

**SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT**

Annual Financial Report

For the Years Ended June 30, 2018 and 2017



Certified
Public
Accountants

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
For the Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the San Francisco Bay Area Rapid Transit District (the District) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the District as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of employer pension contributions, the schedule of changes in net Other Postemployment Benefit (OPEB) liability and related ratios, and the schedule of employer OPEB contributions identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 26, 2018

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2018 and 2017

Introduction

The following discussion and analysis of the financial performance and activity of the San Francisco Bay Area Rapid Transit District (the District) provide an introduction and understanding of the basic financial statements of the District for the years ended June 30, 2018 and 2017. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The District is an independent agency created in 1957 by the legislature of the State of California for the purpose of providing an adequate, modern, interurban mass rapid transit system in the various portions of the metropolitan area surrounding the San Francisco Bay. The District started its revenue operations in September 1972. It presently owns a 121-mile, 48-station system serving the four counties of Alameda, Contra Costa, San Francisco and San Mateo. The governance of the District is vested in a Board of Directors composed of nine members, each representing an election district within the District.

The Financial Statements

The basic financial statements provide information about the District's Enterprise Fund and the Retiree Health Benefit Trust. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Enterprise Fund Financial Statements

The *Statements of Net Position* reports assets, deferred outflows of resources, liabilities, deferred inflows of resources and the difference as *net position*. The entire equity section is combined to report total *net position* and is displayed in three components - *net investment in capital assets*; *restricted net position*; and *unrestricted net position*.

The net position component *net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position consists of assets where constraints on their use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets. This net position component includes net position that has been designated by management for specific purposes, which in the case of the District include allocations to fund capital projects, and other liabilities, which indicate that management does not consider them to be available for general operations.

The *Statements of Revenues, Expenses and Changes in Net Position* consist of operating and nonoperating revenues and expenses based upon definitions provided by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*. Accordingly, significant recurring sources of the District's revenues, such as capital contributions, are reported separately, after nonoperating revenues and expenses.

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Statements of Cash Flows are presented using the direct method and include a reconciliation of operating loss to net cash used in operating activities.

Financial Highlights

In fiscal year 2015, the District implemented required changes to accounting and reporting for pensions. In 2017, the District also implemented required changes in accounting and reporting for OPEB. Due to limited available information, fiscal year 2016 amounts were not restated for GASB 75.

Condensed Statements of Revenues, Expenses and Changes in Net Position

A summary of the District's Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2018, 2017 and 2016 is as follows (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 546,614	\$ 547,100	\$ 545,800
Operating expenses, net	<u>(992,816)</u>	<u>(908,065)</u>	<u>(834,746)</u>
Operating loss	(446,202)	(360,965)	(288,946)
Nonoperating revenues, net	410,173	365,962	292,586
Capital contributions	233,728	342,270	328,123
Special item	<u>(20,486)</u>	-	-
Change in net position	177,213	347,267	331,763
Net position, beginning of year, as restated	<u>6,374,621</u>	<u>6,027,354</u>	<u>6,017,192</u>
Net position, end of year	<u>\$ 6,551,834</u>	<u>\$ 6,374,621</u>	<u>\$ 6,348,955</u>

Operating Revenues

In fiscal year 2018, operating revenues decreased slightly by \$486,000. Passenger fares decreased by \$3,891,000 in the current fiscal year due to 2.2% decline in average weekday trips from 423,395 average weekday trips in fiscal year 2017 to 414,166 average weekday trips in fiscal year 2018. Total passenger trips in fiscal year 2018 declined by 2.9% from 124,200,000 passenger trips in fiscal year 2017 to 120,600,000 passenger trips in fiscal year 2018. The decrease in passenger fares in fiscal year 2018 were offset mainly by (1) increase of \$1,054,000 in parking revenue mainly from the full year operation of the Warm Springs Station in fiscal year 2018 compared to three months in fiscal year 2017, and from parking revenues generated in Antioch Station and eBART Pittsburg Center Station (eBART), which opened in May 2018; (2) increase of \$1,773,000 in advertising revenue primarily from increase in the minimum annual guaranteed amount per advertising agreement and from train wrap advertising; and (3) increase of \$1,009,000 in fines and forfeitures due to approved citation fee increase implemented in January 2017.

In fiscal year 2017, operating revenues increased by \$1,300,000 primarily due to (1) an increase of \$1,567,000 in parking revenue due to higher parking rates implemented at some stations during fiscal year 2017; (2) increase in other revenue of \$2,000,000 from settlements received from Pacific Gas & Electric and from Penn Machine; (3) increase of \$510,000 in traffic fines; (4) increase of \$582,000 in advertising revenue; (5) increase of \$634,000 in fees and permits; and offset by (6) a slight decrease of \$3,909,000 in passenger fares principally due to decrease in ridership; average weekday ridership in fiscal year 2017 was 423,395 trips, a decrease of 2.3% from the prior fiscal year.

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Operating Expenses, Net

In fiscal year 2018, net operating expenses increased by \$84,751,000 primarily due to (1) an increase of \$59,956,000 in net salaries and benefits from (a) an increase of \$25,630,000 in employee wages from an additional 227 net positions hired in fiscal year 2018 and from wage increases per contractual labor agreements; (b) an increase of \$1,176,000 in health insurance expense due to increase in the number of employees insured as well as slight increase in insurance premium, offset by a 3% increase in employee contribution which started on January 1, 2018; (c) an increase of \$12,783,000 in overtime primarily due to pre-opening work on the new eBART extension, which opened in May 2018, and from work related to capital projects that are done during non-business hours, which required occasional station closures and additional personnel to minimize disruptions or inconvenience to passengers; (d) increase of \$41,412,000 in net pension expense recognized based on actuarially determined valuation under the GASB 68 requirement; (e) increase of \$4,834,000 in other benefits for costs of leave benefits earned, medicare contributions and other expenses that moved in tandem with increase in wages; and offset by (f) net decrease of \$2,757,000 in other postemployment benefit expenses associated with the adoption of GASB 75 which requires recognition of postemployment benefit expenses based on actuarially determined valuation; (g) no lump sum payment was due in fiscal year 2018 which resulted in a savings of \$1,785,000; (h) a decrease in labor expenses of \$21,337,000 from increase in labor reimbursements charged to capital grants; (2) an increase of \$27,905,000 in depreciation expense primarily from catch up depreciation related to the change in the estimated economic life of existing rail fleet; (3) decrease of \$3,011,000 in miscellaneous expenses primarily due to election expenses and settlements related to safety issues incurred in fiscal year 2017; (4) increase of \$1,094,000 in traction power due to higher transmission costs, offset by lower price of electricity; (5) decrease of \$1,042,000 in rent expense due to one time savings from discounted rent for the Lakeside lease and ongoing rent savings due to the purchase of the Metro Center building; (6) decrease of \$3,823,000 in uninsured public liability insurance due to catch up made in fiscal year 2017 to shore up the self-insured reserves to align with the actuarial valuation; (7) increase of \$5,674,000 in provision for obsolete inventories; and (8) decrease of \$3,250,000 in professional and technical services mostly from reduction in escalator and elevator repairs and strategic maintenance related expenses.

In fiscal year 2017, net operating expenses increased by \$73,319,000 primarily due to (1) an increase of \$76,054,000 in salaries and benefits principally from (a) an increase of \$31,851,000 in employee wages from an additional 295 net positions hired in fiscal year 2017 as a result of initiative to fill existing vacancies and to fill new positions related to the opening of the Warm Springs Extension and eBART Extension, and from wage increases per contractual labor agreements; (b) an increase of \$3,495,000 in health insurance expense due to increase in the number of employees insured as well as slight increase in insurance premium; (c) net increase of \$11,078,000 in other postemployment benefit expenses associated with the adoption of GASB 75 which requires recognition of postemployment benefit expenses based on actuarially determined valuation; (d) increase of \$36,117,000 in net pension expense recognized based on the GASB 68 requirement ; and offset by (e) a decrease of \$4,852,000 in overtime as part of cost cutting measures implemented in fiscal year 2017 to balance the budget due to decrease in passenger fares from lower ridership; and (f) decrease of \$1,712,000 in lump sum annual payments to employees based on ridership performance in fiscal year 2017; (2) a decrease of \$4,575,000 in depreciation expense due to higher expense recognized in fiscal year 2016 from catch up in depreciation recognized for assets capitalized in fiscal year 2016 related to completed projects, which include among others the Oakland Airport Connector and a portion of the Seismic Upgrade Project; (3) a decrease in labor expenses of \$13,039,000 from increase in labor reimbursements charged to capital grants; (4) increase of \$5,120,000 in general liability insurance due to higher claims and to bring the reserve balance to actuarially determined amount; (5) increase of \$5,095,000 in rental expense from a combination of rent escalation in existing lease agreements and due to lower expense recognized in fiscal year 2016 from a one-time adjustment associated with closing the remaining unamortized balance of a deferred rent account established under a prior accounting pronouncement; and (6) increase of \$2,620,000 in miscellaneous expenses primarily from election related expenses.

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Nonoperating Revenues, Net

In fiscal year 2018, nonoperating revenues, net, increased by \$44,211,000 primarily from (1) an increase of \$15,976,000 in property tax revenue earmarked based on required debt service payments for the General Obligation Bonds; (2) an increase of \$4,079,000 in property tax revenue for general operations due to continued rise in property valuations in the San Francisco Bay Area; (3) an increase of \$10,697,000 or about 4.3% in sales tax revenue provided by the strong economy in the San Francisco Bay Area; (4) increase of \$8,341,000 in interest income due to higher interest rates earned from investments; (5) increase of \$4,170,000 due to decrease in debt issuance expense since there was only a single bond issuance in fiscal year 2018 compared to three bond issuances in fiscal year 2017; (6) increase of \$52,548,000 in net non-operating revenue due to non-payment of contribution to MTC for BART car replacement program in fiscal year 2018 since there were no preventive maintenance grant received in fiscal year 2018; and offset by (7) decrease of \$22,333,000 in operating financial assistance principally from (a) decrease of \$ 57,783,000 in federal financial assistance primarily due to absence of \$56,548,000 in preventive maintenance grant received in fiscal year 2017; offset by (b) an increase of \$16,690,000 in State Transit Assistance revenue partially attributable from the passage of Senate Bill 1 (SB1) which provided new formula-based funding for public transit and the receipt of \$6,102,000 in STA grant funds dedicated for “state of good repair”; and (c) an increase of \$18,417,000 from the sale of low carbon fuel system credits; (8) a decrease of \$4,423,000 due to increase in interest expense principally from the full year recognition of interest expense on the Measure RR bonds which were issued in June 2017; and (9) decrease of \$24,839,000 due to gain from exchange of property recognized in fiscal year 2017 and \$0 in the current fiscal year.

In fiscal year 2017, nonoperating revenues, net, increased by \$73,376,000 primarily from (1) an increase of \$4,275,000 in operating financial assistance principally from a \$4,000,000 Federal Transit Administration (FTA) grant allocated to an operating preventive maintenance project; (2) an increase of \$39,778,000 in property tax revenue earmarked based on required debt service payments for the General Obligation Bonds; (3) an increase of \$3,536,000 in property tax revenue for general operations due to continued rise in property valuations in the San Francisco Bay Area; (4) an increase of \$5,638,000 or about 2.3% in sales tax revenue as the economy in the San Francisco Bay Area continues to expand; (5) increase of \$995,000 in interest income due to slightly higher interest rates earned from investments (6) an increase of \$17,555,000 in gain from exchange of property associated with the land swap with McArthur Transit Community Partners, LLC; (7) a decrease of \$7,794,000 in interest expense principally from lower outstanding principal balances of Sales Tax Revenue Bonds and Measure AA General Obligation Bonds and from lower interest rates due to refunding; and offset by (8) increase of \$3,874,000 in debt issuance costs associated with the issuances of the 2017 Measure AA General Obligation Refunding Bonds, 2016A Sales Tax Revenue Refunding Bonds, and the first series of Measure RR General Obligation Bonds (see Note 6); and (9) an increase of \$2,372,000 in the amount of transfer made to the Metropolitan Transportation Commission (MTC) for restricted account established to fund the District's rail car replacement project (see Note 8).

Capital Contributions

The revenues from capital contributions relate to grants and other financial assistance received by the District from federal, state and local agencies to fund capital projects. The District receives mostly reimbursement-type grants of which the District has to first incur eligible costs under the provider's program before qualifying for the grant resources. Revenues from capital contributions are recognized at the time when the eligible project costs are incurred.

In fiscal year 2018, revenue from capital contributions decreased by \$108,542,000 primarily from (1) net decrease of \$2,466,000 in funding from Alameda County Transportation Commission (ACTC) Measure B as project expenses for the Warm Springs Extension (Warm Springs) continued to wind down due to completion of the extension in March 2017, offset by increase in expenditures for the Livermore Extension

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which was discontinued in the current fiscal year (see Note 4); (2) decrease of \$21,422,000 in funding received from East Contra Costa Transportation Regional Fee and Financing Authority (ECCRFFA) due to completion of eBART; (3) decrease of \$41,822,000 in Regional Measure funds received from MTC primarily due to the winding down of expenses incurred for eBART and Warm Springs; (4) net decrease of \$6,300,000 in Bridge Toll funds received for expenses incurred associated with the Livermore Extension and other miscellaneous projects, offset by increase in grants received for eBART; (5) decrease of \$17,756,000 in grants received from Valley Transportation Authority (VTA) for the Hayward Maintenance Complex Project (HMC); (6) decrease of \$1,562,000 in grants received from Union City for the Union City Intermodal Project; (7) decrease of \$2,780,000 from funds received from Sprint due to completion of the Radio System Re-banding Project in previous year; (8) net decrease of \$9,877,000 received from the High Speed Passenger Train Bond Funds due to decrease in amount expended for HMC offset by increase in project costs incurred for the Rail Car Procurement Project; (9) net decrease of \$26,433,000 received from the FTA; and offset by (10) net increase of \$ 4,673,000 in Measure J funds received from Contra Costa Transportation Authority (CCTA) principally for El Cerrito Del Norte Gateway and the Concord Intermodal Project; offset by decrease in funding for eBART which was completed in May 2018; (11) increase of \$2,069,000 from ACTC Measure F for the Berkeley Plaza Improvement Project; (12) net increase of \$1,838,000 in San Francisco County Transportation Authority Proposition K funds received for the Balboa Eastside Improvement Project; (13) net increase of \$3,527,000 in Proposition 1B Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA) funds received attributable primarily for expenses incurred in various stations modernization projects; (14) increase of \$8,001,000 in funds received from the Department of Homeland Security (DHS) and from the State's Proposition 1B Security grants for various security related projects; and (15) increase of \$1,572,000 in funds received from the State Water Resources Control Board for the Lafayette Parking project.

In fiscal year 2017, revenue from capital contributions increased by \$14,147,000 primarily from (1) a net increase in revenue of \$8,902,000 from grants received from the State of California mostly due to (a) an increase of \$24,611,000 in High Speed Passenger Train Bond Funds grants received for the rail car procurement and HMC projects; (b) a decrease of \$11,208,000 from various projects funded by PTMISEA; (c) a decrease of \$2,840,000 in security related grants funded by the State; (d) \$3,102,000 increase in funding for the Union City Phase 2 Intermodal project; and (e) a decrease of \$4,665,000 in other grants received from the California Department of Transportation for the Warm Springs Extension project due to completion of the project in fiscal year 2017; (2) an increase of \$25,339,000 due to funds received from ECCRFFA offset by a decrease of \$1,597,000 in CCTA Measure J funds for eBART; (3) an increase of \$12,635,000 for the HMC project funded by VTA; (4) an increase of \$5,816,000 from San Francisco Municipal Transportation Agency for reimbursements received for joint use projects for various stations in San Francisco; (5) an increase of \$3,392,000 from Sprint for the 800Mhz radio project; (6) a net increase of \$8,055,000 in MTC Regional Measure 2 and ACTC Measure B funding for Warm Springs; and offset by (7) a net decrease of \$9,224,000 from federal fund sources primarily due to (a) a decrease of \$5,753,000 in DHS grants revenue for security related projects; and (b) a decrease of \$3,471,000 from slightly lower utilization of grants funded by the FTA; (8) a decrease of \$4,731,000 in grants received from Union City for the Phase 2 Intermodal project; and (9) a net decrease of \$35,999,000 from funds received from ACTC Measure B funds, CCTA Measure J funds, from City of Pittsburg, and from Regional Measure 1 and AB 1171 received from MTC for eBART as it gets closer to completion.

The major additions in fiscal years 2018 and 2017 to capital projects are detailed on page 11.

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Special Item

The special item reported in fiscal year 2018 is related to the project costs, excluding the cost of land acquired, incurred through June 30, 2018, associated with the proposed Livermore Extension. At its May 24, 2018 Board meeting, the BART Board voted not to advance the Proposed Conventional BART Extension to Livermore. The Board also voted to not advance the DMU/EMU Alternative, Express Bus/BRT Alternative or the Enhanced Bus Alternative. The cumulative costs of the Livermore Extension Project associated with conceptual engineering and project level environment impact report incurred through June 30, 2018, which amounts to \$20,486,000, were written off and recognized as a special item loss from discontinued project (see Note 4).

Condensed Statements of Net Position

A comparison of the District's *Statements of Net Position* as of June 30, 2018, 2017 and 2016 is as follows (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current assets	\$ 1,589,289	\$ 1,744,906	\$ 1,452,232
Noncurrent assets - capital assets, net	7,960,289	7,710,216	7,378,033
Noncurrent assets - other	<u>12,179</u>	<u>26,479</u>	<u>11,485</u>
Total assets	9,561,757	9,481,601	8,841,750
Deferred outflow of resources	250,274	180,037	74,318
Current liabilities	365,685	383,995	339,134
Noncurrent liabilities	<u>2,824,587</u>	<u>2,862,106</u>	<u>2,178,331</u>
Total liabilities	3,190,272	3,246,101	2,517,465
Deferred inflow of resources	69,925	40,916	49,648
Net position			
Net investment in capital assets	6,586,781	6,246,653	6,055,965
Restricted	156,387	190,612	214,849
Unrestricted	<u>(191,334)</u>	<u>(242,644)</u>	<u>78,141</u>
Total net position	<u>\$ 6,551,834</u>	<u>\$ 6,374,621</u>	<u>\$ 6,348,955</u>

Current Assets

In fiscal year 2018, current assets decreased by \$155,617,000 primarily from (1) decrease of \$95,206,000 in cash equivalents and investments held from the proceeds of the Measure AA General Obligation Bonds (GOB-AA) for payments of seismic upgrade related expenses; (2) decrease of \$76,890,000 held in cash equivalent and investments from the proceeds of the 2017 Measure RR General Obligation Bonds (GOB-RR) for payments of various project expenses; (3) decrease of \$37,440,000 from funds held by the Trustee for debt service of GOB-RR (\$19,062,000) and outstanding sales tax revenue bonds (\$22,067,000) due to utilization of funds set aside in a reserve fund for debt service, generated from issuance of the GOB-RR in fiscal year 2017, and primarily from absence of need to set aside funds for debt service for the 2010 Sales Tax Revenue Refunding Bonds since those bonds were defeased in fiscal year 2018, offset by increase in funds held for debt service of GOB-AA (\$3,689,000); (4) decrease of \$5,657,000 in inventory balance primarily due to provision for obsolescence; and offset by (5) increase of \$37,805,000 in cash and cash equivalent and current investment due to timing of payment of vendor invoices; (6) increase of \$15,647,000 in capital grants receivable due to timing in receiving the funds from the funding agencies and the amount of project expenses incurred that were required to be billed; (7) increase of \$5,343,000 in property tax receivables; and (8) increase of \$1,292,000 in interest receivables from investments held.

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In fiscal year 2017, current assets increased by \$292,674,000 principally from (1) net increase of \$295,686,000 in current cash & cash equivalents and current investments primarily accounted for by (a) an increase of \$334,569,000 representing the balance of net proceeds received from issuance of GOB-RR; (b) a net increase of \$24,765,000 in cash and cash equivalents earmarked for the debt service of Measure AA General Obligation Bonds; offset by (c) a decrease of \$15,628,000 in cash and cash equivalents from the proceeds of the GOB-AA for payments of seismic upgrade related expenses; and (d) a decrease of \$14,739,000 in cash and cash equivalents and current investments due to shift in investments with longer maturity in order to earn higher yield on investments; and (e) a decrease of \$33,281,000 in cash and cash equivalent and current investment due to timing of payment of vendor invoices; (2) an increase of \$9,312,000 in materials and supplies inventory of which \$1,936,000 is for new spare parts of the new trains for the eBART extension, and the remaining increase of \$7,376,000 was due to timing in the usage of supplies; and offset by (3) a decrease of \$11,554,000 in capital grants receivable due to timing in billing and collections.

Noncurrent Assets - Other

In fiscal year 2018, noncurrent assets – Other decreased by \$14,300,000 primarily from maturity of long-term investments held in fiscal 2017. All investments held in the current fiscal year were classified as current assets.

In fiscal year 2017, noncurrent assets – other increased by \$14,994,000 primarily from an increase of \$14,739,000 in non-current investments due to a shift in investment strategy to obtain higher yield.

Current Liabilities

In fiscal year 2018, current liabilities decreased by \$18,310,000 primarily due to (1) a decrease of \$3,116,000 in payables to vendors and contractors due to timing in receiving and paying of invoices; (2) an increase of \$6,969,000 in payables to employees due to \$1,500,000 increase in dental insurance reserves and timing in the remittances of payroll taxes and benefits; (3) an increase of \$1,192,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) an increase of \$2,887,000 in interest payable primarily due to five months accrual of interest on outstanding GOB-RR in fiscal year 2018 compared to one month accrual in fiscal year 2017; (5) a decrease of \$77,130,000 in principal balances of outstanding Sales Tax Revenue and General Obligation Bonds for debt service payments made during the fiscal year; and (6) an increase of \$50,835,000 in current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt based on debt service schedules.

In fiscal year 2017, current liabilities increased by \$44,861,000 primarily due to (1) an increase of \$5,989,000 in payables to vendors and contractors due to timing in receiving and paying of invoices; (2) an increase of \$1,427,000 in payables to employees due to timing in paying the payroll at the end of the fiscal year and in the remittances of payroll taxes and benefits; (3) an increase of \$1,231,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) a decrease of \$1,245,000 in interest payable due to decrease in outstanding Sales Tax Revenue Bonds and Measure AA General Obligation Bonds; (5) a decrease of \$27,225,000 for payments made during the fiscal year of principal balances of outstanding Sales Tax Revenue and General Obligation Bonds; (6) an increase of \$77,130,000 in current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt based on debt service schedules; (7) an increase of \$1,568,000 in current reserves required for workers compensation and general liability insurance; (8) an increase of \$1,613,000 in unearned revenue related to passenger fare and parking; and (9) a decrease of \$15,459,000 in the current portion of advances from grantors based on projected fund utilization for fiscal year 2018.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2018 and 2017

Noncurrent Liabilities

In fiscal year 2018, noncurrent liabilities decreased by \$37,519,000 principally from (1) a decrease of \$1,230,000 in payables to vendors and contractors due to timing in receiving and paying of invoices; (2) a decrease of \$457,000 in payables to employees due to timing in the utilization of accrued compensated absences; (3) a decrease of \$3,959,000 in liabilities for Other Postemployment Benefits (OPEB) primarily from decrease in unfunded liability for the Survivor's Benefit Program; (4) an increase of \$91,052,000 in net pension liability from a combination of factors including reduction in the discount rate used for the actuarial valuation from 7.65% in fiscal year 2017 to 7.15% in fiscal year 2018; (5) a net decrease of \$4,902,000 in balance of unamortized issue premium from issuance of bonds consisted of (a) an increase of \$24,813,000 from the issuance of the 2017A Sales Tax Revenue Refunding Bonds; offset by (b) a decrease of \$13,505,000 in the balance of unamortized bond issue premium due to reclassification to deferred interest associated with the defeased sales tax revenue bonds (see Note 6); and (c) a decrease of \$16,211,000 for amortization of the bond issue premium in fiscal year 2018; (6) a net increase of \$26,295,000 in noncurrent balances of bonds payable due to the lower amount reclassified to current liability for Sales Tax Revenue and General Obligation Bonds in fiscal year 2018 (\$50,835,000) compared to fiscal year 2017 (\$77,130,000); (7) a decrease of \$305,070,000 in principal balance of bond obligations due to debt service payment and defeasance of Sales Tax Revenue Bonds and General Obligation Bonds, offset by increase of \$185,505,000 from the issuance of the 2017A and 2017B Sales Tax Revenue Refunding Bonds; (8) a decrease of \$27,422,000 in the noncurrent portion of advances from grantors as funds are expended on capital projects; (9) a decrease of \$1,122,000 primarily due to amortization of prepayments received from long-term fiber optics contracts; (10) an increase of \$1,794,000 in unearned revenue for funds received from San Mateo County Transit District (SamTrans), representing 2% of Measure A half-cent sales tax imposed in San Mateo County as part of the Tri-Party Financial Agreement associated with the operation of the SFO Extension (see Note 9); and (11) an increase of \$2,556,000 in noncurrent portion of reserves required for workers compensation and general liability insurance.

In fiscal year 2017, noncurrent liabilities increased by \$683,775,000 principally from (1) a decrease of \$634,000 in payables to vendors and contractors due to timing of receiving and paying of invoices; (2) an increase of \$2,592,000 in payables to employees due to timing in the utilization of accrued compensated absences; (3) an increase of \$317,346,000 in liabilities for Other Postemployment Benefits (OPEB) due to adoption of GASB 75 in the current fiscal year, which requires full recognition of the obligations per actuarial calculations; (4) an increase of \$147,228,000 in net pension liability primarily due to lower return on investments; (5) a net increase of \$41,984,000 in unamortized premium from issuance of bonds consisted of (a) an increase of \$56,837,000 in balance of unamortized bond issue premium from the issuance of the 2017 Measure AA General Obligation Refunding Bonds, GOB-RR and the 2016A Sales Tax Revenue Refunding Bonds in fiscal year 2017; offset by (b) a decrease of \$2,467,000 in the balance of unamortized issue premium due to reclassification to deferred interest associated with the defeased bonds (see Note 6); and (c) a decrease of \$12,386,000 for amortization of the bond issue premium in fiscal year 2017; (6) a net decrease of \$49,905,000 for portion reclassified to current liability for Sales Tax Revenue and General Obligation Bonds; (7) a decrease of \$215,455,000 in principal balance of bond obligations due to debt service payment and defeasance of Sales Tax Revenue Bonds and General Obligation Bonds, offset by increase of \$468,535,000 from the issuance of the 2016A Sales Tax Revenue Refunding Bonds, 2017 Measure AA General Obligation Refunding Bonds, and GOB-RR; (8) a decrease of \$2,830,000 in the noncurrent portion of advances from grantors as funds are expended on capital projects; (9) a decrease of \$25,815,000 in unearned revenue, upon recognition of income after the District transferred the title to the land subject to an exchange agreement to MacArthur Transit Community Partners, LLC, (see Note 14); (10) a decrease of \$1,243,000 in unearned revenue primarily due to amortization of prepayments received from long-term fiber optics contracts; (11) an increase of \$1,652,000 for funds received from SamTrans, representing 2% of Measure A half-cent sales tax imposed in San Mateo County, as part of the Tri-Party Financial Agreement regarding the operation of the SFO Extension (see Note 9); and (12) an increase of \$1,074,000 in noncurrent portion of reserves required for workers compensation and general liability insurance.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2018 and 2017

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2018, 2017 and 2016 are as follows (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land and easements	\$ 631,156	\$ 631,156	\$ 624,090
Stations, track, structures and improvements	5,206,092	4,883,453	4,249,176
Buildings	16,757	18,273	8,201
Revenue transit vehicles	120,326	83,841	104,480
Other	822,149	821,924	679,384
Construction in progress	<u>1,163,809</u>	<u>1,271,569</u>	<u>1,712,702</u>
Total capital assets	<u>\$ 7,960,289</u>	<u>\$ 7,710,216</u>	<u>\$ 7,378,033</u>

The District's capital assets before depreciation and retirements showed a net increase of \$490,599,000 in fiscal year 2018 and \$523,571,000 in fiscal year 2017. There were no major retirements on depreciable assets in fiscal year 2018 and 2017. In fiscal year 2018, the District wrote-off the cumulative to date costs incurred associated with the Livermore Extension Project due to the Board's decision not to pursue the extension. The cumulative charges related to the Livermore Extension amounting to \$20,486,000 as of June 30, 2018 were reclassified from construction in progress and recorded as a special item loss from discontinued project.

Additions in capital assets, net of costs written off associated with the Livermore extension, included capital expenditures for the acquisition and/or major improvements related to the following assets (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>
Guideway	\$ 257,108	\$ 278,871
Passenger stations	78,078	67,677
Maintenance & administration buildings	55,932	108,942
Revenue transit vehicles	55,209	45,023
Communication and Information systems	13,737	11,934
Automatic fare collections and other equipment	<u>10,363</u>	<u>12,769</u>
	<u>\$ 470,427</u>	<u>\$ 525,216</u>

Additions to Guideway and passenger stations included among others, the costs associated with (1) Transbay Tube Retrofit Project which is designed to ensure that the Transbay Tube remains structurally sound in the event of a very large and very rare earthquake; (2) the eBART Extension Project which opened on May 26, 2018; and (3) the Warm Springs Extension project, which opened on March 25, 2017. A significant portion of the additions to maintenance & administration buildings are related to the new Hayward Maintenance Complex, which is being constructed to accommodate the much larger and more technologically advanced new rail fleet. The additions to revenue transit vehicles are associated with the project cost to procure and replace the existing rail cars.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$2,898,000,000 at June 30, 2018 and \$2,750,000,000 at June 30, 2017.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2018 and 2017

Long-Term Debt

The outstanding balance of total long-term debt (including current portion but excluding unamortized balance of bond premium/discounts) as of June 30, 2018, 2017 and 2016 are as follows (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Bonds payable from and collateralized by			
a pledge of sales tax revenues	\$ 528,810	\$ 595,060	\$ 629,620
General Obligation Bonds	<u>837,820</u>	<u>891,135</u>	<u>603,495</u>
Total long-term debt	<u>\$ 1,366,630</u>	<u>\$ 1,486,195</u>	<u>\$ 1,233,115</u>

Total long-term debt in fiscal year 2018 decreased by \$119,565,000 due to (1) an increase of \$185,505,000 from the issuance in December 2017 of the 2017A and 2017B Sales Tax Revenue Refunding Bonds; offset by (2) decrease of \$227,940,000 in outstanding sales tax revenue bonds due to refunding from the proceeds of the 2017A and 2017 Sales Tax Revenue Refunding Bonds and from other District sources, consisted of the following: (a) full defeasance of \$115,095,000 remaining outstanding balance of 2010 Sales Tax Revenue Refunding Bonds; (b) partial defeasance in the amount of \$26,820,000 of the 2012A Sales Tax Revenue Refunding Bonds; and (c) partial defeasance in the amount of \$86,025,000 of the 2012B Sales Tax Revenue Refunding Bonds; (3) a decrease of \$23,815,000 due to principal payments of current outstanding Sales Tax Revenue Bonds; and (4) a decrease of \$53,315,000 due to payment of current outstanding General Obligation Bonds.

Total long-term debt in fiscal year 2017 increased by \$253,080,000 due to (1) an increase of \$468,535,000 from bonds issued in fiscal year 2017: (a) \$300,000,000 from the first issuance of 2017 Measure RR General Obligation Bonds; (b) \$84,735,000 from issuance of 2017 Measure AA General Obligations Refunding Bonds; and (c) \$83,800,000 from issuance of 2016A Sales Tax Revenue Refunding Bonds; and offset by (2) a decrease of \$94,450,000 from defeasance of 2006A Sales Tax Revenue Refunding Bonds from the proceeds, including premiums, of the 2016A Sales Tax Revenue Refunding Bonds; (3) a decrease of \$93,780,000 from partial defeasance of 2007 Measure AA General Obligation Bonds from the proceeds, including premium, of the 2017 Measure AA General Obligations Refunding Bonds; (4) a decrease of \$23,910,000 due to principal payments of current outstanding Sales Tax Revenue Bonds; and (5) a decrease of \$3,315,000 due to payment of current outstanding General Obligation Bonds.

Economic Factors and Next Year's Budgets

On June 14, 2018, the District's Board of Directors adopted a balanced operating budget of \$922,179,000 and a capital budget of \$1,354,894,000 for the Fiscal Year 2019.

The fiscal year 2019 budget for operating sources is \$4,637,000 higher than the fiscal year 2018 budget with projected operating revenue, State Transit Assistance (STA), property tax, and sales tax growth contributing to the increase despite declines in ridership. In fiscal year 2018 total ridership declined by 3.0% and was 4.2% below budget. The ridership estimate for fiscal year 2019 reflects a forecast of no growth in core system ridership, an increase in ridership due to the first full year of BART to Antioch service, and a reduction in ridership due to the 5 AM system opening as part of the Transbay Tube Seismic Retrofit Project. STA revenue is projected to grow by \$11,188,000 due to the passage of Senate Bill 1 (SB1), which provides for new formula-based funding sources for public transit and augments the existing STA program. In order to serve current crowded trains and future increases in ridership due to the opening of SVBX, the District is continuing its investment in its aging rail vehicle fleet and infrastructure and expanding shop capacity.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2018 and 2017

The fiscal year 2019 Adopted Budget supports the District's continued efforts to reinvest in the system. However, limited funds were available for additional new programs as revenues are constrained due mainly to the continuing decline in ridership growth and associated passenger revenue, which comprises 87% of BART's total operating revenue. Sales tax revenue is estimated to increase by 4.8% (\$12,164,000) in fiscal year 2019 compared to fiscal year 2018 budget. Property tax revenue is budgeted to increase by 10.8% (\$4,573,000) in fiscal year 2019 compared to fiscal year 2018 budget due to continued rising property values stemming from the Bay Area's strong housing market. BART continues investment in our aging infrastructure in fiscal year 2019, at a level of self-help that is among the highest for a transit operator in the nation. Over the past five years, BART has reinvested over \$600,000,000 of operating funds into critical projects such as new rail cars and station renovation. The fiscal year 2019 Capital Budget also prioritizes reinvestment, with 73% of the \$1,354,894,000 budget programmed to system reinvestment projects.

The current operating budget supplies critical funding to capital programs. In addition, BART's Board of Directors dedicated all incremental revenue generated from the 2014-2020 productivity-adjusted inflation-based fare increase program towards high priority capital projects, including the Rail Car Replacement Program, Hayward Maintenance Complex, and Train Control Modernization Program. In fiscal year 2019, this amount is budgeted at \$42,863,000. The fiscal year 2019 operating budget includes \$22,256,000 for "baseline" State of Good Repair allocation, which includes local match on capital grants, repair of buildings and facilities, and tools and equipment. The budget also includes the following smaller categories of allocations: \$3,725,000 for stations and access improvements, and \$7,611,000 for other initiatives, including control UPS renovation, information technology, Millbrae tail track, homelessness initiatives, and pigeon abatement. Additionally, in fiscal year 2019 the District allocated over \$30,000,000 to a variety of other uses, including fixed assets acquisition, reserves, and sustainability. Despite these investments, the District must aggressively seek other funding sources to increase capital resources in order to maintain reliability. The BART Capital Improvement Program has identified a wide variety of system infrastructure funding needs.

A full \$995,366,000 (73%) of capital expenditures next year are directed to System Renovation including the New Car Program, the Hayward Maintenance Complex, station modernization, replacement of train control system, traction power, trackway renovation and other capital projects. The Earthquake Safety Program, which represents 8% of the fiscal year 2019 capital budget, will focus on the Transbay Tube seismic retrofit project. Other capital work on essential security upgrades, life safety improvements, service and capacity enhancements, and ADA/system accessibility improvements will also continue.

Contacting the District's Financial Management

The District's financial report is designed to provide the District's Board of Directors, management, investors, creditors, legislative and oversight agencies, citizens and customers with an overview of the District's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Rosemarie Poblete, Controller-Treasurer, at 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position
June 30, 2018 and 2017
(dollar amounts in thousands)

	2018	2017
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	\$ 414,050	\$ 336,042
Investments	305,963	310,438
Government receivables	143,377	127,730
Receivables and other assets	31,159	27,691
Materials and supplies	39,529	45,185
Total unrestricted current assets	934,078	847,086
Restricted assets		
Cash and cash equivalents	375,812	287,416
Investments	274,381	608,041
Receivables and other assets	5,018	2,363
Total restricted current assets	655,211	897,820
Total current assets	1,589,289	1,744,906
Noncurrent assets		
Capital assets		
Nondepreciable	1,794,965	1,902,725
Depreciable, net of accumulated depreciation	6,165,324	5,807,491
Unrestricted assets		
Investments	-	13,422
Receivables and other assets	142	169
Restricted assets		
Investments	-	1,317
Receivables and other assets	12,037	11,571
Total noncurrent assets	7,972,468	7,736,695
Total assets	9,561,757	9,481,601
Deferred Outflows of Resources		
Losses on refundings of debt	21,806	17,769
Pension related		
Pension contribution subsequent to measurement date	68,202	58,386
Net differences between projected and actual earnings	24,812	97,875
Differences between actual and expected experience	3,529	6,007
Changes in assumptions	103,379	-
Other Post Employment Benefits related		
Differences between actual and expected experience	138	-
Changes of assumptions	28,408	-
Total deferred outflows of resources	250,274	180,037

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position, continued
June 30, 2018 and 2017
(dollar amounts in thousands)

	2018	2017
Liabilities		
Current liabilities		
Accounts payable and other liabilities	\$ 237,744	\$ 229,812
Unearned revenue	56,601	57,005
Current portion of long-term debt	50,835	77,130
Self-insurance liabilities	20,505	20,048
Total current liabilities	<u>365,685</u>	<u>383,995</u>
Noncurrent liabilities		
Accounts payable and other liabilities	44,689	46,376
Unearned revenue	178,113	205,423
Long-term debt, net of current portion	1,481,390	1,579,562
Self-insurance liabilities, net of current portion	38,459	35,903
Net other postemployment benefits liability	376,433	380,392
Net pension liability	705,503	614,450
Total noncurrent liabilities	<u>2,824,587</u>	<u>2,862,106</u>
Total liabilities	<u>3,190,272</u>	<u>3,246,101</u>
Deferred Inflows of Resources		
Pension related		
Differences between actual and expected experience	2,486	2,518
Changes in assumptions	10,070	19,285
Other Post Employment Benefits related		
Net differences between projected and actual earnings	9,997	8,209
Differences between actual and expected experience	29,277	-
Changes of assumptions	18,095	10,904
Total deferred inflows of resources	<u>69,925</u>	<u>40,916</u>
Net position		
Net investment in capital assets	6,586,781	6,426,653
Restricted for debt service and other liabilities	156,387	190,612
Unrestricted	(191,334)	(242,644)
Total net position	<u>\$ 6,551,834</u>	<u>\$ 6,374,621</u>

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

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2018 and 2017
(dollar amounts in thousands)

	2018	2017
Operating revenues		
Fares	\$ 481,783	\$ 485,674
Other	64,831	61,426
Total operating revenues	546,614	547,100
Operating expenses		
Transportation	219,590	209,335
Maintenance	333,840	302,699
Police services	68,166	64,236
Construction and engineering	30,139	26,700
General and administrative	228,768	200,376
Depreciation	219,782	191,877
Total operating expenses	1,100,285	995,223
Less - capitalized costs	(107,469)	(87,158)
Net operating expenses	992,816	908,065
Operating loss	(446,202)	(360,965)
Nonoperating revenues (expenses)		
Transactions and use tax - sales tax	257,883	247,185
Property tax	119,218	99,163
Operating financial assistance	54,736	77,069
Contribution for BART car replacement funding exchange program	-	(52,548)
Investment income	12,088	3,747
Interest expense	(32,846)	(28,423)
Gain from exchange of property	-	24,839
Other expense, net	(906)	(5,070)
Total nonoperating revenues, net	410,173	365,962
Change in net position before capital contributions and special item	(36,029)	4,997
Capital contributions	233,728	342,270
Special Item		
Loss from discontinued project - Livermore Extension	(20,486)	-
Change in net position	177,213	347,267
Net position, beginning of year	6,374,621	6,027,354
Net position, end of year	\$ 6,551,834	\$ 6,374,621

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017
(dollar amounts in thousands)

	2018	2017
Cash flows from operating activities		
Receipts from customers	\$ 483,896	\$ 485,901
Payments to suppliers	(203,606)	(209,360)
Payments to employees	(514,193)	(482,696)
Other operating cash receipts	62,581	60,682
Net cash used in operating activities	(171,322)	(145,473)
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	212,253	196,725
Property tax received	42,961	42,775
Financial assistance received	50,948	79,712
Net cash provided by noncapital financing activities	306,162	319,212
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	45,630	50,461
Property tax received	70,913	57,490
Capital grants received	197,413	332,945
Expenditures for facilities, property and equipment	(486,512)	(516,964)
Principal paid on long-term debt	(305,070)	(215,455)
Payments of long-term debt issuance and service costs	(906)	(5,070)
Proceeds from issuance of General Obligation Bonds	-	429,717
Proceeds from issuance of Sales Tax Revenue Bonds	210,319	95,655
Deferred interest paid for defeased bonds	(18,904)	(955)
Interest paid on long-term debt	(44,808)	(40,865)
Contribution for BART car replacement funding exchange program	-	(52,548)
Deposit refunded	(466)	(283)
Net cash provided by (used in) capital and related financing activities	(332,391)	134,128
Cash flows from investing activities		
Proceeds from sale and maturity of investments	710,565	138,395
Purchase of investments	(357,835)	(525,593)
Investment income (loss)	11,225	3,416
Net cash provided by (used in) investing activities	363,955	(383,782)
Net change in cash and cash equivalents	166,404	(75,915)
Cash and cash equivalents, beginning of year	623,458	699,373
Cash and cash equivalents, end of year	\$ 789,862	\$ 623,458
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current, unrestricted assets - cash and cash equivalents	\$ 414,050	\$ 336,042
Current, restricted assets - cash and cash equivalents	375,812	287,416
Total cash and cash equivalents	\$ 789,862	\$ 623,458

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows, continued
For the Years Ended June 30, 2018 and 2017
(dollar amounts in thousands)

	<u>2018</u>	<u>2017</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (446,202)	\$ (360,965)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	219,782	191,877
Provision for inventory obsolescence	3,790	187
Amortization of deferred charges and leasehold improvements	285	228
Accrual of employee retirement and post employment obligations	49,903	25,823
Amortization of deferred ground lease	(552)	(552)
Net effect of changes in		
Receivables and other assets	(2,034)	2,014
Materials and supplies	1,866	(9,312)
Accounts payable and other liabilities	(683)	2,770
Self-insurance liabilities	3,014	2,643
Unearned revenue	(491)	(186)
Net cash used in operating activities	<u>\$ (171,322)</u>	<u>\$ (145,473)</u>
Noncash transactions		
Capital assets acquired with a liability at year-end	\$ 102,828	\$ 98,786
Increase in fair value of investments	(488)	(842)
Amortization of long-term debt premium and discount	(16,211)	(12,386)
Bond premium reclassified to losses on refunding of debt	(13,505)	(2,467)
Amortization of loss on early debt retirement	1,361	1,186
Property exchanged with MacArthur Transit Community Partners, LLC	-	(976)
Gain from exchange of property	-	24,839

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Trust Net Position
June 30, 2018 and 2017
(dollar amounts in thousands)

	2018	2017
Assets		
Cash and cash equivalents	\$ 1,351	\$ 1,092
Receivables and other assets	10,404	11,041
Investments		
Domestic common stocks	171,282	157,994
Domestic preferred stocks	11	11
U.S. Treasury obligations	91,535	73,793
Money market mutual funds	26,927	20,652
Mutual funds - equity	-	220
Corporate obligations	13,848	15,874
Foreign stocks	9,839	8,726
Foreign obligations	-	936
Total investments	<u>313,442</u>	<u>278,206</u>
Total assets	<u>325,197</u>	<u>290,339</u>
Liabilities		
Accounts payable	153	205
Pending trades payable	<u>19,193</u>	<u>19,983</u>
Total liabilities	<u>19,346</u>	<u>20,188</u>
Net position restricted for retiree health benefits	<u><u>\$ 305,851</u></u>	<u><u>\$ 270,151</u></u>

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Changes in Trust Net Position
For the Years Ended June 30, 2018 and 2017
(dollar amounts in thousands)

	2018	2017
Additions		
Employer contributions	\$ 35,569	\$ 28,912
Investment income		
Interest income	5,550	4,785
Net appreciation in fair value of investments	18,408	22,277
Investment expense	(479)	(534)
Net investment income	23,479	26,528
Total additions	59,048	55,440
Deductions		
Benefit payments	23,095	22,396
Legal fees	9	2
Audit fees	16	16
Insurance expense	22	26
Administrative fees	206	252
Total deductions	23,348	22,692
Increase in trust net position	35,700	32,748
Net position restricted for retiree health benefits		
Beginning of year	270,151	237,403
End of year	\$ 305,851	\$ 270,151

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

1. Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

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

Basis of Accounting and Presentation

The basic financial statements provide information about the District's Enterprise Fund and the Retiree Health Benefit Trust Fund (the Trust). Separate statements for each fund category – proprietary and fiduciary – are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues from property taxes are recognized in the fiscal year for which the taxes are levied; revenue from sales taxes are recognized in the fiscal year when the underlying exchange takes place; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

The Enterprise Fund, a proprietary fund, distinguishes operating revenues and expenses from nonoperating items. The District's operating revenues are generated directly from its transit operations and consist principally of passenger fares. Operating expenses for the transit operations include all costs related to providing transit services. These costs include labor, fringe benefits, materials, supplies, services, utilities, leases and rentals, and depreciation on capital assets. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Trust, a fiduciary fund, is used to account for assets held by the District as a trustee to pay retiree health care premiums. The assets of the Trust cannot be used to support the District's programs.

Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The District records investment transactions on the trade date. Investments in nonparticipating interest-earning investment contracts (e.g. nonnegotiable certificates of deposits and guaranteed investment contracts) are reported at cost and all other investments are at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As a matter of policy, the District usually holds investments until their maturity.

Restricted Assets

Certain assets are classified as restricted assets on the statement of net position because their use is subject to externally imposed stipulations, either by certain bond covenants, laws or regulations or provisions of debt agreements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Grants/Contributions

The District receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S. Department of Transportation, the State of California, and local transportation funds for the acquisition of transit-related equipment, improvements and preventative maintenance. Capital grants receivables represent amounts expected from governmental agencies to reimburse the District for costs incurred for capital projects (Notes 8 and 9) and are reported as government receivables on the statement of net position.

Materials and Supplies

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

Bond Discounts, Premiums and Losses on Refunding

The bond discounts, premiums and losses on refunding, are deferred and amortized over the term of the bonds as a component of interest expense. The unamortized portion of these items, except the losses on refunding, which are reported as deferred outflows of resources, are presented as an adjustment of the face amount of bonds payable.

Capital Assets

Capital assets are stated at cost or at acquisition value of donated assets and depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 80 years. The District's policy is to capitalize acquisitions of capital assets with a cost of \$5,000 or more and a useful life of more than one year, and all costs related to capital projects, regardless of amounts. Upon disposition, costs and accumulated depreciation/amortization are removed from the accounts and resulting gains or losses are included in operations.

The District capitalizes as intangible capital assets, internally generated intangibles such as computer software. Easements and rights-of-way are capitalized and recorded as part of land and are not amortized as they have indefinite useful lives while computer software is amortized over a period of 20 years.

Major improvements and betterments to existing facilities and equipment are capitalized. Costs for maintenance and repairs that do not extend the useful life of the applicable assets are charged to expense as incurred. The District capitalizes certain interest costs, net of interest income related to tax-free borrowings until the assets are ready for their intended use. The amount capitalized is the difference between the interest costs and interest income associated with the applicable tax-free borrowings. Amounts capitalized were net interest expense of \$14,964,000 in fiscal year 2018 and \$15,461,000 in fiscal year 2017.

Unearned Revenue

Unearned revenue consists of (1) prepayments of revenues related to license fees paid by telecommunication companies for the use of the District's right of way for wireless accessibility to their customers; (2) estimated passenger tickets sold but unused; (3) advances received from grant agreements; (4) prepayments of ground lease revenues (Note 15); and (5) value of property received in exchange for the District's property not yet transferred at the end of the fiscal year.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Compensated Absences

Compensated absences are reported and accrued as a liability in the period incurred. Compensated absences have a total balance of \$65,728,000 as of June 30, 2018 and \$64,992,000 as of June 30, 2017 and are shown in the statements of net position in accounts payable and other liabilities (see Note 5) as follows (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>
Current liabilities	\$ 21,322	\$ 20,130
Noncurrent liabilities	<u>44,406</u>	<u>44,862</u>
Total	<u>\$ 65,728</u>	<u>\$ 64,992</u>

Pollution Remediation

The recognition of pollution remediation obligations (including contamination) address the current or potential detrimental effects of existing pollution by estimating costs associated with participating in pollution remediation activities, such as site assessments and cleanups. There are no known material remediation obligations that the District is currently or potentially involved in.

Net Position

Net investment in capital assets include capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation and include amounts restricted for debt service and other liabilities. All other net position is unrestricted. Generally, the District's policy is to spend restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Transactions and Use Tax (Sales Tax) Revenues

The State of California legislation authorizes the District to impose a 0.5% transaction and use tax within District boundaries, which is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is paid directly to the District for the purpose of paying operating expenses, except for the portion that is paid directly to trustees to cover principal and interest payments of maturing sales tax revenue bonds. The remaining 25% is allocated by the 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 trustees) as nonoperating 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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

The District receives an allocation of property tax revenues for transit operations. Additionally, beginning in fiscal year 2006, the District received property tax allocations for the debt service payments on the 2005, 2007, 2013 and 2015 and 2017 Measure AA General Obligation Bonds. Beginning in fiscal year 2018, the District also received property tax allocation for the debt service of Measure RR General Obligation Bonds. As required by the law of the State of California, the District utilizes the services of each of the three BART Counties of Alameda, Contra Costa and San Francisco for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as county, school district and other special district taxes. Property taxes are recorded as revenue in the fiscal year of levy. Assessed values are determined annually by the Assessor's Offices of City and County of San Francisco, County of Alameda and County of Contra Costa on January 1, and become a lien on the real properties at January 1. The levy date for secured and unsecured properties is July 1 of each year. Secured taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent after August 31.

Operating Financial Assistance

Financial assistance grants for operations from federal, state and local agencies are reported as nonoperating revenue in the period in which all eligibility requirements have been satisfied (Notes 8 and 9).

Collective Bargaining

Approximately 84% of the District's employees are subject to collective bargaining. The current bargaining units consist of the following:

- American Federation of State, County and Municipal Employees (AFSCME), Local 3993
- Amalgamated Transit Union (ATU), Local 1555
- Service Employees International Union (SEIU), Local 1021
- BART Police Officers Association (BPOA)
- BART Police Managers Association (BPMA)

Capitalized Costs

The District initially charges employee salaries, wages and benefits to operating expenses by functional expense category. Labor costs included in those amounts that are associated with capital projects are subsequently adjusted to be included in the cost of the related capital asset. This adjustment is reflected in the statement of revenues, expenses and changes in net position as a reduction of operating expenses. The amounts of \$107,469,000 and \$87,158,000 were capitalized during the fiscal years ended June 30, 2018 and 2017, respectively.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's Pension Plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

In fiscal year 2018, economic useful lives of revenue vehicles were re-evaluated which warranted the reduction in economic useful lives of the rehabilitated cost of A and B cars and original cost of C-1 and C-2 cars. The remaining lives as re-evaluated is between 0-72 months beginning fiscal year 2018. The District recognized additional depreciation expense in the amount of \$27,016,000 from re-evaluating the useful lives of the old fleet cars.

Reclassification and Presentation

Certain reclassifications of prior year's balances have been made to conform with the current year presentation. The reclassifications have no effect on the financial position, results of operations, or cash flows.

New Accounting Pronouncements Adopted

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB 81 is effective for the District's fiscal year ended June 30, 2018. This statement did not have a significant impact to the District's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the District's fiscal year ended June 30, 2018. This statement did not have a significant impact to the District's financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transitions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of the refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this statement are effective for the District's fiscal year ended June 30, 2018. This statement did not have a significant impact to the District's financial statements.

Recent Accounting Pronouncements That Have Not Been Adopted

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforced liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for the District's fiscal year ending June 30, 2019.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the District's fiscal year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of the statement is to improve the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the consistency of information about governments' leasing activities. The requirements of this statement are effective for the District's fiscal year ending June 30, 2021.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of the statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. This statement requires that additional information related to debt be disclosed in the financial statement notes, including unused lines of credit; assets pledged as collateral for the debt; and terms specific in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this statement are effective for the District's fiscal year ending June 30, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. The objectives of the statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest costs incurred at the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for the District's fiscal year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for the District's fiscal year ending June 30, 2020.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments

A. Cash, Cash Equivalents and Investments of the Enterprise Fund

Cash, cash equivalents and investments are reported in the Enterprise Fund as follows (dollar amounts in thousands):

	2018			2017		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Current assets						
Cash and cash equivalents	\$ 414,050	\$ 375,812	\$ 789,862	\$ 336,042	\$ 287,416	\$ 623,458
Investments	305,963	274,381	580,344	310,438	608,041	918,479
Noncurrent assets						
Investments	-	-	-	13,422	1,317	14,739
Total	<u>\$ 720,013</u>	<u>\$ 650,193</u>	<u>\$ 1,370,206</u>	<u>\$ 659,902</u>	<u>\$ 896,774</u>	<u>\$ 1,556,676</u>

Investment Policy

The California Public Utilities Code, Section 29100, and the California Government Code (CGC), Section 53601, provide the basis for the District's investment policy. To meet the objectives of the investment policy – (1) preservation of capital, (2) liquidity, and (3) yield – the investment policy, approved by the Board of Directors, specifically identifies the types of permitted investments, as well as any maturity limits and other restrictions. The following table presents the authorized investment, requirements, and restrictions per the CGC and the District's investment policy:

Investment Type	<u>Maximum Maturity (1)</u>		<u>Maximum % of Portfolio</u>		<u>Maximum % with One Issuer</u>		<u>Minimum Rating (2)</u>	
	CGC	District	CGC	District	CGC	District	CGC	District
U.S. Treasury Obligations (bills, bonds, or notes)	5 years	5 years	None	None	None	None	None	None
U.S. Agencies	5 years	5 years	None	None	None	None	None	None
Bankers' Acceptances	180 days	180 days	40%	40%	30%	30%	None	None
Commercial Paper (3)	270 days	270 days	25%	25%	10%	10%	P1	P1
Negotiable Certificates	5 years	5 years	30%	30%	None	None	None	None
Repurchase Agreements	1 year	1 year	None	None	None	None	None	None
Reverse Repurchase Agreements	92 days	90 days	20%	20%	None	None	None	None
Local Agency Investment Fund	N/A	N/A	None	20%	None	None	None	None
Non-Negotiable Time Deposits	5 years	5 years	30%	30%	None	None	None	None
Medium Term Notes/Bonds (3)	5 years	5 years	30%	30%	None	None	A	A
Municipal Securities of California Local Agencies	5 years	5 years	None	None	None	None	None	None
Mutual Funds	N/A	N/A	20%	20%	10%	10%	AAA	AAA
Notes, Bonds, or Other Obligations	5 years	5 years	None	None	None	None	None	None
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	None	None	AAA	AAA
Financial Futures (3)	N/A	N/A	None	None	None	None	None	None

Footnotes

- (1) In the absence of a specified maximum, the maximum is 5 years.
(2) Minimum credit rating categories include modifications (+/-).
(3) District will not invest in these investment types unless specifically authorized by the Board.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds and funds set aside for debt service. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Securities of the U.S. Government and its agencies	None	None	None	None
Housing Authority Bonds or project notes issued by public agencies or municipalities fully secured by the U.S.	None	None	None	None
Obligations of any state, territory, or commonwealth of the U.S. or any agency or political subdivisions thereof	None	Aa1/AA+	None	None
Collateralized time deposits	None	A-1	None	None
Commercial paper	None	Aaa/AAA	None	None
Repurchase agreements	None	None	None	None
Money market mutual funds	None	None	None	None
Investment agreements	None	Aa1/AA+	None	None
Other investments approved by the Board that will not adversely affect ratings on bonds	None	None	None	None
Corporate bonds, notes, and debentures	None	Aa1/AA+	None	None
Local Agency Investment Fund	None	None	None	None

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. One of the District's primary objectives is to provide sufficient liquidity to meet its cash outflow needs, however, the District does not have any policies specifically addressing interest rate risk, except as outlined in the CGC. A summary of investments by type of investments and by segmented time distribution as of June 30, 2018 and 2017 is as follows (dollar amounts in thousands):

	2018	Investment Maturities (in Years)	
		Less Than 1	1 - 5
Money market mutual funds*	\$ 141,899	\$ 141,899	\$ -
U.S. Treasury	685,673	685,673	-
U.S. government agencies	54,247	54,247	-
Commercial paper	51,353	51,353	-
Foreign government bonds	69,671	69,671	-
Certificates of deposit	867	867	-
Total investments	1,003,710	1,003,710	\$ -
Deposits with banks	363,246		
Imprest funds	3,250		
Total cash and investments	\$ 1,370,206		

	2017	Investment Maturities (in Years)	
		Less Than 1	1 - 5
Money market mutual funds*	\$ 414,387	\$ 414,387	\$ -
U.S. Treasury	502,770	502,770	-
U.S. government agencies	39,109	39,109	-
Commercial paper	237,344	237,344	-
California municipal bonds	6,136	6,136	-
Foreign government bonds	34,639	20,005	14,634
Certificates of deposit	865	760	105
Total investments	1,235,250	\$ 1,220,511	\$ 14,739
Deposits with banks	318,432		
Imprest funds	2,994		
Total cash and investments	\$ 1,556,676		

* weighted-average maturity

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

The District's credit rating risk is governed by Section 53601 of the CGC which, among others, limits investments in money market mutual funds to those funds with the highest evaluations granted by the rating agencies, which is AAAm. The District has investments in U.S. Treasury and government agencies, and in money market mutual funds. There are no investment limits on the securities of U.S. Treasury or certain U.S. government agencies that are backed by the full faith and credit of the United States government. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's, Fitch Ratings and/or Moody's as of June 30, 2018 and 2017 (dollar amounts in thousands):

	2018	Credit Ratings			
		AAA	AA	A	Not Rated
Money market mutual funds	\$ 141,899	\$ 89,120	\$ -	\$ 52,779	\$ -
U.S. Treasury	685,673	685,673	-	-	-
U.S. government agencies	54,247	54,247	-	-	-
Commercial paper	51,353	-	-	51,353	-
Foreign government bonds	69,671	69,671	-	-	-
Certificates of deposit	867	-	-	-	867
Total investments	1,003,710	<u>\$ 898,711</u>	<u>\$ -</u>	<u>\$ 104,132</u>	<u>\$ 867</u>
Deposits with banks	363,246				
Imprest funds	3,250				
Total cash and investments	<u>\$ 1,370,206</u>				

	2017	Credit Ratings			
		AAA	AA	A	Not Rated
Money market mutual funds	\$ 414,387	\$ 359,553	\$ -	\$ 54,834	\$ -
U.S. Treasury	502,770	502,770	-	-	-
U.S. government agencies	39,109	39,109	-	-	-
Commercial paper	237,344	-	-	237,344	-
California municipal bonds	6,136	-	6,136	-	-
Foreign government bonds	34,639	34,639	-	-	-
Certificates of deposit	865	-	-	-	865
Total investments	1,235,250	<u>\$ 936,071</u>	<u>\$ 6,136</u>	<u>\$ 292,178</u>	<u>\$ 865</u>
Deposits with banks	318,432				
Imprest funds	2,994				
Total cash and investments	<u>\$ 1,556,676</u>				

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the District does not value any of its investments using Level 3 inputs).

All of the District's investments fall under the Marketable/Actively traded assets category. The custodian banks rely on the pricing by nationally known vendors. In the event that a particular category is not priced by the primary pricing vendor, the custodian banks engage a secondary vendor or other sources.

The following is a summary of the fair value of investments of the District as of June 30, 2018 and June 30, 2017 (dollar amounts in thousands):

Investments at Fair Value Level	6/30/2018	(Level 1)	(Level 2)	6/30/2017	(Level 1)	(Level 2)
Money market mutual funds	\$ 141,899	\$ -	\$ 141,899	\$ 414,387	\$ -	\$ 414,387
U.S. Treasury	685,673	685,673	-	502,770	502,770	-
U.S. government agencies	54,247	-	54,247	39,109	-	39,109
Commercial paper	51,353	-	51,353	237,344	-	237,344
California municipal bonds	-	-	-	6,136	-	6,136
Foreign government bonds	69,671	-	69,671	34,639	-	34,639
Total investments at fair value	1,002,843	<u>\$ 685,673</u>	<u>\$ 317,170</u>	1,234,385	<u>\$ 502,770</u>	<u>\$ 731,615</u>
Excluded from FMV hierarchy reporting						
Certificate of deposit	867			865		
Total investments	<u>\$ 1,003,710</u>			<u>\$ 1,235,250</u>		

Investments valued at \$685,673,000 in fiscal year 2018 and \$502,770,000 in fiscal year 2017 are classified in Level 1 of the fair value hierarchy. This asset category mainly consists of U.S Treasury securities which are valued using Institutional Bond quotes, i.e., quoted market prices in active markets.

Total investments valued at \$317,170,000 in fiscal year 2018 and \$731,615,000 in fiscal year 2017 are classified in Level 2 of the fair value hierarchy. Fair value was determined using Matrix Pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk

The District does not have a policy to limit investments in any one issuer to no more than 5% of the total portfolio. However, the District is required to disclose investments that represent a concentration of 5% or more of investments in any one issuer other than U.S. Treasury obligations. At June 30, 2018 and 2017, the District did not have investments in any one issuer other than U.S. Treasury obligations that exceeded 5% of the District's total investment portfolio.

Custodial Credit Risk - Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The CGC Section 53652 requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral is considered to be held in the District's name.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the District may not be able to recover the value of its investments. The exposure to the District is limited as the District's investments are held in the District's name by a third-party safe-keeping custodian that is separate from the counterparty or in the custody of a trust department, as required by bond covenants.

B. Investments of the Retiree Health Benefit Trust

Investment Policy

The investment objective of the Trust is to achieve consistent long-term growth for the Trust and to maximize income consistent with the preservation of capital for the sole and exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Trust. The District's Board of Directors establishes the general investment policy and guidelines for the Trust. Allowable investments under the Trust investment guidelines include:

- Cash equivalents such as U.S. Treasury bills, money market mutual funds, short-term interest fund (STIF) trusts, commercial paper rated A1/P1, banker's acceptances, certificates of deposits and repurchase agreements;
- Fixed income securities, which include U.S. agency and corporation bonds (including Yankees) and preferred stock and Rule 144A issues, and mortgage or asset-backed securities; and
- Equity securities, including U.S. traded common, preferred stocks and convertible stocks and bonds, including American Depositary Receipts.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

Interest rate risk

The Trust's investment policies mitigate exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines:

Asset Class	Minimum	Maximum	Preferred
Equity securities	45%	70%	60%
Fixed income securities	25%	45%	35%
Cash equivalents	3%	10%	5%

Fixed income securities have the following maturity restrictions: (1) maximum maturity for any single security is 40 years, and (2) the weighted average portfolio maturity may not exceed 25 years.

A summary of investments by type of investments and by segmented time distribution as of June 30, 2018 and 2017 is as follows (dollar amounts in thousands):

		Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
	2018				
U.S. Treasury obligations	\$ 91,535	\$ 4,957	\$ 23,990	\$ 38,862	\$ 23,726
Money market mutual funds*	26,927	26,927	-	-	-
Corporate obligations	13,848	1,958	6,575	2,309	3,006
Investments subject to interest rate risk	132,310	<u>\$ 33,842</u>	<u>\$ 30,565</u>	<u>\$ 41,171</u>	<u>\$ 26,732</u>
Domestic common stocks	171,282				
Domestic preferred stocks	11				
Foreign stocks	9,839				
Total investments	<u>\$ 313,442</u>				

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

	2017	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	\$ 73,793	\$ 11,158	\$ 20,196	\$ 26,243	\$ 16,196
Money market mutual funds*	20,652	20,652	-	-	-
Corporate obligations	15,874	2,117	8,826	3,053	1,878
Foreign obligations	936	936	-	-	-
Investments subject to interest rate risk	111,255	<u>\$ 34,863</u>	<u>\$ 29,022</u>	<u>\$ 29,296</u>	<u>\$ 18,074</u>
Domestic common stocks	157,994				
Domestic preferred stocks	11				
Mutual funds - equity	220				
Foreign stocks	8,726				
Total investments	<u>\$ 278,206</u>				

* Weighted-average maturity

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

The Trust's credit risk policy is defined in its Statement of Investment Policy approved by the District's Board of Directors. The policy states that the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives and that the Trust's investment managers are expected to make reasonable efforts to control risk. The investment policy requires that all of the Trust's assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market prices. The investment policy also demands that no single investment shall exceed five percent of the total Trust assets, at market value, except obligations of the U.S. government, short-term money market funds, index funds and other diversified commingled accounts; and for actively managed equity accounts, where, for issues that comprise more than 4% of the account's stated benchmark, the limit shall be 125% of the weight of the common stock benchmark.

The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's and/or Moody's as of June 30, 2018 and 2017 (dollar amounts in thousands):

		Credit Ratings				
	2018	AAA	AA	A	BBB	Not Rated
U.S. Treasury obligations	\$ 91,535	\$ -	\$ 91,535	\$ -	\$ -	\$ -
Money market mutual funds	26,927	26,927	-	-	-	-
Corporate obligations	13,848	2,110	881	7,089	2,878	890
Investments subject to credit risk	132,310	<u>\$ 29,037</u>	<u>\$ 92,416</u>	<u>\$ 7,089</u>	<u>\$ 2,878</u>	<u>\$ 890</u>
Domestic common stocks	171,282					
Domestic preferred stocks	11					
Foreign stocks	9,839					
Total investments	<u>\$ 313,442</u>					

		Credit Ratings			
	2017	AAA	AA	A	BBB
U.S. Treasury obligations	\$ 73,793	\$ 73,793	\$ -	\$ -	\$ -
Money market mutual funds	20,652	20,652	-	-	-
Corporate obligations	15,874	2,596	1,234	7,346	4,698
Foreign obligations	936	-	-	936	-
Investments subject to credit risk	111,255	<u>\$ 97,041</u>	<u>\$ 1,234</u>	<u>\$ 8,282</u>	<u>\$ 4,698</u>
Domestic common stocks	157,994				
Domestic preferred stocks	11				
Mutual funds - equity	220				
Foreign stocks	8,726				
Total investments	<u>\$ 278,206</u>				

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

Fair Value Hierarchy

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the Trust does not value any of its investments using Level 3 inputs).

All of the Trust investments fall under the Marketable/Actively traded assets category. The custodian bank relies on the pricing by nationally known vendors. In the event that a particular category is not priced by the primary pricing vendor, the custodian bank engages a secondary vendor or other sources.

The following is a summary of the fair value hierarchy of the fair value of investments of the Trust as of June 30, 2018 and June 30, 2017 (dollar amounts in thousands):

Investments by Fair Value Level	Fair Value Hierarchy						
	6/30/2018	(Level 1)	(Level 2)	(Level 3)	6/30/2017	(Level 1)	(Level 2)
Domestic common stocks	\$ 171,282	\$ 171,234	\$ -	\$ 48	\$ 157,994	\$ 157,994	\$ -
Domestic preferred stocks	11	11	-	-	11	11	-
Foreign stocks	9,839	9,839	-	-	8,726	8,726	-
Money market mutual funds	26,927	-	26,927	-	20,652	-	20,652
U.S. Treasury obligations	91,535	74,457	17,078	-	73,793	51,062	22,731
Corporate obligations	13,848	-	13,848	-	15,874	-	15,874
Foreign obligations	-	-	-	-	936	-	936
Total investments at fair value	313,442	<u>\$ 255,541</u>	<u>\$ 57,853</u>	<u>\$ 48</u>	277,986	<u>\$ 217,793</u>	<u>\$ 60,193</u>
Investment measured at Net Asset Value							
Mutual funds - equity	<u>-</u>				<u>220</u>		
Total investments	<u>\$ 313,442</u>				<u>\$ 278,206</u>		

Investments classified in Level 1 of the fair value hierarchy valued at \$255,541,000 and \$217,793,000 in fiscal year 2018 and 2017, respectively, are valued using quoted prices in active markets.

Investments amounting to \$57,853,000 in fiscal year 2018 and \$60,193,000 in fiscal year 2017 are classified under Level 2 of the fair value hierarchy and are valued using Matrix pricing, which is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments amounting to \$48,000 in fiscal year 2018 is classified under Level 3 of the fair value hierarchy using value obtained from issuer or determined by US Bank Specialty Assets unit.

Mutual fund-equity totaling \$220,000 in 2017 are valued using the Net Asset Value (NAV) methodology. Per GASB72, the government entity should be permitted to calculate the fair value of certain investments that do not have a readily determinable fair value using a practical expedient method based on the investment's NAV per share. A mutual fund may include several different underlying investments. The NAV is derived from the value of these investments, accrued income, anticipated cash flows (maturities), management fees and other fund expenses. Certain investments within the fund may be deemed unobservable and not readily determined in an active market.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

2. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk

The Trust's investment policies mitigate exposure to concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than 5% of the total portfolio. As of June 30, 2018, no single issuer comprised more than 5% of the total portfolio for the Trust.

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the Trust may not be able to recover the value of its investments. The exposure to the Trust is limited as the Trust's investments are in the custody of a third-party custodian that is separate from the counterparty.

3. Receivables and Other Assets

The District reports the following aggregated accounts as receivables and other assets in the statements of net position as of June 30, 2018 and 2017 (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>
Interest receivable - other investments	\$ 3,727	\$ 2,376
Deferred charges	169	197
Deposit for power supply	12,037	11,571
Off-site ticket vendor receivable	1,642	2,659
Capitol Corridor Joint Powers Authority receivable (Note 14)	1,640	1,510
Property tax receivable	6,500	1,157
Prepaid expenses	18,238	13,883
Imprest deposits for self-insurance liabilities	2,465	1,975
Other	2,390	7,755
Allowance for doubtful accounts	<u>(452)</u>	<u>(1,289)</u>
 Total receivables and other assets	 <u>\$ 48,356</u>	 <u>\$ 41,794</u>
 Current, unrestricted portion	 \$ 31,159	 \$ 27,691
Current, restricted portion	5,018	2,363
Noncurrent, unrestricted portion	142	169
Noncurrent, restricted portion	<u>12,037</u>	<u>11,571</u>
 Total receivables and other assets, as presented in the basic financial statements	 <u>\$ 48,356</u>	 <u>\$ 41,794</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

4. Capital Assets

Changes to capital assets during the fiscal year ended June 30, 2018 were as follows (dollar amounts in thousands):

	Lives (Years)	2017	Additions and Transfers	Retirements and Transfers	2018
Capital assets, not being depreciated					
Land and easements	N/A	\$ 631,156	\$ -	\$ -	\$ 631,156
Construction in progress	N/A	1,271,569	490,599	(598,359)	1,163,809
Total capital assets, not being depreciated		1,902,725	490,599	(598,359)	1,794,965
Capital assets, being depreciated					
Tangible asset					
Stations, track, structures and improvements	8-80	6,198,596	420,767	-	6,619,363
Buildings	5-80	20,938	-	-	20,938
System-wide operation and control	20	687,756	28,094	(50)	715,800
Revenue transit vehicles	10-30	1,123,559	78,217	-	1,201,776
Service and miscellaneous equipment	3-20	405,504	2,935	(1,885)	406,554
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	493,302	46,626	(15)	539,913
Intangible asset					
Information systems	20	58,844	1,234	-	60,078
Total capital assets, being depreciated		9,086,804	577,873	(1,950)	9,662,727
Less accumulated depreciation		(3,279,313)	(220,040)	1,950	(3,497,403)
Total capital assets, being depreciated, net		5,807,491	357,833	-	6,165,324
Total capital assets, net		\$ 7,710,216	\$ 848,432	\$ (598,359)	\$ 7,960,289

On May 26, 2018, the BART Antioch extension began carrying riders in East Contra Costa County. The new service between the Pittsburg/Bay Point Station and Antioch is 10 miles long, adds two new stations, and provides much needed congestion relief on State Route 4. The extension uses a different type of train called a Diesel Multiple Unit (DMU). The DMUs run on their own tracks in the median of State Route 4 and connect with the existing BART system at a Transfer Platform just east of the Pittsburg Bay Point Station.

In fiscal year 2018, the cumulative costs of the Livermore Extension Project incurred associated with conceptual engineering and project level environment impact report through June 30, 2018, which amounts to \$20,486,000, were written off and recognized as a special item loss from discontinued project. At its May 24, 2018 Board meeting, the BART Board voted to certify the BART to Livermore Extension Project Final Environmental Impact Report, but to not advance the proposed conventional BART Extension to Livermore. The Board also voted to not advance the DMU/EMU Alternative, Express Bus/BRT Alternative or the Enhanced Bus Alternative.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

4. Capital Assets (Continued)

Changes to capital assets during the fiscal year ended June 30, 2017 were as follows (dollar amounts in thousands):

	Lives (Years)	2016	Additions and Transfers	Retirements and Transfers	2017
Capital assets, not being depreciated					
Land and easements	N/A	\$ 624,090	\$ 8,042	\$ (976)	\$ 631,156
Construction in progress	N/A	1,712,702	525,236	(966,369)	1,271,569
Total capital assets, not being depreciated		2,336,792	533,278	(967,345)	1,902,725
Capital assets, being depreciated					
Tangible asset					
Stations, track, structures and improvements	8-80	5,469,838	728,758	-	6,198,596
Buildings	5-80	10,732	10,206	-	20,938
System-wide operation and control	20	635,287	52,469	-	687,756
Revenue transit vehicles	10-30	1,123,559	-	-	1,123,559
Service and miscellaneous equipment	3-20	361,695	44,498	(689)	405,504
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	375,261	118,041	-	493,302
Intangible asset					
Information systems	20	54,488	4,356	-	58,844
Total capital assets, being depreciated		8,129,165	958,328	(689)	9,086,804
Less accumulated depreciation		(3,087,924)	(191,877)	488	(3,279,313)
Total capital assets, being depreciated, net		5,041,241	766,451	(201)	5,807,491
Total capital assets, net		\$ 7,378,033	\$ 1,299,729	\$ (967,546)	\$ 7,710,216

On March 25, 2017, the Warm Springs Extension Project (WSX) commenced revenue service. WSX is a 5.4-mile BART extension south from the Fremont BART Station into the Warm Springs District of Fremont. There were two major construction contracts for WSX, the Fremont Central Park Subway Construction Contract (Subway) and the Design-Build Line, Track, Station and Systems Contract (LTSS). The Subway contract, which constructed a cut and cover subway structure through Fremont Central Park and beneath a portion of Lake Elizabeth and the operating Union Pacific Rail Road (UPRR) freight track along the park's east side, was completed in 2013. The LTSS contract includes the final design and construction of the Warm Springs / South Fremont Station, the remaining trackway including the tie-in at the Fremont Station, and the transit systems (traction power, electrification, train control, and communications) for the entire extension, and provisions for a future station in Irvington.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$2,898,000,000 at June 30, 2018 and \$2,700,000,000 at June 30, 2017.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

5. Accounts Payable and Other Liabilities

The District reports the following aggregated payables as accounts payable and other liabilities in the statements of net position as of June 30, 2018 and 2017 (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>
Payable to vendors and contractors	\$ 147,275	\$ 151,622
Employee salaries and benefits	42,096	35,127
Accrued compensated absences	65,728	64,992
Accrued interest payable	<u>27,334</u>	<u>24,447</u>
Liabilities at the end of year	282,433	276,188
Less: noncurrent portion	<u>(44,689)</u>	<u>(46,376)</u>
Net current portion	<u>\$ 237,744</u>	<u>\$ 229,812</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt

Long-term debt activity for the year ended June 30, 2018 is summarized as follows (dollar amounts in thousands):

	<u>2017</u>	<u>Additions</u>	<u>Payments/ Amortization</u>	<u>2018</u>
2010 Sales Tax Revenue Refunding Bonds	\$ 118,140	\$ -	\$ (118,140)	\$ -
2012A Sales Tax Revenue Refunding Bonds	119,665	-	(29,425)	90,240
2012B Sales Tax Revenue Bonds	102,215	-	(88,605)	13,610
2015A Sales Tax Revenue Refunding Bonds	171,240	-	(15,585)	155,655
2016A Sales Tax Revenue Refunding Bonds	83,800	-	-	83,800
2017A Sales Tax Revenue Refunding Bonds	-	118,260	-	118,260
2017B Sales Tax Revenue Refunding Bonds	-	67,245	-	67,245
2007B General Obligation Bonds - Measure AA	4,050	-	(4,050)	-
2013C General Obligation Bonds - Measure AA	225,545	-	(19,815)	205,730
2015D General Obligation Refunding Bonds - Measure AA	276,805	-	(1,050)	275,755
2017E General Obligation Refunding Bonds - Measure AA	84,735	-	-	84,735
2017A General Obligation Bonds - Measure RR	300,000	-	(28,400)	271,600
	<u>1,486,195</u>	<u>185,505</u>	<u>(305,070)</u>	<u>1,366,630</u>
Add (less):				
Original issue premiums and discounts, net	<u>170,497</u>	<u>24,814</u>	<u>(29,716)</u>	<u>165,595</u>
Long-term debt, net of accumulated accretion and debt-related items	1,656,692	<u>\$ 210,319</u>	<u>\$ (334,786)</u>	1,532,225
Less: current portion of long-term debt	<u>(77,130)</u>			<u>(50,835)</u>
Net long-term debt	<u>\$ 1,579,562</u>			<u>\$ 1,481,390</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2017 is summarized as follows (dollar amounts in thousands):

	<u>2016</u>	<u>Additions</u>	<u>Payments/ Amortization</u>	<u>2017</u>
2006A Sales Tax Revenue Refunding Bonds	\$ 95,840	\$ -	\$ (95,840)	\$ -
2010 Sales Tax Revenue Refunding Bonds	121,065	-	(2,925)	118,140
2012A Sales Tax Revenue Refunding Bonds	121,305	-	(1,640)	119,665
2012B Sales Tax Revenue Bonds	104,770	-	(2,555)	102,215
2015A Sales Tax Revenue Refunding Bonds	186,640	-	(15,400)	171,240
2016A Sales Tax Revenue Refunding Bonds	-	83,800	-	83,800
2007B General Obligation Bonds - Measure AA	101,145	-	(97,095)	4,050
2013C General Obligation Bonds - Measure AA	225,545	-	-	225,545
2015D General Obligation Refunding Bonds - Measure AA	276,805	-	-	276,805
2017E General Obligation Refunding Bonds - Measure AA	-	84,735	-	84,735
2017A General Obligation Bonds - Measure RR	-	300,000	-	300,000
	<u>1,233,115</u>	<u>468,535</u>	<u>(215,455)</u>	<u>1,486,195</u>
Add (less):				
Original issue premiums and discounts, net	<u>128,513</u>	<u>56,837</u>	<u>(14,853)</u>	<u>170,497</u>
Long-term debt, net of accumulated accretion and debt-related items	1,361,628	<u>\$ 525,372</u>	<u>\$ (230,308)</u>	1,656,692
Less: current portion of long-term debt	<u>(27,225)</u>			<u>(77,130)</u>
Net long-term debt	<u>\$ 1,334,403</u>			<u>\$ 1,579,562</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt (Continued)

2006 Series A Sales Tax Revenue Refunding Bonds (the 2006A Refunding Bonds)

On November 30, 2006, the District issued the 2006 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of \$108,110,000 to advance refund a portion of the 2001 Bonds with an aggregate principal amount of \$102,560,000. The 2006A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. In August 2016, the remaining outstanding principal balance of \$94,450,000 were refunded from the proceeds of the 2016A Refunding Bonds.

2010 Sales Tax Revenue Refunding Bonds (the 2010 Refunding Bonds)

On May 5, 2010, the District issued the 2010 Sales Tax Revenue Refunding Bonds, with a principal amount of \$129,595,000 to provide sufficient funds to refund a portion of the 1998 Bonds with an aggregate principal amount of \$143,825,000, to fund a deposit to the 2010 Refunding Bonds Reserve Account in the bond reserve fund and to pay costs of issuance of the 2010 Refunding Bonds. The District funded from its own funds the Bond Reserve Fund in the amount of \$14,202,000. The 2010 Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. In December 2017, the remaining outstanding principal balance of \$115,095,000 were refunded using the funds set aside in the Bond Reserve Fund, along with other District funds, and from the proceeds of the 2017 Series A and 2017 Series B Sales Tax Revenue Refunding Bonds.

2012 Series A Sales Tax Revenue Refunding Bonds (the 2012A Refunding Bonds)

On October 4, 2012, the District issued the 2012 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of \$130,475,000 and a premium of \$23,439,000 to provide sufficient funds, along with \$10,690,000 in other District funds, to refund \$51,605,000 principal amount of the Association of Bay Area Governments BART SFO Extension Bond (Airport Premium Fare), 2002A Bonds, to refund the remaining balance of the 2001 Bonds with an aggregate principal amount of \$41,745,000, to refund \$63,615,000 principal amount of the 2006 Bonds, and to fund costs of issuance of the 2012A Refunding Bonds. The 2012A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. In December 2017, a portion of the 2012A Refunding Bonds in the amount of \$26,820,000 were refunded from the proceeds of 2017 Series A and 2017 Series B Sales Tax Revenue Refunding Bonds. At June 30, 2018, the 2012A Refunding Bonds consist of serial bonds amounting to \$66,655,000 with interest rates ranging from 4.0% to 5.0% with various maturity dates from 2018 to 2033, and a term bond with interest rate of 5% in the amount of \$23,585,000 with maturity dates from 2033 to 2037.

2012 Series B Sales Tax Revenue Bonds (the 2012B Bonds)

On October 4, 2012, the District issued the 2012 Series B Sales Tax Revenue Bonds, with a principal amount of \$111,085,000 to provide financing for the Oakland International Airport Connector Project and to fund the costs of issuance. The 2012B Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. In December 2017, a portion of the 2012B Bonds in the amount of \$86,025,000 were refunded from the proceeds of the 2017 Series A and 2017 Series B Sales Tax Revenue Refunding Bonds. At June 30, 2018, the 2012B Bonds consist of serial bonds amounting to \$13,610,000 with interest rates ranging from 1.712% to 2.677% with various maturity dates from 2018 to 2023.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt (Continued)

2015 Series A Sales Tax Revenue Refunding Bonds (the 2015A Refunding Bonds)

In October 2015, the District issued the 2015 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of \$186,640,000 and a premium of \$31,350,000 to, along with other District funds, provide sufficient funds to (1) refund \$231,250,000 principal amount of the District's 2005 Refunding Bonds; (2) refund \$720,000 principal amount of the District's 2006 Bonds; and (3) fund costs of issuance associated with the 2015A Refunding Bonds. The 2015A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. At June 30, 2018, the 2015A Refunding Bonds consist of serial bonds amounting to \$155,655,000 with interest rates ranging from 4.0% to 5.0%, with various maturity dates from 2018 to 2035.

2016 Series A Sales Tax Revenue Refunding Bonds (the 2016A Refunding Bonds)

In August 2016, the District issued 2016 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of \$83,800,000 and a premium of \$11,855,000 to provide sufficient funds, along with other District funds, to (1) refund \$94,450,000 principal amount of the District's 2006A Refunding Bonds, and (2) to fund costs of issuance associated with the 2016A Refunding Bonds. The 2016A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. At June 30, 2018, the 2016A Refunding Bonds consist of serial bonds amounting to \$83,800,000 with interest rates ranging from 2.125% to 5.0%, with various maturity dates from 2018 to 2037. The refunding resulted in economic gain of \$19,083,000 and cash flow savings of \$19,136,000.

2017 Series A and 2017 Series B Sales Tax Revenue Refunding Bonds (the 2017A Green Bond Refunding Bonds and 2017B Green Bond Refunding Bonds)

In December 2017, the District issued 2017 Series A Sales Tax Revenue Refunding Bonds with a principal amount of \$118,260,000 and 2017 Series B Sales Tax Revenue Refunding Bonds with a principal amount of \$67,245,000 to provide sufficient funds, along with other District funds, to (1) refund all of the outstanding principal balance amounting to \$115,095,000 of the District's 2010 Sales Tax Refunding Bonds, refund a portion of outstanding principal balance amounting to \$26,820,000 of the District's 2012 Series A Sales Tax Refunding Bonds, and refund a portion of outstanding principal balance amounting to \$86,025,000 of the District's 2012 Series B Sales Tax Revenue Bonds and 2) fund costs of issuance associated with the 2017 Series A and 2017 Series B Refunding Bonds. The 2017A Green Bond Refunding Bonds and 2017B Green Bond Refunding Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. At June 30, 2018, the 2017A Green Bond Refunding Bonds consist of serial bonds amounting to \$118,260,000 with interest rates ranging from 3% to 5.0%, with various maturity dates from 2024 to 2035; the 2017B Green Bond Refunding Bonds consist of serial bonds amounting to \$67,245,000 with interest rates ranging from 1.911 % to 2.621% with various maturity dates from 2019 to 2024. The refunding resulted in economic gain of \$22,554,000 and cash flow savings of \$65,267,000.

2007 Measure AA General Obligation Bonds (the 2007B Measure AA GO Bonds)

On July 25, 2007, the District issued the 2007 Series B Measure AA General Obligation Bonds (Election of 2004), with a principal amount of \$400,000,000. The 2007B Measure AA GO Bonds constitute the second issue of the total authorized amount of general obligation bonds issued pursuant to the Measure AA duly authorized by at least two-thirds of the qualified voters of the District. The 2007B Measure AA GO Bonds were issued to finance earthquake safety improvements to BART facilities in the three BART

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
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6. Long-Term Debt (Continued)

Counties, including strengthening tunnels, bridges, overhead tracks and the underwater Transbay Tube. The 2007B Measure AA GO Bonds are general obligations of the District payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2007B Measure AA GO Bonds. In October 2015, a portion of the 2007B Measure AA GO Bonds, in the amount of \$265,735,000, were advance refunded from the proceeds of the 2015D Measure AA GO Bonds. In June 2017, a large portion of the remaining outstanding 2007B Measure AA GO Bonds, in the amount of \$93,780,000, were refunded from the proceeds of the 2017E Measure AA GO Bonds. In fiscal year 2018, the remaining outstanding 2007B Measure AA GO Bonds which amounts to \$4,050,000 was fully paid.

2013 Measure AA General Obligation Bonds, Series C (the 2013C Measure AA GO Bonds)

On November 21, 2013, the District issued the 2013 Series C Measure AA General Obligation Bonds, with a principal amount of \$240,000,000. The 2013C Measure AA GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2013C Measure AA GO Bonds. The 2013C Measure AA GO Bonds constitute the third issue of general obligation bonds issued pursuant to the Measure AA authorization to provide financing for earthquake safety improvements to District facilities in the Three District Counties, including strengthening tunnels, bridges, overhead tracks, the underwater Transbay Tube and the Berkeley Hills Tunnel.

At June 30, 2018, the 2013C Measure AA GO Bonds consist of \$185,605,000 in serial bonds due from 2019 to 2034 with interest ranging from 3.0% to 5.00%, and term bonds totaling \$20,125,000 with interest of 5% due in 2038. The serial bonds maturing on or after August 1, 2024 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2023, at the principal amount called for redemption, without premium, plus accrued interest. The term bonds are also subject to mandatory sinking fund redemption on August 1 beginning 2034, at the principal amount, without premium, plus accrued interest.

2015 Measure AA General Obligation Bonds Refunding Series D (the 2015D Measure AA Refunding GO Bonds)

In October 2015, the District issued the 2015 Series D Measure AA Refunding General Obligation Bonds, with a principal amount of \$276,805,000 and a premium of \$42,300,000. The 2015D Measure AA Refunding GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2015D Measure AA Refunding GO Bonds. The purpose of the 2015D Measure AA Refunding GO Bonds is to apply the proceeds and refund \$34,680,000, principal amount of the District's 2005A Measure AA Refunding GO Bonds and to advance refund \$265,735,000 principal amount of the District's 2007B GO Bonds, and to pay costs of issuance of the 2015D Measure AA Refunding GO Bonds. The refunded bonds were issued to finance earthquake safety improvements to the District facilities, including aerial trackway structures, overhead and underground trackway structures, stations and administrative, maintenance, and operations facilities, and to finance additional retrofits to facilitate rapid return to service after an earthquake or other disasters

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6. Long-Term Debt (Continued)

At June 30, 2018, the 2015D Measure AA Refunding GO Bonds consist of \$275,755,000 in serial bonds due from 2019 to 2036 with interest ranging from 2.0% to 5.00%. The serial bonds maturing on or after August 1, 2026 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2025, at the principal amount of such 2015D Measure AA Refunding GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2015D Measure AA Refunding GO Bonds are called for redemption, the 2015D Measure AA Refunding GO Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2015D Measure AA Refunding GO Bonds of any given maturity are called for redemption, the portions of 2015D Measure AA Refunding GO Bonds of a given maturity shall be determined by lot.

2017 Measure AA General Obligation Bonds Refunding Series E (the 2017E Measure AA Refunding GO Bonds)

In June 2017, the District issued the 2017 Series E Measure AA Refunding General Obligation Bonds, with a principal amount of \$84,735,000 and a premium of \$9,341,000. The 2017E Measure AA Refunding GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2017E Measure AA Refunding GO Bonds. The purpose of the 2017E Measure AA Refunding GO Bonds is to apply the proceeds, together with other District funds, to current refund \$93,780,000, principal amount of the District's 2007B Measure AA Refunding GO Bonds and to pay costs of issuance of the 2017E Measure AA Refunding GO Bonds. The refunded bonds were issued to finance earthquake safety improvements to the District facilities, including aerial trackway structures, overhead and underground trackway structures, stations and administrative, maintenance, and operations facilities, and to finance additional retrofits to facilitate rapid return to service after an earthquake or other disasters.

At June 30, 2018, the 2017E Measure AA Refunding GO Bonds consist of \$84,735,000 in serial bonds due from 2019 to 2038 with interest ranging from 4.0% to 5.00%. The serial bonds maturing on or after August 1, 2036 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2027, at the principal amount of such 2017E Measure AA Refunding GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2017E Measure AA Refunding GO Bonds are called for redemption, the 2017E Measure AA Refunding GO Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2017E Measure AA Refunding GO Bonds of any given maturity are called for redemption, the portions of 2017E Measure AA Refunding GO Bonds of a given maturity shall be determined by lot. The refunding resulted in economic gain of \$13,165,000 and cash flow savings of \$15,370,000.

After the issuance of the 2005A, 2007B, 2013C, 2015D, and the 2017E Measure AA GO Bonds, the remaining Measure AA General Obligation Bonds that can be issued by the District as authorized under Measure AA is \$240,000,000.

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Notes to Financial Statements
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6. Long-Term Debt (Continued)

2017 Measure RR General Obligation Bonds (the 2017A Measure RR GO Bonds)

In June 2017, the District issued the 2017 Series A Measure RR General Obligation Bonds with an aggregate principal amount of \$300,000,000 and a premium of \$35,641,000. The 2017A Measure RR GO Bonds were issued in 2 series, 2017A-1 Measure RR Bonds in the amount of \$271,600,000 and 2017A-2 Measure RR Bonds (Federally Taxable) in the amount of \$28,400,000. The 2017A Measure RR GO Bonds are part of a \$3,500,000,000 authorization approved at an election held on November 8, 2016 (Election of 2016), by over two-thirds of the qualified voters of the District voting on a ballot measure ("Measure RR") titled "BART Safety, Reliability and Traffic Relief" to keep BART safe; prevent accidents/breakdowns/delays; relieve overcrowding; reduce traffic congestion/pollution; and improve earthquake safety and access for seniors/disabled by replacing and upgrading 90 miles of severely worn tracks, tunnels damaged by water intrusion; 44-year old train control systems; and other acquisition or improvement of real property. The 2017A Measure RR GO Bonds constitute the first issue of general obligation bonds being issued pursuant to the Measure RR authorization. Proceeds from the 2017A Measure RR Bonds will be applied to (1) finance the projects described in Measure RR, and (2) pay a portion of the debt service on the 2017A Measure RR Bonds through February 1, 2018, including the debt service in full of the 2017A-2 Bonds.

The 2017A Measure RR GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2017A Measure RR GO Bonds.

At June 30, 2018, the outstanding principal balance of 2017A-2 bonds were fully paid. The remaining outstanding principal balance of \$271,600,000 related to the 2017A-1 Measure RR GO Bonds consist of \$140,480,000 in serial bonds due from 2019 to 2038 with interest ranging from 2.0% to 5.00%, a \$58,500,000 term bond with interest of 4% maturing in 2043, and a \$72,620,000 term bond with interest of 5% maturing in 2048. The 2017A-1 serial bonds maturing on or after August 1, 2028 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2027, at the principal amount of such 2017A-1 Measure RR GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2017A-1 Measure RR GO Bonds are called for redemption, the 2017A-1 Measure RR GO Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2017A-1 Measure RR GO Bonds of any given maturity are called for redemption, the portions of 2017A-1 Measure RR GO Bonds of a given maturity shall be determined by lot. The 2017A-1 Term Bonds maturing on August 1, 2042 and August 1, 2047 are subject to mandatory sinking fund redemption beginning August 1, 2038, at a redemption price equal to the principal amount to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt (Continued)

After the issuance of the 2017A Measure RR GO Bonds, the remaining Measure RR General Obligation Bonds that can be issued by the District as authorized under Measure RR is \$3,200,000,000.

Measure RR proceeds, uses and balances are listed below (dollar amounts in thousands):

2017A GO Bond Proceeds	\$ 300,000	
Project fund Expenditures:		
Fiscal year 2017	\$ 17,892	
Fiscal year 2018	<u>87,435</u>	<u>105,327</u>
Remaining proceeds - 6/30/2018		<u><u>\$ 194,673</u></u>

The following are the major projects and related expenditures funded by proceeds of Measure RR through June 30, 2018:

<u>Project</u>	<u>Description</u>	Cumulative Expenditures through June 30, 2018
15CQ002	Rails,Ties,Fasteners Phase 3	\$ 41,071
15EJRR1	34.5 KV AC Cable Replacement	15,413
15EKRR1	TP-Switch Stations & Gap Break	12,363
15CQ001	Rails, Ties, Fasteners Phase 2	7,363
15TC002	Renewal of Tunnels & Structures	5,141
15LK002	San Francisco Escalator Replacement	2,488
15EJ400	Traction Power Cables- M Line	2,280
15IIRR1	Stations, Emergency Lighting	1,686
09EK300	Emergency Generator -TBT	1,500
15ELRR1	MPR Install & Rectifier Rehab	1,219
15EK600	Substation for Core Capacity	1,198
79NKRR1	Train Control Room UPS System	1,062
15EK400	Replace Substation RRY DC House	1,008
96DARR1	FTA Core Capacity	1,000
54RR002	M&E Bond Projects-Wet Fire Protection	708
15AA001	Tunnel Lighting Replacement	681
15QH000	Repair Sidewalks SWD	633
54RR001	Mechanical Engineering	624
11FE001	EMS New Platform Elevator	612
11IA002	Civic Center Platform Stairs	518
	Others	<u>6,759</u>
	Total	<u><u>\$ 105,327</u></u>

Total Project costs reimbursed from bond proceeds since inception through June 30, 2018 amounted to \$92,677,000.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt (Continued)

Defeased Bonds

On various dates, the District issued bonds to refund certain outstanding sales tax revenue bonds previously issued by the District. In October 2015, \$231,250,000 aggregate principal amount of the District's 2005 Refunding Bonds, and \$720,000 aggregate principal amount of the 2006 Bonds were refunded from the proceeds of the 2015A Refunding Bonds. In October 2015, \$34,680,000 aggregate principal amount of the District's 2005A Measure AA GO Bonds, and \$265,735,000 aggregate principal amount of the 2007B Measure AA GO Bonds were refunded from the proceeds of the 2015D Measure AA Refunding GO Bonds. In August 2016, \$94,450,000 principal amount of the District's 2006A Refunding Bonds were refunded from the proceeds of the 2016A Refunding Bonds. In June 2017, \$93,780,000 principal amount of the District's 2007B Measure AA GO Bonds were refunded from the proceeds of the 2017E Measure AA Refunding GO Bonds. In fiscal year 2018, the 2017A Green Bond Refunding Bonds and 2017B Green Bond Refunding Bonds were issued in December 2017 to refund all of the outstanding principal balance amounting to \$115,095,000 of the District's 2010 Sales Tax Refunding Bonds, refund a portion of outstanding principal balance amounting to \$26,820,000 of the District's 2012 Series A Sales Tax Refunding Bonds, and refund a portion of outstanding principal balance amounting to \$86,025,000 of the District's 2012 Series B Sales Tax Revenue Bonds.

On the above described defeasances, the District placed in irrevocable trusts, the required amounts to pay the future debt service payments on the defeased bonds. The advance refunding met the requirement of the in-substance debt defeasance, and the defeased bonds were removed from the District's long-term debt. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the District's financial statements.

The outstanding principal balance of the defeased Sales Tax Revenue Bonds is \$227,940,000 as of June 30, 2018 and \$0 as of June 30, 2017. The outstanding principal balance of the defeased Measure AA General Obligation Bonds is \$0 as of June 30, 2018 and \$359,515,000 as of June 30, 2017.

Arbitrage Bonds

The District is subject to certain bond covenants, including the rules set forth by IRS Code Section 148a, which requires that interest earned on the proceeds of a tax-exempt bond issuance does not exceed the interest expense related to those bonds, which qualifies those bonds as arbitrage bonds. Any excess interest income is subject to a 100% tax and is payable to the Federal Government. The District has recorded an estimated arbitrage liability with a balance amounting to \$4,000 in fiscal year 2018 and 2017, which is included in accounts payable and other liabilities in the statements of net position.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt (Continued)

Pledge of Revenue to Repay Sales Tax Revenue Bonds

The District issues sales tax revenue bonds primarily to finance a portion of its capital projects. The sales tax revenue bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts. The sales tax revenue bonds outstanding as of June 30, 2018 consist of the 2012A Refunding Bonds, the 2012B Bonds, 2015A Refunding Bonds, the 2016A Refunding Bonds, the 2017A Green Bond Refunding Bonds, and the 2017B Green Bond Refunding Bonds. Interest on the sales tax revenue bonds are payable on January 1 and July 1 of each year, and the principal is payable on July 1 of the scheduled year until 2037. The total principal and interest remaining on these sales tax revenue bonds is \$734,595,000 as of June 30, 2018 (\$870,148,000 as of June 30, 2017), which is 10.86% in 2018 (8.94% in 2017) of the total projected sales tax revenues of \$6,767,067,000 as of June 30, 2018 covering the period from fiscal year 2019 through fiscal year 2037 based on the last scheduled bond principal payment as of June 30, 2018 (\$9,733,052,000 as of June 30, 2017 covering the period from fiscal year 2018 through fiscal year 2043 based on the last scheduled bond principal payment as of June 30, 2017).

The pledged sales tax revenues recognized in fiscal year 2018 was \$257,883,000 (\$247,185,000 in fiscal year 2017) as against a total debt service payment of \$45,630,000 in fiscal year 2018, and \$50,460,000 in fiscal year 2017.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt (Continued)

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required as of June 30, 2018 (dollar amounts in thousands):

Sales Tax Revenue Bonds						
Year ending June 30:	2012A Refunding Bonds		2012B Bonds		2015A Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 3,045	\$ 4,346	\$ 2,615	\$ 284	\$ 15,815	\$ 7,308
2020	3,255	4,204	2,660	236	7,405	6,807
2021	3,565	4,051	2,715	178	7,785	6,427
2022	3,865	3,903	2,775	111	2,675	6,166
2023	4,175	3,721	2,845	38	2,795	6,029
2024-2028	19,705	15,781	-	-	72,870	22,351
2029-2033	29,045	9,741	-	-	36,575	5,508
2034-2038	23,585	2,267	-	-	9,735	493
	<u>\$ 90,240</u>	<u>\$ 48,014</u>	<u>\$ 13,610</u>	<u>\$ 847</u>	<u>\$ 155,655</u>	<u>\$ 61,089</u>

Year ending June 30:	2016A Refunding Bonds		2017A Refunding Bonds		2017B Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ -	\$ 3,204	\$ -	\$ 5,700	\$ 1,200	\$ 1,614
2020	3,135	3,126	-	5,652	8,200	1,506
2021	3,300	2,965	-	5,652	8,795	1,328
2022	3,465	2,796	-	5,652	15,995	1,042
2023	3,640	2,618	-	5,652	17,995	623
2024-2028	21,180	10,180	60,540	21,195	15,060	197
2029-2033	25,565	6,047	44,590	6,988	-	-
2034-2038	23,515	1,710	13,130	387	-	-
	<u>\$ 83,800</u>	<u>\$ 32,646</u>	<u>\$ 118,260</u>	<u>\$ 56,878</u>	<u>\$ 67,245</u>	<u>\$ 6,310</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt (Continued)

Debt Repayments

Year ending June 30:	Total Sales Tax Revenue Bonds (in thousands)	
	Principal	Interest
2019	\$ 22,675	\$ 22,456
2020	24,655	21,531
2021	26,160	20,602
2022	28,775	19,670
2023	31,450	18,682
2024-2028	189,355	69,704
2029-2033	135,775	28,283
2034-2038	69,965	4,857
	<u>\$ 528,810</u>	<u>\$ 205,785</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

6. Long-Term Debt (Continued)

	2013C Measure AA General Obligation Bonds		2015D Measure AA Refunding General Obligation Bonds		2017E Measure AA General Obligation Bonds	
Year ending June 30:	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$18,050	\$ 9,318	\$ 1,085	\$ 12,307	\$ 4,455	\$ 3,745
2020	18,100	8,566	1,115	12,269	5,220	3,525
2021	18,185	7,760	1,165	12,223	6,125	3,242
2022	18,365	6,942	8,235	12,118	-	3,089
2023	10,985	6,268	9,235	11,897	-	3,089
2024-2028	51,850	23,695	63,685	51,890	-	15,443
2029-2033	43,080	11,871	103,865	31,409	-	15,443
2034-2038	27,115	2,973	87,370	5,417	68,935	12,243
	<u>\$ 205,730</u>	<u>\$ 77,393</u>	<u>\$ 275,755</u>	<u>\$ 149,530</u>	<u>\$ 84,735</u>	<u>\$ 59,819</u>

	2017A Measure RR General Obligation Bonds		Total General Obligation Bonds	
Year ending June 30:	Principal	Interest	Principal	Interest
2019	\$ 4,570	\$ 12,113	\$ 28,160	\$ 37,483
2020	4,750	11,927	29,185	36,287
2021	4,940	11,708	30,415	34,933
2022	5,185	11,455	31,785	33,604
2023	5,445	11,271	25,665	32,525
2024-2028	29,980	53,215	145,515	144,243
2029-2033	38,070	44,889	185,015	103,612
2034-2038	47,540	35,271	230,960	55,904
2039-2043	58,500	24,188	58,500	24,188
2044-2048	72,620	9,432	72,620	9,432
	<u>\$ 271,600</u>	<u>\$ 225,469</u>	<u>\$ 837,820</u>	<u>\$ 512,211</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

7. Risk Management

The District is partially self-insured for workers' compensation, public liability and property damage claims. The self-insured retention for workers' compensation is \$4,000,000 per accident and the limit of liability is \$10,000,000. The self-insured retention for public liability and property damage is \$5,000,000 for any one occurrence. Claims in excess of self-insured retentions are covered up to a total of \$145,000,000 by insurance policies. There have been no settlement amounts during the past three years that have exceeded the District's insurance coverage.

The self-insurance programs are administered by independent claims adjustment firms. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities are discounted at a 3% rate, in part, upon the independent adjustment firms' estimate of reserves necessary for the settlement of outstanding claims and related administrative costs, and include estimates of claims that have been incurred but not yet reported, including loss adjustment expenses. Such reserves are estimated by professional actuaries through June 30 and are subject to periodic adjustments as conditions warrant.

The estimated liability for insurance claims at June 30, 2018 is believed to be sufficient to cover any costs arising out of claims filed or to be filed for accidents occurring through that date. At June 30, 2018 and 2017, the estimated amounts of these liabilities were \$58,964,000 and \$55,951,000, respectively.

Changes in the reported liabilities since the beginning of the respective fiscal years are as follows (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>
Liabilities at beginning of year	\$ 55,951	\$ 53,308
Current year claims and changes in estimates	17,996	20,063
Payments of claims	<u>(14,983)</u>	<u>(17,420)</u>
Liabilities at the end of year	58,964	55,951
Less current portion	<u>(20,505)</u>	<u>(20,048)</u>
Net noncurrent portion	<u>\$ 38,459</u>	<u>\$ 35,903</u>

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Notes to Financial Statements
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8. Federal Capital Contributions and Operating Financial Assistance

The U.S. Department of Transportation and other federal agencies provide capital funding to the District for construction projects, planning and technical assistance. Cumulative information for grants which were active during the years ended June 30, 2018 and 2017 are summarized as follows (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>
Total approved project costs	\$ 1,385,237	\$ 1,582,012
Cumulative amounts of project costs incurred and earned	\$ 921,226	\$ 1,068,825
Less: approved federal allocations received	<u>(870,562)</u>	<u>(1,033,906)</u>
Government receivables - Federal	<u>\$ 50,664</u>	<u>\$ 34,919</u>

The District's fleet replacement project consisting of construction for the A, B, C1 and C2 fleet replacement was formally launched in 2013. To set aside funding for this program, the District and MTC, on May 24, 2006, entered into the BART Car Replacement Funding Exchange Agreement. Under the agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District will deposit an equal amount of local unrestricted funds into a restricted account established to fund BART's car replacement program. MTC is the exclusive administrator of the restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the District's Board. In accordance with the agreement, MTC allocated Federal Section 5307 and 5337 Grants for \$0 in fiscal year 2018 and \$52,548,000 in fiscal year 2017 to fund the District's preventive maintenance expenses. The District remitted to MTC the full amount of \$52,548,000 in fiscal year 2017 the equivalent amount of its own funds, which were deposited by MTC to the restricted account. The federal grant is shown as nonoperating revenue – operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements. The restricted account for BART's car replacement program held by MTC, which is excluded from the District's financial statements, reported a balance of \$385,307,000 as of June 30, 2018 and \$381,528,000 as of June 30, 2017.

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9. State and Local Operating and Capital Financial Assistance

The District is eligible to receive local operating and capital assistance from the Transportation Development Act Funds (TDA). There was no TDA capital and operating assistance received in fiscal years 2018 or 2017. The District may also be entitled to receive state operating and capital assistance from the State Transit Assistance Funds (STA). 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. The District was awarded STA operating allocations, which amounted to \$490,000 in fiscal year 2013, \$99,000 in fiscal year 2014, \$17,697,000 in fiscal year 2015, \$15,429,000 in fiscal year 2016, \$9,135,000 in fiscal year 2017 and \$26,822,000 in fiscal year 2018. In addition, the allocation for fiscal 2016 was increased by \$990,000 in fiscal year 2017. Of these allocations, \$ 26,878 was earned in fiscal year 2018 and \$10,187,000 was earned in fiscal year 2017. The District received an STA capital grant of \$329,000 in fiscal year 2017 and \$10,248,000 in fiscal year 2018. The District earned \$334,000 of STA capital revenues in fiscal year 2018 and none was earned in fiscal year 2017.

Beginning in fiscal year 2015, the District has applied and received an allocation from the Low Carbon Transit Operations Program (LCTOP). The LCTOP is one of several programs established by the California Legislature in 2014 through Senate Bills 862 (SB 862) and 852 (SB 852). The source of funds for LCTOP is from the state's Cap-and-Trade Program annual proceeds and was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Eligible projects and programs include new or expanded bus or rail services, expanded intermodal transit facilities, equipment acquisition, fueling, maintenance and other operating costs. The District received an allocation of \$1,596,000 in fiscal year 2015, \$4,477,000 in fiscal year 2016 and \$2,066,000 in fiscal year 2017 and \$5,636,000 in fiscal year 2018. Funds allocated in fiscal year 2018, 2017 and 2016 have been set aside for the acquisition of new rail car and will be earned as revenue when capital expenditures are incurred, thus no expenditures and revenue were recognized in fiscal year 2018 and 2017. The District earned in full the fiscal year 2015 allocation in fiscal year 2016.

The District receives Paratransit funds provided to cities and transit operators from Alameda County Transportation Commission (ACTC) Measure B funds to be used for services aimed at improving mobility for seniors and persons with disabilities. Beginning in April 2015, the ACTC also allocated to the District Measure BB funds to supplement the funding needed for the paratransit program. Additional Measure BB funds were also allocated to the District for transit operations, maintenance and safety programs. ACTC is the administrator of both Measure B and BB funds. The District's revenues that relate to the Measure B funds were \$2,143,000 in fiscal year 2018 (\$1,983,000 in fiscal year 2017). Revenues from Measure BB funds for transit operations were \$729,000 in fiscal year 2018 (\$674,000 in fiscal year 2017), and for paratransit operations, were \$2,188,000 in fiscal year 2018 (\$2,022,000 in fiscal year 2017). The District also received annual assistance for its paratransit program from the Contra Costa Transportation Authority Measure J funds. Revenues from Measure J funds received in fiscal year 2018 were \$171,000 (\$84,000 in fiscal year 2017).

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
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9. State and Local Operating and Capital Financial Assistance (Continued)

On February 28, 2007, the District, San Mateo County Transit District (SamTrans), and MTC entered into a Tri-Party Financial Agreement establishing the operational and financial arrangement regarding the BART San Francisco International Airport Extension. To fund the operating costs of the SFO Extension, the agreement provided that (1) the District will receive up-front funding of \$24,000,000 from MTC and \$32,000,000 from SamTrans from their shares of Proposition 1B funds; (2) the District will also receive 2% of the San Mateo County half cent sales tax, Measure A, which was reauthorized by the voters of San Mateo County in 2004, for 25 years beginning in fiscal year 2009; this amount is currently equal to approximately \$1,600,000 per year; and (3) MTC shall allocate to the District additional STA revenue-based funds beginning in fiscal year 2009, which would otherwise be available for allocation to SamTrans as a result of the completion of the Traffic Congestion Relief Program projects, in an amount of \$801,000 annually. The above funds will be used first to cover any operating deficit on the SFO Extension and then to complete SamTrans' funding commitment of \$145,000,000 to the District's Warm Springs Extension Project. In December 2013, MTC adopted Resolution No. 4123, the Transit Core Capacity Challenge Grant Program, which re-directs the \$145,000,000 of SFO Net Operating Revenues to BART's New Railcar Procurement Program.

The up-front funding of \$24,000,000 from MTC was allocated to the District in 2008 in the form of Regional Measure 2 (RM2) revenues as local match to capital projects funded by the Transit Capital Priorities Program. For the purpose of the Tri-Party Agreement, the District made up-front deposits equivalent to the RM2 revenues in the reserve account and is currently being reimbursed by MTC with RM2 revenues, as the funds are earned. At June 30, 2018, the District has received the full amount from MTC. SamTrans' \$32,000,000 contribution was funded with approximately \$22,500,000 in Proposition 1B funds and \$9,500,000 in a direct allocation.

As of June 30, 2018 and 2017, the balance of the reserve account is as follows (dollar amounts in thousands):

	2018	2017
Reserve account at beginning of year	\$ 36,486	\$ 34,655
Received/accrued	3,018	2,596
Add: Interest earnings	155	36
Total	<u>39,659</u>	<u>37,287</u>
Less: Amount used to cover SFO Extension operating shortfall	<u>(801)</u>	<u>(801)</u>
Reserve account at end of year	<u><u>\$ 38,858</u></u>	<u><u>\$ 36,486</u></u>

In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2018 of \$2,594,000 from SamTrans (\$2,452,000 in fiscal year 2017) and \$424,000 from MTC (\$144,000 in fiscal year 2017).

PTMISEA Grants

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of \$4 billion to be deposited in the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA). Of this amount, \$3.6 billion in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
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9. State and Local Operating and Capital Financial Assistance (Continued)

The District has cumulatively received a total grant amount of \$354,526,000 in PTMISEA grant funds to fund various BART capital projects. The grants received are in the form of cash for \$349,011,000 and reimbursement grants for \$5,515,000.

The following schedules show the changes in activities related to the PTMISEA grant funds during the fiscal years 2018 and 2017 (dollar amounts in thousands):

<u>2018</u>	Grant Fund Balance at Beginning of Year	Grants Received	Project Costs Incurred	Grant Fund Balance at End of Year
eBART Extension	\$ 567	\$ -	\$ 300	\$ 267
Ashby Elevator	212	-	243	(31) ²
Station Modernization	99,529	(58) ⁴	19,299	80,172
Seismic Retrofit	(405)	-	-	(405) ²
Oakland Airport Connector	(54)	-	-	(54) ²
Warm Springs Extension	102	58 ⁴	160	-
Balboa Park Eastside	3,291	-	2,440	851
Berkeley Station Entrance	3,373	-	1,863	1,510
Access Improvements	3,257	-	1,686	1,571
Station Signage ¹	911	-	587	324
Train Control	7,806	-	3,942	3,864
	<u>\$ 118,589</u>	<u>\$ -</u>	<u>\$ 30,520</u>	<u>\$ 88,069</u>
<u>2017</u>	Grant Fund Balance at Beginning of Year	Grants Received	Project Costs Incurred	Grant Fund Balance at End of Year
eBART Extension	\$ 2,490	\$ -	\$ 1,923	\$ 567
Ashby Elevator	262	-	50	212
Station Modernization	109,914	1,287 ³	11,672	99,529
Seismic Retrofit	(405)	-	-	(405) ²
Oakland Airport Connector	(54)	-	-	(54) ²
Warm Springs Extension	159	350 ⁴	407	102
Balboa Park Eastside	8,323	-	5,032	3,291
Berkeley Station Entrance	4,111	-	738	3,373
Access Improvements	3,740	-	483	3,257
Station Signage ¹	1,349	-	438	911
Train Control	13,428	-	5,622	7,806
	<u>\$ 143,317</u>	<u>\$ 1,637</u>	<u>\$ 26,365</u>	<u>\$ 118,589</u>

¹ This grant is on a reimbursement basis.

² Covered by interest earnings.

³ New grants of \$1,637,000 received in fiscal year 2017, net of \$350,000 reallocated to Warm Springs Extension

⁴ Amount was reallocated from Station Modernization.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
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9. State and Local Operating and Capital Financial Assistance (Continued)

As of June 30, 2018 and 2017, the unused portion of PTMISEA grant funds received in cash are shown on the statements of net position as a component of unearned revenues as follows (dollar amounts in thousands):

	<u>2018</u>	<u>2017</u>
Cash Available, end of year	\$ 88,462	\$ 118,028
Less: noncurrent portion	<u>(59,082)</u>	<u>(25,316)</u>
Net current portion	<u>\$ 29,380</u>	<u>\$ 92,712</u>

At the end of fiscal year 2018, the PTMISEA funds had earned interest income of \$3,749,000 from inception, of which \$1,127,000 was earned in fiscal year 2018 and \$528,000 in fiscal year 2017.

10. Employees' Retirement Benefits

Plan Description

All eligible employees participate in the Public Employees' Retirement Fund (the Fund) of CalPERS under the Miscellaneous Plan and the Safety Plan of the San Francisco Bay Area Rapid Transit District. The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for 3,093 local public agencies and school districts within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and compensation. Most employees become eligible for benefits after five years of service and 50 years of age (age 52 for employees hired after January 1, 2013, see paragraph below.) These benefit provisions and all other requirements are established by State statute and District contractual agreements.

Pursuant to the California Public Employees' Pension Reform Act of 2013 (PEPRA), new members, defined as active members first hired on or after January 1, 2013, or who were hired after a break in service of more than six months, are required to contribute 50% of the "normal" pension cost. That amount is currently 13% of covered payroll for safety and 6.25% of covered payroll for miscellaneous. Represented employees were exempt from this provision; however, as a result of a court decision, they were determined to be covered effective December 30, 2014. There is currently a pending District Court case related to PEPRA's impact on represented employees which could alter the applicability of PEPRA to represented employees in the future.

Copies of CalPERS' annual financial report may be obtained from their Executive Office by writing or calling the Plan: California PERS, P.O. Box 942709, Sacramento, CA 94229-2709, (916) 326-3420. A separate report for the District's plan is not available.

Benefits Provided

The District provides service retirement and disability retirements, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit is as follows: The Basic Death Benefit for Miscellaneous employees and for Safety employees, it is the 4th level of 1959 Survivor Benefit.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan		Safety Plan	
	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013	On or After January 1, 2013
Hire date				
Benefit formula	2.0% @ 55	2.0% @ 62	3.0% @ 50	2.70% @ 57
Benefit vesting schedule	5 years	5 years	5 years	5 years
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	62	50	57
Monthly benefits, as a percentage of eligible compensation	2.0%	2.0%	3.0%	2.7%
Required employee contribution rate	6.90%	6.25%	9.18%	13.00%
Required employer contribution rate:	7.93%	7.93%	24.71%	24.71%

Starting fiscal year 2018, in addition to the contributions noted above, employer contributions include additional unfunded liability payments, details of which are listed below (dollar amounts in thousands):

<u>Plan</u>	<u>Unfunded Liability Payments</u>
Miscellaneous Plan	\$ 26,868
Safety Plan	6,915
Total	<u>\$ 33,783</u>

At June 30, 2018 and 2017, the following employees were covered by the benefit terms:

	Miscellaneous Plan	Safety Plan
June 30, 2018		
Inactive employees or beneficiaries currently receiving benefits	2,797	296
Inactive employees entitled to but not yet receiving benefits	167	12
Active employees	3,387	180
Total	<u>6,351</u>	<u>488</u>
June 30, 2017		
Inactive employees or beneficiaries currently receiving benefits	2,694	286
Inactive employees entitled to but not yet receiving benefits	188	10
Active employees	3,290	186
Total	<u>6,172</u>	<u>482</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For fiscal year 2018, the average employee contribution rate for the Miscellaneous Plan is 6.904% and for the Safety Plan is 9.177% of their annual covered payroll. For employer's contribution, beginning in fiscal year 2018, CalPERS collects the employer contribution toward the plan's unfunded liability as a dollar amount instead of the prior method, which is based on a contribution rate. The District's actuarially determined employer contribution rate to cover the normal cost in fiscal year 2018 was 7.93% and 24.71% for Miscellaneous and Safety Plans, respectively, of annual covered payroll for the District's employees. Annual covered payroll amounted to \$337,130,000 for the fiscal year ended June 30, 2018 for the District's employees. The District's total employer contribution in fiscal year 2018 amounted to \$68,202,000, consisted of \$34,419,000 for normal cost and \$33,783,000 for payment of unfunded liability.

For fiscal year 2017, the average employee contribution rate for the Miscellaneous Plan was 6.987% and for the Safety Plan was 9.021% of their annual covered payroll. The District's employer required contribution for fiscal year 2017 based on actuarially determined rate was 16.38% and 56.47% for Miscellaneous and Safety Plans, respectively, of annual covered payroll for the District's employees. Annual covered payroll amounted to \$309,590,000 for the fiscal year ended June 30, 2017. The total employer contributions paid by the District in fiscal 2017 was \$58,386,000.

Net Pension Liability

The District's net pension liability for the Plans is measured as the total pension liability, less the pension plan's fiduciary net position. The plans' net pension liability as of June 30, 2018 and 2017 were measured as of June 30, 2017 and 2016 (measurement date), using an annual actuarial valuation of June 30, 2016 and 2015, respectively. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

Actuarial Assumptions

The June 30, 2018 and June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Reporting date	June 30, 2018	June 30, 2018
Measurement date	June 30, 2017	June 30, 2017
Valuation date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.150%	7.150%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Investment rate of return ¹	7.50%	7.50%
Mortality rate table ²	Derived using CalPERS' Membership	Derived using CalPERS' Membership

¹ Net of pension plan investment and administrative expenses, including inflation

² The probabilities of mortality are based on 2014 CalPers Experience Study for the period from 1997 to 2011.

Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

	<u>Miscellaneous</u>	<u>Safety</u>
Reporting date	June 30, 2017	June 30, 2017
Measurement date	June 30, 2016	June 30, 2016
Valuation date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Investment rate of return ¹	7.50% Derived using CalPERS' Membership	7.50% Derived using CalPERS' Membership
Mortality rate table ²	Data for all Funds	Data for all Funds

¹ Net of pension plan investment and administrative expenses, including inflation

² The probabilities of mortality are based on 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

The underlying mortality assumptions and other actuarial assumptions used in the June 30, 2015 and 2014 valuations were based on the results of a January 2014 actuarial experience study for the period from 1997 to 2011. The Experience Study report can be obtained on the CalPERS' website.

Notes to Actuarial Assumptions

In 2014, CalPERS completed a 2-year asset liability management study, incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014, the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.65 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies in its members and expected continued improvements. The new actuarial assumptions were first used in the June 30, 2014 valuation to set the Fiscal year 2016-17 contribution for public agency employers. The increase in liability due to the new actuarial assumptions is amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
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10. Employees' Retirement Benefits (Continued)

Discount Rate

The latest GASB 68 report, which is based on the June 30, 2016 valuation date, used a discount rate of 7.15%. The prescribed discount rate assumption adopted by the CalPERS Board on December 21, 2016 is 7.375% compounded annually (net of investment and administrative expenses) as of 6/30/2016. The Board also prescribed that the assumed discount rate will reduce to 7.25% compounded annually (net of expenses) as of 6/30/2017, and 7.0% compounded annually (net of expenses) as of 6/30/2018. These further changes to the discount rate assumption are not reflected in the determination.

The discount rate used to measure the pension liability at June 30, 2018 and June 30, 2017 is 7.15% and 7.65% respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
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10. Employees' Retirement Benefits (Continued)

Long-term rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flow. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation for the June 30, 2017 measurement date was as follows:

Asset Class	Miscellaneous & Safety Plans		
	New Interim Target Allocation ¹	5 - Year Return Years 1 - 10	10 - Year Return Years 11+
Public Equity	46%	11.60%	4.30%
Global Fixed Income	20%	0.03	0.07
Inflation Sensitive	9%	(0.02)	-
Private Equity	8%	0.12	0.09
Real Assets	13%	0.10	0.01
Liquidity	4%	0.00	0.01
Total	100%		

(1) effective October 1, 2016

(2) The Total Plan level includes Multi-Asset class, Absolute Return Strategies, transition, and plan level portfolios.

These assets do not have targets because they are not components of the Total Fund Policy benchmark.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

The target allocation for the June 30, 2016 measurement was as follows:

<u>Asset Class</u>	<u>Miscellaneous & Safety Plans</u>		
	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99	2.43
Inflation Assets	6%	0.45	3.36
Private Equity	10%	6.83	6.95
Real Assets	10%	4.50	5.13
Infrastructure and Forestland	2%	4.50	5.09
Liquidity	1%	(0.55)	(1.05)
Total	<u>100%</u>		

(a) An expected inflation of 2.5% was used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the June 30, 2017 measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate (dollar amounts in thousands):

	<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Miscellaneous Plan			
Plan's Net Pension Liability (Asset)	\$ 861,762	\$ 574,909	\$ 334,078
Safety Plan			
Plan's Net Pension Liability (Asset)	\$ 175,902	\$ 130,594	\$ 93,434

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
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10. Employees' Retirement Benefits (Continued)

The following presents the net pension liability of the Plan as of the June 30, 2016 measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate (dollar amounts in thousands):

	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.65%)	Rate (7.65%)	(8.65%)
Miscellaneous Plan			
Plan's Net Pension			
Liability (Asset)	\$ 753,713	\$ 499,114	\$ 284,915
Safety Plan			
Plan's Net Pension			
Liability (Asset)	\$ 154,865	\$ 115,336	\$ 82,795

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

Change in Net Pension Liability

The following table shows the changes in the net pension liability for the year ended June 30, 2018, based on measurement date of June 30, 2017 (dollar amounts in thousands):

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 2,117,291	\$ 1,618,177	\$ 499,114
Changes during the year:			
Service cost	45,264	-	45,264
Interest on the total pension liability	157,621	-	157,621
Changes of assumptions	120,524	-	120,524
Differences between expected and actual experience	(1,484)	-	(1,484)
Net Plan to Plan resource movement	-	12	(12)
Contributions from the employer	-	47,272	(47,272)
Contributions from the employees	-	20,144	(20,144)
Net investment income	-	181,091	(181,091)
Benefit payments, including refunds of employee contributions	(108,947)	(108,947)	-
Administrative expense	-	(2,389)	2,389
Net Changes	212,978	137,183	75,795
Balance at June 30, 2018	\$ 2,330,269	\$ 1,755,360	\$ 574,909

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 296,142	\$ 180,806	\$ 115,336
Changes during the year:			
Service cost	7,416	-	7,416
Interest on the total pension liability	22,274	-	22,274
Changes of assumptions	18,632	-	18,632
Differences between expected and actual experience	745	-	745
Net Plan to Plan resource movement	-	(14)	14
Contributions from the employer	-	11,742	(11,742)
Contributions from the employees	-	2,165	(2,165)
Net investment income	-	20,183	(20,183)
Benefit payments, including refunds of employee contributions	(15,408)	(15,408)	-
Administrative expenses	-	(267)	267
Net Changes	33,659	18,401	15,258
Balance at June 30, 2018	\$ 329,801	\$ 199,207	\$ 130,594

Total of Miscellaneous and Safety Plans

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017	\$ 2,413,433	\$ 1,798,983	\$ 614,450
Changes during the year:			
Service cost	52,680	-	52,680
Interest on the total pension liability	179,895	-	179,895
Changes of assumptions	139,156	-	139,156
Differences between expected and actual experience	(739)		(739)
Plan to Plan resource movement	-	(2)	2
Contributions from the employer	-	59,014	(59,014)
Contributions from the employees	-	22,309	(22,309)
Net investment income	-	201,274	(201,274)
Benefit payments, including refunds of employee contributions	(124,355)	(124,355)	-
Administrative expense	-	(2,656)	2,656
Net Changes	246,637	155,584	91,053
Balance at June 30, 2018	\$ 2,660,070	\$ 1,954,567	\$ 705,503

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

The following table shows the changes in the net pension liability for the year ended June 30, 2017 (dollar amounts in thousands):

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2016	<u>\$ 2,027,925</u>	<u>\$ 1,656,526</u>	<u>371,399</u>
Changes during the year:			
Service cost	37,959	-	37,959
Interest on the total pension liability	152,757	-	152,757
Changes of assumptions	-	-	-
Differences between expected and actual experience	1,193	-	1,193
Plan to Plan resource movement	-	(1)	1
Contributions from the employer	-	38,283	(38,283)
Contributions from the employees	-	18,174	(18,174)
Net investment income	-	8,747	(8,747)
Benefit payments, including refunds of employee contributions	(102,543)	(102,543)	-
Administrative expense	-	(1,009)	1,009
Net Changes	<u>89,366</u>	<u>(38,349)</u>	<u>127,715</u>
Balance at June 30, 2017	<u><u>\$ 2,117,291</u></u>	<u><u>\$ 1,618,177</u></u>	<u><u>\$ 499,114</u></u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

Safety Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2016	\$ 278,727	\$ 182,904	\$ 95,823
Changes during the year:			
Service cost	6,491	-	6,491
Interest on the total pension liability	21,340	-	21,340
Changes of assumptions	-	-	-
Differences between expected and actual experience	4,387	-	4,387
Plan to Plan resource movement	-	1	(1)
Contributions from the employer	-	10,038	(10,038)
Contributions from the employees	-	1,854	(1,854)
Net investment income	-	924	(924)
Benefit payments, including refunds of employee contributions	(14,803)	(14,803)	-
Administrative expenses	-	(112)	112
Net Changes	17,415	(2,098)	19,513
Balance at June 30, 2017	\$ 296,142	\$ 180,806	\$ 115,336

Total of Miscellaneous and Safety Plans

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2016	\$ 2,306,652	\$ 1,839,430	\$ 467,222
Changes during the year:			
Service cost	44,450	-	44,450
Interest on the total pension liability	174,097	-	174,097
Changes of assumptions	-	-	-
Differences between expected and actual experience	5,580	-	5,580
Plan to Plan resource movement	-	-	-
Contributions from the employer	-	48,321	(48,321)
Contributions from the employees	-	20,028	(20,028)
Net investment income	-	9,671	(9,671)
Benefit payments, including refunds of employee contributions	(117,346)	(117,346)	-
Administrative expense	-	(1,121)	1,121
Net Changes	106,781	(40,447)	147,228
Balance at June 30, 2017	\$ 2,413,433	\$ 1,798,983	\$ 614,450

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2018 and 2017, the District incurred a pension expense of \$112,982,000 and \$67,246,000, respectively.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 56,040	\$ -
Changes of assumptions	90,393	(9,364)
Differences between actual and expected experience	596	(2,486)
Net differences between projected and actual earnings on plan investments	22,307	-
Total	\$ 169,336	\$ (11,850)
Safety Plan		
Pension contributions subsequent to measurement date	\$ 12,162	\$ -
Changes of assumptions	12,986	(706)
Differences between actual and expected experience	2,933	-
Net differences between projected and actual earnings on plan investments	2,505	-
Total	\$ 30,586	\$ (706)
Total Miscellaneous and Safety		
Pension contributions subsequent to measurement date	\$ 68,202	\$ -
Changes of assumptions	103,379	(10,070)
Differences between actual and expected experience	3,529	(2,486)
Net differences between projected and actual earnings on plan investments	24,812	-
Total	\$ 199,922	\$ (12,556)

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 46,709	\$ -
Changes of assumptions	-	(17,167)
Differences between actual and expected experience	895	(2,518)
Net differences between projected and actual earnings on plan investments	88,062	-
Total	\$ 135,666	\$ (19,685)
Safety Plan		
Pension contributions subsequent to measurement date	\$ 11,677	\$ -
Changes of assumptions	-	(2,118)
Differences between actual and expected experience	5,112	-
Net differences between projected and actual earnings on plan investments	9,813	-
Total	\$ 26,602	\$ (2,118)
Total Miscellaneous and Safety		
Pension contributions subsequent to measurement date	\$ 58,386	\$ -
Changes of assumptions	-	(19,285)
Differences between actual and expected experience	6,007	(2,518)
Net differences between projected and actual earnings on plan investments	97,875	-
Total	\$ 162,268	\$ (21,803)

The District recognized the \$58,386,000 deferred outflow for pension contribution after the measurement date in fiscal year 2017 as reduction of pension liability in fiscal year 2018. The \$68,202,000 deferred outflow for pension contribution after the measurement date in fiscal year 2018 will be recognized as a reduction of net pension liability in fiscal year 2019.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

10. Employees' Retirement Benefits (Continued)

The deferred inflow and deferred outflow of resources as of June 30, 2018 related to pensions will be recognized in future pension expense as follows (dollar amounts in thousands):

Measurement Period	Miscellaneous Plan	Safety Plan
Year Ending	Deferred Outflows/	Deferred Outflows/
June 30,	(Inflows) of resources	(Inflows) of resources
2019	\$ 19,722	\$ 7,074
2020	55,632	9,281
2021	39,522	2,844
2022	(13,428)	(1,483)
2023	-	-
Thereafter	-	-
Total	<u>\$ 101,448</u>	<u>\$ 17,716</u>

Payable to the Pension Plan

At June 30, 2018 and 2017, the District had \$3,790,000 and \$0 contributions payable outstanding to the pension plan, respectively.

11. Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan (MPPP), which is a supplemental retirement defined contribution plan. 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 eligible employees' annual compensation (up to \$29,700 after deducting the first \$133 paid during each month) up to a maximum annual contribution of \$1,868 for all employees except those represented by BPOA and BPMA pursuant to their labor agreements effective January 1, 2010. An additional contribution to the MPPP equal to 1.627% of eligible compensation is provided to all employees except for represented sworn police officers. Payment of this additional contribution was also suspended for all CalPERS eligible individuals, with various effective dates, pursuant to labor agreements and District policy as a cost saving measure. These payments resumed on July 1, 2013. However, under the latest labor agreements with ATU, SEIU, and AFSCME, the District retained 0.0888% of the 1.627% contribution. The District also retained this same amount for non-represented employees. In addition, the District retained \$37 per month of the 1.627% for ATU, SEIU, and AFSCME employees who elected medical to pay for medical premiums.

The annual compensation limit subject to the additional contribution is established by the Internal Revenue Code Section 401(a) (17). Each employee's account is available for distribution upon such employee's termination.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2017 and 2016

11. Money Purchase Pension Plan (Continued)

The District's total expense and funded contribution for this plan for the years ended June 30, 2018 and 2017 were \$10,962,000 and \$10,286,000 respectively. The MPPP assets at June 30, 2018 and 2017 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were \$336,394,000 and \$315,742,000, respectively. At June 30, 2018, there were approximately 219 (221 in 2017) participants receiving payments under this plan.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing or calling: BART Investments Plans Committee, 300 Lakeside Drive, Oakland, California 94612, (510) 464-6238.

12. Other Postemployment Benefits

In addition to the retirement benefits described in Notes 10 and 11, and specified in the District's contractual agreements, the District provides certain other postemployment benefits ("OPEB") to employees, which may include medical benefits to retirees and surviving spouses, retiree life insurance, survivor dental and vision benefits, and medical benefits to survivors of active employees. Most employees who retire directly from the District or their surviving spouses are eligible for medical benefits if the employee retires at or after age 50 with a minimum of 5 years of service with the District, elects to take an annuity from CalPERS and makes a timely election of retiree medical.

In compliance with GASB requirements, the District accounts for OPEB on an accrual basis and created the Retiree Health Benefit Trust. The purpose of establishing the Trust is to facilitate the provision of medical benefits and other health and welfare benefits ("retiree medical benefits") for the qualifying retirees of the District; to provide the means for financing the costs and expenses of operating and administering such benefits; to hold Trust assets for the sole and exclusive purpose of providing benefits to participants and beneficiaries; and to defray the reasonable expenses of administering the Trust and designated plans. Assets placed into the Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. Under California state law, the restrictions on the use of any proceeds from liquidation of the Trust are significant enough to render the Trust effectively irrevocable. The Trust is administered by one or more Trustees appointed by the District's Board of Directors. Currently, the Board has appointed the District's Controller-Treasurer as the Trustee. The Trust issues a publicly available audited financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Retiree Health Benefit Trust, San Francisco Bay Area Rapid Transit District, 300 Lakeside Drive, P.O. Box 12688, Oakland, California 94604.

Currently, the Trust covers the funding only for the "retiree medical benefits", which include retiree medical benefits and medical benefits provided to widows and widowers of retirees. It does not fund the "additional OPEB" which includes the retiree life insurance premiums or the cost to the District of additional benefits available to survivors of employees and retirees who, at the time of hire, elected to contribute to a survivor health benefit program. Survivors of employees and retirees who elected this program and who continue to contribute are eligible for medical, dental and vision coverage at a cost of \$15/mo. The District is currently in process of establishing a new trust for the additional OPEB.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Basis of Accounting

The financial statements of the Trust are prepared using the accrual basis of accounting. Beginning with fiscal year 2017, the Trust implemented the GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which established the accounting and financial reporting standards for plans that provide OPEB. The Trust recognizes contributions from the District in accordance with the provisions contained on the District collective bargaining agreements, as described briefly in the following discussion.

Method Used to Value Investments

Investments are reported at fair value as determined by the financial institutions, which have custody of the investments based on fair value measurements under GASB 72.

Funding Policy and Long-Term Contract for Contributions

The District's current collective bargaining agreements with its unions (CBA) describe the District's funding commitments to the Trust. Beginning fiscal year 2008, the District funded the Trust with a "ramp up" (increasing) percentage of the "full" annual required contribution (ARC) in addition to funding the pay-as-you-go amount outside of the Trust every year for the following six years. Including fiscal years 2007 and 2008, this "ramp-up" contribution funded an eight-year period covering fiscal years 2006 through 2013. The CBAs include the baseline "ramp-up" percentages, which is the minimum amount that the District is committed to contribute to the Trust during the "ramp-up" period. The District commissions an actuarial study of the retiree medical insurance plan liabilities and funding needs, including the ARC, every year. The revised "ramp-up" percentage became the basis of the District's contribution to the Trust, except when it was less than the baseline "ramp-up" percentage. In addition, in fiscal year 2009 the District contributed into the Trust a lump sum make up payment reflecting the amounts it would have contributed for fiscal years 2006 and 2007, which was actuarially calculated at \$14,629,000.

Beginning in fiscal year 2014, the District contributed to the Trust each pay period an amount equal to the full GASB compliant ARC. Also, effective on July 1, 2013, retiree medical insurance premiums and related administration fees are paid by the Trust.

Funding Policy

Employer contributions to the retiree health benefits plan are actuarially determined and amounted to \$35,569,000 for fiscal year 2018 (including \$4,196,000 implied subsidy). The actuarial valuation for fiscal year 2016 was used to determine the actuarially determined contribution for fiscal year 2018. The District also paid in fiscal year 2018 survivor benefits and life insurance premiums, on a pay as you go basis, amounting to \$329,000 and \$ 679,000 (including \$547,000 implied subsidy), respectively.

Employer contributions to the retiree health benefits plan are actuarially determined and amounted to \$28,912,000 for fiscal year 2017 (including \$3,900,000 implied subsidy). The actuarial valuation for fiscal year 2015 was used to determine the actuarially determined contribution for fiscal year 2017. The District also paid in fiscal year 2017 survivor benefits and life insurance premiums, on a pay as you go basis, amounting to \$346,000 and \$ 685,000 (including \$542,000 implied subsidy), respectively.

The District does not charge any administration cost to the Retiree Health Benefit Trust. For calendar years 2018 and 2017 most retirees paid \$143.93 and \$137.79 per month, respectively, for their share of the medical premium and the balance is paid by the District.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

GASB 75

Effective June 30, 2017, the District adopted GASB 75 where the District recognizes a liability as the employees earn benefits by providing services. Changes to OPEB liability are recognized immediately as OPEB expenses or deferred outflows/inflows of resources.

The Net OPEB liability is measured as the difference between the District's total OPEB liability (for Retiree Medical Plan, Survivor Benefit and Retiree Life Insurance) and the plan's fiduciary net position, as of the measurement date.

Employer's Net OPEB Liability

The net OPEB liability as of June 30, 2018 and June 30, 2017 for the Retiree Medical Benefit, Survivor Benefit and Retiree Life Insurance totals \$ 376,433,000 and \$ 380,392,000, respectively, detail of which is presented below (dollar amounts in thousands):

Fiscal Year Ending	6/30/2018	6/30/2017
Measurement Date	6/30/2018	6/30/2017
<u>Retiree Medical Benefits</u>		
Total OPEB Liability (TOL)	\$ 611,682	\$ 573,597
Fiduciary Net Position (FNP)	(305,851)	(270,151)
Net OPEB Liability	<u>\$ 305,831</u>	<u>\$ 303,446</u>
<u>Survivor Benefit Plan</u>		
Total OPEB Liability (TOL)	\$ 35,093	\$ 42,456
Fiduciary Net Position (FNP)	-	-
Net OPEB Liability	<u>\$ 35,093</u>	<u>\$ 42,456</u>
<u>Retiree Life Insurance</u>		
Total OPEB Liability (TOL)	\$ 35,509	\$ 34,490
Fiduciary Net Position (FNP)	-	-
Net OPEB Liability	<u>\$ 35,509</u>	<u>\$ 34,490</u>
Total		
Total OPEB Liability (TOL)	\$ 682,284	\$ 650,543
Fiduciary Net Position (FNP)	(305,851)	(270,151)
Net OPEB Liability	<u>\$ 376,433</u>	<u>\$ 380,392</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

The total OPEB liability were determined by actuarial valuations as of June 30, 2017 and 2016 using the following actuarial assumptions:

Retiree Medical Benefits

	June 30, 2018 Measurement Date
Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	6.50%
	Plan assets projected to be sufficient to pay all benefits from the '
Long -term investment rate of return	6.50% at June 30, 2018
General inflation	2.75% per annum
Contribution Policy	Employer contributes full ADC
Mortality, disability, termination, retirement	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-17
Health care costs trend rate	Non- Medicare-7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare- 6.5% for 2019, decreasing to an ultimate rate of 4.0% for 2076 and later years
Healthcare participation for future retirees	Medical coverage: 98% of safety and 88% of Miscellaneous future retirees elect coverage Retirees not eligible for BART Medical Subsidy: 60% participate Spouse Coverage: varies by bargaining unit, 56% to 90% 10% of waived retirees under age 65 on valuation date assumed to elect coverage at 65 Assumptions based on study of recent retiree

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

Retiree Medical Benefits

	<u>June 30, 2017 Measurement Date</u>
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	6.75% based on Crossover Test
Long -term investment rate of return on investments	6.75%
General inflation	3% per annum
Crossover test assumptions	Employer contributes full ADC
Mortality, disability, termination, retirement	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-14 modified to converge to ultimate improvements in
Health care costs trend rate	Pre- Medicare- 6.5% for 2018 decreasing to 5.0% for 2021 and later Medicare- 6.7% for 2018, decreasing to 5% for 2021 and later
Healthcare participation for future retirees	Medical coverage: 98% of safety and 88% of Miscellaneous future retirees elect coverage Retirees not eligible for BART Medical Subsidy: 60% participate Spouse Coverage: varies by bargaining unit, 56% to 90% Assumptions based on study of recent retiree experience

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

Survivor Benefit Plan

	June 30, 2018 Measurement Date
Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	3.87%
Long term investment rate of return on investments	N/A at 6/30/2018
General inflation	2.75% per annum
Mortality, retirement, disability, termination	CalPERS 1997-2011 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-17
Salary Increases	Aggregate- 3% Merit- CalPERS 1997-2011 experience study
Trend	Dental - 3.75% per year Non-Medicare- 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare- 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Participation	Current covered employees and retirees will continue paying premium for coverage. Future retirees will elect to be covered by District retiree healthcare benefits

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

Survivor Benefit Plan

	June 30, 2017 Measurement Date
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	3.58%
Long term investment rate of return on investments	N/A at 6/30/2017
Municipal bond rate	3.58% based on the Bond Buyer 20-year General Obligation Index as of 6/30/2017
General inflation	3% per annum
Mortality improvement	Mortality projected fully generational with Scale MP-14, modified to converge to ultimate improvements in 2022
Trend	Dental and Vision- 4% per year Pre- Medicare- 6.5% for 2018, decreasing to 5% for 2021 and later Medicare- 6.7% for 2018, decreasing to 5% for 2021 and later
Participation	Current covered employees and retirees will continue paying premium for coverage. Future retirees will elect to be covered by District retiree healthcare benefits.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

Retiree Life Insurance

	<u>June 30, 2018 Measurement Date</u>
Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	3.87%
Long term investment rate of return on investments	N/A at 6/30/2018
Municipal Bonds	3.87% based on the Bond Buyer 20-year General Obligation index as of 6/30/2018
General inflation	2.75% per annum
Mortality, disability, termination, retirement	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-17
Trend	Not applicable for this life insurance benefit
Salary increases	Aggregate 3% merit increases based on CalPERS 1997-2011 Experience Study
Life insurance participation for future retirees	100%
Benefit Valued	Valuation based on death benefit payable, not premiums No administrative expense included

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

Retiree Life Insurance

	<u>June 30, 2017 Measurement Date</u>
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	3.58%
Long term investment rate of return on investments	N/A at 6/30/2017
Municipal bond rate	3.58% based on the Bond Buyer 20-year General Obligation Index as of 6/30/2017
General inflation	3% per annum
Mortality, disability, termination, retirement	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-14, modified to converge to ultimate improvements in 2022
Trend	Not applicable for this life insurance benefit
Salary increases	3.25% plus merit increases based on CalPERS 1997-2011 Experience Study
Life insurance participation for future retirees	100%

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in Assumptions

Retiree Medical Benefits

The following presents the net OPEB liability of the Retiree Medical Benefits Plan as of the June 30, 2018 measurement date, calculated using the discount rate of 6.50%, and healthcare trend rate of 7.5% for non-Medicare and 6.5% for Medicare, decreasing to an ultimate rate of 4.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate (dollar amounts in thousands):

Discount Rate				
	1% Decrease (5.50%)	Current Rate Rate (6.50%)	1% Increase (7.50%)	
Net OPEB liability	\$ 388,366	\$ 305,831	\$ 237,792	
Health care costs trend rate				
	1% Decrease	Current Rate	1% Increase	
Net OPEB liability	\$ 221,470	\$ 305,831	\$ 409,217	

The following presents the net OPEB liability of the Retiree Medical Benefits Plan as of the June 30, 2017 measurement date, calculated using the discount rate of 6.75%, and healthcare trend rate of 6.6% decreasing to 5.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate (dollar amounts in thousands):

Discount Rate				
	1% Decrease (5.75%)	Current Rate Rate (6.75%)	1% Increase (7.75%)	
Net OPEB liability	\$ 382,865	\$ 303,446	\$ 238,470	
Health care costs trend rate				
	1% Decrease (5.6% decreasing to 4.0%)	Current Rate (6.6% decreasing to 5.0%)	1% Increase (7.6% decreasing to 6.0%)	
Net OPEB liability	\$ 222,457	\$ 303,446	\$ 403,345	

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in Assumptions

Survivor Benefit

The following presents the net OPEB liability of the Survivor Benefit Plan as of the June 30, 2018 measurement date, calculated using the discount rate of 3.87%, and healthcare trend rate of 7.5% for non-Medicare and 6.5% for Medicare decreasing to an ultimate rate of 4.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate (dollar amounts in thousands):

Discount Rate		1% Decrease (2.87%)	Current Rate Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$	42,742	\$ 35,093	\$ 29,291
Health care costs trend rate		1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$	29,213	\$ 35,093	\$ 43,127

The following presents the net OPEB liability of the Survivor Benefit Plan as of the June 30, 2017 measurement date, calculated using the discount rate of 3.58%, and healthcare trend rate of 6.7% decreasing to 5.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate (dollar amounts in thousands):

Discount Rate		1% Decrease (2.58%)	Current Rate Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$	53,538	\$ 42,456	\$ 34,266
Health care costs trend rate		1% Decrease (5.7% decreasing to 4.0%)	Current Rate (6.7% decreasing to 5.0%)	1% Increase (7.7% decreasing to 6.0%)
Net OPEB liability	\$	41,154	\$ 42,456	\$ 43,967

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in Assumptions

Retiree Life Insurance

The following presents the net OPEB liability of the Retiree Life Insurance Plan as of the June 30, 2018 measurement date, calculated using the discount rate of 3.87%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate. Healthcare trend rates are not applicable to the Retiree Life Insurance Plan (dollar amounts in thousands):

Discount Rate		1% Decrease (2.87%)	Current Rate Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$	42,180	\$ 35,509	\$ 30,275

Change in Healthcare Trend Rate

		1% Decrease	Current Trend	1% Increase
Net OPEB liability	\$	35,509	\$ 35,509	\$ 35,509

The following presents the net OPEB liability of the Retiree Life Insurance Plan as of the June 30, 2017 measurement date, calculated using the discount rate of 3.58%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate. Healthcare trend rates are not applicable to the Retiree Life Insurance Plan (dollar amounts in thousands):

Discount Rate		1% Decrease (2.58%)	Current Rate Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	\$	41,472	\$ 34,490	\$ 29,076

OPEB Expense for Fiscal Year

For the year ended June 30, 2018 and 2017, the District recognized OPEB expense of \$42,328,000 (\$44,801,000 in fiscal year 2017) details of which follow (dollar amounts in thousands):

OPEB Expense

	Retiree Medical Benefit	Survivor Benefit	Life Insurance	Total
Fiscal year 2018	\$ 39,748	\$ 1,179	\$ 1,401	\$ 42,328
Fiscal year 2017	\$ 40,098	\$ 3,095	\$ 1,608	\$ 44,801

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Employees covered by Benefit Terms*

At June 30, 2018 reporting date, the following numbers of employees were covered by the benefit terms:

	Retiree Medical Benefits	Survivor Benefits	Retiree Life Insurance
Inactives currently receiving benefits	2,492	237	-
Inactives entitled to but not yet receiving benefits	524	949	2,383
Active Employees	<u>3,790</u>	<u>2,369</u>	<u>3,642</u>
Total	<u>6,806</u>	<u>3,555</u>	<u>6,025</u>

At June 30, 2017 reporting date, the following numbers of employees were covered by the benefit terms:

	Retiree Medical Benefits	Survivor Benefits	Retiree Life Insurance
Inactives currently receiving benefits	2,118	175	-
Inactives entitled to but not yet receiving benefits	571	922	2,316
Active Employees	<u>3,553</u>	<u>2,208</u>	<u>3,553</u>
Total	<u>6,242</u>	<u>3,305</u>	<u>5,869</u>

*Coverage count based on the GASB 75 Accounting Information report prepared by actuary.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Deferred Outflows/Inflows of Resources

At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

Fiscal Year ending June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Retiree Medical Benefits</u>		
Differences between actual and expected experience	\$ -	\$ 28,414
Changes of assumptions	28,408	-
Net difference between projected and actual earnings on plan investments	-	9,997
Employer contributions made subsequent to measurement date	-	-
Total	<u>\$ 28,408</u>	<u>\$ 38,411</u>
<u>Survivor Benefit Plan</u>		
Differences between actual and expected experience	\$ -	\$ 863
Changes of assumptions	-	14,233
Net difference between projected and actual earnings on plan investments	-	-
Employer contributions made subsequent to measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 15,096</u>
<u>Retiree Life Insurance</u>		
Differences between actual and expected experience	\$ 138	\$ -
Changes of assumptions	-	3,862
Net difference between projected and actual earnings on plan investments	-	-
Employer contributions made subsequent to measurement date	-	-
Total	<u>\$ 138</u>	<u>\$ 3,862</u>
Combined Plan Totals	<u>\$ 28,546</u>	<u>\$ 57,369</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Fiscal Year ending June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Retiree Medical Benefits</u>		
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	8,209
Employer contributions made subsequent to measurement date	N/A	N/A
Total	<u>\$ -</u>	<u>\$ 8,209</u>
<u>Survivor Benefit Plan</u>		
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	6,883
Net difference between projected and actual earnings on plan investments	-	-
Employer contributions made subsequent to measurement date	N/A	N/A
Total	<u>\$ -</u>	<u>\$ 6,883</u>
<u>Retiree Life Insurance</u>		
Differences between actual and expected experience	\$ -	\$ -
Changes of assumptions	-	4,021
Net difference between projected and actual earnings on plan investments	-	-
Employer contributions made subsequent to measurement date	N/A	N/A
Total	<u>\$ -</u>	<u>\$ 4,021</u>
Combined Plan Totals	<u>\$ -</u>	<u>\$ 19,113</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2018 will be recognized in future OPEB expense as follows (dollar amounts in thousands):

Year Ending June 30,	Deferred Outflows/ (Inflows) of resources
<i>Retiree Medical Benefits</i>	
2019	\$ (3,013)
2020	(3,013)
2021	(3,014)
2022	(961)
2023	(2)
Thereafter	-
<i>Survivor Benefit</i>	
2019	\$ (2,480)
2020	(2,480)
2021	(2,480)
2022	(2,480)
2023	(2,480)
Thereafter	(2,696)
<i>Retiree Life Insurance</i>	
2019	\$ (1,021)
2020	(1,021)
2021	(1,021)
2022	(572)
2023	(89)
Thereafter	-

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Net OPEB Liability/(Asset)

The following tables shows the changes in the net OPEB liability for the years ended June 30, 2018 and 2017 (dollar amounts in thousands):

<i>Retiree Medical Benefits</i>	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2017*	\$ 573,597	\$ 270,151	\$ 303,446
<i>Changes for the year</i>			
Service cost	21,777	-	21,777
Interest	39,409	-	39,409
Difference between expected and actual experience	(35,022)	-	(35,022)
Change of assumptions	35,015	-	35,015
Contributions from the employer	-	35,569	(35,569)
Net investment income	-	23,448	(23,448)
Benefit payments, including refunds***	(23,095)	(23,095)	-
Administrative expense	-	(223)	223
Net Changes	38,084	35,699	2,385
Balance at June 30, 2018 **	\$ 611,681	\$ 305,850	\$ 305,831

* Previous measurement date June 30, 2017

** Measurement date June 30, 2018

*** Includes \$ 4,196,000 implied subsidy benefit payments for fiscal year 2018

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

<u>Retiree Medical Benefits</u>	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2016*	<u>\$ 537,873</u>	<u>\$ 237,404</u>	<u>\$ 300,469</u>
<i>Changes for the year</i>			
Service cost	21,143	-	21,143
Interest	36,977	-	36,977
Contributions from the employer	-	28,912	(28,912)
Net investment income	-	26,497	(26,497)
Benefit payments, including refunds ***	(22,396)	(22,396)	-
Administrative expense	-	(266)	266
Net Changes	<u>35,724</u>	<u>32,747</u>	<u>2,977</u>
Balance at June 30, 2017 **	<u><u>\$ 573,597</u></u>	<u><u>\$ 270,151</u></u>	<u><u>\$ 303,446</u></u>

* Previous measurement date June 30, 2016

** Measurement date June 30, 2017

*** Includes \$ 3,900,000 implied subsidy benefit payments

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

Survivor Benefit Plan

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2017**	\$ 42,456	\$ -	\$ 42,456
<i>Changes for the year</i>			
Service cost	2,071	-	2,071
Interest	1,588	-	1,588
Difference between expected and actual experience	(1,017)		(1,017)
Change of assumptions	(9,676)	-	(9,676)
Contributions from the employer	-	329	(329)
Benefit payments, including refunds	(329)	(329)	-
Net Changes	(7,363)	-	(7,363)
Balance at June 30, 2018 ***	\$ 35,093	\$ -	\$ 35,093

Survivor Benefit Plan

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2016*	\$ 46,590	\$ -	\$ 46,590
<i>Changes for the year</i>			
Service cost	2,559	-	2,559
Interest	1,396	-	1,396
Change of assumptions	(7,743)	-	(7,743)
Contributions from the employer	-	346	(346)
Benefit payments, including refunds	(346)	(346)	-
Net Changes	(4,134)	-	(4,134)
Balance at June 30, 2017 **	\$ 42,456	\$ -	\$ 42,456

* Previous measurement date June 30, 2016

** Measurement date June 30, 2017

*** Measurement date June 30, 2018

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

12. Other Postemployment Benefits (Continued)

<u>Retiree Life Insurance</u>	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2017**	\$ 34,490	\$ -	\$ 34,490
Changes for the year			
Service cost	1,158	-	1,158
Interest	1,264	-	1,264
Difference between expected and actual experience	167	-	167
Change of assumptions	(891)	-	(891)
Contributions from the employer	-	679	(679)
Benefit payments, including refunds ****	(679)	(679)	-
Net Changes	1,019	\$ -	1,019
Balance at June 30, 2018 ***	\$ 35,509	\$ -	\$ 35,509

<u>Retiree Life Insurance</u>	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2016*	\$ 37,588	\$ -	\$ 37,588
Changes for the year			
Service cost	1,401	-	1,401
Interest	1,101	-	1,101
Difference between expected and actual experience			
Change of assumptions	(4,915)	-	(4,915)
Contributions from the employer	-	685	-
Benefit payments, including refunds ****	(685)	(685)	(685)
Net Changes	(3,098)	\$ -	(3,098)
Balance at June 30, 2017 **	\$ 34,490	\$ -	\$ 34,490

*Previous measurement date June 30, 2016

**Measurement date June 30, 2017

***Measurement date June 30, 2018

****Includes implied subsidy benefit payments of \$547,000 in fiscal year 2018 and \$542,000 in fiscal year 2017

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

13. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses, for the years ended June 30, 2018 and 2017 amounted to \$23,900 and \$18,900, respectively.

14. Related Organizations and Joint Venture Projects

Capitol Corridor Joint Powers Authority

The Joint Exercise of Powers Agreement dated December 31, 1996, between the District and five other transportation authorities in surrounding counties (Agencies) provided for the creation of the Capitol Corridor Joint Powers Authority (CCJPA), a public instrumentality of the State of California. The CCJPA was formed for the purpose of administering and managing the operation of the Capitol Corridor Rail Service as part of the California intercity passenger rail system. The District is the managing agency of CCJPA and in that capacity, it provides all necessary administrative support to CCJPA. CCJPA entered into an Interagency Transfer Agreement with the State of California and assumed administration and operation commencing on July 1, 1998. The initial term of the Interagency Transfer Agreement was for three years beginning July 1, 1998 and was extended for three additional years effective July 1, 2001. In 2004, State legislation was enacted that eliminated the sunset date of the Interagency Transfer Agreement, which now exists indefinitely.

The governing board of CCJPA consists of sixteen members, of which six members are from the District and two members are from each of the five other Agencies. Neither the District nor the other Agencies are responsible for any debt, liabilities and obligations of CCJPA and the District would not be entitled to any of CCJPA's net assets should it terminate.

The District charged the CCJPA a total of \$3,967,000 for marketing and administrative services during fiscal year 2018 and \$3,561,000 during fiscal year 2017. In addition, CCJPA reimburses the District for its advances for capital project expenditures, overhead and other operating expenses. Reimbursements for expenses incurred by the District on behalf of and in providing services to the CCJPA are netted against the corresponding expense in the statements of revenues, expenses and changes in net position. Unreimbursed expenses and advances for capital project costs from CCJPA amount to \$1,640,000 and \$1,510,000 as of June 30, 2018 and 2017, respectively. All unreimbursed expenses and advances are included as current receivables and other assets in the statements of net position. As the District has no ownership involvement or ongoing financial interest or responsibility in CCJPA, its financial statements include only amounts related to the services and advances it provides to CCJPA.

East Bay Paratransit Consortium

In 1994, the District and the Alameda-Contra Costa Transit District (AC Transit) executed an agreement establishing the East Bay Paratransit Consortium (the Consortium). The purpose of the Consortium is to enable the District and AC Transit to jointly provide paratransit services in the overlapping service area of the District and AC Transit. Revenues and expenditures for the Consortium are split 31% and 69% between the District and AC Transit, respectively, except the program coordinator's expenses, which are split 50/50 starting in 2011. The District's financial statements reflect its portion of revenues and expenditures as operating activities. The District supported the project primarily through its own operating funds, with some financial assistance from Alameda County Measure B and BB funds and from the Contra Costa Transportation Authority Measure J funds (Note 9). The District has no equity interest in the Consortium.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

14. Related Organizations and Joint Venture Projects (Continued)

Pleasant Hill BART Station Leasing Authority

In July 2004, the District, the County of Contra Costa (County) and the Contra Costa County Redevelopment Agency (Agency) entered into a Joint Exercise of Powers Agreement (JPA Agreement) to create the Pleasant Hill BART Station Leasing Authority (Pleasant Hill Authority). In 2012, the Agency was dissolved by California Assembly Bill ABx1 26, and the Pleasant Hill Authority now consists of the District and Contra Costa County. The Pleasant Hill Authority was created as a means of accomplishing the cooperation and coordination among the agencies to provide for the development of a mixed-used transit village located at BART's Pleasant Hill/Contra Costa Centre Station, which includes rental residential, retail and a future office development. The original lease to the Pleasant Hill Authority was for a 99-year term expiring on May 14, 2105. All subsequent leases will be conterminous with the May 14, 2105 date.

On June 30, 2009, the District received as ground lease payments for the full term of the lease, a cash base rent of \$99 and a noncash base rent in the form of a newly constructed parking structure located at the Pleasant Hill BART station. The District accepted the completion of the new parking structure and became its new owner effective June 30, 2009. The replacement parking garage was recorded as a capital asset at a value of \$51,236,000, which is its final construction cost as reported by its developer. As a result of the Agency's funding of the replacement parking garage, future sublease revenue will be split between the County and BART at 75% and 25%, respectively, after defeasance of Agency's final incremental contribution to the parking garage project.

The Pleasant Hill Authority is a public entity separate from any member and as such its debts, liabilities and obligations shall not be the debts, liabilities and obligations of any of the members. The governing body of the Pleasant Hill Authority is a Board of Directors consisting of four persons – two each from the County and the District.

Richmond Redevelopment Agency or Successor Agency

On April 11, 2002, the District entered into a Disposition and Development Agreement with Richmond Redevelopment Agency and Richmond Transit, LLC for the development of a mixed use transit village on the property owned by the Redevelopment Agency, the City of Richmond and BART.

The transit village will be developed in two phases. The first phase has been completed and consists of the development of the townhouses on the western side of the tracks, and a parking structure that includes retail space incorporated within the structure (the "Phase One Improvements").

The second phase will consist of the development of additional housing and the improvement of Nevin Avenue and the Nevin Avenue walkway on the eastern side of the Tracks (the "Phase Two Improvements").

The District had agreed to issue grant deeds to the developer pertaining to two parcels with approximate total size of 245,070 square feet in both the West side and the East side for the development projects. The agreement states that in exchange for the parcels, the Richmond Redevelopment Agency, at their expense, will construct a parking structure on the West side of BART's property, and transfer ownership of the garage to the District upon completion. The transfer of maintenance and responsibility to the District of the parking structure, which consisted of 750 parking spaces and approximately 9000 +/- square feet of commercial space, occurred in September 2014. As of June 30, 2017, only the parcel on the West side of the development project has been transferred by the District to the developer. The transfer of the parcel on the East side will occur upon the request of the City of Richmond and/or their designated developer once all prerequisites are met. Prerequisites include a fully entitled East Side development project. The transfer could occur in in fiscal year 2019 or later.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

14. Related Organizations and Joint Venture Projects (Continued)

The District allocated the value of the garage, which amounted to \$36,260,000, between the two parcels. The total cost of the structure was recorded as part of capital assets. A gain of \$6,012,000 was recognized in fiscal year 2015 pertaining to the value allocated to the West side parcel that was transferred to the developer, after deducting the cost. The allocated value pertaining to the East side parcel amounting to \$30,110,000 was recognized as unearned revenue, pending the transfer, and is shown as part of noncurrent unearned revenue.

MacArthur Transit Village

On July 29, 2010, the District entered into a Purchase and Lease Option agreement with MacArthur Transit Community Partners LLC (Developer) pertaining to the development of the MacArthur Transit Village, a mixed-use, transit-oriented project, including affordable and market rate housing, retail/commercial and community space and replacement parking adjacent to the MacArthur BART Station.

The District owned a portion of the project's real property totaling approximately 7.76 acres that has been used to develop the project.

As a consideration for the purchase of parcels totaling 198,642 square feet and 99 year ground lease of a 34,404 square foot parcel, the Developer constructed a parking garage structure, funded in part by the Oakland Redevelopment Agency, with 450 BART parking spaces and approximately 5,200 square feet of retail spaces. The parking structure was completed and transferred to the District in September 2014. In addition to the parking structure, the project includes transit improvements to the BART station's plaza and frontage road. These improvements are also the responsibility of the Developer as part of the consideration for the land. The total value of the garage and the improvements amounted to \$27,596,000 and were recognized as part of depreciable capital assets. \$1,780,000 of the consideration was allocated to the 99 year term ground lease; and was recorded as deferred ground lease prior to 2017. The land transfers to the master developer's designated assignee developers have occurred on December 29, 2016 for Parcels A and C1 and on June 29, 2017 for Parcel B. The District recognized a gain from exchange of property of \$24,839,000 resulting from the completion of required land transfers.

Using the City of Oakland Redevelopment Agency funds, the project acquired two parcels under the District's name which were used for the construction of the BART Garage Structure. The total consideration paid by the City of Oakland for the two parcels was \$5,121,000. The costs of these parcels were recorded by the District as non-depreciable capital assets. The District also recognized a revenue (donated income) equivalent to the value of the land received.

South Hayward Transit Oriented Development

On June 18, 2012, the District and JMJ Development LLC (Developer) entered into an Option Agreement for a Transit Oriented Development (TOD). That agreement also includes the right to purchase approximately 1.65 acres of land from the District. The right to purchase was exercised in fiscal year 2014 for a total consideration of \$692,000. Grant deed for the transfer was issued on October 8, 2014. The District recognized a gain of \$620,000 from this sale.

An Option Agreement between the District and the Developer provided further consideration to the District of a transfer benefit fee (TBF) which guarantees the District a perpetual revenue stream. The TBF amounts to a 1% assessment against successive transfers of each of the development units (i.e. unit sales) or a 1% annual assessment against Gross Annual Rental Revenue from rental of the units. A total of 206 market rate rental units were completed in 2017. This does not have an impact on the financial statements for the year ended June 30, 2017. TBF commences accrual in October 2019, the first anniversary of the project stabilization date.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

14. Related Organizations and Joint Venture Projects (Continued)

South Hayward BART Station Access Authority

On September 1, 2011, the District entered into a Joint Exercise of Powers Agreement with the City of Hayward which provided for the creation of a public entity known as the South Hayward BART Station Access Authority (South Hayward JPA). The purpose of the South Hayward JPA is to manage and administer parking and access within the boundaries of the South Hayward JPA in an equitable and orderly fashion in order to promote transit-oriented development, support access to the station by District patrons, maximize BART ridership and protect the neighborhoods surrounding the South Hayward Station.

The governing board of the South Hayward JPA consists of four members, two each from the governing Board of the District and from the City of Hayward, appointed by the governing board of the District and the Hayward City Council, respectively. Neither the District nor the City of Hayward is responsible for any debt, liabilities and obligation of the South Hayward JPA.

The parking fees and traffic citation fees collected by the District for the South Hayward Station are transferred to the South Hayward JPA to cover maintenance and other expenses. Parking fees collected in fiscal year 2018 amounts to \$547,000 (\$537,000 in fiscal year 2017) and traffic citation fees collected in fiscal year 2018 amounts to \$30,000 (\$27,000 in fiscal year 2017). The District and the City of Hayward are entitled to reimbursement of operating and/or capital expenses incurred for the benefit of the South Hayward JPA. Net revenues will be used by the South Hayward JPA to implement parking and access projects in line with the objectives set forth in the Joint Exercise of Powers Agreement.

Regional Administrative Facility Corporation (RAFC)

The Regional Administrative Facility Corporation (RAFC) was incorporated in the State of California on March 23, 1983 for the purposes of administering, operating, preserving, and controlling common areas and certain easements of the property known as the Regional Administrative Facility Project under the Condominium Plan and Declaration of Covenants, Condition, and Restrictions established by the following three owner occupants of the Project: the District, MTC, and the Association of Bay Area Governments (ABAG) (through its Association of Bay Area Governments Public Office Building Corporation).

Under the above Plan and Declaration, RAFC exercises a custodial responsibility on behalf of the owner occupants to discharge operational obligations and to assess sufficient amounts to meet all required expenditures of the common areas and certain easements of the Project.

On January 27, 2017, the District entered into a Purchase Agreement with MTC for the acquisition of land and building located at 101 Eight Street, Oakland, California. As of June 22, 2017, the District is the sole owner of the property. The District paid a total amount of \$18,224,000 net of assets and liabilities assumed as a result of the purchase. The District assumed ownership of RAFC to be able to continue the utilization of existing procurement contracts. For fiscal year 2018, RAFC was managed by the District's Real Estate group. Formal dissolution of RAFC is expected to occur in fiscal year 2019.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

14. Related Organizations and Joint Venture Projects (Continued)

Santa Clara Valley Transportation Authority (VTA)

The BART Silicon Valley Extension (SVX) Program (formerly referred to as the Silicon Valley Rapid Transit, or SVRT Project) is a planned 16-mile extension of the regional BART system from BART's Warm Springs Station in Fremont, which opened in March, 2017, to the cities of Milpitas, San Jose and Santa Clara in the County of Santa Clara. The SVX Program is being financed and implemented by VTA in coordination with BART per the VTA - BART Comprehensive Agreement executed on November 19, 2001. The Comprehensive Agreement outlines the roles and responsibilities of the two agencies concerning the design, construction, financing, operation and maintenance of this extension. BART and VTA currently are negotiating an Operations and Maintenance Agreement which will more particularly describe their rights and responsibilities related to the ongoing operation of SVX upon commencement of revenue service.

The 16-mile extension is planned to include: six stations - one in Milpitas, four in San Jose and one in the city of Santa Clara; a five-mile tunnel in downtown San Jose and provision of a yard and shops at the end of the line in Santa Clara. The capital cost for the six station extension is estimated at \$7.1 billion in Year-Of-Expenditure ("YOE") dollars. Construction of SVX is being implemented in phases.

The first phase, The Silicon Valley Berryessa Extension Project ("SVBX"), is under construction and comprises a 10-mile extension of BART service with two stations – one in Milpitas and one in San Jose at Berryessa Road. The first phase, with an estimated capital cost of \$2.42 billion in YOE dollars, was granted a FTA Full Funding Grant Agreement in March of 2012. SVBX is expected to start revenue service by the end of calendar year 2019.

The second phase, the Silicon Valley Santa Clara Extension Project ("SVSX"), is entering the design phase and will comprise 6-miles of the extension with four stations. VTA intends to submit to FTA an application for a Full Funding Grant Agreement in late 2019 and SVSX is forecasted to start Revenue service by 2026.

In order to accommodate the new extension, among other things, BART is constructing a revenue vehicle primary maintenance facility at BART's Hayward Yard, is adding 60 new cars to the revenue vehicle fleet and is enlarging its Transit Operations Facility. BART expects to procure additional revenue vehicles in connection with SVSX and make other improvements to the core BART system as needed to accommodate the extension.

VTA has full financial responsibility for SVX project costs, including BART's costs, and the ongoing operating, maintenance and capital costs caused by operation of SVX, both those that occur within and/or outside Santa Clara County.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

15. Commitments and Contingencies

Litigation

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

Power Purchases

The District purchases electrical power for self-consumption at multiple points of delivery such as Traction Power, Passenger Station Power and Miscellaneous Power from the Northern California Power Agency (NCPA). Power purchase contracts with the NCPA are in place through December 31, 2019, with a total remaining contract value of \$19,730,000 as of June 30, 2018.

Operations and Maintenance Agreement for the Oakland International Airport Connector

On October 1, 2010, the District entered into an Operations and Maintenance Contract with Doppelmayr Cable Car, Inc, to operate and maintain the OAC for an amount not to exceed \$4,907,000 (base service payment in 2009 dollars) annually for a period of twenty (20) years from revenue service date, subject to annual escalation based on Consumer Price Index. Total operating expenses incurred under this agreement amounts to \$6,242,000 in fiscal year 2018 (\$6,014,000 in fiscal year 2017). As part of the contract, the District is also required to deposit to a reserve account, the amount of \$768,000 annually, subject to escalation, for Capital Asset Replacement Program (CARP). The District allocated to the CARP reserve account \$951,000 in fiscal year 2018 and \$922,000 in fiscal year 2017. The CARP will cover all major maintenance and rehabilitation expenditures during the term of the Operations and Maintenance agreement. The OAC started revenue operations on November 22, 2014

Lease Commitments

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

Future minimum rental payments under noncancelable operating leases with initial or remaining lease terms of over one year at June 30, 2018 are as follows (dollar amounts in thousands):

<u>Year ending June 30:</u>	<u>Operating Leases</u>
2019	\$ 17,261
2020	17,167
2021	16,899
2022	4,182
2023	3,273
2024-2028	15,430
2029-2033	12,500
2034-2038	12,500
2039-2043	12,500
2044-2048	12,500
2049-2053	12,292
Total minimum rental payments	<u>\$ 136,504</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2018 and 2017

15. Commitments and Contingencies (Continued)

Rent expenses under all operating leases were \$12,279,000 and \$13,680,000 for the fiscal years ended June 30, 2018 and 2017, respectively.

Fruitvale Development Corp.

On October 1, 2001, the District entered into a ground lease agreement with Fruitvale Development Corporation (FDC) pertaining to 1.8 acres of land for the purpose of constructing thereon portions of a mixed-use development project commonly known as the Fruitvale Transit Village, which consists of approximately 250,000 square feet of commercial, community service and residential improvements. The lease agreement became effective December 9, 2003 and continues through January 31, 2077.

The terms of the lease require FDC to pay the District a Base Rent and a Percentage Rent. The Base Rent is a fixed amount determined at the inception of the lease subject to periodic CPI adjustments. Percentage Rent is calculated equal to 15% of annual net revenues, as defined in the ground lease agreement.

The District provided FDC a Rent Credit with an initial amount of \$7,247,000, to acknowledge its assistance in obtaining grants for the construction of a Replacement BART Commuter Parking Garage near the Fruitvale Transit Village. The initial Rent Credit earned interest on the outstanding balance at simple interest based on the prime rate and can only be applied to satisfy the Base Rent.

In October 2010, there was a second amendment to the ground lease agreement, which recalculated the initial Rent Credit available to FDC as it relates to the replacement parking. The amount of the Replacement Parking Rent Credit was revised to \$4,642,000, after a payment of \$5,500,000 coming from the proceeds of the sale of land at the Fruitvale BART Station to the City of Oakland Redevelopment Agency. The second amendment also stated that no interest shall accrue on the revised Replacement Parking Rent Credit and that beginning on December 1, 2003 and continuing throughout the term of the ground lease, base rent and percentage rent shall be subtracted from the Replacement Parking Rent Credit balance, until there is no longer a positive Replacement Parking Rent Credit. The offset base rent for fiscal year 2018 and fiscal year 2017 amounted to \$169,000 each year. The percentage rent offset for fiscal year 2018 is \$24,000 (\$0 in fiscal year 2017). The remaining balance in the Replacement Parking Rent Credit was \$2,560,000 as of June 30, 2018 (\$2,753,000 as of June 30, 2017).

Based on the agreement, FDC shall not be under any obligation to make any cash payment to the District for base rent at any time that the Replacement Parking Rent Credit still has a positive balance.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

DEFINED BENEFIT PENSION PLAN

Schedule of Changes in Net Pension Liability and Related Ratios (dollar amounts in thousands)
(Last 10 years*)

Miscellaneous	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 45,264	\$ 37,959	\$ 36,151	\$ 36,182
Interest on total pension liability	157,621	152,757	146,226	139,931
Changes of assumptions	120,524	0	(32,773)	-
Differences between expected and actual experience	(1,484)	1,193	(4,807)	-
Benefit payments, including refunds of employee contributions	(108,947)	(102,543)	(95,653)	(89,968)
Net change in total pension liability	212,978	89,366	49,144	86,145
Total pension liability - beginning	2,117,291	2,027,925	1,978,781	1,892,636
Total pension liability - ending	<u>\$ 2,330,269</u>	<u>\$ 2,117,291</u>	<u>\$ 2,027,925</u>	<u>\$ 1,978,781</u>
Plan fiduciary net position				
Contributions - Employer	47,272	\$ 38,283	\$ 32,466	\$ 28,276
Contributions - Employee	20,144	18,174	17,818	21,375
Plan to Plan resource movement	12	(1)	(36)	-
Net investment income	181,091	8,747	37,388	251,137
Benefit payments, including refunds of employee contributions	(108,947)	(102,543)	(95,653)	(89,968)
Administrative expense	(2,389)	(1,009)	(1,865)	-
Net change in fiduciary net position	137,183	(38,349)	(9,882)	210,820
Plan fiduciary net position - beginning	1,618,177	1,656,526	1,666,408	1,455,588
Plan fiduciary net position - ending	<u>1,755,360</u>	<u>\$ 1,618,177</u>	<u>\$ 1,656,526</u>	<u>\$ 1,666,408</u>
Plan net pension liability - ending	<u>\$ 574,909</u>	<u>\$ 499,114</u>	<u>\$ 371,399</u>	<u>\$ 312,373</u>
Plan fiduciary net position as a percentage of the total pension liability	75.33%	76.43%	81.69%	84.21%
Covered payroll**	\$ 285,848	\$ 264,024	\$ 246,901	\$ 240,171
Plan net pension liability as a percentage of covered payroll	201.12%	189.04%	150.42%	130.06%

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only four years of information is shown.

** Based on actuarial report

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Schedule of Changes in Net Pension Liability and Related Ratios (dollar amounts in thousands)
(Last 10 years*) (Continued)

Safety

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 7,416	\$ 6,491	\$ 5,935	\$ 5,790
Interest on total pension liability	22,274	21,340	20,099	18,885
Changes of assumptions	18,632	-	(4,942)	-
Differences between expected and actual experience	745	4,387	4,794	-
Benefit payments, including refunds of employee contributions	(15,408)	(14,803)	(14,140)	(13,199)
Net change in total pension liability	33,659	17,415	11,746	11,476
Total pension liability - beginning	296,142	278,727	266,981	255,505
Total pension liability - ending	<u>\$ 329,801</u>	<u>\$ 296,142</u>	<u>\$ 278,727</u>	<u>\$ 266,981</u>
Plan fiduciary net position				
Contributions - Employer	\$ 11,742	\$ 10,038	\$ 9,428	\$ 7,442
Contributions - Employee	2,165	1,854	1,917	2,817
Plan to Plan resource movement	(14)	1	1	-
Net investment income	20,183	924	4,015	27,150
Benefit payments, including refunds of employee contributions	(15,408)	(14,803)	(14,140)	(13,199)
Administrative expense	(267)	(112)	(206)	-
Net change in fiduciary net position	18,401	(2,098)	1,015	24,210
Plan fiduciary net position - beginning	180,806	182,904	181,889	157,679
Plan fiduciary net position - ending	<u>\$ 199,207</u>	<u>\$ 180,806</u>	<u>\$ 182,904</u>	<u>\$ 181,889</u>
Plan net pension liability - ending	<u>\$ 130,594</u>	<u>\$ 115,336</u>	<u>\$ 95,823</u>	<u>\$ 85,092</u>
Plan fiduciary net position as a percentage of the total pension liability	60.40%	61.05%	65.62%	68.13%
Covered-employee payroll**	\$ 20,420	\$ 19,738	\$ 17,941	\$ 17,377
Plan net pension liability as a percentage of covered-employee payroll	639.54%	584.33%	534.10%	489.68%

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only four years of information is shown.

** Based on actuarial report

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes in assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense. In 2014, amounts reported were based on the 7.5% discount rate.

Schedule of Employer Pension Contributions (dollar amounts in thousands)
(Last 10 years*)

	Miscellaneous					Safety				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 56,040	\$ 46,709	\$ 39,768	\$ 32,756	\$ 28,213	\$ 12,162	\$ 11,677	\$ 10,658	\$ 9,512	\$ 7,423
Contributions in relation to the actuarially determined contribution	(56,040)	(46,709)	(39,768)	(32,756)	(28,213)	(12,162)	(11,677)	(10,658)	(9,512)	(7,423)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll **	\$ 315,184	\$ 288,637	\$ 265,778	\$ 245,593	\$ 226,893	\$ 21,946	\$ 20,953	\$ 20,410	\$ 19,741	\$ 17,077
Contribution as a percentage of covered-employee payroll	17.78%	16.18%	14.96%	13.34%	12.43%	55.42%	55.73%	52.22%	48.18%	43.47%
Net of administrative expenses										

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68; therefore, only five years of information is shown.

** Based on actual payroll

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Notes to Schedule of Pension Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal years 2018 and 2017 were derived from the June 30, 2015 and 2014 funding valuation reports, as presented below:

	<u>Miscellaneous</u>	<u>Safety</u>
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method/period	Level percentage of payroll	Level percentage of payroll
Asset valuation method	Market Value of Assets	Market Value of Assets
Inflation	2.75%	2.75%
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Payroll growth	3%	3%
Investment rate of return ¹	7.50%, net of Pension Plan Investment & Administrative Expenses; includes inflation	7.50%, net of Pension Plan Investment & Administrative Expenses; includes inflation
	Derived using CalPERS' Membership	Derived using CalPERS' Membership
Retirement age	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality ¹	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011

¹ Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

OTHER POST EMPLOYMENT BENEFITS

Schedule of Changes in Net OPEB Liability and Related Ratios (dollar amounts in thousands):
(Last 10 years *)

Retiree Medical Benefits

	FY 2018	FY 2017
Total OPEB liability		
Service cost	\$ 21,777	\$ 21,143
Interest	39,409	36,977
Difference between expected and actual experience	(35,022)	-
Change of assumptions	35,015	-
Benefit payments, including refunds **	(23,095)	(22,396)
Net changes in total OPEB liability	38,084	35,724
Total OPEB liability- beginning	573,597	537,873
Total OPEB liability- ending	\$ 611,681	\$ 573,597
 Fiduciary net position		
Contributions from the employer	\$ 35,569	\$ 28,912
Net investment income	23,448	26,497
Benefit payments, including refunds **	(23,095)	(22,396)
Administrative expense	(223)	(266)
Net changes in total fiduciary net position	35,699	32,747
Total fiduciary net position- beginning	270,151	237,404
Total fiduciary net position- ending	\$ 305,850	\$ 270,151
 Net OPEB liability	 \$ 305,831	 \$ 303,446
Plan fiduciary net position as a percentage of the total OPEB liability	50.00%	47.10%
 Covered employee payroll	 \$418,573	 \$372,887
 Net OPEB liability as a percentage of covered employee payroll	 73.07%	 81.38%

* This schedule is intended to show information for the past ten years. Additional years will be displayed as they become available.

** Includes implied subsidy benefit payments of \$4,196,000 in fiscal year 2018 and \$3,900,000 in fiscal year 2017.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Schedule of Changes in Net OPEB Liability and Related Ratios (dollar amounts in thousands):
(Last 10 years *)

Survivor Benefit Plan

	FY 2018	FY 2017
Total OPEB liability		
Service cost	\$ 2,071	\$ 2,559
Interest	1,588	1,396
Difference between expected and actual experience	(1,017)	-
Change of assumptions	(9,676)	(7,743)
Benefit payments, including refunds	(329)	(346)
Net changes in total OPEB liability	(7,363)	(4,134)
Total OPEB liability- beginning	42,456	46,590
Total OPEB liability- ending	<u>\$ 35,093</u>	<u>\$ 42,456</u>
Fiduciary net position		
Contributions from the employer	\$ 329	\$ 346
Benefit payments, including refunds	(329)	(346)
Net changes in total fiduciary net position	-	-
Total fiduciary net position- beginning	-	-
Total fiduciary net position- ending	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability	<u>\$ 35,093</u>	<u>\$ 42,456</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered employee payroll	\$ 418,573	\$ 372,887
Net OPEB liability as a percentage of covered-employee payroll	8.38%	11.39%

* This schedule is intended to show information for the past ten years. Additional years will be displayed as they become available

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Schedule of Changes in Net OPEB Liability and Related Ratios (dollar amounts in thousands):
(Last 10 years *)

Retiree Life Insurance

	FY 2018	FY 2017
Total OPEB liability		
Service cost	\$ 1,158	\$ 1,401
Interest	1,264	1,101
Difference between expected and actual experience	167	-
Change of assumptions	(891)	(4,915)
Benefit payments, including refunds **	(679)	(685)
Net changes in total OPEB liability	1,019	(3,098)
Total OPEB liability - beginning	34,490	37,588
Total OPEB liability - ending	<u>\$ 35,509</u>	<u>\$ 34,490</u>
 Fiduciary net position		
Contributions from the employer **	\$ 679	\$ 685
Benefit payments, including refunds **	(679)	(685)
Net changes in total fiduciary net position	-	-
Total fiduciary net position - beginning	-	-
Total fiduciary net position - ending	<u>-</u>	<u>-</u>
 Net OPEB liability	<u>\$ 35,509</u>	<u>\$ 34,490</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
 Covered employee payroll	\$ 418,573	\$ 372,887
 Net OPEB liability as a percentage of covered employee payroll	8.48%	9.25%

* This schedule is intended to show information for the past ten years. Additional years will be displayed as they become available.

** Includes implied subsidy benefit payments \$547,000 in fiscal year 2018 and \$542,000 in fiscal year 2017

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Schedule of Employer OPEB Contributions (dollar amounts in thousands):
(Last 10 years *)

Retiree Medical Benefits

	Fiscal year 2017/2018	Fiscal year 2016/2017
Actuarially determined contribution (ADC)	\$ 35,569	\$ 28,912
Contributions in relation to the actuarially determined contribution	(35,569)	(28,912)
Contribution deficiency /(excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll **	 \$ 418,573	 \$ 372,887
Contributions as a percentage of covered payroll	8.50%	7.75%

Survivor Benefit Plan

	Fiscal year 2017/2018	Fiscal year 2016/2017
Actuarially determined contribution (ADC)	\$ -	\$ 3,138
Contributions in relation to the actuarially determined contribution	(329)	(349)
Contribution deficiency /(excess)	<u>\$ (329)</u>	<u>\$ 2,789</u>
 Covered payroll **	 \$ 418,573	 \$ 372,887
Contributions as a percentage of covered payroll	0.08%	0.09%

* This schedule is intended to show information for the past ten years. Additional years will be displayed as they become available.

** Based on actual payroll

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Schedule of Employer OPEB Contributions (dollar amounts in thousands):
(Last 10 years *)

Retiree Life Insurance

	Fiscal year 2017/2018	Fiscal year 2016/2017
Actuarially determined contribution (ADC)	\$ 3,071	\$ 2,450
Contributions in relation to the actuarially determined contribution	(679)	(685)
Contribution deficiency /(excess)	<u>\$ 2,392</u>	<u>\$ 1,765</u>
 Covered payroll **	 \$ 418,573	 \$ 372,887
Contributions as a percentage of covered payroll	0.16%	0.18%

* This schedule is intended to show information for the past ten years. Additional years will be displayed as they become available.

** Based on actual payroll

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal years 2018 and 2017 follows:

Retiree Medical Benefits

Valuation date	June 30, 2016																																		
Actuary	Bartel Associates, LLC																																		
Actuarial cost method	Entry Age, level percentage of payroll																																		
Amortization Method	Level percent of payroll																																		
Amortization Period	17- year fixed period for fiscal year 2018																																		
Asset Valuation Method	Market value of asset																																		
Discount Rate	6.75%																																		
General Inflation	3.00%																																		
Medical Trend	<table> <tr> <th colspan="2"></th><th colspan="2">Increase from Prior Year</th></tr> <tr> <th colspan="2">Year</th><th>Non-Medicare</th><th>Medicare</th></tr> <tr> <td>2016</td><td></td><td colspan="2">Actual Premiums</td></tr> <tr> <td>2017</td><td></td><td colspan="2">Actual Premiums</td></tr> <tr> <td>2018</td><td></td><td>6.5%</td><td>6.7%</td></tr> <tr> <td>2019</td><td></td><td>6.0%</td><td>6.1%</td></tr> <tr> <td>2020</td><td></td><td>5.5%</td><td>5.6%</td></tr> <tr> <td>2021</td><td></td><td>5.0%</td><td>5.0%</td></tr> </table>					Increase from Prior Year		Year		Non-Medicare	Medicare	2016		Actual Premiums		2017		Actual Premiums		2018		6.5%	6.7%	2019		6.0%	6.1%	2020		5.5%	5.6%	2021		5.0%	5.0%
		Increase from Prior Year																																	
Year		Non-Medicare	Medicare																																
2016		Actual Premiums																																	
2017		Actual Premiums																																	
2018		6.5%	6.7%																																
2019		6.0%	6.1%																																
2020		5.5%	5.6%																																
2021		5.0%	5.0%																																
Mortality	CalPERS 1997-2011 Experience Study																																		
Mortality Improvement	Mortality projected fully generational Scale MP-2014 modified to converge to ultimate rates in 2022																																		

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2017 follows:

Retiree Medical Benefits

Valuation date	June 30, 2015
Actuary	Keenan/TCS Associates
Actuarial cost method	Entry Age, level percentage of payroll
Amortization Period	Level percent of payroll over closed 18 year period
Asset Valuation Method	Market value, no smoothing
Discount Rate	6.75%
General Inflation	2.75%
Other Assumptions	Same as for determining total OPEB liability, except for rates of retirement, medical trend, future retiree participation, and assumed spouse coverage percent.
Other	The implied subsidy was not included in this valuation

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2018 follows:

Survivor Benefits

Valuation date	June 30, 2016																								
Actuary	Bartel Associates, LLC																								
Cost method	Entry Age Normal																								
Amortization Method	Level percent of payroll																								
Amortization Period	21-year fixed (closed) period beginning June 30, 2016																								
Future New entrants	Closed group, no new hires																								
Valuation Assets	Equal to Ditric's reserves																								
Discount Rate	4.0% - for Present Value of Benefits																								
General Inflation	3.0%																								
Mortality, withdrawal, disability	CalPERS 1997-2011 Experience Study Mortality projected fully generational Scale MP-2014 modified to converge to ultimate rates in 2022																								
Medical Trend	<table><tr><td colspan="3">Increase from Prior Year</td></tr><tr><td>Year</td><td>Non- Medicare</td><td>Medicare</td></tr><tr><td>2016</td><td colspan="2">Actual Premiums</td></tr><tr><td>2017</td><td colspan="2">Actual Premiums</td></tr><tr><td>2018</td><td>6.5%</td><td>6.7%</td></tr><tr><td>2019</td><td>6.0%</td><td>6.1%</td></tr><tr><td>2020</td><td>5.5%</td><td>5.6%</td></tr><tr><td>2021+</td><td>5.0%</td><td>5.0%</td></tr></table>	Increase from Prior Year			Year	Non- Medicare	Medicare	2016	Actual Premiums		2017	Actual Premiums		2018	6.5%	6.7%	2019	6.0%	6.1%	2020	5.5%	5.6%	2021+	5.0%	5.0%
Increase from Prior Year																									
Year	Non- Medicare	Medicare																							
2016	Actual Premiums																								
2017	Actual Premiums																								
2018	6.5%	6.7%																							
2019	6.0%	6.1%																							
2020	5.5%	5.6%																							
2021+	5.0%	5.0%																							
Aggregate salary increases	3.25%. Used for level percent of payroll amortization only																								
Dental and Vision Trend	4.0% annual increases																								
Retiree Contribution Increase	\$75/month contribution: 3% annually \$37/month contribution: no future increase																								
Basis for Assumptions	No experience study performed for this plan CalPERS experience studies used, since covered employees are also in CalPERS plans Mortality improvement based on slightly modified Society of Actuaries table Participation and coverage based on plan experience																								

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for the fiscal year 2018 follows:

Retiree Life Insurance

Valuation date	June 30, 2016
Actuary	Bartel Associates, LLC
Funding Policy	No current pre-funding Benefit paid from BART funds
General Inflation	3.0%
Discount Rate	4.0%
Payroll Increase	Aggregate Increases - 3.25% Merit Increases - CalPERS 1997-2011 Experience Study
Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	30-year fixed (closed) period beginning July 1, 2004 17- years remaining in July 1, 2017
Mortality, Disability, Withdrawal	CalPERS 1997-2011 Experience Study Mortality projected fully generational Scale MP-2014 modified to converge to ultimate rates in 2022
Service Retirement	CalPERS 1997-2011 Experience Study Safety: Expected Retirement Age: 54 Miscellaneous: Expected Retirement Age: 60.2
Benefits Valued	Valuation based on death benefits payable. No administrative expense included
Basis for Assumptions	No experience study performed for this plan CalPERS experience studies used since covered employees are also in CalPERS plans. Mortality improvement based on slightly modified Society of Actuaries table Inflation based the Plan's very long time horizon

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2018 and 2017

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2017 follows:

Retiree Life Insurance

Valuation date	June 30, 2015
Actuary	Keenan/TCS Associates
Funding Policy	No current pre-funding Benefit paid from BART funds
General Inflation	2.8%
Discount Rate	4.25%
Payroll Increase	Aggregate Increases - 3.0%
Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	30-year fixed (closed) period beginning July 1, 2004 18- years remaining in July 1, 2016
Mortality, Disability, Withdrawal	CalPERS 1997-2011 Experience Study Post-retirement mortality projected with 20 years Scale BB Miscellaneous withdrawal: "Milliman 2012"
Service Retirement	Safety: 150% of CalPERS 1997-2007 Experience Study Expected Retirement Age: 52.7 Miscellaneous: Milliman 2012 Table Expected retirement Age: 62.2 Non-represented employees hired after December 31, 2012 have 0% probability for retirement prior to age 52
Benefits Valued	Valuation based on death benefits payable.