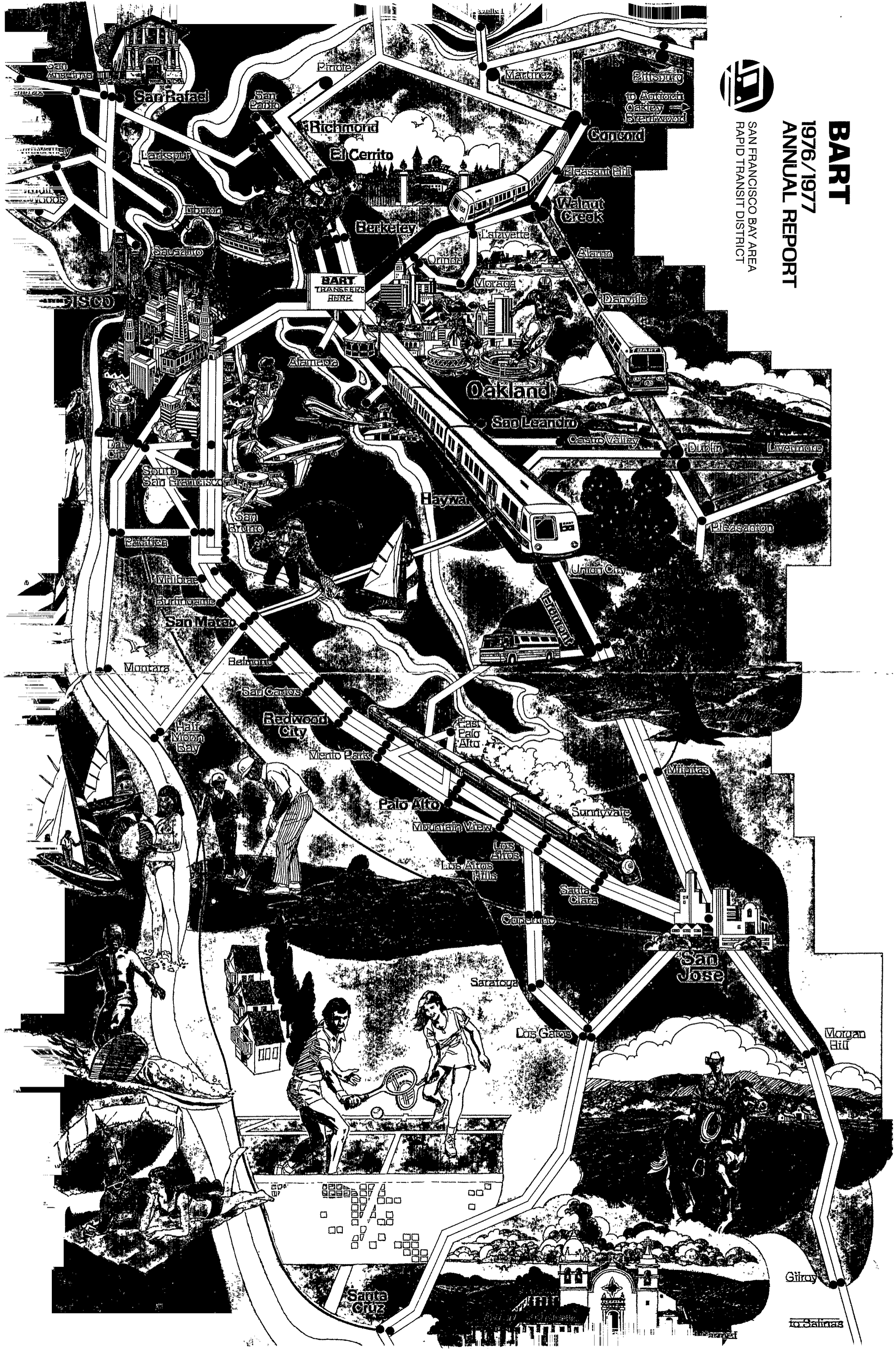




SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT

BART

1976/1977
ANNUAL REPORT

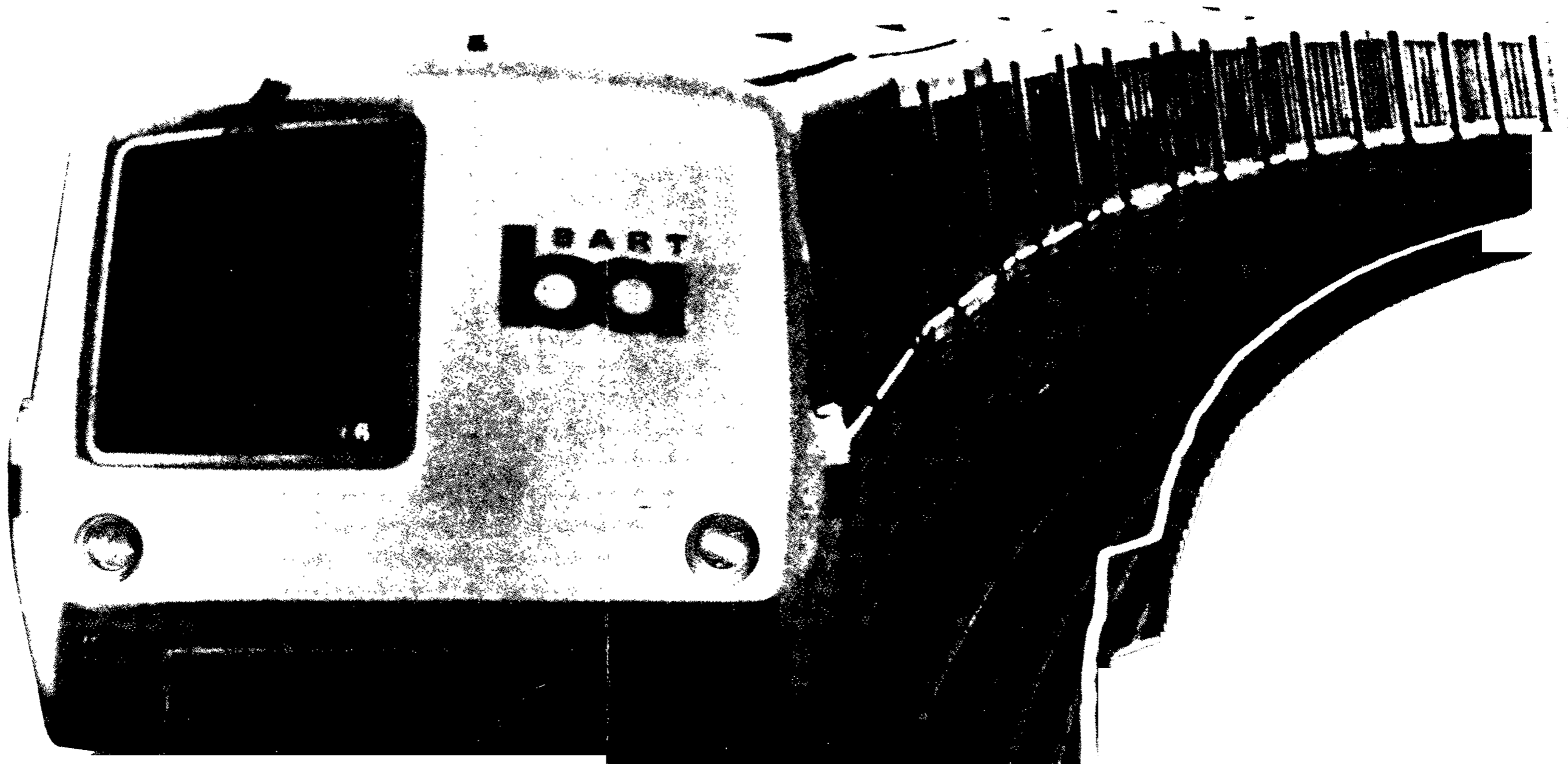


The Cover: yesterday, today and tomorrow . . .

"If the Bay Area is to be preserved as a fine place to live and work, a regional rapid transit system is essential to prevent total dependence on automobiles and freeways." Thus was the underlying concept for BART defined in a final study released in 1956 by the San Francisco Bay Area Rapid Transit Commission.

Today, as depicted on the cover map, BART has, indeed, become a major element in regional public transportation . . . an aesthetically attractive, environmentally sound, and energy-efficient alternative to the automobile.

And tomorrow? BART is destined to play an even more vital role in the Bay Area's capacity to grow and prosper, while providing a meaningful alternative to environmental intrusions that accompany total dependence on the automobile.



MESSAGE FROM THE PRESIDENT AND THE GENERAL MANAGER



This was a year in which BART made significant progress in a number of areas

The Board of Directors welcomed several new members, and this Board, together with management, developed the first comprehensive set of goals and objectives for BART. These goals and objectives were the basis for a thorough analysis of BART's budget, which led to the adoption of a budget for the next fiscal year in which expenses will be fully covered. No fare increase is anticipated, and new weekend service, together with direct Richmond/Daly City service, is expected to commence.

Steps were taken to bring operating costs, of which over 70% are wages, salaries and fringe benefits, under better control. These efforts to increase productivity will be intensified in the months to come.

Substantial effort by the Board and management led to a settlement in principle, on terms quite favorable to BART, of the costly and time-consuming litigation against the designers and builders of the system. In addition, BART's long-term financial stability has been assured through the passage of Assembly Bill 1107, authored by State Assembly Speaker Leo T. McCarthy. It was signed into law on September 30, 1977.

During the year, an expected unfunded deficit was eliminated, equipment failures declined, car availability increased, and more passengers were carried. On January 26, 1977, we carried our 100 millionth passenger, and on October 28, 1977, one of our most interesting — Prince Charles.

While the past year was one of substantial improvement for BART, we still have a long way to go before providing the service the taxpayers of Alameda, Contra Costa and San Francisco deserve. We expect that next year will see the system substantially closer to that goal.

Barclay Simpson
President of the Board

Frank C. Herringer
General Manager

NOVEMBER 1977



Working sessions between President Simpson (right) and General Manager Herringer are a familiar sight on the 5th floor of the BART Administration Building.

PERFORMANCE HIGHLIGHTS



	FY 1976/77	FY 1975/76
RIDERSHIP		
Annual passenger trips	34,599,088	32,897,431
Average weekday trips	133,453	127,464
Average trip length	12.8 miles	12.6 miles
Annual passenger miles	444,401,162	414,507,631
System utilization factor (ratio of passenger miles to available seat miles)	.270	.256
End-of-period ratios		
Peak patronage	51%	NA
Off-peak patronage	49%	NA
BART's estimated share of peak period transbay trips — cars, trains and buses	26%	26%
Passengers with automobile available (as alternative to BART)	61%	61%
OPERATIONS		
Annual revenue car miles	22,862,970	22,446,355
Unscheduled train removals — average per revenue day	11.7	17.3 (1)
Transit car availability to revenue car fleet	76%	60% (2)
Passenger miles per equivalent gallon of gasoline	51	50
Passenger accidents per million passenger trips	19.71	21.31
Crimes reported per million passenger trips	122.4	91.58
FINANCIAL		
Net passenger revenues	\$ 24,692,000	\$ 21,714,000
Other operating revenues	1,466,000	1,507,000
Total operating revenues	26,158,000	23,221,000
Net operating expenses	66,814,000 (3)	55,126,000
Operating ratio (total operating revenues to net operating expenses)	39.15%	42.12%
Operating revenue per passenger mile	5.9¢	5.6¢
Operating cost per passenger mile	15.0¢	13.3¢
Average passenger fare	73.8¢	70.8¢

NOTES

General note: Data represent annual averages, unless otherwise noted. 1975/76 data adjusted where necessary from previously reported results to provide comparability with 1976/77 data.

(1) FY 1975/76 data represents six months ending June 30, 1976.

(2) FY 1975/76 data represents four months ending June 30, 1976.

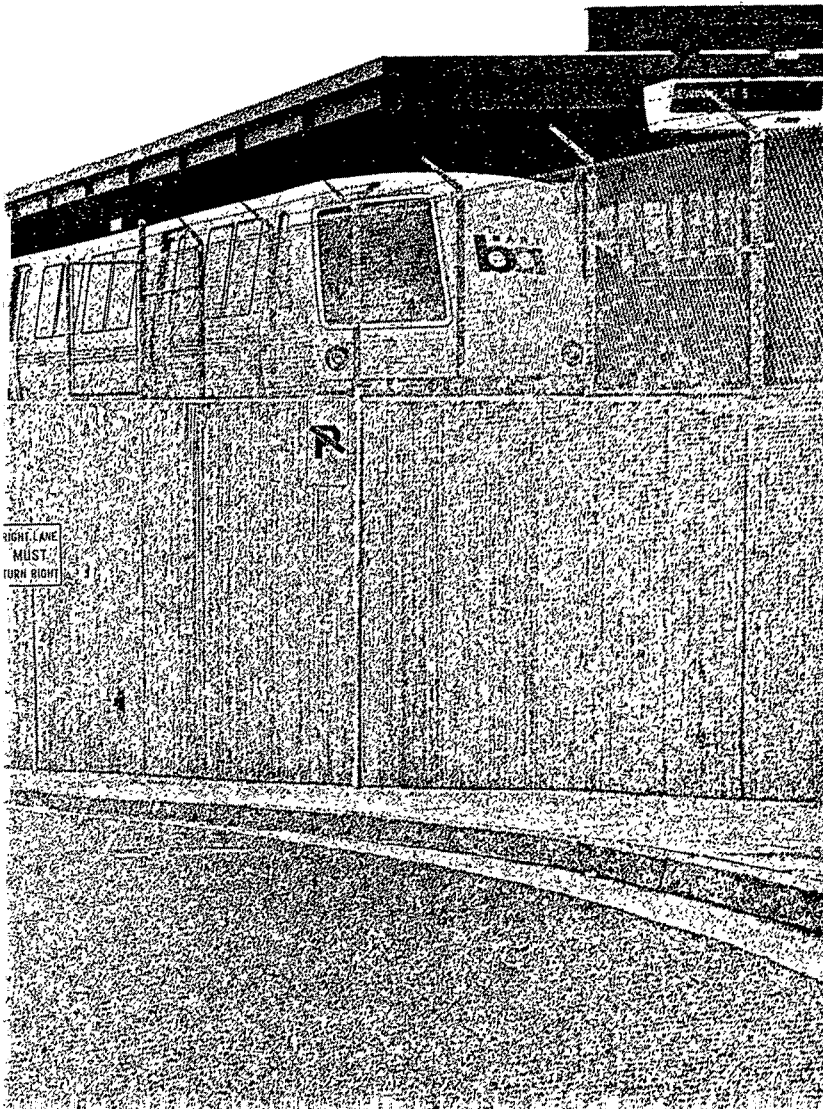
(3) Before cumulative effect, on years prior to June 30, 1977, of change in method of recording self-insured costs for liability and worker's compensation claims in the amount of \$1,033,000.

BART for reasons other than work and school trips. The number of riders reporting diversified usage of BART increased 24% from 1976 to 1977 — an encouraging trend in BART's efforts to increase its off-peak ridership market.

Also encouraging were substantial gains in late night (after 8 p.m.) ridership made during the period. This market saw a 9% increase in January through June 1977 over the similar months in 1976. Another gain in the late night market was an increase in the number of people traveling via BART to the Oakland Coliseum — a 100% increase at some events.

Ridership on BART's five express bus lines serving Alameda County and Contra Costa County also saw a monthly increase from 83,956 in June 1976 to 97,381 in June 1977. Meanwhile, service between BART stations and outlying communities in the two counties continued to improve during the period with refinements in bus schedules and routes.

In the third quarter of the fiscal period, the 100 millionth BART passenger entered the system at the Montgomery Street Station. By the end of the fiscal year the system had carried 115 million patrons over 1.5 billion passenger miles since it opened in 1972.



Daly City Station
This busy hub collects patrons from a block away or as far away as San Jose. Served by more public and private buses than anyplace on the system, it now boasts a new multi-level parking structure.



Train Operator Ken Ward makes friends with one more BART patron: he's U.S. Secretary of Transportation Brock Adams, who rode the system April 21, 1977.

OPERATIONS

Completion of major projects initiated in the previous period contributed to a year of progress in operating efficiencies and passenger service.

Extensive reorganization of maintenance and engineering functions was accompanied by a dramatic increase in transit car availability during the period. The average number of cars available for revenue service on a daily basis was 354 for June 1977 — a 44% increase over the 245-car average for June 1976

Paralleling the increase in car availability was the completion of work on the electrification system which resulted in a 42% increase in available traction power systemwide.

In December 1976 the increased car availability and traction power enabled BART to begin operating full 10-car trains in regular peak-hour service on the Concord line. Train lengths were also increased on other lines as needed. Seating capacity was increased 14% on trains during midday service to meet a steadily growing off-peak market

Saturday service was offered through the holiday season, as in previous years. For the first time, BART trains ran on New Year's Eve until 2:30 a.m. New Year's Day — a service which drew three times the normal number of late night riders. Another addition was service offered on Chinese New Year, Saturday, March 5.

Efficient tailoring of train lengths to demand throughout the revenue day continued to improve from the previous period. The system carried over 5% more passengers than the previous period, but with less than 2% increase in revenue car miles.



Other significant aspects of service received attention during the period. In a major system access study BART planners emphasized the need for improving local bus service to BART stations, and expanding station parking over the next five years. Substantial improvements in patron parking during the period included a partial opening of the Daly City parking structure in November 1976, and 831 stalls added at five other stations

Preparations for a new shuttle service between Coliseum Station and Oakland International Airport were completed with the Port of Oakland, and "Oakland Air-BART" began operating on July 1, 1977, at a fare of 50 cents. The new service was immediately in demand as was the "Humphrey-Go-BART" shuttle which continued to operate between the Berkeley Station and the University of California campus.

Fleetwide installation of transit car handrails was completed by August 1976. Other service improvements included installation of additional fare collection equipment, platform windscreens and bus shelters systemwide. A new entrance, linking the 12th Street station directly to the City Center Plaza in downtown Oakland, was dedicated in ceremonies held October 15, 1976

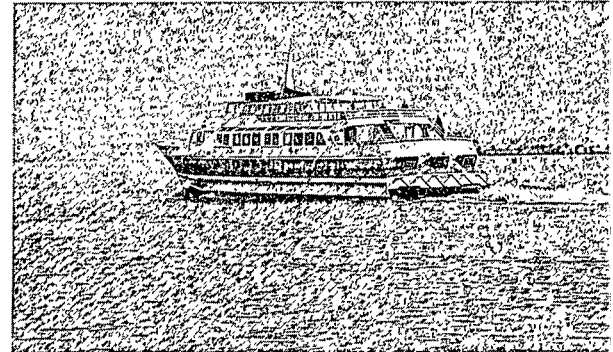
Trained communicators were added to Central Operations to ensure that news media and the public are provided with accurate and continuous system status information. A "hotline" to provide continuous system information to all employees was also established. A separate Station Operations division was formed to improve training and motivation among station agents and other personnel whose performance most directly relates to good patron service.

Central Operations was reorganized for improved coordination among transportation, maintenance and police personnel systemwide. Other operating improvements included two new spur tracks, activated near the BART Oakland Shop and Daly City Station, to help speed removal of malfunctioning trains from the mainline.



Embarcadero Station

After its colorful opening May 27, 1976, this beautiful station quickly became the long-awaited hub of San Francisco's large financial community. It also channels thousands of people daily to nearby cable cars, ferry boats, Fisherman's Wharf and many other attractions.



Station Agent Cynthia Tsang: expert at getting out-of-town visitors on the right track.

OPERATIONS (con't.)

Procedures to operate BART's three train yards, while keeping all cars de-energized at night and over weekends, were devised during the period. An estimated annual savings of 26 million kilowatt hours, valued at \$1 million, made this a most important energy-saving, as well as a cost reduction, measure.

Major improvements in system reliability continued from the previous period. The most significant was a 43% decrease in unscheduled train removals between June 1976 and June 1977. Train removals for the period overall averaged 33% below the previous period. Wayside circuitry of the automatic train control system also saw substantially improved reliability with replacement of a vital "master clock" circuit card in wayside equipment. Installation of sun shields over the equipment is expected to further improve train control reliability.

A new computerized system for classifying and tabulating all types of equipment failures was activated, which improves analyses of failure rates at the subsystem level. Eventually, it will be able to provide precise analyses down to lower component levels.

An engineering research and development laboratory was established to investigate vehicle and wayside equipment problems, work previously carried out by various consulting firms. Within a short time, at minimal cost, the lab engineers had developed new troubleshooting equipment and several important modifications for the vehicles.

At period's end, BART outlined its major service objectives for the 1977-78 fiscal year, which were considered to be realistically tailored to BART's transportation market of the 1970's.

The objectives were (1) start-up of Saturday service by November (to become a regular six-day schedule as of January 7); (2) start-up of direct Richmond/Daly City service by March 1978, with an increase of regular system trains from 30 to 42; and (3) start-up of full seven-day operation by June 1978.

A new, seven-minute shuttle service between the Coliseum Station and Oakland Airport is attracting more air travelers to BART.



ADMINISTRATION

Stable funding of operations moved a step closer when State Assembly Bill 3785 was signed into law on September 22, 1976, extending District revenues from the half-cent sales tax in the three BART counties until June 1978. This interim measure will be replaced by Assembly Bill 1107, which makes the sales tax a permanent regional transit subsidy as of January 1, 1978. Introduced on March 24, 1977, by Assembly Speaker Leo McCarthy, AB1107 passed the Assembly by a decisive 61-4 vote on June 21. (After the close of the fiscal period AB 1107 was passed by the Senate and was signed into law on September 30, 1977.)

The bill (as later amended) reduces BART's fixed share of the sales tax revenues from 100% to 75%, it also stipulates that at least 33% of BART's operating expenses must come from fares. The remaining 25% of the tax revenues are to be allocated among BART, the Alameda-Contra Costa Transit District and San Francisco "Muni" rail and bus lines. Allocations will be made by the Metropolitan Transportation Commission (MTC) for improvements in the level of transit service beyond that provided on or before January 1, 1978.

Other administrative developments during the year included extensive realignments of BART's organizational structure with major changes in maintenance, engineering, transportation and a number of technical and fiscal control functions. In May, the Board and General Manager retained a consulting firm to perform a comprehensive evaluation of BART's administrative organization structure.

Several new department heads were announced: Richard Demko, Director of Rolling Stock and Shops Maintenance; William Fleisher, Director of Field Services (formerly the Transportation Department); Melvin Murphy, Director of Engineering; and Lawrence Williams, Director of Employee Relations. The appointment of Mrs. Hedy Morant to the newly created post of District Budget Officer signaled increased emphasis on fiscal planning, reporting and controls.

A comprehensive review of all BART data processing and management information systems was started in April 1977, representing a first step toward updating and expanding current computer programs and developing new ones.

The period's most notable cost-efficiencies were achieved in the area of fleet maintenance. Improved preventive maintenance, decreased vehicle failure rates, and improved shop supervision all combined to reduce

Coliseum/Oakland Airport Station

This busy station, with its direct walkway to the huge Oakland coliseum complex, is the reason growing numbers of sports fans are leaving their automobiles home and traveling there via BART.

Bay Fair Station

Each weekday BART express buses carry almost 5,000 passengers from outlying communities into Bay Fair, Hayward, Concord and El Cerrito Del Norte stations — and back again in the evening.

Communicators

New communications specialists were added to Central to keep news media and the public informed on BART service systemwide.

ADMINISTRATION (con't.)

average downtime per revenue car (for unscheduled repairs) 44% under the previous period. At the same time, costs in this labor-intensive area were \$1,250,000 below budget for the period.

Further cost-efficiencies were achieved by developing staff capabilities to perform work previously done by outside firms. Such work included repairs on complex vehicle components and also on station escalators systemwide. Engineering research and development work was brought in-house.

The net financial result for the period was a small surplus before taking into account a \$1,033,000 one-time accounting adjustment in expenses to reflect a change in method of recording self-insured costs of liability and workmen's compensation claims. The operating ratio for the year was approximately 39%, including the impact of approximately \$1.5 million in extraordinary power costs caused by the drought. These financial results were especially welcome in view of the \$3.5 million unfunded deficit anticipated at the beginning of the period.

On June 23 BART Directors approved a fully-funded budget for the 1977/78 period of \$77.3 million for normal operating expenses, plus \$5 million in additional funds to meet abnormal power costs expected because of the drought. The budget was developed from a zero base in response to specific goals and objectives adopted by the Board of Directors for the 1977-78 fiscal year, which included inauguration of weekend and direct Richmond/Daly City service.

BART was granted \$3.4 million in Federal funds for operating expenses under Section 5 of the Urban Mass Transportation Act, as amended. Approval of a \$3.7 million Federal capital grant was received, including initial funding to design, engineer and construct a bypass track in the Oakland subway. The additional track will be necessary for efficient track maintenance when the system goes to seven-day operation and will also provide a significant improvement in the flexibility of system operations.

BART continued to pursue affirmative action goals aggressively. At the end of the period, minorities represented 41.4% of the District's workforce, compared to 32.6% of the population in the counties of Alameda, Contra Costa and San Francisco. During the fiscal period, BART hired 44 women in "non-traditional" positions. In addition, the Board of Directors formed a special committee to review BART's Affirmative Action programs.



The District's major collective bargaining agreements, covering 1,550 BART employees, expired on June 30, 1976. After intensive negotiations, the District announced on July 2 a tentative new three-year agreement with the Service Employees International Union, Local 390, and the Amalgamated Transportation Union, Division 1555 (subsequently ratified by the District Board on July 7).

Approval of the District's first collective bargaining contract with the newly-formed BART Supervisory and Professional Association was announced on January 13, 1977, after a month of negotiations. The contract, covering 114 foremen, supervisors and engineers, runs through December 31, 1979.

The District's initial contract with 90 members of the BART Police Officers' Association (BPOA) expired on January 31, 1977. In May the BPOA membership voted to affiliate as Local 1008 of the Service Employees International Union. (After extended negotiations and a 14-day strike, an agreement was subsequently reached with the BPOA on September 7, 1977.)

The District carried on extensive discussions with defendants in connection with a multi-million dollar lawsuit against its engineering consultants (Parsons Brinckerhoff-Tudor-Bechtel), its major equipment suppliers (Westinghouse Electric Corporation and Rohr Industries, Inc.), and other firms.

A settlement in principle to the case pending in the San Joaquin County Superior Court (Stockton) was announced by all parties to the litigation on July 18, 1977.

Under terms of the proposed settlement, the defendants will pay the District \$15 million (including \$1.3 million already received) and will release claims against the District valued at \$13.7 million.

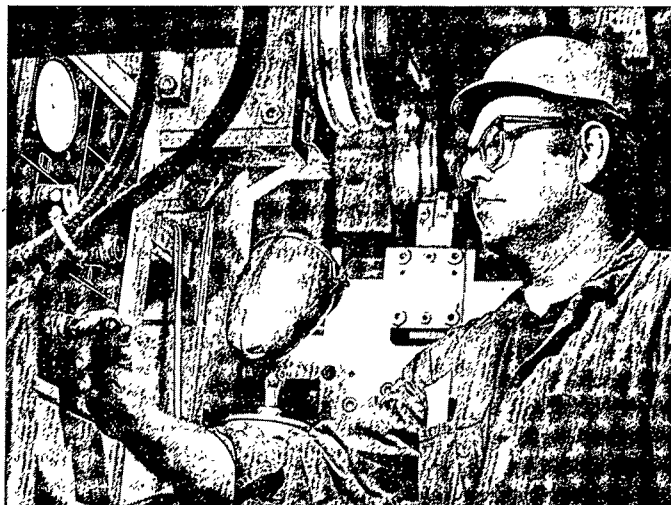
The District will also settle separate contract claims totalling approximately \$15 million by payment to Rohr of \$6.2 million, and will submit a request for reimbursement for approximately 80% of this payment from the Urban Mass Transportation Administration (UMTA) under the terms of an existing UMTA grant to BART. The overall settlement is contingent on UMTA approval of the BART request.

The defendants will also provide BART with access to documents describing the equipment of the system, will make available to BART patent licenses, and will consult with BART on technical matters.

By Dawn's Early Light . . .

Crisp, clean lines of BART cars are accentuated by the morning sun at Hayward Train Yard. A dramatic turnaround in maintenance and engineering problems during the period made over 100 additional cars available for revenue service.

Veteran car mechanic Bob Simmons, Hayward Shop, is one of many BART men and women responsible for the extraordinary accomplishments in maintenance.



DISTRICT BOARD OF DIRECTORS



EUGENE GARFINKLE

District 8
Board tenure from March 10, 1977; term expires 1978 * Committees 1977 Vice-Chairperson, SSWRC, member, AC and SWMC San Francisco resident and attorney.
* Appointed by Board to serve out remaining term of Director Elmer B. Cooper, who resigned, effective January 21, 1977.

ROBERT S. ALLEN

District 5
Board tenure from November 29, 1974; term expires 1980 Committees 1977 Vice-Chairperson, AC, Vice-Chairperson, EQC, member, SWMC and SSWRC Livermore resident Railroad cost analyst



HARVEY W. GLASSER, M.D.

District 4
Board tenure from November 29, 1974, term expires 1978 Committees 1977: Chairperson, SAAC; Chairperson, PILC, member, SWMC. Alameda resident and physician-business consultant.

JOHN H. KIRKWOOD

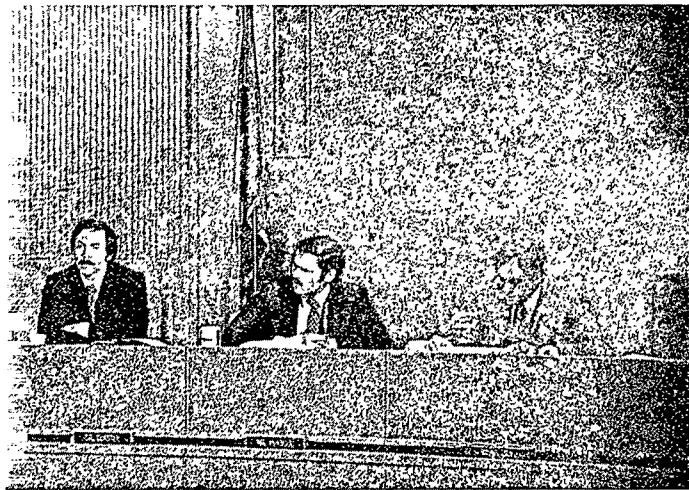
District 9
Board tenure from November 29, 1974, term expires 1980. Committees 1977. Chairperson, EOC, member, SWMC and SSWRC San Francisco resident Transit adviser.



Key to committee abbreviations AC = Administration Committee; EOC = Engineering & Operations Committee; PILC = Public Information & Legislation Committee; SAAC = Special Affirmative Action Committee; SSWRC = Special Salary & Wage Review Committee, SWMC = Special Ways & Means Committee

The Board in Session

The nine members of the Board of Directors are elected directly by the citizens of nine special BART voting districts within Alameda County, Contra Costa County and the City and County of San Francisco. Directors' current four-year terms expire on November 24, 1978 for districts 2, 4, 6 and 8, and on November 28, 1980, for districts 1, 3, 5, 7 and 9



JOHN GLENN

District 6
Board tenure from November 29, 1974; term expires 1978. Committees 1977 Chairperson, SSWRC; Vice-Chairperson, PILC, member, EOC and SWMC. Fremont resident Oakland executive

NELLO J. BIANCO

District 2
Board tenure from October 22, 1969; term expires 1978. Committees 1977: Chairperson, SWMC, member, PILC Richmond resident and businessman



BARCLAY SIMPSON

President
District 1
Board tenure from November 26, 1976; term expires 1980. Committees 1977 member, SAAC, ex-officio member of all standing committees Walnut Creek resident San Leandro businessman Elected November 2, 1976, succeeding Director James D. Hill.

ELLA HILL HUTCH

Vice President
District 7
Board tenure from November 29, 1974, term expires 1980. Committees 1977. Vice-Chairperson, SAAC, ex-officio member of all standing committees San Francisco resident and labor organization staff member



ARTHUR J. SHARTSIS

District 3
Board tenure from November 26, 1976, term expires 1980 *
Committees 1977 Chairperson, AC; Vice-Chairperson, SWMC; member, SSWRC. Oakland resident San Francisco attorney *Elected November 2, 1976, succeeding Director Richard O. Clark.

FINANCIAL STATEMENTS



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

We have examined the balance sheet of the San Francisco Bay Area Rapid Transit District as of June 30, 1977 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 year then ended. Our examination was 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. The financial statements for the year ended June 30, 1976, before restatement, were examined by other auditors whose report dated September 10, 1976, expressed an unqualified opinion on those statements.

We reviewed the adjustments described in Note 2 that were applied to restate the 1976 financial statements. In our opinion, such adjustments are appropriate and have been properly applied to the 1976 financial statements.

In our opinion, the 1977 financial statements identified above present fairly the financial position of the San Francisco Bay Area Rapid Transit District as of June 30, 1977, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles consistently applied during the period except for the changes, with which we concur, in the methods of accounting for revenue recognition and self-insurance described in Note 2 to the financial statements.

San Francisco, California
September 30, 1977

Handwritten signature: Henderson Crawford

Certified Public Accountants

BALANCE SHEET June 30, 1977 and 1976 (In Thousands)

	<u>1977</u>	<u>1976</u> As Adjusted (Note 2)
ASSETS		
Cash (including time deposits: 1977, \$5,060; 1976, \$3,780)	\$ 7,406	\$ 4,685
U.S. Treasury, federal agency, and other securities — at cost	46,681	54,139
Deposits, notes, and miscellaneous receivables	9,364	8,824
Construction in progress	34,602	19,030
Facilities, property, and equipment at cost (less accumulated depreciation and amortization 1977, \$99,477; 1976, \$73,852)	1,381,263	1,403,298
Materials and supplies — at average cost	6,018	4,910
Funds to be provided by transactions and use tax	16,000	24,000
Debt service funds, net assets	30,016	37,605
	<u>\$1,531,350</u>	<u>\$1,556,491</u>
LIABILITIES AND CAPITALIZATION		
Construction contracts and other liabilities	\$ 23,549	\$ 19,137
Unearned passenger revenue	1,631	1,595
Sales Tax Revenue Bonds	16,000	24,000
Debt service funds	30,016	37,605
	<u>71,196</u>	<u>82,337</u>
Capitalization:		
Reserve for self-insurance	6,000	6,000
Payable to State of California	39,111	39,111
General Obligation Bonds	732,735	748,675
Sales Tax Revenue Bonds	—	12,575
Net capital investment	682,308	667,793
	<u>1,460,154</u>	<u>1,474,154</u>
	<u>\$1,531,350</u>	<u>\$1,556,491</u>

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

STATEMENT OF OPERATIONS Years Ended June 30, 1977 and 1976 (In Thousands)

	<u>1977</u>	1976 As Adjusted (Note 2)
Operating revenues:		
Fares	\$ 26,974	\$ 23,595
Less discounts and other deductions	<u>2,282</u>	<u>1,881</u>
	24,692	21,714
Other	520	534
Investment income	946	973
Total operating revenues	<u>26,158</u>	<u>23,221</u>
Operating expenses:		
Transportation	17,982	15,001
Maintenance	32,888	26,578
Police services	2,114	1,916
Construction and engineering	5,434	4,729
General and administrative	11,850	10,674
	<u>70,268</u>	<u>58,898</u>
Less capitalized costs	3,454	3,772
Net operating expenses	66,814	55,126
Operating loss before depreciation expense	40,656	31,905
Depreciation (unfunded):		
Of assets acquired with own funds	18,370	17,690
Of assets acquired with grants and contributions by others	7,841	8,432
Total depreciation	<u>26,211</u>	<u>26,122</u>
Operating loss	66,867	58,027
Financial assistance:		
Transactions and use tax	31,526	28,644
Property tax	5,521	5,029
Transportation Development Act of 1971	349	1,635
State	35	51
Federal	3,400	—
Total financial assistance	<u>40,831</u>	<u>35,359</u>
Loss before cumulative effect of change in accounting method	26,036	22,668
Cumulative effect, on years prior to June 30, 1977, of change in method of recording self-insured costs:		
Liability and worker's compensation claims	1,033	—
Major property damage:		
On assets acquired with own funds	\$981	—
On assets acquired with grants and contributions by others	968	—
Net loss	<u>1,949</u>	<u>—</u>
	29,018	22,668
Depreciation and major property damage of assets acquired with grants and contributions by others	8,809	8,432
Net loss transferred to accumulated deficit	<u>\$ 20,209</u>	<u>\$ 14,236</u>
Reconciliation to net funded deficit:		
Operating loss before depreciation expense	\$ 40,656	\$ 31,905
Add cumulative effect of change in method of recording self-insured costs of liability and worker's compensation claims	1,033	—
Deduct financial assistance	40,831	35,359
Funded excess of expenses over revenues (revenues over expenses)	<u>\$ 858</u>	<u>(\$ 3,454)</u>

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

STATEMENT OF CHANGES IN NET CAPITAL INVESTMENT Years Ended June 30, 1977 and 1976 (In Thousands)

	Property Tax	Transactions And Use Tax
Balance, July 1, 1975	\$41,020	\$ 80,605
Net loss for the year	—	—
Proceeds from grants and contributions	—	—
Depreciation of assets acquired with grants and contributions by others	—	—
Interest on capital	—	—
Bond principal	<u>14,305</u>	<u>56,820</u>
Balance, June 30, 1976	55,325	137,425
Net loss for the year	—	—
Proceeds from grants and contributions	—	—
Depreciation and major property damage of assets acquired with grants and contributions by others	—	—
Interest on capital	—	—
Bond principal	<u>15,940</u>	<u>12,575</u>
Balance, June 30, 1977	<u><u>\$71,265</u></u>	<u><u>\$150,000</u></u>

STATEMENT OF CHANGES IN FINANCIAL POSITION Years Ended June 30, 1977 and 1976 (In Thousands)

	1977	1976 As Adjusted (Note 2)
CASH AND SECURITIES APPLIED TO:		
Operations:		
Net loss transferred to accumulated deficit	\$20,209	\$14,236
Deduct expenses not requiring cash:		
Depreciation of assets acquired with own funds	18,370	17,690
Cumulative effect of change in method of recording self-insured major property damage of assets acquired with own funds	<u>981</u>	<u>—</u>
CASH AND SECURITIES USED (PROVIDED) BY OPERATIONS	858	(3,454)
Additions to construction in progress	15,572	4,599
Additions to facilities, property, and equipment	6,125	20,209
Additions to materials and supplies	1,108	352
Increase (decrease) in deposits, notes, and miscellaneous receivables	<u>540</u>	<u>(3,360)</u>
Total cash and securities applied	24,203	18,346
CASH AND SECURITIES PROVIDED BY:		
Contributions from U S Government grants and others	12,720	35,918
Increase (decrease) in construction contracts payable and other liabilities	4,412	(13,313)
Increase in unearned passenger revenue	36	798
Interest on capital	<u>2,298</u>	<u>2,875</u>
Total cash and securities provided	19,466	26,278
(Decrease) increase in cash and securities	<u>(\$ 4,737)</u>	<u>\$ 7,932</u>

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

U S Government Grants	State Of California Grant	Contributions From Others	Depreciation And Retirements Of Assets Acquired With Grants And Contributions By Others	As Adjusted (Note 2)		Net Capital Investment
				Accumulated Deficit	Interest On Capital	
\$254,048	\$116,902	\$15,300	(\$13,008)	(\$31,216)	\$116,892	\$580,543
—	—	—	—	(14,236)	—	(14,236)
28,175	—	7,743	—	—	—	35,918
—	—	—	(8,432)	—	—	(8,432)
—	—	—	—	—	2,875	2,875
—	—	—	—	—	—	71,125
<u>282,223</u>	<u>116,902</u>	<u>23,043</u>	<u>(21,440)</u>	<u>(45,452)</u>	<u>119,767</u>	<u>667,793</u>
—	—	—	—	(20,209)	—	(20,209)
6,376	—	6,344	—	—	—	12,720
—	—	—	(8,809)	—	—	(8,809)
—	—	—	—	—	2,298	2,298
—	—	—	—	—	—	28,515
<u>\$288,599</u>	<u>\$116,902</u>	<u>\$29,387</u>	<u>(\$30,249)</u>	<u>(\$65,661)</u>	<u>\$122,065</u>	<u>\$682,308</u>

DEBT SERVICE FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES

Years Ended June 30, 1977 and 1976 (In Thousands)

	1977		Combined	1976 Combined
	General Obligation Bonds	Sales Tax Revenue Bonds		
Revenues:				
Property tax	\$45,301	\$ —	\$ 45,301	\$ 43,939
Transactions and use tax received	—	47,368	47,368	46,013
Bond proceeds advanced	—	—	—	408
Interest	1,279	703	1,982	4,235
	<u>46,580</u>	<u>48,071</u>	<u>94,651</u>	<u>94,595</u>
Expenditures:				
Interest	32,266	1,906	34,172	37,347
Principal	15,940	20,575	36,515	71,125
Bond service expense	—	27	27	159
Bond premium	—	—	—	1,058
Funds transmitted to the District	—	31,526	31,526	21,021
	<u>48,206</u>	<u>54,034</u>	<u>102,240</u>	<u>130,710</u>
	<u>(1,626)</u>	<u>(5,963)</u>	<u>(7,589)</u>	<u>(36,115)</u>
Balance, beginning of year	17,635	19,970	37,605	73,720
Balance, end of year	<u>\$16,009</u>	<u>\$14,007</u>	<u>\$ 30,016</u>	<u>\$ 37,605</u>
Represented by:				
Cash (including time deposits: 1977, \$7,913; 1976, \$7,485)	\$ 8,317	\$ —	\$ 8,317	\$ 7,505
U S Treasury and other securities — at cost	6,321	—	6,321	8,792
Taxes and interest receivable	1,371	—	1,371	1,338
Assets with fiscal agent	—	14,007	14,007	19,970
	<u>\$16,009</u>	<u>\$14,007</u>	<u>\$ 30,016</u>	<u>\$ 37,605</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
June 30, 1977 and 1976

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING METHODS

Description of the 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

Securities are carried at cost which approximates market.

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, imposed by the District within the counties it serves, is collected and administered

by the State Board of Equalization. All tax proceeds are transmitted directly to a trustee and recorded as revenue in the debt service funds on receipt. The trustee retains funds necessary for debt service requirements and transmits the excess, if any, to the District. The District records funds not required for debt service and the proceeds of Sales Tax Revenue Bonds (issued for operational purposes) as financial assistance when received. The State Board of Equalization estimates that transactions and use tax revenues for the period April 1, 1977 to June 30, 1977 will be approximately \$10,200,000. Of this amount, \$2,550,000 had been received by the trustee and recorded by the District. Comparable figures for 1976 were \$9,200,000 and \$2,300,000 respectively.

Property Tax Revenue

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 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.

Self-Insurance

The District is largely self-insured for worker's compensation and general liability claims and major property damage. The District records the costs of self-insured claims and major property damage when they are incurred. In addition, the District has designated \$6,000,000 of its capitalization as a reserve for self-insurance.

Reclassifications

Certain reclassifications have been made in the 1976 financial statements to conform to 1977 presentation.

NOTE 2 — CHANGES IN METHODS OF ACCOUNTING

Revenue Recognition

• Interest Earned on Capital Sources

In 1977, the District has accounted for interest earned on capital sources as an increase in net capital investment whereas in prior years this interest had been recorded as revenue in the statement of operations. This method was adopted to recognize that interest from capital sources should be directly associated with the capital which gives rise to the interest and which is not available for current operations.

• Sales Tax Revenue Bond Proceeds

In 1975 and 1976, the District issued \$16,000,000 and

\$8,000,000, respectively, of Sales Tax Revenue Bonds to be used in support of operations. The proceeds of these bonds, net of interest advanced to the trustee, amounted to \$14,970,000 in 1975 and \$7,623,000 in 1976. To recognize the operational support provided, the financial statements for prior years have been restated to include the bond proceeds as revenue in the year received.

To give effect to these changes in methods of revenue recognition, prior year financial statements have been restated as follows.

	Transactions And Use Tax	Net Loss Transferred To Accumulated Deficit	(In Thousands) 1976		Interest On Capital	Funds To Be Provided By Transactions And Use Tax
			Accumulated Deficit			
			Beginning Of Year	End Of Year		
Balance, as previously reported	\$21,021	\$22,755	\$ 70,706	\$ 51,722	\$ —	\$ —
Interest from capital sources	—	2,875	(116,892)	(119,767)	119,767	—
Proceeds from Sales Tax Revenue Bonds	7,623	(7,623)	14,970	22,593	—	22,593
Reclassification of improvements, inventory accumulation, and construction overhead capitalized	—	(3,771)	—	—	—	—
Reclassification of prepaid and accrued interest advanced to the trustee	—	—	—	—	—	1,407
Balance, as adjusted	<u>\$28,644</u>	<u>\$14,236</u>	<u>(\$ 31,216)</u>	<u>(\$ 45,452)</u>	<u>\$119,767</u>	<u>\$24,000</u>

NOTE 2 — CHANGES IN METHODS OF ACCOUNTING (con't)

Self-Insurance

The District insures itself for most worker's compensation, general liability and major property damage. During 1977 the District changed its method of recording the costs of self-insured claims and major property damage to when they are incurred instead of when they are paid.

The effect of this change was to increase the 1977 net loss by \$3,141,000 including \$2,982,000 of costs from prior years. The \$2,982,000 represents \$1,033,000 in worker's compensation and liability claims and \$1,949,000 in major transit vehicle property damage. The pro forma amounts shown opposite reflect retroactive application of the change as if the method had been in effect in both 1977 and 1976.

	(In Thousands)	
	1977	1976
Net loss reported	\$29,018	\$22,668
Cumulative effect of change in method of accounting applicable to:		
1976	(580)	580
Prior to 1976	(2,402)	—
	<u>(2,982)</u>	<u>580</u>
	<u>\$26,036</u>	<u>\$23,248</u>

NOTE 3 — FACILITIES, PROPERTY, AND EQUIPMENT

Facilities, property, and equipment, asset lives, and accumulated depreciation and amortization at June 30, 1977 and 1976 are summarized as follows

	Lives (Years)	(In Thousands)			
		1977		1976	
		Cost	Accumulated Depreciation And Amortization	Cost	Accumulated Depreciation And Amortization
Land	—	\$ 106,544	\$ —	\$ 106,493	\$ —
Improvements	80	1,031,406	50,164	1,029,805	37,972
Systemwide operation and control	20	87,095	17,136	85,890	12,644
Revenue transit vehicles	30	144,075	16,481	146,274	11,903
Service and miscellaneous equipment	3 to 20	9,719	3,099	9,087	2,261
Capitalized construction and start-up costs	30	95,175	11,944	93,794	8,619
Repairable property items	30	6,726	653	5,807	453
		<u>\$1,480,740</u>	<u>\$99,477</u>	<u>\$1,477,150</u>	<u>\$73,852</u>

NOTE 4 — PAYABLE TO THE STATE OF CALIFORNIA

Under Sections 30770-30782 of the California Streets and Highways Code, the Department of Public Works of the State of California authorized the District to construct the San Francisco-Oakland rapid transit tube and its approaches with State funds. These Code Sections provide that the District will reimburse the State for the costs of the tube approaches. At June 30, 1977, the District had

received \$172,513,000 of which \$55,611,000 was repayable to the State. Reimbursement of \$16,500,000 was fulfilled by application of a credit due the District arising from highway betterments constructed with District funds on State Route No. 24. On September 30, 1977, the Governor signed legislation which will cancel the District's obligation to pay such costs.

NOTE 5 — GENERAL OBLIGATION AND SALES TAX REVENUE BONDS

General Obligation Bonds

	Composite Interest Rate	Year Last Series Matures	(In Thousands)					
			Original Amount		1977		1976	
			Authorized	Issued	Due In 1 Year	Total	Due In 1 Year	Total
1962 District Bonds	4.09%	1999	\$792,000	\$792,000	\$17,450	\$722,775	\$15,650	\$738,425
1966 Special Service District Bonds	4 41%	1998	20,500	12,000	300	9,960	290	10,250
			<u>\$812,500</u>	<u>\$804,000</u>	<u>\$17,750</u>	<u>\$732,735</u>	<u>\$15,940</u>	<u>\$748,675</u>

Sales Tax Revenue Bonds

1969 Sales Tax Revenue Bonds	—	1977	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$12,575</u>	<u>\$ 12,575</u>
1975 Sales Tax Revenue Bonds	5 44%	1978	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$16,000</u>	<u>\$ 16,000</u>	<u>\$ 8,000</u>	<u>\$ 24,000</u>

NOTE 5 — GENERAL OBLIGATION AND SALES TAX REVENUE BONDS (con't)

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 \$15,477,000 on General Obligation Bonds and \$222,000 on Special Service District No. 1 Bonds is payable on December 15, 1977.

The 1969 Legislature of the State of California authorized the District to impose a 1/2% 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. Payment of both principal and interest is provided by the 1/2% Transactions and Use Tax. Bond principal is payable annually on January 1 and interest is payable semiannually on July 1 and January 1 from debt service funds. Interest of \$404,000 is payable on July 1, 1977.

On September 30, 1977, the Governor signed legislation which will extend the Transactions and Use Tax indefinitely. Under the legislation, revenues from the tax imposed on or after January 1, 1978, and revenues from the tax imposed prior to January 1, 1978, but available after March 31, 1978, will, subject to certain restrictions, be allocated 75% to the District and 25% by the Metropolitan Transportation Commission to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for improvements in the level of transit service.

NOTE 6 — U S GOVERNMENT GRANTS

The U.S. Government, under grant contracts with the District, provides financial assistance for capital projects. Additionally, the District is administering federal grants to the City and County of San Francisco for construction of Market Street station mezzanines, street plazas and street extensions, and a grant to the City of Berkeley in connection with the construction of subway extensions. Grants for capital projects are recorded as additions to net capital investment when received. A summary of federal grants in force at June 30, 1977 is as follows:

Type Of Grant	(In Thousands)	
	Maximum Grant	Funds Received
Beautification	\$ 1,961	\$ 1,961
Demonstration	12,842	12,342
Capital	300,989	274,296
	<u>\$315,792</u>	<u>\$288,599</u>

NOTE 7 — LITIGATION AND DISPUTES WITH CONTRACTORS AND OTHERS

The District has filed suit against its consulting engineer, Parsons Brinckerhoff-Tudor-Bechtel (PB-T-B), two of its primary contractors, Rohr Industries, Inc. and Westinghouse Electric Corporation, a subcontractor, Bulova Watch Company and the primary contractors' respective sureties, seeking damages of approximately \$160 million from Westinghouse, Rohr and PB-T-B, and in addition, \$2 million from Westinghouse, PB-T-B and Bulova. Some of the defendants have indicated that they intend to enter cross-claims against the District.

On July 18, 1977, the District and the defendants (except Bulova) announced that they had reached a settlement in principle of this litigation. A written agreement setting forth detailed terms and conditions is being prepared and must be approved by all parties. In general, the settlement in principle provides for the payment to the District of \$15 million (\$13 million of which has already been received) and a release of claims by all parties.

In addition, Rohr has agreed to accept a payment of \$6.2 million from the District in settlement of a separate claim involving \$15 million in disputed billings under the Transit Vehicle Contract. The District will submit a requisition for approximately 80% of this payment to the Urban Mass Transportation Administration (UMTA). The overall settlement is contingent on UMTA approval of the District's requisition.

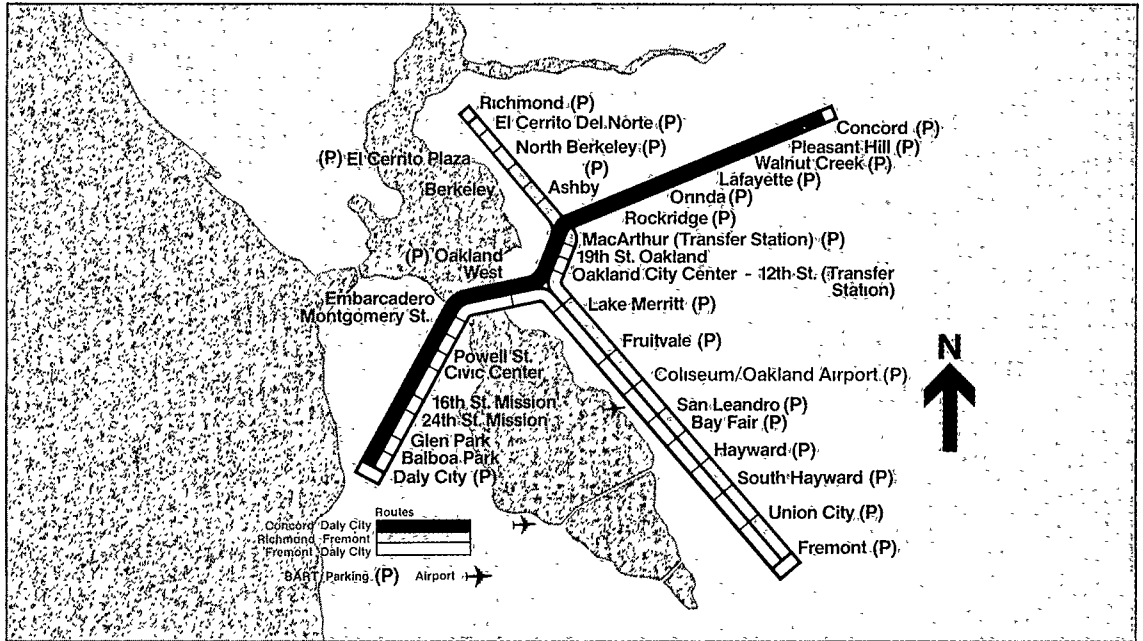
The District has capitalized \$4.4 million in costs related to the litigation. It is anticipated that net proceeds from the tentative settlement would be applied against project costs and would make funds available for capital improvements.

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

NOTE 8 — 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 em-

ployees 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 \$3,441,000 and \$2,400,000 in 1977 and 1976, respectively.



SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Established in 1957 by the California State Legislature.

Authorized to plan, finance, construct and operate a rapid transit system.

Governed by a Board of Directors whose members are elected for four-year terms by voters of nine election districts within the counties of Alameda, Contra Costa and San Francisco.

ADMINISTRATIVE HEADQUARTERS

800 Madison Street, Oakland, California, 94607
(415) 465-4100

Frank C. Herringer Robert D. Gallaway
General Manager Assistant General Manager

DEPARTMENT DIRECTORS

Malcolm M. Barrett General Counsel	Ernest G. Howard Affirmative Action & Training	Fred L. Peil Technical Services
C. Keith Bernard Planning, Budgeting & Research	Diane D. Levine Marketing & Communications	Gordon H. Ringenberg Program Management
Richard P. Demko Rolling Stock & Shops Maintenance	Vincent P. Mahon Power & Way Maintenance	Richard J. Shephard District Secretary
William B. Fleisher Field Services	Melvin H. Murphy Engineering	James E. Terry* Employee Relations
William F. Goelz Director of Finance	Phillip O. Ormsbee Special Services	Ralph S. Weule Safety
Krishna V. Hari System Development		

*Succeeded by Lawrence A. Williams, effective August 1, 1977.

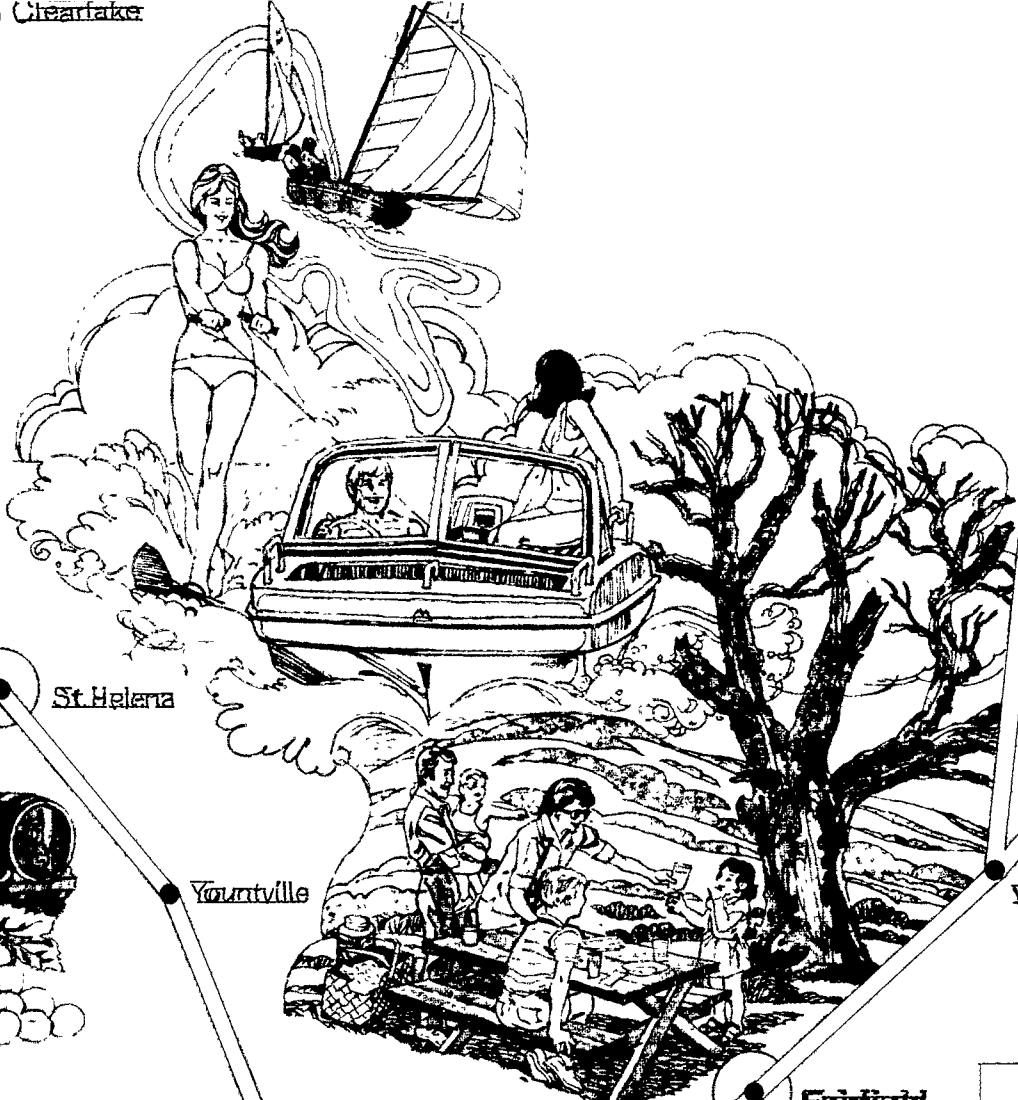
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BART SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
ba 800 Madison Street
Oakland, California 94607
(415) 465-4100

to Clearlake



Castroville



St. Helena

Yountville

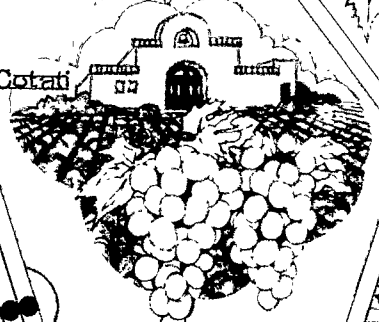
Vacaville

Santa Rosa



Robert Park

Cotati

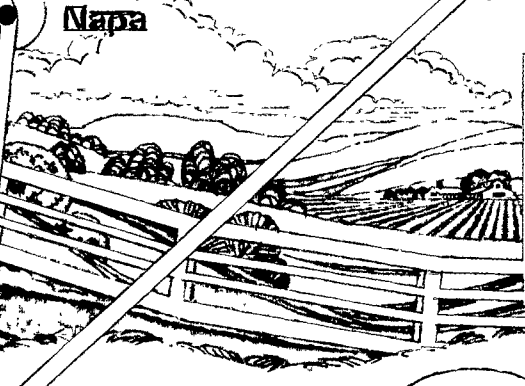
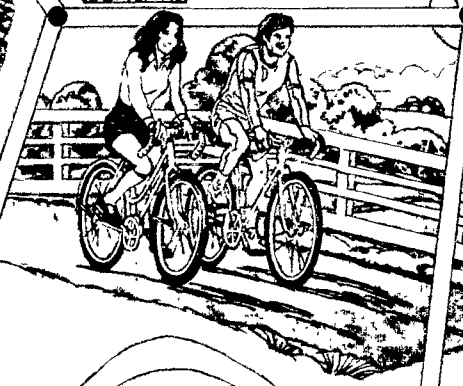


Petaluma

Sonoma

Napa

Fairfield



Novato

Vallejo