

**SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT**

Annual Financial Report

For the Years Ended June 30, 2019 and 2018



Certified
Public
Accountants

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
For the Years Ended June 30, 2019 and 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 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.



Walnut Creek, California
November 26, 2019

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2019 and 2018

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, 2019 and 2018. 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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Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

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.

Condensed Statements of Revenues, Expenses and Change in Net Position

A summary of the District's Statements of Revenues, Expenses and Change in Net Position for fiscal years 2019, 2018 and 2017 is as follows (dollar amounts in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 554,684	\$ 546,614	\$ 547,100
Operating expenses, net	<u>(998,174)</u>	<u>(992,816)</u>	<u>(908,065)</u>
Operating loss	(443,490)	(446,202)	(360,965)
Nonoperating revenues, net	457,632	410,173	365,962
Capital contributions	204,176	233,728	342,270
Special item	<u>-</u>	<u>(20,486)</u>	<u>-</u>
Change in net position	218,318	177,213	347,267
Net position, beginning of year, as restated	<u>6,551,834</u>	<u>6,374,621</u>	<u>6,027,354</u>
Net position, end of year	<u><u>\$ 6,770,152</u></u>	<u><u>\$ 6,551,834</u></u>	<u><u>\$ 6,374,621</u></u>

Operating Revenues

In fiscal year 2019, operating revenues increased by \$8,070,000 primarily attributable to the net increase of \$6,372,000 in advertising revenue from the District's share of a one-time sign-up bonus of \$8,442,000 received from the new franchisee, Outfront Media, in fiscal year 2019. This was offset partially by slightly lower monthly guaranteed payment received under the new contract compared to those received from the previous franchisee. The new franchisee predicts higher revenue share payments to the District will occur in the future if transition from traditional advertising platform to the digital advertising platform is successful. Passenger fares increased slightly by \$869,000 in the current fiscal year due to a full year impact of fare changes made effective January 2018, offset by a decline in ridership. Average weekday trips were 410,774 in fiscal year 2019 compared to 414,166 average weekday trips in fiscal year 2018, a decrease of 0.8%. Total passenger trips in fiscal year 2019 also declined by 2.0% from 120,600,000 passenger trips in fiscal year 2018 to 118,104,000 passenger trips in fiscal year 2019. Parking revenue increased by \$850,000 primarily from a full year operation of the eBART Antioch and East Pittsburg Center stations in fiscal year 2019 compared to 1 month in fiscal year 2018.

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 a 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 an 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 an approved citation fee increase implemented in January 2017.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

Operating Expenses, Net

In fiscal year 2019, net operating expenses increased by \$5,358,000 primarily due to (1) an increase of \$12,825,000 in net salaries and benefits from (a) an increase of \$35,465,000 in employee wages from an additional 211 net positions hired in fiscal year 2019 and from wage increases per contractual labor agreements; (b) an increase of \$1,244,000 in health insurance expense primarily due to an increase in the number of employees insured; (c) an increase of \$10,017,000 in overtime primarily due to operational needs 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) an increase of \$1,080,000 in net pension expense recognized based on an actuarially determined valuation under the GASB 68 requirement; (e) an increase of \$1,966,000 in other benefits for costs of leave benefits earned, medicare contributions and other expenses that moved in tandem with an increase in wages; and offset by (f) net decrease of \$5,890,000 in other postemployment benefit expenses associated with the adoption of GASB 75 which requires recognition of postemployment benefit expenses based on an actuarially determined valuation; and (g) a decrease in labor expenses of \$31,057,000 from increase in labor reimbursements charged to capital grants; (2) a decrease of \$12,438,000 in depreciation expense due to higher depreciation expense recognized in fiscal year 2018 which resulted from catch up depreciation related to the change in the estimated economic life of existing rail fleet; (3) an increase of \$2,545,000 in miscellaneous expenses primarily due to election costs incurred for elections held in fiscal year 2019 and from penalties imposed by the California Public Utilities Commission for safety related incident; (4) lower expense recognized in the amount of \$2,729,000 in inventory write-off; and (5) an increase of \$4,840,000 in professional fees, feeder services and other operating expenses due to operational needs.

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 an increase in the number of employees insured as well as a slight increase in insurance premium, offset by a 3.0% 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) an increase of \$41,412,000 in net pension expense recognized based on an actuarially determined valuation under the GASB 68 requirement; (e) an increase of \$4,834,000 in other benefits for costs of leave benefits earned, medicare contributions and other expenses that moved in tandem with an increase in wages; and offset by (f) a 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 an 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 an 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) a 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) an increase of \$1,094,000 in traction power due to higher transmission costs, offset by lower price of electricity; (5) a 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) a decrease of \$3,823,000 in uninsured public liability insurance due to a catch up made in fiscal year 2017 to shore up the self-insured reserves to align with the actuarial valuation; (7) an increase of \$5,674,000 in provision for obsolete inventories; and (8) a decrease of \$3,250,000 in professional and technical services mostly from reductions in escalator and elevator repairs and strategic maintenance related expenses.

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Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

Nonoperating Revenues, Net

In fiscal year 2019, nonoperating revenues, net, increased by \$47,459,000 primarily from (1) an increase of \$2,074,000 in property tax revenue earmarked based on required debt service payments for the General Obligation Bonds; (2) an increase of \$2,385,000 in property tax revenue for general operations due to a continued unprecedented rise in property valuations in the San Francisco Bay Area; (3) an increase of \$22,503,000 or about 8.0% in sales tax revenue provided by the strong economy in the San Francisco Bay Area; about \$9,200,000 of this increase is from a delayed remittance by the State of sales tax applicable to fiscal year 2018; (4) an increase of \$7,249,000 in interest income due to higher interest rates earned from investments; (5) an increase of \$11,843,000 in State Transit Assistance (STA) revenue partially attributable from the passage of Senate Bill 1 (SB1) which provided new formula-based funding for public transit; (6) an increase in net other revenue of \$885,000 due to a decrease in bond issue cost since no new bonds were issued in fiscal year 2019; (7) an increase in net other revenue due to a decrease of \$1,714,000 in interest expense; and offset by (8) a decrease of \$486,000 in revenue from the Low Carbon Fuel Standard Program Revenue due to a decrease in the quantity of low carbon system credits sold in fiscal year 2019 compared to fiscal year 2018; and (9) a decrease of \$433,000 in federal financial assistance recognized in fiscal year 2019.

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 a 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) an increase of \$8,341,000 in interest income due to higher interest rates earned from investments; (5) an increase of \$4,170,000 due to a 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) an 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 grants received in fiscal year 2018; and offset by (7) a decrease of \$22,333,000 in operating financial assistance principally from (a) a decrease of \$ 57,783,000 in federal financial assistance primarily due to an absence of \$56,548,000 in preventive maintenance grants received in fiscal year 2017; offset by (b) an increase of \$16,690,000 in STA 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 an 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) a decrease of \$24,839,000 due to a gain from exchange of property recognized in fiscal year 2017 and none in the current fiscal year.

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 2019, revenue from capital contributions decreased by \$29,552,000 primarily from (1) a net decrease of \$19,517,000 in funding from the Department of Homeland Security (DHS) mostly for the Transition Barrier and CCTV projects; (2) a decrease of \$10,396,000 in funding utilized from Proposition 1 B funds mostly due to lower expenditures related to Station Modernization projects, Train Control, Balboa

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For the Years Ended June 30, 2019 and 2018

Westside and Richmond East Station Intermodal projects; (3) a decrease of \$5,275,000 in High Speed Rail funds due to the full utilization of available grant funds; (4) a decrease of \$1,190,000 in funds received from the State Water Resources Control Board as remaining grant funds are fully expended for the Lafayette Parking project; (5) a decrease of \$2,151,000 in funds received from State TCRP grant funds due to the completion of the Warm Springs Extension Project and full utilization of grant funds allocated to the Livermore Extension project; (6) a decrease of \$10,031,000 from the Valley Transportation Authority (VTA) for expenses incurred related to the Hayward Maintenance Complex project; (7) a decrease of \$13,435,000 in revenue from MTC Regional Measure 2 due to completion of both the eBART and Warm Springs Extension; (8) a decline of \$2,417,000 in revenue recognized from the grant received from the Alameda County Transportation Commission (ACTC) Measure F for the Berkeley Station Plaza Improvement; (9) a decrease of \$2,634,000 in grants received from the East Contra Costa Transportation Regional Fee and Financing Authority (ECCRFFA) due to the winding down of activities for the eBART Extension; (10) a decrease of \$2,347,000 in revenue received from the San Francisco Municipal Transportation Agency (SFMTA) due to reduced joint use related maintenance activities; (11) a decrease of \$1,497,000 in Proposition K funds received from the San Francisco County Transportation Authority for the Balboa Eastside Improvement project primarily due to a reduction in project activity charged to the grant as funding is utilized in full; and offset by (12) an increase of \$12,179,000 in revenue recognized from the State Low Carbon Transit Operations Program (LCTOP) as funds received in fiscal year 2016, 2017 and 2018 were utilized during the year for the acquisition of rail cars; (13) an increase of \$10,247,000 in funding received from State Transportation Assistance - State of Good Repair (STA-SGR) funds spent for the acquisition of rail vehicles; (14) an increase of \$8,314,000 in grant revenue generated from the State Proposition 1B Security Funds spent for the Transition Barrier and CCTV projects; (15) an increase of \$9,665,000 in MTC Bridge Toll AB 664 funds expended for the acquisition of rail vehicles; and (16) an increase of \$1,000,000 for funds received from the West Contra Costa Transportation Advisory Committee (WCCTAC) for the El Cerrito Del Norte Gateway project.

In fiscal year 2018, revenue from capital contributions decreased by \$108,542,000 primarily from (1) a net decrease of \$2,466,000 in funding from the 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 an increase in expenditures for the Livermore Extension which was discontinued in the current fiscal year (see Note 4); (2) a decrease of \$21,422,000 in funding received from the East Contra Costa Transportation Regional Fee and Financing Authority (ECCRFFA) due to the completion of eBART; (3) a 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) a 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 an increase in grants received for eBART; (5) a decrease of \$17,756,000 in grants received from Valley Transportation Authority (VTA) for the Hayward Maintenance Complex Project (HMC); (6) a decrease of \$1,562,000 in grants received from Union City for the Union City Intermodal Project; (7) a decrease of \$2,780,000 from funds received from Sprint due to completion of the Radio System Re-banding Project in the previous year; (8) a net decrease of \$9,877,000 received from the High Speed Passenger Train Bond Funds due to a decrease in amount expended for HMC offset by an 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) a net increase of \$4,673,000 in Measure J funds received from the Contra Costa Transportation Authority (CCTA) principally for the El Cerrito Del Norte Gateway and the Concord Intermodal Project; offset by decrease in funding for eBART which was completed in May 2018; (11) an increase of \$2,069,000 from ACTC Measure F for the Berkeley Plaza Improvement Project; (12) a net increase of \$1,838,000 in San Francisco County Transportation Authority Proposition K funds received for the Balboa Eastside Improvement Project; (13) a 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) an increase of \$8,001,000 in funds received from the Department of

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Management's Discussion and Analysis (Unaudited) (Continued)
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Homeland Security (DHS) and from the State's Proposition 1B Security grants for various security related projects; and (15) an increase of \$1,572,000 in funds received from the State Water Resources Control Board for the Lafayette Parking project.

The major additions in fiscal years 2019 and 2018 to capital projects are detailed on page 11.

Special Item

There was no special item in fiscal year 2019.

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 the 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, 2019, 2018 and 2017 is as follows (dollar amounts in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$ 1,298,040	\$ 1,589,289	\$ 1,744,906
Noncurrent assets - capital assets, net	8,415,023	7,960,289	7,710,216
Noncurrent assets - other	12,779	12,179	26,479
Total assets	<u>9,725,842</u>	<u>9,561,757</u>	<u>9,481,601</u>
Deferred outflow of resources	209,600	250,274	180,037
Current liabilities	369,751	365,685	383,995
Noncurrent liabilities	2,705,413	2,824,587	2,862,106
Total liabilities	<u>3,075,164</u>	<u>3,190,272</u>	<u>3,246,101</u>
Deferred inflow of resources	90,126	69,925	40,916
Net position			
Net investment in capital assets	6,840,499	6,586,781	6,426,653
Restricted	191,394	156,387	190,612
Unrestricted (deficit)	<u>(261,741)</u>	<u>(191,334)</u>	<u>(242,644)</u>
Total net position	<u>\$ 6,770,152</u>	<u>\$ 6,551,834</u>	<u>\$ 6,374,621</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

Current Assets

In fiscal year 2019, current assets decreased by \$291,249,000 primarily from (1) a decrease of \$62,285,000 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, offset by an increase of \$9,534,000 in funds set aside for debt service; (2) a decrease of \$190,279,000 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, offset by an increase of \$2,904,000 in funds set aside for debt service; (3) a decrease of \$38,522,000 in cash and cash equivalents and investments due to timing of payment of vendor invoices; (4) decrease of \$26,805,000 in grants receivable due to timing of incurring costs funded by grant funds and collection of the receivables; and offset by (5) an increase of \$1,638,000 from funds held by the Trustee for debt service of outstanding sales tax revenue bonds; and (6) an increase of \$11,590,000 in inventory balance primarily for spare parts received for the new rail vehicles both for eBART and the core system.

In fiscal year 2018, current assets decreased by \$155,617,000 primarily from (1) a decrease of \$95,206,000 in cash and 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) a decrease of \$76,890,000 held in cash and cash equivalents and investments from the proceeds of the 2017 Measure RR General Obligation Bonds (GOB-RR) for payments of various project expenses; (3) a 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 a 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 an increase in funds held for debt service of GOB-AA (\$3,689,000); (4) a decrease of \$5,657,000 in inventory balance primarily due to provision for obsolescence; and offset by (5) an increase of \$37,805,000 in cash and cash equivalents and investments due to timing of payment of vendor invoices; (6) an 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) an increase of \$5,343,000 in property tax receivables; and (8) an increase of \$1,292,000 in interest receivables from investments held.

Noncurrent Assets - Other

In fiscal year 2019, noncurrent assets – other increased by \$600,000 primarily from interest earnings on deposits and net credits received from budget settlement credited by Northern California Power Agency (NCPA) for the Lodi Energy Center.

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.

Current Liabilities

In fiscal year 2019, current liabilities increased by \$4,066,000 primarily due to (1) an increase of \$10,704,000 in payables to vendors and contractors due to timing differences in receiving and settlement of invoices; (2) a decrease of \$1,087,000 in payables to employees due to timing differences in the remittances of payroll taxes and benefits; (3) an increase of \$3,513,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) a decrease of \$928,000 in interest payable primarily due to reduction of \$50,835,000 in the District's bond obligations; (5) a decrease of \$50,835,000 in principal balances of outstanding Sales Tax Revenue and General Obligation Bonds for debt service payments made during the fiscal year; (6) an increase of \$53,840,000 in current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt based on

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

debt service schedules; and (7) a decrease of \$11,438,000 in the estimated current portion of grants received in advance from Proposition 1 B funds received based on estimated project utilization.

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 differences 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 differences 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.

Noncurrent Liabilities

In fiscal year 2019, noncurrent liabilities decreased by \$119,174,000 principally from (1) a decrease of \$2,088,000 in payables to employees due to timing in the utilization of accrued compensated absences; (2) a decrease of \$19,860,000 in liabilities for OPEB primarily from a decrease in unfunded liability for the Retiree Health Benefit Program; (3) a decrease of \$6,627,000,000 in net pension liability; (4) a reduction of \$16,297,000 in balance of unamortized issue premium due to amortization recognized in fiscal year 2019; (5) a decrease of \$3,005,000 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 2019 (\$53,840,000) compared to fiscal year 2018 (\$50,835,000); (6) a decrease of \$50,835,000 in principal balance of bond obligations due to debt service payment of Sales Tax Revenue Bonds and General Obligation Bonds; (7) a decrease of \$25,951,000 in the noncurrent portion of advances from grantors as funds are expended on capital projects; (8) a decrease of \$999,000 primarily due to amortization of prepayments received from long-term fiber optics contracts; and offset by (9) an increase of \$2,820,000 in payables to vendors and contractors due to timing differences in receiving and paying of invoices; (10) an increase of \$1,966,000 in unearned revenue for funds received from the 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 \$2,647,000 in noncurrent portion of reserves required for workers compensation and general liability insurance.

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 differences in receiving and paying of invoices; (2) a decrease of \$457,000 in payables to employees due to timing differences in the utilization of accrued compensated absences; (3) a decrease of \$3,959,000 in liabilities for OPEB primarily from a 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 that 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 (\$50,83,000) compared to fiscal year 2017 (\$77,13,000); (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

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Management's Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

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.

Capital Assets

Details of capital assets, net of accumulated depreciation, as of June 30, 2019, 2018 and 2017 are as follows (dollar amounts in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land and easements	\$ 630,248	\$ 631,156	\$ 631,156
Stations, track, structures and improvements	5,261,744	5,206,092	4,883,453
Buildings	15,347	16,757	18,273
Revenue transit vehicles	265,153	133,156	98,523
Other	824,922	809,319	807,242
Construction in progress	1,417,609	1,163,809	1,271,569
Total assets	<u>\$ 8,415,023</u>	<u>\$ 7,960,289</u>	<u>\$ 7,710,216</u>

The District's capital assets before depreciation and retirements showed a net increase of \$664,516,000 and \$490,599,000 in fiscal year 2019 and 2018, respectively. There were no major retirements on depreciable assets in both fiscal years 2019 and 2018. 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>2019</u>	<u>2018</u>	<u>2017</u>
Guideway	\$ 344,327	\$ 256,794	\$ 278,871
Passenger stations	93,591	78,078	67,677
Maintenance & administration buildings	59,683	55,932	108,942
Revenue transit vehicles	132,941	55,209	45,023
Communication and information systems	26,401	13,737	11,934
Automatic fare collections and other equipment	7,573	10,363	12,769
	<u>\$ 664,516</u>	<u>\$ 470,113</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) additional costs related to the eBART Extension Project which opened on May 26, 2018, and for the Warm Springs Extension project, which

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Management’s Discussion and Analysis (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

opened on March 25, 2017; and (3) track replacement to improve overall service reliability. 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. At June 30, 2019, the District has received and conditionally accepted 80 new revenue transit vehicles.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$2,999,189,000 and \$2,898,000,000 at June 30, 2019 and 2018, respectively.

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, 2019, 2018 and 2017 are as follows (dollar amounts in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Bonds payable from and collateralized by			
a pledge of sales tax revenues	\$ 506,135	\$ 528,810	\$ 595,060
General obligation bonds	809,660	837,820	891,135
	<u>\$ 1,315,795</u>	<u>\$ 1,366,630</u>	<u>\$ 1,486,195</u>

Total long-term debt in fiscal year 2019 decreased by \$50,835,000 due to (1) a decrease of \$22,675,000 due to principal payments of current outstanding Sales Tax Revenue Bonds; and (2) a decrease of \$28,160,000 due to principal payments of current outstanding General Obligation Bonds.

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, consisting 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.

Economic Factors and Next Year’s Budgets

On June 13, 2019, the District’s Board of Directors adopted a balanced operating budget of \$947,254,000 and a capital budget of \$1,419,947,000 for the fiscal year 2020 (FY20).

The FY20 budget for operating sources is \$25,075,000 higher than the fiscal year 2019 (FY19) budget with projected sales tax revenue, property tax, STA, LCTOP, and Low Carbon Fuel Standard Program (LCFS) growth contributing to the increase despite declines in ridership and operating revenue. In FY19, total ridership declined year-over-year by 2.0% and was 1.4% below budget. The ridership forecast for FY20 reflects a decrease in weekday ridership, driven primarily by the first full year of the 5 AM system opening as part of the Transbay Tube Seismic Retrofit Project. Weekend ridership is also projected to decrease due to the continued downward trend of off-peak trips, impacts of the M Line 34.5 KV Cable project, and planned weekend shutdowns for track work. In order to address current capacity limitations and future increases in ridership due to the opening of SVBX, the District is continuing its capital 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) (Continued)
For the Years Ended June 30, 2019 and 2018

The FY20 Adopted Budget supports the District's continued efforts to reinvest in the system and quality of life. However, limited funds were available for additional new programs as revenues are constrained due mainly to the continuing decline in ridership and associated passenger revenue, which comprises 88% of BART's total operating revenue. Sales tax revenue is estimated to increase by 4.6% (\$12,378,000) in FY20 compared to the FY19 budget. Property tax revenue is budgeted to increase by 8.2% (\$3,855,000) in FY20 compared to the FY19 budget due to continued rising property values stemming from the Bay Area's strong housing market. BART continues investment in infrastructure in FY20 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 FY20 Capital Budget also prioritizes reinvestment, with 69% of the \$1,419,947,000 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 FY20, this amount is budgeted at \$52,166,000. The FY20 operating budget includes \$25,323,000 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: \$3,904,000 for stations and access improvements including station hardening, station brightening, and quality of life efforts. Additionally, in FY20, the District allocated over \$18,000,000 to a variety of other uses, including fixed assets acquisition, pension stability, 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 \$983,004,000 (69%) of capital expenditures in FY20 are directed to System Renovation including the New Rail 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 12% of the FY20 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.

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position
June 30, 2019 and 2018
(dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	\$ 253,015	\$ 414,050
Investments	454,709	305,963
Government receivables	116,572	143,377
Receivables and other assets	35,257	31,159
Materials and supplies	51,118	39,529
Total unrestricted current assets	<u>910,671</u>	<u>934,078</u>
Restricted assets		
Cash and cash equivalents	250,362	375,812
Investments	135,110	274,381
Receivables and other assets	1,897	5,018
Total restricted current assets	<u>387,369</u>	<u>655,211</u>
Total current assets	<u>1,298,040</u>	<u>1,589,289</u>
Noncurrent assets		
Capital assets		
Nondepreciable	2,047,857	1,794,965
Depreciable, net of accumulated depreciation	6,367,166	6,165,324
Unrestricted assets		
Receivables and other assets	119	142
Restricted assets		
Receivables and other assets	12,660	12,037
Total noncurrent assets	<u>8,427,802</u>	<u>7,972,468</u>
Total assets	<u>9,725,842</u>	<u>9,561,757</u>
Deferred Outflows of Resources		
Losses on refundings of debt	20,131	21,806
Pension related		
Pension contribution subsequent to measurement date	77,215	68,202
Net differences between projected and actual earnings	4,588	24,812
Differences between actual and expected experience	10,532	3,529
Changes in assumptions	67,602	103,379
Other Post Employment Benefits related		
Differences between actual and expected experience	109	138
Net differences between projected and actual earnings	817	-
Changes of assumptions	28,606	28,408
Total deferred outflows of resources	<u>209,600</u>	<u>250,274</u>

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position, continued
June 30, 2019 and 2018
(dollar amounts in thousands)

	2019	2018
Liabilities		
Current liabilities		
Accounts payable and other liabilities	\$ 249,947	\$ 237,744
Unearned revenue	45,294	56,601
Current portion of long-term debt	53,840	50,835
Self-insurance liabilities	20,670	20,505
Total current liabilities	<u>369,751</u>	<u>365,685</u>
Noncurrent liabilities		
Accounts payable and other liabilities	45,421	44,689
Unearned revenue	152,185	178,113
Long-term debt, net of current portion	1,411,252	1,481,390
Self-insurance liabilities, net of current portion	41,106	38,459
Net other postemployment benefits liability	356,573	376,433
Net pension liability	698,876	705,503
Total noncurrent liabilities	<u>2,705,413</u>	<u>2,824,587</u>
Total liabilities	<u>3,075,164</u>	<u>3,190,272</u>
Deferred Inflows of Resources		
Pension related		
Differences between actual and expected experience	971	2,486
Changes in assumptions	14,921	10,070
Other Post Employment Benefits related		
Net differences between projected and actual earnings	6,985	9,997
Differences between actual and expected experience	52,530	29,277
Changes of assumptions	14,719	18,095
Total deferred inflows of resources	<u>90,126</u>	<u>69,925</u>
Net position		
Net investment in capital assets	6,840,499	6,586,781
Restricted for debt service and other liabilities	191,394	156,387
Unrestricted (deficit)	(261,741)	(191,334)
Total net position	<u>\$ 6,770,152</u>	<u>\$ 6,551,834</u>

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Revenues, Expenses and Change in Net Position
For the Years Ended June 30, 2019 and 2018
(dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues		
Fares	\$ 482,644	\$ 481,783
Other	72,040	64,831
Total operating revenues	<u>554,684</u>	<u>546,614</u>
Operating expenses		
Transportation	223,089	219,590
Maintenance	370,506	333,840
Police services	74,360	68,166
Construction and engineering	36,257	30,139
General and administrative	225,504	228,768
Depreciation	207,345	219,782
Total operating expenses	<u>1,137,061</u>	<u>1,100,285</u>
Less - capitalized costs	<u>(138,887)</u>	<u>(107,469)</u>
Net operating expenses	<u>998,174</u>	<u>992,816</u>
Operating loss	<u>(443,490)</u>	<u>(446,202)</u>
Nonoperating revenues (expenses)		
Transactions and use tax - sales tax	280,385	257,883
Property tax	123,677	119,218
Operating financial assistance	65,693	54,736
Investment income	19,337	12,088
Interest expense	(31,132)	(32,846)
Other expense, net	(328)	(906)
Total nonoperating revenues, net	<u>457,632</u>	<u>410,173</u>
Change in net position before capital contributions and special item	14,142	(36,029)
Capital contributions	204,176	233,728
Special Item		
Loss from discontinued project - Livermore Extension	-	(20,486)
Change in net position	<u>218,318</u>	<u>177,213</u>
Net position, beginning of year	<u>6,551,834</u>	<u>6,374,621</u>
Net position, end of year	<u>\$ 6,770,152</u>	<u>\$ 6,551,834</u>

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018
(dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Receipts from customers	\$ 480,369	\$ 483,896
Payments to suppliers	(199,396)	(203,606)
Payments to employees	(557,969)	(514,193)
Other operating cash receipts	72,959	62,581
Net cash used in operating activities	<u>(204,037)</u>	<u>(171,322)</u>
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	233,725	212,253
Property tax received	50,204	42,961
Financial assistance received	57,056	50,948
Net cash provided by noncapital financing activities	<u>340,985</u>	<u>306,162</u>
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	46,660	45,630
Property tax received	77,659	70,913
Capital grants received	201,729	197,413
Expenditures for facilities, property and equipment	(663,286)	(486,512)
Proceeds from disposition of property	1,333	-
Principal paid on long-term debt	(50,835)	(305,070)
Payments of long-term debt issuance and service costs	(21)	(906)
Proceeds from issuance of Sales Tax Revenue Bonds	-	210,319
Deferred interest paid for defeased bonds	-	(18,904)
Interest paid on long-term debt	(46,682)	(44,808)
Deposit refunded	(624)	(466)
Net cash used in capital and related financing activities	<u>(434,067)</u>	<u>(332,391)</u>
Cash flows from investing activities		
Proceeds from sale and maturity of investments	754,412	710,565
Purchase of investments	(762,338)	(357,835)
Investment income (loss)	18,560	11,225
Net cash provided by investing activities	<u>10,634</u>	<u>363,955</u>
Net change in cash and cash equivalents	<u>(286,485)</u>	<u>166,404</u>
Cash and cash equivalents, beginning of year	789,862	623,458
Cash and cash equivalents, end of year	<u>\$ 503,377</u>	<u>\$ 789,862</u>
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current, unrestricted assets - cash and cash equivalents	\$ 253,015	\$ 414,050
Current, restricted assets - cash and cash equivalents	<u>250,362</u>	<u>375,812</u>
Total cash and cash equivalents	<u>\$ 503,377</u>	<u>\$ 789,862</u>

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows, continued
For the Years Ended June 30, 2019 and 2018
(dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (443,490)	\$ (446,202)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	207,345	219,782
Provision for inventory obsolescence	775	3,790
Provision for doubtful accounts	1,580	-
Amortization of deferred charges and leasehold improvements	284	285
Accrual of employee retirement and post employment obligations	32,713	49,903
Amortization of deferred ground lease	(552)	(552)
Net effect of changes in		
Receivables and other assets	(5,667)	(2,034)
Materials and supplies	(12,365)	1,866
Accounts payable and other liabilities	12,322	(683)
Self-insurance liabilities	2,812	3,014
Unearned revenue	206	(491)
Net cash used in operating activities	<u>\$ (204,037)</u>	<u>\$ (171,322)</u>
Noncash transactions		
Capital assets acquired with a liability at year-end	\$ 104,618	\$ 102,828
Increase in fair value of investments	1,550	(488)
Amortization of long-term debt premium and discount	(16,297)	(16,211)
Bond premium reclassified to losses on refunding of debt	-	(13,505)
Amortization of loss on early debt retirement	1,675	1,361
Donated capital assets given	307	-
Gain from exchange of property	731,771	-

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Trust Net Position
June 30, 2019 and 2018
(dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 68	\$ 1,351
Receivables and other assets	7,184	10,404
Investments		
Domestic common stocks	187,362	171,282
Domestic preferred stocks	-	11
U.S. Treasury obligations	54,719	91,535
Money market mutual funds	26,610	26,927
Mutual funds - equity	21	-
Mutual funds - debt securities	59,861	-
Corporate obligations	15,017	13,848
Foreign stocks	10,046	9,839
Total investments	<u>353,636</u>	<u>313,442</u>
Total assets	<u>360,888</u>	<u>325,197</u>
Liabilities		
Accounts payable	173	153
Pending trades payable	20,245	19,193
Total liabilities	<u>20,418</u>	<u>19,346</u>
Net position restricted for retiree health benefits	<u>\$ 340,470</u>	<u>\$ 305,851</u>

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Change in Trust Net Position
For the Years Ended June 30, 2019 and 2018
(dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>
Additions		
Employer contributions	\$ 39,511	\$ 35,569
Investment income		
Interest income	6,371	5,550
Net appreciation in fair value of investments	13,485	18,408
Investment expense	(470)	(479)
Net investment income	<u>19,386</u>	<u>23,479</u>
Total additions	<u>58,897</u>	<u>59,048</u>
Deductions		
Benefit payments	24,060	23,095
Legal fees	8	9
Audit fees	16	16
Insurance expense	27	22
Administrative fees	167	206
Total deductions	<u>24,278</u>	<u>23,348</u>
Change in net position	<u>34,619</u>	<u>35,700</u>
Net position restricted for retiree health benefits		
Beginning of year	<u>305,851</u>	<u>270,151</u>
End of year	<u>\$ 340,470</u>	<u>\$ 305,851</u>

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements
June 30, 2019 and 2018

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 accounting principles generally accepted in the United States of America. As a matter of policy, the District usually holds investments until their maturity.

Restricted Assets

Certain assets are classified as restricted assets on the statements 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 (Continued)
June 30, 2019 and 2018

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 statements 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 \$13,258,000 and \$14,964,000 in fiscal year 2019 and 2018, respectively.

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 (Continued)
June 30, 2019 and 2018

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 \$67,153,000 and \$65,728,000 as of June 30, 2019 and 2018, respectively, and are shown in the statements of net position under accounts payable and other liabilities (see Note 5) as follows (dollar amounts in thousands):

	2019	2018
Current liabilities	\$ 24,835	\$ 21,322
Noncurrent liabilities	42,318	44,406
Total	\$ 67,153	\$ 65,728

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 Metropolitan Transportation Commission (MTC) to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the 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 (Continued)
June 30, 2019 and 2018

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 86% 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 statements of revenues, expenses and changes in net position as a reduction of operating expenses. The amounts of \$138,887,000 and \$107,469,000 were capitalized during the fiscal years ended June 30, 2019 and 2018, 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 (Continued)
June 30, 2019 and 2018

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 during fiscal year 2018 in the amount of \$27,016,000 from re-evaluating the useful lives of the old fleet cars.

New Accounting Pronouncements 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 ended June 30, 2019. This Statement did not have a significant impact to the District's financial statements.

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 ended June 30, 2019. The District included the disclosures related to events of default and acceleration clauses pursuant to this Statement in Note 6 to the financial statements.

Recent Accounting Pronouncements That Have Not Been Adopted

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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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

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 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 before 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.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. 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 (Continued)
June 30, 2019 and 2018

2. Cash and Cash Equivalents, and Investments

A. Cash and 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):

	2019			2018		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Current assets						
Cash and cash equivalents	\$ 253,015	\$ 250,362	\$ 503,377	\$ 414,050	\$ 375,812	\$ 789,862
Investments	454,709	135,110	589,819	305,963	274,381	580,344
Total	<u>\$ 707,724</u>	<u>\$ 385,472</u>	<u>\$ 1,093,196</u>	<u>\$ 720,013</u>	<u>\$ 650,193</u>	<u>\$ 1,370,206</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	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating (2)	
	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 (Continued)
June 30, 2019 and 2018

2. Cash and 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 (Continued)
June 30, 2019 and 2018

2. Cash and 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, 2019 and 2018 is as follows (dollar amounts in thousands):

	2019	Investment Maturities (in Years)	
		Less Than 1	1 - 5
Money market mutual funds*	\$ 110,065	\$ 110,065	\$ -
U.S. Treasury	516,436	516,436	-
U.S. government agencies	19,810	19,810	-
Commercial paper	66,417	66,417	-
Foreign government bonds	52,703	52,703	-
Certificates of deposit	871	871	-
Total investments subject to interest rate risk	766,302	<u>\$ 766,302</u>	<u>\$ -</u>
Deposits with banks	323,734		
Imprest funds	3,160		
Total cash and investments	<u>\$ 1,093,196</u>		
		Investment Maturities	
		Less	
	2018	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 subject to interest rate risk	1,003,710	<u>\$ 1,003,710</u>	<u>\$ -</u>
Deposits with banks	363,246		
Imprest funds	3,250		
Total cash and investments	<u>\$ 1,370,206</u>		

* weighted-average maturity

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

2. Cash and 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, 2019 and 2018 (dollar amounts in thousands):

	2019	Credit Ratings			
		AAA	AA	A	Not Rated
Money market mutual funds	\$ 110,065	\$ 62,635	\$ -	\$ 47,430	\$ -
U.S. Treasury	516,436	516,436	-	-	-
U.S. government agencies	19,810	19,810	-	-	-
Commercial paper	66,417	-	-	66,417	-
Foreign government bonds	52,703	52,703	-	-	-
Certificates of deposit	871	-	-	-	871
Total investments subject to credit risk	766,302	<u>\$ 651,584</u>	<u>\$ -</u>	<u>\$ 113,847</u>	<u>\$ 871</u>
Deposits with banks	323,734				
Imprest funds	3,160				
Total cash and investments	<u>\$ 1,093,196</u>				

	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 subject to credit risk	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>				

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

2. Cash and 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, 2019 and June 30, 2018 (dollar amounts in thousands):

Investments at Fair Value Level	6/30/2019	(Level 1)	(Level 2)	6/30/2018	(Level 1)	(Level 2)
Money market mutual funds	\$ 110,065	\$ -	\$ 110,065	\$ 141,899	\$ -	\$ 141,899
U.S. Treasury	516,436	516,436	-	685,673	685,673	-
U.S. government agencies	19,810	-	19,810	54,247	-	54,247
Commercial paper	66,417	-	66,417	51,353	-	51,353
Foreign government bonds	52,703	-	52,703	69,671	-	69,671
Total investments at fair value	765,431	<u>\$ 516,436</u>	<u>\$ 248,995</u>	1,002,843	<u>\$ 685,673</u>	<u>\$ 317,170</u>
Excluded from FMV hierarchy reporting						
Certificate of deposit	871			867		
Total investments	<u>\$ 766,302</u>			<u>\$ 1,003,710</u>		

Investments valued at \$516,436,000 and \$685,673,000 in fiscal year 2019 and 2018, respectively, 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 \$248,995,000 and \$317,170,000 in fiscal year 2019 and 2018, respectively, 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 (Continued)
June 30, 2019 and 2018

2. Cash and 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, 2019 and 2018, 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 Depository Receipts.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

2. Cash and 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, 2019 and 2018 is as follows (dollar amounts in thousands):

	2019	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	\$ 54,719	\$ 19,772	\$ 3,321	\$ 10,270	\$ 21,356
Money market mutual funds*	26,610	26,610	-	-	-
Corporate obligations	15,017	548	6,144	2,595	5,730
Investments subject to interest rate risk	96,346	<u>\$ 46,930</u>	<u>\$ 9,465</u>	<u>\$ 12,865</u>	<u>\$ 27,086</u>
Domestic common stocks	187,362				
Foreign stocks	10,046				
Mutual funds - debt securities	59,861				
Mutual funds - equity	21				
Total investments	<u>\$ 353,636</u>				

	2018	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
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>				

* Weighted-average maturity

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

2. Cash and 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, 2019 and 2018 (dollar amounts in thousands):

	2019	Credit Ratings				
		AAA	AA	A	BBB	Not Rated
U.S. Treasury obligations	\$ 54,719	\$ -	\$ 54,719	\$ -	\$ -	\$ -
Money market mutual funds	26,610	26,610	-	-	-	-
Corporate obligations	15,017	4,059	992	6,832	2,405	729
Investments subject to credit risk	96,346	<u>\$ 30,669</u>	<u>\$ 55,711</u>	<u>\$ 6,832</u>	<u>\$ 2,405</u>	<u>\$ 729</u>
Domestic common stocks	187,362					
Foreign stocks	10,046					
Mutual funds - debt securities	59,861					
Mutual funds - equity	21					
Total investments	<u>\$ 353,636</u>					

	2018	Credit Ratings				
		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>					

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

2. Cash and 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.

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, 2019 and June 30, 2018 (dollar amounts in thousands):

Investments by Fair Value Level	Fair Value Hierarchy							
	6/30/2019	(Level 1)	(Level 2)	(Level 3)	6/30/2018	(Level 1)	(Level 2)	(Level 3)
Domestic common stocks	\$ 187,362	\$ 187,362	\$ -	\$ -	\$ 171,282	\$ 171,234	\$ -	\$ 48
Domestic preferred stocks	-	-	-	-	11	11	-	-
Foreign stocks	10,046	10,046	-	-	9,839	9,839	-	-
Money market mutual funds	26,610	26,610	-	-	26,927	-	26,927	-
Mutual funds - debt securities	59,861	-	-	59,861	-	-	-	-
U.S. Treasury obligations	54,719	32,351	22,368	-	91,535	74,457	17,078	-
Corporate obligations	15,017	-	15,017	-	13,848	-	13,848	-
Total investments at fair value	353,615	\$ 256,369	\$ 37,385	\$ 59,861	313,442	\$ 255,541	\$ 57,853	\$ 48
Investment measured at Net Asset Value								
Mutual funds - equity	21				-			
Total investments	\$ 353,636				\$ 313,442			

Investments classified in Level 1 of the fair value hierarchy valued at \$256,369,000 and \$255,541,000 in fiscal year 2019 and 2018, respectively, are valued using quoted prices in active markets.

Investments amounting to \$37,385,000 and \$57,853,000 in fiscal year 2019 and 2018, respectively, 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 \$59,861,000 and \$48,000 in fiscal year 2019 and 2018, respectively, are 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 \$21,000 as of June 30, 2019 are valued using the net asset value (NAV) methodology. Per GASB Statement 72, 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 to be considered in an active market. No redemption restrictions exist on any of the mutual fund equity investments valued using the NAV methodology

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

2. Cash and 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, 2019 and 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, 2019 and 2018 (dollar amounts in thousands):

	2019	2018
Interest receivable - other investments	\$ 2,954	\$ 3,727
Deferred charges	143	169
Deposit for power supply	12,660	12,037
Off-site ticket vendor receivable	2,264	1,642
Capitol Corridor Joint Powers Authority receivable (Note 14)	2,508	1,640
Property tax receivable	2,315	6,500
Prepaid expenses	13,549	18,238
Imprest deposits for self-insurance liabilities	2,768	2,465
Other	12,804	2,390
Allowance for doubtful accounts	(2,032)	(452)
Total receivables and other assets	\$ 49,933	\$ 48,356
Current, unrestricted portion	\$ 35,257	\$ 31,159
Current, restricted portion	1,897	5,018
Noncurrent, unrestricted portion	119	142
Noncurrent, restricted portion	12,660	12,037
Total receivables and other assets, as presented in the basic financial statements	\$ 49,933	\$ 48,356

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

4. Capital Assets

Changes to capital assets during the fiscal year ended June 30, 2019 were as follows (dollar amounts in thousands):

	Lives (Years)	2018	Additions and Transfers	Retirements and Transfers	2019
Capital assets, not being depreciated					
Land and easements	N/A	\$ 631,156	\$ -	\$ (908)	\$ 630,248
Construction in progress	N/A	1,163,809	664,516	(410,716)	1,417,609
Total capital assets, not being depreciated		<u>1,794,965</u>	<u>664,516</u>	<u>(411,624)</u>	<u>2,047,857</u>
Capital assets, being depreciated					
Tangible asset					
Stations, track, structures and improvements	8-80	6,619,363	176,596	-	6,795,959
Buildings	5-80	20,938	-	-	20,938
System-wide operation and control	20	715,800	6,972	(16)	722,756
Revenue transit vehicles	10-30	1,201,776	149,618	-	1,351,394
Service and miscellaneous equipment	3-20	406,554	10,646	(1,639)	415,561
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	539,913	66,037	(1,355)	604,595
Intangible asset					
Information systems	20	60,078	846	-	60,924
Total capital assets, being depreciated		9,662,727	410,715	(3,010)	10,070,432
Less accumulated depreciation		<u>(3,497,403)</u>	<u>(207,602)</u>	<u>1,739</u>	<u>(3,703,266)</u>
Total capital assets, being depreciated, net		<u>6,165,324</u>	<u>203,113</u>	<u>(1,271)</u>	<u>6,367,166</u>
Total capital assets, net		<u>\$ 7,960,289</u>	<u>\$ 867,629</u>	<u>\$ (412,895)</u>	<u>\$ 8,415,023</u>

To replace the District's aging fleet of revenue rail vehicles, on May 10, 2012, the Board of Directors authorized the award of a contract to Bombardier Transit Corporation for the procurement of additional and replacement cars. The base contract provides for the design, engineering, manufacture, testing, management and support of 260 heavy rail transit vehicles, with several options to procure additional vehicles thereafter, including two options for 150 vehicles, one option for 115 vehicles, and one option for 100 vehicles. The District awarded the base contract for 260 vehicles and exercised options to the additional vehicles for a total purchase of 775 vehicles, comprised of 310 "D" (control cab-equipped) and 465 "E" (non-control) cars. The total project cost for the 775 vehicles is approximately \$2,584,000,000 and is being paid from funding sources including funds from MTC, VTA and from the District. In addition to the 775 new vehicles on order, the District plans to acquire an additional 425 new cars to enable a peak capacity of 30 scheduled ten-car trains per hour via the Transbay Tube, for the network as expanded to Santa Clara by Phase II of the Silicon Valley Extension. These additional cars will be all "E" (non-control cars), which will bring the revenue fleet to 310 "D" and 890 "E" cars, for a total of 1,200 cars. As of June 30, 2019, a total of 80 cars have been delivered and have been conditionally accepted by the District.

At an election held on November 8, 2016, the District obtained an authorization to issue General Obligation Bonds (Measure RR) up to \$3,500,000,000 to finance its System Renewal Program in order to keep BART safe; prevent accidents/breakdowns/delays; relieve overcrowding; and to address critical infrastructure needs which include replacing and upgrading 90 miles of severely worn tracks; tunnels damaged by water intrusion; 44-year old train control systems; and other deteriorating infrastructure. Please see Note 6 for a summary of major projects and related expenditures funded by Measure RR.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

4. Capital Assets (Continued)

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		<u>1,902,725</u>	<u>490,599</u>	<u>(598,359)</u>	<u>1,794,965</u>
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		<u>(3,279,313)</u>	<u>(220,040)</u>	<u>1,950</u>	<u>(3,497,403)</u>
Total capital assets, being depreciated, net		<u>5,807,491</u>	<u>357,833</u>	<u>-</u>	<u>6,165,324</u>
Total capital assets, net		<u>\$ 7,710,216</u>	<u>\$ 848,432</u>	<u>\$ (598,359)</u>	<u>\$ 7,960,289</u>

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 in the amount of \$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.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$2,999,189,000 and \$2,898,000,000 at June 30, 2019 and 2018, respectively.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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, 2019 and 2018 (dollar amounts in thousands):

	2019	2018
Payable to vendors and contractors	\$ 160,799	\$ 147,275
Employee salaries and benefits	41,010	42,096
Accrued compensated absences	67,153	65,728
Accrued interest payable	26,406	27,334
Liabilities at the end of year	295,368	282,433
Less: noncurrent portion	(45,421)	(44,689)
Net current portion	\$ 249,947	\$ 237,744

6. Long-Term Debt

Long-term debt activity for the fiscal year ended June 30, 2019 is summarized as follows (dollar amounts in thousands):

	2018	Additions	Payments/ Amortization	2019
2012A Sales Tax Revenue Refunding Bonds	\$ 90,240	\$ -	\$ (3,045)	\$ 87,195
2012B Sales Tax Revenue Bonds	13,610	-	(2,615)	10,995
2015A Sales Tax Revenue Refunding Bonds	155,655	-	(15,815)	139,840
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	-	(1,200)	66,045
2013C General Obligation Bonds - Measure AA	205,730	-	(18,050)	187,680
2015D General Obligation Refunding Bonds - Measure AA	275,755	-	(1,085)	274,670
2017E General Obligation Refunding Bonds - Measure AA	84,735	-	(4,455)	80,280
2017A General Obligation Bonds - Measure RR	271,600	-	(4,570)	267,030
	1,366,630	-	(50,835)	1,315,795
Add (less):				
Original issue premiums and discounts, net	165,595	-	(16,298)	149,297
Long-term debt, net of accumulated accretion and debt-related items	1,532,225	\$ -	\$ (67,133)	1,465,092
Less: current portion of long-term debt	(50,835)			(53,840)
Net long-term debt	\$ 1,481,390			\$ 1,411,252

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

Long-term debt activity for the fiscal 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>

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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

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, 2019, the 2012A Refunding Bonds consist of serial bonds amounting to \$63,610,000 with interest rates ranging from 4% to 5% with various maturity dates from July 1, 2019 to July 1, 2032, and a term bond with an interest rate of 5% in the amount of \$23,585,000 with maturity dates from July 1, 2033 to July 1, 2036.

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, 2019, the 2012B Bonds consist of serial bonds amounting to \$10,995,000 with interest rates ranging from 1.962% to 2.677% with various maturity dates from July 1, 2019 to July 1, 2022.

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, 2019, the 2015A Refunding Bonds consist of serial bonds amounting to \$139,840,000 with interest rates of 5%, with various maturity dates from July 1, 2019 to July 1, 2034.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

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, 2019, 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 July 1, 2019 to July 1, 2036.

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 the 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, 2019, the 2017A Green Bond Refunding Bonds consist of serial bonds amounting to \$118,260,000 with interest rates ranging from 3% to 5%, with various maturity dates from July 1, 2023 to July 1, 2034; the 2017B Green Bond Refunding Bonds consist of serial bonds amounting to \$66,045,000 with interest rates ranging from 2.011 % to 2.621% with various maturity dates from July 1, 2019 to July 1, 2023. The refunding resulted in an economic gain of \$22,554,000 and cash flow savings of \$65,267,000.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

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 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 of \$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, 2019, the 2013C Measure AA GO Bonds consist of \$167,555,000 in serial bonds due from August 1, 2019 to August 1, 2033 with interest ranging from 3% to 5%, and term bonds totaling \$20,125,000 with interest of 5% due in August 1, 2037. 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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

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.

At June 30, 2019, the 2015D Measure AA Refunding GO Bonds consist of \$274,670,000 in serial bonds due from August 1, 2019 to August 1, 2035 with interest ranging from 2% to 5%. 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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

At June 30, 2019, the 2017E Measure AA Refunding GO Bonds consist of \$80,280,000 in serial bonds due from 2020 to 2038 with interest ranging from 4% to 5%. 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.

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.

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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

At June 30, 2018, the outstanding principal balance of 2017A-2 bonds were fully paid. At June 30, 2019, the remaining outstanding principal balance of \$267,030,000 related to the 2017A-1 Measure RR GO Bonds consist of \$135,910,000 in serial bonds due from August 1, 2019 to August 1, 2037 with interest ranging from 2% to 5%, a \$58,500,000 term bond with interest of 4% maturing in August 1, 2042, and a \$72,620,000 term bond with interest of 5% maturing in August 1, 2047. 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.

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		87,435	
Fiscal year 2019		229,155	
		334,482	*
Remaining to be applied to subsequent bond issue - June 30, 2019	\$	(34,482)	**

* Includes accrual of \$35,000,000.

** The second tranche of Measure RR GO Bonds amounting to \$360,000,000 was issued in August 2019 (2019 Series B). Actual amount expended in excess of the initial 2017A GO Bonds proceeds of \$300,000,000 was reimbursed in fiscal year 2020 using 2019B GO Bond proceeds (Note 16).

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

The following are the major projects and related expenditures funded by proceeds from Measure RR GO Bonds issued through June 30, 2019 (dollar amounts in thousands):

<u>Project</u>	<u>Description</u>	<u>Cumulative Expenditures through June 30, 2019</u>
15CQ002	Rails, Ties, Fasteners Phase 3	\$ 85,401
15EKRR1	TP-Switch Stations & Gap Break	37,779
15EJRR1	34.5 KV AC Cable Replacement	32,159
09EK300	Emergency Generator for TBT	15,784
15EJ450	M-Line 34.5 KV Replacement Phase.II	14,742
15TC002	Renewal of Tunnels & Structures	14,556
15CQ018	Rail Relay	9,601
49GH000	Train Control Modernization - CENGR	9,000
15CQ001	Rails, Ties, Fasteners 2	7,737
15CQ004	Track C55 Interlocking	6,211
09AF002	Replace Cross Pass Doors TBT Control	5,149
15ELRR3	Third Rail Replacement Phase 3	5,122
15ELRR1	MPR Install & Rectifier Rehab	4,833
15LK002	San Francisco Escalator Replacement	4,823
15EK600	Substation for Core Capacity	4,540
15EJ400	Traction Power Cables - M Line	3,974
15ST002	A Line Operability Feasibility Study	3,725
07GJ000	MacArthur Transit Improvements	3,489
15EK350	Substation Replacement/Installation Group II	3,309
15IIRR1	Stations, Emergency Lighting	3,098
49GH002	TCMP- Enabling Work	2,853
96DARR1	FTA Core Capacity	2,834
79NKRR1	Train Control Room UPS System	2,470
15CQ005	C35 Interlocking	2,435
01RQ100	HMC Phase 2 Preliminary Engineering	2,401
15TC011	Platform Edge Structure Rehabilitation	2,166
15CQ016	Direct Fixation Pads	2,155
54RR004	M&E Line Rail Equipment	2,025
05HA002	El Cerrito Del Norte Station Modernization	2,006
	Others	38,105
	Total	<u>\$ 334,482</u>

Total Measure RR project costs reimbursed from bond proceeds since inception through June 30, 2019 amounted to \$270,676,000.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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 Sales Tax Revenue Green Bond Refunding Bonds and 2017B Sales Tax Revenue 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.

At June 30, 2019 and 2018, the only outstanding defeased bonds are related to the 2010 Sales Tax Refunding Bonds, the 2012 Series A Sales Tax Refunding Bonds, and the 2012 Series B Sales Tax Revenue Bonds, which were refunded from the issuance of the 2017A and 2017B Green Bond Refunding Bonds in December 2017. The outstanding principal balance of the defeased Sales Tax Revenue Bonds were \$224,775,000 and \$227,940,000 as of June 30, 2019 and 2018, respectively. There were no outstanding defeased bonds associated with Measure AA General Obligation Bonds at June 30, 2019 and 2018.

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 2019 and 2018, 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 (Continued)
June 30, 2019 and 2018

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 (75.0%) 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, 2019 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 July 1, 2036. The total principal and interest remaining on these sales tax revenue bonds is \$689,464,000 as of June 30, 2019 (\$734,595,000 as of June 30, 2018), which is 11.29% in 2019 (10.86% in 2018) of the total projected sales tax revenues of \$6,104,747,000 as of June 30, 2019 covering the period from fiscal year 2020 through fiscal year 2037 based on the last scheduled bond principal payment as of June 30, 2019 (\$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).

The pledged sales tax revenues recognized in fiscal year 2019 was \$280,385,000 (\$257,883,000 in fiscal year 2018) as against a total debt service payment of \$46,660,178 in fiscal year 2019, and \$45,630,000 in fiscal year 2018.

Events of Default and Acceleration Clauses

The District is considered to be in default if the District fails to pay the principal or redemption price of or sinking fund installment for, or interest on, any outstanding bond, when and as the same will become due and payable, whether on the interest payment date, at maturity, by call redemption, or otherwise. If the District defaults on its obligations under the bond indenture, the Trust Agreements do not contain provision allowing for the accelerated provision in the event of a default in the payment of principal and interest on the GO Bonds and Sales Tax Revenue Bonds when due. In the event of a default by the District, each holder of the bonds will have the right to exercise the remedies, subject to the limitations thereon, set forth in the respective Trust Agreements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required for sales tax revenue bonds as of June 30, 2019 (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
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	3,325	3,534	-	-	2,935	5,886
2025-2029	21,360	14,754	-	-	89,630	18,289
2030-2034	31,250	8,233	-	-	21,630	4,053
2035-2037	16,400	1,268	-	-	4,985	125
	<u>\$ 87,195</u>	<u>\$ 43,668</u>	<u>\$ 10,995</u>	<u>\$ 563</u>	<u>\$ 139,840</u>	<u>\$ 53,782</u>
Year ending June 30:	2016A Refunding Bonds		2017A Refunding Bonds		2017B Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	3,835	2,431	9,185	5,423	15,060	197
2025-2029	22,170	9,211	65,605	18,041	-	-
2030-2034	26,270	5,351	38,485	5,031	-	-
2035-2037	17,985	942	4,985	75	-	-
	<u>\$ 83,800</u>	<u>\$ 29,440</u>	<u>\$ 118,260</u>	<u>\$ 51,178</u>	<u>\$ 66,045</u>	<u>\$ 4,696</u>
Year ending June 30:	Total					
	Principal	Interest				
2020	\$ 24,655	\$ 21,531				
2021	26,160	20,602				
2022	28,775	19,670				
2023	31,450	18,682				
2024	34,340	17,471				
2025-2029	198,765	60,295				
2030-2034	117,635	22,669				
2035-2037	44,355	2,409				
	<u>\$ 506,135</u>	<u>\$ 183,329</u>				

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

6. Long-Term Debt (Continued)

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required for general obligation bonds as of June 30, 2019 (dollar amounts in thousands):

Year ending June 30:	2013C Measure AA General Obligation Bonds		2015D Measure AA Refunding General Obligation Bonds		2017E Measure AA General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	10,825	5,748	10,190	11,503	-	3,088
2025-2029	50,525	21,208	70,590	48,647	-	15,443
2030-2034	40,570	9,785	113,725	26,104	-	15,443
2035-2039	20,125	1,797	60,415	2,462	68,935	9,154
	<u>\$ 187,680</u>	<u>\$ 68,074</u>	<u>\$ 274,670</u>	<u>\$ 137,223</u>	<u>\$ 80,280</u>	<u>\$ 56,073</u>

Year ending June 30:	2017A Measure RR General Obligation Bonds		Total General Obligation Bonds	
	Principal	Interest	Principal	Interest
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	5,555	11,161	26,570	31,500
2025-2029	31,315	51,766	152,430	137,064
2030-2034	39,890	43,022	194,185	94,354
2035-2039	49,630	33,181	199,105	46,594
2040-2044	60,840	21,736	60,840	21,736
2045-2048	59,480	6,129	59,480	6,129
	<u>\$ 267,030</u>	<u>\$ 213,356</u>	<u>\$ 809,660</u>	<u>\$ 474,726</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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 \$200,000,000 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, 2019 and 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, 2019 and 2018, the estimated amounts of these liabilities were \$61,776,000 and \$58,964,000, respectively.

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

	<u>2019</u>	<u>2018</u>
Liabilities at beginning of year	\$ 58,964	\$ 55,951
Current year claims and changes in estimates	17,987	17,996
Payments of claims	<u>(15,175)</u>	<u>(14,983)</u>
Liabilities at the end of year	61,776	58,964
Less current portion	<u>(20,670)</u>	<u>(20,505)</u>
Net noncurrent portion	<u>\$ 41,106</u>	<u>\$ 38,459</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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 fiscal years ended June 30, 2019 and 2018 are summarized as follows (dollar amounts in thousands):

	<u>2019</u>	<u>2018</u>
Total approved project costs	\$ 1,545,248	\$ 1,385,237
Cumulative amounts of project costs incurred and earned	\$ 1,049,231	\$ 921,226
Less: approved federal allocations received	<u>(1,028,375)</u>	<u>(870,562)</u>
Government receivables - Federal	<u>\$ 20,856</u>	<u>\$ 50,664</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. MTC did not allocate Federal Section 5307 and 5337 Grants in fiscal year 2019 and 2018 to fund the District's preventive maintenance expenses. 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 \$394,862,000 and \$385,307,000 as of June 30, 2019 and 2018, respectively.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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 2019 or 2018. The District may also be entitled to receive state operating and capital assistance from 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 \$250,000 in fiscal year 2015, \$26,822,000 in fiscal year 2018, and \$38,563,000 in fiscal year 2019. Of these allocations, \$38,679,000 and \$26,878,000 were earned in fiscal year 2019 and 2018, respectively. The District received an STA capital grant of \$10,248,000 in fiscal year 2018, and \$825,000 in fiscal year 2019. Of these allocations, the District earned \$10,248,000 and \$334,000 of STA capital revenues in fiscal year 2019 and 2018 respectively.

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 \$4,477,000 in fiscal year 2016, \$2,066,000 in fiscal year 2017, and \$5,636,000 in fiscal year 2018. These allocations were set aside by the District for the acquisition of new rail cars and the grant funds will be earned as revenue when capital expenditures are incurred. In fiscal year 2019, the total allocated amount of \$12,179,000, including interest income earned of \$75,000 on the funds set aside, were expended and corresponding revenues were recognized. The District did not receive any LCTOP allocation in fiscal year 2019.

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 \$2,320,000 in fiscal year 2019 (\$2,143,000 in fiscal year 2018). Revenues from Measure BB funds for transit operations were \$793,000 in fiscal year 2019 (\$729,000 in fiscal year 2018), and for paratransit operations, were \$2,378,000 in fiscal year 2019 (\$2,188,000 in fiscal year 2018). 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 2019 were \$17,000 (\$171,000 in fiscal year 2018).

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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 (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 would 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 would also receive 2.0% 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 a 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 MTC reimbursed the District with RM2 revenues, as the funds were earned. The District has received the full amount from MTC in fiscal year 2018. 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, 2019 and 2018, the balance of the reserve account is as follows (dollar amounts in thousands):

	<u>2019</u>	<u>2018</u>
Reserve account at beginning of year	\$ 38,858	\$ 36,486
Received/accrued	1,967	3,018
Add: Interest earnings	<u>646</u>	<u>155</u>
Total	41,471	39,659
Less: Amount used to cover SFO Extension operating shortfall	<u>-</u>	<u>(801)</u>
Reserve account at end of year	<u>\$ 41,471</u>	<u>\$ 38,858</u>

In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2019 of \$1,967,000 from SamTrans (\$2,594,000 in fiscal year 2018) and none from MTC (\$424,000 in fiscal year 2018).

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 \$4,000,000,000 to be deposited in the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA). Of this amount, \$3,600,000,000 in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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 fiscal years 2019 and 2018 (dollar amounts in thousands):

2019	Grant Fund Balance at Beginning of Year	Grants Received	Project Costs Incurred	Grant Fund Balance at End of Year
eBART Extension	\$ 267	\$ -	\$ 393	\$ (126) ²
Ashby Elevator	(31)	-	2	(33) ²
Station Modernization	80,172	(6) ³	16,332	63,834
Seismic Retrofit	(405)	-	-	(405) ²
Oakland Airport Connector	(54)	-	-	(54) ²
Warm Springs Extension	-	6 ³	41	(35) ²
Balboa Park Eastside	851	-	242	609
Berkeley Station Entrance	1,510	-	1,250	260
Access Improvements	1,571	-	921	650
Station Signage ¹	324	-	-	324
Train Control	3,864	-	1,446	2,418
	<u>\$ 88,069</u>	<u>\$ -</u>	<u>\$ 20,627</u>	<u>\$ 67,442</u>

2018	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) ³	19,299	80,172
Seismic Retrofit	(405)	-	-	(405) ²
Oakland Airport Connector	(54)	-	-	(54) ²
Warm Springs Extension	102	58 ³	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>

¹ This grant is on a reimbursement basis.

² Covered by interest earnings.

³ Amount was reallocated from Station Modernization.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

9. State and Local Operating and Capital Financial Assistance (Continued)

As of June 30, 2019 and 2018, 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):

	2019	2018
Cash available, end of year	\$ 69,749	\$ 88,462
Less: noncurrent portion	(49,406)	(59,082)
Net current portion	\$ 20,343	\$ 29,380

For the fiscal years ended June 30, 2019 and 2018, the PTMISEA funds had earned interest income of \$5,434,000 and \$3,740,000 from inception, respectively.

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 (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

The Plan's provisions and benefits in effect at June 30, 2019, 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	January 1, 2013	January 1, 2013	January 1, 2013	January 1, 2013
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 rates	6.86%	6.25%	9.26%	13.00%
Required employer contribution rates	8.24%	8.24%	25.43%	25.43%

Starting in 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):

Unfunded Liability Payments:

Plan	2019	2018
Miscellaneous Plan	\$ 34,570	\$ 26,868
Safety Plan	8,137	6,915
Total	\$ 42,707	\$ 33,783

At June 30, 2019 and 2018, the following employees were covered by the benefit terms:

	Miscellaneous Plan	Safety Plan
June 30, 2019		
Inactive employees or beneficiaries currently receiving benefits	2,694	286
Inactive employees entitled to but not yet receiving benefits	85	3
Active employees	3,290	186
Total	6,069	475
	Miscellaneous Plan	Safety Plan
June 30, 2018		
Inactive employees or beneficiaries currently receiving benefits	2,584	275
Inactive employees entitled to but not yet receiving benefits	89	3
Active employees	3,158	184
Total	5,831	462

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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 2019, the average employee contribution rate for the Miscellaneous Plan is 6.856% and for the Safety Plan is 9.261% 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 2019 was 8.243% and 25.432% for Miscellaneous and Safety Plans, respectively, of annual covered payroll for the District's employees. Annual covered payroll amounted to \$368,617,000 for the fiscal year ended June 30, 2019 for the District's employees. The District's total employer contribution in fiscal year 2019 amounted to \$77,215,000, consisting of \$34,508,000 for normal cost and \$42,707,000 for payment of unfunded liability.

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 7.931% and 24.708% 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, consisting of \$34,419,000 for normal cost and \$33,783,000 for payment of unfunded liability.

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, 2019 and 2018 were measured as of June 30, 2018 and 2017 (measurement date), using an annual actuarial valuation of June 30, 2017 and 2016, respectively. A summary of principle assumptions and methods used to determine the net pension liability is shown below.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

Actuarial Assumptions

The June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Reporting date	June 30, 2019	June 30, 2019
Measurement date	June 30, 2018	June 30, 2018
Valuation date	June 30, 2017	June 30, 2017
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.150%	7.150%
Inflation	2.50%	2.50%
Payroll growth	3.00%	3.00%
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 (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

Actuarial Assumptions (Continued)

The June 30, 2018 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%
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.

The underlying mortality assumptions and other actuarial assumptions used in the June 30, 2017 and 2016 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.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2019 and June 30, 2018 was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

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, 2019, using measurement date as of June 30, 2018 was as follows:

Miscellaneous & Safety Plans			
Asset Class	New Interim Target Allocation ¹	5 - Year Return Years 1 - 10	10 - Year Return Years 11+
Public Equity	49%	5%	6%
Global Fixed Income	22%	1%	2%
Inflation Sensitive	6%	1%	2%
Private Equity	8%	6%	7%
Real Assets	12%	4%	5%
Liquidity	3%	0%	-1%
Total	100%		

¹ Effectively April, 2018

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

The target allocation for the June 30, 2018, using measurement date as of June 30, 2017 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%	12%	4%
Global Fixed Income	20%	3%	7%
Inflation Sensitive	9%	-2%	0%
Private Equity	8%	12%	9%
Real Assets	13%	10%	1%
Liquidity	4%	0%	1%
Total	100%		

¹ Effectively October 1, 2016.

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, 2018 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):

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous Plan			
Plan's Net Pension Liability (Asset)	\$ 860,544	\$ 568,103	\$ 322,099
Safety Plan			
Plan's Net Pension Liability (Asset)	\$ 177,397	\$ 130,773	\$ 92,431

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):

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
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 (Continued)
June 30, 2019 and 2018

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 miscellaneous plan for the fiscal year ended June 30, 2019, based on a measurement date of June 30, 2018 (dollar amounts in thousands):

Miscellaneous Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2018	\$ 2,330,269	\$ 1,755,360	\$ 574,909
Changes during the year:			
Service cost	48,382	-	48,382
Interest on the total pension liability	163,858	-	163,858
Changes of assumptions	(16,469)	-	(16,469)
Differences between expected and actual experience	11,525	-	11,525
Net Plan to Plan resource movement	-	(7)	7
Contributions from the employer	-	52,106	(52,106)
Contributions from the employees	-	22,042	(22,042)
Net investment income	-	147,891	(147,891)
Benefit payments, including refunds of employee contributions	(115,594)	(115,594)	-
Administrative expense	-	(2,735)	2,735
Other miscellaneous income	-	(5,195)	5,195
Net Changes	91,702	98,508	(6,806)
Balance at June 30, 2019	\$ 2,421,971	\$ 1,853,868	\$ 568,103

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

The following table shows the changes in the net pension liability for safety plan for the fiscal year ended June 30, 2019, based on measurement date of June 30, 2018 (dollar amounts in thousands):

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2018	\$ 329,801	\$ 199,207	\$ 130,594
Changes during the year:			
Service cost	7,563	-	7,563
Interest on the total pension liability	23,272	-	23,272
Changes of assumptions	(1,362)	-	(1,362)
Differences between expected and actual experience	1,241	-	1,241
Net Plan to Plan resource movement	-	3	(3)
Contributions from the employer	-	12,357	(12,357)
Contributions from the employees	-	2,136	(2,136)
Net investment income	-	16,940	(16,940)
Benefit payments, including refunds of employee contributions	(15,962)	(15,962)	-
Administrative expense	-	(311)	311
Other miscellaneous income	-	(590)	590
Net Changes	14,752	14,573	179
Balance at June 30, 2019	\$ 344,553	\$ 213,780	\$ 130,773

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

The following table shows the changes in the net pension liability for the total of miscellaneous and safety plan for the fiscal year ended June 30, 2019, based on measurement date of June 30, 2018 (dollar amounts in thousands):

Total of Miscellaneous and Safety Plans

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2018	\$ 2,660,070	\$ 1,954,567	\$ 705,503
Changes during the year:			
Service cost	55,945	-	55,945
Interest on the total pension liability	187,130	-	187,130
Changes of assumptions	(17,831)	-	(17,831)
Differences between expected and actual experience	12,766	-	12,766
Plan to Plan resource movement	-	(4)	4
Contributions from the employer	-	64,463	(64,463)
Contributions from the employees	-	24,178	(24,178)
Net investment income	-	164,831	(164,831)
Benefit payments, including refunds of employee contributions	(131,556)	(131,556)	-
Administrative expense	-	(3,046)	3,046
Other miscellaneous income	-	(5,785)	5,785
Net Changes	106,454	113,081	(6,627)
Balance at June 30, 2019	\$ 2,766,524	\$ 2,067,648	\$ 698,876

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

The following table shows the changes in the net pension liability for miscellaneous plan for the fiscal 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 (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

Change in Net Pension Liability (Continued)

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

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

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

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 (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

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

For the fiscal year ended June 30, 2019 and 2018, the District incurred a pension expense of \$110,170,000 and \$112,982,000, respectively.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous Plan		
Pension contributions subsequent to measurement date	\$ 64,169	\$ -
Changes of assumptions	60,262	(14,013)
Differences between actual and expected experience	9,012	(971)
Net differences between projected and actual earnings on plan investments	4,261	-
Total	<u>\$ 137,704</u>	<u>\$ (14,984)</u>
Safety Plan		
Pension contributions subsequent to measurement date	\$ 13,046	\$ -
Changes of assumptions	7,340	(908)
Differences between actual and expected experience	1,519	-
Net differences between projected and actual earnings on plan investments	327	-
Total	<u>\$ 22,232</u>	<u>\$ (908)</u>
Total Miscellaneous and Safety		
Pension contributions subsequent to measurement date	\$ 77,215	\$ -
Changes of assumptions	67,602	(14,921)
Differences between actual and expected experience	10,531	(971)
Net differences between projected and actual earnings on plan investments	4,588	-
Total	<u>\$ 159,936</u>	<u>\$ (15,892)</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

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):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous Plan		
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	<u>\$ 169,336</u>	<u>\$ (11,850)</u>
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	<u>\$ 30,586</u>	<u>\$ (706)</u>
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	<u>\$ 199,922</u>	<u>\$ (12,556)</u>

The District recognized the \$68,202,000 deferred outflow for pension contribution after the measurement date in fiscal year 2018 as a reduction of pension liability in fiscal year 2019. The \$77,215,000 deferred outflow for pension contribution after the measurement date in fiscal year 2019 will be recognized as a reduction of net pension liability in fiscal year 2020.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

10. Employees' Retirement Benefits (Continued)

The deferred inflow and deferred outflow of resources as of June 30, 2019 related to pensions will be recognized in future pension expense as follows (dollar amounts in thousands):

Measurement Period Year Ending <u>June 30,</u>	<u>Miscellaneous Plan</u> Deferred Outflows/ (Inflows) of resources	<u>Safety Plan</u> Deferred Outflows/ (Inflows) of resources
2019	\$ 49,566	\$ 8,670
2020	33,457	2,233
2021	(19,493)	(2,054)
2022	(4,979)	(571)
Total	<u>\$ 58,551</u>	<u>\$ 8,278</u>

Payable to the Pension Plan

At June 30, 2019 and 2018, the District had \$3,525,000 and \$3,790,000 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 (Continued)
June 30, 2019 and 2018

11. Money Purchase Pension Plan (Continued)

The District's total expense and funded contribution for this Plan for the years ended June 30, 2019 and 2018 were \$11,964,000 and \$10,962,000 respectively. The MPPP assets at June 30, 2019 and 2018 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were \$342,381,000 and \$336,394,000, respectively. At June 30, 2019, there were approximately 334 (219 in 2018) 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 (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

Basis of Accounting

The financial statements of the Trust are prepared using the accrual basis of accounting. The Trust recognizes contributions from the District in accordance with the provisions contained in 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 in 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 for 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 \$39,511,000 for fiscal year 2019 (including \$4,306,000 implied subsidy). The actuarial valuation for fiscal year 2017 was used to determine the actuarially determined contribution for fiscal year 2019. The District also paid in fiscal year 2019 survivor benefits and life insurance premiums, on a pay as you go basis, amounting to \$213,000 and \$821,000 (including \$679,000 implied subsidy), respectively.

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 2019 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.

The District does not charge any administration cost to the Retiree Health Benefit Trust. For calendar years 2019 and 2018 most retirees paid \$147.14 and \$143.93 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 (Continued)
June 30, 2019 and 2018

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, 2019 and June 30, 2018 for the Retiree Medical Benefit, Survivor Benefit and Retiree Life Insurance totals \$356,573,000 and \$376,433,000, respectively, detail of which is presented below (dollar amounts in thousands):

Fiscal Year Ending	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018
<u>Retiree Medical Benefits</u>		
Total OPEB Liability (TOL)	\$ 625,195	\$ 611,682
Fiduciary Net Position (FNP)	(340,470)	(305,851)
Net OPEB Liability	<u>\$ 284,725</u>	<u>\$ 305,831</u>
<u>Survivor Benefit Plan</u>		
Total OPEB Liability (TOL)	\$ 34,220	\$ 35,093
Fiduciary Net Position (FNP)	-	-
Net OPEB Liability	<u>\$ 34,220</u>	<u>\$ 35,093</u>
<u>Retiree Life Insurance</u>		
Total OPEB Liability (TOL)	\$ 37,628	\$ 35,509
Fiduciary Net Position (FNP)	-	-
Net OPEB Liability	<u>\$ 37,628</u>	<u>\$ 35,509</u>
Total		
Total OPEB Liability (TOL)	\$ 697,043	\$ 682,284
Fiduciary Net Position (FNP)	(340,470)	(305,851)
Net OPEB Liability	<u>\$ 356,573</u>	<u>\$ 376,433</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

The total OPEB liability for retiree medical benefits were determined by actuarial valuations as of June 30, 2019 using the following actuarial assumptions:

Retiree Medical Benefits

	<u>June 30, 2019 Measurement Date</u>
Valuation date	June 30, 2018
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 Trust
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 1997-2015 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-2017
Health care costs trend rate	Non- Medicare-7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare- 6.5% for 2020, 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 (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

The total OPEB liability for retiree medical benefits were determined by actuarial valuations as of June 30, 2018 using the following actuarial assumptions:

Retiree Medical Benefits

	<u>June 30, 2018 Measurement Date</u>
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 Trust
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-2017
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 (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

The total OPEB liability for survivor medical benefits were determined by actuarial valuations as of June 30, 2019 using the following actuarial assumptions:

Survivor Benefit Plan

	<u>June 30, 2019 Measurement Date</u>
Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	3.5% (Bond Buyer 20-year Bond Index)
Long -term investment rate of return	N/A at June 30, 2019
General inflation	2.75% per annum
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-2017
Salary increases	Aggregate - 3% Merit - CalPERS 1997-2015 experience study
Trend	Dental - 3.75% per year Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076
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 (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

The total OPEB liability for survivor medical benefits were determined by actuarial valuations as of June 30, 2018 using the following actuarial assumptions:

Survivor Benefit Plan

	<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	N/A at June 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
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 (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

The total OPEB liability for retiree life insurance were determined by actuarial valuations as of June 30, 2019 using the following actuarial assumptions:

Retiree Life Insurance

	June 30, 2019 Measurement Date
Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	3.50%
Long -term investment rate of return	N/A at June 30, 2018
Municipal bonds	3.50% based on the bond buyer 20-year general obligation index as of June 30, 2019
General inflation	2.75% per annum
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-2017
Salary increases	Aggregate - 3% Merit - CalPERS 1997-2015 experience study
Trend	N/A
Life insurance participation for future retirees	100%, except BPOA and BPMA
Changes of benefit terms	BPOA and BPMA members retiring on or after January 1, 2019 do not have life insurance benefits provided by the District, nor would they be eligible to purchase life insurance through the District plan.
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 (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

The total OPEB liability for retiree life insurance were determined by actuarial valuations as of June 30, 2018 using the following actuarial assumptions:

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	N/A at June 30, 2018
Municipal bonds	3.87% based on the bond buyer 20-year general obligation index as of June 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-2017
Salary increases	Aggregate - 3% Merit - CalPERS 1997-2011 experience study
Trend	N/A
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 (Continued)
June 30, 2019 and 2018

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, 2019 measurement date, calculated using the discount rate of 6.50%, and healthcare trend rate of 7.50% for non-Medicare and 6.50% for Medicare, decreasing to an ultimate rate of 4.00%, 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	\$ 369,392	\$ 284,725	\$ 215,079
Health care costs trend rate			
	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 198,219	\$ 284,725	\$ 391,194

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 7.50% for non-Medicare and 6.50% for Medicare, decreasing to an ultimate rate of 4.00%, 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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in Assumptions (Continued)

Survivor Benefit

The following presents the net OPEB liability of the Survivor Benefit Plan as of the June 30, 2019 measurement date, calculated using the discount rate of 3.50%, and healthcare trend rate of 7.50% for non-Medicare and 6.50% for Medicare decreasing to an ultimate rate of 4.00%, 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 (2.50%)	Current Rate Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 46,910	\$ 34,220	\$ 30,851
Health care costs trend rate			
	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 30,654	\$ 34,220	\$ 47,523

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 7.50% for non-Medicare and 6.50% for Medicare decreasing to an ultimate rate of 4.00%, 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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in Assumptions (Continued)

Retiree Life Insurance

The following presents the net OPEB liability of the Retiree Life Insurance Plan as of the June 30, 2019 measurement date, calculated using the discount rate of 3.50%, 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 (2.50%)	Current Rate Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 45,035	\$ 37,628	\$ 34,307
Health care costs trend rate			
	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 37,628	\$ 37,628	\$ 37,628

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
Health care costs trend rate			
	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 35,509	\$ 35,509	\$ 35,509

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

OPEB Expense

For the fiscal year ended June 30, 2019 and 2018, the District recognized OPEB expense of \$36,564,000 and \$42,328,000 respectively. The details of the OPEB expense were as follow (dollar amounts in thousands):

	<u>Retiree Medical Benefit</u>	<u>Survivor Benefit</u>	<u>Life Insurance</u>	<u>Total</u>
Fiscal year 2019	\$ 35,491	\$ 336	\$ 737	\$ 36,564
Fiscal year 2018	\$ 39,748	\$ 1,179	\$ 1,401	\$ 42,328

Employees covered by Benefit Terms*

At June 30, 2019 reporting date, the following numbers of employees were covered by the benefit terms:

	<u>Retiree Medical Benefits</u>	<u>Survivor Benefits</u>	<u>Retiree Life Insurance</u>
Inactives currently receiving benefits	2,429	235	-
Inactives entitled to but not yet receiving benefits	420	901	2,572
Active Employees	4,025	2,566	3,730
Total	<u>6,874</u>	<u>3,702</u>	<u>6,302</u>

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

	<u>Retiree Medical Benefits</u>	<u>Survivor Benefits</u>	<u>Retiree Life Insurance</u>
Inactives currently receiving benefits	2,492	237	-
Inactives entitled to but not yet receiving benefits	524	949	2,383
Active Employees	3,790	2,369	3,642
Total	<u>6,806</u>	<u>3,555</u>	<u>6,025</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 (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

Deferred Outflows/Inflows of Resources

At June 30, 2019, 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, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Retiree Medical Benefits</u>		
Differences between actual and expected experience	\$ -	\$ 46,324
Changes of assumptions	25,403	-
Net difference between projected and actual earnings on plan investments	817	6,985
Employer contributions made subsequent to measurement date	-	-
Total	<u>\$ 26,220</u>	<u>\$ 53,309</u>
<u>Survivor Benefit Plan</u>		
Differences between actual and expected experience	\$ -	\$ 5,862
Changes of assumptions	1,677	11,907
Net difference between projected and actual earnings on plan investments	-	-
Employer contributions made subsequent to measurement date	-	-
Total	<u>\$ 1,677</u>	<u>\$ 17,769</u>
<u>Retiree Life Insurance</u>		
Differences between actual and expected experience	\$ 109	\$ 344
Changes of assumptions	1,526	2,812
Net difference between projected and actual earnings on plan investments	-	-
Employer contributions made subsequent to measurement date	-	-
Total	<u>\$ 1,635</u>	<u>\$ 3,156</u>
Combined Plan Total	<u>\$ 29,532</u>	<u>\$ 74,234</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

At June 30, 2018, 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 Total	<u>\$ 28,546</u>	<u>\$ 57,369</u>

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2019 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>	
2020	\$ (7,078)
2021	(7,079)
2022	(5,026)
2023	(4,066)
2024	(3,840)
Thereafter	-
Total	\$ (27,089)
<i>Survivor Benefit</i>	
2020	\$ (3,015)
2021	(3,015)
2022	(3,015)
2023	(3,015)
2024	(2,368)
Thereafter	(1,664)
Total	\$ (16,092)
<i>Retiree Life Insurance</i>	
2020	\$ (779)
2021	(779)
2022	(330)
2023	153
2024	214
Thereafter	-
Total	\$ (1,521)

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

Net OPEB Liability/(Asset)

The following tables shows the changes in the net OPEB liability on retiree medical benefits for the fiscal years ended June 30, 2019 and 2018 (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, 2018*	\$ 611,681	\$ 305,850	\$ 305,831
Changes for the year			
Service cost	23,480	-	23,480
Interest	40,503	-	40,503
Changes of benefit terms	(1,224)	-	(1,224)
Difference between expected and actual experience	(29,522)	-	(29,522)
Change of assumptions	4,337	-	4,337
Contributions from the employer	-	39,511	(39,511)
Net investment income	-	19,355	(19,355)
Benefit payments, including refunds***	(24,060)	(24,060)	-
Administrative expense	-	(186)	186
Net Changes	<u>13,514</u>	<u>34,620</u>	<u>(21,106)</u>
Balance at June 30, 2019 **	<u>\$ 625,195</u>	<u>\$ 340,470</u>	<u>\$ 284,725</u>

* Measurement date June 30, 2018

** Measurement date June 30, 2019

*** Includes \$4,306,000 implied subsidy benefit payments for fiscal year 2019

Balance at June 30, 2017*	\$ 573,597	\$ 270,151	\$ 303,446
Changes for the year			
Service cost	21,777	-	21,777
Interest	39,409	-	39,409
Changes of benefit terms	-	-	-
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	<u>38,084</u>	<u>35,699</u>	<u>2,385</u>
Balance at June 30, 2018 **	<u>\$ 611,681</u>	<u>\$ 305,850</u>	<u>\$ 305,831</u>

* 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 (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

Net OPEB Liability/(Asset) (Continued)

The following tables shows the changes in the net OPEB liability on survivor benefit for the fiscal years ended June 30, 2019 and 2018 (dollar amounts in thousands):

Survivor Benefit Plan

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018**	\$ 35,093	\$ -	\$ 35,093
Changes for the year			
Service cost	1,901	-	1,901
Interest	1,428	-	1,428
Changes of benefit terms	22	-	22
Difference between expected and actual experience	(5,946)	-	(5,946)
Change of assumptions	1,935	-	1,935
Contributions from the employer	-	213	(213)
Benefit payments, including refunds	(213)	(213)	-
Net Changes	(873)	-	(873)
Balance at June 30, 2019 ***	\$ 34,220	\$ -	\$ 34,220
Balance at June 30, 2017*	\$ 42,456	\$ -	\$ 42,456
Changes for the year			
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

* Measurement date June 30, 2017

** Measurement date June 30, 2018

*** Measurement date June 30, 2019

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

12. Other Postemployment Benefits (Continued)

Net OPEB Liability/(Asset) (Continued)

The following tables shows the changes in the net OPEB liability on retiree life insurance for the fiscal years ended June 30, 2019 and 2018 (dollar amounts in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018**	\$ 35,509	\$ -	\$ 35,509
Changes for the year			
Service cost	1,146	-	1,146
Interest	1,402	-	1,402
Changes of benefit terms	(1,032)	-	(1,032)
Difference between expected and actual experience	(414)	-	(414)
Change of assumptions	1,838	-	1,838
Contributions from the employer	-	821	(821)
Benefit payments, including refunds****	(821)	(821)	-
Net Changes	2,119	-	2,119
Balance at June 30, 2019***	<u>\$ 37,628</u>	<u>\$ -</u>	<u>\$ 37,628</u>
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 **	<u>\$ 35,509</u>	<u>\$ -</u>	<u>\$ 35,509</u>

* Measurement date June 30, 2017

** Measurement date June 30, 2018

*** Measurement date June 30, 2019

**** Includes implied subsidy benefit payments of \$679,000 and \$547,000 in fiscal year 2019 and 2018, respectively

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

13. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses, for the fiscal year ended June 30, 2019 and 2018 amounted to \$12,575 and \$23,900, 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 \$4,101,000 for marketing and administrative services during fiscal year 2019 and \$3,967,000 during fiscal year 2018. 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 \$2,508,000 and \$1,640,000 as of June 30, 2019 and 2018, 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 31.0% and 69.0% between the District and AC Transit, respectively, except for 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 (Continued)
June 30, 2019 and 2018

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 75.0% and 25.0%, respectively, after defeasance of the Agency's final incremental contribution to the parking garage project.

The District agreed that the rent on the 2nd Phase (Block C) of the Pleasant Hill/Contra Costa Centre Transit Village will be shared between the two JPA members, Contra Costa County and BART. The agreement stipulates that the District will receive 100% of the rental proceeds from the project, less the 10% adjustment by the County for their costs to administer and manage all records and accounting associated with the Transit Village up to \$4.5M net present value, after which the sharing of revenue will revert to the 75/25 split.

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 obligation 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").

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

14. Related Organizations and Joint Venture Projects (Continued)

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 fiscal year 2020 or later.

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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

14. Related Organizations and Joint Venture Projects (Continued)

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 since the TBF commences accrual in October 2019, the first anniversary of the project stabilization date.

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 2019 amounts to \$552,000 (\$547,000 in fiscal year 2018) and traffic citation fees collected in fiscal year 2019 amounts to \$33,000 (\$30,000 in fiscal year 2018). 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

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 of the building located at 101 Eight Street, Oakland, California, to discharge operational obligations and to assess sufficient amounts to meet all required expenditures of the common areas and certain easements of the Project.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

14. Related Organizations and Joint Venture Projects (Continued)

On January 27, 2017, the District entered into a Purchase Agreement with MTC for the acquisition of the land and building administered by the RAFC. As of June 22, 2017, the District became 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 2019 and 2018, RAFC was managed by the District's Real Estate group. Formal dissolution of RAFC is expected to occur in fiscal year 2020.

Santa Clara Valley Transportation Authority

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 Santa Clara Valley Transportation Authority (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 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 of 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 \$2,420,000,000 in YOE dollars, was granted a FTA Full Funding Grant Agreement in March of 2012. SVBX is expected to start revenue service by early 2020.

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 (Continued)
June 30, 2019 and 2018

14. Related Organizations and Joint Venture Projects (Continued)

Northern California Power Agency (NCPA)

The operation of the BART system requires substantial electricity. The District's current annual electric energy requirement is approximately 425,000 megawatt-hours (MWh), with peak electric demand of approximately 85 megawatts (MW). With authorization granted under statute, the District currently procures its electric supply from wholesale resources with support from the Northern California Power Agency (NCPA), a Joint Powers Authority comprised of 16 public entities, including BART. To support the price stability of the District's long-term electric supply planning and budgeting, the Board authorized the District's participation in funding the planning and development activities of NCPA's Lodi Energy Center (LEC), a gas-fired generator commissioned in 2012. The District is a 6.6% equity share owner of NCPA's LEC. The Lodi facility is operated according to the needs of the California Independent System Operator (CAISO), the entity responsible for grid operations and facilitation of wholesale electric markets in California.

The District pays operations, maintenance, and fuel costs for its share of the facility, and receives a proportionate share of the revenues from the energy, capacity and ancillary services sold into wholesale electric markets.

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.

Wholesale Electric Procurement

The District purchases electricity and other wholesale products to serve its electrical load requirements and satisfy various compliance obligations as a wholesale market participant. Existing contracts for electricity and other wholesale products currently extend as far as calendar year 2040 with a total remaining contract value of approximately \$316,092,000 as of June 30, 2019. Contract values are subject to change over time as the District proceeds with its ongoing electric procurement activities.

Included in the above value are the contracts with NCPA, which are in place through calendar year 2036, with a total remaining contract value of \$54,406,000 and \$68,642,000 as of June 30, 2019 and June 30, 2018, respectively.

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 \$6,448,000 in fiscal year 2019 (\$6,242,000 in fiscal year 2018). As part of the contract, the District is also required to deposit to a reserve account, an amount of \$768,000 annually, subject to escalation, for Capital Asset Replacement Program (CARP). The District allocated to the CARP reserve account \$991,000 and \$951,000 in fiscal year 2019 and 2018, respectively. 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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

15. Commitments and Contingencies (Continued)

Future minimum rental payments under noncancelable operating leases with initial or remaining lease terms of over one year at June 30, 2019 are as follows (dollar amounts in thousands):

<u>Year ending June 30:</u>	<u>Operating Leases</u>
2020	\$ 19,219
2021	19,483
2022	4,470
2023	3,267
2024	3,106
2025-2029	14,831
2030-2034	12,500
2035-2039	12,500
2040-2044	12,500
2045-2049	12,500
2050-2054	<u>9,792</u>
Total minimum rental payments	<u>\$ 124,168</u>

Rent expenses under all operating leases were \$12,994,000 and \$12,279,000 for the fiscal years ended June 30, 2019 and 2018, 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 15.0% 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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

15. Commitments and Contingencies (Continued)

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 2019 and fiscal year 2018 amounted to \$158,000 each year. The percentage rent offset for fiscal year 2019 is \$25,000 (\$28,000 in fiscal year 2018). The remaining balance in the Replacement Parking Rent Credit was \$2,355,000 as of June 30, 2019 (\$2,683,000 as of June 30, 2018).

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

16. Subsequent Events

2019 Measure AA General Obligation Bonds Series F-1 and F-2 Green Bonds (the 2019F Measure AA GO Bonds)

On August 14, 2019, the District issued the 2019F Measure AA General Obligation Bonds, with an aggregate principal amount of \$240,000,000. The 2019F Measure AA GO Bonds were issued in 2 series, 2019F-1 Measure AA Bonds in the amount of \$205,100,000 and 2019F-2 Measure AA Bonds (Federally Taxable) in the amount of \$34,900,000. The 2019F Measure AA GO Bonds constitute the last issue of general obligation bonds being issued pursuant to the \$ 980,000,000 authorization approved at an election held on November 2, 2004, by at least two-thirds of the qualified voters of the District voting on a ballot measure (“Measure AA), titled “BART Earthquake Safety Bond”. The 2019F 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 2019F Measure AA GO Bonds. The purpose of the 2019F Measure AA GO Bonds is 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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

16. Subsequent Events (Continued)

2019 Measure AA General Obligation Bonds Refunding Series G Green Bonds (the 2019G Measure AA Refunding GO Bonds)

On August 14, 2019, in addition to the issuance of the 2019F Measure AA GO Bonds, the District issued the 2019G Measure AA Refunding General Obligation Bonds, with a principal amount of \$43,500,000. The 2019G 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 2019G Measure AA Refunding GO Bonds. The purpose of the 2019G Measure AA Refunding GO Bonds is to apply the proceeds, together with other District funds, to refund \$59,540,000 principal amount of the District's 2013C Measure AA GO Bonds and to pay costs of issuance of the 2019G 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.

2019 Measure RR General Obligation Bonds Series B-1 and B-2 Green Bonds (the 2019B Measure RR GO Bonds)

On August 14, 2019, the District issued the 2019B Measure RR General Obligation Bonds with an aggregate principal amount of \$360,000,000. The 2019B Measure RR GO Bonds were issued in 2 series, 2019B-1 Measure RR Bonds in the amount of \$313,205,000 and 2019B-2 Measure RR Bonds (Federally Taxable) in the amount of \$46,795,000. The 2019B 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 2019G 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. The 2019B Measure RR GO Bonds constitute the second issue of general obligation bonds being issued pursuant to the Measure RR authorization. Proceeds from the 2019B 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 2019B Measure RR Bonds.

After the issuance of the 2019B Measure RR GO Bonds, the remaining Measure RR General Obligation Bonds that can be issued by the District as authorized under Measure RR is \$2,840,000,000.

2019 Series A Sales Tax Revenue Bonds (the 2019A Bonds)

In October 2019, the District issued the 2019 Series A Sales Tax Revenue Bonds, with a principal amount of \$223,020,000 to (1) fund the acquisition, construction, renovation, improvement and equipping of facilities which will serve as the District's new headquarters; (2) fund capitalized interest through July 1, 2021; and (3) fund costs of issuance associated with the Series 2019A Bonds. The 2019A 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.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

16. Subsequent Events (Continued)

2019 Series B Sales Tax Revenue Refunding Bonds (the 2019B Refunding Bonds)

In October 2019, the District issued the 2019 Series B Sales Tax Revenue Refunding Bonds, with a principal amount of \$80,290,000 to (1) refund a portion of the outstanding Series 2012A Bonds; and (2) pay costs of issuance of the 2019B Refunding Bonds. The 2019B 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.

New BART Headquarters

On September 12, 2019, the Board of Directors approved the purchase of a newly renovated building located at 2150 Webster Street, Oakland California. The lease at BART's current headquarters at 300 Lakeside Drive expires in July 2021 and the cost of leasing the 369,000 square feet of office space on 14 floors with a boardroom in a separate building is set to increase by 60%.

The purchase price of the building is \$142,000,000, while the build out of the work space, including a new BART Board room, all furniture, fixtures, equipment, and technology infrastructure and the cost to relocate will be \$85,000,000, for a total amount of \$227,000,000.

The entire cost is being financed by the 2019 Series A Sales Tax Revenue Bonds which will mature in 25 years. The District is expected to save at least \$210,000,000 over that 25-year period by purchasing the building rather than staying at the Lakeside Drive location. Expected move is in the Spring of 2021.

Millbrae Transit Oriented Development

On August 8, 2019 the District entered into a Lease Option Agreement with Republic Millbrae LLC to separately ground lease four parcels for the development of a transit oriented mixed-use project. Subject to modifications, the project is anticipated to consist of (1) approximately 300 market rate apartment units (2) approximately 100 affordable apartment units (80 veterans preferred and 20 moderate income) (3) approximately 44,000 square feet of retail space (4) approximately 150,000 square feet of office space and (5) an approximately 160 room hotel. The ground lease term is for 99 years.

The District has evaluated subsequent events through November 26, 2019, the date that the financial statements were available to be issued. Other than the events aforementioned, there were no other subsequent events have occurred that would have a material impact on the presentation of the financial statements.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited)
June 30, 2019 and 2018

DEFINED BENEFIT PENSION PLAN

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

Miscellaneous	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 48,382	\$ 45,264	\$ 37,959	\$ 36,151	\$ 36,182
Interest on total pension liability	163,858	157,621	152,757	146,226	139,931
Changes of assumptions	(16,469)	120,524	-	(32,773)	-
Differences between expected and actual experience	11,525	(1,484)	1,193	(4,807)	-
Benefit payments, including refunds of employee contributions	(115,594)	(108,947)	(102,543)	(95,653)	(89,968)
Net change in total pension liability	91,702	212,978	89,366	49,144	86,145
Total pension liability - beginning	2,330,269	2,117,291	2,027,925	1,978,781	1,892,636
Total pension liability - ending	<u>\$ 2,421,971</u>	<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	52,106	47,272	\$ 38,283	\$ 32,466	\$ 28,276
Contributions - Employee	22,042	20,144	18,174	17,818	21,375
Plan to Plan resource movement	(7)	12	(1)	(36)	-
Net investment income	147,891	181,091	8,747	37,388	251,137
Benefit payments, including refunds of employee contributions	(115,594)	(108,947)	(102,543)	(95,653)	(89,968)
Administrative expense	(2,735)	(2,389)	(1,009)	(1,865)	-
Other miscellaneous income / (expenses)	(5,195)	-	-	-	-
Net change in fiduciary net position	98,508	137,183	(38,349)	(9,882)	210,820
Plan fiduciary net position - beginning	1,755,360	1,618,177	1,656,526	1,666,408	1,455,588
Plan fiduciary net position - ending	<u>1,853,868</u>	<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>\$ 568,103</u>	<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	76.54%	75.33%	76.43%	81.69%	84.21%
Covered payroll**	\$ 307,661	\$ 285,848	\$ 264,024	\$ 246,901	\$ 240,171
Plan net pension liability as a percentage of covered payroll	184.65%	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 five years of information is shown.

** Based on actuarial report

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2019 and 2018

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Safety	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 7,563	\$ 7,416	\$ 6,491	\$ 5,935	\$ 5,790
Interest on total pension liability	23,272	22,274	21,340	20,099	18,885
Changes of assumptions	(1,362)	18,632	-	(4,942)	-
Differences between expected and actual experience	1,241	745	4,387	4,794	-
Benefit payments, including refunds of employee contributions	(15,962)	(15,408)	(14,803)	(14,140)	(13,199)
Net change in total pension liability	14,752	33,659	17,415	11,746	11,476
Total pension liability - beginning	329,801	296,142	278,727	266,981	255,505
Total pension liability - ending	<u>\$ 344,553</u>	<u>\$ 329,801</u>	<u>\$ 296,142</u>	<u>\$ 278,727</u>	<u>\$ 266,981</u>
Plan fiduciary net position					
Contributions - Employer	12,357	11,742	\$ 10,038	\$ 9,428	\$ 7,442
Contributions - Employee	2,136	2,165	1,854	1,917	2,817
Plan to Plan resource movement	3	(14)	1	1	-
Net investment income	16,940	20,183	924	4,015	27,150
Benefit payments, including refunds of employee contributions	(15,962)	(15,408)	(14,803)	(14,140)	(13,199)
Administrative expense	(311)	(267)	(112)	(206)	-
Other miscellaneous income / (expenses)	(590)	-	-	-	-
Net change in fiduciary net position	14,573	18,401	(2,098)	1,015	24,210
Plan fiduciary net position - beginning	199,207	180,806	182,904	181,889	157,679
Plan fiduciary net position - ending	<u>213,780</u>	<u>199,207</u>	<u>\$ 180,806</u>	<u>\$ 182,904</u>	<u>\$ 181,889</u>
Plan net pension liability - ending	<u>\$ 130,773</u>	<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	62.05%	60.40%	61.05%	65.62%	68.13%
Covered payroll**	\$ 20,809	\$ 20,420	\$ 19,738	\$ 17,941	\$ 17,377
Plan net pension liability as a percentage of covered payroll	628.44%	639.54%	584.33%	534.10%	489.68%

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, 2017 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 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actual Assumptions December 2017. There was no change in the discount rate. 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 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.50% discount rate.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2019 and 2018

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Miscellaneous					
	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 64,169	\$ 56,040	\$ 46,709	\$ 39,768	\$ 32,756	\$ 28,213
Contributions in relation to the actuarially determined contribution	(64,169)	(56,040)	(46,709)	(39,768)	(32,756)	(28,213)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 345,828	\$ 315,184	\$ 288,637	\$ 265,778	\$ 245,593	\$ 226,893
Contribution as a percentage of covered payroll	18.56%	17.78%	16.18%	14.96%	13.34%	12.43%

	Safety					
	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 13,046	\$ 12,162	\$ 11,677	\$ 10,658	\$ 9,512	\$ 7,423
Contributions in relation to the actuarially determined contribution	(13,046)	(12,162)	(11,677)	(10,658)	(9,512)	(7,423)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 22,789	\$ 21,946	\$ 20,953	\$ 20,410	\$ 19,741	\$ 17,077
Contribution as a percentage of covered payroll	57.25%	55.42%	55.73%	52.22%	48.18%	43.47%

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

** Based on actual payroll

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Pension Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2019 were derived from the June 30, 2016 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% compounded annually	2.75% compounded annually
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% compounded annually	3% compounded annually
Discount Rate	7.375% compounded annually, net of Investment & Administrative Expenses	7.375% compounded annually, net of Investment & Administrative Expenses
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 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) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Pension Contributions (Continued)

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% compounded annually	2.75% compounded annually
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% compounded annually	3% compounded annually
Discount Rate	7.50% compounded annually, net of Investment & Administrative Expenses	7.50% compounded annually, net of Investment & Administrative Expenses
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 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) (Continued)
June 30, 2019 and 2018

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 2019	FY 2018	FY 2017
Total OPEB liability			
Service cost	\$ 23,480	\$ 21,777	\$ 21,143
Interest	40,503	39,409	36,977
Changes of benefit terms	(1,224)	-	-
Difference between expected and actual experience	(29,522)	(35,022)	-
Change of assumptions	4,337	35,015	-
Benefit payments, including refunds **	(24,060)	(23,095)	(22,396)
Net changes in total OPEB liability	13,514	38,084	35,724
Total OPEB liability- beginning	611,681	573,597	537,873
Total OPEB liability- ending	\$ 625,195	\$ 611,681	\$ 573,597
Fiduciary net position			
Contributions from the employer	\$ 39,511	\$ 35,569	\$ 28,912
Net investment income	19,355	23,448	26,497
Benefit payments, including refunds **	(24,060)	(23,095)	(22,396)
Administrative expense	(186)	(223)	(266)
Net changes in total fiduciary net position	34,620	35,699	32,747
Total fiduciary net position- beginning	305,850	270,151	237,404
Total fiduciary net position- ending	\$ 340,470	\$ 305,850	\$ 270,151
Net OPEB liability	\$ 284,725	\$ 305,831	\$ 303,446
Plan fiduciary net position as a percentage of the total OPEB liability	54.46%	50.00%	47.10%
Covered employee payroll	\$463,124	\$418,573	\$372,887
Net OPEB liability as a percentage of covered employee payroll	61.48%	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 \$4,306,000, \$4,196,000 and \$3,900,000 in fiscal year 2019, 2018 and 2017, respectively.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2019 and 2018

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

Survivor Benefit Plan

	FY 2019	FY 2018	FY 2017
Total OPEB liability			
Service cost	\$ 1,901	\$ 2,071	\$ 2,559
Interest	1,428	1,588	1,396
Changes of benefit terms	22	-	-
Difference between expected and actual experience	(5,946)	(1,017)	-
Change of assumptions	1,935	(9,676)	(7,743)
Benefit payments, including refunds	(213)	(329)	(346)
Net changes in total OPEB liability	(873)	(7,363)	(4,134)
Total OPEB liability- beginning	35,093	42,456	46,590
Total OPEB liability- ending	\$ 34,220	\$ 35,093	\$ 42,456
Fiduciary net position			
Contributions from the employer	\$ 213	\$ 329	\$ 346
Benefit payments, including refunds	(213)	(329)	(346)
Net changes in total fiduciary net position	-	-	-
Total fiduciary net position- beginning	-	-	-
Total fiduciary net position- ending	\$ -	\$ -	\$ -
Net OPEB liability	\$ 34,220	\$ 35,093	\$ 42,456
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered employee payroll	\$ 463,124	\$ 418,573	\$ 372,887
Net OPEB liability as a percentage of covered employee payroll	7.39%	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) (Continued)
June 30, 2019 and 2018

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

Retiree Life Insurance

	FY 2019	FY 2018	FY 2017
Total OPEB liability			
Service cost	\$ 1,146	\$ 1,158	\$ 1,401
Interest	1,402	1,264	1,101
Changes of benefit terms	(1,032)	-	-
Difference between expected and actual experience	(414)	167	-
Change of assumptions	1,838	(891)	(4,915)
Benefit payments, including refunds **	(821)	(679)	(685)
Net changes in total OPEB liability	2,119	1,019	(3,098)
Total OPEB liability - beginning	35,509	34,490	37,588
Total OPEB liability - ending	\$ 37,628	\$ 35,509	\$ 34,490
Fiduciary net position			
Contributions from the employer **	\$ 821	\$ 679	\$ 685
Benefit payments, including refunds **	(821)	(679)	(685)
Administrative expense	-	-	-
Net changes in total fiduciary net position	-	-	-
Total fiduciary net position - beginning	-	-	-
Total fiduciary net position - ending	\$ -	\$ -	\$ -
Net OPEB liability	\$ 37,628	\$ 35,509	\$ 34,490
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered employee payroll	\$ 463,124	\$ 418,573	\$ 372,887
Net OPEB liability as a percentage of covered employee payroll	8.12%	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 \$679,000 in fiscal year 2019, \$547,000 in fiscal year 2018 and \$542,000 in fiscal year 2017

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2019 and 2018

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

Retiree Medical Benefits

	Fiscal year 2018/2019	Fiscal year 2017/2018	Fiscal year 2016/2017
Actuarially determined contribution (ADC)	\$ 39,511	\$ 35,569	\$ 28,912
Contributions in relation to the actuarially determined contribution	<u>(39,511)</u>	<u>(35,569)</u>	<u>(28,912)</u>
Contribution deficiency / (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 463,124	\$ 418,573	\$ 372,887
Contributions as a percentage of covered payroll	8.53%	8.50%	7.75%

Survivor Benefit Plan

	Fiscal year 2018/2019	Fiscal year 2017/2018	Fiscal year 2016/2017
Actuarially determined contribution (ADC)	\$ 2,911	\$ 2,672	\$ 3,138
Contributions in relation to the actuarially determined contribution	<u>(213)</u>	<u>(329)</u>	<u>(349)</u>
Contribution deficiency / (excess)	<u>\$ 2,698</u>	<u>\$ 2,343</u>	<u>\$ 2,789</u>
Covered payroll **	\$ 463,124	\$ 418,573	\$ 372,887
Contributions as a percentage of covered payroll	0.05%	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) (Continued)
June 30, 2019 and 2018

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

Retiree Life Insurance

	<u>Fiscal year 2018/2019</u>	<u>Fiscal year 2017/2018</u>	<u>Fiscal year 2016/2017</u>
Actuarially determined contribution (ADC)	\$ 3,624	\$ 3,071	\$ 2,450
Contributions in relation to the actuarially determined contribution	<u>(821)</u>	<u>(679)</u>	<u>(685)</u>
Contribution deficiency / (excess)	<u>\$ 2,803</u>	<u>\$ 2,392</u>	<u>\$ 1,765</u>
Covered payroll **	\$ 463,124	\$ 418,573	\$ 372,887
Contributions as a percentage of covered payroll	0.18%	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) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2019 as follows:

Retiree Medical Benefits

Valuation date	June 30, 2017		
Actuary	Bartel Associates, LLC		
Actuarial cost method	Entry Age, level percentage of payroll		
Amortization Method	Level percent of payroll		
Amortization Period	16- year fixed period for 2017 valuation changes		
Asset Valuation Method	Market value of asset		
Discount Rate	6.50%		
General Inflation	2.75%		
Medical Trend		Increase from Prior Year	
	Year	Non-Medicare	Medicare
	2017	Actual Premiums	
	2018	Actual Premiums	
	2019	7.5%	6.5%
	2020	7.5%	6.5%
	2021	7.25%	6.3%
Mortality	CalPERS 1997-2011 Experience Study		
Mortality Improvement	Mortality projected fully generational Scale MP-2017		

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution (ADC) for fiscal year 2018 as 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 2016 valuation changes		
Asset Valuation Method	Market value of asset		
Discount Rate	6.75%		
General Inflation	3.00%		
Medical Trend		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) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2017 as 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) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2019 as follows:

Survivor Benefits

Valuation date	June 30, 2017
Actuary	Bartel Associates, LLC
Cost method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	23-year fixed (closed) period beginning June 30, 2017
Future New entrants	Closed group, no new hires
Valuation Assets	Equal to District's reserves
Discount Rate	6.50% - for Actuarial Accrued Liability (AAL) and ADC Expected rate of return on Retiree Health Benefit Trust
General Inflation	2.75%
Mortality, withdrawal, disability	CalPERS 1997-2011 Experience Study Mortality projected fully generational Scale MP-2017

Medical Trend	Increase from Prior Year	
	Year	Non- Medicare Medicare
	2017	Actual Premiums
	2018	Actual Premiums
	2019	7.5% 6.5%
	2020	7.5% 6.5%
	2021	7.25% 6.3%

Aggregate salary increases	3.00%. Used for level percent of payroll amortization and entry age allocation method only
Dental and Vision Trend	3.75% 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 Inflation based on the Plan's long time horizon Age-based claims are based on Society of Actuaries publication Mortality improvement based on Society of Actuaries table Participation and coverage based on plan experience

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for the fiscal year 2018 as 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 District'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	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 and entry age allocation method 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 Society of Actuaries table Participation and coverage based on plan experience

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2019 as follows:

Retiree Life Insurance

Valuation date	June 30, 2017
Actuary	Bartel Associates, LLC
Funding Policy	No current pre-funding Benefit paid from BART funds
General Inflation	2.75%
Discount Rate	3.75%
Payroll Increase	Aggregate Increases - 3.00% 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 16- years remaining in July 1, 2018
Mortality, Disability, Withdrawal	CalPERS 1997-2011 Experience Study Mortality projected fully generational Scale MP-2017
Service Retirement	CalPERS 1997-2011 Experience Study Safety: Expected Retirement Age: 54.6 Miscellaneous: Expected Retirement Age: 60.3
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) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2018 as 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) (Continued)
June 30, 2019 and 2018

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2017 as 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.