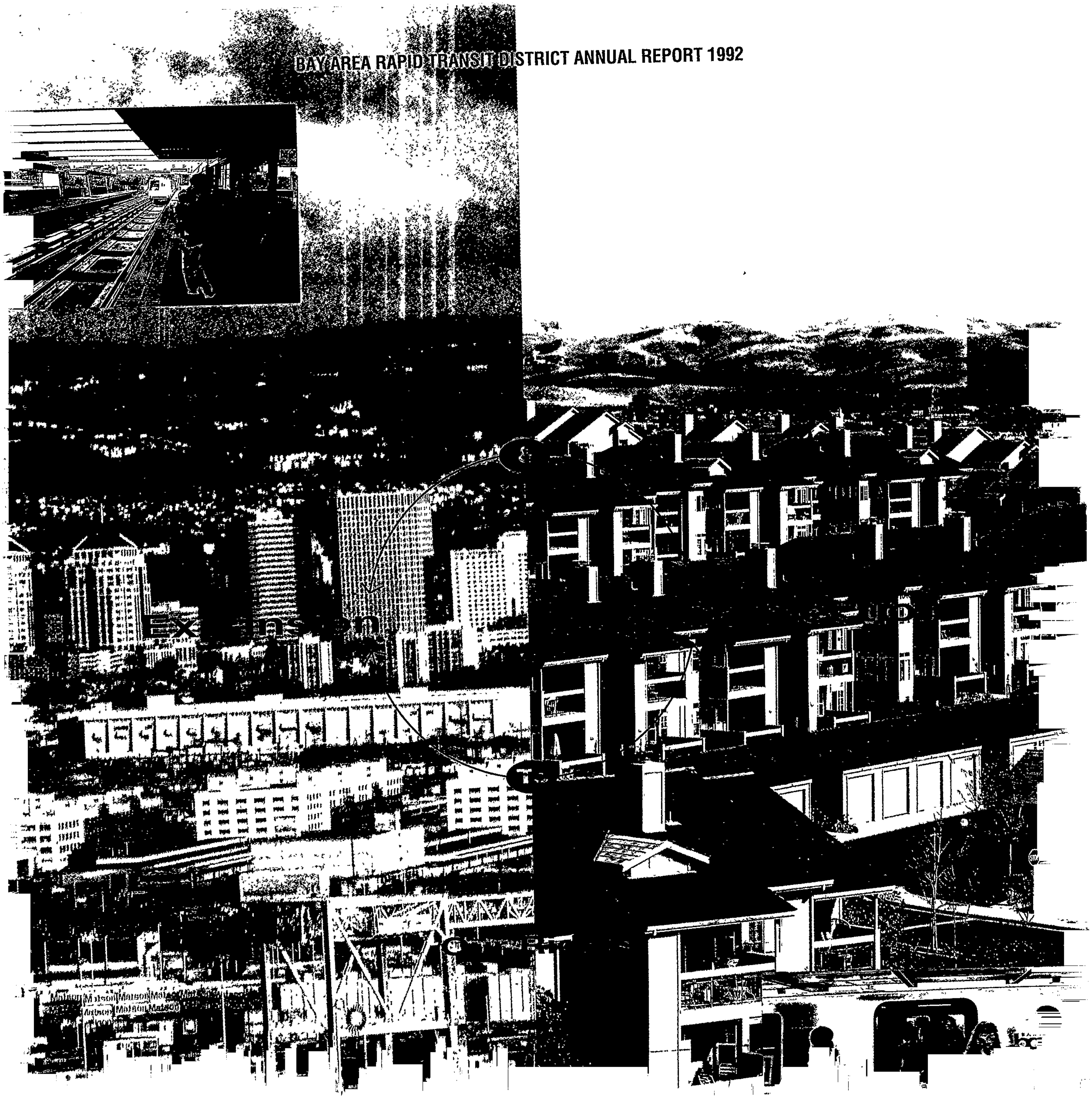
BAY AREA RAPID TRANSIT DISTRICT ANNUAL REPORT 1992



Message from General Manager

BART entered its third decade of service to the people of the Bay Area propelled by challenge, fulfilling its tradition of growth and triumph through adversity.

The pressures faced by BART over concerns about energy consumption, the environment, a faltering economy, public safety and increasing demand on constricting resources tapped the District's deepest veins of strength.

Frank J. Wilson,
General Manager
Bay Area Rapid Transit

Yet, BART scored many of its greatest victories in these very areas. As Abigail Adams wrote, "Great necessities call out great virtues," and we witnessed that phenomenon at BART in FY1992.

As a transit service provider, the District set significant records in the past year. We carried more than 73 million passengers nearly a billion miles. Our weekday average rose to nearly 250,000 passenger trips, and we set a record in weekend patronage. In FY1992, we achieved 96 percent daily on-time performance—three percentage points higher than just five years ago and leagues ahead of the less than 90 percent rate of a decade ago. In reliability—crucial to today's transportation market—we posted a rating of 835 hours between system failures, 52 percent better than just two years ago.

As encouraged as we are by these records, they represent only one way of looking at BART's Fiscal Year 1992.

Extensions

While the cry for alternatives to automobile transportation resounded more loudly than ever in the Bay Area, and every individual and business enterprize felt the drag of the recession, BART made historic strides to expand, ground breaking for long-awaiting system extension resulting in the creation of much-needed jobs for Bay Area citizens.

We began construction on extensions into burgeoning East Contra Costa County, the Livermore Valley, and Colma, the first leg of our journey to San Francisco International Airport On each extension route, we were months ahead of schedule and under budget, by taking advantage of an excellent bidding climate in the construction industry.

In FY1992, BART awarded more than a $500 million dollars in construction contracts that will mean at least 28,000 jobs for the people of the Bay Area; jobs that can help pull the region out of an economic slump

We also signed agreements in FY1992 that will bring $616 million in construction funds to BART· $151 million from Contra Costa Transit Authority; $90 million from San Mateo County; $107 million from bridge tolls; $168 million from the State; and, $100 million from the federal government for the airport extension.

Finally, we have embarked on a project, where in, we are working with private companies and the federal government to review state of the art "suspended guideway" and light rail "people mover" technology with a view to building a new system which could someday whisk passengers from BART to the Oakland International Airport.

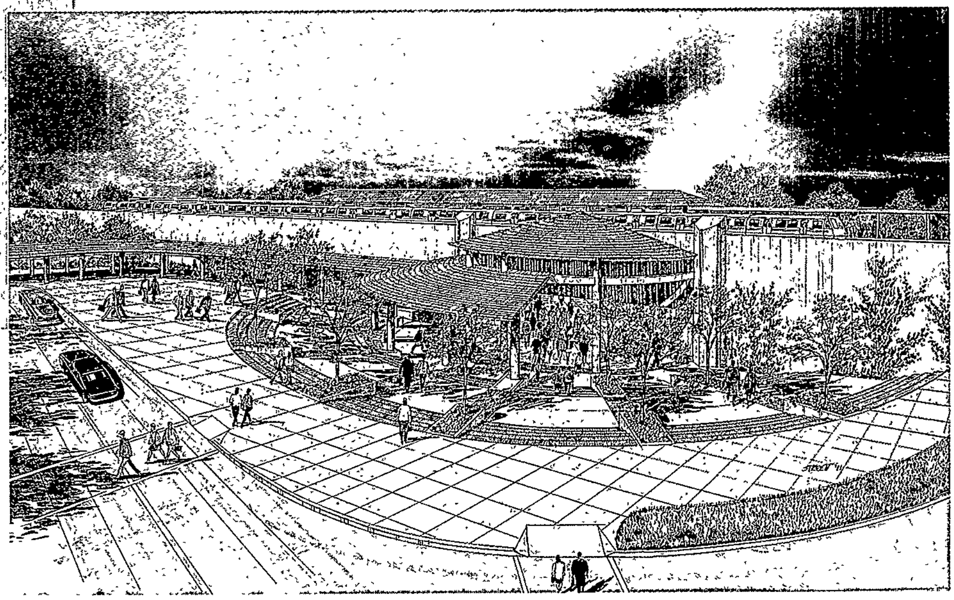
Rehabilitation

We made progress on all fronts to extend and improve BART service. We have at the same time launched a comprehensive and critical rehabilitation program by re-investing in our ageing facilities, which have served the requirements of the people of the Bay Area for 20 years. As the FY1992 came to a close we have rehabilitated four of our most heavily trafficked stations; MacArthur, Concord, Fruitvale and North Berkeley. The State recently awarded BART $4 million and the Federal Transportation Administration awarded an $8 million grant to begin rehabilitating our ageing fleet of original cars.

New Cars

Meanwhile, we signed a contract with Morrison Knudsen Corp. to assemble 80 new BART cars at its plant in Contra Costa County—sowing the wages and taxes generated by that work back into the Bay Area economy. It was particularly gratifying to bring the original bid price down by $51 million through a "negotiated bid" process which involved three bidders for the contract. The first of the new BART cars, which will be C-cars, is scheduled for delivery in early 1995.

"the compelling need for alternatives to car commuting, we responded with important strides in service and accessibility"



Service

While population growth in the Bay Area and concern for the environment continued to fuel the compelling need for alternatives to car commuting, we responded with important strides in service and accessibility. BART completed parking garages in FY1992 that will accommodate some 2,000 additional cars. More recently we broke ground for more garages to park another 2,800 cars—all in all, a 16 percent increase in parking capacity In order to enhance bus access to BART, we increased the number of bus loading bays, allowing more buses to interface with BART at one time This program of providing more bus loading facilities at BART stations should permit the bus companies to increase the number of routes, thus providing more options for passengers to connect with BART.

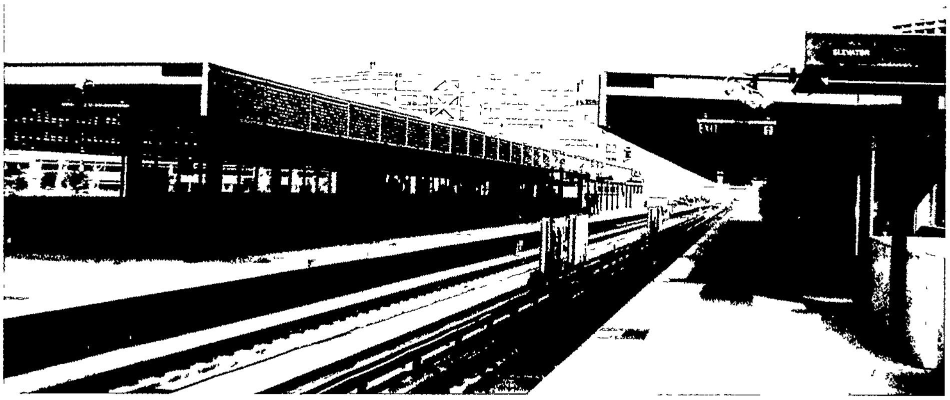
We also introduced a new, faster, more efficient schedule—the most radical change in BART timetables in 12 years—and worked diligently to shake the bugs from it. Among the advantages of the new schedule are guaranteed late-evening "timed transfers," which means during "X" service when only two lines of service are in operation, Richmond/Fremont and Concord/Daly City, and a transfer from one line to the other at 12th Street/Oakland City Center or at MacArthur BART Stations, is required the trains will meet so that the transfer may be made with minimal waiting time

We expanded our BARTPlus program to Premium BARTPlus, enabling people from yet more distant communities to use BART. The District helped introduce TransLink as a pilot program in conjunction with County Connection in Contra Costa County The TransLink ticket is one which has stored fare for both County Connection buses and BART fares, thus eliminating the need to carry two different tickets. In addition to the normal discounts applied there is an added value to patrons by using the TransLink ticket with the last ride bonus no matter how little is left on the ticket. The Translink pilot program was a prelude to a full scale demonstration scheduled to be introduced in early 1993 and a possible first step toward a single transit ticket for all systems in the Bay Area.

BART addressed the economic squeeze by hosting the first two Jobs Expos in our history We were joined by 18 other companies to offer more than 500 jobs to people throughoutthe Bay Area. And we introduced MetroVision, a new information system that provides passengers with BART-system information and news, weather and sports. Not only does it enhance service without cost to our patrons, it also earns revenue for the District.

Amidst mounting concern over crime in the Bay Area and across the country, BART launched two programs to reduce crime throughout the system BART Against Auto Theft (BAAT), and the Truancy Reduction Intervention Program (TRIP). Auto thefts from our stations have already dropped by 23 percent, and truant youth found on the system are being returned to school.

An architectural rendering of the Castro Valley BART Station on the Dublin/Pleasanton line. Work on the extension is ahead of schedule and coming under budget



Shown here are the platforms at Walnut Creek Station, which is one of the four stations rehabilitated in FY92 Even the weather cooperated for this picture with a rainbow

The BART Vehicles will be stripped down to the outer shell and will be rebuilt from the tracks up. This vehicle rehabilitation program, an absolute necessity, carries a price tag of nearly $400 million

Research & Development

Propelled by world energy/environmental peril, BART laid the technological groundwork, during the year, for significant solutions. We became the first transit system in the nation to establish an in-house Research & Development department. Funded with $1 million in grants, the Research & Development staff will help develop 21st century systems for train control, efficient energy use, and passenger telephone trip planning.

We began working with Pacific Gas & Electric to install a charging station for consumer electric vehicles that can transport patrons from homes and shopping centers to BART stations The project places BART in the forefront of helping Californians to comply the State's tough auto emission standards. By the year 1998, California requires that 2 percent (40,000) of all vehicles sold, 5 percent (100,000) of those sold by 2001 and 10 percent (200,000) of those sold by 2003, be zero engine emissions..this means electric power.

BART and PG&E are on the Board of Directors of CALSTART, a California consortium of more than 40 public and private organizations that have been mobilized to develop an advanced transportation industry in the State. BART became a co-founder of the National Station Car Consortium. This consortium will also develop the market for electric vehicles, a potential linchpin in future transportation systems, where several forms of transportation will come together to serve the public's need for better, more environmentally responsible transportation. The electric car industry is beginning to achieve a broader public acceptance than ever before. CALSTART will serve as the prime promotional link in the creation of a market for the electric car.

Budget/Financial

Under extremely tight financial constraints, the District closed out the fiscal year with a $900,000 budget surplus after negotiating "win-win" contracts with its unions that provides for a fair package of wages and work rules while ensuring uninterrupted BART service, growth and development.

Best of all, we are entering FY1993 with a balanced budget that calls for no cuts in service, no layoffs, and no fare hikes—an incredible accomplishment in this economic climate. Moreover, it is a balanced budget that will simultaneously allow us to respond to the demands of a transportation-needy era and a precarious economy by expanding BART in new directions, enhancing our core system, and developing our employees' skills. Our FY1993 budget, with its sales tax revenue, represents a 6.5 percent reduction in spending power of the previous fiscal year.

BART and its employees are comfortable with difficult times...comfortable, not complacent We do more than weather such times; we harness the energy they generate and convert it to achievement. And while this past year, like the past 20 years, have been challenging and exciting, we face formidable challenges in the future.

So, in BART tradition, the best is yet is come. To evaluate the District on its progress in its most challenging areas is to savor what Shakespeare called "Adversity's sweet milk." For BART, adversity is the test of a strong organization, a strong system, and a strong vision . . ..Looking forward to the next twenty years.

Frank J Wilson, General Manager
Bay Area Rapid Transit

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of San Francisco
Bay Area Rapid Transit District:

We have audited the accompanying balance sheets of the San Francisco Bay Area Rapid Transit District (the District) as of June 30, 1992 and 1991, and the related statements of operations, capital, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of San Francisco Bay Area Rapid Transit District at June 30, 1992 and 1991, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Deloitte & Touche

Grant & Smith

August 28, 1992

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

BALANCE SHEETS,
JUNE 30, 1992 AND 1991 (In thousands)

ASSETS	1992	1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 56,040	$ 17,388
Investments	224,817	221,632
Deposits held by trustee	7,295	19,626
Receivables	37,328	34,410
Materials and supplies - at average cost	22,841	17,790
Total current assets	348,321	310,846
INVESTMENTS	76,624	
DEFERRED COMPENSATION PLAN INVESTMENTS	81,472	66,986
INVESTMENTS RESTRICTED FOR BOARD DESIGNATED PURPOSES	19,943	20,714
FACILITIES, PROPERTY AND EQUIPMENT - Net	1,880,284	1,805,430
TOTAL ASSETS	$2,406,644	$2,203,976

LIABILITIES AND CAPITAL	1992	1991
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 37,685	$ 35,515
Payroll and other liabilities	74,935	58,028
Self-insurance liabilities	15,158	13,963
Unearned passenger revenue	2,285	1,914
Total current liabilities	130,063	109,420
DEFERRED COMPENSATION PLAN	81,472	66,986
LONG-TERM DEBT	457,423	439,500
TOTAL LIABILITIES	668,958	615,906
CAPITAL:		
Grants and contributions, net	930,693	799,860
Accumulated net revenues	806,993	788,210
Total capital	1,737,686	1,588,070
TOTAL LIABILITIES AND CAPITAL	$2,406,644	$2,203,976

See notes to financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 1992 AND 1991 (In thousands)

	1992				1991			
	OPERATIONS	CONSTRUCTION	DEBT SERVICE	COMBINED TOTAL	OPERATIONS	CONSTRUCTION	DEBT SERVICE	COMBINED TOTAL
OPERATING REVENUES:								
Fares	$ 99,530			$ 99,530	$ 99,497			$ 99,497
Other (including investment income)	9,741			9,741	8,211			8,211
Total operating revenues	109,271			109,271	107,708			107,708
OPERATING EXPENSES:								
Transportation	68,580			68,580	65,911			65,911
Maintenance	87,786			87,786	85,809			85,809
Police services	12,641			12,641	11,906			11,906
Construction and engineering	7,906			7,906	7,753			7,753
General and administrative	48,371			48,371	44,818			44,818
Depreciation	48,613			48,613	47,096			47,096
Total operating expenses	273,897			273,897	263,293			263,293
Less capitalized costs	(11,548)			(11,548)	(9,624)			(9,624)
Net operating expenses	262,349			262,349	253,669			253,669
OPERATING LOSS	(153,078)			(153,078)	(145,961)			(145,961)
OTHER REVENUES (EXPENSES):								
Transactions and use tax	92,256		$13,236	105,492	99,295		$ 9,665	108,960
Property tax	11,146		45,411	56,557	10,638		44,578	55,216
State financial assistance	1,600			1,600				
Local financial assistance	487			487	430			430
Sale of tax benefits						$ 9,827		9,827
Other investment income		$10,815	785	11,600		14,223	1,128	15,351
Interest expense			(25,865)	(25,865)			(23,148)	(23,148)
Other - net		6	(287)	(281)			(229)	(229)
Total other revenues	105,489	10,821	33,280	149,590	110,363	24,050	31,994	166,407
EXCESS OF REVENUES OVER (UNDER) EXPENSES BEFORE EXTRAORDINARY ITEM	(47,589)	10,821	33,280	(3,488)	(35,598)	24,050	31,994	20,446
EXTRAORDINARY ITEM - Loss on defeasance of debt							(17,176)	(17,176)
EXCESS OF REVENUES OVER (UNDER) EXPENSES	$(47,589)	$10,821	$33,280	$(3,488)	$(35,598)	$24,050	$14,818	$ 3,270

See notes to financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

STATEMENTS OF CAPITAL
FOR THE YEARS ENDED JUNE 30, 1992 AND 1991 (In thousands)

	GRANTS AND CONTRIBUTIONS, NET	ACCUMULATED NET REVENUES	TOTAL CAPITAL
BALANCES, JUNE 30, 1990	$775,555	$763,003	$1,538,558
EXCESS OF REVENUES OVER EXPENSES		3,270	3,270
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	46,242		46,242
Depreciation and retirements of assets acquired with grants and contributions	(21,937)	21,937	
BALANCES, JUNE 30, 1991	799,860	788,210	1,588,070
EXCESS OF EXPENSES OVER REVENUES		(3,488)	(3,488)
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	153,104		153,104
Depreciation and retirements of assets acquired with grants and contributions	(22,271)	22,271	
BALANCES, JUNE 30, 1992	$930,693	$806,993	$1,737,686

See notes to financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1992 AND 1991 (In thousands)

	1992	1991
CASH FLOWS FROM OPERATIONS:		
Operating loss	$(153,078)	$(145,961)
Less investment income included in operating revenue	(6,476)	(4,950)
Operating loss excluding investment income	(159,554)	(150,911)
Adjustments to reconcile operating loss to net cash used by operations:		
Depreciation	48,613	47,096
Net effect of changes in:		
Deferred compensation plan liabilities	14,486	11,428
Receivables	(3,048)	(4,030)
Materials and supplies	(5,051)	(1,906)
Payroll and other liabilities	1,272	(1,613)
Self-insurance liabilities	1,195	3,017
Unearned passenger revenue	371	(156)
Net cash used for operations	(101,716)	(97,075)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transactions and use tax received	92,256	99,295
Property tax received	11,146	10,638
State financial assistance received	1,600	
Local financial assistance received	487	430
Net cash provided by noncapital financing activities	105,489	110,363
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transactions and use tax received	13,236	9,665
Property tax received	45,293	44,854
Proceeds from sale of tax benefits		9,827
Interest paid on bonds	(22,867)	(23,665)
Bond service fees paid	(76)	(18)
Capital grants received	150,310	40,197
Principal paid on long-term debt	(35,515)	(36,290)
Proceeds from issuance of sales tax revenue bonds	56,010	158,478
Defeasance of sales tax revenue bonds		(155,253)
Bond issuance cost	(1,923)	(4,435)
Expenditures for facilities, property and equipment	(112,412)	(113,140)
Proceeds from sale of real estate	1,921	1,309
Other revenues received	6	
Net cash provided by (used for) capital and related financing activities	93,983	(68,471)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturity of investments	313,505	353,947
Purchases of investments	(394,311)	(326,427)
Interest on investments	21,702	23,608
Net cash provided by (used for) investing activities	(59,104)	51,128
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,652	(4,055)
CASH AND CASH EQUIVALENTS, Beginning of year	17,388	21,443
CASH AND CASH EQUIVALENTS, End of year	$ 56,040	$ 17,388

See notes to financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

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

For financial reporting purposes, the District's financial statements include all financial activities that are controlled by or dependent upon actions taken by the District's Board of Directors.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Facilities, property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation of assets acquired with District funds is distinguished from depreciation of assets acquired with grants and contributions by others.

The District capitalizes certain interest revenue and expenditures related to tax-free borrowings. The net effect of such interest capitalization was to decrease expenditures for facilities, property and equipment by $584,000 and $3,992,000 during the years ended June 30, 1992 and 1991, respectively, for excess interest revenue over interest expenses from applicable borrowings.

Self-insurance Liabilities - The District is largely self-insured for workers' compensation claims, general liability claims, and major property damage. The District accrues the estimated costs of the self-insured portion of claims.

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

Grants and Contributions - The District receives grants from the Federal Transportation Administration (FTA) and other agencies of the U.S. Department of Transportation, state, and local transportation funds for the acquisition of transit related equipment and improvements. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, are included in grants and contributions.

Statements of operations include the financial activities of the general operations of the transit system, revenues restricted by the Board of Directors for construction activity, and revenues restricted by the District's various bond indentures for debt service (including interest expense) on outstanding long-term debt.

Transactions and Use Tax (Sales Tax) Revenue - State of California legislation authorizes the District to impose a 1/2% transactions and use tax within District boundaries which is collected and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid directly to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the District. The remaining 25% is allocated by the Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustee) as revenue.

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

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

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

Sale of Tax Benefits - The District has entered into agreements to sell tax benefits for certain District-owned transit equipment contracted for purchase prior to August 1986. The transactions have been structured in the form of leases for tax purposes. The District recognizes tax benefit sales proceeds in the period of sale of tax benefits.

Pension costs are expensed as incurred. Such costs equal the actuarially determined annual contribution amount. See Note 8.

3. CASH AND INVESTMENTS

The District maintains a cash and investment pool that includes cash and investments available for general use and restricted for Board designated purposes. Cash and investments of the District's deferred compensation plan (see Note 9) are held separately by the plan's administrator.

Deposits - At June 30, 1992 (and 1991), the District's cash on hand was $1,127,000 (1991, $1,779,000), and the carrying amount of the District's time and demand deposits was $(4,634,000) (1991, $(4,289,000)) with the corresponding bank balance of $3,814,000 (1991, $8,779,000). Of the bank balance $200,000 (1991, $329,000) was insured by federal depository insurance or collateralized by securities held by the District's agent in the District's name, and $3,614,000 (1991, $8,450,000) is required by Section 53652 of the California Government Code to be collateralized 110% by the pledging financial institutions. Such collateral is not required to be in the District's name.

Investments - State of California statutes and District policy authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, repurchase and reverse repurchase agreements, and the State Treasurer's investment pool. The District did not enter into any reverse repurchase agreements during 1992 or 1991.

The District's investments are categorized below to give an indication of the credit risk assumed by the District at June 30, 1992. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name.

(Continued on next page.)

	(In Thousands)					
	1992				1991	
	Category 1	Category 2	Carrying Amount	Market Value	Carrying Amount	Market Value
Money market		$7,295	$ 7,295	$ 7,295	$ 4,740	$ 4,740
U.S. Treasury bills	$ 29,462		29,462	29,354		
U.S. Treasury notes	88,824		88,824	89,385	61,533	61,673
Federal agency obligations	203,098		203,098	206,748	178,813	179,055
Repurchase agreements	36,424		36,424	36,424	29,047	29,047
Total	$357,808	$7,295	365,103	369,206	274,133	274,515
Cash on hand			1,127	1,127	1,779	1,779
Time and demand deposits			(4,634)	(4,634)	(4,289)	(4,289)
Investment in California local agency investment fund			15,000	15,000		
Mutual funds - deferred compensation plan investments			81,472	81,472	66,986	66,986
Total			$458,068	$462,171	$338,609	$338,991
Reported as:						
Cash and cash equivalents			$ 56,040		$ 17,388	
Short-term investments			224,817		221,632	
Payroll and other liabilities (representing cash overdraft)			(8,123)		(7,737)	
Deposits held by trustee			7,295		19,626	
Long-term investments			76,624			
Deferred compensation plan investments			81,472		66,986	
Investments restricted for Board designated purposes			19,943		20,714	
Total			$458,068		$338,609	

Investments restricted for Board of Directors' designated purposes are summarized as follows (in thousands):

	1992	1991
Basic system completion	$ 3,052	$ 3,815
System improvement	3,491	3,499
Self-insurance	9,000	9,000
Operating	4,400	4,400
Total	$19,943	$20,714

4. FACILITIES, PROPERTY AND EQUIPMENT

Facilities, property and equipment, asset lives, and accumulated depreciation and amortization at June 30, 1992 and 1991 are summarized as follows (in thousands):

	Lives (Years)	1992 Cost	1992 Accumulated Depreciation and Amortization	1991 Cost	1991 Accumulated Depreciation and Amortization
Land		$ 215,272		$ 208,995	
Improvements	80	1,255,837	$254,146	1,222,314	$238,362
System-wide operation and control	20	217,473	111,706	201,156	101,362
Revenue transit vehicles	30	434,179	131,522	419,239	115,786
Service and miscellaneous equipment	3-20	30,611	18,642	29,375	17,124
Capitalized construction and start-up costs	30	97,814	60,412	97,722	57,055
Repairable property items	30	13,979	4,158	14,010	3,728
Construction-in-progress		195,705		146,036	
Total		$2,460,870	$580,586	$2,338,847	$533,417

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $573 million at June 30, 1992.

The District has begun Phase 1 of an extension project that will add 33 miles of track and 8 new stations to the system at a total cost of approximately $2.5 billion. The District anticipates completing Phase 1 by the year 2002. The District anticipates funding for Phase 1 will come from the federal government ($741 million), State of California ($523 million), San Mateo County ($428 million), Alameda and Contra Costa Counties ($442 million), bridge tolls ($134 million) and the District ($107 million), with the remaining source of funding to be identified.

5. LONG-TERM DEBT

Long-term debt at June 30, 1992 and 1991 is summarized as follows (in thousands):

	1992	1991
1962 General Obligation Bonds	$280,425	$315,400
1966 Special Service District Bonds	3,790	4,330
1990 Sales Tax Revenue Refunding Bonds	160,727	159,509
1991 Sales Tax Revenue Bonds	56,010	
Total long-term debt	500,952	479,239
Less:		
Unamortized bond discount and issuance costs	(5,844)	(4,224)
Current portion	(37,685)	(35,515)
Net long-term portion	$457,423	$439,500

1962 General Obligation Bonds - 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. Bond interest rates range from 1.5% to 6.0%.

1966 Special Service District Bonds - In 1966, City of Berkeley voters formed Special Service District No. 1 and authorized the issuance of $20.5 million of General Obligation Bonds, of which $12 million were issued, for construction of subway extensions within that city. Payment of both principal and interest is provided by taxes levied upon property within Special Service District No. 1. Bond interest rates range from 4.0% to 5.5%.

1990 Sales Tax Revenue Refunding Bonds (the 1990 Bonds) - In July 1990, the District issued sales tax refunding bonds totaling $158,478,000. The 1990 Bonds are special obligations of the District payable from, and secured by, a pledge of the sales tax revenues. At June 30, 1992, the 1990 Bonds consist of $141,650,000 of current interest bonds due from 1993 to 2012 with interest rates ranging from 5.9% to 6.75% and $19,077,000 of capital appreciation serial bonds ($16,828,000 original amount) with yields of 6.65% to 6.75% due from 2002 to 2005. Interest on the capital appreciation bonds is payable at maturity. For financial reporting purposes, accrued interest is added to the principal balance. The current interest bonds maturing on July 1, 2009 ($56,215,000) are redeemable after July 1, 2000 at the option of the District at prices ranging from 102% to 100%. The 1990 Bonds were issued to advance refund 1985 Sales Tax Revenue Bonds outstanding. The advance refunding resulted in the recognition of an accounting loss of $17,176,000 for the year ended June 30, 1991. However, the advance refunding reduced the District's aggregate debt service requirements by $9,454,000 over the next 21 years and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately $8,400,000.

1991 Sales Tax Revenue Bonds (the 1991 Bonds) - The 1991 Bonds were issued in August 1991 in the amount pf $56,010,000 and are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 1992, the 1991 Bonds consist of $16,135,000 serial bonds due from 1994 to 2002 with interest rates ranging from 5.15% to 6.30% and $39,875,000 of term bonds due from 2005 to 2012 with interest rates ranging from 6.40% to 6.60%. The District is required to make sinking fund payments on the term bonds beginning on July 1, 2003. Additionally, the 1991 Bonds maturing after June 30, 2001 are redeemable, at the option of the District at prices ranging from 102% to 100%.

In prior years, the District defeased sales tax revenue bonds by placing the proceeds of new Sales Tax Revenue Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 1992, approximately $200 million of sales tax revenue bonds outstanding are considered defeased.

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

The following is a schedule of long-term debt principal repayments required as of June 30, 1992 (in thousands):

	1962 G.O. Bonds	1966 Special Service District Bonds	1990 Sales Tax Revenue Refunding Bonds	1991 Sales Tax Revenue Bonds	Total
Year ending June 30:					
1993	$ 36,275	$ 570	$ 840		$ 37,685
1994	37,525	590	5,400		43,515
1995	39,050	620	5,785	$ 1,205	46,660
1996	40,625	640	6,205	1,325	48,795
1997	42,150	670	6,655	1,465	50,940
Thereafter	84,800	700	135,842	52,015	273,357
Total	$280,425	$3,790	$160,727	$56,010	$500,952

6. FEDERAL GRANTS

The U.S. Department of Transportation provides financial assistance to the District for capital projects and planning and training. Grants which were active during the year ended June 30, 1992 are summarized as follows (in thousands):

Total approved project costs	$515,885
Total approved federal funds	$399,041
Less cumulative amounts received	282,266
Remaining amount available under federal grants	$116,775

7. LOCAL AND STATE FINANCIAL ASSISTANCE

The District receives local operating and capital assistance from Transportation Development Act Funds (TDA). For the year ended June 30, 1992, TDA assistance was $487,000 (1991, $430,000), all of which was used for operating assistance. These funds are received from the counties of Alameda and Contra Costa to meet, in part, the District's operating requirements based on annual claims filed by the District and approved by the MTC.

The District receives state operating and capital assistance from State Transit Assistance Funds (STA). For the year ended June 30, 1992, STA assistance was $1,838,000 (1991, $528,000), of which $157,000 (1991, $528,000) was used for capital purposes, $1,600,000 (1991, none) was used for operating assistance and $81,000 (1991, none) was used for flow-through projects. These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies.

8. EMPLOYEES RETIREMENT PLAN

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

The District was not required to make a contribution to the Fund for covered employees for the years ended June 30, 1992 and 1991 due to a surplus of the District's portion of the Fund's net assets over the District's pension benefit obligation caused by a change in 1988 in the actuarial valuation method and an actual rate of return on investment assets that exceeded the assumed rate. The District's covered payroll for employees participating in the Fund for the years ended June 30, 1992 and 1991 was $114,057,000 and $105,614,000, respectively. The District's 1992 and 1991 payroll for all employees was $123,518,000 and $117,564,000, respectively. The District, due to a Collective Bargaining Agreement, also has a legal obligation to contribute an additional 9% for public safety personnel and 7% for miscellaneous covered employees. Employees have no obligation to contribute to the Fund.

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

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1991, the latest available for the Fund. The significant actuarial assumptions used in the 1991 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.75%, annual payroll increases of 4.5% attributable to inflation, .75% attributable to real salary increases, and 2.0% attributable to merit for safety employees and 1.75% attributable to merit for other employees, and no postretirement benefit increases.

The funding status applicable to the District's employee group at June 30, 1991 (the latest available for the Fund) follows (in thousands):

Net assets available for benefits, at cost (total market value, $338,235)	$304,991
Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	95,250
Current employees:	
Accumulated employee contributions and allocated investment earnings	104,914
Employer-financed, vested	41,382
Employer-financed, nonvested	2,586
Total pension benefit obligation	244,132
Net assets in excess of pension benefit obligation	$ 60,859

The pension benefit obligation decreased by $8,502,000 during 1991 due to changes in noneconomic actuarial assumptions.

Actuarially Determined Contributions Required and Contributions Made - The funding policy of the Fund provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to pay benefits when due. The District was not required to make a contribution to the Fund for the years ended June 30, 1992 and 1991 in accordance with the actuarially determined requirements computed as of June 30, 1991 and 1990, respectively. The District's surplus asset position is being offset against the current year's normal cost contribution. The actuarially determined normal cost contribution rate before reduction for the surplus asset amortization was 16.244% (1991, 16.256%) for safety employees and 8.237% (1991, 7.980%) for miscellaneous employees.

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

Significant actuarial assumptions used in the June 30, 1991 valuation to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

Historical Trend Information - Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten-year trend information is not yet available.

For the District's portion of the Fund, trend information for the five years ended June 30, 1991, follows (dollars in thousands):

	1991	1990	1989	1988	1987
Net assets available for benefits, at cost	$304,991	$277,041	$245,582	$214,290	$189,801
Pension benefit obligation	$244,132	$225,168	$193,565	$171,353	$151,795
Net assets available for benefits as a percentage of pension benefit obligation	125%	123%	127%	125%	125%
Assets in excess of pension benefit obligation	$ 60,859	$51,873	$52,017	$ 42,937	$ 38,006
Annual covered payroll	$105,614	$95,372	$85,746	$ 83,178	$ 79,940
Assets in excess of pension benefit obligation as a percentage of annual covered payroll	57.6%	54.4%	60.7%	51.6%	47.5%
Contributions made in accordance with actuarially determined requirements as a percentage of annual covered payroll	0%	0%	0%	0%	0%

Trend information for 1992 is not yet available.

9. DEFERRED COMPENSATION PLAN

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

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

District Management believes that the District has no liability under the terms of the plan for any amounts other than the participants' account balances.

10. MONEY PURCHASE PENSION PLAN

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

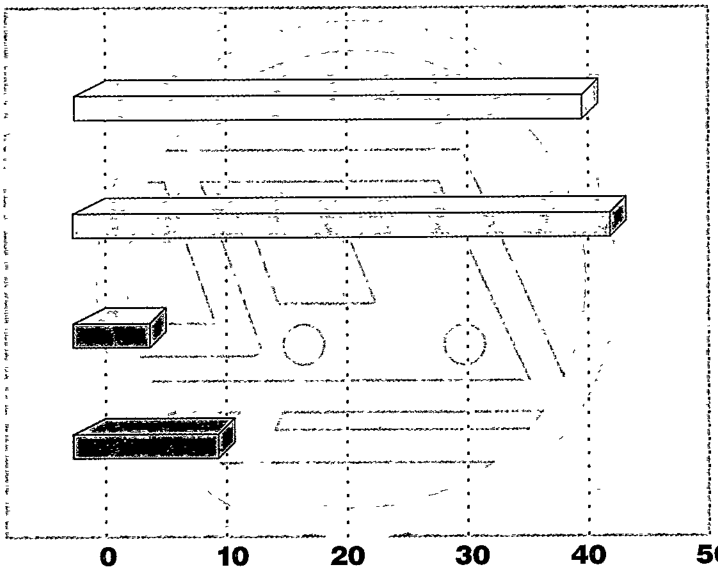
Additionally, the District contributes to each employee's account approximately 1.63% of covered payroll for the savings realized when the District de-pooled its Public Employees Retirement Fund (Fund) account. However, effective July 1, 1991, the District discontinued its 1.63% contribution on behalf of members of United Public Employees Union and Amalgamated Transit Union employees in accordance with union contractual agreements. This amount was formerly paid to the employee's Fund account. Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 1992 and 1991 was $5,394,000 and $6,025,000, respectively. Money Purchase Pension Plan assets at June 30, 1992 and 1991 (excluded from the accompanying financial statements) were $103,841,000 and $89,484,000, respectively.

11. LITIGATION AND DISPUTES WITH CONTRACTORS

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 District Management, the costs that might be incurred, if any, would not materially affect the District's financial position or operations.

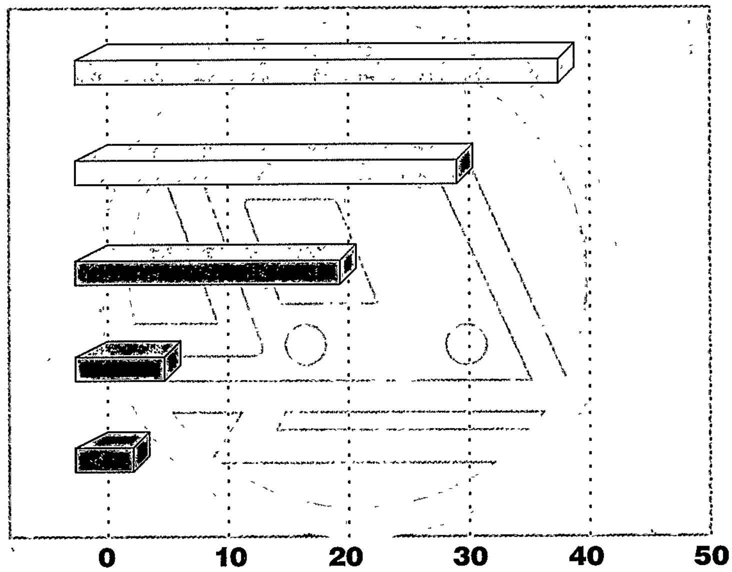
OPERATING FUNDS 1991-92



TOTAL $226,308 100% (in thousands)

SOURCE OF FUNDS (in thousands)

- **Transactions & Use Sales Tax** $92,256 40 77%
- **Fares** $99,530 43 98%
- **Property Tax** $11,146 4 92%
- **Other** $23,376 10 33%
  - Investment Income and Other Operating Revenues $9,741 4 30%
  - Construction Funds $11,548 5 10%
  - State Financial Assistance $1,600 0 71%
  - Regional Financial Assistance $487 0 22%

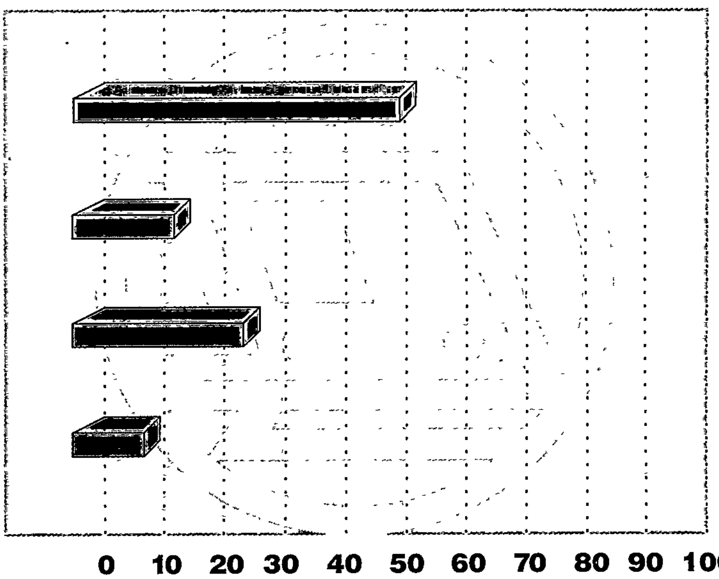


TOTAL $226,308 100% (in thousands)

HOW FUNDS WERE APPLIED (in thousands)

- **Maintenance** $87,786 38.79%
- **Transportation** $68,580 30 30%
- **General Administration** $48,371 21 37%
- **Police Services** $12,641 5.59%
- **Other** $8,930 3.95%
  - Capital Designation $1,024 0 45%
  - Construction & Engineering $7,906 3 50%

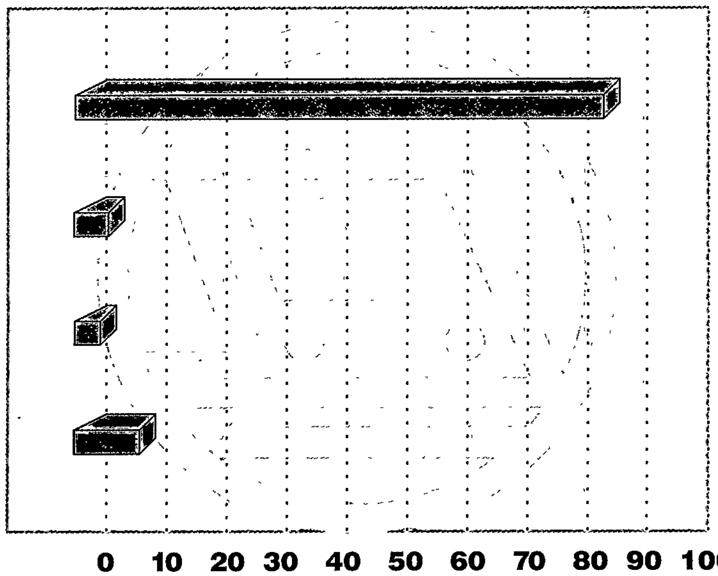
CAPITAL FUNDS 1991-92



TOTAL $130,028 100% (in thousands)

SOURCE OF FUNDS (in thousands)

- **District** $66,924 51.47%
- **Federal** $18,045 13 88%
- **State** $32,543 25.03%
- **Local** $12,516 9 62%

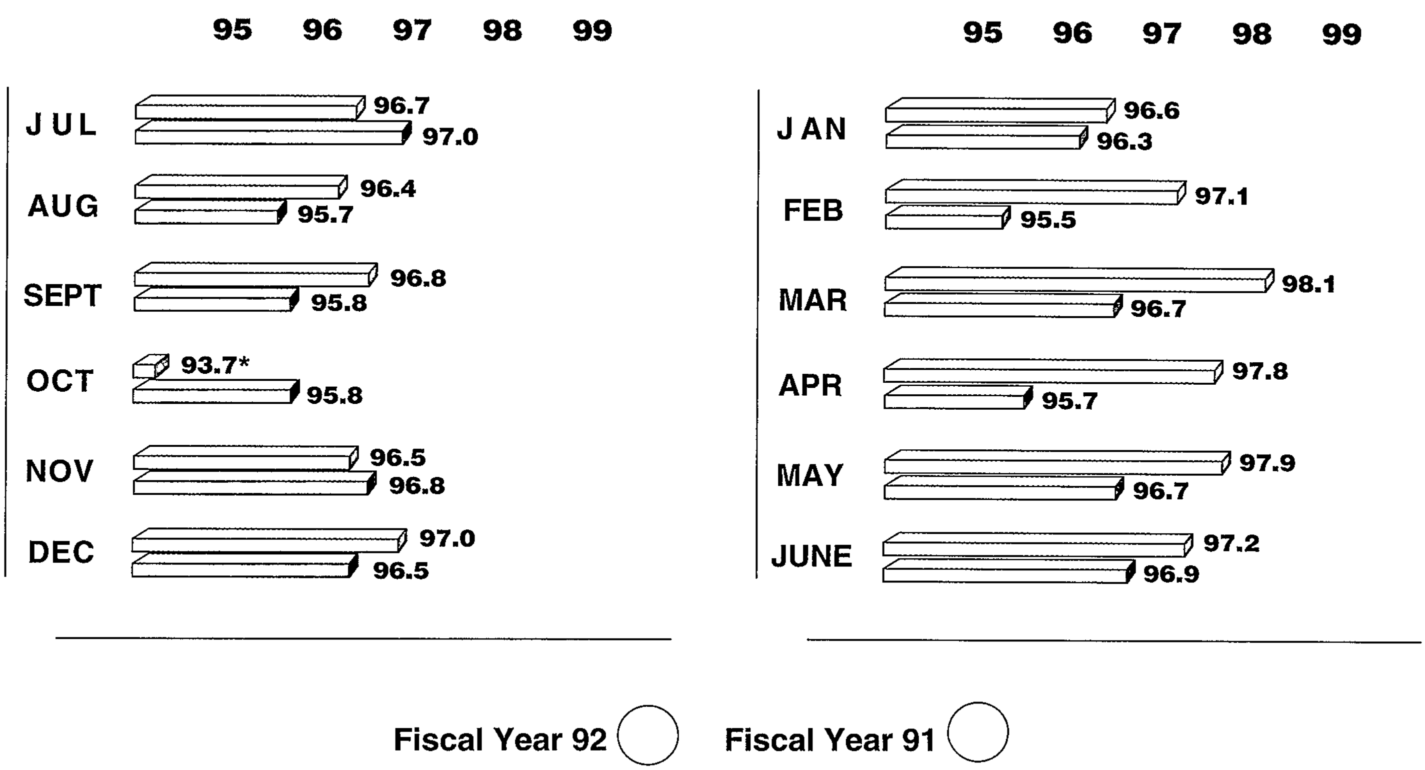


TOTAL $130,028 100% (in thousands)

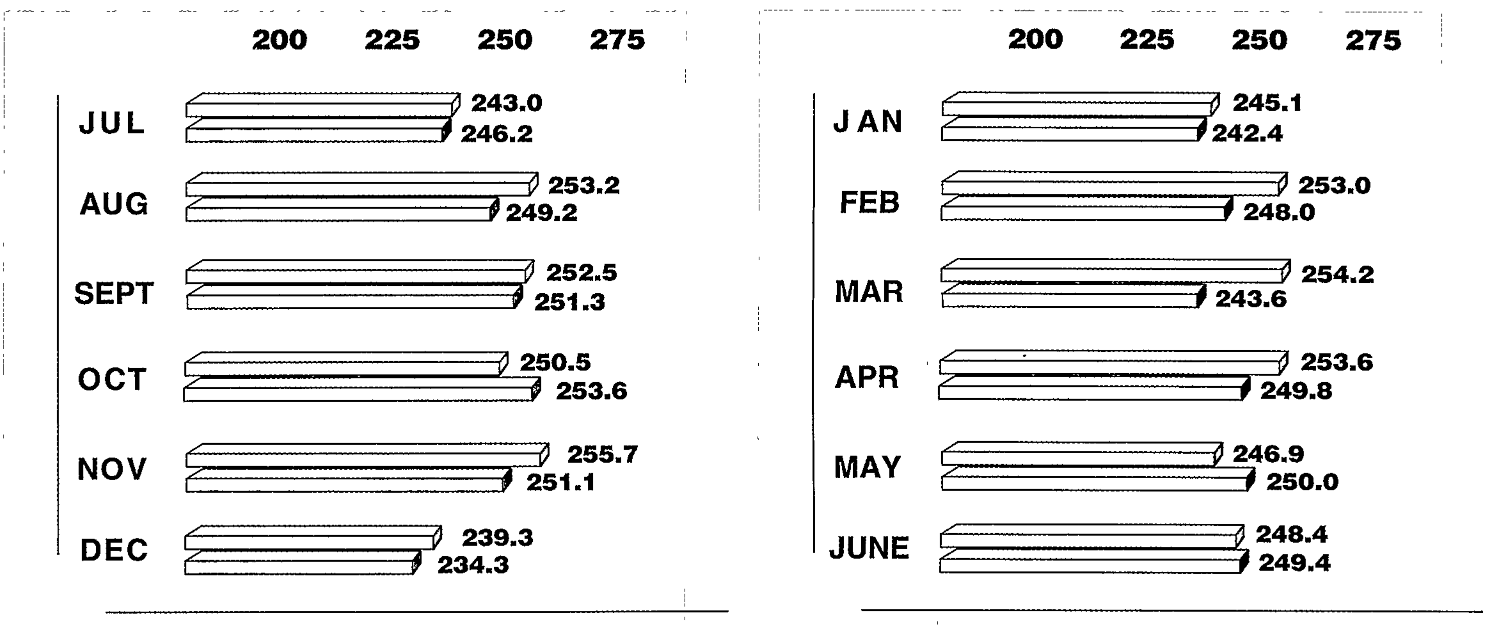
EXPENDITURES (in thousands)

- **Construction** $110,922 85 30%
  - Line $108,586 83 51%
  - Systemwide $1,124 0 86%
  - Support Facilities $1,212 0 93%
- **Inventory Build Up** $5,051 3.88%
- **Studies & Other** $1,744 1 34%
- **Equipment** $12,311 9 48%
  - Train Control $5,038 3 87%
  - Communications $1,438 1.11%
  - Transit Vehicles $931 0 72%
  - Automatic Fare Collection $1,166 0 90%
  - Management Info Systems $2,011 1 55%
  - Support Vehicles $787 0 60%
  - Other Equipment $940 0 73%

DAILY ON-TIME PERFORMANCE [%]



AVERAGE WEEKDAY TRIPS



*This lower than average on-time performance was the result of delays caused by the impact of the Oakland hills fire storm, the manual turn-back operation at Daly City due to construction and an inordinate number of system failures, resulting in this substantially lower percentage of on-time performance Most of the problems were resolved by the next month. However, this poor on-time performance is another example of the need for rehabilitating our ageing system.

Performance Highlights

BART patronage for fiscal year 1992 totaled 72,987,888, an increase of 1,086,982 over fiscal year 1991 and the highest annual patronage figure in the District's history. While the percentage rate of increase in ridership in fiscal year 1992 was lower than in fiscal year 1991, the total ridership, as noted previously, was the largest for any of the previous years of operation.

Weekday passenger trips averaged 249,548 for FY1992, compared with 247,456 for FY1991. Annual passenger miles for FY1992 amounted to 911,843,425, an increase of 14,056,918 over the previous year.

BART funded, in fiscal year 1992, 46.6 percent of its $213,736,000 FY1992 net operating expenses (excluding depreciation) from net passenger revenues.

BART's recovery of operating costs from the farebox ratio for FY1991 was 48.2 percent While there was a 1.5 per cent increase in patronage during FY1992, the consumer price index, the indicator of what goods and services costs, was up by about twice that percentage or 3 percent, which is reflected in the lower recovery of operating costs from the farebox in FY1992 of 46.6 percent.

In FY1992, net passenger revenues reached $99,530,000, an increase of $33,000 over the FY1991 figure of $99,497,000. Total operating revenues, including $9,741,000 in interest income, advertising in trains and stations, and other income, were $109,271,000, an increase of $1,563,000 from the previous fiscal year.

BART's operating ratio, which relates total operating revenues to total net operating expenses, was 51.1 percent in fiscal year 1992, compared with 52.1 percent for the previous year. The District's objective is to fund no less than one-half of its net rail expenses from operating revenues.

For FY1992, net rail passenger revenue per passenger mile was 10 8 cents, compared to 11 0 cents for FY1991. Rail operating cost per passenger mile for FY1992 was 22.1 cents, compared with 21.6 cents for the previous year.

Although these figures are very close to the District's objectives, they do reflect the inevitable decline attributable to inflation, wherein costs have risen faster than ridership and fares have not changed.

In addition to funds derived from passenger fares, interest income, and advertising, BART received $105,492,000 in revenue from 75 percent of the one-half-cent transit sales tax in the three BART counties, $2,087,000 in local and state funds and $11,146,000 in property tax available for operations. Of the $105,492,000 derived from the sales tax, $13,236,000 was allocated to debt service and $92,256,000 was made available for operations.

A review of BART fiscal year 1992 fiscal status, reflects the results of a 3 percent inflation resulting in higher costs for materials and equipment, to increased labor costs and a depressed economy resulting in increasing unemployment.

BART faces severe fiscal pressures over the next five years. Rehabilitation of the system, including cars, all of the communication and power generating and distribution system, will place a heavy fiscal demand on BART's assets - both monetary and personnel.

	FY 1992	FY 1991
Rail Ridership		
Annual passenger trips	72,987,888	71,900,906
Average weekday trips	249,548	247,456
Average trip length	12.5 miles	12.5 miles
Annual passenger miles	911,843,425	897,786,507
Daily on-time train performance (%)	96.3%	96.0%
System utilization ratio (passenger miles to available seat miles)	31.9%	32.7%
End-of-period ratios:		
Peak patronage	47.7%	47.8%
Off-peak patronage	52.3%	52.2%
BART's estimated share of peak period transbay trips—cars, trains & buses	44.1%(c)	39.2%(c)
Operations		
Annual revenue car miles	40,874,394	39,193,009
Unscheduled train removals—average per revenue day	1.5	1.5
Transit car availability to revenue car fleet.	83.0%(a)	81.0%(a)
Passenger accidents reported per million passengers trips	11.56	12.13
Patron-related crimes reported per million passenger trips	53.01	43.73
Financial		
Net passenger revenues	$ 99,530,000	$ 99,497,000
Other operating revenues	$ 9,741,000	$ 8,211,000
Total operating revenues	$109,271,000	$107,708,000
Net operating expenses (excluding depreciation)	$213,736,000	$206,573,000
Farebox ratio (net passenger revenues to net operating expenses)	46.6%	48.2%
Operating ratio (total operating revenues to net operating expenses)	51.1%	52.1%
Net rail passenger revenue per passenger mile	10.8¢	11.0¢
Rail operating cost per passenger mile	22.1¢	21.6¢
Net average rail passenger fare(b)	$1.35	$1.37

NOTES

General note. Data represents annual averages unless otherwise noted
(a) At 4 a m each day.
(b) Includes BART/MUNI Fast Pass.
(c) Based on MTC transbay survey, 7-9 a.m. 4-6 p.m.

San Francisco Bay Area
Rapid Transit District (BART)

Headquarters in Oakland, California
800 Madison Street, P O Box 12688
Oakland, CA 94604-2688 (510)464-6000

Established in 1957 by the California State Legislature
Authorized to plan, finance, construct, and operate
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 July/1991-June/1992

PRESIDENT
Wilfred T. Ussery, San Francisco

VICE PRESIDENT
Nello Bianco, El Sobrante

Members of the Board
District #1 - Joe Fitzpatrick, Orinda
District #2 - Nello Bianco, El Sobrante
District #3 - Sue Hone, Berkeley
District #4 - Margaret K Pryor, Oakland
District #5 - Erlene DeMarcus, Pleasanton
District #6 - John Glenn, Fremont
District #7 - Wilfred T Ussery, San Francisco
District #8 - James Fang, San Francisco
District #9 - Michael Bernick, San Francisco

Board-Appointed Officers
Frank J Wilson, General Manager
Sherwood Wakeman, General Counsel
Alvan Teragawachi, Controller/Treasurer
Phillip O Ormsbee, District Secretary

Executive Managers Reporting to the General Manager
Richard A. White, Deputy General Manager
James T Gallagher, Assistant General Manager, Operations
Thomas E. Margro, Assistant General Manager, Development
Larry T Williams, Assistant General Manager, Administration
Dorothy W. Dugger, Executive Manager, External Affairs
Ralph W. Weule, Executive Manager, Safety and Investigations

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

Typography & Design: Gillian/Craig
Printing: Action Printers
Photography: John Benson, Pleasanton
Writer: Dani Townsend, Martinez
Editor: Sy Mouber, BART Public Affairs