	6,085
Federal agency obligations	209,432	—	—	209,432	211,231	264,713	—	—	264,713	268,737
Repurchase agreements	24,108	—	—	24,108	24,108	23,394	—	—	23,394	23,394
Total	$310,411	$26,153	—	336,564	337,811	$424,104	$19,842	—	443,946	448,897
Cash on hand				1,867	1,867				750	750
Time and demand deposits				(5,213)	(5,213)				(8,052)	(8,052)
Investment in California local agency investment fund				15,000	15,000				15,000	15,000
Mutual funds - deferred compensation plan investments				141,376	141,376				121,856	121,856
Total				$489,594	$ 490,841				$573,500	$578,451
Reported as.										
Cash and cash equivalents				$ 81,920					$ 64,581	
Investments - current				4,217					4,235	
Payroll and other liabilities (representing cash overdraft)				(10,146)					(11,381)	
Deposits held by trustee - restricted - current and long-term				54,242					62,840	
Investments restricted for capital purposes				200,082					313,763	
Deferred compensation plan investments				141,376					121,856	
Investments restricted for Board designated purposes				17,903					17,606	
Total				$489,594					$573,500	

3. Facilities, Property and Equipment

Facilities, property and equipment at June 30, 1996 and 1995 are summarized as follows (in thousands):

	Lives (Years)	1996	1995
Land		$ 241,782	$ 241,710
Improvements	80	1,542,612	1,392,873
System-wide operation and control	20	242,103	240,907
Revenue transit vehicles	30	548,294	488,108
Service and miscellaneous equipment	3-20	37,989	35,667
Capitalized construction and start-up costs	30	97,748	97,733
Repairable property items	30	15,800	15,704
Capital leases	30	48,777	—
		2,775,105	2,512,702
Less accumulated depreciation and amortization		(771,315)	(718,600)
		2,003,790	1,794,102
Construction-in-progress		923,832	888,890
Total		$ 2,927,622	$ 2,682,992

Depreciation expense on capital leases for the year ended June 30, 1996 was $1,750,000.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $407,000,000 at June 30, 1996.

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

Notes to Financial Statements — continued

4. Risk Management

The District is fully self-insured for workers' compensation claims and partially self-insured for public liability and property damage. The self-insured maximum for public liability and property damage claims is $10,000,000 for any one occurrence. Claims in excess of self-insurance retentions are covered up to an additional $140,000,000 by insurance policies.

The self-insurance programs are administered by independent adjustment bureaus. The liability is based, in part, upon the independent adjustment bureaus' estimate of reserves required for unsettled claims and related administrative costs, and includes claims that are incurred but not reported. Such reserves are actuarially determined and subject to periodic adjustment as conditions warrant.

The estimated liability for insurance claims at June 30, 1996 is believed to be sufficient to cover any costs arising out of claims filed or to be filed for accidents which occurred through that date.

Claim expenses and liabilities are reported when it is probable that a loss has accrued and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At June 30, 1996, the amount of these liabilities was $22,574,000. This liability is the District's best estimate based on available information. Changes in the reported liability since June 30, 1995 are as follows (in thousands):

	1996	1995
Liability at beginning of year	$ 16,882	$18,184
Current year claims and changes in estimates	12,142	4,663
Payment of claims	(6,450)	(5,965)
Liability at end of year	$22,574	$16,882

5. Joint Exercise of Powers Agreement

Description

The Joint Exercise of Powers Agreement (the Agreement), dated August 1, 1991, between the District and MTC provided for the creation of the Transit Financing Authority (the Authority), a public instrumentality of the State of California. The term of the Agreement is for ten years, unless extended or earlier terminated. The Authority was formed for the purpose of providing financing and contracting for public transit improvements, including the refinancing of prior indebtedness and acquiring, selling and financing public capital improvements, working capital, liability and other insurance needs, and for the specific purpose of assisting in financing the District's East-Bay extensions.

The governing board of the Authority consists of two members each from the District and MTC. Neither the District nor MTC is responsible for any debt, liabilities and obligations of the Authority.

At the end of the term or upon the earlier termination of the Agreement, all assets of the Authority shall be distributed to the two participants, and any surplus money on hand shall be returned to these participants in proportion to their respective contributions to the Authority.

The District has not contributed any assets to the Authority since inception and has only a residual equity interest as mentioned above. Because the District is not an investee in the Authority, the equity method is not considered appropriate.

Commercial Paper Program

The Authority has undertaken a commercial paper program to finance certain of the District's system improvements in connection with the multi-phase extension program. Under the program, in October 1992, the Authority issued its Commercial Paper Notes, Series A, and Commercial Paper Notes, Series B, in the aggregate amount of $100,000,000. During March and April 1994, the Authority redeemed and retired all commercial paper notes issued under the program.

At June 30, 1996, the Authority has no assets, liabilities and retained earnings. The District is continuing to fund expenses to maintain the commercial paper program for future financing needs.

6. Joint Ventures

Technology Reinvestment Project

During fiscal year 1995, the District and the joint venture of Hughes Transportation Control Systems, Inc., and Morrison Knudsen Train Control, Inc. (HMK) entered into a memorandum of understanding (MOU) to form an alliance (Alliance) to develop a cost-effective, highly reliable and safe train control system for passenger and freight carrying trains. The project is funded under the Technology Reinvestment Project managed by the Advanced Research Projects Agency (ARPA). The Federal Transit Administration (FTA) has agreed to manage and oversee the project on behalf of ARPA. This project has an initial term of 29 months.

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

The District's participation in this project is in the form of in-kind contributions which consist primarily of labor costs, and direct costs that are reimbursable by the Alliance. For the years ended June 30, 1996 and 1995, the District had provided the Alliance with approximately $2,983,000 and $1,588,000 in in-kind contributions, respectively, and had incurred approximately $856,000 and $394,000 of costs that were reimbursable by the Alliance, respectively.

Paratransit Consortium

In 1994, the District and the Alameda-Contra Costa Transit District (AC Transit) executed a Joint Exercise of Powers Agreement establishing the East Bay Paratransit Consortium (the Consortium). The purpose of the Consortium is to enable the District and AC Transit to jointly administer ADA paratransit services in the service area overlapped by the District and AC Transit. The Consortium receives operating subsidies of State Transit Assistance funds administered by the MTC. For the year ended June 30, 1996, MTC granted the entire subsidy to the District as the lead agency. The lead agency is rotated annually.

The project receives direction from the Service Review Committee, which consists of the general manager (or designee) from each member agency.

The District received approximately $2,300,000 from MTC in 1996. Expenses for operation of the program were approximately $1,400,000. The District will reimburse MTC for approximately $900,000 in fiscal 1997. The amount to be reimbursed is included in other liabilities at June 30, 1996.

7. Long-Term Debt

Long-term debt at June 30, 1996 and 1995 is summarized as follows (in thousands):

	1996	1995
1962 General Obligation Bonds	$126,950	$167,575
1966 Special Service District Bonds	1,370	2,010
1990 Sales Tax Revenue Refunding Bonds	148,260	152,879
1991 Sales Tax Revenue Bonds	53,480	54,805
1993 Sales Tax Revenue Notes	74,500	74,500
1995 Sales Tax Revenue Bonds	135,000	135,000
Note payable	44,550	44,550
	584,110	631,319
Less:		
Unamortized bond discount and issuance costs	(9,566)	(10,222)
Current portion	(53,765)	(48,795)
Net long-term portion	$520,779	$572,302

1962 General Obligation Bonds

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

1966 Special Service District Bonds

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

Notes to Financial Statements — continued

1990 Sales Tax Revenue Refunding Bonds (the 1990 Bonds)

In July 1990, the District issued sales tax refunding bonds totaling $158,478,000. The 1990 Bonds are special obligations of the District payable from and collateralized by a pledge of the sales tax revenues. At June 30, 1996, the 1990 Bonds consist of $123,420,000 of current interest bonds due from 1996 to 2012 with interest rates ranging from 6.30% to 6.75% and $24,840,000 of capital appreciation serial bonds ($16,828,000 original amount) with yields of 6.65% to 6.75% due from 2002 to 2005. Interest on the capital appreciation bonds is payable at maturity. For financial reporting purposes, accrued interest is added to the principal balance. The current interest bonds maturing on July 1, 2009 ($56,215,000) are redeemable after July 1, 2000, at the option of the District at prices ranging from 100% to 102%. The 1990 Bonds were issued to advance refund 1985 Sales Tax Revenue Bonds outstanding.

1991 Sales Tax Revenue Bonds (the 1991 Bonds)

The 1991 Bonds were issued in August 1991 in the amount of $56,010,000 and are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. At June 30, 1996, the 1991 Bonds consist of $13,605,000 of serial bonds due from 1996 to 2002 with interest rates ranging from 5.60% to 6.3% and $39,875,000 of term bonds due from 2005 to 2012 with interest rates ranging from 6.4% to 6.6%. The District is required to make sinking fund payments on the term bonds beginning on July 1, 2003. Additionally, the 1991 Bonds maturing after June 30, 2001 are redeemable, at the option of the District at prices ranging from 100% to 102%.

1993 Sales Tax Revenue Notes

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

1995 Sales Tax Revenue Bonds (the 1995 Bonds)

In June 1995, the District issued sales tax revenue bonds totaling $135,000,000 to provide funds for certain capital improvements including rehabilitation of District vehicles and facilities and energy conservation measures. The bonds are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. At June 30, 1996, the 1995 Bonds consist of $65,520,000 serial bonds due from 1997 to 2012 with interest rates ranging from 4.15% to 5.70% and $69,480,000 of term bonds due from 2015 to 2020 with interest rates of 5.50%. The District is required to make sinking fund payments on the term bonds beginning on July 1, 2012. In addition, the 1995 Bonds maturing after June 30, 2006 will be redeemable after July 1, 2005 at the option of the District at prices ranging from 100% to 101%.

In prior years, the District defeased sales tax revenue bonds by placing the proceeds of new sales tax revenue refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 1995, the outstanding amount of sales tax revenue bonds defeased was $130,545,000. In July 1995 these defeased bonds were called. At June 30, 1996 there were no outstanding amounts of defeased bonds.

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

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

Note Payable

In September 1994, the District entered into a note payable arrangement with Pitney Bowes Credit Corp., (Pitney) in the amount of $44,550,000 to finance the cost of constructing a telecommunications system (System) along the District's right-of-ways. The note is collateralized by a restricted deposit held by a trustee totaling approximately $31,815,000 at June 30, 1996. This account is to be used by the District for making progress payments to vendors who have been contracted for the design, development and construction of the System. The project is estimated to be completed in approximately three years, at which time the District is to start repayment of the principal and accrued interest on the note to Pitney. Interest on the note accrues at the rate of 7.08% per annum. The District has incurred costs of approximately $19,279,000 related to the construction of the System, which has been recorded as construction in progress in the balance sheet at June 30, 1996.

The following is a schedule of long-term debt principal payments required as of June 30, 1996 (in thousands):

Year ending June 30:	1962 General Obligations Bonds	1966 Special Service District Bonds	1990 Sales Tax Revenue Refunding Bonds	1991 Sales Tax Revenue Bonds	1993 Sales Tax Revenue Notes	1995 Sales Tax Revenue Bonds	Total
1997	$ 42,150	$ 670	$ 6,655	$ 1,465	—	$ 2,825	$ 53,765
1998	43,675	700	7,140	1,610	$36,415	2,940	92,480
1999	41,125	—	7,655	1,770	38,085	3,070	91,705
2000	—	—	8,195	1,935	—	3,205	13,335
2001	—	—	8,785	2,090	—	3,355	14,230
Thereafter	—	—	109,830	44,610	—	119,605	274,045
Sub total	$126,950	$1,370	$148,260	$53,480	$74,500	$135,000	539,560
Note payable							44,550
Total							$584,110

8. Federal Grants

The U.S. Department of Transportation provides financial assistance to the District for capital projects and planning and technical assistance. Grants which were active during the year ended June 30, 1996 are summarized as follows (in thousands):

Total approved project costs	$ 398,811
Total approved federal funds	$ 304,712
Less cumulative amounts earned	232,411
Remaining amount available under federal grants	$ 72,301

9. Local and State Financial Assistance

The District receives local operating and capital assistance from Transportation Development Act Funds (TDA). For the year ended June 30, 1996, TDA assistance was $595,000 (1995, $550,400), all of which was used for operating assistance. These funds are received from the counties of Alameda and Contra Costa to meet, in part, the District's operating requirements based on annual claims filed by the District and approved by MTC.

10. Employees' Retirement Plan

Plan Description

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

Notes to Financial Statements — continued

The District was not required to make a contribution to the Fund for covered employees for the years ended June 30, 1996 and 1995 due to a surplus of the District's portion of the Fund's net assets over the District's pension benefit obligation caused by a change in 1988 in the actuarial valuation method and an actual rate of return on investment assets that exceeded the assumed rate. The District's covered payroll for employees participating in the Fund for the years ended June 30, 1996 and 1995 was $148,517,000 and $131,033,000, respectively. The District's 1996 and 1995 payroll for all employees was $165,363,000 and $141,419,000, respectively. The District, due to a Collective Bargaining Agreement, also has a legal obligation to contribute an additional 9% for public safety personnel and 7% for miscellaneous covered employees. Employees have no obligation to contribute to the Fund.

Funding Status and Progress

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

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

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

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

1 Includes District's surplus at June 30, 1995

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

Actuarially Determined Contributions Required and Contributions Made

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

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

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

Historical Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information is not yet available. For the District's portion of the Fund, trend information for the nine years ended June 30, 1995 is as follows (in thousands):

	1995	1994	1993	1992	1991	1990	1989	1988	1987
Net assets available for benefits, at cost	$503,310	$466,222	$383,838	$340,459	$304,991	$277,041	$245,582	$214,290	$189,801
Pension benefit obligation	405,018	355,430	333,526	275,530	244,132	225,168	193,565	171,353	151,795
Net assets available for benefits as a percentage of pension benefit obligation	124.3%	131 0%	115.0%	124.0%	125 0%	123.0%	127.0%	125 0%	125.0%
Assets in excess of pension benefit obligation	98,292	110,792	50,312	64,929	60,859	51,873	52,017	42,937	38,006
Annual covered payroll	136,200	128,325	121,630	114,057	105,614	95,372	85,746	83,178	79,940
Assets in excess of pension benefit obligation as a percentage of annual covered payroll	72 2%	86.3%	41.4%	56 9%	57.6%	54.4%	60 7%	51.6%	47.5%
Contributions made in accordance with actuarially determined requirements as a percentage of annual covered payroll	—	—	—	—	—	—	—	—	—

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

Notes to Financial Statements — continued

11. Deferred Compensation Plan

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

As required by IRC Section 457, all amounts of compensation deferred under the deferred compensation plan and all income attributable to those amounts remain the property of the District (until paid or made available to the participants), subject only to the claims of the District's general creditors. Participants' rights under the deferred compensation plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant. The plan administrator has invested the deferred amounts in numerous participant-directed, uninsured investments.

District management believes that the District has no liability under the terms of the plan for any amounts other than the participants' account balances. Management further believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

12. Money Purchase Pension Plan

All District employees, except sworn police officers, participate in the Money Purchase Pension Plan, which is a supplemental retirement program. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes, on a pay-as-you-go basis, an amount equal to 6.65% of covered employee's annual compensation (up to $29,700 after deducting the first $133 paid during each month) up to a maximum annual contribution of $1,868. Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the year ended June 30, 1996 and 1995 was $6,022,000 and $5,826,000, respectively. Money Purchase Pension Plan assets at June 30, 1996 and 1995 (excluded from the accompanying financial statements) were $150,916,000 and $135,677,000, respectively. At June 30, 1996 there were 496 participants currently eligible to receive benefits under this plan.

13. Commitments and Contingencies

Litigation

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

Lease Commitments

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

Future minimum rental payments under noncancelable operating leases with initial or remaining lease terms of over one year at June 30, 1996 (in thousands) are as follows:

	Operating Leases
1997	$2,144
1998	628
1999	466
2000	450
2001	444
Thereafter	—
Total minimum payments	$4,132

Rent expense under all operating leases was $1,566,000 and $1,654,000 for the years ended June 30, 1996 and 1995, respectively.

Sale/Leaseback

On March 30, 1995, the District entered into an agreement with a Swedish corporation to sell 25 newly manufactured C-2 rail cars for $50,383,100 and simultaneously entered into an agreement to lease them back. The lease agreement was effective on the closing date of September 15, 1995, and continues through January 15, 2011.

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

Operating Funds 1995-96

Sources of Funds

- **Sale Tax** $97,687 35.14%
- **Passenger Fares** $123,691 44.50%
- **Property Tax** $12,519 [illegible]
- **Other** $44,094 [illegible]
  - Investment Income and Other Operating Revenues $13,236 4.76%
  - Construction Funds (Capitalized Costs) [illegible] [illegible]
  - Regional Financial Assistance
    - Local [illegible] 0.22%
    - State [illegible] 0.10%

Uses of Funds

- **Total** $277,991 100.00%
- **Maintenance** $98,036 35.25%
- **Transportation** $76,184 27.40%
- **General Administration** $72,182 25.97%
- **Police Services** $18,086 6.51%
- **Other** $13,503 4.86%
  - Capital Designation $3,752 1.35%
  - Construction and Engineering [illegible] 3.51%

Capital Funds 1995-96

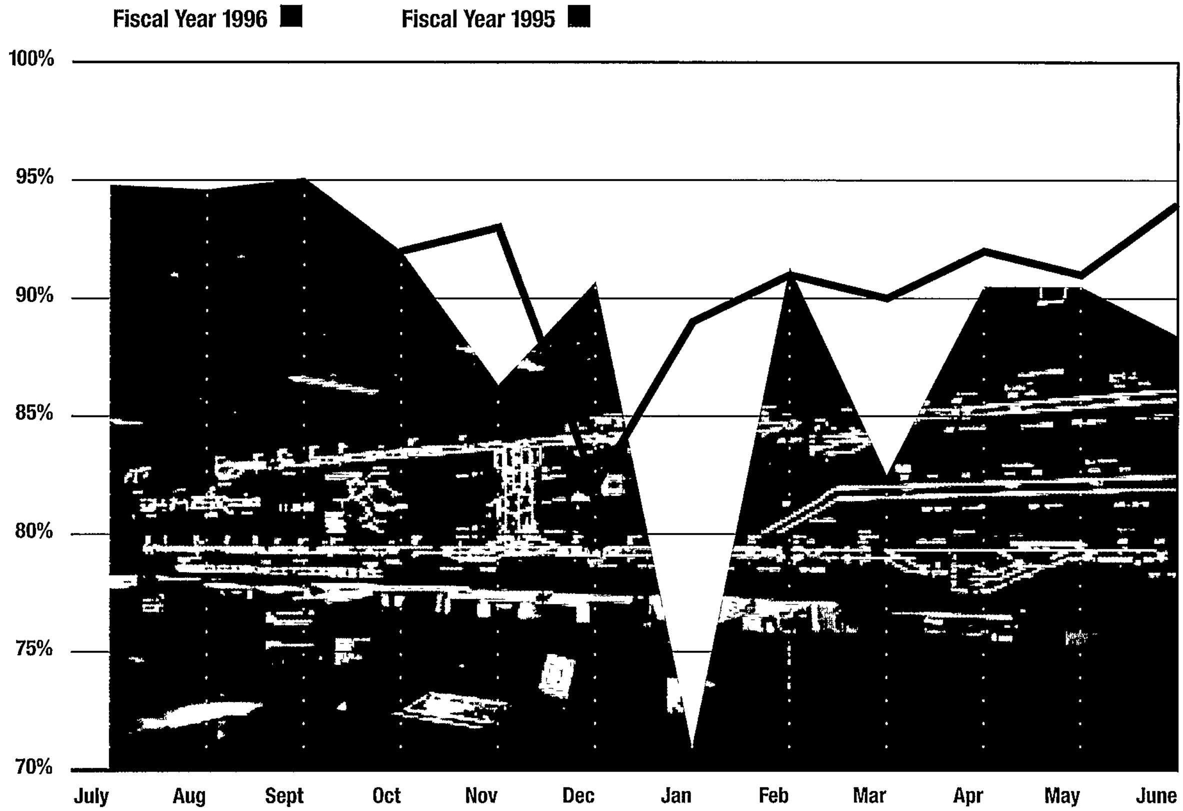
Sources of Funds

- **Total** $299,192 100.00%
- **District** $26,856 8.98%
- **Federal** $63,107 21.09%
- **State** $102,729 34.33%
- **Local** $106,500 35.60%

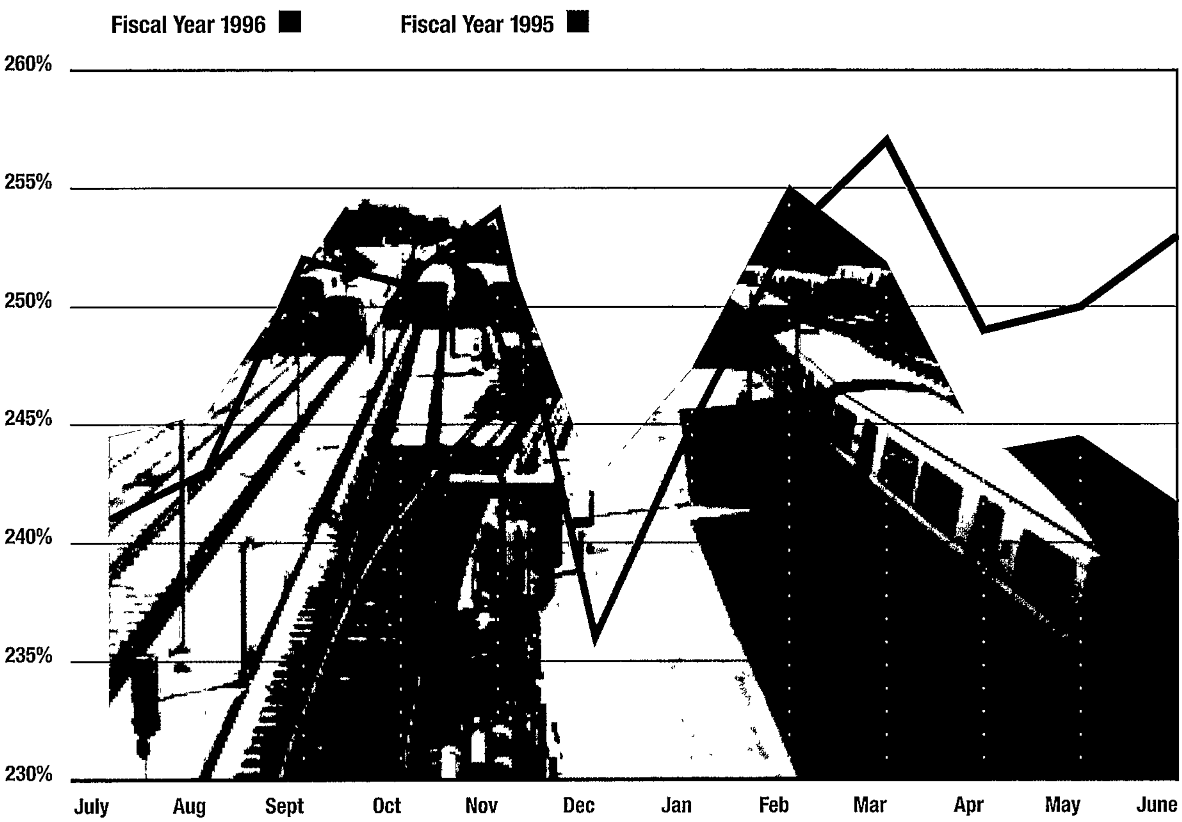
Expenditures

- **Total** $299,192 100.00%
- **Construction** $199,572 66.70%
  - Line $189,520 63.34%
  - Systemwide $9,899 3.31%
  - Support Facilities $153 0.05%
- **Equipment** $82,492 27.57%
  - Train Control $6,605 2.21%
  - Communications $421 0.14%
  - Transit Vehicles $71,302 23.83%
  - Automatic Fare Collections $1,228 0.41%
  - Management Information Systems $699 0.23%
  - Other Equipment $2,237 0.75%
- **Studies Telesystem and Others** $17,128 5.73%

Daily On Time Performance



Average Weekday Trips



Performance Highlights — BART patronage for fiscal year 1996 totaled 72,446,572, compared to 72,045,140 for fiscal year 1995.

Weekday passenger trips averaged 248,669 versus 248,169 for the previous fiscal year—a 0.2 percent increase. Annual passenger miles amounted to 917,396,455, 1.0 percent above last year's 907,520,445. Ridership for peak commute hours increased slightly, from 46.91 percent at the end of FY95 to 46.99 percent at the end of FY96, off-peak patronage decreased from 53.09 percent to 53.01 percent, and annual trip length increased from 12.60 to 12.66 miles.

Net passenger revenues were up $19,814,498 for the year, from $103,876,786 to $123,691,284. Total operating revenues—including $13,235,524 in interest income, advertising in trains and stations, and other income—were $136,926,808 in FY96, an increase of $20,387,022 from the previous fiscal year. Net operating expenses were $244,262,400 12 percent higher than last year's $218,333,800. BART funded 50.64 percent of its FY96 net operating expenses from net passenger revenues, compared to a 47.58 percent farebox ratio for FY95. The District's objective is to fund no less than 50 percent of its net rail operating expenses from operating revenues. For fiscal 1996, the operating ratio, which relates total operating revenues to total net operating expenses, was 56.06 percent.

Net rail passenger revenue per passenger mile was $0.133. Rail operating cost per passenger mile was $0.255 versus $0.230 last year.

In addition to funds derived from passenger fares, interest income, concession, advertising and other revenue, BART received $97,686,669 in revenue from 75 percent of the one-half cent transit sales tax and $12,519,285 in property tax from the three BART counties, $595,181 in local funds and $285,500 in state financial assistance.

BART also received from the three BART counties $28,390,457 in sales tax and $45,572,034 in property tax for the payments of the principal and interest due on its bond obligations.

While these numbers paint an overall performance picture of BART holding its own, they also demonstrate the challenges we have been facing and will continue to face through the end of the century as BART pursues its ambitious program of system rehabilitation and expansion.

Performance		FY 1996	FY 1995
Rail Ridership	Annual passenger trips	72,446,572	72,045,140
	Average weekday trips	248,669	248,169
	Average trip length (miles)	12.66	12.60
	Annual passenger miles	917,396,455	907,520,445
	Daily train on-time performance	90.32%	88.94%
	System utilization ratio (passenger miles to available seat miles)	29.32%	29.58%
	End-of-period ratios: Peak patronage	46.99%	46.91%
	Off-peak patronage	53.01%	53.09%
Operations	Annual revenue car miles	44,877,306	43,849,592
	Unscheduled train removals—average per revenue day	2.60	1.94
	4:00 a.m. car availability	76.1%	78.4%
	Passenger accidents per million passenger trips	12.33	12.87
	Passenger crimes per million passenger trips	64.95	69.87
Financial	Net passenger revenue	$ 123,691,284	$ 103,876,786
	Other operating revenue	$ 13,235,524	$ 12,663,000
	Total operating revenue	$ 136,926,808	$ 116,539,786
	Net operating expenses	$ 244,262,400	$ 218,333,800
	System farebox ratio (net passenger revenue to net operating expense)	50.64%	47.58%
	System operating ratio (total operating revenue to total operating expense)	56.06%	53.38%
	Net rail passenger revenue per passenger mile	$ 0.133	$ 0.113
	Rail operating cost per passenger mile	$ 0.255	$ 0.230
	Net average rail passenger fare (including FastPass)	$ 1.687	$ 1.430

San Francisco Bay Area Rapid Transit District (BART)
Headquarters in Oakland, California
800 Madison Street, P.O. Box 12688
Oakland, CA 94604-2688
[illegible]0) 464-6000

stablished in 1957 by the California State Legislature. Authorized
[illegible] plan, design, construct, and operate rapid transit system.

overned by a Board of Directors elected for four-year terms by
[illegible]ers in nine election districts within the counties of Alameda,
[illegible]tra Costa and San Francisco.

oard of Directors — Fiscal Year 1996

resident
[illegible] Richard, Orinda

[illegible] President
[illegible] K. Pryor, Oakland

embers of the Board
[illegible]strict #1 – Dan Richard, Orinda
[illegible]strict #2 – Joel Keller, Antioch
[illegible]strict #3 – Roy Nakadegawa, Berkeley
[illegible]strict #4 – Margaret K. Pryor, Oakland
[illegible]strict #5 – Sherman Lewis, Hayward
[illegible]strict #6 – Thomas Blalock, Fremont
[illegible]strict #7 – Wilfred T. Ussery / Willie B. Kennedy, San Francisco
[illegible]strict #8 – James Fang, San Francisco
[illegible]strict #9 – Michael Bernick, San Francisco

oard-Appointed Officers
[illegible] E. Margro, General Manager
[illegible]rwood Wakeman, General Counsel
[illegible] Pracawacht, Controller/Treasurer
[illegible] Ormsbee, District Secretary

xecutive Managers Reporting to the General Manager
[illegible] Dugger, Deputy General Manager
[illegible] Gallagher, Assistant General Manager, Operations
[illegible] Williams, Assistant General Manager, Administration
[illegible] Branson, Executive Manager, Budget & Project Mangement
[illegible] Bond, Executive Manager, External Affairs

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