



Bay Area Rapid Transit District Annual Report 1986-1987

Board of Directors



Barclay Simpson
District 1

Board Vice President, 1987. Board President, 1977. A member of the Board since 1977. Chairperson, BART Liaison with the Central Contra Costa Transit Authority, 1987. Member, BART Liaison with SamTrans. Chairman of the Board, Simpson Company, San Leandro. Owner of the Barclay Simpson Art Gallery, Lafayette. Lives in Orinda.



Nello Bianco
District 2

Board President 1986, 1980 and 1975. A member of the Board since 1969. BART Representative to the American Public Transit Association Board of Directors, 1987. BART Liaison with Eastern Contra Costa Authority and also with the West Contra Costa Transit Authority, 1987. Businessman. Former Richmond City Councilman. Lives in El Sobrante.



Arthur J. Shartsis
District 3

Board President, 1984. A member of the Board since 1976. Chairperson, Administration Committee 1987. Vice Chairperson, Engineer and Operations Committee, 1987. A San Francisco attorney. Lives in Oakland.



Margaret K. Pryor
District 4

Board President, 1987. A member of the Board since 1980. Chairperson, BART Liaison with the Alameda-Contra Costa Transit District, 1987. Chairperson, Livermore/Amador Valley Transit Authority Policy Advisory Committee 1987. Chairperson, APTA Minority Affairs Committee, 1987. Lives in Oakland.



Robert S. Allen
District 5

Board President, 1983. A member of the Board since 1974. Member, BART Liaison with SamTrans, 1987. Employed 27 years in engineering and operations for three major railroads. Lives in Livermore.



John Glenn
District 6

Board President, 1980. A member of the Board since 1974. Chairperson, Policy Committee, Fremont-South Bay Corridor Study, 1987. Founder and President, John Glenn Adjusters and Administrators. Organizer and Director, Civic Bank of Commerce. Lives in Fremont.



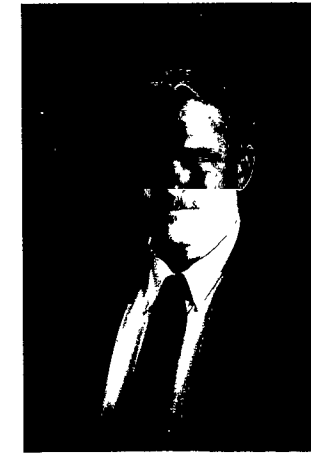
Wilfred T. Ussery
District 7

Board President, 1985. A member of the Board since 1978. Vice Chairperson, Administration Committee, 1987. An urban planner. Active in Bay Area civic organizations. Past National Chairperson, Congress of Racial Equality, 1967 to 1969. Lives in San Francisco.



Arlo Hale Smith
District 8

A member of the Board since 1986. Chairperson, Public Affairs, Access and Legislation Committee, 1987. Member, BART Liaison with SamTrans, 1987. A San Francisco attorney. Lives in San Francisco.



John H. Kirkwood
District 9

Board President, 1979. A member of the Board since 1974. Chairperson, Engineering and Operations Committee, 1987. Chairperson, BART Liaison with San Francisco Municipal Railway, 1987. Member, BART Liaison with SamTrans, 1987. Advisory Board member, San Francisco Planning and Urban Renewal (SPUR) Association. Lives in San Francisco.

Message from the President

When I assumed the presidency of the BART Board of Directors in 1987, I said that it would be a year of challenges which would have to be met aggressively if we were to turn our ridership curve upward, remain competitive for the dwindling transit tax dollar, and expand the capacity of our system to meet new travel demands. It was a challenging year, with certain triumphs recorded and other milestones passed with more modest success. On balance, it was a productive year for the District, and made clear certain paths BART must travel if it is to remain one of the premier mass transit systems in the country.

I made as one of my pledges a "back to basics" approach to BART's transit policy direction, and I am pleased to report that gains were made in fulfilling that pledge. BART's basic charge is to move people in a swift, safe and efficient manner. The everyday, mechanical function of the system has to be supported by an out-reaching to the communities we serve to gain the support needed at all political levels to assure acceptance and approval of our programs. I believe we achieved this during 1987. I joined with management in creating ongoing dialogues with local and national officials to win approval of the final elements of our capital funding program, a \$500 million capacity expansion which registered significant progress during my presidency.

We were all encouraged by ridership figures which approached the 200,000-per-day levels we had experienced prior to the fare increase of 1986. The AC/BART PLUS pass, a joint ticketing arrangement, proved successful, as did continuation of the BART/MUNI Fast Pass with the San Francisco Municipal Railway. Further, the District has become more sensitive to our impact on the

community, which extends beyond our stations, tracks and other facilities. This is reflected in our joint development planning around station sites where we require maximum community input. All BART development must have positive visual and economic impact on the communities and neighborhoods we serve, and not have a negative, diminishing effect.

Our networking with other transit agencies met with mixed results, but I am proud of the progress made during the year on the San Leandro-to-Dublin rail extension, particularly in the selection of BART as the mode for that system extension. We continued to devote great energy to other system expansion proposals, both within and outside BART's three-county borders.

I am particularly proud of the strides BART made in improving access for the disabled community, from sensitive edging in our stations to a resolution urging national transit recognition of the need for total accessibility for the handicapped. I have paid particular attention to the needs of the disabled since first becoming a BART Director, and continued that dedication during my presidency.

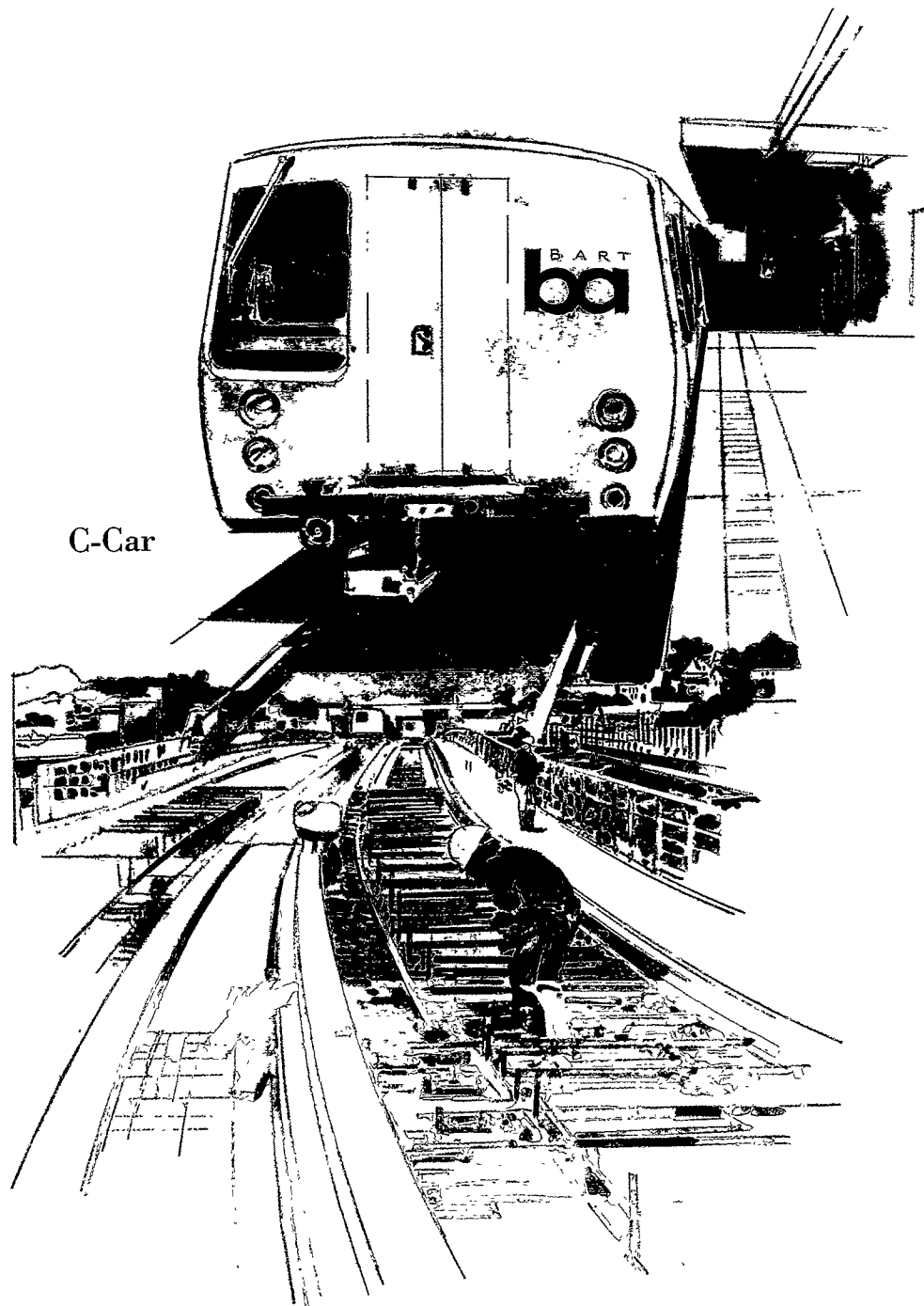
I am pleased with the progress the District made in employment and contracting opportunities for women and minorities. I am gratified that we continued the training of women in non-traditional jobs.

In summation the year 1987 can be viewed as one of definite progress. I believe it was a year in which we as a policy-making body sharpened our focus on the very reason for our existence—the swift, efficient and safe movement of people from Point A to Point B.



Margaret K. Pryor, President
Board of Directors
San Francisco Bay Area
Rapid Transit District, 1987

A handwritten signature in black ink, which appears to be "M. Pryor". The signature is fluid and cursive, written over a light background.



C-Car

Daly City Turnback

C-Cars

A key part of BART's long-range program to increase its passenger-carrying capacity is the acquisition of 150 new cars.

Designated the C-Car, the new car shell is being manufactured in France by SOFERVAL, a subsidiary of Alsthom-Atlantique. Final assembly of the cars takes place in Union City, not far from BART's main yard in Hayward.

At the close of the fiscal year on June 30, 1987, the first production cars were scheduled by SOFERVAL to be delivered to BART in November and December.

The prototype test program, production baseline design reviews and first article configuration identification were completed during the final quarter of the fiscal year.

Testing of the prototypes was rigorous, in conformance with the strict requirements of the contract with SOFERVAL. BART has insisted throughout the manufacturing process that the C-Cars must adhere to its contract specifications. SOFERVAL's delivery schedule was approximately two years behind at the close of the fiscal year.

The new cars, besides adding passenger capacity, will provide increased flexibility in the make-up of the trains and allow savings in energy costs for overall fleet operations.

The new cars can be used as a lead car on a train, in the middle or at the end of a train, providing BART with increased flexibility in making and breaking trains at stations, rather than in the yards. The District's present A-cars, which cannot be inserted in the middle of a train, seriously reduce BART's ability to break up longer trains into shorter ones for off-peak service and then to re-assemble them to meet peak-service demand.

Total cost of the new C-Cars, including a new on-board automatic train control system, is estimated at \$228.3 million, approximately \$50 million less than the original bid price.

Daly City Turnback and Yard

Construction of the Daly City Turnback and Yard continued smoothly during the year and was \$8 million under original estimates.

When completed, the project will provide BART with train storage and maintenance capabilities on the west side of San Francisco Bay. Trains will not have to be returned daily to East Bay facilities for maintenance. With its new track configuration, the Turnback will allow trains to be reversed to return to East Bay destinations at more frequent intervals.

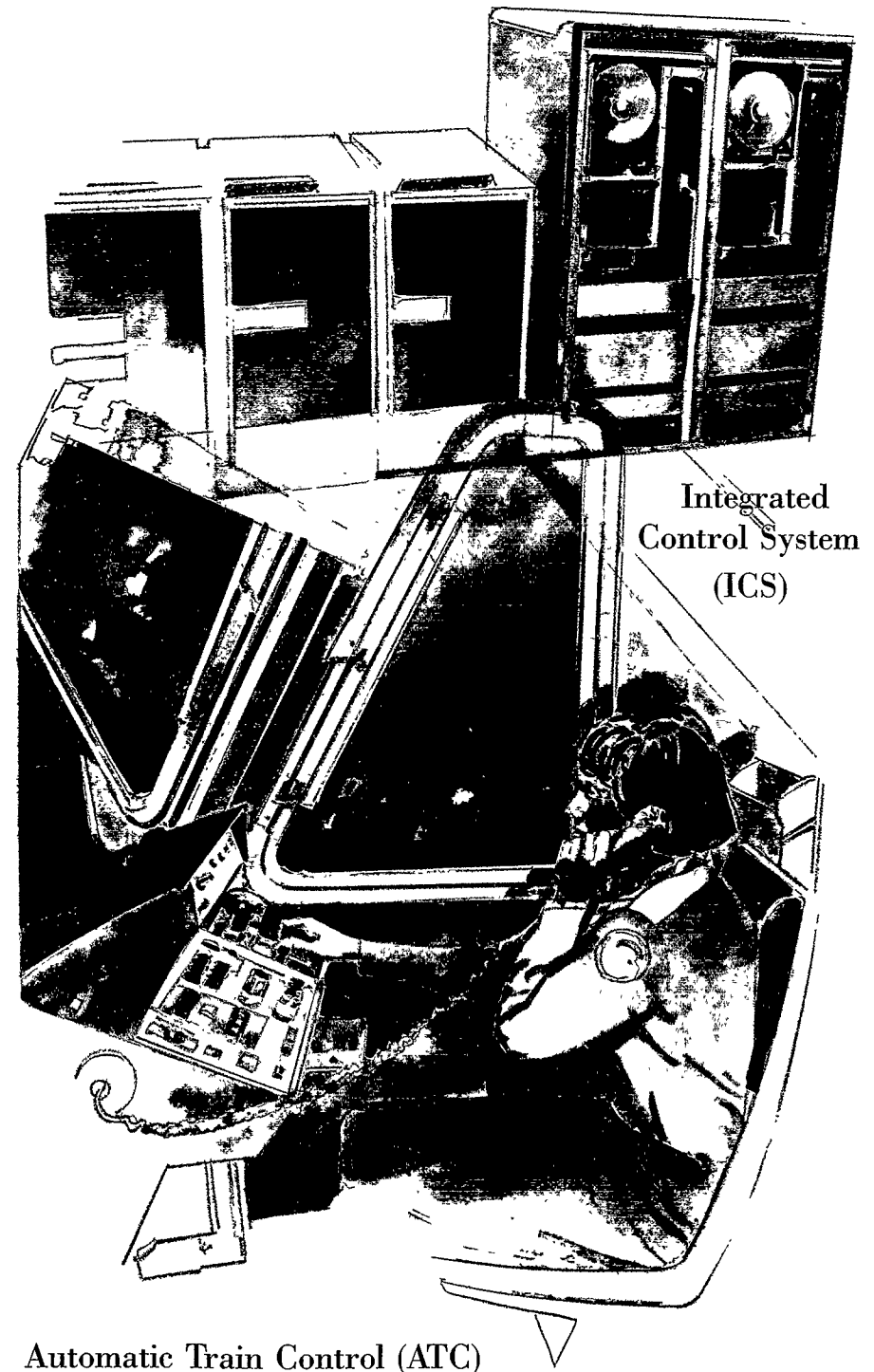
In May, special 780-foot-long rails for the Turnback project were moved from BART's Hayward yard and laid on the Turnback during the night, to avoid any interruption of regular passenger service.

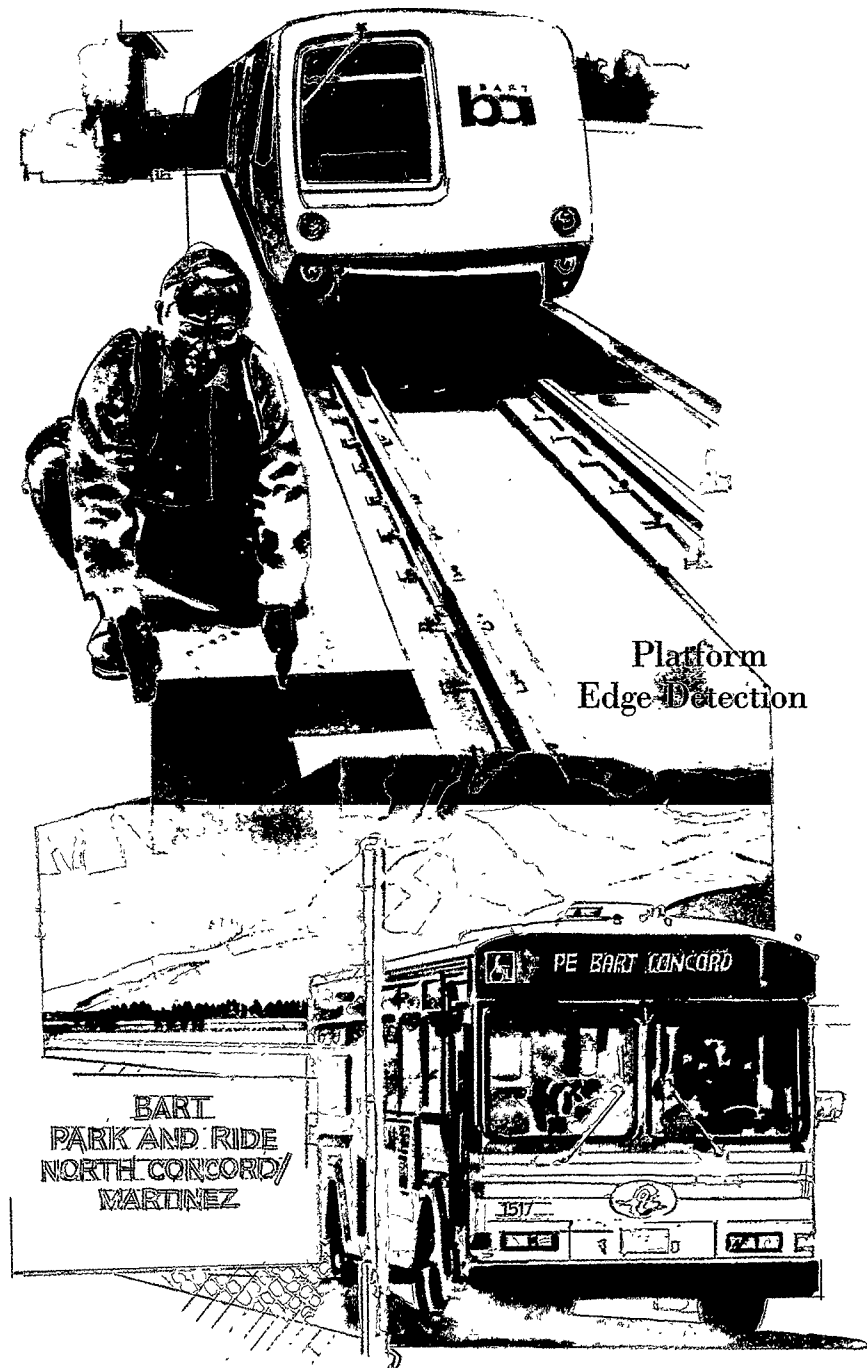
The Turnback was scheduled for completion in July, 1988, with the Yard's completion scheduled for March, 1989. Total cost of the project is estimated at \$141.3 million.

Wayside Control

BART's Wayside Train Control modification project continued on schedule. The modifications include changes to the command controls located along the tracks throughout the system and in stations. The modifications will enable closer train spacing and a more even flow of trains throughout the system, thus increasing BART's capacity to carry passengers.

Estimated to cost \$14.9 million, the new system is scheduled for completion by July, 1989. Part of the cost will be covered by a grant of \$8 million from the Urban Mass Transportation Administration.





Platform
Edge Detection

BART
PARK AND RIDE
NORTH CONCORD/
MARTINEZ

BART Express Buses

System Access

Access to BART—the ability to conveniently reach its stations and trains—improved markedly during the year.

A comprehensive program is under way to increase the parking capacity at BART stations by 50 percent over the next five years. The number of new parking spaces made available this past year amounted to 1,532, bringing to 25,526 the total parking spaces at BART stations.

Nearing completion at the close of the fiscal year were parking expansions at the Fremont Station, 391 spaces; the Fruitvale Station, 238; and the San Leandro Station, 160. Plans were also completed for expansions at Lafayette, 293 spaces, and Orinda, 250.

In addition, the 213-space West Pittsburg Park/Ride facility was opened in July, 1986, with direct connection to the Concord Station by BART express bus. In March, 1987, the North Concord Park/Ride lot was opened. It provides 530 parking spaces and is served by express bus routes, linking communities in eastern Contra Costa County with the Concord Station.

A joint AC/BART PLUS ticket became available early in 1987, providing a discount to riders using both systems. The number of off-site BART ticket sales outlets was increased to 217 by June 30, 1987, including retailers, employers, schools, financial institutions and community groups.

Within the stations themselves, modifications to elevators continued, providing improved access to handicapped patrons. Work began on a system-wide installation of brightly colored textured tile on platform edges, following extensive evaluation of several methods to improve the detection of the platform edge by vision-impaired patrons.

Affirmative Action

BART's efforts to hire and promote minority, women and handicapped employees continued during the year.

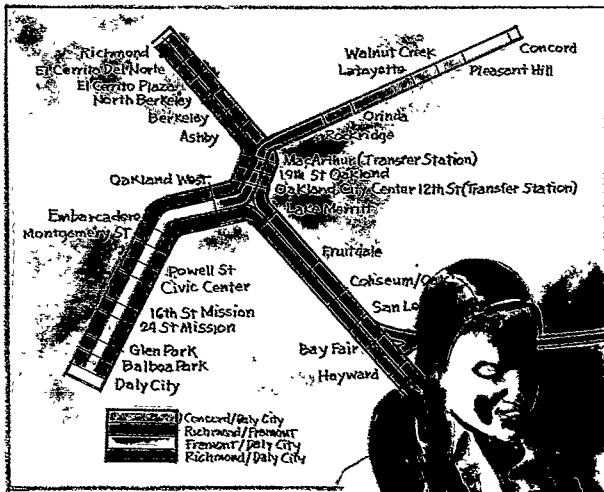
Those efforts included identifying and analyzing job vacancies, recruitment, information programs about job availabilities, contact with community, educational, governmental, professional and business organizations and training.

The long-range objective of BART's Affirmative Action program, which was adopted by the Board of Directors in 1983, is to achieve a representative work force that reflects the availability for hire of women and minorities in the Bay Area.

It is the District's policy that minority business enterprises (MBE), including disadvantaged and women-owned businesses, be afforded the maximum practical opportunity to participate in performance of all District contracts and agreements.

Out of the District's total procurement, the MBE participation achieved was over 25 percent, which exceeded the objective of 21 percent for the year. This was accomplished through extensive outreach effort and active sponsoring of trade fairs.





Dublin Extension



Station Agents

BART Police

Fire Hardening

BART's \$20.7 million Vehicle Fire Hardening project, which included all of BART's passenger cars, was completed in August, 1987. BART's cars rank among the most fire-safe transit vehicles in the nation.

The project included the replacement of walls and ceilings, the installation of fire-stops in the walls and ceilings, the laying of new floors and the reinforcement with special fire-safe and fire-retardant materials of other parts under the cars where heat and fire might be generated.

Special Services

BART provided special service during the year for holiday shopping, musical and sporting events at the Oakland Coliseum, the Bay-to-Breakers run and the observance of the 50th anniversary of the opening of the Golden Gate Bridge in 1937.

The shopping specials provided extra trains on four Sundays preceding Christmas for shoppers bound for downtown Oakland and San Francisco.

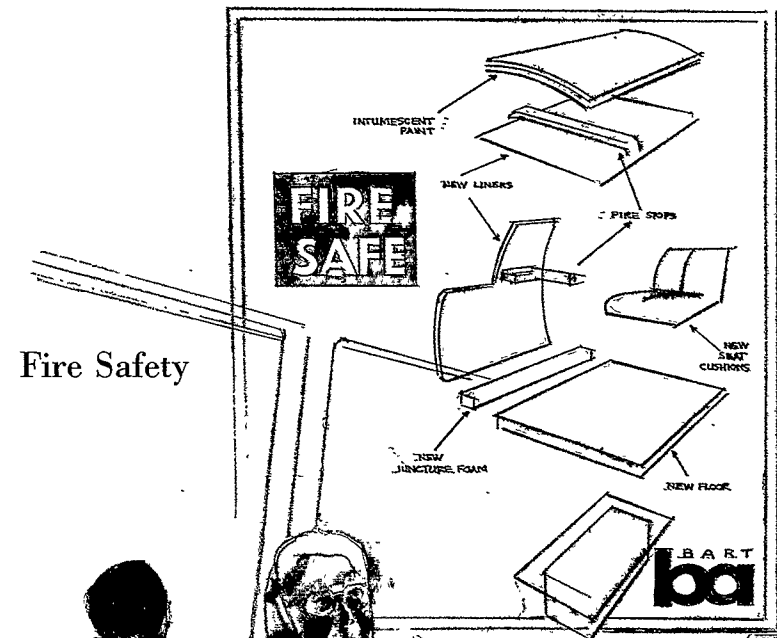
BART dispatched trains from the East Bay into San Francisco beginning at 3 a.m. for the observance of the Golden Gate Bridge's 50th anniversary.

On-Time Performance

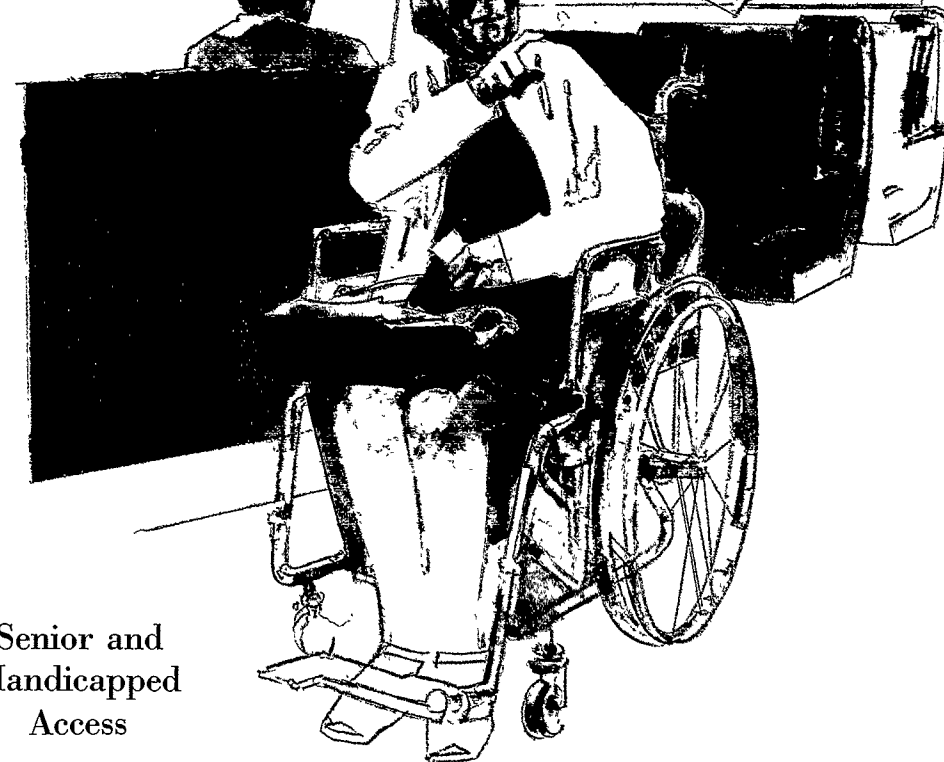
BART's record of performance in getting passengers to their destination on time improved markedly during the year. On-time performance by BART had fallen below District objectives during the previous year, primarily because of the construction of the K-E Track in downtown Oakland.

In November, 1986, following the completion of the Fire Hardening project, which withdrew cars from service for necessary safety modifications, BART added two trains to its peak-time Concord-Daly City and Fremont-Daly City schedules. The trains were added without any disruption of service or lessened on-time reliability, reflecting BART's overall plan to gradually boost its passenger-carrying capacity without disrupting current operations.

These two trains brought to 45 the total of trains available for peak-hour service on weekdays. Average car availability at 4 a.m. on weekdays during the fiscal year was 387.



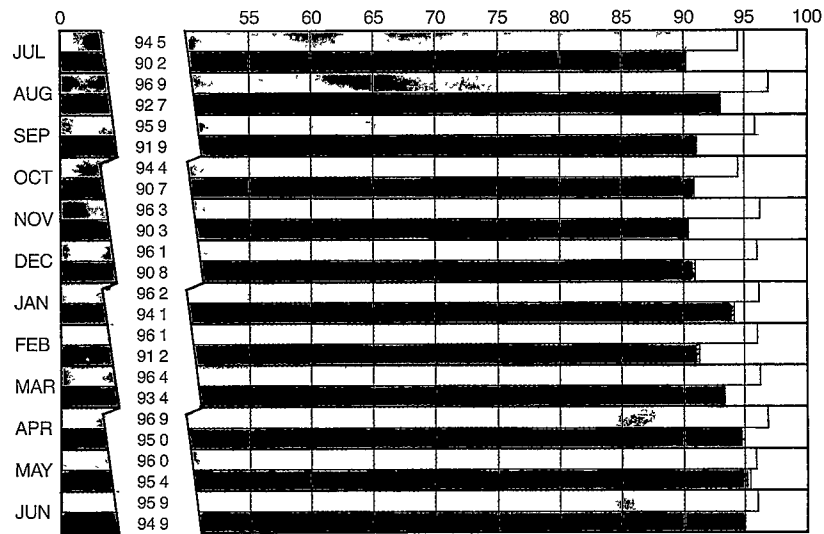
Fire Safety



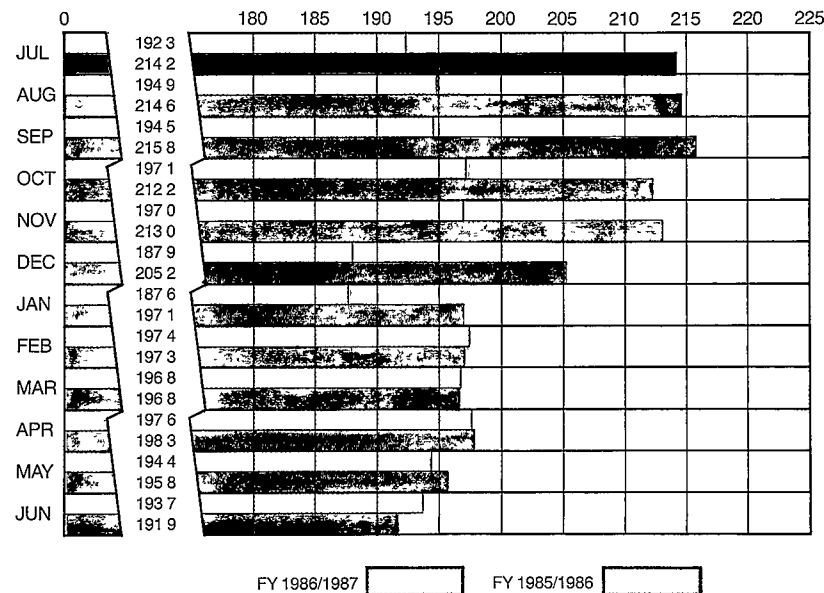
Senior and
Handicapped
Access

Performance Highlights

Daily On-Time Performance



Average Weekday Patronage (000's)



During the fiscal year 1986–1987, BART patronage declined by 2.6 million passengers from the prior year, although passenger revenues increased by \$4.6 million. Total operating revenues reached an all-time high of \$84.6 million.

BART funded 52.2 percent of its total operating expenses, which amounted to \$162.2 million (excluding depreciation) for FY 86–87, from passenger fares and other operating revenue. This is up from 51.0 percent during the prior fiscal year. A long-standing District objective is to fund approximately one-half of its net rail operating expenses from operating revenues.

Net passenger revenue for FY 86–87 amounted to \$77.7 million, compared to \$73.1 million for FY 85–86. Total operating revenue, including almost \$7 million in interest income, advertising in trains and stations, and other income, was \$84.6 million for FY 86–87, compared with \$82.1 million for the previous fiscal year.

BART's farebox ratio, which relates net passenger revenues to net operating expenses, was 47.9 percent for FY 86–87, an increase over the figure of 45.4 percent for FY 85–86.

Net rail passenger revenue per passenger mile for FY 86–87 was 11.1 cents, up from the previous

year's 9.6 cents. Rail operating costs per passenger mile for FY 86–87 was 21.1 cents, compared with 19.6 cents for FY 85–86.

Annual passenger trips during FY 86–87 totaled 56.2 million, compared with 58.9 million for the previous year, with an average of 12.4 miles for each trip during FY 86–87, compared with 12.8 miles the year before.

In addition to funds derived from passenger fares, interest income and advertising, BART received \$87.1 million in revenues from 75 percent of the one-half cent transit sales tax in the three BART counties, \$1.0 million in state and local funds and \$7.4 million in property tax available for operations. Of the \$87.1 million derived from the sales tax, \$13.5 million was allocated to debt service and \$73.6 million was made available for operations.

Directors reduced the property tax rate on the levy for repayment of the general obligation bonds approved by voters in 1962 for construction of the system. Directors set a tax rate of 4.21 cents per \$100 of assessed value, down from 5.08 cents for the previous fiscal year. The property tax generated revenues of \$47.8 million from property owners in Alameda, Contra Costa and San Francisco counties, the three counties making up the District.

ADAMS, GRANT, WERNER & Co.



505 14TH STREET SUITE 950
OAKLAND CALIFORNIA 94612

Peat Marwick Main & Co
Three Embarcadero Center
San Francisco CA 94111

Certified Public Accountants

The Board of Directors
San Francisco Bay Area
Rapid Transit District

We have examined the balance sheets of San Francisco Bay Area Rapid Transit District as of June 30, 1987 and 1986, and the related statements of operations, capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of San Francisco Bay Area Rapid Transit District at June 30, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles, consistently applied during the period subsequent to the change, with which we concur, made as of July 1, 1985 as described in note 2 to the financial statements.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Reconciliation of Funded Operating Expenses in Excess of Revenues is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Adams, Grant, Werner & Co *Peat Marwick Main & Co*

September 2, 1987

	FY 1986/87	FY 1985/86
Rail Ridership		
Annual passenger trips	56,240,997	58,894,468
Average weekday trips	194,226	204,244
Average trip length	12.4 miles	12.8 miles
Annual passenger miles	695,944,275	751,848,613
Patron trip on-time performance (%)	94.4%	89.1%
System utilization ratio (passenger miles to available seat miles)	31.9%	34.2%
End-of-period ratios:		
Peak patronage	49.1%	49.2%
Offpeak patronage	50.9%	50.8%
BART's estimated share of peak period transbay trips — cars, trains & buses (a)	37.0%	37.8%
Operations		
Annual revenue car miles	30,266,578	30,489,648
Unscheduled train removals — average per revenue day	4.2	5.2
Transit car availability to revenue car fleet (b)	91.1%	89.1%
Passenger miles per equivalent gallon of gasoline	75.3	79.2
Passenger accidents reported per million passenger trips	16.09	16.62
Patron-related crimes reported per million passenger trips	33.20	26.35
Financial		
Net passenger revenues	\$ 77,654,000	\$ 73,052,000
Other operating revenues	6,970,000	9,019,000
Total operating revenues	84,624,000	82,071,000
Net operating expenses (excluding depreciation)	162,202,000	160,894,000
Farebox ratio (net passenger revenues to net operating expenses)	47.87%	45.40%
Operating ratio (total operating revenues to net operating expenses)	52.17%	51.01%
Net rail passenger revenue per passenger mile	11.1¢	9.6¢
Rail operating cost per passenger mile	21.1¢	19.6¢
Net average rail passenger fare (c)	\$1.37	\$1.22

Notes

General note: Data represent annual averages unless otherwise noted.

(a) Based on MTC Transbay survey data for October 1986 and April 1987 (7–9 a.m., 4–6 p.m.).

(b) At 8 a.m. each day

(c) Includes **BART/MUNI** Fast Pass

Financial Statements

BALANCE SHEETS

June 30, 1987 and 1986 (In Thousands)

	1987	1986 (As restated— see note 2)
ASSETS		
Cash (including time deposits— 1987, \$19,340; 1986, \$26,027)	\$ 22,124	28,158
Securities	331,483	329,578
Deposits, notes and other receivables	102,408	96,769
Construction in progress	182,035	119,390
Facilities, property and equipment— at cost (less accumulated depreciation and amortization— 1987, \$381,106; 1986, \$350,550)	1,317,309	1,301,209
Materials and supplies— at average cost	14,680	14,279
	<u>\$1,970,039</u>	<u>1,889,383</u>
LIABILITIES AND CAPITAL		
Notes payable	63,975	67,655
Payroll and other liabilities	80,915	61,917
Unearned passenger revenue	1,584	1,577
General Obligation Bonds	470,240	504,905
Sales Tax Revenue Bonds	145,000	145,000
	<u>761,714</u>	<u>781,054</u>
Capital:		
Reserves	27,580	32,223
Grants and contributions, net	672,416	610,402
Accumulated net revenues	508,329	465,704
	<u>1,208,325</u>	<u>1,108,329</u>
	<u>\$1,970,039</u>	<u>1,889,383</u>

See accompanying notes to financial statements.

STATEMENTS OF OPERATIONS

Years Ended June 30, 1987 and 1986 (In Thousands)

	1987			1986	
	Operating fund	Construction funds	Debt service funds	Combined total	(As restated— see note 2)
Operating revenues:					
Fares	\$ 87,866	—	—	87,866	80,898
Less discounts and other deductions	10,212	—	—	10,212	7,846
	77,654	—	—	77,654	73,052
Other (including investment income)	6,970	—	—	6,970	9,019
Total operating revenues	84,624	—	—	84,624	82,071
Operating expenses:					
Transportation	61,912	—	—	61,912	60,658
Maintenance	63,977	—	—	63,977	63,170
Police services	8,905	—	—	8,905	8,601
Construction and engineering	5,997	—	—	5,997	5,597
General and administrative	28,746	—	—	28,746	29,497
Depreciation	31,800	—	—	31,800	34,351
	201,337	—	—	201,337	201,874
Less capitalized costs	7,335	—	—	7,335	6,629
Net operating expenses	194,002	—	—	194,002	195,245
Operating loss	(109,378)	—	—	(109,378)	(113,174)
Other revenues (expenses):					
Transactions and use tax:	73,617	—	13,474	87,091	84,231
Property tax	7,412	—	51,102	58,514	61,779
State financial assistance	479	—	—	479	1,826
Local financial assistance	548	—	—	548	564
Other investment income	—	24,462	5,254	29,716	20,543
Accrued interest from bond sale	—	—	—	—	873
Interest expense	—	—	(39,127)	(39,127)	(30,769)
Service expense	—	—	(18)	(18)	(34)
Cost of 1982 Sales Tax Revenue Bonds defeasance	—	—	—	—	(4,594)
Total other revenues	82,056	24,462	30,685	137,203	134,419
Net revenues (expenses)	(27,322)	24,462	30,685	27,825	21,245
Depreciation of assets acquired with grants and contributions by others	14,662	—	—	14,662	16,411
Amount transferred to accumulated net revenues	\$ (12,660)	24,462	30,685	42,487	37,656

STATEMENTS OF CAPITAL

Years Ended June 30, 1987 and 1986 (In Thousands)

	Reserves	Grants and contributions	Accumulated net revenues	Total
Balances at June 30, 1985, as previously reported	\$ 32,939	563,775	412,667	1,009,381
Adjustment to include debt service funds previously not included in operations (note 2)	—	—	17,665	17,665
Balances at June 30, 1985, as restated	32,939	563,775	430,332	1,027,046
Amount transferred to accumulated net revenues, as restated	—	—	37,656	37,656
Other additions (deductions):				
Capital designations	—	3,000	(3,000)	—
Decrease in reserves	(716)	—	716	—
Grants and contributions	—	60,038	—	60,038
Depreciation and retirements of assets acquired with grants and contributions	—	(16,411)	—	(16,411)
Balances at June 30, 1986, as restated	32,223	610,402	465,704	1,108,329
Amount transferred to accumulated net revenues	—	—	42,487	42,487
Other additions (deductions):				
Capital designations	—	4,505	(4,505)	—
Decrease in reserves	(4,643)	—	4,643	—
Grants and contributions	—	72,171	—	72,171
Depreciation and retirements of assets acquired with grants and contributions	—	(14,662)	—	(14,662)
Balances at June 30, 1987	<u>\$ 27,580</u>	<u>672,416</u>	<u>508,329</u>	<u>1,208,325</u>

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended June 30, 1987 and 1986 (In Thousands)

	1987	1986 (As restated— see note 2)
Cash and securities provided by:		
Operations:		
Net amount transferred to accumulated net revenues	\$ 42,487	37,656
Add expenses not requiring cash:		
Depreciation of assets acquired with own funds	17,138	17,940
Cash and securities provided by operations	59,625	55,596
Issuance of Sales Tax Revenue Bonds	—	145,000
Issuance of Sales Tax Anticipation Notes	18,950	21,775
Issuance of Grant Anticipation Notes	—	45,025
Contributions from U.S. Government grants and others	72,171	60,038
Increase in payroll and other liabilities	18,998	9,782
Increase in unearned passenger revenue	7	193
Total cash and securities provided	<u>169,751</u>	<u>337,409</u>
Cash and securities applied to:		
Increase in deposits, notes and other receivables	5,639	34,015
Increase in construction in progress	62,645	31,430
Additions to facilities, property and equipment	47,900	36,978
Additions to materials and supplies	401	1,214
Matured Sales Tax Revenue Bonds	—	545
Defeased Sales Tax Revenue Bonds	—	63,965
Matured General Obligation Bonds	34,665	32,820
Matured Sales Tax Anticipation Notes	21,775	19,860
Matured Grant Anticipation Notes	855	5,735
Net effect of restatement of debt service funds	—	571
Total cash and securities applied	<u>173,880</u>	<u>227,133</u>
Increase (decrease) in cash and securities	<u>\$ (4,129)</u>	<u>110,276</u>

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

a. Description of District

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

b. Securities

As a matter of policy, the District holds investments until their maturity and, accordingly, securities are carried at amortized cost.

c. 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 charged to capital with the related grants and contributions.

d. 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 capital when received. Grants for operating expenditures are included as financial assistance in the statement of operations.

e. Transactions and Use Tax (Sales Tax) Revenue

The one-half percent transactions and use tax is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is transmitted directly to the District's appointed trustee for the purpose of paying bond and note interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The District records the total taxes received as revenue. The State Board of Equalization estimates that transactions and use tax revenues for the period April 1, 1987 to June 30, 1987 will be approximately \$19,538,000. Of this amount, \$5,861,000 had been received and recorded by the District. Comparable figures for 1986 were \$19,305,000 and \$5,791,500, respectively.

f. Property Tax Revenue

The District receives property tax revenues to service the debt requirements of the General Obligation Bonds. 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 both amounts as property tax revenue.

g. Self-Insurance

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

h. Capital Designations

The Board of Directors designates a portion of accumulated net revenues for capital projects.

i. Capitalization of Interest

The District capitalizes certain interest revenue and expenditures related to tax-free borrowings in accordance with Statement of Financial Accounting Standards 62. The net effect of this capitalization is to decrease construction in progress by \$1,136,000 in 1987 and \$8,670,000 in 1986, representing excess interest revenue from applicable borrowings over interest expenditures.

2. Change of Accounting Method

The accounting method of the District has been changed effective July 1, 1985 in accordance with generally accepted accounting principles applicable to the method of accounting for proprietary funds. In this method, the measurement focus is based upon determination of net revenues, financial position, and changes in financial position in a manner similar to a private business enterprise.

3. Cash

State of California statutes require that all depositories holding public funds collateralize deposits in one or more of three classes of security pools held by an agent of the depository. Most of the District's deposits are in the pool where the market value of the collateral in the pool is required to be at least 110% of deposits and conforms with the statutes as administered by the State of California Superintendent of Banks.

The carrying amount and bank balance of the cash at June 30, 1987 is as follows (in thousands):

	Carrying amount	Bank balance
Cash on hand	\$ 1,019	—
Insured (FDIC/FSLIC)	769	796
Collateralized with securities pledged by financial institutions	20,336	20,247
Total	\$ 22,124	21,043

4. Securities

State of California statutes and District policy authorize the District's Treasurer to invest in U.S. Treasury bills, notes and bonds, Federal agency bonds, notes, and discount notes,

Bankers' Acceptances, repurchase and reverse repurchase agreements and negotiable certificates of deposit. All of the District's investments comply with the above policy and statutes.

The District's investment securities are categorized below by type to give an indication of the level of credit risk assumed by the District at year end. 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 investments for which the securities are held by the counterparty's trust department in the District's name. Category 3 includes investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

At June 30, 1987 the amortized cost, market value and category of credit risk of the District's investment securities are as follows (in thousands):

	Category			Amortized cost	Market value
	1	2	3		
U.S. Treasury Notes	\$ 38,665	—	—	38,665	39,210
Federal Agency Obligations	221,667	53,096	—	274,763	275,593
Repurchase Agreements	18,055	—	—	18,055	18,055
Total	\$ 278,387	53,096	—	331,483	332,858

5. Reserves

Included in Securities on the Balance Sheet is \$27,580,000 and \$32,223,000 in 1987 and 1986, respectively, representing designation by the Board of Directors of a portion of the District's accumulated net revenues as reserves for the following purposes:

	1987	1986
	(in thousands)	
Basic System Completion	\$10,467	10,421
System Improvement	2,735	6,371
Construction	1,878	2,931
Self-Insurance	9,000	9,000
Operating	3,500	3,500
Total	\$27,580	32,223

6. Facilities, Property and Equipment (in Thousands)

Facilities, property and equipment, assets lives, and accumulated depreciation and amortization at June 30, 1987 and 1986 are summarized as follows:

	Lives (Years)	1987		1986	
		Cost	Accumulated depreciation and amortization	Cost	Accumulated depreciation and amortization
Land	—	\$ 161,865	—	135,325	—
Improvements	80	1,101,692	179,607	1,088,998	165,854
System-wide operation and control	20	131,472	68,264	125,581	61,823
Revenue transit vehicles	30	165,327	70,730	164,598	65,241
Service and miscellaneous equipment	3 to 20	25,414	15,656	24,357	14,079
Capitalized construction and start-up costs	30	105,067	43,965	105,217	40,874
Repairable property items	30	7,578	2,884	7,683	2,679
		<u>\$1,698,415</u>	<u>381,106</u>	<u>1,651,759</u>	<u>350,550</u>

7. General Obligation Bonds (in Thousands)

	Composite Interest Rate	Year Last Series Matures	Original Amount		1987		1986	
			Authorized	Issued	Due in 1 Year	Total	Due in 1 Year	Total
1962 District Bonds	3.90%	1999	\$792,000	792,000	36,250	463,950	34,225	498,175
1966 Special Service District Bonds	4.38%	1998	20,500	12,000	460	6,290	440	6,730
			<u>\$812,500</u>	<u>804,000</u>	<u>36,710</u>	<u>470,240</u>	<u>34,665</u>	<u>504,905</u>

In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling \$792 million of General Obligation Bonds. Payment of both principal and interest is provided by the levy of District-wide property taxes. During 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of \$20.5 million of General Obligation Bonds for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within the Special Service District. Bond principal is payable annually on June 15 and interest is payable semiannually on June 15 and December 15. Interest of \$9,243,000 and \$9,996,000 on General Obligation Bonds and \$138,000 and \$148,000 on Special Service District No. 1 Bonds is payable on December 15, 1987 and 1986, respectively.

The following is a schedule of principal repayments required under General Obligation Bonds as of June 30, 1987 (in thousands).

Year Ending June 30	1962 District Bonds	1966 Special Service District Bonds	Total
1988	\$ 36,250	460	36,710
1989	38,400	480	38,880
1990	40,200	500	40,700
1991	33,700	520	34,220
1992	34,975	540	35,515
Later years	280,425	3,790	284,215
	<u>\$463,950</u>	<u>6,290</u>	<u>470,240</u>

8. Sales Tax Revenue Bonds (in Thousands)

	Year Last Series Matures	Original Amount			1987		1986	
		Authorized	Issued	Defeased	Due in 1 Year	Total	Due in 1 Year	Total
1969 Sales Tax Revenue Bonds	1977	\$150,000	150,000	—	—	—	—	—
1982 Sales Tax Revenue Bonds	2008	65,000	65,000	63,965	—	—	—	—
1985 Sales Tax Revenue Bonds	2011	145,000	145,000	—	—	145,000	—	145,000
		<u>\$360,000</u>	<u>360,000</u>	<u>63,965</u>	<u>—</u>	<u>145,000</u>	<u>—</u>	<u>145,000</u>

8. Sales Tax Revenue Bonds (cont'd)

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

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

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

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

The District recognized \$4,594,000 as a cost of defeasance in the statement of operations during the year ended June 30, 1986, representing the difference between the book value of the bonds net of unamortized discount less the amount transferred to the trustee.

The 1985 Bonds are special obligations of the District secured by a pledge of the sales tax revenues and are payable from revenues, including all sales tax revenues, all passenger fares, certain property tax revenues, and certain interest, grants, and other income. Bond interest rates range from 6.40% to 9.00% depending upon the various maturity dates. The bonds maturing on or after July 1, 1996 are redeemable prior to maturity at the option of the District beginning July 1, 1995 on various dates at prices ranging from 103% to 100%. The bonds maturing July 1, 2004 and July 1, 2011 are also subject to redemption prior to maturity on or after July 1, 1998 and July 1, 2005, respectively, at 100%

Taxes collected by the State Board of Equalization are transmitted directly to the appointed trustee for the purpose of paying bond interest semiannually on July 1 and January 1, principal annually on July 1 and expenses of the trustee. Monies not required for these purposes are transmitted to the District. Additionally, the trustee retains amounts needed for the payment of principal and interest on \$18,950,000 Sales Tax Anticipation Notes maturing on July 14, 1987 (see note 9). Taxes received by the trustee during the year ended June 30, 1987 were \$87,091,000 of which \$32,424,000 was retained by the trustee for the above purposes and \$54,667,000 was transmitted to the District. The District records the total taxes received by the Trustee as transactions and use tax revenue.

Interest of \$6,284,000 on the 1985 bonds is payable on July 1, 1987. The first principal payment of \$1,885,000 is due July 1, 1989.

The following is a schedule of principal repayments required under Sales Tax Revenue Bonds as of June 30, 1987 (in thousands):

Year Ending June 30	1985 Sales Tax Revenue Bonds
1988	\$ —
1989	—
1990	1,885
1991	2,070
1992	2,270
Later years	138,775
	<u>\$145,000</u>

9. Sales Tax Anticipation Notes

The District issued subordinated Sales Tax Anticipation Notes amounting to \$21,775,000 in July 1985. These notes matured on August 1, 1986 and were paid along with interest of \$1,179,000.

In July 1986, the District issued \$18,950,000 in subordinated Sales Tax Anticipation Notes to provide interim financing to defray operating expenses payable from the Operating Fund of the District, in anticipation of the receipt of taxes, income, revenue and other monies to be received during or allocable to fiscal year ended June 30, 1987. The notes matured on July 14, 1987 with interest of \$888,000.

10. Grant Anticipation Notes

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

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

11. U.S. Government Grants (in Thousands)

The U.S. Government, under grant contracts with the District, provides financial assistance for capital projects. A summary of Urban Mass Transportation Administration Grants in force at June 30, 1987 is as follows:

Type of Grant	Maximum Grant	Funds Received
Beautification	\$ 1,961	1,961
Demonstration	13,355	13,355
Capital	618,344	471,205
	<u>\$633,660</u>	<u>486,521</u>

12. Litigation and Disputes with Contractors and Others

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

13. Public Employees' Retirement System

The District contributes to the Public Employees' Retirement System. The System is a contributory pension plan providing retirement, disability, and death benefits to employees of certain state and local governmental units. Substantially all full-time employees of the District are covered by the System. Pension costs of the system are determined actuarially and required contributions are expensed currently. Pension expense was \$6,716,000 and \$8,513,000 in 1987 and 1986, respectively.

14. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The 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 termination, retirement, death or emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the 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.

Under the terms of the plan, participants have the right to direct that their plan accounts be invested in one or more available investment funds selected by the investment committee under the Plan. The value of such accounts will fluctuate depending on the investment performance of the investment funds selected by the participant. It is the opinion of management that the District has no liability under the terms of the plan for any amounts other than the participants' account balances.

The District has deposited funds with a custodian pursuant to the District's deferred compensation plan. These deposits together with earnings had a market value of \$31,527,000 and \$24,098,000 as of June 30, 1987 and 1986, respectively. This amount is reflected on the balance sheet in deposits, notes and other receivables and in payroll and other liabilities.

SUPPLEMENTARY INFORMATION

San Francisco Bay Area Rapid Transit District Reconciliation of Funded Operating Expenses in Excess of Revenues Years ended June 30, 1987 and 1986 (in thousands)

The following is a reconciliation of funded operating expenses in excess of revenues after capital designations and before depreciation and cost of bond defeasance related to depreciation of assets acquired with own funds:

	1987	1986
Amounts transferred to accumulated net revenues from the operating fund	\$ (12,660)	(16,699)
Capital designations	(4,505)	(3,000)
Depreciation of assets acquired with the District's own funds	17,138	17,940
Cost of 1982 Sales Tax Revenue Bonds defeasance related to depreciation of assets acquired with own funds	—	1,748
Funded operating expenses in excess of revenues after capital designations and before depreciation	<u>\$ (27)</u>	<u>(11)</u>

Operating Funds 1986/87

\$174,042,000

Capital Funds 1986/87

\$112,154,000

Where Funds Came From (In Thousands)

- Transaction & Use Sales Tax \$73,617 42.30%
- Fares \$77,654 44.62%
- Property Tax \$7,412 4.26%
- Other \$15,359 8.82%
 - Investment Income and Other Operating Revenues \$6,970 4.00%
 - State Financial Assistance \$479 0.28%
 - Construction Funds \$7,335 4.21%
 - Regional Financial Assistance \$548 0.31%
 - Decrease in Working Capital* \$27 0.02%

*Funded excess of expenses over revenues

How Funds Were Applied (In Thousands)

- Maintenance \$63,977 36.76%
- Transportation \$61,912 35.57%
- General Administration \$28,746 16.52%
- Police Services \$8,905 5.12%
- Other \$10,502 6.03%
 - Capital Designations \$4,505 2.59%
 - Construction & Engineering \$5,997 3.44%

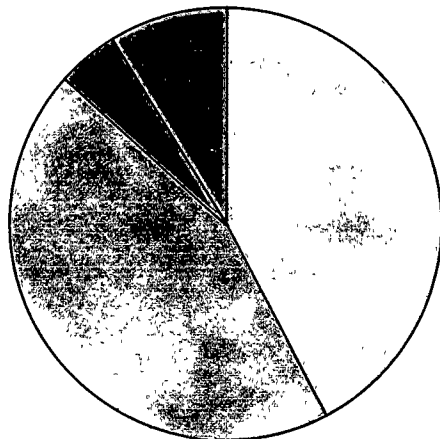
Source of Funds (In Thousands)

- District \$27,832 24.82%
- Federal \$51,901 46.28%
- State \$15,490 13.81%
- Local (including capital designations) \$16,931 15.09%

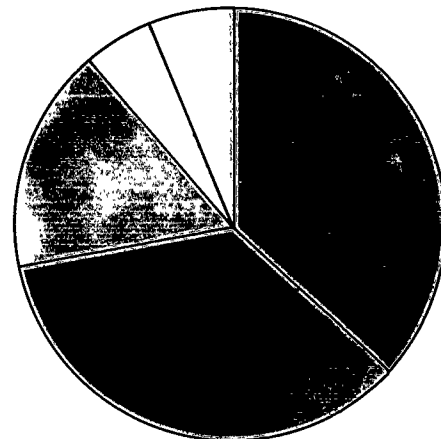
Expenditures (In Thousands)

- Construction \$68,636 61.19%
 - Line \$63,024 56.19%
 - Systemwide \$5,247 4.68%
 - Support Facilities \$365 0.32%
- Train Control \$7,733 6.89%
- Communications \$1,087 0.97%
- Transit Vehicles \$29,608 26.40%
- Miscellaneous Equipment \$3,196 2.86%
 - Automatic Fare Collection \$1,208 1.08%
 - Management Information Systems \$568 0.51%
 - Support Vehicles \$560 0.50%
 - Other Equipment \$860 0.77%
- Studies and Other \$1,894 1.69%

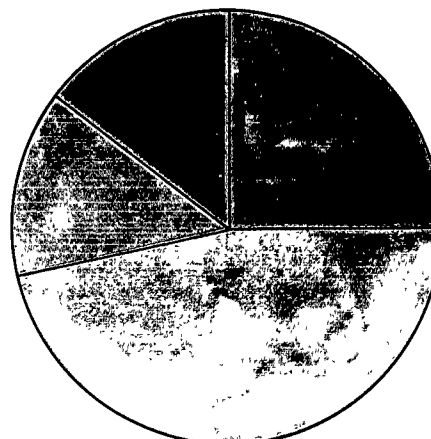
TOTAL \$174,042 100.00%



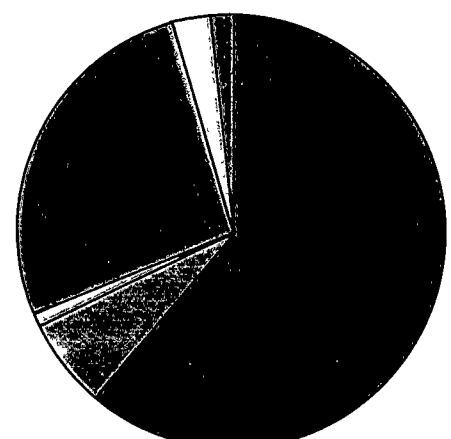
TOTAL \$174,042 100.00%



TOTAL \$112,154 100.00%



TOTAL \$112,154 100.00%



Message from the General Manager



Keith Bernard
General Manager, BART

*S*ervice improvement was a major objective during this fiscal year. A look at the record of on-time performance during this period shows that BART has made significant gains, compared to the previous period. Beginning in the summer of 1986 we were able to return more cars to full service with the completion of the fire hardening project. This allowed the scheduling of two additional trains to peak hour service. Parking was also expanded at several stations as part of the ongoing program to im-

prove access to the system. I would like to commend all BART employees for their part in these achievements.

BART's improved service coincides with growing support for extension of the system. This year voters in Alameda County approved a sales tax measure for a number of transportation projects, including \$170 million for a rail line from Bay Fair Station to Dublin. The cost for this extension, based on 1987 planning studies, is estimated at \$232 million. The proposed link to Dublin and Pleasanton from the Bay Fair Station represents an important step in the realization of BART's objective to extend the system within the three BART counties.

The process of realizing extensions such as Bay Fair to Dublin involved many steps. In the past year BART has continued the acquisition of additional sites for possible extension stations and commenced the formal alternatives analysis studies required by the federal government in order to apply for federal funding. Of equal importance has been the designation of \$70 million in BART reserves to add to the sources of local matching funds for extensions.

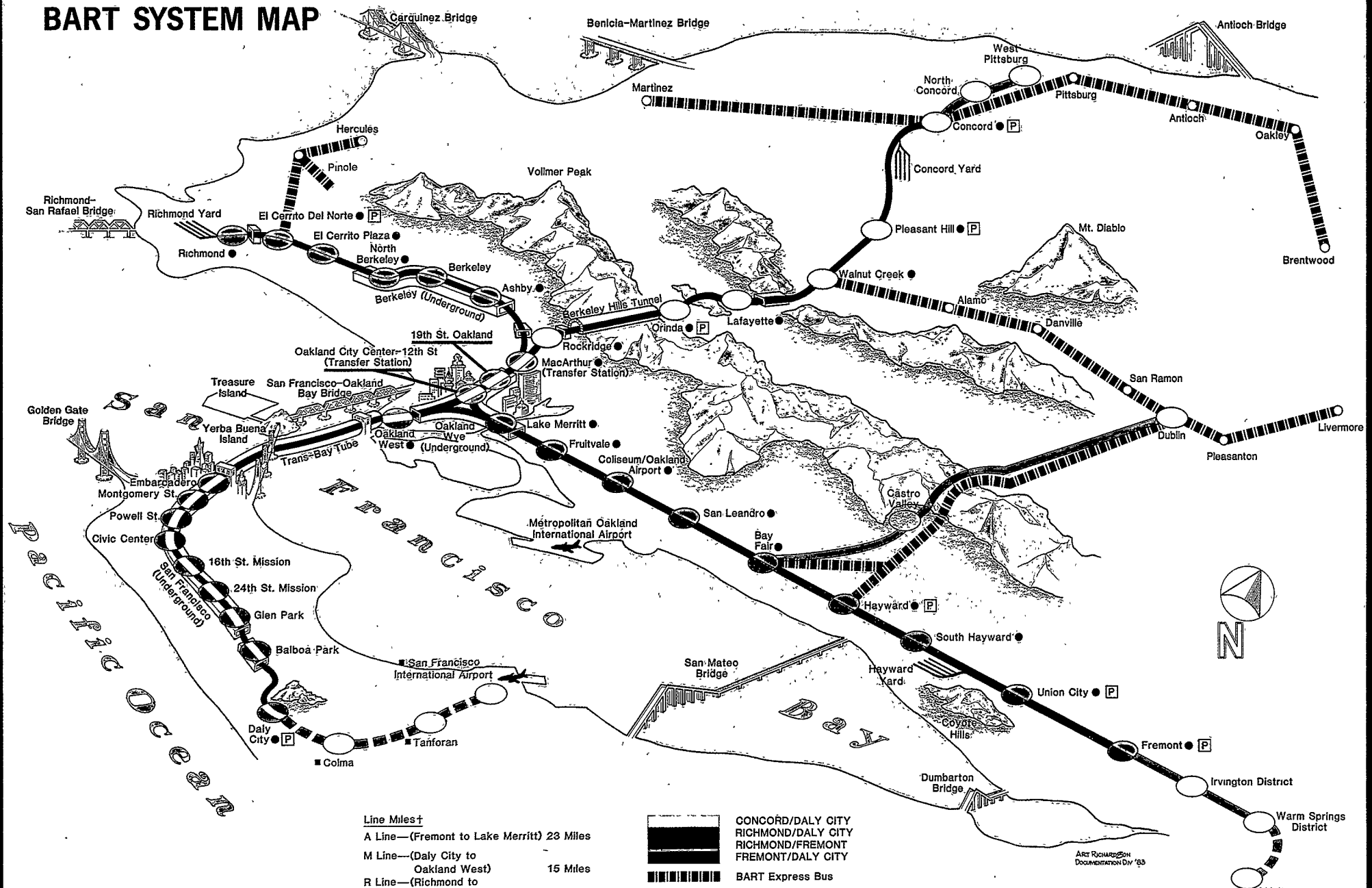
Citizens from outside the BART counties have also expressed interest, through the ballot box, in benefitting from BART extensions. As freeways throughout the Bay Area become more and more congested, the challenge to fund and build extensions becomes more compelling. It is a challenge of building regional political consensus as well as securing federal and state funding to match BART's efforts to develop a pool of local funding.

Looking ahead, we must be more aware than ever that BART has to compete for its patronage. Reliability and availability are the cornerstones of BART's competitive position. The importance of completing the capacity expansion program for the existing system cannot be over-emphasized in this regard. Capacity will be increased in small increments over the next three years as the new C-cars are introduced, the Daly City Turnback and Yard is commissioned, and the Wayside Train Control modifications are completed.

With additional capacity in place we will be able to better serve existing riders and attract new riders. However, aggressive marketing of BART's service will be paramount in the coming year. This means that everyone at BART has to continually think in terms of what customers want. Providing safe on-time service, reliable equipment, a clean system and friendly, helpful employees will continue to be among the most important objectives at BART.

A handwritten signature in black ink that reads "Keith Bernard". The signature is written in a cursive, flowing style.

BART SYSTEM MAP



Line Miles†

A Line—(Fremont to Lake Merritt)	23 Miles
M Line—(Daly City to Oakland West)	15 Miles
R Line—(Richmond to MacArthur)	12 Miles
C Line—(Downtown Oakland to Concord)	21.5 Miles
Total Miles	71.5 Miles

†All miles are calculated from the Oakland WYE

System Information
 Total number of automobile parking spaces at BART Stations: 25,364
 (10% of these parking spaces for mid-day parking)

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

■ Extensions outside the District are subject to a satisfactory cost-sharing arrangement.



June 30, 1987



San Francisco Bay Area Rapid Transit District (BART)

Headquarters in downtown Oakland, California
800 Madison Street, P.O. Box 12688
Oakland, CA 94604-2688 (415) 464-6000

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 elected for four-year terms
by voters in nine election districts within the counties of
Alameda, Contra Costa and San Francisco.

Board of Directors — Fiscal Year 1987

President

Margaret K. Pryor, Oakland

Vice President

Barclay Simpson, Orinda

Members of the Board

District #1 — Barclay Simpson, Orinda

District #2 — Nello Bianco, El Sobrante

District #3 — Arthur J. Shartsis, Oakland

District #4 — Margaret K. Pryor, Oakland

District #5 — Robert S. Allen, Livermore

District #6 — John Glenn, Fremont

District #7 — Wilfred T. Ussery, San Francisco

District #8 — Arlo Hale Smith, San Francisco

District #9 — John H. Kirkwood, San Francisco

Board-Appointed Officers

C.K. Bernard, General Manager

Malcolm M. Barrett, General Counsel (retired)

Sherwood Wakeman, General Counsel

William F. Goetz, Controller/Treasurer

Phillip O. Ormsbee, District Secretary

Department Managers Reporting to the General Manager

Richard P. Demko, Executive Manager, Maintenance &
Engineering

William B. Fleisher, Chief Transportation Officer

Howard L. Goode, Planning, Budget & Analysis

Michael C. Healy, Public Affairs

Ernest G. Howard, Administrative Services

John Mack, Affirmative Action

Thomas R. Sheehan, Information Systems

William Thomas, Material Management & Procurement

Ralph S. Weule, Safety

Larry A. Williams, Employee Relations

The Annual Report is published by the District pursuant
to Section 28770, Public Utilities Code of the State of
California.

Design: DiVittorio and Associates, San Francisco

Illustration: Dick Cole, San Francisco

Typography: Skillful Means Press, Oakland

Printing: Blaco Printers, San Leandro

Portrait Photography: John Benson, San Francisco

System Map: Arthur Richardson, BART Documentation