PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 7, 2017

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Standard & Poor's: "AA+"
Fitch: "AA+"
See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2017 Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017 Bonds. See "TAX MATTERS" herein.

$188,095,000*
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS

$120,730,000*	$67,365,000*
2017 REFUNDING SERIES A (GREEN BONDS)	**2017 REFUNDING SERIES B (FEDERALLY TAXABLE) (GREEN BONDS)**

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

The San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series A (Green Bonds) (the "Series 2017A Bonds") and 2017 Refunding Series B (Federally Taxable) (Green Bonds) (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Series 2017 Bonds") are being issued by the San Francisco Bay Area Rapid Transit District (the "District") to, along with other District funds, provide sufficient funds to (i) refund all or a portion of the District's Sales Tax Revenue Bonds, Refunding Series 2010, the District's Sales Tax Revenue Bonds, 2012 Series A, and the District's Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable) and (ii) fund costs of issuance associated with the Series 2017 Bonds. See "PLAN OF REFUNDING" herein. The Series 2017 Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Series 2017 Bonds will be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry-only form. Purchasers of the Series 2017 Bonds will not receive bonds representing their beneficial ownership in the Series 2017 Bonds but will receive a credit balance on the books of their respective DTC Direct Participants or DTC Indirect Participants.

Interest on the Series 2017 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2018, and the principal of the Series 2017 Bonds is payable July 1 in the amounts and the years set forth on the inside cover by U.S. Bank National Association, as trustee, to Cede & Co., and such interest and principal payments are to be disbursed to the beneficial owners of the Series 2017 Bonds through their respective DTC Direct Participants or DTC Indirect Participants.

The Series 2017 Bonds are subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2017 BONDS" herein.

The Series 2017 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, as more fully described herein. The Series 2017 Bonds are issued on a parity with certain other bonds issued by the District and currently outstanding. See "SECURITY FOR THE SERIES 2017 BONDS" herein.

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2017 Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by its General Counsel, Matthew Burrows, Esq., and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriters by their counsel, Curls Bartling P.C. The Series 2017 Bonds in book-entry-only form are expected to be delivered through the facilities of DTC on or about December 28, 2017.

Barclays | **Goldman Sachs & Co. LLC**

Fidelity Capital Markets | **J.P. Morgan**

The date of this Official Statement is December __, 2017.

* Preliminary, subject to change.

$120,730,000*
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS
2017 REFUNDING SERIES A
(GREEN BONDS)

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount*	Interest Rate	Yield	CUSIP† (Base: 797669)
2023	$8,575,000			
2024	11,960,000			
2025	12,415,000			
2026	13,000,000			
2027	13,570,000			
2028	14,160,000			
2029	7,385,000			
2030	7,655,000			
2031	7,920,000			
2032	8,210,000			
2033	8,520,000			
2034	7,360,000			

$67,365,000*
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS
2017 REFUNDING SERIES B
(FEDERALLY TAXABLE) (GREEN BONDS)

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount*	Interest Rate	Price	CUSIP† (Base: 797669)
2018	$1,200,000			
2019	8,200,000			
2020	8,745,000			
2021	15,870,000			
2022	17,775,000			
2023	15,575,000			

* Preliminary, subject to change.

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This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor will there be any offer or solicitation or sale of the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the San Francisco Bay Area Rapid Transit District (the "District") or the underwriters identified on the cover page of this Official Statement (the "Underwriters") to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the Series 2017 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2017 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been obtained from sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. (No representation, warranty or guarantee is made by the Municipal Advisor as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or will be relied upon as a promise or representation by the Municipal Advisor.)

FORWARD LOOKING STATEMENTS

This Official Statement, including the cover and inside cover page and all appendices hereto, contains forecasts, projections and estimates that are based on current expectations or assumptions. When included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements which speak only as of the date of this Official Statement. Any such statements inherently are subject to a variety of risks and uncertainties which could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, changes in economic conditions, federal, state and local statutory and regulatory initiatives, litigation, seismic events, and various other events, conditions and circumstances, many of which are beyond the control of the District. The inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the District that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The Series 2017 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

The District maintains a website. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specifically indicated otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2017 Bonds.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2017 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2017 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

CERTIFICATION AS CLIMATE BONDS

The Climate Bonds Initiative has provided the following paragraphs for inclusion in this official statement: The certification of the Series 2017 Bonds as Climate Bonds by the Climate Bonds Initiative is based solely on the Climate Bonds Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Series 2017 Bonds or any Nominated Project, including but not limited to the Official Statement, the transaction documents, the District or the management of the District.

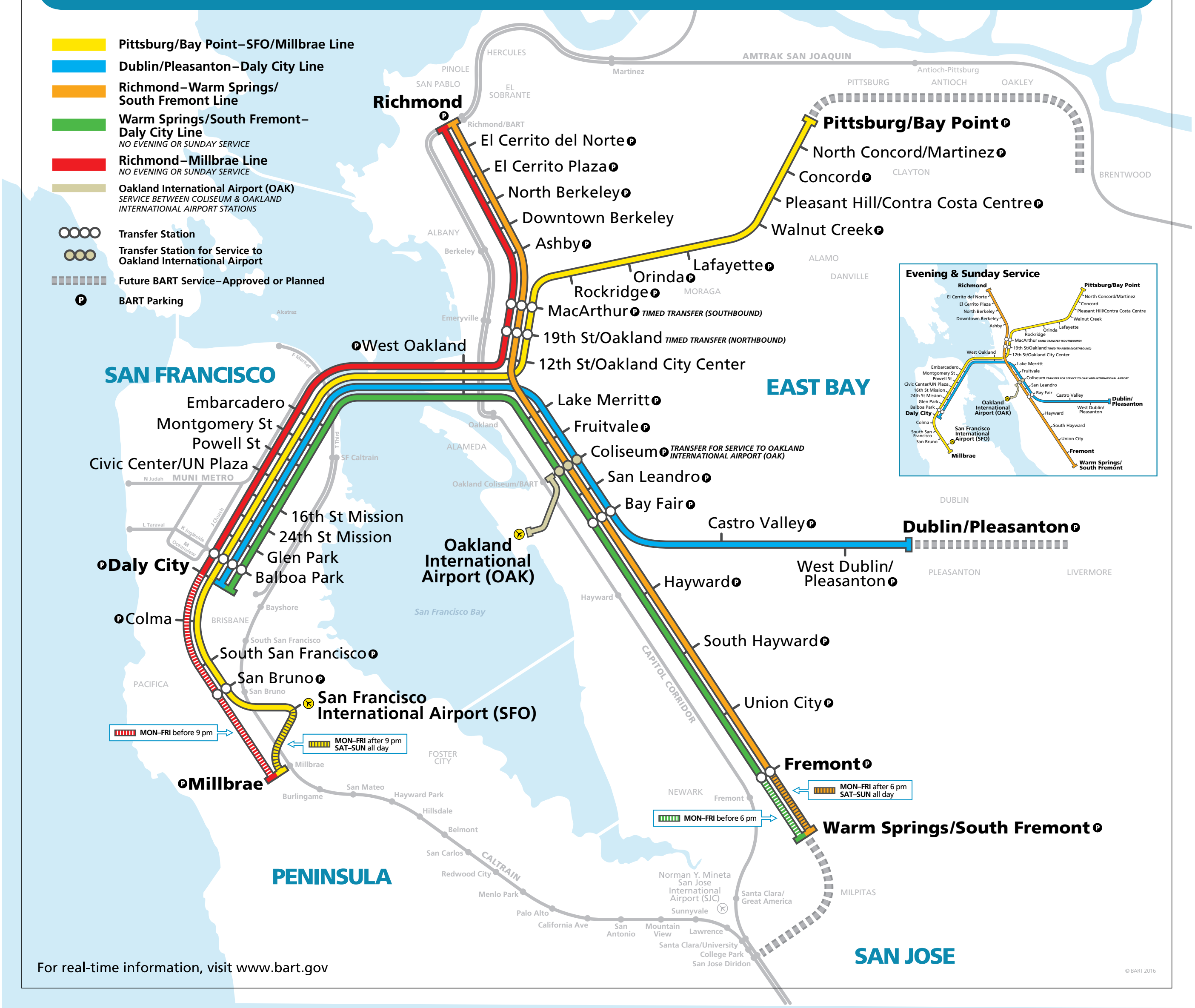
The certification of the Series 2017 Bonds as Climate Bonds by the Climate Bonds Initiative was addressed solely to the board of directors of the District and is not a recommendation to any person to purchase, hold or sell the Series 2017 Bonds and such certification does not address the market price or suitability of the Series 2017 Bonds for a particular investor. The certification also does not address the merits of the decision by the District or any third party to participate in any Nominated Project and does not express and should not be deemed to be an expression of an opinion as to the District or any aspect of any Nominated Project (including but not limited to the financial viability of any Nominated Project) other than with respect to conformance with the Climate Bonds Standard.

In issuing or monitoring, as applicable, the certification, the Climate Bonds Initiative has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the Climate Bonds Initiative. The Climate Bonds Initiative does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any Nominated Project or the District. In addition, the Climate Bonds Initiative does not assume any obligation to conduct (and it has not conducted) any physical inspection of any Nominated Project. The certification may only be used with the Series 2017 Bonds and may not be used for any other purpose without the Climate Bonds Initiative's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Series 2017 Bonds and/or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the Climate Bonds Initiative's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

BART System Map



For real-time information, visit www.bart.gov

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

300 Lakeside Drive, 23rd Floor
Oakland, California 94612

BOARD OF DIRECTORS*

Rebecca Saltzman *President*	Robert Raburn *Vice President*	Debora Allen *Director*
Thomas Blalock *Director*	Bevan Dufty *Director*	Joel Keller *Director*
Nicholas Josefowitz *Director*	John McPartland *Director*	Lateefah Simon *Director*

OFFICERS

Grace Crunican – General Manager
Rosemarie V. Poblete – Controller/Treasurer
Kenneth A. Duron – District Secretary
Russell G. Bloom – Independent Police Auditor

GENERAL COUNSEL

Matthew Burrows, Esq.

TRUSTEE

U.S. Bank National Association
San Francisco, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

MUNICIPAL ADVISOR

Sperry Capital Inc.
Sausalito, California

VERIFICATION AGENT

The Arbitrage Group, Inc.
Houston, Texas

* The Board of Directors will choose a new President and Vice President at its meeting on December 21, 2017.

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SALES TAX REVENUE BONDS
2017 REFUNDING SERIES A
(GREEN BONDS)

$67,365,000*
SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
SALES TAX REVENUE BONDS
2017 REFUNDING SERIES B
(FEDERALLY TAXABLE) (GREEN BONDS)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information in connection with the issuance by the San Francisco Bay Area Rapid Transit District (the "District" or "BART") of $120,730,000* aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series A (Green Bonds) (the "Series 2017A Bonds") and $67,365,000* aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series B (Federally Taxable) (Green Bonds) (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Series 2017 Bonds").

The District was created in 1957 pursuant to the laws of the State of California (the "State") to provide rapid transit service in the San Francisco Bay area. The District is composed of all of the area in the Counties of Alameda and Contra Costa and the City and County of San Francisco (herein referred to as the "Three BART Counties"). In addition, the District owns property within the County of San Mateo on which BART facilities are located, and the District acquired the right to use additional right of way and station locations in connection with the extension of its rapid transit system (the "BART System") to the San Francisco International Airport ("SFO") located in the County of San Mateo. Extension of the BART System to the County of Santa Clara is currently under construction. The District's transit system extends over 100 miles and is the major transit provider of transbay traffic from the East Bay to downtown San Francisco, averaging over 231,000 transbay passengers each weekday and over 125 million passengers annually. The District is governed by an elected board of directors consisting of nine members. For additional information concerning the District, see APPENDIX A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION."

Authority for Issuance and Purpose and Application of Proceeds

The Series 2017 Bonds are to be issued pursuant to the laws of the State of California, including Article 2, Chapter 7, Part 2, Division 10 of the California Public Utilities Code, as amended from time to time, and applicable portions of the Revenue Bond Law of 1941, as amended from time to time and Articles 10 and 11 of Chapter 3, Part 1 of Division 2 of Title 5 of the Government Code (collectively, the "Act") and pursuant to a Master Indenture, dated as of September 1, 2012 (the "Master Indenture"), between the District and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented and amended (the "Indenture") including as supplemented by the Fourth Supplemental Indenture, dated as of December 1, 2017 (the "Fourth Supplemental Indenture"), between the District and the Trustee.

Bonds issued under the Indenture are parity debt to the outstanding bonds issued pursuant to the indenture dated as of July 1, 1990 (as supplemented and amended, the "1990 Indenture"), between the

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* Preliminary, subject to change.

District and U.S. Bank National Association, as successor trustee. Upon the issuance of the Series 2017 Bonds and the defeasance of the Refunded Bonds (as defined herein), there will be no remaining Bonds Outstanding under the 1990 Indenture and the 1990 Indenture will be discharged.

Security

General. The Series 2017 Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts, as more fully described herein. See "SECURITY FOR THE SERIES 2017 BONDS."

Outstanding Bonds. The Series 2017 Bonds are issued on a parity with certain outstanding bonds of the District issued pursuant to the parity 1990 Indenture and the Indenture. The outstanding bonds consist of the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2010 (the "Series 2010 Bonds") issued in the principal amount of $129,595,000, of which $115,095,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2012 A (the "Series 2012A Bonds") issued in the principal amount of $130,475,000, of which $117,060,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, Refunding Series 2012 B (the "Series 2012B Bonds") issued in the principal amount of $111,085,000, of which $99,635,000 are Outstanding, the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2015 Refunding Series A (the "Series 2015A Bonds") issued in the principal amount of $186,640,000, of which $155,655,000 are Outstanding, and the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2016 Refunding Series A (the "Series 2016A Bonds") issued in the principal amount of $83,800,000, of which $83,800,000 are Outstanding. The Series 2017 Bonds are being issued to refund all or a portion of the Series 2010 Bonds, the Series 2012A Bonds and the Series 2012B Bonds. The Series 2010 Bonds, the Series 2012A Bonds, the Series 2012B Bonds, the Series 2015A Bonds, the Series 2016A Bonds, the Series 2017A Bonds and the Series 2017B Bonds, together with any future series of parity bonds, are hereinafter collectively referred to as the "Bonds."

References

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to the entire contents of this Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein, a full review of which should be made by potential investors. All descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. The offering of the Series 2017 Bonds is made only by means of this entire Official Statement and is subject in all respects to the information contained herein. All capitalized terms used and not otherwise defined herein will have the meanings assigned to such terms in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions" or, if not defined therein, in the Indenture.

PLAN OF REFUNDING

The District intends to apply the proceeds of the Series 2017 Bonds, together with other funds of the District, to advance refund all or a portion of the Series 2010 Bonds, the Series 2012A Bonds, and the Series 2012B Bonds, and to pay costs of issuance of the Series 2017 Bonds. The Series 2010 Bonds, the Series 2012A Bonds and the Series 2012B Bonds to be refunded by a portion of the Series 2017 Bonds are hereinafter collectively referred to as the "Refunded Bonds." The Refunded Bonds that will be defeased upon issuance of the Series 2017 Bonds are set forth below. See "ESTIMATED SOURCES AND USES OF FUNDS" and "VERIFICATION OF MATHEMATICAL ACCURACY."

The moneys required to refund the Refunded Bonds will be derived from the net proceeds of the Series 2017 Bonds and other available funds. The Refunded Bonds are expected to be redeemed on the dates set forth below. Pursuant to the Escrow Agreement to be entered into between the District and the U.S. Bank National Association, as escrow agent for the Refunded Bonds (the "Escrow Agent"), such moneys will be deposited in the escrow fund established for the Refunded Bonds (the "Escrow Fund") and held in cash or applied to purchase direct obligations of the United States of America (the "Government Securities") to the redemption date. The Government Securities will be purchased and held by the Escrow Agent in the Escrow Fund in an amount sufficient to redeem the Refunded Bonds on their respective redemption dates, at a redemption price equal to the principal amount of the Refunded Bonds to be redeemed, plus interest thereon to the redemption date and to pay interest on the Refunded Bonds to their respective redemption dates. See "VERIFICATION OF MATHEMATICAL ACCURACY."

The Refunded Bonds that the District expects to defease in whole or in part upon issuance of the Series 2017 Bonds are set forth below.

San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2010*
Redemption Date: July 1, 2020
Redemption Price: 100%

Maturity Date (July 1)	Interest Rate	Principal Amount	CUSIP† (Base: 797669)
2018	4.000%	$3,165,000	TS7
2019	5.000	10,490,000	TT5
2020	5.000	11,020,000	TU2
2021	5.000	17,065,000	TV0
2022	5.000	17,920,000	TW8
2023	5.000	18,815,000	TX6
2024	5.000	6,630,000	TY4
2025	5.000	6,955,000	TZ1
2026	5.000	7,305,000	UA4
2027	5.000	7,675,000	UB2
2028	5.000	8,055,000	UC0
Total		$115,095,000	

* Preliminary, subject to change.

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San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2012 A*
Redemption Date: July 1, 2022
Redemption Price: 100%

Maturity Date (July 1)	Interest Rate	Principal Amount	CUSIP† (Base: 797669)
2023	5.000%	$1,450,000	VB1
2024	5.000	1,575,000	VC9
2025	5.000	1,710,000	VD7
2026	5.000	1,850,000	VE5
2027	5.000	2,010,000	VF2
2028	5.000	2,170,000	VG0
2029	5.000	2,340,000	VH8
2030	5.000	2,520,000	VJ4
2031	5.000	2,715,000	VK1
2032	5.000	2,915,000	VL9
2036	5.000	10,280,000	VM7
Total		$31,535,000	

San Francisco Bay Area Rapid Transit District
Sales Tax Revenue Bonds, Series 2012 B (Federally Taxable)*
Redemption Date: July 1, 2022
Redemption Price: 100%

Maturity Date (July 1)	Interest Rate	Principal Amount	CUSIP† (Base: 797669)
2027	3.477%	$15,670,000	UN6
2032	4.087	18,815,000	UP1
2042	4.287	51,540,000	UQ9
Total		$86,025,000	

* Preliminary, subject to change.

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CLIMATE BOND CERTIFIED

The information set forth under this caption "Climate Bond Certified" concerning (1) the Climate Bonds Initiative (the "Climate Bonds Initiative") and the process for obtaining Climate Bond Certification (the "Climate Bond Certification"), and (2) First Environment, Inc. ("First Environment") in its role as a verifier with respect to the Climate Bond Certification, all as more fully described below, has been extracted from materials provided by the Climate Bonds Initiative and First Environment, respectively, for such purposes, and none of such information is guaranteed as to accuracy or completeness or is to be construed as a representation by the District or the Underwriters. Additional information relating to the Climate Bonds Initiative, the Climate Bonds Standard, the Certification Process (defined herein) and the process for obtaining Climate Bond Certification can be found at www.climatebonds.net. This hyperlink is included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

The terms "Climate Bond Certified" and "green bonds" are neither defined in, nor related to the Indenture, and their use herein is for identification purposes only and is not intended to provide or imply that a holder of the Series 2017 Bonds is entitled to any additional security other than as provided in the Indenture. The District has no continuing legal obligation to maintain the Climate Bond Certification of the Series 2017 Bonds.

Introduction. Green Bonds, also known as Climate Bonds, were popularized in 2008 as a method for raising capital for climate-friendly projects across the globe. In 2016, $81 billion in Climate Bonds were issued worldwide, according to the Climate Bonds Initiative, an international nongovernmental, nonprofit organization dedicated to stimulating investment in projects and assets supporting environmental sustainability. The District has requested, and the Climate Bonds Standard Board has approved, the labeling of the Series 2017 Bonds as "Climate Bond Certified" based on the Climate Bonds Standard Verification Statement provided by First Environment. First Environment's factual findings assessed that the Series 2017 Bonds were used on projects conforming to the Climate Bonds – Low Carbon Land Transport Standard.

The Climate Bonds Initiative and Climate Bond Certification. The Series 2017 Bonds are being issued to finance or refinance projects that assist the District in providing mass transit services using an electrified railway that provides a low-carbon alternative to automobile travel. BART's sustainability statistics include the following estimates:

(i) 1,844,516,471 passenger miles traveled in 2016;

(ii) 433,394 average weekday exits in 2016;

(iii) 14.7 miles average trip length in 2016;

(iv) 139,116 gallons of gasoline saved from all riders for one typical weekday;

(v) 2,724,313 pounds of carbon dioxide emissions avoided from automobiles otherwise used by riders for one typical weekday;

(vi) 283,325,856 kilowatt-hours of traction power in 2016;

(vii) BART trains are 100% electric, and in 2017 approximately 97% of such power comes from low- and zero-carbon sources, including solar and hydro facilities; and

(viii) According to a 2010 U.S. Department of Transportation Federal Transit Administration report titled "Public Transportation's Role in Responding to Climate Change," BART was the country's cleanest major transit system in its class emitting fewer pounds of carbon dioxide per passenger mile than any other transit system.

As such, the District applied to the Climate Bonds Initiative under the Climate Bonds Standard & Certification Scheme (the "Certification Process") for designation of the Series 2017 Bonds as "Climate Bond Certified." The Certification Process is a voluntary verification initiative which allows the District to demonstrate to the investor market, the users of the District's transportation system, and other stakeholders that the Series 2017 Bonds meet international standards for climate integrity, management of proceeds and transparency. The Certification Process provides a scientific framework for determining which projects and assets are consistent with a low carbon and climate resilient economy and, therefore, eligible for inclusion in a Certified Climate Bond. The Certification Process relating to the Series 2017 Bonds includes pre-issuance and post-issuance requirements.

The pre-issuance requirements are designed to ensure that the District has established appropriate internal processes and controls prior to issuance of the Series 2017 Bonds, and that these internal processes and controls are sufficient to enable conformance with the Certification Process after the Series 2017 Bonds have been issued and bond proceeds are expended. The District does not intend to conduct periodic post-issuance assurance.

DESCRIPTION OF THE SERIES 2017 BONDS

General

The Series 2017 Bonds will be dated as of their date of issuance and mature at the times and in the principal amounts as set forth on the inside cover page of this Official Statement. Interest on the Series 2017 Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2018. Interest on the Series 2017 Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2017 Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2017 Bonds. Beneficial Ownership interests in the Series 2017 Bonds may be purchased by or through a DTC Participant (as described below) in book-entry-only form in denominations of $5,000 or any integral multiple thereof. See APPENDIX F – "DTC AND THE BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption*

The Series 2017A Bonds maturing on or before July 1, 20__* are not subject to redemption prior to their stated maturities. The Series 2017A Bonds maturing on or after July 1, 20__* will be 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 July 1, 20__*, at the principal amount of Series 2017A Bonds called for redemption plus interest accrued thereon to the date fixed for redemption without premium.

The Series 2017B Bonds maturing on or before July 1, 20__* are not subject to redemption prior to their stated maturities. The Series 2017B Bonds maturing on or after July 1, 20__* will be subject to redemption prior to their respective stated maturities, at the option of the District, from any source of

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* Preliminary, subject to change.

available funds, as a whole or in part, on any date on or after July 1, 20__*, at the principal amount of Series 2017B Bonds called for redemption plus interest accrued thereon to the date fixed for redemption without premium.

Selection of Bonds for Redemption

The District will designate which maturities of Series 2017 Bonds are to be called for redemption pursuant to the Indenture. If less than all of the Series 2017 Bonds maturing on a specific maturity date are called for redemption, the Trustee will select the Series 2017 Bonds of such maturity to be redeemed from the outstanding Series 2017 Bonds of such maturity not previously called for redemption, in minimum denominations of $5,000 (of principal), by lot in any manner which the Trustee in its sole discretion deems appropriate.

Mandatory Redemption*

The Series 2017A Bonds which are Term Bonds maturing on July 1, 20__ will also be subject to redemption in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on each July 1 on or after July 1, 20__, at the principal amount of the Series 2017A Bonds to be redeemed plus accrued interest, if any, to the redemption date. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such Series 2017A Bonds on the dates set forth below:

Sinking Account Payment Date (July 1)	**Sinking Account Payment**

Pursuant to the Indenture, money in the Sinking Accounts may be used to purchase Series 2017A Bonds which are Term Bonds maturing on July 1, 20__, in lieu of mandatory redemption.

The Series 2017B Bonds which are Term Bonds maturing on July 1, 20__ will also be subject to redemption in part, by lot, from Mandatory Sinking Account Payments required by the Indenture on each July 1 on or after July 1, 20__, at the principal amount of the Series 2017B Bonds to be redeemed plus accrued interest, if any, to the redemption date. Such Mandatory Sinking Account Payments will be sufficient to redeem (or pay at maturity) the following principal amounts of such Series 2017B Bonds on the dates set forth below:

Sinking Account Payment Date (July 1)	**Sinking Account Payment**

Pursuant to the Indenture, money in the Sinking Accounts may be used to purchase Series 2017B Bonds which are Term Bonds maturing on July 1, 20__, in lieu of mandatory redemption.

Purchase In Lieu of Redemption

Pursuant to the Indenture, the District has the option to purchase the Series 2017 Bonds at any time that the Series 2017 Bonds are subject to optional redemption as provided in the Indenture at a purchase price equal to the redemption price then applicable to such Series 2017 Bonds in which case such Series 2017 Bonds purchased in lieu of redemption may be remarketed and would remain outstanding after such purchase. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Notwithstanding the foregoing, the District always retains the right to purchase the Series 2017 Bonds in the open market, at market rates, for cancellation.

Notice of Redemption

Notice of any redemption of Series 2017 Bonds will be mailed by the Trustee by first class mail to the Owner of any Series 2017 Bonds designated for redemption at least 20 but not more than 60 days prior to the redemption date (but failure to receive any such notice or any defect therein will not affect the sufficiency of the redemption proceedings).

With respect to any notice of optional redemption of Series 2017 Bonds delivered pursuant to the Indenture, unless, upon the giving of such notice, such Series 2017 Bonds will be deemed to have been paid within the meaning of the Indenture, such notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium, if any, and interest on, such Series 2017 Bonds to be redeemed, and that if such amounts will not have been so received said notice will be of no force and effect and the District will not be required to redeem such Series 2017 Bonds. In the event that such notice of redemption contains such a condition and such amounts are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice to the Owners to the effect that such amounts were not so received and such redemption was not made, such notice to be given by the Trustee in the same manner and to the same parties, as notice of such redemption was given pursuant to the Indenture.

Any notice given pursuant to the Indenture (other than a notice given in connection with a mandatory sinking account redemption) may be rescinded by written notice given to the Trustee by the District no later than the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same parties, as notice of such redemption was given pursuant to the Indenture.

Book-Entry-Only System

As noted above, DTC will act as securities depository for the Series 2017 Bonds. See APPENDIX F – "DTC AND THE BOOK-ENTRY-ONLY SYSTEM."

Payments of interest on, principal of and premium, if any, on the Series 2017 Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Series 2017 Bonds. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the District or the Trustee with respect to the principal, redemption price of or interest on the Series 2017 Bonds to the extent of the sum or sums so paid.

The District and the Trustee cannot and do not give any assurances that DTC Participants or DTC Indirect Participants will distribute to the Beneficial Owners (i) payments of interest and principal with respect to the Series 2017 Bonds, (ii) confirmation of ownership interests in the Series 2017 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as Owner of the Series 2017 Bonds, or that they will do so on a timely basis.

Payments Upon Abandonment of Book-Entry-Only System

In the event that the book-entry-only system ceases to be used with respect to the Series 2017 Bonds, payment of interest on the Series 2017 Bonds will be made by check mailed by first class mail on each interest payment date to the Owners thereof as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding such interest payment date; provided, however, that Owners of at least $1,000,000 aggregate principal amount of Series 2017 Bonds may, at any time prior to the fifteenth day of the calendar month immediately preceding such interest payment date, give the Trustee written instructions for payment of such interest on each succeeding interest payment date by wire transfer. Principal of, and premium, if any, on the Series 2017 Bonds will be payable at the corporate trust office of the Trustee designated for such purpose. The Series 2017 Bonds will be in the form of fully registered Bonds and will be issued in denominations of $5,000 or any integral multiple thereof.

Transfers and Exchanges Upon Abandonment of Book-Entry-Only System

The book-entry-only system for registration of the ownership of the Series 2017 Bonds in book-entry-only form may be discontinued at any time if: (1) after notice to the District and the Trustee, DTC determines to resign as securities depository for the Series 2017 Bonds; or (2) after notice to DTC and the Trustee, the District determines that a continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the District. In each of such events (unless, in the case described in clause (1) above, the District appoints a successor securities depository), the Series 2017 Bonds will be delivered in such denominations and registered in the names of such persons as are requested in a certificate of the District, but without any liability on the part of the District or the Trustee for the accuracy of such designation. Whenever DTC requests the District and the Trustee to do so, the District and the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of or to print bonds evidencing the Series 2017 Bonds. Thereafter, all Series 2017 Bonds are transferable or exchangeable as described in the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of funds in connection with the Series 2017 Bonds:

	Series 2017A Bonds	Series 2017B Bonds
Sources of Funds:		
Principal Amount of Series 2017 Bonds		
[Net] Original Issue [Premium/Discount]		
Other Funds[1]		
Total Sources:		
Uses of Funds:		
Refunding Escrow Deposits[2]		
Costs of Issuance[3]		
Total Uses:		

(1) Includes funds released from 1990 Indenture and unspent proceeds of the Series 2012B Bonds.
(2) See "PLAN OF REFUNDING."
(3) Includes Underwriters' discount, rating agency fees, trustee fees, trustee counsel fees, escrow agent fees and expenses, verification agent fees, printing costs, Bond and Disclosure Counsel and Financial Advisor fees and expenses and other miscellaneous expenses. For details regarding the Underwriters' discount, see "UNDERWRITING."

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DEBT SERVICE REQUIREMENTS

The debt service requirements for the Outstanding Series 2010 Bonds, the Series 2012A Bonds, the Series 2012B Bonds, the Series 2015A Bonds, the Series 2016A Bonds and the debt service of the Series 2017 Bonds are shown in the following table. The District expects to refund all or a portion of the Series 2010 Bonds, the Series 2012A Bonds, and the Series 2012B Bonds, listed below, with the proceeds of the Series 2017 Bonds.

	Outstanding Sales Tax Bonds*		Series 2017 Bonds			
Fiscal Year	1990 Indenture	2012 Indenture	Principal	Interest	Total	Total Bond Debt Service†
2018	$8,829,000	$41,558,048				$50,387,048
2019	8,824,800	41,482,365				50,307,165
2020	15,824,250	35,691,811				51,516,061
2021	15,816,500	35,850,827				51,667,327
2022	21,159,375	30,619,951				51,779,326
2023	21,139,750	30,725,759				51,865,509
2024	21,116,375	30,883,452				51,999,827
2025	8,295,250	43,837,012				52,132,262
2026	8,280,625	44,037,757				52,318,382
2027	8,274,125	44,138,265				52,412,390
2028	8,269,625	44,292,847				52,562,472
2029	8,256,375	44,444,723				52,701,098
2030		28,308,218				28,308,218
2031		28,470,061				28,470,061
2032		28,653,080				28,653,080
2033		28,822,215				28,822,215
2034		28,989,893				28,989,893
2035		25,694,423				25,694,423
2036		20,719,597				20,719,597
2037		20,886,968				20,886,968
2038		6,337,684				6,337,684
2039		6,333,297				6,333,297
2040		6,329,478				6,329,478
2041		6,325,799				6,325,799
2042		6,316,939				6,316,939
2043		6,312,468				6,312,468
TOTAL†	$154,086,050	$716,062,939				$870,148,989

* Includes debt service on the Refunded Bonds to be refunded by the Series 2017 Bonds.

† Totals may not add due to rounding.

SECURITY FOR THE SERIES 2017 BONDS

General

The Series 2017 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues, comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax (the "Sales Tax" or the "District Sales Tax") imposed within the Three BART Counties pursuant to Section 29140 of the California Public Utilities Code, after deduction by the California Department of Tax and Fee Administration (the "CDTFA") of its fee for administering the Sales Tax (such sales tax revenues being hereinafter referred to as the "Sales Tax Revenues"). See "– Sales Tax Revenues" below.

Only Sales Tax Revenues are pledged by the District for the payment of principal of, redemption premium, if any, and interest on the Series 2017 Bonds and no other revenues of the District are pledged to repayment of the Bonds, including the Series 2017 Bonds. The payment of principal of, redemption premium, if any, and interest on the Series 2017 Bonds will be on a parity with the payment of principal of, redemption premium, if any, and interest on and reserve requirements of all Bonds Outstanding under the Indenture and any Additional Bonds and Parity Obligations hereafter issued by the District pursuant to the Indenture. As of December 1, 2017, the District has $571,245,000 aggregate principal amount of Bonds Outstanding.

"Parity Obligations" means any indebtedness, bond, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement (but only as to the regular payments thereunder, fees, expenses and termination payments being subordinate obligations) having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding). The District currently has no Parity Obligations outstanding other than the Bonds and certain reserve fund surety bond contracts under the 1990 Indenture, and all its outstanding issues of Bonds bear interest at fixed interest rates.

The District has covenanted in the Indenture not to create any pledge, lien or charge on Sales Tax Revenues having priority over the lien of the Bonds. The District has also covenanted in the Indenture not to create any pledge, lien or charge on Sales Tax Revenues on a parity with the lien of the Bonds and Parity Obligations except as described under "SECURITY FOR THE SERIES 2017 BONDS – Additional Bonds and Parity Debt" and "- Subordinated Obligations."

Sales Tax Revenues

The District is authorized by Section 29140 of the California Public Utilities Code to levy, within the Three BART Counties, the Sales Tax, which is a transactions tax of one-half of one percent (0.5%) of the gross receipts of retailers from the sale of tangible personal property sold at retail in the Three BART Counties and a use tax at the same rate upon the storage, use or other consumption in the Three BART Counties of such property purchased from any retailer for storage, use or other consumption in the Three BART Counties, subject to certain limited exceptions.

The Taxpayer Transparency and Fairness Act of 2017 restructured the California State Board of Equalization (the "State Board of Equalization"), which previously administered the collection of Sales Tax, into three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. As of July 1, 2017, the collection of the Sales Tax has been administered by the CDTFA. The CDTFA is authorized to charge a fee for collection of the Sales Tax (the "CDTFA Fee") based on the cost of administering the Sales Tax. The CDTFA Fee, the amount of which is agreed with the California Department of Finance, is calculated based on a legislatively-approved costing model and includes direct, indirect, and central agency charges. The CDTFA Fee is deducted quarterly from the tax distributions made to the District during that period. For Fiscal Year 2016-17, the CDTFA Fee was $8,568,669 (approximately 3.4% of Sales Tax receipts collected during the period). The CDTFA may be increased or decreased by legislative action and, accordingly, there can be no assurances that the amount of the CDTFA Fee, or the method for determining the amount of the CDTFA Fee, will remain the same.

After deducting the CDTFA Fee, the CDTFA is required by statute to allocate seventy-five percent (75%) of the Sales Tax receipts to the District. The remaining twenty-five percent (25%) of the Sales Tax collected by the CDTFA is allocated by the Metropolitan Transportation Commission ("MTC"), on the basis of regional priorities established by MTC, among the District, the City and County of San Francisco for the San Francisco Municipal Transportation Agency, which includes buses, street cars, cable cars and electric trolley buses, and the Alameda-Contra Costa Transit District ("AC Transit") for transit service. The Sales Tax is authorized by State law, is not voter approved and has no limit on the term of its collection.

In addition to the Sales Tax and other sales taxes levied at the county level or the city and county level, the State also imposes a 7.25% sales tax. The Series 2017 Bonds are secured only by Sales Tax Revenues and not other sales taxes levied by the State or counties. The current breakdown of the State's basic 7.25% rate imposed on a Statewide basis is as set forth below.

- 3.9375% represents the State general fund tax rate.
- 1.25% is imposed under the State's uniform local sales and use tax law, with 1.00% dedicated to cities and counties and 0.25% dedicated to county transit systems.
- 0.50% is dedicated to local governments for health and social services.
- 0.50% is dedicated to local governments for public safety employees.
- 1.0625% is deposited into the State Local Revenue Fund.

In addition to the sales tax levied Statewide and the 0.5% District Sales Tax, the Three BART Counties have local transportation authorities which each collect a 0.5% sales tax. Currently, the total sales tax levied in each of the Three BART Counties is as follows: City and County of San Francisco, 8.50%; County of Alameda, 9.25%; County of Contra Costa, 8.25%. Certain cities in the Counties below have higher sales tax rates from local voter-approved measures:

Alameda County		**Contra Costa County**	
City of Albany	9.75%	City of Antioch	8.75%
City of Hayward	9.75%	City of Concord	8.75%
City of Newark	9.75%	City of El Cerrito	9.75%
City of San Leandro	9.75%	City of Hercules	8.75%
City of Union City	9.75%	City of Martinez	8.75%
		Town of Moraga	9.25%
		City of Orinda	8.75%
		City of Pinole	9.25%
		City of Pittsburg	8.75%
		City of Pleasant Hill	8.75%
		City of Richmond	9.25%
		City of San Pablo	8.75%

Source: California Department of Tax and Fee Administration.

In general, the Statewide sales tax applies to the gross receipts of retailers from the sale of tangible personal property and the statewide use tax is imposed on the storage, use or other consumption in the State of property purchased from a retailer for such storage, use or other consumption. The Statewide use tax does not apply to cases where the sale of the property is subject to the Statewide sales tax. Therefore, the Statewide use tax is generally applied to purchases made outside of the State for use within the State. The District Sales Tax is imposed upon the same transactions and items subject to the statewide sales tax and the statewide use tax (hereinafter collectively referred to as the "State Sales Tax"), with the same exceptions.

Many categories of transactions are exempt from the State Sales Tax and from the District Sales Tax. The most important are: sales of food products for home consumption; prescription medicine; edible livestock and their feed; seed and fertilizer used in raising food for human consumption; and gas, electricity and water when delivered to consumers through mains, lines, and pipes. In addition, "Occasional Sales" (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from the State Sales Tax and from the District Sales Tax; however, the "Occasional Sales" exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business. Sales of property to be used outside the District which are shipped to a point outside the District, pursuant to the contract of sale, by delivery to such point by the retailer, or by delivery by the retailer to a carrier for shipment to a consignee at such point, are also exempt from the State Sales Tax and from the District Sales Tax.

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax and the District Sales Tax are imposed. Such changes could have either an adverse or beneficial impact on the District Sales Tax Revenues.

Sales Tax Revenues consist of amounts that the District actually receives from the CDTFA, calculated on a cash basis. The month of receipt reflects the estimated amount for sales tax transactions that occurred approximately two months prior. At the end of each quarter, an adjustment (i.e., increase or decrease) is made to those estimates and included in the quarter-end disbursement.

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The following table shows the Sales Tax Revenues received by the District for Fiscal Years ended June 30, 1996 through June 30, 2017. For comparison purposes, the Fiscal Year 2017-18 budgeted amount is also shown.

SALES TAX REVENUES

Fiscal Year Ended June 30	Sales Tax Revenues[1]	Percentage Change from Prior Fiscal Year
1996	$126,077,000	9.46%
1997	134,984,000	7.06
1998	144,675,000	7.18
1999	151,806,000	4.93
2000	170,911,000	12.58
2001	191,648,000	12.13
2002	172,774,000	(9.84)
2003	167,441,000	(3.08)
2004	170,566,000	1.86
2005	178,392,000	4.58
2006	191,680,000	7.44
2007	198,805,000	3.72
2008	202,632,000	1.93
2009	184,286,000	(9.05)
2010	166,520,000	(9.64)
2011	180,819,000	8.59
2012	195,214,000	8.00
2013	208,561,000	6.84
2014	221,149,000	6.04
2015	233,148,000	5.43
2016	241,547,000	3.60
2017	247,185,000	2.33
2018	252,500,000[2]	2.15

(1) Sales Tax Revenues have been rounded to the nearest thousand.
(2) Budgeted.
Source: District.

For fiscal year ending June 30, 2017, the District received $247.2 million in Sales Tax Revenues, or 2.33% more than Sales Tax Revenues received in the prior fiscal year and approximately $2.0 million less than budgeted for the fiscal year. The District has budgeted $252.5 million in Sales Tax Revenues for the fiscal year ending June 30, 2018. Through the first quarter of Fiscal Year 2017-18, Sales Tax Revenues were up 4.1% from the same period last year.

The District's imposition of the Sales Tax and the allocation of the Sales Tax receipts pursuant to Section 29140 of the California Public Utilities Code are subject to legislative review and amendment. Any repeal or amendment of the Sales Tax provisions of the California Public Utilities Code by the State Legislature would be an Event of Default under the Indenture unless the District determined that such repeal or amendment did not materially and adversely affect the rights of the holders of Bonds. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Events of Default and Remedies."

The District levies the Sales Tax pursuant to District Ordinance No. 1 adopted on November 20, 1969, as amended. The District has covenanted in the Indenture that, so long as any Bonds are outstanding, it will not amend, modify or alter such Ordinance in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues and that it will continue to levy and collect the Sales Tax to the full amount permitted by law.

Application of Sales Tax Revenues

Pursuant to an agreement between the District and the State Board of Equalization, dated August 5, 1982, as amended, the State Board of Equalization previously and now the CDTFA remits all Sales Tax Revenues directly to the Trustee. Pursuant to legislation effective July, 2017, the CDTFA administers the collection of sales tax and pursuant to such legislation succeeded to the obligations of the State Board of Equalization under the agreement with the District and will continue to remit Sales Tax Revenues to the Trustee. Under the Indenture, the Sales Tax Revenues will be deposited in the Revenue Fund and will be applied by the Trustee to the following funds established by the Indenture in the following order of priority; provided that on a parity with such deposits the Trustee will set aside or transfer amounts with respect to outstanding Parity Obligations (which will be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Bonds and such Parity Obligations):

Expense Account. The Trustee will set aside in the Expense Account amounts payable by the District to the CDTFA for costs and for its services in connection with the collection of the transactions and use taxes (in excess of costs previously deducted by the CDTFA) and all Trustee's and paying agent's fees.

Interest Fund. The Trustee will set aside in the Interest Fund as soon as practicable in each month an amount equal to one-sixth of the aggregate half-yearly amount of interest becoming due and payable on the Outstanding Current Interest Bonds during the next ensuing six months, until the requisite half-yearly amount of interest on all such Outstanding Current Interest Bonds is on deposit in the Interest Fund; provided that from the date of delivery of the Current Interest Bonds until the first interest payment date with respect to the Current Interest Bonds the amounts so paid will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on said interest payment date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the interest payment dates falling within the next six months upon all the Bonds then Outstanding and on July 1 of each year any excess amounts in the Interest Fund not needed to pay interest on such date will be transferred to the District.

Principal Fund; Sinking Accounts. The Trustee will deposit in the Principal Fund as soon as practicable in each month an amount equal to at least one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds having annual maturity dates within the next 12 months, plus one-twelfth of the aggregate of the Mandatory Sinking Account Payments to be paid during the next twelve-month period into the respective Sinking Accounts for the Term Bonds of all Series for which a Sinking Account will have been created and for which annual mandatory redemption is required from such Sinking Account (See "DESCRIPTION OF THE SERIES 2017 BONDS – Mandatory Redemption"); provided that if the District certifies to the Trustee that any principal payments are expected to be refunded on or prior to their respective due dates or paid from amounts on deposit in the Bond Reserve Fund that would be in excess of the Bond Reserve Requirement upon such payment, no amounts need be set aside towards such principal to be so refunded or paid.

No deposit need be made into the Principal Fund so long as there will be in such fund (i) moneys sufficient to pay the Bond Obligations of all Serial Bonds then Outstanding and maturing by their terms within the next twelve months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such twelve-month period, but less any amounts deposited into the Principal Fund during such twelve month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such twelve-month period.

Bond Reserve Fund. If a Bond Reserve Fund has been established for a Series of Bonds, upon the occurrence of any deficiency therein, the Trustee will deposit as soon as possible in each month in the Bond Reserve Fund, an amount equal to one-twelfth of the aggregate amount of each unreplenished prior withdrawal from the Bond Reserve Fund and the amount of any deficiency due to any required valuations of the investments in the Bond Reserve Fund until the balance in the Bond Reserve Fund is at least equal to the Bond Reserve Requirement. In addition, the Trustee will, on a pro rata basis with such deposits, reimburse to the provider of a letter of credit, insurance policy or surety bond satisfying a portion of the Bond Reserve Requirement one-twelfth of the amount of any unreplenished prior withdrawal on such letter of credit, insurance policy or surety bond.

In addition to reimbursing the provider of an insurance policy or surety bond or letter of credit (a "Reserve Facility") satisfying the Bond Reserve Requirement the amount of any unreplenished prior withdrawal on such Reserve Facility, the Trustee will, on a subordinate basis with such deposits, pay to such provider any reasonable expenses (together with interest thereon), and interest on the amount of any unreplenished prior withdrawal, calculated as specified in the agreement relating to such Reserve Facility. Repayment of such expenses and accrued interest will be made from and to the extent of available Sales Tax Revenues after the replenishment of the Bond Reserve Fund and such withdrawals. Any Sales Tax Revenues remaining in the Revenue Fund after the foregoing transfers will be transferred on the same Business Day to the District. The District may use and apply the Sales Tax Revenues when received by it for any lawful purpose of the District.

If three days prior to any principal payment date, interest payment date or mandatory redemption date the amounts on deposit in the Interest Fund and Principal Fund, including the Sinking Accounts therein, with respect to the payments to be made on such date are insufficient to make such payments, the Trustee will immediately notify the District, by telephone confirmed in writing, of such deficiency and direct that the District transfer the amount of such deficiency to the Trustee on such payment date. The District will transfer to the Trustee from any Sales Tax Revenues in its possession the amount of such deficiency on or prior to the principal, interest or mandatory redemption date referenced in such notice.

Bond Reserve Fund

The District will not be establishing a Reserve Fund for the Series 2017 Bonds. A Bond Reserve Fund and certain surety bonds are held under the 1990 Indenture. Such reserve fund and the surety bonds held therein secure only the Bonds issued under the 1990 Indenture and not Bonds issued under the Indenture including the Series 2017 Bonds or any Additional Bonds. Upon the issuance of the Series 2017 Bonds and the defeasance of the Refunded Bonds, the 1990 Indenture will be discharged and the Trustee will no longer hold such reserve fund.

Additional Bonds and Parity Debt

Additional Bonds may be issued on a parity with the Bonds provided that, among other things: (1) Sales Tax Revenues and Associated Sales Tax Revenues relating to any recently annexed jurisdiction for any period of 12 consecutive months during the immediately preceding 18 months are at least equal to 1.5 times the Maximum Annual Debt Service (as defined below) for all Series of Bonds and Parity Obligations then outstanding, including the Bonds to be issued; (2) Sales Tax Revenues estimated by the District for the Fiscal Year in which the Additional Bonds are to be issued and for each of the next succeeding four Fiscal Years will equal at least 1.5 times the amount of Annual Debt Service on all Series of Bonds and Parity Obligations, including the Bonds to be issued; and (3) Sales Tax Revenues for the Fiscal Year in which the additional Series of Bonds are to be issued under the laws then in existence at the time of the issuance of such additional Series of Bonds will be at least 1.0 times the amount of the District's obligations with respect to repayment of any withdrawals under a Reserve Facility if any, then due and owing under the Reserve Facility.

The District may, by Supplemental Indenture, establish one or more Series of Bonds and the District may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as will be determined by the District, as well as Parity Debt, but only upon compliance by the District with certain provisions of the Indenture and the 1990 Indenture (until its discharge) and subject to certain specific conditions precedent to the issuance of any series of Bonds set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds; Refunding Bonds; Parity Obligations; Subordinate Obligations."

"Maximum Annual Debt Service" will mean the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Obligations in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year as set forth in a Certificate of the District; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) if the Bonds or Parity Obligations are Variable Rate Indebtedness for which an Interest Rate Swap Agreement is not in place, the interest rate on such debt will be calculated at the greater per annum rate (not to exceed 12%) of: (i) the average of the SIFMA Swap Index for the ten years preceding the date of calculation, and (ii) the highest interest rate listed in The Bond Buyer "25 Bond Revenue Bond Index" published one month preceding the date of sale of such Series of Bonds or Parity Obligations; or, if such Variable Rate Indebtedness is to bear interest expected to be included in gross income for federal income tax purposes (taxable bonds), such higher rate of interest as will be specified in a Certificate of the District;

(b) principal and interest payments on Bonds and Parity Obligations will be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefore and to the extent that such interest payments are to be paid from the proceeds of Bonds or Parity Obligations held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest by the Trustee or other fiduciary and to the extent such payments are to be paid from pledged Subsidy Payments the District expects to receive;

(c) in determining the principal amount due in each Fiscal Year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Combination Bond;

(d) if the Bonds or Parity Obligations are debt, the principal of which the District determines (in a Supplemental Indenture or other document delivered on a date not later than the date of issuance of such Bonds or Parity Obligations) that the District intends to pay with moneys which are not Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes), but from future debt obligations of the District, grants received from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the District, the principal of such Bonds or Parity Obligations will be treated as if such principal were due based upon a 30-year level amortization of principal from the date of calculation and the interest on such Bonds or Parity Obligations will be calculated as if such Bonds were Variable Rate Indebtedness;

(e) if any Bonds feature an option, on the part of the Bondowners or an obligation under the terms of such Bonds, to tender all or a portion of such Bonds to the District, the Trustee, or other fiduciary or agent and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds, the options or obligations of the Owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities will be ignored and not treated as a principal maturity and repayment obligations related to the purchase price of such Bonds provided by a Liquidity Facility and the obligation of the District with respect to the provider of such Liquidity Facility, other than its obligations on such Bonds, will be excluded from the tests for the issuance of Parity Obligations until such time as such obligation exist due to such purchase and thereafter, such repayment obligations of the District to the provider of such Liquidity Facility will be included in the computation of the Maximum Annual Debt Service in accordance with the terms of such obligation;

(f) with respect to any Variable Rate Indebtedness for which an Interest Rate Swap Agreement is in place, if (i) the interest rate on such Variable Rate Indebtedness, plus (ii) the payments received and made by the District under an Interest Rate Swap Agreement with respect to such variable interest rate, are expected to produce a synthetic fixed rate to be paid by the District (e.g., an interest rate swap under which the District pays a fixed rate and receives a variable rate that is expected to equal or approximate the rate of interest on such Variable Rate Indebtedness), the Variable Rate Indebtedness will be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate; and

(g) if any Bonds or Parity Obligations bear a fixed interest rate or the Bonds or Parity Obligations proposed to be issued will bear a fixed interest rate and an Interest Rate Swap Agreement is entered into with respect to such Bonds or Parity Obligations, if (i) the interest rate on such fixed rate Bonds or Parity Obligations, plus (ii) the payments received and made by the District under an Interest Rate Swap Agreement with respect to such fixed rate Bonds or Parity Obligations, are expected to produce a synthetic variable rate to be paid by the District (e.g., an interest rate swap under which the District pays a variable rate and receives a fixed rate that is expected to equal or approximate the rate of interest on such fixed interest rate debt), the fixed interest rate debt, will be treated as bearing such synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as if such Bonds or Parity Obligations were Variable Rate Indebtedness.

"Interest Rate Swap Agreement" means an interest rate swap agreement relating to a Series of Bonds or portion thereof or Parity Debt in which the party with which the District or the Trustee may contract is limited to: (i) entities the debt securities of which are rated in one of the two highest long-term debt Rating Categories by either Fitch or Standard & Poor's and the debt securities of which are rated not lower than the third highest long-term debt Rating Category by the other rating agency; (ii) entities the obligations of which under the interest rate swap agreement are either guaranteed or insured by an entity the debt securities or insurance policies of which are so rated; or (iii) entities the debt securities of which are rated in the third highest long-term debt Rating Categories by Fitch or Standard & Poor's or whose obligations are guaranteed or insured by an entity so rated and, in either case, the obligations of which under the interest rate swap agreement are continuously and fully secured by Investment Securities described in clauses (i) through (iv) of the definition thereof, which will have a market value determined, by the party designated in such interest rate swap agreement, at least monthly (exclusive of accrued interest) at least equal to the termination value, if any, that would be payable by the provider of the interest rate swap agreement under such interest rate swap agreement and which will be deposited with a custodian acceptable to the District.

"Subsidy Payments" means payments made by the U.S. Department of the Treasury to the District pursuant to Section 6431 of the Internal Revenue Code

The District currently has no Parity Debt other than Bonds and reserve fund surety bond agreements outstanding under the 1990 Indenture, and has no Variable Rate Indebtedness or Interest Rate Swap Agreements relating to any Bonds Outstanding, nor has it issued any Bonds for which it expects to receive Subsidy Payments. All Outstanding Bonds of the District bear interest at fixed interest rates to maturity.

Subordinate Obligations

No provision of the Indenture limits the ability of the District to issue bonds or other obligations payable from Sales Tax Revenues which are junior and subordinate to the payment of principal, premium, interest and reserve fund requirements of the Bonds and all Parity Debt. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds; Refunding Bonds; Parity Obligations; Subordinate Obligations – *Subordinate Obligations*."

There are currently no outstanding debt obligations of the District payable from and secured on a subordinate basis with a lien upon Sales Tax Revenues.

Special Obligations

The Series 2017 Bonds are special obligations of the District payable solely from Sales Tax Revenues and no other revenues of the District are pledged to the payment thereof. The Series 2017 Bonds are not a general obligation of the District, the State or any political subdivision thereof and the District is not obligated to levy any form of taxation, other than the Sales Tax, for the payment of the Series 2017 Bonds.

INVESTMENT CONSIDERATIONS

Economy of the Three BART Counties and the State

The Series 2017 Bonds are secured by a pledge of Sales Tax Revenues, which consist primarily of the Sales Tax less an administrative fee paid to the CDTFA. The level of Sales Tax Revenues collected at any time is dependent upon the level of retail sales within the Three BART Counties, which level of retail sales is, in turn, dependent upon the level of economic activity in the Three BART Counties and in the State generally.

The economy of the Three BART Counties has recovered from the recession at the beginning of this decade as evidenced by increased Sales Tax Revenues in recent fiscal years, accompanied by increased employment rates and an increase in total personal income and taxable sales.

For information relating to current economic conditions within the Three BART Counties and the State, see APPENDIX E – "THE ECONOMY OF THE THREE BART COUNTIES."

Other Sales Taxes

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the 7.25% sales and use tax levied statewide by the State. The State Legislature or the voters of the

State, through the initiative process, could change or limit the transactions and items upon which the statewide sales tax and the Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. In addition, the Sales Tax is imposed generally on the same transactions and items subject to sales and use taxes levied by certain cities within the Three BART Counties. See "SECURITY FOR THE SERIES 2017 BONDS – Sales Tax Revenues" herein.

Limitations on Remedies in Event of Bankruptcy

Because it is a municipal governmental entity, BART may be eligible to file a bankruptcy petition under Chapter 9 ("Chapter 9") of the United States Bankruptcy Code (the "Bankruptcy Code") under certain circumstances.

If the Sales Tax Revenues are "special revenues" under Chapter 9, then Sales Tax Revenues collected after the date of the bankruptcy filing will be subject to the lien of the Indenture. "Special revenues" are defined to include taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. It is possible that a bankruptcy court would conclude that the sales tax is a sales tax levied to finance the general purposes of BART, and thus that the Sales Tax Revenues are not special revenues.

If the Sales Tax Revenues are subject to a "statutory lien" as defined in the Bankruptcy Code, then Sales Tax Revenues collected after the date of the bankruptcy filing will be subject to the statutory lien for the benefit of the holders of the Bonds. California state law provides that the payment of interest on and principal of the Bonds and any premiums upon the redemption of any thereof are secured by a pledge, charge, and lien upon the Sales Tax Revenues. BART believes that this law creates a statutory lien on the Sales Tax Revenues under the Bankruptcy Code, but the definition of a statutory lien is not entirely clear, and no assurance can be given that a bankruptcy court would not conclude otherwise.

Chapter 9 also provides that Chapter 9 does not limit or impair the power of the applicable state to control its municipalities in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. California state law provides that so long as any Bonds or interest thereon are unpaid the Sales Tax Revenues and interest thereon will not be used for any other purpose. BART believes that this law would be respected in any bankruptcy proceeding so that the Sales Tax Revenues could not be used by BART for any purpose other than to make payments on the Bonds, but there are very few court decisions as to the precise meaning of this provision of Chapter 9, and no assurance can be given that a bankruptcy court would not conclude otherwise.

If it were to be determined that the Sales Tax Revenues are not special revenues and that there is no statutory lien, then the lien of the Indenture likely will not attach to any Sales Tax Revenues collected after the date of the bankruptcy filing. If it is also determined that the Sales Tax Revenues can be used for other purposes, then it is not clear whether the holders of the Bonds would be treated as general unsecured creditors of BART or whether the holders of the Bonds would have no further claim against any assets of BART.

Under any circumstance, the bankruptcy court may determine that BART is entitled to use Sales Tax Revenues to pay the necessary operating expenses of the BART system prior to paying debt service on the Bonds, regardless of the provisions of the Indenture.

If BART is in bankruptcy, the Trustee and the holders of the Bonds may be prohibited from taking any action to collect any amount from BART (including Sales Tax Revenues subject to a statutory lien) or to enforce any obligation of BART, unless the permission of the bankruptcy court is obtained.

These restrictions may also prevent the Trustee from making payments to the holders of the Bonds from funds in the Trustee's possession during the pendency of the bankruptcy proceedings.

While the CDTFA has agreed that it will pay the Sales Tax Revenues directly to the Trustee, so that BART receives them only after debt service set asides, it is not clear whether this arrangement is enforceable in bankruptcy or whether BART will instead be able to require that Sales Tax Revenues be paid directly to it by the CDTFA.

BART may be able, without the consent and over the objection of the Trustee and the holders of the Bonds, to alter the priority, interest rate, payment terms, maturity dates, covenants (including tax-related covenants), and other terms or provisions of the Indenture and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be other possible effects of a bankruptcy of BART that could result in delays or reductions in payments on the Bonds or in other losses to the holders of the Bonds. The proposed form of opinion of Bond Counsel, attached hereto as APPENDIX H, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Regardless of any specific adverse determinations in a bankruptcy proceeding, the fact of a bankruptcy proceeding by BART could have an adverse effect on the liquidity and value of the Bonds.

Risk of Earthquake

The District is located in a seismically active region. Active earthquake faults underlie both the District and the surrounding Bay Area, most notably the Hayward Fault and the San Andreas Fault (both located within the District). On August 24, 2014, an earthquake occurred in Napa, California. The tremor's epicenter was located approximately 3.7 miles northwest of American Canyon near the West Napa Fault and registered 6.0 on the Richter scale of earthquake intensity. The Napa earthquake caused fires, damaged buildings and roads, and injured approximately 200 people. The Napa earthquake was the largest earthquake in the Bay Area since the 1989 Loma Prieta earthquake on the San Andreas Fault, which was centered about 60 miles south of San Francisco. It registered 6.9 on the Richter scale of earthquake intensity, and caused fires and collapse of and structural damage to buildings, highways and bridges in the Bay Area. Neither earthquake caused damage to BART facilities.

In 2014, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (the "U.S.G.S."), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of magnitude 6.7 or larger will occur in the Bay Area by the year 2043. Such earthquakes may be very destructive. Property within the District could sustain extensive damage in a major earthquake, District facilities could be damaged, and a major earthquake could adversely affect the area's economic activity and decrease the sales tax collections in the District.

Climate Change

Hazards relating to climate change include sea level rise, flooding, heat wave, and severe storm and wind. Any such events, if unmitigated, may have major impacts to BART stations, trackway, traction power, train control and maintenance yard/shops, as well as wayside facilities. The impacts may directly impact patron safety, cause service disruptions and require prolonged recovery.

BART is responding to climate change impacts through developing adaptation strategies and hardening its infrastructure against such hazards. Current efforts include water intrusion mitigation, earthquake safety, erosion control, storm drainage treatment, power redundancy, and fire suppression. BART is also working with regional partners in the Bay Area to plan for regional adaptation needs. No assurance can be given that such measures will be sufficient to protect against all impacts of climate change.

Other Force Majeure Events

Operation of the BART System and amount of Sales Tax Revenues is also at risk from other events of force majeure, such as damaging storms, winds and floods, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades and riots. The District cannot predict the potential impact of such events on the financial condition of the District or the level of Sales Tax Revenues.

Threats and Acts of Terrorism

BART police and other law enforcement authorities have undertaken security measures in an effort to reduce the probability that portions of the BART System could be attacked by terrorists. However, such measures are not guaranteed to prevent an attack on the BART System. The District cannot predict the likelihood of a terrorist attack on any portion of the BART System. Components of the BART System are not insured against terrorist attack. See APPENDIX A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – BART FINANCINGS AND CAPITAL PROGRAMS – Security Enhancement Program."

Changes in Taxable Items

With limited exceptions, the Sales Tax is imposed upon the same transactions and items subject to the sales tax levied statewide by the State. The State Legislature or the voters within the State, through the initiative process, could change or limit the transactions and items upon which the State Sales Tax and the District Sales Tax are imposed. Any such change or limitation could have an adverse impact on the Sales Tax Revenues collected. For a further description of the District Sales Tax, see "SECURITY FOR THE SERIES 2017 BONDS – Sales Tax Revenues." See also APPENDIX E – "THE ECONOMY OF THE THREE BART COUNTIES" for data relating to taxable transactions in the Three BART Counties.

Effect of Growth in Internet Commerce

It is possible that collections of District Sales Tax in the future could be adversely impacted due to the growth of commerce over the internet. Goods purchased from out-of-state retailers for delivery to a customer within the District could displace sales from retailers located within the District. Even though such purchases are subject to California use tax and within the District Sales Tax, such sales often are unreported.

Constitutional Limitations on Appropriations

State and local government agencies in California are each subject to annual "appropriations limits" imposed by Article XIII B of the Constitution of the State of California ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which include all tax revenues and investment earnings thereon, certain state subventions and certain other funds, including proceeds received by an entity of local government from regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service." "Appropriations subject to limitation" under Article XIII B do not include appropriations required to comply with mandates of courts or of the Federal government, appropriations for qualified outlay projects (as defined by the

Legislature), or appropriations for debt service on indebtedness existing prior to the passage of Article XIII B or thereafter authorized by the voters.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, the District's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If revenues from "proceeds of taxes" during any two consecutive Fiscal Years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rate or fee schedules within the two subsequent Fiscal Years.

Section 7900 et seq. of the Government Code of the State of California defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. The District's appropriations limit for the Fiscal Year ending June 30, 2017 is $570,270,613 and the "appropriations subject to the limitation" are $301,346,025, or $268,924,588 under the limit. It is not anticipated that the District will ever reach its appropriations limit. However, if it were ever to reach such limit, it is arguable that amounts appropriated to pay debt service on the Bonds are appropriations for capital outlay projects and therefore not subject to the limit.

Proposition 218 and Proposition 26

On November 5, 1996, California voters approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution. Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined to include local or regional governmental agencies such as the District. Article XIII C also removes limitations on the initiative power with regard to reducing or repealing previously authorized local taxes. In the opinion of the District, however, any attempt by the voters to use the initiative provisions under Proposition 218 to rescind or reduce the levy and collection of the Sales Tax in a manner which would prevent the payment of debt service on the Series 2017 Bonds would violate the Impairment Clause of the United States Constitution and, accordingly, would be precluded. However, it is likely that the interpretation and application of Proposition 218 will ultimately be determined by the courts. Proposition 26, approved by the voters of California on November 2, 2010, also amended Article XIII C to define "tax" to include in the two-thirds voter approval requirement local levies, charges or exactions previously considered fees with certain specified exemptions.

Further Initiatives

Article XIIIB and Propositions 218 and 26 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, which may affect the District's ability to levy and collect the Sales Tax.

Potential Labor Disruptions

BART employees are represented by employee bargaining units that under State law are permitted to strike during negotiations for a contract. During strikes, the District does not operate service, which results in lost operating revenues. In 2013, the District suffered strikes during contract negotiations. See APPENDIX A – "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION – San Francisco Bay Area Rapid Transit District –

Employees and Labor Relations." The District cannot predict the potential impact of future labor disruptions on the financial condition of the District.

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the Series 2017 Bonds in the event of a default in the payment of principal and interest on the Series 2017 Bonds when due. In the event of a default by the District, each holder of a Series 2017 Bond will have the right to exercise the remedies, subject to the limitations thereon, set forth in the Indenture. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Series 2017A Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2017A Bonds, as a result of acts or omissions of the District subsequent to the issuance of the Series 2017A Bonds. Should interest become includable in federal gross income, the Series 2017A Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or earlier redemption.

LEGAL MATTERS

The validity of the Series 2017 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the District ("Bond Counsel"). A complete copy of the proposed form of the opinion to be delivered by Bond Counsel is attached hereto as APPENDIX H. Compensation of Bond Counsel and counsel to the Underwriters is contingent upon the issuance of the Series 2017 Bonds. Neither Bond Counsel nor counsel to the Underwriters take any responsibility for the accuracy, completeness or fairness of this Official Statement. Approval of certain other legal matters will be passed upon for the District by Matthew Burrows, Esq., General Counsel to the District and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the District, and for the Underwriters by their Counsel, Curls Bartling P.C.

TAX MATTERS

Series 2017A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. As discussed further below, legislation has been introduced which, if enacted, would repeal the alternative minimum tax for tax years beginning after December 31, 2017. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX H hereto.

To the extent the issue price of any maturity of the Series 2017A Bonds is less than the amount to be paid at maturity of such Series 2017A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2017A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2017A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2017A Bonds is the first price at which a substantial amount of such maturity of the Series 2017A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2017A Bonds accrues daily over the term to maturity of such Series 2017A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2017A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2017A Bonds. Beneficial Owners of the Series 2017A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2017A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2017A Bonds is sold to the public.

Series 2017A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2017A Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2017A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2017A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2017A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2017A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2017A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2017A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislation has been introduced in Congress which, if enacted, would significantly change the income tax rates for individuals and corporations and would repeal the alternative minimum tax for tax years beginning after December 31, 2017. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2017A Bonds. Prospective purchasers of the Series 2017A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2017A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2017A Bonds ends with the issuance of the Series 2017A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2017A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of Series 2017A Bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2017A Bonds for audit or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2017A Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Series 2017B Bonds

In the opinion of Bond Counsel, interest on the Series 2017B Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Series 2017B Bonds. Investors are urged to obtain independent tax advice regarding the Series 2017B Bonds based upon their particular circumstances. A complete copy of the proposed form of opinion of Bond Counsel relating to the Series 2017B Bonds is set forth in APPENDIX H hereto.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Series 2017B Bonds that acquire their Series 2017B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2017B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2017B Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2017B Bonds pursuant to this offering for the issue price that is applicable to such Series 2017B Bonds (i.e., the price at which a substantial amount of the Series 2017B Bonds are sold to the public) and who will hold their Series 2017B Bonds as "capital assets" within the meaning of Section 1221 of the Code. The following discussion does not address tax considerations applicable to any investors in the Series 2017B Bonds other than investors that are U.S. Holders.

As used herein, "U.S. Holder" means a Beneficial Owner of a Series 2017B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Series 2017B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2017B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2017B Bonds (including their status as U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2017B Bonds in light of their particular circumstances.

Interest. Interest on the Series 2017B Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2017B Bonds is less than the amount to be paid at maturity of such Series 2017B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2017B Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2017B Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2017B Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2017B Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2017B Bond.

Sale or Other Taxable Disposition of the Series 2017B Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Series 2017B Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2017B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2017B Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2017B Bond (generally, the purchase price paid by the U.S. Holder for the Series 2017B Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2017B Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2017B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2017B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Series 2017B Bonds. If the District defeases any Series 2017B Bond, such Series 2017B Bond may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In that event, in general, a U.S. Holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the U.S. Holder's adjusted tax basis in the Series 2017B Bond.

Information Reporting and Backup Withholding. Payments on the Series 2017B Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2017B Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Series 2017B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2017B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Foreign Account Tax Compliance Act ("FATCA"). Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Series 2017B Bonds and sales proceeds of Series 2017B Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain "passthru" payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2017B Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2017B Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Series 2017 Bonds, the District will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending with respect to which the District has been served with process or, to the knowledge of the District, threatened against the District in any way affecting the existence of the District or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2017 Bonds, the application of the proceeds thereof in accordance with the Indenture, or the levy or collection of the Sales Tax or application of the Sales Tax Revenues or other moneys to be pledged to pay the principal of and interest on the Series 2017 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2017 Bonds, the Indenture, the Continuing Disclosure Agreement or in any way contesting the completeness or accuracy of this Official Statement.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "AA+" and "AA+," respectively, to the Series 2017 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from such rating agencies furnishing the same at the following addresses: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any credit ratings given to the Series 2017 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies, if, in their judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2017 Bonds.

MUNICIPAL ADVISOR

Sperry Capital Inc., Sausalito, California, serves as Municipal Advisor to the District with respect to the sale of the Series 2017 Bonds. The Municipal Advisor has not conducted a detailed investigation of the affairs of the District to determine the completeness or accuracy of this Official Statement and has not independently verified any of the data contained herein and has no responsibility for the accuracy or completeness thereof.

The compensation of the Municipal Advisor is contingent upon the issuance of the Series 2017 Bonds.

CONTINUING DISCLOSURE

To enable the Underwriters to comply with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the "Rule"), the District will enter into a Continuing Disclosure Agreement with the Trustee, as dissemination agent, for the benefit of the Beneficial Owners (as such term is defined in such Continuing Disclosure Agreement) from time to time of the Series 2017 Bonds. A copy of the proposed form of Continuing Disclosure Agreement is set forth in APPENDIX G hereto. During the five-year period preceding the date of this Official Statement, the District was current in the filing of its required annual report filings under the Rule; however, within the last five years, the District has determined that certain annual reports were not linked to all of the specific CUSIP numbers to which they related and that certain annual reports, while including District wide assessed value information, did not include specific assessed value information by county as may have been required by a continuing disclosure agreement. The District recently filed notices on the Municipal Securities Rulemaking Board Electronic Municipal Market Access System ("EMMA") with respect to the affected bonds and provided the additional information. The District has engaged BLX Group to assist with its continuing disclosure obligations and U.S Bank National Association to serve as Dissemination Agent.

UNDERWRITING

The Series 2017 Bonds are being purchased by Barclays Capital Inc., as representative of itself and the Underwriters identified on the cover page of this Official Statement (together, the "Underwriters"). The bond purchase agreement provides that the Underwriters will purchase all of the Series 2017 Bonds, if any are purchased, at a purchase price equal to $__________ (representing the principal amount of the Series 2017 Bonds [plus/less] a [net] [premium/discount] of $__________, less an underwriters' discount in the aggregate amount of $__________).

The Underwriters are initially offering the Series 2017 Bonds to the public at the public offering yields indicated on the inside cover page hereof but the Underwriters may offer and sell the Series 2017 Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriters.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Series 2017 Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the District relating to the: (i) adequacy of forecasted receipts of principal and interest on the escrow securities and cash held in the escrow fund relating to the Refunded Bonds; (ii) the scheduled payments of principal and interest with respect to the Refunded Bonds on and prior to their projected maturity and/or redemption dates; (iii) yields on the securities to be deposited pursuant to the escrow fund relating to the Refunded Bonds upon delivery of the Series 2017 Bonds, and (iv) the level of debt service savings, will be verified by The Arbitrage Group, Inc. (the "Verification Agent"). Such verification will be based solely upon information and assumptions supplied to the Verification Agent by the Underwriters or the Municipal Advisor. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

FINANCIAL STATEMENTS

The financial statements of the District included in Appendix B to this Official Statement have been examined by Macias, Gini & O'Connell LLP (the "Auditor"), whose report thereon appears in such Appendix. The Auditor was not requested to consent to the inclusion of its report in Appendix B, nor has the Auditor undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the District and the purchasers, holders or Beneficial Owners of any of the Series 2017 Bonds. All of the preceding summaries of the Series 2017 Bonds, the Indenture, applicable legislation and other agreements and documents are made subject to the provisions of the Series 2017 Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the Controller/Treasurer of the District has been duly authorized by the District. Concurrently with the delivery of the Series 2017 Bonds, the District will furnish to the Underwriter a certificate of the District to the effect that this Official Statement, as of the date of this Official Statement and as of the date of delivery of the Series 2017 Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

By:____
Controller/Treasurer

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APPENDIX A

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT FINANCIAL AND OPERATING INFORMATION

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

General Description of the District

The San Francisco Bay Area Rapid Transit District (the "District" or "BART") was created in 1957 by Chapter 1056 of the Statutes of 1957 of the State of California, constituting Sections 28500 to 29757, inclusive, of the California Public Utilities Code, as amended (the "BART Legislation") to provide rapid transit to the San Francisco Bay Area. The District is presently composed of all the area in the Counties of Alameda and Contra Costa and the City and County of San Francisco (the "Three BART Counties"). In addition, the District owns property within the County of San Mateo on which BART facilities are located, and the District acquired the right to use additional right of way and station locations in connection with the extension of its rapid transit system (the "BART System") to the San Francisco International Airport ("SFO") located in the County of San Mateo. Extension of the BART System to the County of Santa Clara is currently under construction. See "BART FINANCINGS AND CAPITAL PROGRAMS – System Expansion Program" herein. Under certain conditions, other counties may be annexed to and become a part of the District.

References to "Fiscal Year" refer to the fiscal year beginning July 1 and ending June 30 of the following designated year.

Powers of the District

The BART Legislation grants the District the following powers, among others:

Financing and Taxation. The District may issue general obligation bonds up to the amount authorized by a two-thirds vote of the electorate voting on the ballot measure proposing such general obligation bonds. Upon issuance of general obligation bonds authorized by the electorate, the District is obligated to levy and collect an *ad valorem* tax on property in the Three BART Counties at a rate sufficient to pay the annual debt service on such outstanding general obligation bonds when due and payable. Such tax may be offset to the extent that other moneys are legally made available for such purpose.

In addition to general obligation bonds, the District may issue: (1) sales tax revenue bonds; (2) revenue bonds payable solely from revenues of any facility or enterprise to be acquired or constructed by the District; (3) equipment trust certificates payable from revenues derived from the operation of the BART System; (4) special assessment bonds; (5) grant anticipation notes, bond anticipation notes and tax and revenue anticipation notes; and (6) such other obligations as are authorized by the laws of the State of California (the "State of California" or the "State").

Eminent Domain. The District has the right, with certain limitations, of eminent domain for the condemnation of private property for public use.

Administration

Governance of the District is vested in a Board of Directors (the "Board" or the "Board of Directors") composed of nine members, each representing an election district within the District. The boundaries of the election districts have been set on the basis of, as nearly as practicable, equal population and, among other things, community of interest of the population within the election district. The election districts are adjusted to reflect population changes after every national census. The boundaries of the District's election districts do not conform to the boundaries of the Three BART Counties. The nine electoral districts may include areas from one or more of the Three BART Counties.

Directors are elected to staggered four-year terms every two years, alternating between four and five available positions. Each term commences on the first Friday of December in the year of a November general election and ends on the first Friday of December four years later.

The District Directors are:

Director	District	City of Residence	Term Expiration (December)
Rebecca Saltzman, President	3	Oakland	2020
Robert Raburn, Vice President	4	Oakland	2018
Thomas Blalock	6	Fremont	2018
Nicholas Josefowitz	8	San Francisco	2018
Joel Keller	2	Brentwood	2018
John McPartland	5	Castro Valley	2020
Debora Allen	1	Clayton	2020
Bevan Dufty	9	San Francisco	2020
Lateefah Simon	7	Oakland	2020

The executive management staff of the District consists of statutory officers appointed by the Board and operating managers appointed by the General Manager.

The five statutory officers are:

Grace Crunican, General Manager

Ms. Crunican was appointed General Manager of BART by the Board of Directors in 2011. Prior to coming to BART, she was Director of the Seattle Department of Transportation ("SDOT") for eight years, the Director of the Oregon Department of Transportation for five years, and the Deputy Administrator for the Federal Transit Administration ("FTA") for three years. Before joining the FTA, Grace led the Surface Transportation Project, and prior to that, she was with the City of Portland, Oregon for seven years, where her final position was as Deputy Director of Transportation. She was a Presidential Management Intern with the U.S. Department of Transportation and served as professional staff for the U.S. Senate Transportation Appropriations Subcommittee. She holds a B.A. from Gonzaga University and a MBA from Willamette University.

Rosemarie V. Poblete, Controller/Treasurer

Ms. Poblete joined the District in May 1996 as a Treasury Analyst in the Finance Department. She was promoted to the Manager of Debit Credit Fare Programs in February 2008 and in December 2011 to Assistant Treasurer of the District. Effective June 29, 2015, Ms. Poblete was appointed by the Board of Directors to be the Interim Controller/Treasurer and was appointed as Controller/Treasurer in March 2016. Prior to joining the District, Ms. Poblete worked in banking as an operations manager and a private banker. Ms. Poblete holds a Bachelor's degree in Business Administration from the University of the Philippines.

Matthew Burrows, General Counsel

Mr. Burrows joined the District in February 1997 as an attorney in the Office of the General Counsel. In 2007, he was promoted to Associate General Counsel and in January, 2008, appointed General Counsel. Mr. Burrows received a Bachelor of Arts degree in Sociology from the University of California at Santa Barbara and his J.D. from the University of California, Hastings College of the Law.

Kenneth A. Duron, District Secretary

Mr. Duron joined the District in 1991 as a Senior Capital Program Planner in the Government and Community Relations Department. He served as Executive Assistant to the General Manager from 1995 to 2001 and was appointed District Secretary in February 2001. Prior to joining the District, Mr. Duron held staff and management positions with Xerox Corporation. His public transit experience includes five years as a member of the professional staff with the Southern California Rapid Transit District. Mr. Duron holds a Bachelor of Science degree in Public Administration from the University of Southern California, Center for Public Affairs.

Russell Bloom, Independent Police Auditor

Mr. Bloom is the Independent Police Auditor at the BART Office of the Independent Police Auditor ("OIPA"). Mr. Bloom came to OIPA as an Investigator in 2014 after working as an in-house investigator at an Oakland civil litigation law firm specializing in plaintiff-side asbestos exposure cases. Mr. Bloom has also served on the City of Berkeley California Police Review Commission, including terms as Vice-Chair and Chair. He received an undergraduate degree from the University of California at Berkeley, and a JD from the New College of California School of Law. His law school experience includes a judicial externship with U.S. District Court Judge Thelton Henderson. Mr. Bloom has experience in the areas of civil litigation, criminal law, family law, immigration law, and law enforcement accountability.

Principal executive management staff appointed by the General Manager include:

Robert Powers, Deputy General Manager

Robert Powers was named Deputy General Manager of BART in January of 2017. In this role, Mr. Powers provides support to the General Manager in the management of major District departments including Operations; System Safety; Planning, Development and Construction; Administration and Budget; Office of the CIO; Civil Rights; External Affairs and Human Resources. Mr. Powers also provides management support to the Board of Directors, Board-appointed officers and BART's executive staff.

Before his appointment to Deputy General Manager, Mr. Powers served as Assistant General Manager in Planning, Development and Construction at BART and was responsible for the design, construction and management of several major rail transit extension projects along with BART's Real Estate and Property Development; Strategic and Station Planning efforts; BART's Energy and Sustainability Program, and the Office of the District Architect. Prior to joining BART, Mr. Powers served as the Director, Major Projects and Deputy Director at SDOT, where he oversaw SDOT's Major Projects, Traffic Management, Policy and Planning, and Capital Projects and Roadway Structures divisions. He also previously served as the Division Chief of Transportation in the Engineering and Construction Division ("TEC") for the City of Baltimore Department of Transportation.

Mr. Powers is a licensed Professional Engineer. He holds a Bachelor of Science degree in Civil Engineering and Master of Science degree in Structural Engineering, both from the University of Illinois at Urbana-Champaign.

Paul Oversier, Assistant General Manager, Operations

Mr. Oversier joined the District in 1990 as Chief Transportation Officer. In June 1999, Mr. Oversier was appointed as the Assistant General Manager, Operations. Prior to joining the District, Mr. Oversier was the Chief Transportation Officer of the New York City Transit Authority for four years after serving as the Director of Operations Support for over two years. He was also the General Manager of the Centre Area Transportation Authority in State College, Pennsylvania for three years. Mr. Oversier holds a Master of Science Degree in Transportation from Northwestern University and a Bachelor's Degree in Economics from the University of California at Davis.

Employees and Labor Relations

As of September 1, 2017, the District has 3,618 employees, of which 3,514 are full-time and 104 are part-time.

Most District employees are represented by recognized employee organizations. Supervisors and professionals are represented by the American Federation of State, County and Municipal Employees ("AFSCME"), Local 3993. Station agents, train operators, clerical employees, and foreworkers are represented by the Amalgamated Transit Union ("ATU"), Local 1555. Maintenance, professional, and clerical employees, and maintenance foreworkers are represented by the Service Employees International Union ("SEIU"), Local 1021. In addition, BART police officers and non-managerial civilian staff of the BART Police Department are represented by the BART Police Officers Association ("BPOA") and police managers below the Deputy Chief level are represented by the BART Police Managers Association ("BPMA").

On May 12, 2016, upon ratification by all affected unions, the Board of Directors voted to adopt four year extensions of the collective bargaining agreements for ATU, SEIU and AFSCME. The agreements provide modest wage increases on July 1 each year as follows: 2.5% on July 1, 2017 and July 1, 2018, and 2.75% on July 1, 2019 and July 1, 2020. All other terms and conditions of employment were extended until June 30, 2021, with the exception of a contract reopener in

January 2018 regarding whether employees' required retirement contributions should be increased and, if so, under what circumstances. Any such agreement must be cost-neutral to the District.

In addition, employee contributions to medical premiums will increase by 3% per year, along with continuation of the additional employee premium contribution of $37 per month. Employees will continue to be eligible each year to receive a lump sum payment of $500 for each 1% that ridership increases above the District's Short Range Transit plan ridership forecast, up to a maximum of $1,000; however, such ridership increase payment will not be made if the pension costs increase by more than 16%, medical costs increase by more than 10%, or if there is an extraordinary unplanned expense exceeding 2.5% of the District's operating budget.

The collective bargaining agreements between the District and the BPOA and the BPMA will each expire on June 30, 2018. Negotiations with respect to these agreements are expected to commence in early 2018.

On March 10, 2016, the Board of Directors approved the BART Major Projects Stabilization Agreement ("BART-MPSA"). The agreement guarantees that craft work unions employed on named BART construction projects will not strike throughout the life of the covered projects. The BART-MPSA includes a provision that allows the designated labor management committee, which is established in the BART-MPSA, to include additional upcoming major projects in the scope of the agreement.

Taken together, the District expects to enjoy a prolonged period of stability in its labor relations, both with its own unions and with construction craft unions whose members are employed on BART's construction projects.

BART experienced two strikes in 2013 for a total of eight days. Prior to 2013, BART had only experienced a strike in 1997 for a one-week period and strikes early in the District's history in 1976 and 1979; BART had successfully negotiated a number of labor agreements with the unions in 2001, 2005 and 2009 without the employees resorting to strikes.

Litigation

The District is involved in various lawsuits, claims and disputes. Many of those lawsuits arise as a result of personal injuries and property damage which are anticipated in connection with operations such as the District's. The District is currently named in two active lawsuits filed by current and former employees alleging various employment related claims including claims of discrimination, a number of civil rights lawsuits arising from its ongoing police activities, and litigation arising from construction-related contracts. As a public agency, BART is not liable for punitive damages.

THE BART SYSTEM

General Description

The BART System is an electrically powered rapid transit commuter rail system serving the residents of the San Francisco Bay Area. The BART System is currently comprised of 109 miles of double track (including some areas of multiple tracks) and 46 stations, 41 of which are located in the Three BART Counties, including the Warm Springs Extension (as defined herein) which began service on March 25, 2017, and five of which are located in San Mateo County on the San Francisco Peninsula. BART is powered by an electric third rail at 1,000 volts DC. The rail right-of-way is fully protected and has no grade crossings. Automatic fare collection equipment is located in each station to vend and process passenger tickets. As of September 1, 2017, the District owned 669 rail cars in operation. Trains are from three to ten cars in length and contain one control-equipped vehicle (an A-car or C-car) at each end with mid-train vehicles (B-cars or C-cars) making up the remainder of each train. Control-equipped C-cars, consisting of C-1 cars and C-2 cars, can be used as lead, mid-train, or trail vehicles. All station platforms are constructed to accommodate trains of up to ten cars. Trains are operated from the lead A-car or C-car. Computers located along the right-of-way automatically control train movements. BART System train supervision is provided by the BART train control computer located at the BART Operations Control Center ("Control Center") at the Lake Merritt station. Should the need arise, train operators aboard each train may override the automatic system. The District's 669-car operating fleet currently consists of 59 A cars, 380 B cars, 150 C-1 cars and 80 C-2 cars.

BART service lines run through the urban and suburban areas of the Three BART Counties and San Mateo County. Service patterns are largely dictated by the topography of the region. Lines run along the east and west sides of the San Francisco Bay, under the San Francisco Bay in the San Francisco-Oakland rapid transit tube (the "Transbay Tube") and then traverse the hills and valleys of inland areas. The BART system radiates from the Oakland "Wye," which is located under downtown Oakland. Lines running west from the Wye travel under the San Francisco Bay, through downtown San Francisco and terminate at Daly City, Millbrae or SFO. Other lines radiate out from the Oakland Wye and terminate in Richmond, Pittsburg/Bay Point, Dublin/Pleasanton or Warm Springs/South Fremont. A second wye is located on the San Francisco Peninsula between the San Bruno station, the Millbrae station and the San Francisco International Airport station ("SFO Station"). In addition to the two wyes, merges and diverges also occur at two other locations in Alameda County. For more detailed information regarding BART System routes, see the BART System map in the front portion of this Official Statement. Approximately one-third of the BART System is underground or underwater, one-third is aerial and one-third is at grade.

BART stations are spaced approximately one-half mile apart in downtown San Francisco and Oakland and approximately two to four miles apart in suburban areas. A number of BART stations located in downtown San Francisco provide intermodal transfers to the San Francisco Metropolitan Transportation Authority ("SFMTA") light rail, cable cars and buses. The Millbrae station provides convenient transfers to the Caltrain commuter rail service, which provides commuter service along the San Francisco Peninsula and south to Gilroy, and the Richmond and Coliseum stations provide intermodal transfers to the Capitol Corridor intercity rail service between Sacramento and San Jose. The SFO Station is located in SFO. The Coliseum station in Oakland provides access to the Oakland-Alameda County Coliseum Complex where the Oakland Raiders, a professional football team, the Oakland Athletics, a professional baseball team, and the Golden State Warriors, a professional basketball team, currently play their home games. The Oakland Raiders have approved plans to relocate to Las Vegas in a few years and the Golden State Warriors are constructing a new arena in San Francisco and are expected to move to such facility in a few years. The Oakland Athletics are considering relocating to a different site.

The Control Center controls and monitors all mainline activities and equipment, including safety-critical and emergency equipment, such as emergency telephones and fire alarm systems, responds to emergencies, manages delays, and controls the electrification grid. Operational functions performed in the Control Center include the generation of daily train schedules, dispatching of trains from the ends of line and yards, keeping trains on schedule by adjusting the speeds between stations and/or dwell times at stations, control and monitoring of ventilation fans, dampers, sump pumps, traction power equipment, train location and other wayside systems equipment.

BART has three primary rail yard locations for purposes of conducting repairs, located in Concord, Daly City and Richmond, as well as a secondary facility in Hayward. The Concord, Daly City and Richmond facilities perform preventive and regular train maintenance based on operating hours as well as unscheduled failure repairs. The District's fleet of revenue vehicles are divided between the three primary maintenance facilities, with each location being responsible for supporting designated service routes: Concord, with 283 cars, supports Bay Point to SFO; Daly City, with 101 cars, supports Daly City to Fremont; and Richmond, with 285 cars, supports Richmond to Fremont, Richmond to Millbrae and Fremont to Daly City. The additional facility in Hayward houses shops for secondary and component repairs, including electrical, pneumatic, HVAC, and hydraulic repairs, as well as brake system components, door operators, couplers, power supply and vehicle subsystem solid state electronic logics. An expansion of the Hayward Maintenance Complex ("HMC") is being undertaken in connection with the extension of the system into the county of Santa Clara. See "BART FINANCINGS AND CAPITAL PROGRAMS – System Expansion Program" herein.

The extension of the BART System into SFO and to the Millbrae Station (the "SFO Extension") was completed in 2003 and the District commenced revenue service on the SFO Extension in June, 2003. The final cost of the SFO Extension of $1.582 billion exceeded the amount budgeted by approximately $114 million. The additional cost was resolved by an agreement with the Metropolitan Transportation Commission ("MTC") and funding from federal grant financings provided additional assistance.

On April 27, 2007, with the assistance of MTC, BART and the San Mateo County Transit District ("SamTrans") reached a resolution (the "Settlement") regarding the financing of operations to the five San Mateo County stations south of Daly City that make up the SFO Extension. The resulting key terms of the Settlement give BART full responsibility over SFO Extension operations, with monetary contributions from SamTrans and MTC to offset the cost of operating outside the District. MTC and SamTrans provided a combined $56 million of up-front funding over several years, applied to fund operating deficits on the SFO Extension, and directed $145 million to the Rail Vehicle Replacement Project per MTC Resolution 4123 dated December 13, 2013. BART also receives two forms of ongoing subsidy, consisting of: two percent of San Mateo County's Measure A half-cent sales tax, which is currently equal to approximately $1.5 million per year and was allocated to BART for 25 years beginning in Fiscal Year 2008-09; and SamTrans' annual Proposition 42 Traffic Congestion Relief Program ("TCRP") increment, approximately $100,000 in Fiscal Year 2007-08 and a fixed amount of approximately $800,000 beginning in Fiscal Year 2008-09, until the aforementioned $145 million has been generated. Proposition 42 dedicates revenues from the State's share of the sales tax on gasoline to transportation projects and is subject to reduction or elimination by State budget action that reduces the sales tax. See "BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments" herein.

BART commenced service in November 2014 of the Oakland Airport Connector ("OAC") which provides a transit link between the Oakland International Airport ("OAK") and the BART System. The OAC is an automated driverless, cable-propelled people mover manufactured by Doppelmayr Cable Car that travels between the Coliseum BART station and OAK in about eight minutes on a primarily elevated guideway structure along the median of Hegenberger Road. Flatiron/Parsons JV constructed the approximately $485 million project which was funded in part with proceeds of the District's Sales Tax Revenue Bonds, 2012 Series B (Federally Taxable). The OAC project is operated pursuant to a 20-year Operations and Maintenance contract with Doppelmayr Cable Car. For fiscal year to-date, through September 2017, approximately 3,200 passengers per weekday used this service.

On March 25, 2017, BART service was extended south 5.4 miles from the Fremont Station to a new station in the Warm Springs district of Fremont in southern Alameda County (the "Warm Springs Extension"). The Warm Springs Extension alignment is mostly at-grade; however, it runs beneath Fremont Central Park in a mile-long cut and cover subway. The project funding plan for the $890 million extension included substantial contributions from a variety of local and State sources and surplus revenues from the SFO Extension. The project had no federal funding. The project was implemented via two major contracts: the $137 million Fremont Central Park Subway contract which was begun in August 2009 and completed on schedule and within budget in April 2013 and the $299 million design-build Line, Track, Station and Systems ("LTSS") contract which was begun in October 2011. The project was completed approximately $100 million under budget.

Ridership

Average weekday passenger trips for the Fiscal Years 2011-12 to 2016-17 are set forth below.

Trip Locations:	2012	2013	2014	2015	2016	2017
East Bay	83,377	87,787	86,254	89,108	87,892	84,946
West Bay	102,603	108,726	107,682	112,492	112,889	106,814
Transbay	180,585	195,780	205,210	221,519	232,613	231,636
Average Total Weekday Trips	366,565	392,293	399,146	423,119	433,394	423,395
Percentage Annual Change	6.2%	7.0%	1.7%	6.0%	2.4%	(2.3)%

Following extraordinary ridership growth after the 2008-2011 recession, ridership growth started to stabilize to a more sustainable level, averaging over 423,000 weekday trips in Fiscal Year 2015 and growing 2.4% to just over 433,000 weekday trips in Fiscal Year 2016. In Fiscal Year 2017, ridership trended down, averaging 423,395 weekday trips for the year. Factors previously correlated with changes in BART ridership including employment, traffic congestion and the price of gas appear to have a weaker correlation presently than in past years. More recently, the increased utilization of Uber, Lyft, and other app-based services, also known as Transportation Network Companies ("TNCs"), appears to have contributed to the decline in ridership, though exactly to what extent is currently unknown. During Fiscal Year 2017, Transbay trips were down 0.4%, West Bay trips were down 5.4%, and trips within BART's East Bay area were down 3.4%.

In addition to the decline in average weekday trips, weekend trips were down as well, with Saturday trips down 7.0%, and Sunday trips down 9.8% from the prior fiscal year. The single highest day of BART ridership, with 568,061 trips, occurred on October 31, 2012, in conjunction with the San Francisco Giants World Series Victory Parade held in downtown San Francisco. BART's peak month of ridership was in February 2016 with 446,650 average weekday trips, mainly due to Super Bowl 50 festivities.

Revenue Hours

BART revenue hours run from 4:00 a.m. to midnight Monday through Friday, from 6:00 a.m. to midnight on Saturdays, and from 8:00 a.m. to midnight on Sundays. The last trains depart each end of the line around midnight, so passengers can get anywhere in the BART system if they arrive at any station by midnight. Depending upon demand, holiday rail service is provided on a full or modified weekday schedule, a Saturday schedule or a Sunday schedule.

Passenger Fares

BART rail fares are calculated based on distance traveled, with surcharges applied to certain trips, adjusted by a speed differential to account for trips that are slower or faster than a systemwide average. Surcharges apply to transbay trips; trips originating from or destined to stations located in San Mateo County; and a premium applies to trips to and from the SFO Station and the Oakland International Airport station via the OAC ("OAK Station"). A capital surcharge of $0.13 is applied to all trips within the Three BART Counties, as well as Daly City, which is in San Mateo County. Revenues resulting from such capital surcharge are applied to fund capital programs previously funded from the operating budget.

The current minimum one-way fare is $1.95 and, effective January 1, 2018, such minimum fare will increase to $2.00 for riders using the regional Clipper Card (as hereinafter defined) and $2.50 for riders using the magnetic stripe paper tickets. To encourage BART riders to switch to Clipper Cards, on June 22, 2017 the Board approved a 50 cent surcharge on each trip taken using the adult full-fare paper ticket. The current maximum one-way fare is $15.70, charged for the trip between SFO and OAK Stations; as of January 1, 2018, such fare will increase to $16.15 for Clipper Card users and $16.65 for paper ticket users. This fare includes three additive elements: the base fare, the SFO premium fare, currently valued at $4.42, and the BART-to-OAK project fare, currently valued at $6.00. As of January 1, 2018, the SFO premium fare for Clipper Card users will be $4.54 and the BART-to-OAK project fare for such users will be $6.16; the 50 cent surcharge will be added for paper ticket users.

Fare increases during the District's history are summarized below. In May 2003, the Board of Directors approved a series of productivity-adjusted Consumer Price Index-based fare increases to take effect in January of each even-numbered year from 2006 through 2012. On February 28, 2013, the Board approved extending the productivity-adjusted Consumer Price Index-based fare increase program so that fare increases would take effect in January of 2014, 2016, 2018, and 2020. The incremental fare revenue generated by the future fare increases through 2020 is intended pursuant to Board policy to be set aside to fund capital projects.

Average District Fare Increases

Date	Average Increase
November 1975	21.0%
July 1980	34.9
September 1982	18.4
January 1986	30.0
April 1995	15.0
April 1996	13.0
April 1997	11.4
January 2003	5.0
January 2004	10.0
January 2006	3.7
January 2008	5.4
July 2009	6.1*
July 2012	1.4
January 2014	5.2
January 2016	3.4
January 2018	2.7

* All fares increased by an average 6.1% with the exception of the 16.7% increase to the minimum fare and the 167% increase to the premium fare charged for trips to or from SFO Station.

The District currently offers a variety of fare discount programs ranging in value from 6.25% to 62.5% of the regularly-applicable fare. These discounts are available when patrons purchase high-value or discounted paper tickets or use the Clipper Card. Persons eligible for such discount programs include children under the age of 18, undergraduate and graduate students attending San Francisco State University, and seniors or persons with disabilities. Specific terms and eligibility requirements apply to each discount program.

The rates and charges of BART are by law free from the jurisdiction and control of any regulatory agency other than BART, including the California Public Utilities Commission. As provided in the California Public Utilities Code, passenger fares for BART are established by a two-thirds vote of the Board of Directors and are required to be reasonable. Any Board of Supervisors of a county or city and county, or the city council of a municipality having territory located within the District, may file a request for a hearing before the Board of Directors regarding the reasonableness of any fares. The hearing must be held between 15 and 60 days from the date of the request and a decision by the Board of Directors must be rendered in writing within 30 days after the hearing. Thereafter, the decision may be reviewed by the courts through a writ of mandate.

As a condition to receiving assistance from the federal government, acting through the FTA, BART complies with the requirements of Title VI of the Civil Rights Act of 1964. Public meetings and public hearings are held before any change in fares or any substantial reduction in service is made. Such change can only be made after proper consideration has been given to the views and comments expressed by the public, including those who are minority, low-income, or have limited English proficiency, in public meetings and at public hearings and after consideration has been given to the effects on energy conservation and the economic, environmental and social impact of such change.

Parking Programs

The District provides a variety of options for passengers who drive to BART stations. As of September 1, 2017, parking is provided at 34 of the District's 46 stations and the total number of parking spaces provided system-wide is approximately 49,000. Parking is provided in surface lots and in parking garages. The District commenced charging for parking to enhance revenues in 2002 and now charges for parking at all stations that have parking facilities. The District offers a paid monthly and single day reserved parking program system-wide and a paid airport/long term parking program at most of its stations. The monthly reserved parking program allows passengers to purchase guaranteed parking near the entrance to a station. Monthly parking fees vary from station to station within a range of $84 to $231, based upon the daily fee for each station. The number of spaces set aside for monthly reserved parking under current authorization cannot exceed 25% of the total spaces in a lot. All total reserved spaces may not exceed 40% of the station's total spaces. The airport/long term parking program allows passengers traveling to either SFO or OAK to purchase permits to park their vehicles at some BART stations for periods of time greater than 24 hours. Long-term permits can be purchased via the BART website for $6-7/day. At many stations, a number of spaces are set aside for carpoolers and for passengers who arrive at stations after 10 a.m.

The amount for the daily parking fee is demand-based, up to a $3 daily fee limit, except at the West Oakland BART station, which does not have a limit. Every 6 months, the utilization of the parking facility is evaluated. If the facility exceeds 95% capacity, then the daily fee may increase by $0.50 per weekday. Parking fees have now reached the $3 daily fee limit at 31 of the 34 stations with parking.

Parking revenue for Fiscal Year 2016-17 was $35.1 million. The adopted budget for parking revenue for Fiscal Year 2017-18 is $35.2 million.

Power Supply

The operation of the BART System requires a substantial amount of electricity. The District's current annual electric energy requirement is approximately 400,000 megawatt-hours, with peak electric demand of approximately 80 megawatts ("MW").

The District historically purchased all of its electricity services, including both supply and delivery, from Pacific Gas & Electric Company ("PG&E"). In 1995, the California Legislature enacted statutory provisions authorizing the District to purchase electrical power supply from federal power marketing agencies, while continuing to take delivery services from PG&E under negotiated bilateral agreements. The District's authority to purchase electricity from other suppliers was expanded in 2004 to permit the District to obtain electrical power supply from local publicly owned electric utilities and again in 2015 to allow purchase from developers of renewable energy projects. Pursuant to this legislative authorization, the District's energy supply needs are currently met through a portfolio of medium-term and long-term supply contracts, including:

- Clean zero-carbon hydroelectric supply from the Western Area Power Administration for approximately 5% of the District's needs, under a long-term contract through 2024;
- Renewable hydroelectric supply from a 4.3 MW facility at the Nacimiento Dam for approximately 3% of the District's needs, under a long-term contract, through a contract with the Monterey County Water Resources Agency, through 2033;
- Renewable solar energy supply from a 2.5 MW solar facility in the City of Gridley, CA for approximately 1% of the District's needs, under a long-term contract through 2038;
- Renewable on-site solar energy supply at various BART locations, including the Warm Springs station and which total approximately 1 MW, for approximately 0.3% of the District's needs, under long-term contracts ending as late as 2038; and
- Clean low-carbon and zero-carbon supply imports from the Pacific Northwest for the majority of District remaining needs, under medium-term contracts with various suppliers, including Avangrid, through June 2020.

In April 2017, the Board of Directors adopted the District's first Wholesale Electricity Portfolio Policy, mandating that procurement activities: (1) "Support low and stable BART operating costs" and (2) "Maximize the use of low-carbon, zero-carbon and renewable electricity supply." Specifically, this policy implemented performance measures for the energy portfolio's carbon and renewables content and for cost stability, including a 100% renewable mandate by 2045 and long-term cost advantages over equivalent bundled energy services through PG&E. In line with this policy, in 2017 the District released requests for proposals for long-term clean energy supplies to secure the majority of its electricity supply needs beyond 2020 at low, fixed prices.

For energy delivery services, the District continues to utilize PG&E transmission and distribution facilities under negotiated bilateral agreements with the utility to deliver energy purchased by the District from its various suppliers. These current arrangements for energy supply and delivery are effective from 2017 through 2026. They provide significant savings to the District compared with the cost of standard bundled retail service from PG&E but distribution costs are expected to increase due to higher rates and higher total energy use by the District related to service extensions.

The District is also a 6.6% participant/owner in the Northern California Power Agency's Lodi Energy Center, which began commercial operation in 2012, and is an obligor of a portion of the bonds issued for construction of the facility. The Lodi facility operates according to the needs of the California Independent System Operator ("CAISO"), which is responsible for power grid and power market operations state-wide. 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 and ancillary services sales into the CAISO power market.

Service Challenges

After more than 45 years of service, BART faces two critical capital improvement challenges. First, significant reinvestment in the existing system is required to sustain reliable and safe service for current riders. Second, BART must invest to increase capacity to meet the growing demand for transit services in the region.

Record ridership in combination with BART's aging infrastructure has resulted in increased incidents of delays in service caused by equipment failures. Higher ridership has also contributed significantly to increased delays as it has resulted in more medical emergencies, more police calls and more delays prompted by passengers jamming doors as they try to board trains. As many sections of track and trackside equipment have not been upgraded since the system opened on September 11, 1972, the District anticipates increased requirements for maintenance of its track and other equipment and response activity to emergency breakdowns. Major repairs to the Transbay Tube and adjacent track are being undertaken and involved two weekend closures of the Transbay Tube in August and September of 2015. Sections of overhead track on the crossover between the West Oakland Station and the Transbay Tube and a system of switches and over 2,400 feet of rail were replaced. During the closures of the Transbay Tube, the first in the District's history, bus bridges were conducted as substitutes to the Transbay Tube travel and normal BART service was provided on both sides of the Bay. Service issues were also experienced in March and April 2016 on the Pittsburg/Bay Point line between the Pittsburg/Bay Point station and the North Concord station when electrical spikes damaged the propulsion equipment on approximately 50 C cars. Bus bridges and shuttle trains were employed until the problem was resolved. District management contracted with a number of outside subject matter experts to assist District engineers and maintenance staff in the investigation to determine the root cause of the voltage spike that damaged C car propulsion equipment and determined that track moisture and dirt contamination were factors. Most issues have been resolved but due to open track conditions surges may reoccur periodically. The District is accelerating its program of planned weekend track outages in order to accomplish major infrastructure repair projects. These continuous weekend work windows allow for the completion over a few weekends of major repairs and upgrades that, if attempted during the short window when the system is normally closed, would take years to complete. See "BART FINANCINGS AND CAPITAL PROGRAMS – System Reinvestment Program."

BART has an asset management program that supplies the data necessary to make decisions regarding whether to invest in capital infrastructure replacement or in maintenance to extend the life of an asset. The comprehensive Strategic Asset Management Plan ("SAMP") allows BART to take a more systematic, risk-focused approach to prioritizing investment of scarce resources for both operating and capital needs.

BART FINANCINGS AND CAPITAL PROGRAMS

Sources of Funds

The District has received and expects to continue to receive grants from the federal government, from the State, from regional bridge tolls and from local governments for capital renovation and expansion of the BART System. In addition to grants and bridge toll revenues, capital renovation and expansion of the BART System is funded with BART revenues, including allocations from the operating budget and the proceeds of BART financings, as further described below. See "– Funding Developments – *Pension Reform and Grant Funding*" below.

General Obligation Bonds

Pursuant to voter approval in the Three BART Counties in 1962, the District issued a total of $792 million aggregate principal amount of general obligation bonds in twelve series during the years 1963 through 1969. General obligation bonds are payable from *ad valorem* taxes required to be levied on all properties 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. General obligation bond proceeds were used to pay a portion of the cost of planning, acquisition and construction of the original 71-mile BART System, excluding the Transbay Tube and its approaches. All such original general obligation bonds have been paid.

Pursuant to voter approval in the Three BART Counties of Measure AA ("Measure AA") at the November 2, 2004 election, the District is authorized to issue general obligation bonds, in one or more series, in an amount not to exceed $980 million, in order to make earthquake safety improvements to the BART System. In May 2005, the District issued its General Obligation Bonds (Election of 2004), 2005 Series A (the "2005 A Bonds") in an aggregate principal amount of $100,000,000. On July 25, 2007, the District issued its General Obligation Bonds (Election of 2004), 2007 Series B (the "2007 B Bonds") in an aggregate principal amount of $400,000,000, and on November 21, 2013, its General Obligation Bonds (Election of 2004), 2013 Series C (the "2013 C Bonds") in the aggregate principal amount of $240,000,000. The 2005 A Bonds, 2007 B Bonds and the 2013 C Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, overhead and underground trackway structures, the Transbay Tube, the Berkeley Hills Tunnel and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and to finance additional retrofits to facilitate a rapid return to service after an earthquake or other disaster. In October 2015, the District issued the General Obligation Bonds (Election of 2004), 2015 Refunding Series D (the "2015 D Bonds") in the aggregate principal amount of $276,805,000. The proceeds from the 2015 D Bonds were used to fully refund the remaining outstanding principal balance of $34,680,000 of the District's 2005 A Bonds, to advance refund $265,735,000 principal amount of the District's 2007 B Bonds, and to pay costs of issuance of the 2015 D Bonds. In June 2017, the District issued the General Obligation Bonds (Election of 2004), 2017 Refunding Series E (Green Bonds) (the "2017 E Bonds") in an aggregate principal amount of $84,735,000. The proceeds from the 2017 E Bonds, together with other District funds, were used to current refund $93,780,000 principal amount of the District's outstanding 2007 B Bonds and to pay costs of issuance of the 2017 E Bonds.

After the issuance of the 2005 A Bonds, 2007 B Bonds and 2013 C Bonds, the remaining principal amount of general obligation bonds that the District is authorized to issue under Measure AA is $240,000,000.

At the November 8, 2016 election, voters in the Counties of Alameda and Contra Costa and the City and County of San Francisco approved a new general obligation bond measure ("Measure RR"), titled "BART Safety, Reliability and Traffic Relief" in the amount of $3.5 billion. See "—System Renewal Program" below. In June 2017, the District issued the General Obligation

Bonds (Election of 2016), 2017 Series A-1 (Green Bonds) (the "2017 A-1 Bonds") in an aggregate principal amount of $271,600,000 and 2017 Series A-2 (Federally Taxable) (Green Bonds) in an aggregate principal amount of $28,400,000 (the "2017 A-2 Bonds" and, together with the 2017 A-1 Bonds, the "2017 A Bonds"). The 2017 A Bonds were issued to finance critical infrastructure needs identified in the System Renewal Program.

As of December 1, 2017, the following issues of the general obligation bonds issued under Measure AA, including refunding bonds, and Measure RR, were outstanding:

Issue	Original Principal Amount	Amount Outstanding	Final Maturity
2013 C Bonds (Measure AA)	$240,000,000	$205,730,000	2037
2015 D Bonds (Measure AA)	276,805,000	275,755,000	2035
2017 E Bonds (Measure AA)	84,735,000	84,735,000	2037
2017A-1 Bonds (Measure RR)	271,600,000	271,600,000	2047
		$837,820,000	

Sales Tax Revenue Bonds

Commencing in 1970, the District has issued from time to time bonds payable from and collateralized by a pledge of sales tax revenues (the "Sales Tax Revenue Bonds"), comprised of seventy-five percent (75%) of the amounts derived from a one-half of one percent (0.5%) transactions and use tax imposed by the District within the Three BART Counties pursuant to Section 29140 of the California Public Utilities Code. The Sales Tax Revenue Bonds are special obligations of the District issued in order to finance or refinance the costs of constructing, improving and equipping the BART System. The following issues of Sales Tax Revenue Bonds are outstanding in the amounts indicated in the table below as of December 1, 2017:

Issue	Original Principal Amount	Amount Outstanding	Final Maturity
Series 2010 Refunding Bonds	$129,595,000	$115,095,000	2028
Series 2012A Bonds	130,475,000	117,060,000	2036
Series 2012B Bonds (Taxable)	111,085,000	99,635,000	2042
Series 2015A Refunding Bonds	186,640,000	155,655,000	2034
Series 2016A Refunding Bonds	83,800,000	83,800,000	2036
		$571,245,000	

Rail Vehicle Replacement Program

On May 10, 2012, the Board of Directors authorized the award of a contract to Bombardier Transit Corporation ("Bombardier") 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 in May 30, 2012, and exercised Option 1 to procure an additional 150 vehicles on June 25, 2012. Options for an additional 365 vehicles were exercised on December 27, 2013 for a total purchase of 775 vehicles.

Bombardier commenced delivery of 10 pilot vehicles in March 2016, which are undergoing eighteen months of testing, qualification, simulated revenue service and pre-production design review. Once the initial cars are approved, Bombardier will produce and deliver 16 vehicles per month. The District expects Bombardier to begin production by the end of calendar year 2017, although such production may be delayed if the initial cars do not pass critical safety inspections. During a test run on November 3, 2017 with the California Public Utilities Commission, the operator was not able to open the passenger doors of seven cars in a 10-car lineup. Bombardier and the District have been working to identify the problem.

The total project cost for the 775 vehicles will be approximately $2.584 billion, and will be paid from funding sources including funds from the MTC, the Santa Clara Valley Transportation Authority ("VTA"), and from BART itself.

MTC and the District have agreed in principle that MTC by allocation of federal and State funds will fund 75%, and BART will fund the remaining 25% of the purchases under the replacement vehicle contract. There are 60 vehicles which will be attributed to vehicle needs for the expansion into Santa Clara County and which will be funded per the terms of a cost sharing agreement entered into by VTA and BART in April 2011. A successor agreement is currently being negotiated by VTA and BART, but it is not anticipated that the successor agreement will alter the cost allocation for the 60 cars attributable to VTA.

BART anticipates funding its portion of the contract from the accumulated funds in the Rail Car Sinking Fund from annual operating funds of approximately $45 million for twelve years ending in Fiscal Year 2024-25. For Fiscal Years 2016-17 and 2017-18, BART budgeted $45 million for this sinking fund. A portion of the funds MTC expects to use to fund its share of the cars depends on FTA and Federal Highway Administration ("FHWA") funds that are subject to authorization and appropriation by Congress, and on other critical regional transit capital needs. Should the FTA and FHWA funds become unavailable, the District cannot predict what funds, if any, MTC will provide in their place. BART and MTC will need to execute a cash flow borrowing agreement during the term of the car delivery contract in order to meet payment obligations prior to the anticipated receipt of grant and other funding.

To set aside funding for vehicle replacement, the District and MTC entered into the BART Car Replacement Funding Exchange Agreement in 2006 (the "Exchange Agreement"). Under the Exchange 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 deposits an equal amount of local unrestricted funds into a restricted account, the "BART Car Exchange Fund", established to fund BART's vehicle replacement program. MTC is the exclusive administrator of this restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the Board. In accordance with the agreement, MTC allocated Federal Section 5307 and 5337 Grants of $74,168,151 in Fiscal Year 2014-15, $50,176,122 in Fiscal Year 2015-16, and $52,547,712 in Fiscal Year 2016-17 to fund the District's preventative maintenance expenses. Accordingly, the District remitted or will remit to MTC the equivalent amount of its own funds, which funds are deposited by MTC to the BART Car Exchange Fund. The federal grant is shown as nonoperating revenue—operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements. The BART Car Exchange Fund for BART's car replacement program, which is excluded from the District's financial statements, showed a total cash and investment balance, at market value unaudited, of $381,528,219 as of June 30, 2017.

In addition to the 775 new vehicles on order, the District anticipates that an additional 306 more vehicles will be needed to achieve the goal of having 30 regularly scheduled ten-car trains per hour service through the Transbay Tube and to meet other increased capacity goals. The District is exploring funding options for the additional vehicles, including FTA grants, and the additional cars are included in MTC's updated Regional Transportation Plan and the Plan (defined herein). BART plans to phase in the 775 new cars and phase out the existing cars, which will not be able to connect to the new cars due to changes in technology.

Earthquake Safety Program

The original components of the BART System, constructed in the 1960s, were designed to withstand much greater seismic stress than required by construction standards of the time. The 1989 Loma Prieta Earthquake provided a significant test of that design. BART was back in service just hours after the event, while many roads, bridges, freeways, and other structures in the San Francisco Bay Area suffered major damage. With the San Francisco-Oakland Bay Bridge out of service, BART served as a vital link between San Francisco and the East Bay following the Loma Prieta Earthquake. However, the epicenter of the Loma Prieta Earthquake was located approximately 60 miles from most of the BART System. BART faces earthquake risk from several major fault lines in the immediate vicinity of BART rail lines.

In Fiscal Year 2000-01, BART embarked on a comprehensive study (the "Seismic Vulnerability Study") to assess the vulnerability of, and evaluate the risk to, the District's physical plant and systems from a major earthquake in the San Francisco Bay Area. The Seismic Vulnerability Study, developed by BART after more than a year of engineering analysis and presented to the Board of Directors on June 6, 2002, identified retrofit strategies to strengthen the BART System. In order to implement a retrofit strategy based on the Seismic Vulnerability Study, the Board of Directors adopted a resolution on July 25, 2002, placing a measure on the November 5, 2002 ballot seeking authorization to issue general obligation bonds, in one or more series, in an amount not to exceed $1.05 billion. The November 5, 2002 ballot measure failed to receive approval by at least a two-thirds vote in the Three BART Counties, receiving approval from 64.2% of the voters voting on the ballot measure.

Subsequently, on June 10, 2004, the Board of Directors adopted a General Obligation Bond Program Report, which defined a $1.307 billion earthquake safety program (which includes projected construction inflation costs through estimated completion) (the "Earthquake Safety Program"), based on the Seismic Vulnerability Study. The Earthquake Safety Program is based on maintaining operability of the core components of the BART System and retrofitting the rest of the BART System to a life safety level. The goals of the Earthquake Safety Program are (i) to protect aerial trackway structures, underground trackway structures, including the Transbay Tube, at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and (ii) to provide additional retrofits to facilitate a rapid return to service in the core of the BART System, spanning from the west portal of the Berkeley Hills Tunnel to the Daly City Yard.

In order to fund a portion of the Earthquake Safety Program, the Board of Directors adopted a resolution on June 10, 2004, placing Measure AA on the November 2, 2004 ballot seeking authorization to issue general obligation bonds, in one or more series, in an amount not to exceed $980 million. Measure AA received approval by at least a two-thirds vote in the Three BART Counties, receiving approval from 68.8% of the voters voting on Measure AA.

Another major funding source programmed by MTC for the Earthquake Safety Program is a statutory designation contained in the Regional Measure 2 ("RM2") program, which was approved by Bay Area voters in March 2004. Funded by an increase of toll revenues from the State-owned Bay Area toll bridges, RM2 provides $143 million to the Earthquake Safety Program, specifically to assist in the retrofit of the Transbay Tube. Other funding sources for the Earthquake Safety Program include $134 million of State Local Seismic Safety Retrofit Program funds and $54 million in Measure RR general obligation bond funds. The District has completed several retrofits of the Transbay Tube, including upgrading seismic joints, soil improvement, retrofitting the Oakland Ventilation Structure and installing structural steel liner in one Transbay Tube segment. The District is in the process of designing the last retrofit to the Transbay Tube, consisting of internal leakage liners combined with a pumping upgrade.

The program's scope has been increased due to current and projected cost savings from favorable construction bids on project components, and to achieve maximum seismic benefit at the Transbay Tube. The current budgeted value of the Earthquake Safety Program is $1.324 billion.

System Renewal Program

In 2016, BART introduced its System Renewal Program (the "System Renewal Program") in order to address critical infrastructure needs. Specific programs identified include the repair and replacement of critical safety infrastructure; the renewal of track, power infrastructure, mechanical infrastructure, and stations; the repair of tunnels and structures; the replacement of train control and other major system infrastructure to increase peak period capacity; the expansion of opportunities to safely access stations; the relief of crowding and reduction of traffic congestion; and the design and engineering of future projects to relieve crowding, increase system redundancy and reduce traffic congestion.

A major project under the System Renewal Program is the replacement of the train control system. In 2014, the Board approved the replacement of the existing track circuit (fixed block) train control system with a modern communications based train control ("CBTC") system. When in place, the new CBTC system, an approximately $1 billion project, will allow more trains to pass through the Transbay Tube in the peak hours. The ability to operate more trains per hour through the Transbay Tube will provide relief to the current crowded conditions and allow for some additional growth. The current schedule anticipates the selection of a CBTC vendor/installer in 2019. The new system will be installed, tested and deployed in phases from 2019 to 2027. In early 2026, when the new CBTC is installed through the Transbay Tube and the Oakland Wye, it is expected that additional capacity can be realized.

The System Renewal Program also includes the renewal of the Traction Power System ("TPS"), which consists of 118 substations, over 700 high voltage circuit breakers and switchgear, 114 transformer-rectifiers, and over 1.5 million linear feet of cabling, most of which is past its design life expectancy. Traditionally, the primary funding source has been annual allocations from FTA Section 5307 federal formula funds. Now Measure RR funding covers about half the traction power renewal needs for the system, with the FTA 5307 funds along with other funding sources used to support the remaining critical needs.

Critical components of the track system, many of which were installed during original construction, are worn and reaching the end of their intended design life. Many of the basic mechanical elements that support BART operations also require renewal, such as the 40-year-old HVAC system that maintains temperature control for the Computer Room and Operations Control System, line sump pumps that are critical in keeping tunnels and trackways dry and which are experiencing increased failure rates due to age, severe corrosion and environmental contributors, and other aging infrastructure in shops and yards. Additionally, tunnels and structures are in need of repair and rehabilitation. Tunnel liner joints and cracks that have caused water intrusion problems, including increased electrolysis and damage to electrical components, rapid cooling of rails from water spray which has increased the occurrence of rail breaks, and deterioration of emergency egress structures. Under the System Renewal Program, BART plans to replace the aging components of the track system, renew and replace mechanical infrastructure, and repair tunnels and structures which BART expects will improve its service and safety, and reduce delays.

In order to fund a portion of the System Renewal Program, the Board of Directors adopted a resolution on June 9, 2016, placing Measure RR on the November 8, 2016 ballot seeking authorization to issue general obligation bonds, in one or more series, in an amount not to exceed $3.5 billion. Measure RR received approval by at least a two-thirds vote in the Three BART Counties, receiving approval from 70.5% of the voters voting on Measure RR.

System Expansion Program

Planned extensions of the BART System include:

Silicon Valley Program. The BART Silicon Valley 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 Program is being financed and implemented by VTA per the VTA - BART Comprehensive Agreement executed on November 19, 2001. The Comprehensive Agreement outlines the responsibilities of the two agencies concerning the construction, management, financing, operation and ongoing maintenance of this extension. Operational details regarding how to implement the agreement's provisions are currently being discussed by VTA and BART.

VTA acquired the right-of-way in December 2002 from the Union Pacific Railroad ("UPRR") securing a vital north/south transit corridor for Santa Clara County. As required under the right-of-way purchase agreement with UPRR, VTA has relocated the existing UPRR tracks off the BART corridor onto an adjacent corridor retained by UPRR. Additionally, as part of corridor preparation and in concert with the relocation of UPRR facilities, VTA has implemented flood control improvements where creeks cross the corridor and has relocated underground utilities that are in conflict with the BART and UPRR corridors.

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. The extension program is being implemented in phases.

The first phase, the Silicon Valley Berryessa Extension Project ("SVBX"), is under construction and comprises a 10-mile extension of BART service with two stations – one in Milpitas and one in San Jose at Berryessa Road. Along with VTA constructing the first phase, BART is constructing a revenue vehicle primary maintenance facility at BART's Hayward Yard, and is adding 60 new cars to the revenue vehicle fleet. The first phase, with an estimated capital cost of $2.42 billion in YOE dollars, was granted a FTA Full Funding Grant Agreement in March of 2012.

To date, relocation of UPRR facilities and third-party utilities along the BART corridor for SVBX, and grade separation of Mission Boulevard, Warren Avenue and Kato Road, all in the city of Fremont, have been completed. Construction of the guideway – in trench, at grade and aerial – is substantially complete as is construction of the stations and parking garages. Static testing of the extension is underway and dynamic testing is forecasted to begin in late 2017 or early 2018. Revenue services are forecasted to begin in summer 2018. As of December 2017, a supplemental agreement is being negotiated by VTA and BART which sets out the roles and responsibilities of each party during the environmental review, design, development and financing of an expansion to BART's existing Control Center necessitated by the extension of BART to Santa Clara.

Planning and environmental studies for the second phase have begun with the Federal Record of Decision anticipated in March 2018. FTA granted entry into the Federal New Starts Program in March of 2016 with the FTA's issuance of a Full Funding Grant Agreement anticipated sometime in 2019/2020. President Trump's budget proposal for Fiscal Year 2017-18 has raised concerns about the viability of the Federal New Starts Program.

Hayward Maintenance Complex. The Hayward Maintenance Complex will consist of a maintenance yard to handle responsibilities relating to vehicles for the Silicon Valley expansion and related system maintenance needs. The first phase of $240 million of this $538.7 million project has been funded by federal grants and BART operations and is now under construction. BART is actively seeking funds from various sources for this project, and is currently proceeding with a funding plan from Measure RR and its operating budget.

eBART/East Contra Costa Rail Extension. The eBART extension, designed to improve transit service in the congested California State Highway Route 4 ("State Route 4") corridor, consists of a 10-mile extension eastward from the Pittsburg/Bay Point BART station to the city of Antioch utilizing a diesel multiple unit ("DMU") technology (the "eBART Project"). The eBART Project alignment will be in the median of State Route 4 with a transfer platform in the existing Pittsburg/Bay Point station BART railtrack, a station in Pittsburg at Railroad Avenue, and terminus station at Hillcrest Avenue in Antioch. The eBART Project is estimated to cost approximately $524 million. Environmental review was completed and approved by the Board in April 2009. The contracts for the transfer platform and the maintenance facility have been completed. The major contract encompassing track construction, signaling systems, communications, station finishes and performing the systems integration is currently underway. The project is targeting a revenue service date of mid-2018. The project funding plan includes substantial contributions from Contra Costa County, MTC and various other local and State funding sources.

BART to Livermore Extension. In February 2012, the Board directed staff to advance the proposed BART to Livermore Project to the next level of project development, including developing a Project-Level Environmental Impact Report ("EIR"). Study funding has been received from the Alameda County Transportation Commission and the MTC. The proposed project consists of a 4.8-mile BART extension along I-580 to a new station in the vicinity of the Isabel Avenue/I-580 interchange. In addition to the proposed project, four other alternatives are being evaluated in the EIR: (1) No-Build alternative assuming that the proposed project is not constructed; (2) DMU/EMU alternative implementing a new rail service from the existing Dublin/Pleasanton BART station to a new station in the vicinity of the Isabel Avenue/I-580 interchange using DMU or electric multiple unit ("EMU") technology; (3) Express Bus/Bus Rapid Transit alternative incorporating improvements that provide for more seamless bus-to-BART transfers including direct access bus ramps from the I-580 HOV/Express lanes to a new bus facility at the BART platform level of the existing Dublin/Pleasanton station; and (4) Enhanced Bus alternative including modest, low-cost improvements to existing bus services at the Dublin/Pleasanton BART station. A draft EIR was released for public review in July 2017. A final EIR and BART adoption of the proposed project or one of the alternatives is planned for mid-2018. A funding plan for the proposed investment needs to be developed subsequent to project adoption.

Irvington Station. Environmentally cleared and approved by the Board in 2003 as part of the Warm Springs Extension, the "Optional" Irvington Station is intended to be located in the Irvington district of Fremont, approximately midway between the Fremont and new Warm Springs/South Fremont station. The City of Fremont, which is responsible for securing funding for the Irvington Station, worked with the Alameda County Transportation Commission ("ACTC") and designated $120 million for the Irvington Station in Measure BB, a ballot measure approved by the voters of Alameda County in 2014. The City of Fremont is currently leading a $2.7 million effort to develop a station area plan, update the station site plan, and refresh the station's environmental clearance. It is anticipated that BART will lead the design, right-of-way acquisition, construction, testing certification and on-boarding phases of the project's implementation, thereafter, likely by the end of 2018.

System Reinvestment Program

In addition to the new CBTC System discussed above under "-- System Renewal Program," BART has adopted a System Reinvestment Program. To the extent the acquisition or improvement of real property is required, funds from Measure RR may be utilized for the projects in this program.

Automatic Fare Collection Modernization/ Clipper Card. The Automatic Fare Collection Modernization Program (the "AFC Modernization Program") provided for the complete renovation and replacement of fare collection equipment throughout the BART System, including ticket vendors, addfare machines, and faregates. The AFC Modernization Program also provided new bill-to-bill change machines for installation in each station, upgrades to the central Data Acquisition System and station infrastructure upgrades. The fare collection equipment is compatible with MTC's Clipper Card Program (formerly known as "Translink"), designed to enable a transit rider to utilize one ticket (the "Clipper Card") to access multiple transit systems within the San Francisco Bay Area. Clipper Card® has been operating on BART gates since August 2009.

Communications. The backbone of the supervisory and control systems is the operations communication network. It consists of fiber optic cable plant and computer systems that control and route all commands to the field from the Control Center. These computers, which are located throughout the system, have a limited service life and require periodic upgrading or replacement.

Replacement of the trunked radio system will be necessary within the next ten years. This system is used for train operation, communications between central operations and wayside, and for District police. Certain improvements and updates have been implemented to date; full replacement will occur at such time that funds become available.

Wayside Facility Infrastructure. This program consists of renovation of the system's backbone infrastructure, including rail and tie replacement, trackway and aerial structures, bridges, tunnels, ventilation fan, drainage systems, street grating renovation, non-revenue vehicles and other wayside facilities or equipment that will require repair and renovation on an on-going basis. Wayside Facilities that touch the track and guideway rail systems receive an annual allocation of funding from the FTA Section 5307 Formula Funding program and 5337 State of Good Repair funds.

As noted in several of the program descriptions above, the District will continue its practice of making necessary investments in ongoing renovation and replacement of major components of the District's infrastructure as needed. Included as ongoing system reinvestment projects are the mainline projects of rail/wayside infrastructure replacement, traction power system renovation, train control renovation and associated controls and communications projects like Trunk Radio, Transbay Tube Cathodic Protection; and stations and facilities rehabilitation projects, including roofs, paving, waterproofing, painting and accessibility repairs. In addition, other projects are contemplated or underway to upgrade certain District systems.

Security Enhancement Program

It is the District's mission to provide safe, clean, reliable, and customer-friendly regional public transit service that increases mobility and accessibility, strengthens community and economic prosperity, and helps preserve the Bay Area's environment. Security programs are a key component in fulfilling this mission, and as such, BART's Security Program has been developed as a tool to make security resources readily available and integrate security programs into all of BART's operations and services. It is a goal of BART, through the effective implementation and administration of the Security Program, to take measures that will improve the overall security of its transit operations and services. To achieve this goal, BART has identified significant capital investment needs in infrastructure security hardening, employee training and customer outreach. At present, the District anticipates that the majority of funding required for capital security improvements will need to be obtained from external grant sources.

Service and Capacity Enhancement Program

Major elements of this program include station enhancements and upgrades, capacity projects, station access improvements and transit-oriented development projects.

Station Enhancements and Upgrades. Station enhancement and upgrade projects include capacity expansion and other improvements within the paid and unpaid areas of stations. Such projects may be either system-wide projects or individual station projects, which are developed through a comprehensive planning process. Once projects are identified, grant funding is sought from a variety of sources to allow for project implementation. When grant funding is secured and identified for a particular project, such project is implemented. Projects identified, funded and implemented to date include the renovation of the station entrance plaza at the Berkeley station, plaza improvements at the Concord station, access improvements at the Balboa Park station and a pilot canopy at the Powell and Civic Center stations to cover the escalators. Union City has completed station enhancements that include the creation of a non-paid corridor through the center of the station with a new east-side entrance; new bank of fare gates on either side of the non-paid corridor; two new elevators on the east and west side of the station and removal of old elevators to accommodate the new non-paid corridor and relocation and construction of a new station agent's booth. Union City and BART are working with UPRR to construct an at-grade crossing connecting the east-side entrance to new and future planned residential and commercial development.

Capacity Projects. BART is increasingly experiencing severe crowding on the system, both onboard trains and in stations. To address crowding onboard trains, BART is proceeding with the Transbay Corridor Core Capacity Project, which will implement a package of improvements (train control modernization, additional railcars, new traction power substations, and additional rail vehicle storage capacity) that will allow BART to increase frequencies on the system. This project is in the Project Development Phase of the FTA's Capital Investment Grant ("CIG") Program. BART will seek a Full Funding Grant Agreement ("FFGA") from FTA in FY2019. Other minor capacity enhancement projects such as tail track improvements and crossovers are implemented as grant funding is secured through a variety of sources.

Construction has begun for El Cerrito Del Norte station, consisting of an expanded paid area including elevators, stairs, faregates and new circulation improvements.

System Access Improvements. BART's Station Access Policy, adopted in June 2016, seeks to support the broader livability goals of the Bay Area, reinforce sustainable communities, and enable riders to get to and from stations safely, comfortably, affordably, and cost-effectively. The Station Access Policy guides the District's station access investments, resource management, and practices through 2025. Consistent with BART's Access Policy, many of BART's efforts are directed at increasing and improving access options, supporting active modes, and reducing the share of riders that access stations in a drive-and-park mode. Implementation of System Access Improvements projects is dependent upon securing funding. Grant funds are often leveraged with other BART funds. Measure RR includes $135 million for station access projects, which will be used over the next 15 years to leverage other funds and get projects built.

Transit-Oriented Development. In 2016, the Board adopted three new policy documents guiding the Transit-Oriented Development ("TOD") program. On January 28, 2016, the Board adopted an Affordable Housing Policy, requiring that a minimum of 20% of the units developed on BART property at a station be affordable, with a preference for low, very low, and transit dependent populations. On June 9, 2016, the Board adopted a new TOD Policy which updated the original 2005 policy to emphasize BART's leadership in the implementation of the Plan, a focus on greenhouse gas reduction and expansion of transportation choices through TOD, encouragement of reverse commute and off-peak ridership, and inclusion of the affordable housing policy. On December 1, 2016, the Board adopted TOD Performance Targets, stating that the District aims to produce 20,000 housing units and 4.5 million square feet of office space on BART property by 2040, 35% of which will be affordable (totaling 7,000 affordable units). The TOD Performance Targets also establish that BART aims to influence development within a half-mile of BART.

To date, BART and its development partners have completed 11 residential and commercial projects at the Castro Valley, Richmond, Ashby, Pleasant Hill/Contra Costa Centre, Fruitvale, West Dublin/Pleasanton, MacArthur, South Hayward, and San Leandro stations. Further developments are under construction at MacArthur, Coliseum, Walnut Creek, West Dublin/Pleasanton, and San Leandro, and additional developments at Fruitvale, Millbrae, Richmond, West Dublin/Pleasanton and Pleasant Hill/Contra Costa Centre have been approved. Other projects in various stages of development are slated for the West Oakland and Balboa Park stations. Additional TOD activity has occurred at the Hayward and Dublin/Pleasanton stations through property exchanges with the local land use jurisdictions. The District continues to work closely with a variety of local jurisdictions, community groups and private development partners to advance such projects and to support their efforts to develop public and private funding plans for these projects. Participation in the planning and development process does not commit the District to funding any project.

Funding Developments

Pension Reform and Grant Funding. In October 2013 temporary legislation was passed exempting represented transit workers from the Public Employee's Pension Reform Act of 2013 ("PEPRA") which had been enacted in 2012 and took effect on January 1, 2013. The temporary legislation was required because the United States Department of Labor ("DOL") had refused to certify federal funding grants based on its determination that PEPRA infringed upon transit workers' collective bargaining rights. DOL certification is required in order for the FTA to approve and pay grants. Absent that certification, transit agencies in California could not receive federal funds. Once the temporary legislation was enacted, making represented transit employees exempt from PEPRA, the DOL permitted the release of federal funds to transit agencies including the District.

The State (and the Sacramento Regional Transit Agency) brought litigation in the U.S. District Court, Eastern District of California, which challenged the DOL's determination that PEPRA interfered with collective bargaining rights. On December 30, 2014, the U.S. District Court issued a ruling that the DOL's refusal to certify the federal grants was arbitrary and capricious. The District Court remanded the issue back to the DOL with instructions that it act in accordance with the District Court's order.

The legislation which exempted transit employees from PEPRA by its terms was to expire in 2015 or upon a determination by the District Court that the DOL erred in refusing to certify the federal funds. As a result, the temporary exemption expired on December 30, 2014, and all transit employees became subject to PEPRA.

However, the matter has not been resolved. The DOL took the position that the District Court's ruling does nothing more than require it to reconsider whether PEPRA infringes upon collective bargaining rights. However, the DOL agreed to conditionally certify the federal grants subject to certain terms and conditions. Those conditions require the District to potentially return the grant funds or alternatively to reimburse employees for pension contributions. Federal transit funds are currently being provided subject to these conditions. The litigation is still pending.

Executive Order Regarding Sanctuary Jurisdictions. On January 25, 2017, President Trump issued "Executive Order - Enhancing Public Safety in the Interior of the United States" (the "Executive Order") which aims to address certain immigration policies of the administration, including sanctuary jurisdictions, among other things. The Executive Order states, in part, that the policy of the executive branch will be to "ensure that jurisdictions that fail to comply with applicable federal law do not receive federal funds, except as mandated by law." Section 9(a) of the Executive Order ("Section 9(a)") provides that the Attorney General and the Homeland Security Secretary, in their discretion and to the extent consistent with law, shall ensure that jurisdictions that willfully refuse to comply with 8 U.S.C, 1373 (sanctuary jurisdictions) are not eligible to receive federal grants, except as deemed necessary for law enforcement purposes by the Attorney General or the Secretary. The Executive Order further provides that the Homeland Security Secretary has the authority to designate, in his discretion and to the extent consistent with law, a jurisdiction as a sanctuary jurisdiction, and that the Attorney General shall take appropriate enforcement action against any entity that violates 8 U.S.C. 1373, or which has in effect a statute, policy, or practice that prevents or hinders the enforcement of federal law.

On April 25, 2017, in response to a lawsuit brought by Santa Clara County and the City and County of San Francisco, the District Court of the Northern District of California granted a preliminary injunction to enjoin the enforcement of Section 9(a) pending a ruling on the merits. On November 20, 2017, the District Court ruled that Section 9(a) is unconstitutional on its face and granted the counties' motions for summary judgment, permanently enjoining the enforcement of Section 9(a).

The government may appeal to the United States Court of Appeals for the Ninth Circuit. BART cannot predict the outcome of any such appeal. If the District Court's ruling is not upheld, BART does not know how federal officials will interpret or apply the Executive Order. The application of the Executive Order to specific grants is also unclear. To the extent that any federal grant mandated by Congress may be found to fall within the order's exception for funds "mandated by law," federal funds under particular statutes may be found to be excluded from the order altogether and therefore not subject to the withholding of funds. Currently, BART does not have sufficient information on the potential impact, if any, on any federal funding that may be withheld as a result of this order. BART is also unable to predict what actions, if any, that the Board may take with respect to the "sanctuary jurisdiction" issue generally or specifically in response to the Executive Order.

State and Regional Transit Funding. With respect to transit funding at the State level, State Transit Assistance ("STA") is funded by the State sales tax on diesel fuel and can be used for operating and capital purposes. Statewide collections can fluctuate based on diesel prices and consumption. Appropriations to transit operators vary based on calculations of qualifying revenues for the local operator and the region. STA funding has been inconsistent throughout the years and can be subject to actions in the State budget. In some years, BART received no STA funds and more recently, STA revenues statewide have declined due to lower diesel prices.

In April 2017, the California legislature passed and the Governor signed Senate Bill 1 ("SB1"), a transportation funding package that would invest $5.24 billion per year over the next decade to repair and maintain state highways and local roads, improve trade corridors, and support public transit and active transportation. Opponents of SB1 are in the process of soliciting signatures for a petition for a ballot measure for the November 2018 election to repeal provisions of SB1.

For public transit, the legislation increases the incremental sales tax on diesel fuel dedicated to the STA program by 3.50%, beginning November 1, 2017, generating approximately $250 million per year with CPI increases over time to be used for transit capital and operations purposes. The legislation also calls for another 0.50% increase on the incremental sales tax on diesel fuel, effective the same date, generating approximately $40 million per year with inflationary increases over time to intercity passenger and commuter rail systems.

A new "Transportation Improvement Fee" is established under the Vehicle License Fee law and begins January 1, 2018. Fee revenues will be dedicated to the STA program ($105 million per year) for "state of good repair" types of expenditures; the Transit and Intercity Rail Capital Program ("TIRCP") ($245 million per year); and a new "Solutions for Congested Corridors Program" ($250 million per year) for allocation to a balanced set of transportation, environmental and community access improvements within highly congested travel corridors in California, including public transit projects. The legislation also provides for accelerated loan repayment of $256 million from the State General Fund to public transit, which would be deposited into the TIRCP.

The TIRCP is a heavily-oversubscribed program currently reliant on unpredictable funding from the California State Transportation Agency generated through the State's greenhouse gas emission Cap-and-Trade Program. SB1's one-time infusion of funds to the TIRCP through this $256 million accelerated loan repayment, along with the expected additional $245 million per year in funding generated through the Transportation Improvement Fee would significantly increase the amount and certainty of funding for the TIRCP.

In November 2017, MTC estimated BART's share of Fiscal Year 2017-18 revenue-based STA at $27.2 million, with $6.9 million of that amount directed by MTC to feeder bus operators providing service to BART stations, leaving $20.3 million for BART operations. The new "state of good repair" revenue-based STA for Fiscal Year 2017-18 is estimated at $6.1 million, giving BART a total of $26.4 million, $0.4 million lower than the Fiscal Year 2017-18 budget of $26.8 million. With the new legislation, BART expects to receive an increase of STA funds, starting with a partial year in Fiscal Year 2017-18.

The District also applied and received an allocation from the Low Carbon Transit Operations Program ("LCTOP") which is funded 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. For additional information regarding LCTOP, see Note 9 to the audited financial statements of the District included as Appendix B to this Official Statement.

With respect to transit funding within the San Francisco Bay Area, on July 26, 2017 the Association of Bay Area Governments ("ABAG") and the MTC adopted Plan Bay Area (the "Plan"), an integrated transportation and land-use strategy through 2040 that meets the requirements of California's landmark Senate Bill 375 of 2008, which calls on each of the State's 18 metropolitan areas to develop a Sustainable Communities Strategy to accommodate future population growth and reduce greenhouse gas emissions from cars and light trucks. Working in collaboration with local jurisdictions and transit operators, the Plan provides a roadmap for accommodating expected growth, and connects it all to a transportation investment strategy that strives to move the Bay Area toward key regional goals for the environment, economy, and social equity. BART facilities play a critical role in meeting major goals and objectives of the Plan.

The Plan specifies how approximately $303 billion in anticipated federal, state and local funds will be spent through 2040. Nearly 90% (or $268 billion) will be used to operate, maintain, and modernize the transportation network that already exists. Maintenance, operation, and modernization of the Bay Area's existing public transit services and roadways will receive about 57% ($173 billion). Of this total, BART is expected to receive from all sources (including farebox, taxes and grants) approximately $44 billion in operating and capital funds. The remainder includes 27% for street, road, highway and bridge maintenance, operation, and modernization; 7% for transit expansion; 4% for investments that support focused growth; and 3% for roadway and bridge expansion. Debt service and cost contingency comprise the remaining 2% of expected revenues.

BART continues to receive approximately $50 million per year in capital renovation funds from the FTA Sections 5307, 5309 and 5337 Formula Funding programs, which are programmed regionally by MTC. Under its current policy, MTC funds only the District's highest scoring transit capital reinvestment needs in the Plan. Under the Plan, the District has a 24-year capital asset renovation and rehabilitation need of $13.1 billion. MTC and participating counties fund these from a combination of federal formula funds, "STP/CMAQ" and State Transportation Improvement Program ("STIP") funds. For the District, this means approximately 65% of the District's 28-year capital asset renovation and rehabilitation needs are projected to be funded in Fiscal Years 2017-40. The remaining 35% of the District's reinvestment needs in this period, approximately $5 billion, remain unfunded. These District needs will have to be met with funding sources yet to be identified.

Regional Measure 3. On October 10, 2017, the Governor signed into law Senate Bill 595 ("SB595"). SB595 requires the MTC to place a measure, to be known as Regional Measure 3 ("RM3"), on the 2018 election ballot in the nine San Francisco Bay Area counties. RM3 authorizes the voters to approve an expenditure plan for improving and enhancing Bay Area bridges and corridors to be funded by an increase in the toll rate on the seven State-owned bridges within the MTC's jurisdiction.

If approved, the revenues generated from the bridge toll raise would finance a number of transit-related projects in the San Francisco Bay Area, including allocating $500 million to the District in connection with purchasing new railcars to expand the District's fleet and improve reliability. SB595 also provides for the establishment within the District of a new independent office of the BART Inspector General (the "Inspector General"). The Inspector General is charged with ensuring that the District makes effective use of bridge toll and other revenue and operates efficiently, effectively, and in compliance with applicable federal and State laws. SB595 also allocates $1 million to the Inspector General's office from bridge toll revenues to finance operations in the first year of the office's establishment.

The District cannot predict whether Bay Area voters will approve RM3 on the 2018 ballot, whether the contemplated additional toll bridge revenues will be authorized, or whether any legal challenges to SB595 or RM3 will arise.

DISTRICT FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements of the District prepared by Macias Gini & O'Connell LLP ("MGO"), Walnut Creek, California, is included as Appendix B to this Official Statement. See Appendix B—"SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT REPORT ON AUDITS OF FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016." The financial statements of the District included in Appendix B to this Official Statement have been examined by MGO, whose report thereon appears in such Appendix. MGO was not requested to consent to the inclusion of its report in Appendix B, nor has MGO undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by MGO with respect to any event subsequent to the date of its report.

Historical Financial Results

The table on the following page summarizes BART's historical financial operating results for its General Operating Fund for the Fiscal Years ending June 30, 2013 through June 30, 2017. This summary for the Fiscal Years ending June 30, 2013 through June 30, 2017 is derived from BART audited financial statements for the Fiscal Years indicated therein (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. Amounts reported in audited financial statements as "Other Income (expenses)" under "Nonoperating revenues (expenses)" are excluded from the presentation below because they pertain only to extraordinary transactions or those transactions associated with Other District Funds, i.e. debt issue and debt service costs. The income and expenses reported in the audited financial statements were based on consolidated information which included transactions pertaining to Other District Funds—Capital Funds and Debt Service Funds. Generally, income and expenses associated with the Other District Funds include investment income, interest expense and debt issue costs. However, in the table below summarizing historical financial operating results, only transactions related to the District's General Operating Fund are shown.

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HISTORICAL FINANCIAL RESULTS OF GENERAL OPERATING FUND
($ in Thousands)

	(Fiscal Years Ending June 30)				
	2013	2014	2015	2016	2017
Annual Passengers (thousands)	117,815	117,074	125,979	128,524	124,171
Operating Revenues					
Passenger Revenues - Net	$406,890	$416,573	$463,634	$489,583	$485,674
Investment Income[1]	23	8	167	1,120	2,329
Other	36,383	46,587	50,908	56,217	61,426
Total Operating Revenues	$443,296	$463,168	$514,709	$546,920	$549,429
Financial Assistance:					
Sales Tax Revenues	$208,561	$221,149	$233,148	$241,546	$247,185
Property Tax Revenues[2]	31,686	32,054	34,324	38,086	41,622
Other	47,728	96,297	107,307	72,795	77,069
Total Financial Assistance	$287,975	$349,500	$374,779	$352,427	$365,876
Total Operating Revenues and Financial Assistance	$731,271	$812,668	$889,488	$899,347	$915,305
Operating Expenses:					
Labor	$407,076	$411,426	$421,707	$451,769	$514,692
Electrical Power	37,306	37,231	36,004	37,680	37,883
Express Feeder Bus [3]	220	1,346	3,399	3,465	3,772
Purchased Transportation-OAC	–	–	3,542	5,928	6,014
Other Non-Labor	122,410	121,297	132,464	139,452	153,827
Total Operating Expenses Net[4]	$567,012	$571,300	$597,116	$638,294	$716,188
Revenues for Bond Debt Service	$164,259	$241,368	$292,372	$261,053	$199,117
Bond Debt Service[5]	$62,442	$58,240	$55,958	$48,611	$50,448
BART Car Funding Exchange [6]	$23,980	$72,000	$74,168	$50,176	$52,548
Excess Revenues/(Deficit)	$77,837	$111,128	$162,246	$162,266	$96,121
Operating Ratio[7]	78%	81%	84%	83%	80%
Farebox Ratio[8]	72%	73%	79%	74%	70%

(1) Investment income amount in audited financial statements is higher due to inclusion of investment income from District Funds other than the District's General Operating Fund.
(2) Excludes property tax revenue collected for the debt service of the general obligation bonds.
(3) Relates to District's share of expenses paid to local operators associated with providing passenger access to BART not covered by STA funds.
(4) Amount reported is higher in audited financial statements because such amounts in the financial statements include depreciation expense.
(5) "Bond Debt Service" reported above represents actual amount remitted to cover debt service paid from the General Operating Fund, which excludes general obligation bonds. Amount in audited financial statements under "Interest Expense" represents interest expenses for all District debts, net of capitalized interest expense. For a complete discussion of BART's long term debt, see Note 6 to the audited financial statements of the San Francisco Bay Area Rapid Transit District included as Appendix B to this Official Statement.
(6) BART Car Funding Exchange represents a transfer to MTC in exchange for the same amount in federal preventive maintenance grant provided by MTC to the District. The federal grant received is shown as part of Financial Assistance – Other.
(7) Operating Ratio is defined as the total operating revenues divided by the total operating expenses, net of expenses associated with the implementation of GASB 68 and GASB 75, which affected pension expense and other post-employment benefit expenses.
(8) Farebox Ratio is defined as total passenger revenues divided by total operating expenses, net of expenses associated with the implementation of GASB 68 and GASB 75, which affected pension expense and other post-employment benefit expenses.

Management's Discussion of Historical Financial Results

During Fiscal Year 2012-13 through Fiscal Year 2015-16, the District saw continued growth in operating revenues and sales tax revenues. Starting in Fiscal Year 2015-16, sales tax growth started to slow. Total passenger ridership had grown from 117.8 million in Fiscal Year 2012-13 to 128.5 million in Fiscal Year 2015-16. In Fiscal Year 2016-17, ridership declined compared with prior years. Fiscal Year 2016-17 total ridership was 124.2 million, a 3.4% decline compared to the prior year. In July and October 2013 (Fiscal Year 2013-14), BART experienced two labor strikes, with a total of eight days of no rail service, which resulted in an estimated loss of about 3.7 million total trips. Total ridership decreased in Fiscal Year 2013-14 to 117.1 million, a 0.6% decrease from the Fiscal Year 2012-13. Revenue service started on the OAC in November 2014, creating a convenient rail link between the Coliseum station and OAK. During each of its first two years of service, the OAC had over one million riders. Compared with ridership on the previous AirBART bus service, average weekday ridership on the connector was about 36% higher. After November 2015 and compared with the prior year's BART-to-OAK service, ridership growth started to slow down. Fiscal Year 2016-17 total BART-to-OAK ridership decreased 2.2% compared to Fiscal Year 2015-16. This decline appears to be related to increased utilization of Uber, Lyft, and other app-based services, also known as TNCs. The OAK first permitted operation of TNCs in November 2015, with a noticeable shift in ridership for BART at that same time. The same decline in ridership due to TNCs is occurring at the SFO Station.

Passenger revenue grew from $407 million in Fiscal Year 2012-13 to $490 million in Fiscal Year 2015-16, due to fare increases and ridership growth. Passenger revenue decreased less than 1% to $486 million in Fiscal Year 2016-17 due to declines in ridership. The decline in passenger revenue was less than the decline in ridership because most of the ridership loss was in short trips that generate less revenue per trip. Total operating revenues and financial assistance increased from $731 million in Fiscal Year 2012-13 to $915 million in Fiscal Year 2016-17. This increase is due to fare revenue growth, sales tax and property tax growth, and increases in other operating revenue, including parking revenue, commercial communications and advertising revenue. In addition, amounts directed to the Rail Car Fund Exchange with MTC increased over this time; however there were no net impacts to net revenues since corresponding expenses were also recognized in grant assistance.

Sales tax revenues were $209 million in Fiscal Year 2012-13 and increased to $247 million in Fiscal Year 2016-17, with growth rates ranging from 6.8% in Fiscal Year 2012-13 to 2.3% in Fiscal Year 2016-17. Through the first quarter of Fiscal Year 2017-18, growth rebounded somewhat and sales tax revenues were up 4.1% from the same period last year.

Other operating assistance received by BART includes STA, ranging from $17.3 million to $20.0 million received annually during Fiscal Year 2012-13 through Fiscal Year 2016-17, although amounts have fluctuated. Recent legislation has made STA a more secure funding source for transit operators. STA revenue is projected to stabilize and grow due to the passage of SB1, which provides for new formula-based funding sources for public transit and augments the existing STA program. See "BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments – *State Transit Funding*" herein. Additional financial assistance comes from BART's portion of the one percent general property tax levy, which ranged from $31.7 million in Fiscal Year 2012-13 to $41.6 million in Fiscal Year 2016-17, with annual growth rates between

1% and 11% after recovery from the recession and continued increases in Bay Area real estate prices.

Operating expenses, excluding depreciation, increased by $149.2 million between Fiscal Year 2012-13 and Fiscal Year 2016-17. Expense increases during these five years included additional service and investments in the BART system to serve growing ridership, the opening of the OAC (November 2014), the opening of the Warm Springs Extension (March 25, 2017), as well as additional staff and funds to address areas such as system maintenance, employee safety and station cleanliness. Labor costs increased pursuant to labor contracts and benefit costs increased as well. Under new labor agreements effective Fiscal Years 2013-14 through Fiscal Year 2016-17 and recently renewed through Fiscal Year 2020-21, labor costs are anticipated to increase by reasonable amounts. See "SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT – Employees and Labor Relations" herein.

Electric power costs remained fairly level over the five years, increasing by just 1.5% overall despite service increases. Savings are attributed to carbon fees not applying to District market power purchases and lower cost for energy. See "THE BART SYSTEM – Power Supply" herein.

In each Fiscal Year's budget process, management establishes an operating ratio goal (percentage of operating revenue to operating expenses). The District has achieved increasing operating ratios of above 70% in recent years, well above national averages for urban transit systems. Excluding the effect of GASB 68 and GASB 75 adjustments which impacted pension and other post-employment benefit expenses, the District's operating ratio for Fiscal Year 2016-17 was 80%, slightly below the budgeted goal of 83%.

The District proceeded with major capital projects in Fiscal Year 2016-17, including the Rail Vehicle Replacement Program, the System Reinvestment Program, the Earthquake Safety Program and the System Renewal Program. See "BART FINANCINGS AND CAPITAL PROGRAMS" herein.

Adopted Budget for Fiscal Year 2017-18

On June 22, 2017, the Board of Directors adopted a $920.6 million balanced operating budget for Fiscal Year 2017-18. The budget reflects assumptions of slowing revenue growth, based upon recent trends, and the opening of the Silicon Valley Berryessa and eBART extensions. Operating revenues also include one-half year of the January 1, 2018 productivity-adjusted, CPI-based fare increase and other fare changes.

Operating expenses in Fiscal Year 2017-18 are budgeted to decrease 1% from the adopted Fiscal Year 2016-17 budget. This decrease is mainly due to the termination of the MTC Rail Car Fund Swap, scheduled to conclude in Fiscal Year 2016-17. Excluding the Rail Car Fund Swap, the budget increased 4% over the Fiscal Year 2016-17 budget, primarily due to funding extensions, expansion of the Hayward Maintenance Complex, and contractual increases in wages and benefits. In addition, power and other non-labor expenses increased by 4% to meet liability reserve requirements and fund increases in contracts, materials, and inflation.

The Fiscal Year 2017-18 operating budget allocates $127 million to support capital projects, provide local match for grant funds, improve stations, and help fund high priority System Reinvestment and Capacity Enhancement programs such as Rail Car Replacement, the Hayward Maintenance Complex and the Train Control Modernization Project.

Nearly two-thirds of BART's $998 million capital budget for Fiscal Year 2017-18 is directed to the System Reinvestment and Renovation program, which is a collection of projects generally categorized as controls and communications, facilities, mainline, rolling stock and work equipment. Major components of the System Reinvestment program are the projects mentioned above, with $285 million directed to the Rail Car Replacement program and $100 million directed to the Earthquake Safety Program in Fiscal Year 2017-18. Other major expenditures reflect the increased emphasis on system reinvestment, including mainline rail and power distribution projects ($175 million), train control and fare collection ($63 million) and station modernization and renovation projects ($66 million).

Risk Management and Insurance

The District is partially self-insured for workers' compensation, public liability and property damage claims. The District's property is insured against flood damage but is not insured against earthquake damage, which is not currently commercially affordable. The District's property is insured for $50 million per occurrence for equipment in the Control Center and $50 million per occurrence for all other insured property. Terrorism insurance coverage is provided for workers' compensation and $22 million for insured property. The self-insured retention for all insurance programs is $5 million per occurrence.

The District's 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 and are based, in part, upon the independent adjustment firms' estimate of reserves necessary for the settlement of outstanding claims and related administrative costs, and included estimates of claims that have been incurred but not yet reported. Such reserves are reviewed by professional actuaries and are subject to periodic adjustments as conditions warrant.

Pursuant to a recent evaluation of District liabilities for workers compensation, outstanding losses as of December 31, 2016 are projected to total $56,005,552 (undiscounted). The required reserves discounted 3% are $46,195,417. Ultimate District workers compensation losses are limited to $4,000,000 self-insured retention per occurrence for the forecast periods and are estimated at $17,658,900 for Fiscal Year 2017-18 and $17,919,700 for Fiscal Year 2018-19. Outstanding losses for automobile and general liability are projected to be $6,233,019 (undiscounted). The required reserves discounted 3% are $5,929,759.

See also Note 7 to the audited financial statements of the District included as Appendix B to this Official Statement.

Investment Policy

The investment of funds of BART is made in accordance with BART's investment policy, developed by BART's Controller/Treasurer and approved by the Board of Directors on May 16, 2017 (the "Investment Policy"), and Section 53600 et seq. of the California Government Code. The Investment Policy is subject to revision by the Controller/Treasurer, subject to approval by the Board of Directors, at any time and is reviewed periodically to ensure compliance with the stated objectives of safety, liquidity, yield and current laws and financial trends.

All funds of BART and investment activities are governed by the Investment Policy, which sets forth the following primary objectives, in order of priority:

1. Preservation of capital - The investment portfolio should be structured to minimize the probability of a loss of principal value through adequate diversification of investments across a variety of security offerings, maturities, and financial institutions.

2. Liquidity – Funds shall be invested only until date of anticipated need or for a lesser period. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

3. Yield – generation of the best available return on investment without compromise of the first two objectives.

See Appendix C—"SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT STATEMENT OF INVESTMENT POLICY."

Set forth in the below table are the carrying values and types of investment securities in BART's General Fund as of July 31, 2017.

INVESTMENT DISTRIBUTION
as of July 31, 2017

Certificates of Deposit	$ 864,950
Cash on Hand and in Bank	227,297,815
Investments – Federal Agency Obligations	50,223,901
Investments – Treasury Bonds & Notes	357,846,361
Total	$636,233,027

Source: District.

As of July 31, 2017, the average duration of the District's investments (average days to maturity) was 160.9 days.

All amounts deposited in the Project Fund established in connection with the outstanding general obligation bonds are invested at the direction of the District in Investment Securities as such term is defined in the applicable Trust Agreement entered into by the District in connection with the general obligation bonds. Investment Securities include guaranteed investment contracts.

All amounts held by the trustee for the Sales Tax Revenue Bonds in the funds and accounts established under the indenture pursuant to which such obligations were issued are invested at the direction of the District, subject to certain limitations contained in the applicable indenture.

Employee Retirement Benefits

The information concerning the California Public Employees' Retirement System ("CalPERS") set forth below is excerpted from publicly available sources which the District believes to be accurate, but the District cannot and does not guarantee such information as to accuracy and completeness. CalPERS should be contacted directly at CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, California 95814, Telephone: (888) 225-7377 for other information, including information relating to its financial position and investments.

Plan Description. All eligible employees may participate in the Public Employees' Retirement Fund (the "Fund") administered by CalPERS under the Miscellaneous Plan and the Safety Plan of the District. The Safety Plan covers all sworn police officers of the District; all other District employees are covered by the Miscellaneous Plan. The Fund is a multiple-employer public sector employee defined-benefit retirement plan that acts as a common investment and administrative agent for approximately 3,077 local public agencies and school districts within the State of California, including the District. The Fund provides retirement, disability and death benefits based on the employee's years of service, age and compensation. New employees hired on or after January 1, 2013 whose benefits are limited by PEPRA under the Miscellaneous Plan, vest after five years of service and may receive retirement benefits starting at age 52. Under PEPRA, employees hired prior to January 1, 2013, also referred to as "classic" employees, and employees under the Safety Plan, vest after five years of service and may receive retirement benefits starting at age 50. These benefit provisions and all other requirements are established by State statute and District contractual agreements. Legislation was enacted in the State which exempted most District employees from the provisions of pension reform, at least as an interim measure pending the resolution of a dispute with DOL. The temporary exemption expired on December 30, 2014 and all transit employees became subject to PEPRA. See "BART FINANCINGS AND CAPITAL PROGRAMS – Funding Developments – *Pension Reform and Grant Funding*" herein.

Annual Actuarial Valuation Reports. In calculating the annual actuarially required contribution rates, the CalPERS actuary calculates, on the basis of certain assumptions, the actuarial present value of benefits that CalPERS expects to fund under the CalPERS Plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that CalPERS expects to fund under the CalPERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions, including the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, calculation of the UAAL involves certain actuarial adjustments. As a result, prospective investors are encouraged to consider the UAAL as an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS Plans to retirees and active employees upon their retirement, and not as a fixed or hard expression of the liability the District owes to CalPERS under the CalPERS Plans.

CalPERS uses the rate stabilization methodologies in its actuarial valuations which have been shown to be very effective in mitigating rate volatility. See Note 10 to the audited financial statements of the District included as Appendix B to this Official Statement for a summary of principal assumptions and methods used by CalPERS to determine the District's annual required contributions to the Miscellaneous Plan and Safety Plan.

CalPERS prepares an Annual Actuarial Valuation Report ("CalPERS Actuarial Report") for its members. The District receives an annual report for its Miscellaneous Plan and a separate annual report for its Safety Plan. The latest CalPERS Actuarial Reports were received by the District in July 2017, which were based on financial data available from the District and from various CalPERS databases as of June 30, 2016. These reports established the District's required minimum employer contribution rates for Fiscal Year 2018-19, which are 8.243% of covered payroll for the Employer Normal Cost and $34,569,728 for the Employer Payment of Unfunded Liability for the Miscellaneous Plan and 25.432% of covered payroll for the Employer Normal Cost and $8,137,254 for the Employer Payment of Unfunded Liability for the Safety Plan, before any cost sharing. Starting in Fiscal Year 2017-18, CalPERS changed the employer rate from a percentage of payroll to a percentage of payroll for the normal cost and a flat dollar amount for payment of the unfunded liability. The reports also included for District's Miscellaneous and Safety Plans the latest Schedule of Funding Progress, which shows a five-year history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of unfunded actuarial accrued liability to payroll, as discussed herein below. The employer contribution rates for new PEPRA employees will continue to be the same rates as classic employees.

The following chart lists the District's employer required contribution rates for Fiscal Years 2018-19, 2017-18, 2016-17 and 2015-16.

Valuation Date	Fiscal Year	Employer Rate for Miscellaneous	Employer Rate for Safety
As of June 30, 2016	FY 2018-2019	8.243% + $34,569,728	25.432% + $8,137,254
As of June 30, 2015	FY 2017-2018	7.931% + $26,868,170	24.708% + $6,914,785
As of June 30, 2014	FY 2016-2017	16.383%	56.474%
As of June 30, 2013	FY 2015-2016	14.787%	51.606%

Funding Policy. CalPERS' funding policy for the Miscellaneous Plan and the Safety Plan (hereinafter sometimes referred to as the "CalPERS Plans") requires periodic contributions by the District based on CalPERS actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by contractual agreements between the District and its unions. The individual entry age normal method is used to determine the normal cost. There are two components to this cost: the employer cost and the employee cost. District payment for the employer portion of the contributions for the Miscellaneous and Safety Plan is to cover normal cost and to amortize the unfunded actuarial accrued liability.

The District, in compliance with the collective bargaining agreements, also reimburses "classic" employees as defined by CalPERS for all or a portion of the employee share of the pension contributions, which are 9% for public safety personnel and 7% for miscellaneous covered employees. The latest collective bargaining agreements require the District to reimburse represented "classic" miscellaneous employees of ATU, SEIU, and AFSCME, for their contributions, effective on July 1, 2013 in the amount of 6.50%, effective on January 1, 2014 in the amount of 6%, effective January 1, 2015 in the amount of 5%, effective January 1, 2016 in the amount of 4% and effective January 1, 2017 in the amount of 3%. Contributions for nonrepresented miscellaneous employees will be made at the same level but effective six months later in conjunction with their wage increases. With the latest collective bargaining agreements for represented BPOA and BPMA employees, they will continue to be reimbursed for their contributions. However, they will contribute to the employer's share effective July 1, 2013 in the amount of 0.5%, effective January 1, 2014 in the amount of 1%, effective January 1, 2015 in the amount of 2%, effective January 1, 2016 in the amount of 3% and effective January 1, 2017 in the amount of 4%. Contributions for non-represented safety employees will be made at the same level as BPMA but effective 6 months later in conjunction with their wage increases.

Under PEPRA, effective January 1, 2013, "new" employees as defined by CalPERS and PEPRA who are not represented must contribute one-half of the total normal cost. The contribution rate is 13% for safety personnel and 6.25% for miscellaneous employees. State law temporarily exempted represented transit employees from these contributions; however, commencing on December 30, 2014, new represented employees began contributing at the PEPRA rate.

Schedule of Funding Progress. The funding status applicable to the District's CalPERS Plans at June 30, 2016 (the most current information available for the plans) is summarized as follows:

Funded Status of the Miscellaneous Plan
(in thousands of dollars)[(1)]

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/14	$1,973,974	$1,663,622	$310,352	84.3	$239,710	129.5
6/30/15	2,063,049	1,653,930	409,118	80.2	256,334	159.6
6/30/16	2,180,799	1,614,430	566,369	74.0	277,522	204.0

(1) Dollars reflect rounding.
Sources: CalPERS Annual Valuation Report as of June 30, 2016; District's audited financial statements for year ended June 30, 2017 and 2016.

Funded Status of the Safety Plan
(in thousands of dollars)[(1)]

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status (Actuarial Value)	Annual Covered Payroll	UAAL as a Percentage of Payroll
6/30/14	$271,775	$181,599	$90,176	66.8	$17,418	517.7
6/30/15	288,316	182,631	105,685	63.3	19,163	551.5
6/30/16	306,910	180,392	126,518	58.8	19,825	638.2

(1) Dollars reflect rounding.
Sources: CalPERS Annual Valuation Report as of June 30, 2016; District's audited financial statements for year ended June 30, 2017 and 2016.

CalPERS is continuing to implement strategies to improve the long-term health of the pension fund and recently approved a decrease in the discount rate assumed for future investment returns from 7.5% to 7%. This change will significantly increase the District's future contributions and together with other measures implemented are projected to require contributions by the District within ten years of more than double of the current contribution amounts. Such forecasts are subject to many variables and cannot be predicted with certainty.

Money Purchase Pension Plan

Most District employees participate in the Money Purchase Pension Plan ("MPPP"), which is a supplemental retirement defined contribution plan under Internal Revenue Code Section 401(a). The District's total expense and funded contribution for this plan for the Fiscal Years 2016-17 and 2015-16 were $10,286,000 and $9,775,000, respectively. The MPPP assets at June 30, 2017 and 2016 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were $315,742,000 and $285,801,000, respectively. As of June 30, 2017, there were approximately 221 (210 in 2016) participants receiving payments under this plan. For additional information regarding MPPP, see Note 11 to the audited financial statements of the District included as Appendix B to this Official Statement.

Other Postretirement Benefits

Postretirement Health Care Costs. In addition to the retirement benefits described above and as specified in the District's contractual agreements, the District provides postretirement health care benefits assistance to employees. Most employees who retire directly from the District (or their surviving spouses) are eligible if the employee retires from the District at or after age 50 with a minimum of 5 years of CalPERS service (which may be with another public entity) and elects to take an annuity from CalPERS within 120 days of leaving the District. ATU, SEIU, AFSCME, and non-represented employees first hired on or after January 1, 2014, BPOA employees first hired on or after July 1, 2014, and BPMA employees first hired on or after January 1, 2015 will be required to have 15 years of service in order to receive the full contribution.

Retiree Health Benefit Trust. In 2004, the Government Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for

Postemployment Benefits Other Than Pensions ("GASB 45"). GASB 45 required the District to change its accounting for other postemployment benefits ("OPEB") from pay-as-you-go to an accrual basis. Pursuant to Section 53620 of the California Government Code, a local agency may create a trust to fund postretirement health benefits. The assets of such a trust will qualify as an offset against liability under GASB 45. On May 18, 2004, the District created the Retiree Health Benefit Trust for the San Francisco Bay Area Rapid Transit District (the "Health Benefit Trust") in order to provide a vehicle for prefunding portions of retiree health benefits. Pursuant to the terms of the Health Benefit Trust, the assets of the Health Benefit Trust are to be held for the sole and exclusive purpose of providing benefits to participants and beneficiaries and to defray the reasonable expenses of administering the Health Benefit Trust and designated plans. Assets placed into the Health Benefit Trust cannot be used for any other purposes and are not available to satisfy general creditors of the District. The Health Benefit Trust is administered by a trustee appointed by the Board of Directors. The current trustee is the Controller/Treasurer of the District.

Pursuant to a Bartel Associates, LLC report dated April 25, 2017, entitled "Retiree Healthcare Plan, June 30, 2016 Actuarial Valuation" and "Retiree Life Insurance, June 30, 2016 Actuarial Valuation" (the "Bartel Report"), 2,118 retirees and surviving spouses are provided retiree medical benefits. The District made payments on a pay-as-you-go basis, net of retirees' and surviving spouses' share, of medical insurance premiums totaling $22,396,000 (including subsidy valued at $3,900,000) in Fiscal Year 2017 and $17,422,000 in Fiscal Year 2016, and life insurance premiums amounting to $685,000 (including subsidy valued at $541,595) in Fiscal Year 2017 and $154,000 in Fiscal Year 2016.

At June 30, 2017, net assets (unaudited) held in the Health Benefit Trust included money market mutual funds, U.S. Treasury obligations, corporate obligations, foreign obligations, domestic common stocks, equity mutual funds, and foreign stocks with a fair market value of approximately $270,151,227.

Funding projections are based on the Bartel Report, the most recent actuarial analysis prepared for the District. These funding projections are based on certain assumptions and are inherently subject to a variety of risks and uncertainties, including increases in the cost and duration of health care benefits, which could cause actual results to differ materially from those that have been projected. Pursuant to its labor agreements, effective January 1, 2010, the District's contribution toward medical coverage was limited to the highest Bay Area HMO rate under CalPERS minus the applicable retiree contribution. The actuarial accrued liability ("AAL") as of June 30, 2016 is estimated at approximately $537.9 million. The report also contained projected per capita claims cost updates based on Calendar Years 2015 and 2016 CalPERS premiums.

The following is the summary of results of the valuation. The Bartel Report employed different actuarial assumptions than prior actuarial valuations, including mortality improvement, inflation based on the plan's long-time horizon, age-based claims based on Society of Actuaries publications, and participation and coverage based in part on plan experience. Such assumptions contributed to an increased actuarial liability between the June 30, 2015 actuarial valuation date and the June 30, 2016 actuarial valuation date.

Funded Status of the Retiree Healthcare Plan
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Projected Covered Payroll* (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
6/30/2014	$202,181	$331,352	$129,171	61.0%	$274,387	47.1%
6/30/2015	221,766	333,141	111,375	66.6	292,532	38.1
6/30/2016	237,403	537,873	300,470	44.1	307,031	97.9

* The projected covered payroll is calculated out two years from the date of the actuarial valuation date.
Source: Bartel Report dated April 25, 2017

Life Insurance and Survivor Benefits. Additional benefits include providing BART employees with certain life insurance benefits after retirement. For survivor benefits, if an employee elects such benefits upon employment, the employee makes a monthly contribution and, upon the employee's death, the employee's survivors receive certain medical, dental and vision benefits. The Board has approved setting up a trust to hold such employee contributions but currently such benefits are provided on a pay-as-you-go basis by the District. See Note 12 to the audited financial statements of the District included as Appendix B to this Official Statement.

APPENDIX B

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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SAN FRANCISCO BAY AREA
RAPID TRANSIT DISTRICT

Annual Financial Report

For the Years Ended June 30, 2017 and 2016

MGO Certified Public Accountants

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
ANNUAL FINANCIAL REPORT
For the Years Ended June 30, 2017 and 2016

Table of Contents

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, 2017 and 2016, 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.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

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, 2017 and 2016, 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.

Emphasis of Matter

Implementation of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, effective as of July 1, 2016, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these matters.

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 schedules of changes in net Other Postemployment Benefit (OPEB) liability and related ratios, schedule of employer OPEB contributions and schedule of OPEB funding progress, 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 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 29, 2017 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.

Macias Gini & O'Connell LLP

Oakland, California
November 29, 2017

Introduction

The following discussion and analysis of the financial performance and activity of the San Francisco Bay Area Rapid Transit District (the District) provide an introduction and understanding of the basic financial statements of the District for the years ended June 30, 2017 and 2016. 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 112-mile, 46-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.

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

Financial Highlights

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

A summary of the District's Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2017, 2016 and 2015 is as follows (dollar amounts in thousands):

	2017	2016	2015
Operating revenues	$ 547,100	$ 545,800	$ 514,541
Operating expenses, net	(908,065)	(834,746)	(767,141)
Operating loss	(360,965)	(288,946)	(252,600)
Nonoperating revenues, net	365,962	292,586	303,214
Capital contributions	342,270	328,123	256,231
Change in net position	347,267	331,763	306,845
Net position, beginning of year, as restated	6,027,354	6,017,192	5,710,347
Net position, end of year	$ 6,374,621	$ 6,348,955	$ 6,017,192

Operating Revenues

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

In fiscal year 2016, operating revenues increased by $31,259,000 primarily due to (1) an increase of $25,949,000 in passenger fares accounted for by a half year fare increase of 3.4% implemented on January 1, 2016, and a slight increase in ridership; average weekday ridership in fiscal year 2016 was 433,394 trips, an increase of 2.4% over the prior fiscal year; and (2) an increase of $5,139,000 in parking revenue due to higher parking rates implemented in January 2016 at several stations.

Operating Expenses, Net

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

In fiscal year 2016, operating expenses, net, increased by $67,605,000, primarily due to (1) an increase of $41,100,000 in salaries and benefits principally from (a) an increase of $19,820,000 in employee wages from an additional 177 net positions hired in fiscal year 2016 and wage increases per contractual labor agreements; (b) an increase of $10,653,000 in overtime for increase operational needs, including major track maintenance involving closures of some stations; (c) an increase of $4,279,000 in health insurance expense primarily due to increase of about 9% in insurance premium rates; (d) increase of $3,045,000 in other postemployment benefit contributions required per actuarially determined valuation, particularly related to the District's Retiree Health Benefit Plan; (e) increase of $4,622,000 in pension expense; and offset by (f) decrease of $1,760,000 in workers compensation expense as actual claims have stabilized in recent years; (2) an increase of $3,629,000 in maintenance and repairs to keep the system in a good state of repairs; (3) an increase of $2,386,000 for full year recognition of purchased transportation costs for the Oakland Airport Connector; (4) an increase of $26,427,000 in depreciation expense due to capitalization of recently completed projects, which include among others the Oakland Airport Connector and a portion of the Seismic Upgrade Project; (5) increase of $1,099,000 in public liability insurance costs due to higher claims; (6) increase of $1,677,000 in traction and power costs due to increase in passenger miles; and offset by (7) a decrease in expenses of $11,795,000 from increase in labor reimbursements charged to capital grants.

Nonoperating Revenues, Net

In fiscal year 2017, nonoperating revenues, net, increased by $73,376,000 primarily from (1) an increase of $4,275,000 in operating financial assistance principally from a $4,000.000 Federal Transit Administration (FTA) grant allocated to an operating preventive maintenance project; (2) an increase of $39,778,000 in property tax revenue earmarked based on required debt service payments for the General Obligation Bonds; (3) an increase of $3,536,000 in property tax revenue for general operations due to continued rise in property valuations in the San Francisco Bay Area; (4) an increase of $5,638,000 or about 2.3% in sales tax revenue as the economy in the San Francisco Bay Area continues to expand; (5) increase of $995,000 due to slightly higher interest rates earned from investments (6) an increase of $17,555,000 in gain from exchange of property associated with the land swap with McArthur Transit Community Partners, LLC; 7) a decrease of $7,794,000 in interest expense principally from lower outstanding principal balances of Sales Tax Revenue Bonds and Measure AA General Obligation Bonds and from lower interest rates due to refunding; and offset by (8) increase of $3,874,000 in debt issuance costs associated with the issuances of the 2017 Measure AA General Obligation Refunding Bonds, 2016A Sales Tax Revenue Refunding Bonds, and the first series of Measure RR General Obligation Bonds (see Note 6); and (9) an increase of $2,372,000 in the amount of transfer made to the Metropolitan Transportation Commission (MTC) for restricted account established to fund the District's rail car replacement project (see Note 8).

In fiscal year 2016, nonoperating revenues, net, decreased by $10,628,000 primarily from (1) a decrease of $34,513,000 in operating financial assistance principally from (a) decline of $31,471,000 in Federal Financial Assistance from the FTA related to operating preventive maintenance project; (b) decrease of $6,507,000 in State Transit Assistance due to continued decline in diesel fuel prices; offset by (c) increase of $2,108,000 in Measure BB grants representing 9 more months of additional revenue compared to fiscal year 2015; and (d) increase of $1,596,000 in financial assistance from the State of California from Low Carbon Transit Operations Program (LCTOP) allocation (see Note 9); (2) a decrease of $10,307,000 in earmarked property tax revenue based on required debt service payments for the General Obligation Bonds, reduced by an increase of $3,762,000 in property tax revenue for general operations due to continued increase in property valuations in the San Francisco Bay Area; (3) decrease of $5,121,000 due to absence of revenue from donated assets recognized in fiscal year 2015; (4) decrease of $1,169,000 associated with the debt issuance costs incurred in fiscal year 2016 from the General Obligation Bonds and Sales Tax Revenue Bonds refunding (see Note 6); and offset by (5) an increase of $8,398,000 or about 3.6% in sales tax revenue as the economy in the San Francisco Bay Area continues to expand; (6) increase of $1,271,000 in gain from exchange of property arising from the land swap between the District and the City of Livermore; (7) an increase of $2,871,000 due to decrease in interest expense principally from lower outstanding Sales Tax Revenue Bonds and from lower interest rates due to refunding; and (8) an increase of $23,992,000 due to lower payments to the MTC for restricted account established to fund the District's rail car replacement project (see Note 8).

Capital Contributions

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

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

In fiscal year 2016, revenue from capital contributions increased by $71,892,000 primarily from (1) a net increase in revenue of $5,817,000 from grants received from the State of California mostly due to (a) increase of $20,122,000 in High Speed Passenger Train Bond Funds grants received for the rail car procurement and Hayward Maintenance Complex (HMC) projects; (b) increase of $19,289,000 from various projects funded by Proposition 1B Public Transportation, Modernization, Improvement, and Service Enhancement Account (PTMISEA); offset by (c) a $17,339,000 decrease in realized revenue associated with reduction in Proposition 1B State Local Partnership Program (SLPP) grants for the Warm Springs Extension; (d) a decrease of $4,293,000 in security related grants funded by the State; (e) $7,926,000 reduction for the Union City Phase 2 Intermodal project ; and (f) a decrease of $4,036,000 in other grants received from the California Department of Transportation mostly for the Warm Springs Extension project as it gets closer to completion; (2) a net increase of $85,994,000 from federal fund sources primarily due to (a) reduction in federal grants revenue booked in fiscal year 2015 from recognizing a revenue offset of $43,900,000 for Port facility fees earned in prior years as a result of transfer of capital assets to the Port of Oakland, in conformity with the development agreement, upon completion of the Oakland Connector Project in November 2014; (b) increase of $32,642,000 mostly from higher utilization of federal funds as part of the current initiative undertaken by the District to spend down old FTA grants; and (c) increase of $9,452,000 in Department of Homeland Security grants revenue for security related projects; (3) an increase of $52,628,000 from a combination of funds received from MTC, CCTA Measure J funds and City of Pittsburg primarily for the eBART extension project; (4) increase of $6,131,000 from Union City for the Phase 2 Intermodal project; and offset by (5) a decrease of $77,641,000 for funds received from ACTC from Measure B funds as the Warm Springs Extension project gets closer to completion.

The major additions in fiscal years 2017 and 2016 to capital projects are detailed on page 11.

Condensed Statements of Net Position

A comparison of the District's *Statements of Net Position* as of June 30, 2017, 2016 and 2015 is as follows (dollar amounts in thousands):

	2017	2016	2015
Current assets	$ 1,744,906	$ 1,452,232	$ 1,368,679
Noncurrent assets - capital assets, net	7,710,216	7,378,033	7,129,693
Noncurrent assets - other	26,479	11,485	31,301
Total assets	9,481,601	8,841,750	8,529,673
Deferred outflow of resources	180,037	74,318	60,645
Current liabilities	383,995	339,134	305,811
Noncurrent liabilities	2,862,106	2,178,331	2,139,843
Total liabilities	3,246,101	2,517,465	2,445,654
Deferred inflow of resources	40,916	49,648	127,472
Net position			
Net investment in capital assets	6,246,653	6,055,965	5,816,753
Restricted	190,612	214,849	193,944
Unrestricted	(242,644)	78,141	6,495
Total net position	$ 6,374,621	$ 6,348,955	$ 6,017,192

Current Assets

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

In fiscal year 2016, current assets increased by $83,553,000 principally from (1) an offsetting increase of $53,137,000 in cash and cash equivalents and decrease in grants receivable from payments received from the granting agencies; (2) a net increase of $18,667,000 in cash and cash equivalents primarily from additional cash advances received, classified as current, for projects funded by Proposition 1B funds; (3) an increase of $6,894,000 primarily for advance payment of premium for medical insurance, traction power and rent; (4) an increase of $4,292,000 in materials and supplies inventory due to timing in the usage of supplies; offset by (5) a decrease of $14,379,000 from cash and cash equivalents held by the Operating Fund reinvested to noncurrent investments; (6) a decrease of $7,494,000 in unrestricted and restricted cash and current investment due to timing of payment of vendor invoices; (7) a decrease of $22,664,000 in cash and cash equivalents from the proceeds of the General Obligation Bonds for payments of seismic upgrade related expenses ($6,838,000) and reduction in the balance of the debt service funds ($15,826,000), as determined by debt service requirements; (8) a decrease of $7,910,000 in cash and cash equivalents from the proceeds of the 2012 Sales Tax Revenue Bonds for payment of expenses related to the Oakland Airport Connector project; (9) a decrease of $14,894,000 in the debt service funds for various Sales Tax Revenue Bonds, as determined by debt service requirements; and (10) increase of $122,233,000 in current investments from amounts reclassified from noncurrent investments due to length of maturity of investments from the end of fiscal year 2016.

Noncurrent Assets - Other

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

In fiscal year 2016, noncurrent assets – other decreased by $19,816,000 primarily from (1) an increase of $14,379,000 in noncurrent investments from funds originally held by the District in fiscal year 2015 as cash and cash equivalents; (2) a net increase of $88,347,000 from additions to operating reserves and unexpended net earnings set aside to fund capital projects; and (3) decrease of $122,233,000 in noncurrent investments due to amounts reclassified to current investments based on length of maturity of investments from the end of fiscal year 2016.

Current Liabilities

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

In fiscal year 2016, current liabilities increased by $33,323,000 primarily due to (1) an increase of $36,988,000 in payables to vendors and contractors due to timing of receiving and paying their invoices; (2) an increase of $3,604,000 in payables to employees due to timing in paying the payroll at the end of the fiscal year and in the remittances of payroll taxes and benefits; (3) an increase of $806,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) a decrease of $3,001,000 in interest payable; (5) a decrease of $27,540,000 for payments made during the fiscal year of principal balances of outstanding Sales Tax Revenue and General Obligation Bonds; (6) an increase of $27,225,000 in current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt; (7) an increase of $1,180,000 in current reserves required for workers compensation and general liability insurance; (8) reclassification to noncurrent liability leading to a decrease of $25,815,000 in unearned revenues associated with the deferral in recognizing the property exchange between MacArthur Community Partners, LLC and the District pending the transfer of title to the land subject to exchange (see Note 14); (9) an increase of $586,000 in unearned revenue related to passenger fare and parking; and (10) an increase of $18,848,000 in the current portion of advances from grantors based on projected fund utilization for fiscal year 2017.

Noncurrent Liabilities

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

In fiscal year 2016, noncurrent liabilities increased by $38,488,000 principally from (1) a decrease of $2,966,000 in payables to vendors and contractors due to timing of receiving and paying their invoices; (2) a decrease of $1,700,000 in payables to employees due to timing in the utilization of accrued compensated absences; (3) an increase of $1,636,000 in noncurrent portion of accruals for unfunded other postemployment benefits per actuarial calculation; (4) an increase of $69,757,000 in net pension liability primarily due to lower return on investments; (5) a net increase of $46,022,000 in unamortized premium from issuance of bonds consisted of: (a) an increase of $73,650,000 from the issuance of the General Obligation Refunding Bonds and the Sales Tax Revenue Refunding Bonds in the current fiscal year; offset by (b) a decrease of $18,396,000 due to reclassification of unamortized premium to deferred interest associated with the defeased bonds (see Note 6); and (c) a decrease of $9,232,000 for amortization of the bond issue premium in fiscal year 2016; (6) a decrease of $27,225,000 for portion reclassified to current liability for Sales Tax Revenue and General Obligation Bonds; (7) a decrease of $532,385,000 from the defeasance of Sales Tax Revenue Bonds and General Obligation Bonds, offset by increase of $463,445,000 from the issuance of the 2015 Sales Tax Revenue and General Obligation Refunding Bonds; (8) a decrease of $2,185,000 in the noncurrent portion of advances from grantors based on estimated utilization for the next fiscal year; (9) an increase of $25,815,000 due to reclassification to noncurrent liability of unearned revenue associated with the deferral in recognizing the property exchange between Richmond Transit, LLC and the District pending the transfer of title to the land, which is the subject of the exchange (see Note 14); and (10) a decrease of $1,325,000 in noncurrent portion of reserves required for workers compensation and general liability insurance.

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2017, 2016 and 2015 are as follows (dollar amounts in thousands):

	2017	2016	2015
Land and easements	$ 631,156	$ 624,090	$ 576,443
Stations, track, structures and improvements	4,893,658	4,249,176	4,020,786
Buildings	8,068	8,201	8,202
Revenue transit vehicles	83,841	104,480	144,599
Other	821,924	679,384	613,953
Construction in progress	1,271,569	1,712,702	1,765,710
Total capital assets	$ 7,710,216	$ 7,378,033	$ 7,129,693

The District's capital assets before depreciation and retirements showed a net increase of $523,571,000 in 2017 and $446,792,000 in 2016. There were no major retirements in 2017 and 2016. Major additions in capital assets included capital expenditures for the acquisition and/or major improvements related to the following assets (dollar amounts in thousands):

	2017	2016
Guideway	$ 278,871	$ 251,782
Passenger stations	67,677	86,083
Maintenance & administration buildings	108,942	51,547
Revenue transit vehicles	45,023	36,066
Automatic fare collections and other equipment	12,769	12,405

Guideway and passenger stations included among others, the costs associated with the Warm Springs Extension project, which opened on March 25, 2017, the eBART Extension project, and the ongoing Earthquake Safety Program. 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 advance new rail fleet. The revenue transit vehicle expenses are associated with the project to procure and replace the existing rail cars and the new Diesel Cars for the eBART project.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $2,750,000,000 at June 30, 2017 and $2,700,000,000 at June 30, 2016.

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, 2017, 2016 and 2015 are as follows (dollar amounts in thousands):

	2017	2016	2015
Bonds payable from and collateralized by a pledge of sales tax revenues	$ 595,060	$ 629,620	$ 698,800
General Obligation Bonds	891,135	603,495	630,795
Total long-term debt	$ 1,486,195	$ 1,233,115	$ 1,329,595

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

Total long-term debt in fiscal year 2016 decreased by $96,480,000 due to (1) $304,105,000 principal payment of current outstanding General Obligation Bonds and full defeasance of the 2005 General Obligation Bonds as well as partial defeasance of the 2007 General Obligation Bonds, offset by the outstanding balance of $276,805,000 for the new 2015 General Obligation Refunding Bonds; and (2) $255,820,000 principal payment of current outstanding Sales Tax Revenue Bonds and full defeasance of the remaining outstanding 2005 Sales Tax Revenue Bonds and 2006 Sales Tax Revenue Bonds, offset by the outstanding balance of $186,640,000 for the new 2015 Sales Tax Revenue Refunding Bonds.

Economic Factors and Next Year's Budgets

On June 22, 2017, The District's Board of Directors adopted a balanced operating budget of $920,613,000 and a capital budget of $ 997,923,000 for fiscal year 2018.

The fiscal year 2018 budget for operating sources is $35,569,000 higher than the fiscal year 2017 budget (excluding the impact of a Federal pass-through grant), with projected operating revenue, State Transit Assistance (STA), property tax, and sales tax growth contributing to the increase despite modest declines in ridership. In fiscal year 2017 total ridership declined by 3.0% and was 6.0% below budget. The ridership estimate for fiscal year 2018 reflects a forecast of no growth in core system ridership plus increases in ridership in fiscal year 2018 due to the first full year of service to Warm Springs/South Fremont station, a partial year of service to the Silicon Valley Berryessa (SVBX) and eBART extensions. STA revenue is projected to grow by $17,897,000 due to the passage of Senate Bill 1 (SB1), which provides for new formula-based funding sources for public transit and augments the existing STA program. In order to serve current crowded trains and future increases in ridership due to the opening of SVBX and eBART, the District is continuing its investment in its aging rail vehicle fleet and infrastructure and expanding shop capacity. The fiscal year 2018 adopted budget supports the District's continued efforts to reinvest in the system including the first of at least 775 new rail cars. However, limited funds were available for additional new programs as revenues are constrained due to slowdowns in ridership growth and sales tax income, which together account for 86% of the District's revenue sources. Sales tax revenue is estimated to increase by 1.3% ($3,245,000) in fiscal year 2018 compared to fiscal year 2017. Property tax revenue is budgeted to increase by 9.4% ($3,623,000) in fiscal year 2018 compared to fiscal year 2017 due to rising property values stemming from the Bay Area's strong housing market. The District continues investment in the aging infrastructure in fiscal year 2018, at a level of self-help that is among the highest for a transit operator in the nation. Over the past five years, the District has reinvested over $600 million of operating funds into critical projects such as new rail cars and station renovation. The fiscal year 2018 capital budget also prioritizes reinvestment, with 67% of the $997,923,000 budget programmed to system reinvestment projects.

The current operating budget supplies critical funding to capital programs, and continues an annual $39,000,000 allocation to the Rail Car Sinking Fund as part of a $298,000,000 initial commitment for the District's share of the Phase I acquisition of 775 rail cars. In addition, the District's Board of Directors also dedicated all incremental revenue generated from the 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 Project. In fiscal year 2018, this amount is estimated at over $38,000,000. The fiscal year 2018 operating budget also included $29,213,000 for eBART pre-revenue and other state of good repair needs, such as train control uninterrupted power supply replacement, information technology upgrades and Millbrae tail track. The "baseline" State of Good Repair allocation also includes local match on capital grants for stations and facilities renovation, equipment and other needs. Despite these investments, the District needs to aggressively seek other funding sources to increase its existing capital resources in order to sustain its current state of reliability. The District's Asset Management Program has identified a wide variety of system infrastructure funding needs.

A full 67% of capital expenditures next year are directed to System Renovation, at $ 673,095,000. This includes the Rail Car Replacement Program, the Hayward Maintenance Complex, station modernization, replacement of train control system, traction power, trackway renovation and other capital projects. The second largest is the Earthquake Safety Program including work at Oakland Shop spur track, Transbay Tube retrofits, and retrofit at Fruitvale and Coliseum Stations. Other capital work on essential security upgrades, life safety improvements, service and capacity enhancements, and ADA/system accessibility improvements will also continue.

Contacting the District's Financial Management

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position
June 30, 2017 and 2016
(dollar amounts in thousands)

	2017	2016
Assets		
Current assets		
Unrestricted assets		
Cash and cash equivalents	$ 336,042	$ 265,069
Investments	310,438	387,204
Government receivables	127,730	139,283
Receivables and other assets	27,691	29,754
Materials and supplies	45,185	35,873
Total unrestricted current assets	847,086	857,183
Restricted assets		
Cash and cash equivalents	287,416	434,304
Investments	608,041	159,675
Receivables and other assets	2,363	1,070
Total restricted current assets	897,820	595,049
Total current assets	1,744,906	1,452,232
Noncurrent assets		
Capital assets		
Nondepreciable	1,902,725	2,336,792
Depreciable, net of accumulated depreciation	5,807,491	5,041,241
Unrestricted assets		
Investments	13,422	-
Receivables and other assets	169	198
Restricted assets		
Investments	1,317	-
Receivables and other assets	11,571	11,287
Total noncurrent assets	7,736,695	7,389,518
Total assets	9,481,601	8,841,750
Deferred Outflows of Resources		
Losses on refundings of debt	17,769	20,468
Pension related		
Pension contribution subsequent to measurement date	58,386	50,426
Net differences between projected and actual earnings	97,875	-
Differences between actual and expected experience	6,007	3,424
Total deferred outflow of resources	180,037	74,318

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Net Position, continued
June 30, 2017 and 2016
(dollar amounts in thousands)

	2017	2016
Liabilities		
Current liabilities		
Accounts payable and other liabilities	$ 229,812	$ 222,409
Unearned revenue	57,005	71,021
Current portion of long-term debt	77,130	27,225
Self-insurance liabilities	20,048	18,479
Total current liabilities	383,995	339,134
Noncurrent liabilities		
Accounts payable and other liabilities	46,376	44,418
Unearned revenue	205,423	234,412
Long-term debt, net of current portion	1,579,562	1,334,403
Self-insurance liabilities, net of current portion	35,903	34,829
Net other postemployement benefits liability	380,392	63,047
Net pension liability	614,450	467,222
Total noncurrent liabilities	2,862,106	2,178,331
Total liabilities	3,246,101	2,517,465
Deferred Inflows of Resources		
Pension related		
Net differences between projected and actual earnings	-	17,485
Differences between actual and expected experience	2,518	3,663
Changes in assumptions	19,285	28,500
Other Post Employment Benefits related		
Net differences between projected and actual earnings	8,209	-
Changes in assumptions	10,904	-
Total Deferred Inflow	40,916	49,648
Net position		
Net investment in capital assets	6,426,653	6,055,965
Restricted for debt service and other liabilities	190,612	214,849
Unrestricted	(242,644)	78,141
Total net position	$ 6,374,621	$ 6,348,955

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

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SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016
(dollar amounts in thousands)

	2017	2016
Operating revenues		
Fares	$ 485,674	$ 489,583
Other	61,426	56,217
Total operating revenues	547,100	545,800
Operating expenses		
Transportation	209,335	200,181
Maintenance	302,699	285,996
Police services	64,236	63,921
Construction and engineering	26,700	23,917
General and administrative	200,376	139,041
Depreciation	191,877	196,452
Total operating expenses	995,223	909,508
Less - capitalized costs	(87,158)	(74,762)
Net operating expenses	908,065	834,746
Operating loss	(360,965)	(288,946)
Nonoperating revenues (expenses)		
Transactions and use tax - sales tax	247,185	241,547
Property tax	99,163	55,849
Operating financial assistance	77,069	72,794
Contribution for BART car replacement funding exchange program	(52,548)	(50,176)
Investment income	3,747	2,752
Interest expense	(28,423)	(36,217)
Gain from exchange of property	24,839	7,284
Other expense, net	(5,070)	(1,247)
Total nonoperating revenues, net	365,962	292,586
Change in net position before capital contributions	4,997	3,640
Capital contributions	342,270	328,123
Change in net position	347,267	331,763
Net position, beginning of year, as previously reported	6,348,955	6,017,192
Cumulative effect of adopting the provisions of new standards (GASB 75) for employer reporting of other postemployment benefit obligations	(321,601)	-
Net position, beginning of year, as restated	6,027,354	6,017,192
Net position, end of year	$ 6,374,621	$ 6,348,955

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016
(dollar amounts in thousands)

	2017	2016
Cash flows from operating activities		
Receipts from customers	$ 485,901	$ 490,123
Payments to suppliers	(209,360)	(191,834)
Payments to employees	(482,696)	(467,754)
Other operating cash receipts	60,682	56,689
Net cash used in operating activities	(145,473)	(112,776)
Cash flows from noncapital financing activities		
Transactions and use tax (sales tax) received	196,725	192,919
Property tax received	42,775	37,490
Financial assistance received	79,712	75,126
Net cash provided by noncapital financing activities	319,212	305,535
Cash flows from capital and related financing activities		
Transactions and use tax (sales tax) received	50,461	48,628
Property tax received	57,490	18,152
Capital grants received	332,945	399,253
Expenditures for facilities, property and equipment	(516,964)	(411,182)
Principal paid on long-term debt	(215,455)	(559,925)
Payments of long-term debt issuance and service costs	(5,070)	(1,201)
Proceeds from issuance of General Obligation Bonds	429,717	319,105
Proceeds from issuance of Sales Tax Revenue Bonds	95,655	217,990
Deferred interest paid for defeased bonds	(955)	(21,641)
Interest paid on long-term debt	(40,865)	(47,298)
Contribution for BART car replacement funding exchange program	(52,548)	(50,176)
Deposit refunded	(283)	(248)
Net cash provided by (used in) capital and related financing activities	134,128	(88,543)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	138,395	129,003
Purchase of investments	(525,593)	(90,918)
Investment income (loss)	3,416	2,095
Net cash provided by (used in) investing activities	(383,782)	40,180
Net change in cash and cash equivalents	(75,915)	144,396
Cash and cash equivalents, beginning of year	699,373	554,977
Cash and cash equivalents, end of year	$ 623,458	$ 699,373
Reconciliation of cash and cash equivalents to the Statements of Net Position		
Current, unrestricted assets - cash and cash equivalents	$ 336,042	$ 265,069
Current, restricted assets - cash and cash equivalents	287,416	434,304
Total cash and cash equivalents	$ 623,458	$ 699,373

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Enterprise Fund
Statements of Cash Flows, continued
For the Years Ended June 30, 2017 and 2016
(dollar amounts in thousands)

	2017	2016
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (360,965)	$ (288,946)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	191,877	196,452
Provision for inventory obsolescence	187	-
Amortization of deferred settlement costs	228	50
Accrual of employee retirement and post employment obligations	25,823	-
Net effect of changes in		
Receivables and other assets	2,014	(15,753)
Materials and supplies	(9,312)	(4,292)
Accounts payable and other liabilities	2,770	637
Self-insurance liabilities	2,643	(145)
Unearned revenue	(738)	(779)
Net cash used in operating activities	$ (145,473)	$ (112,776)
Noncash transactions		
Capital assets acquired with a liability at year-end	$ 98,786	$ 89,715
Increase in fair value of investments	(842)	349
Amortization of long-term debt premium and discount	(12,386)	(9,234)
Bond premium reclassed to losses on refunding of debt	(2,467)	(18,394)
Amortization of loss on early debt retirement	1,186	1,153
Amortization of ground lease	552	534
Property exchanged with MacArthur Transit Community Partners, LLC	(976)	-
Other property exchanged, net	-	7,191
Gain from exchange of property	24,839	-

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Trust Net Position
June 30, 2017 and 2016
(dollar amounts in thousands)

	2017	2016
Assets		
Cash and cash equivalents	$ 1,092	$ 1,162
Receivables and other assets	11,041	404
Investments		
Domestic common stocks	157,994	101,231
Domestic preferred stocks	11	-
U.S. Treasury obligations	73,793	53,413
Money market mutual funds	20,652	29,893
Mutual funds - equity	220	45,701
Corporate obligations	15,874	12,271
Foreign stocks	8,726	3,024
Foreign obligations	936	1,938
Total investments	278,206	247,471
Total assets	290,339	249,037
Liabilities		
Accounts payable	205	149
Pending trades payable	19,983	11,485
Total liabilities	20,188	11,634
Net position restricted for retiree health benefits	$ 270,151	$ 237,403

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

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
Retiree Health Benefit Trust
Statements of Changes in Trust Net Position
For the Years Ended June 30, 2017 and 2016
(dollar amounts in thousands)

	2017	2016
Additions		
Employer contributions	$ 28,912	$ 27,145
Investment income		
Interest income	4,785	4,636
Net appreciation in fair value of investments	22,277	1,993
Investment expense	(534)	(513)
Net investment income	26,528	6,116
Total additions	55,440	33,261
Deductions		
Benefit payments	22,396	17,422
Legal fees	2	12
Audit fees	16	15
Insurance expense	26	26
Administrative fees	252	150
Total deductions	22,692	17,625
Increase in trust net position	32,748	15,636
Net position restricted for retiree health benefits		
Beginning of year	237,403	221,767
End of year	$ 270,151	$ 237,403

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

1. Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

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

Basis of Accounting and Presentation

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

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

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

Cash Equivalents

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

Investments

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

Restricted Assets

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

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

Capital Grants/Contributions

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

Materials and Supplies

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

Bond Discounts, Premiums and Losses on Refunding

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

Capital Assets

Capital assets are stated at cost or at fair 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 $15,461,000 in fiscal year 2017 and $13,029,000 in fiscal year 2016

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.

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 $64,992,000 as of June 30, 2017 and $61,169,000 as of June 30, 2016 and are shown in the statements of net position in accounts payable and other liabilities (see Note 5) as follows (dollar amounts in thousands):

	2017	2016
Current liabilities	$ 20,130	$ 18,899
Noncurrent liabilities	44,862	42,270
Total	$ 64,992	$ 61,169

Pollution Remediation

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

Net Position

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

Transactions and Use Tax (Sales Tax) Revenues

The State of California legislation authorizes the District to impose a 0.5% transaction and use tax within District boundaries, which is collected and administered by the State Board of Equalization. Of the amounts available for distribution, 75% is paid directly to the District for the purpose of paying operating expenses, except for the portion that is paid directly to trustees to cover principal and interest payments of maturing sales tax revenue bonds. The remaining 25% is allocated by the MTC to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services. The District records the total transactions and use taxes earned (including amounts paid to the trustees) as nonoperating revenue.

Property Taxes, Collection and Maximum Rates

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

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. The District will also receive beginning in fiscal year 2018, 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 l, 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 l 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 statement of revenues, expenses and changes in net position as a reduction of operating expenses. The amounts of $87,158,000 and $74,762,000 were capitalized during the fiscal years ended June 30, 2017 and 2016, 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.

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.

Reclassification and Presentation

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

New Accounting Pronouncements Adopted

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), which establishes new accounting and financial reporting requirements for Other Post-Employment Benefits (OPEB) plans, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB 74 is effective for the District's fiscal year ended June 30, 2017. As of July 1, 2016, the District implemented this Statement, which resulted in significant changes in the footnote disclosures and required supplementary information for the District's Retiree Health Benefit Trust Fund standalone report for the year ending June 30, 2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB plans, improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. The statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 is required to be implemented for the District's fiscal year ending June 30, 2018. However, the District elected to early implement the standard for the fiscal year ended June 30, 2017. As of July 1, 2016, the District implemented this Statement, which resulted in a restatement of beginning net position by $321.6 million, recognition of $19.1 million of deferred inflows of resources, and establishment of a net OPEB liability of $380.4 million.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77), which requires governments that enter into tax abatement agreements to disclose additional information about the agreements including a brief descriptive information, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. GASB 77 is effective for the District's fiscal year ended June 30, 2017. This statement did not have a significant impact to the District's financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). The objective of this statement is to address a practice issue regarding the scope and applicability of GASB 78 associated with pensions provided through certain cost-sharing multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Such plans are not considered a state or local

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

government pension plan and are used to provide benefits to both employees of state and local governments and employees of employers that are not state or local governments. GASB 78 is effective for the District's fiscal year ended June 30, 2017. This statement did not have a significant impact to the District's financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* (GASB 80), to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. GASB 80 is effective for the District's fiscal year ending June 30, 2017. This statement did not have a significant impact to the District's financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82), to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in Actuarial Standards of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 is effective for the District's fiscal year ending June 30, 2017. This statement did not have a significant impact to the District's financial statements.

Recent Accounting Pronouncements That Have Not Been Adopted

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB 81 is effective for the District's fiscal year ending June 30, 2018.

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

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 statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2020.

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

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the District's fiscal year ending June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transitions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of the refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this statement are effective for the District's fiscal year ending June 30, 2018.

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.

2. Cash, Cash Equivalents and Investments

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

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

	2017			2016		
	Unrestricted	**Restricted**	**Total**	**Unrestricted**	**Restricted**	**Total**
Current assets						
Cash and cash equivalents	$ 336,042	$ 287,416	$ 623,458	$ 265,069	$ 434,304	$ 699,373
Investments	310,438	608,041	918,479	387,204	159,675	546,879
Noncurrent assets						
Investments	13,422	1,317	14,739	-	-	-
Total	$ 659,902	$ 896,774	$ 1,556,676	$ 652,273	$ 593,979	$ 1,246,252

2. Cash, Cash Equivalents and Investments (Continued)

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:

	Maximum Maturity (1)		Maximum % of Portfolio		Maximum % with One Issuer		Minimum Rating (2)	
Investment Type	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) Minium credit rating categories include modifications (+/-).
(3) District will not invest in these investment types unless specifically authorized by the Board.

2. Cash, Cash Equivalents and Investments (Continued)

Investments Authorized by Debt Agreements

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

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

2. Cash, Cash Equivalents and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. One of the District's primary objectives is to provide sufficient liquidity to meet its cash outflow needs, however, the District does not have any policies specifically addressing interest rate risk, except as outlined in the CGC. A summary of investments by type of investments and by segmented time distribution as of June 30, 2017 and 2016 is as follows (dollar amounts in thousands):

		Investment Maturities (in Years)		
	2017	Less Than 1	1 - 5	6 - 10
Money market mutual funds*	$ 414,387	$ 414,387	$ -	$ -
U.S. Treasury	502,770	502,770	-	-
U.S. government agencies	39,109	39,109	-	-
Commercial paper	237,344	237,344	-	-
California municipal bonds	6,136	6,136	-	-
Foreign government bonds	34,639	20,005	14,634	-
Certificates of deposit	865	760	105	-
Total investments	1,235,250	$ 1,220,511	$ 14,739	$ -
Deposits with banks	318,432			
Imprest funds	2,994			
Total cash and investments	$ 1,556,676			

		Investment Maturities (in Years)		
	2016	Less Than 1	1 - 5	6 - 10
Money market mutual funds*	$ 80,676	$ 80,676	$ -	$ -
U.S. Treasury	173,968	173,968	-	-
U.S. government agencies	334,937	334,937	-	-
Commercial paper	208,917	208,917	-	-
California municipal bonds	26,974	26,974	-	-
Foreign government bonds	25,037	25,037	-	-
Certificates of deposit	962	962	-	-
Total investments	851,471	$ 851,471	$ -	$ -
Deposits with banks	391,858			
Imprest funds	2,923			
Total cash and investments	$ 1,246,252			

* weighted-average maturity

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

The District's credit rating risk is governed by Section 53601 of the CGC which, among others, limits investments in money market mutual funds to those funds with the highest evaluations granted by the rating agencies, which is AAAm. The District has investments in U.S. Treasury and government agencies, and in money market mutual funds. There are no investment limits on the securities of U.S. Treasury or certain U.S. government agencies that are backed by the full faith and credit of the United States government. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's, Fitch Ratings and/or Moody's as of June 30, 2017 and 2016 (dollar amounts in thousands):

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

		Credit Ratings			
	2016	AAA	AA	A	Not Rated
Money market mutual funds	$ 80,676	$ 28,463	$ -	$ 52,213	$ -
U.S. Treasury	173,968	173,968	-	-	-
U.S. government agencies	334,937	334,937	-	-	-
Commercial paper	208,917	-	-	208,917	-
California municipal bonds	26,974	-	26,974	-	-
Foreign government bonds	25,037	25,037	-	-	-
Certificates of deposit	962	-	-	-	962
Total investments	851,471	$ 562,405	$ 26,974	$ 261,130	$ 962
Deposits with banks	391,858				
Imprest funds	2,923				
Total cash and investments	$ 1,246,252				

2. Cash, Cash Equivalents and Investments (Continued)

Fair Value Hierarchy

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

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

The following is a summary of the fair value of investments of the District as of June 30, 2017 and June 30, 2016 (dollar amounts in thousands):

Investments at Fair Value Level	6/30/2017	Fair Value Hierarchy (Level 1)	Fair Value Hierarchy (Level 2)	6/30/2016	Fair Value Hierarchy (Level 1)	Fair Value Hierarchy (Level 2)
Money market mutual funds	$ 414,387	$ -	$ 414,387	$ 80,676	$ -	$ 80,676
U.S. Treasury	502,770	502,770	-	173,968	173,968	-
U.S. government agencies	39,109	-	39,109	334,937	-	334,937
Commercial paper	237,344	-	237,344	208,917	-	208,917
California municipal bonds	6,136	-	6,136	26,974	-	26,974
Foreign government bonds	34,639	-	34,639	25,037	-	25,037
Total Investments at Fair Value	1,234,385	$ 502,770	$ 731,615	850,509	$ 173,968	$ 676,541
Excluded from FMV hierarchy reporting						
Certificate of deposit	865			962		
Total investments	$ 1,235,250			$ 851,471		

Investments valued at $502,770,000 in fiscal year 2017 and $173,968,000 in fiscal year 2016 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 $731,615,000 in fiscal year 2017 and $676,541,000 in fiscal year 2016 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.

2. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk

The District does not have a policy to limit investments in any one issuer to no more than 5% of the total portfolio. However, the District is required to disclose investments that represent a concentration of 5% or more of investments in any one issuer other than U.S. Treasury obligations. At June 30, 2017, the District did not have investments in any one issuer other than U.S. Treasury obligations that exceeded 5% of the District's total investment portfolio. At June 30, 2016, the District had investments in Federal Home Loan Mortgage Corporation and Federal Home Loan Banks in the amounts of $111,418,000 (or 13.10%) and $208,500,000 (or 24.5%), respectively, 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.

2. Cash, Cash Equivalents and Investments (Continued)

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

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

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

A summary of investments by type of investments and by segmented time distribution as of June 30, 2017 and 2016 is as follows (dollar amounts in thousands):

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

2. Cash, Cash Equivalents and Investments (Continued)

		Investment Maturities (in Years)			
	2016	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Treasury obligations	$ 53,413	$ 10,926	$ 20,713	$ 16,895	$ 4,879
Money market mutual funds*	29,893	29,893	-	-	-
Corporate obligations	12,271	817	6,707	1,836	2,911
Foreign obligations	1,938	-	971	622	345
Investments subject to interest rate risk	97,515	$ 41,636	$ 28,391	$ 19,353	$ 8,135
Domestic common stocks	101,231				
Mutual funds - equity	45,701				
Foreign stocks	3,024				
Total investments	$ 247,471				

* weighted-average maturity

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

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

The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's and/or Moody's as of June 30, 2017 and 2016 (dollar amounts in thousands):

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

		Credit Ratings			
	2016	AAA	AA	A	BBB
U.S. Treasury obligations	$ 53,413	$ -	$ 53,413	$ -	$ -
Money market mutual funds	29,893	29,893	-	-	-
Corporate obligations	12,271	88	356	5,288	6,539
Foreign obligations	1,938	-	-	1,255	683
Investments subject to credit risk	97,515	$ 29,981	$ 53,769	$ 6,543	$ 7,222
Domestic common stocks	101,231				
Mutual funds - equity	45,701				
Foreign stocks	3,024				
Total investments	$ 247,471				

2. Cash, Cash Equivalents and Investments (Continued)

Fair Value Hierarchy

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

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

The following is a summary of the fair value hierarchy of the fair value of investments of the Trust as of June 30, 2017 and June 30, 2016 (dollar amounts in thousands):

Investments by	Fair Value Hierarchy					
Fair Value Level	**6/30/2017**	**(Level 1)**	**(Level 2)**	**6/30/2016**	**(Level 1)**	**(Level 2)**
Domestic common stocks	$ 157,994	$ 157,994	$ -	$ 101,231	$ 101,231	$ -
Domestic preferred stocks	11	11				
Foreign stocks	8,726	8,726	-	3,024	3,024	-
Money market mutual funds	20,652	-	20,652	29,893	-	29,893
U.S. Treasury obligations	73,793	51,062	22,731	53,413	43,868	9,545
Corporate obligations	15,874	-	15,874	12,271	-	12,271
Foreign obligations	936	-	936	1,938	-	1,938
Total Investments by fair value level	277,986	$ 217,793	$ 60,193	201,770	$ 148,123	$ 53,647
Investment measured at Net Asset Value						
Mutual funds - equity	220			45,701		
Total Investments measured at fair value	$ 278,206			$ 247,471		

Investments classified in Level 1 of the fair value hierarchy valued at $217,793,000 and $148,123,000 in fiscal year 2017 and 2016, respectively, are valued using quoted prices in active markets.

Investments amounting to $60,193,000 in fiscal year 2017 and $53,647,000 in fiscal year 2016 are classified under Level 2 of the fair market value hierarchy and are valued using Matrix pricing, which is used to value securities based on the securities' relationship to benchmark quoted prices.

Mutual fund-equity totaling $220,000 and $45,701,000 in 2017 and 2016, respectively, are valued using the Net Asset Value (NAV) methodology. Per GASB72, the government entity should be permitted to calculate the fair value of certain investments that do not have a readily determinable fair value using a practical expedient method based on the investment's NAV per share. A mutual fund may include several different underlying investments. The NAV is derived from the value of these investments, accrued income, anticipated cash flows (maturities), management fees and other fund expenses. Certain investments within the fund may be deemed unobservable and not readily determined in an active market.

2. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk

The Trust's investment policies mitigate exposure to concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than 5% of the total portfolio. As of June 30, 2017, 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, 2017 and 2016 (dollar amounts in thousands):

	2017	2016
Interest receivable - other investments	$ 2,376	$ 2,046
Deferred charges	197	227
Deposit for power supply	11,571	11,287
Off-site ticket vendor receivable	2,659	2,393
Capitol Corridor Joint Powers Authority receivable (Note 14)	1,510	1,044
Property tax receivable	1,157	2,259
Prepaid expenses	13,883	15,240
Imprest deposits for self-insurance liabilities	1,975	2,029
Other	7,755	7,019
Allowance for doubtful accounts	(1,289)	(1,235)
Total receivables and other assets	$ 41,794	$ 42,309
Current, unrestricted portion	$ 27,691	$ 29,754
Current, restricted portion	2,363	1,070
Noncurrent, unrestricted portion	169	198
Noncurrent, restricted portion	11,571	11,287
Total receivables and other assets, as presented in the basic financial statements	$ 41,794	$ 42,309

4. Capital Assets

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

	Lives (Years)	2016	Additions and Transfers	Retirements and Transfers	2017
Capital assets, not being depreciated					
Land and easements	N/A	$ 624,090	$ 8,042	$ (976)	$ 631,156
Construction in progress	N/A	1,712,702	525,236	(966,369)	1,271,569
Total capital assets, not being depreciated		2,336,792	533,278	(967,345)	1,902,725
Capital assets, being depreciated					
Tangible asset					
Stations, track, structures and improvements	5-80	5,469,838	738,964	-	6,208,802
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	635,287	52,469	-	687,756
Revenue transit vehicles	30	1,123,559	-	-	1,123,559
Service and miscellaneous equipment	3-20	361,695	44,498	(689)	405,504
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	375,261	118,041	-	493,302
Intangible asset					
Information systems	20	54,488	4,356	-	58,844
Total capital assets, being depreciated		8,129,165	958,328	(689)	9,086,804
Less accumulated depreciation		(3,087,924)	(191,877)	488	(3,279,313)
Total capital assets, being depreciated, net		5,041,241	766,451	(201)	5,807,491
Total capital assets, net		$ 7,378,033	$ 1,299,729	$ (967,546)	$ 7,710,216

4. Capital Assets (Continued)

Changes to capital assets during the fiscal year ended June 30, 2016 were as follows (dollar amounts in thousands):

	Lives (Years)	2015	Additions and Transfers	Retirements and Transfers	2016
Capital assets, not being depreciated					
Land and easements	N/A	$ 576,443	$ 49,555	$ (1,908)	$ 624,090
Construction in progress	N/A	1,765,710	446,792	(499,800)	1,712,702
Total capital assets, not being depreciated		2,342,153	496,347	(501,708)	2,336,792
Capital assets, being depreciated					
Tangible asset					
Stations, track, structures and improvements	5-80	5,143,450	326,388	-	5,469,838
Buildings	80	10,732	-	-	10,732
System-wide operation and control	20	628,877	6,429	(19)	635,287
Revenue transit vehicles	30	1,123,559	-	-	1,123,559
Service and miscellaneous equipment	3-20	319,845	42,990	(1,140)	361,695
Capitalized construction and start-up costs	30	98,305	-	-	98,305
Repairable property items	30	311,819	63,502	(60)	375,261
Intangible asset					
Information systems	20	43,552	10,936	-	54,488
Total capital assets, being depreciated		7,680,139	450,245	(1,219)	8,129,165
Less accumulated depreciation		(2,892,599)	(196,452)	1,127	(3,087,924)
Total capital assets, being depreciated, net		4,787,540	253,793	(92)	5,041,241
Total capital assets, net		$ 7,129,693	$ 750,140	$ (501,800)	$ 7,378,033

After the completion of the San Francisco International Airport Extension in 2004, which added 38 miles of track and 10 new stations to the system, the District embarked on three expansion projects, which include the East Contra Costa BART Extension (eBART) in Contra Costa County, the Oakland Airport Connector (OAC) in Alameda County and the Warm Springs Extension (WSX) also in Alameda County. Revenue operations for the OAC started in November 2014. The eBART is expected to be completed in spring of 2018.

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

4. Capital Assets (Continued)

The District has entered into contracts for the construction of various facilities and equipment totaling approximately $2,750,000,000 at June 30, 2017 and $2,700,000,000 at June 30, 2016.

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, 2017 and 2016 (dollar amounts in thousands):

	2017	2016
Payable to vendors and contractors	$ 151,622	$ 146,266
Employee salaries and benefits	35,127	33,701
Accrued compensated absences	64,992	61,169
Accrued interest payable	24,447	25,691
Liabilities at the end of year	276,188	266,827
Less: noncurrent portion	(46,376)	(44,418)
Net current portion	$ 229,812	$ 222,409

6. Long-Term Debt

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

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

6. Long-Term Debt (Continued)

Long-term debt activity for the year ended June 30, 2016 is summarized as follows (dollar amounts in thousands):

	2015	Additions	Payments/ Amortization	2016
2005 Sales Tax Revenue Refunding Bonds	$ 246,380	$ -	$ (246,380)	$ -
2006 Sales Tax Revenue Bonds	1,155	-	(1,155)	-
2006A Sales Tax Revenue Refunding Bonds	96,985	-	(1,145)	95,840
2010 Sales Tax Revenue Refunding Bonds	122,685	-	(1,620)	121,065
2012A Sales Tax Revenue Refunding Bonds	124,290	-	(2,985)	121,305
2012B Sales Tax Revenue Bonds	107,305	-	(2,535)	104,770
2015A Sales Tax Revenue Refunding Bonds	-	186,640	-	186,640
2005A General Obligation Bonds - Measure AA	35,730	-	(35,730)	-
2007B General Obligation Bonds - Measure AA	369,520	-	(268,375)	101,145
2013C General Obligation Bonds - Measure AA	225,545	-	-	225,545
2015D General Obligation Refunding Bonds - Measure AA	-	276,805	-	276,805
	1,329,595	463,445	(559,925)	1,233,115
Add (less):				
Original issue premiums and discounts, net	82,491	73,650	(27,628)	128,513
Long-term debt, net of accumulated accretion and debt-related items	1,412,086	$ 537,095	$ (587,553)	1,361,628
Less: current portion of long-term debt	(27,540)			(27,225)
Net long-term debt	$ 1,384,546			$ 1,334,403

6. Long-Term Debt (Continued)

2005 Sales Tax Revenue Refunding Bonds (the 2005 Refunding Bonds)
In August 2005, the District issued the Sales Tax Revenue Bonds, Refunding Series 2005A totaling $352,095,000. The 2005 Refunding Bonds were used to advance refund $349,925,000 in aggregate principal amount of sales tax revenue bonds related to the Sales Tax Revenue Bonds, Series 1995, 1998, 1999, and 2001. The 2005 Refunding Bonds are special obligations of the District, payable from and collateralized by a pledge of sales tax revenues. In October 2015, the remaining outstanding balance of $231,250,000 were refunded from the proceeds of the 2015 Series A Sales Tax Revenue Refunding Bonds.

2006 Sales Tax Revenue Bonds (the 2006 Bonds)
In June 2006, the District issued Sales Tax Revenue Bonds with an aggregate principal amount of $64,915,000 to finance a portion of the cost of construction of a new transit station, the West Dublin/Pleasanton Station, including two parking facilities, pedestrian bridges, a bus intermodal facility and related improvements. The 2006 Bonds are special obligations of the District payable from and secured by a pledge of sales tax revenues. In October 2012, the 2006 Bonds with principal amounts totaling $63,615,000 were refunded from the proceeds of the 2012 Series A Refunding Bonds. In October 2015, the remaining outstanding balance of $720,000 were refunded from the proceeds of the 2015 Series A Sales Tax Revenue Refunding Bonds.

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

2010 Sales Tax Revenue Refunding Bonds (the 2010 Refunding Bonds)
On May 5, 2010, the District issued the 2010 Sales Tax Revenue Refunding Bonds, with a principal amount of $129,595,000 to provide sufficient funds to refund a portion of the 1998 Bonds with an aggregate principal amount of $143,825,000, to fund a deposit to the 2010 Refunding Bonds Reserve Account in the bond reserve fund and to pay costs of issuance of the 2010 Refunding Bonds. The District funded from its own funds the Bond Reserve Fund in the amount of $14,202,000. The 2010 Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. At June 30, 2017 the 2010 Refunding Bonds consist of serial bonds amounting to $118,140,000 with interest rates ranging from 4.0% to 5.0%, with various maturity dates from 2018 to 2029.

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. At June 30, 2017, the 2012A Refunding Bonds consist of serial bonds amounting to $87,330,000 with interest rates ranging from 4.0% to 5.0% with various maturity dates from 2018 to 2033, and a term bond with interest rate of 5% in the amount of $32,335,000 due in 2037.

6. Long-Term Debt (Continued)

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. At June 30, 2017, the 2012B Bonds consist of serial bonds amounting to $16,190,000 with interest rates ranging from 1.341% to 2.677% with various maturity dates from 2018 to 2023, a term bond in the amount of $15,670,000 with interest rate of 3.477% due in 2028, a term bond in the amount of $18,815,000 with interest rate of 4.087% due in 2033 and a term bond in the amount of $51,540,000 with interest rate of 4.287% due in 2043.

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, along with other District funds, to 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, 2017, the 2015A Refunding Bonds consist of serial bonds amounting to $171,240,000 with interest rates ranging from 4.0% to 5.0%, with various maturity dates from 2018 to 2035. The refunding resulted in economic gain of $41,601,000 and cash flow savings of $59,633,000.

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, along with other District funds, to provide sufficient 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, 2017, the 2016A Refunding Bonds consist of serial bonds amounting to $29,230,000 with interest rates ranging from 4.0% to 4.25%, with various maturity dates from 2018 to 2028, a term bond in the amount of $10,395,000 with interest rate of 4.25% due in 2030, a term bond in the amount of $11,310,000 with interest rate of 4.25% due in 2032, a term bond in the amount of $12,315,000 with interest rate of 4.25% due in 2034, and a term bond in the amount of $20,550,000 with interest rate of 4.25% due in 2037. The refunding resulted in economic gain of $19,083,000 and cash flow savings of $19,136,000.

2005 Measure AA General Obligation Bonds (the 2005A Measure AA GO Bonds)
In May 2005, the District issued the 2005 Series A Measure AA General Obligation Bonds (Elections 2004), with an aggregate principal amount of $100,000,000. The 2005A Measure AA GO Bonds constitute a portion of the total authorized amount of $980,000,000 of general obligation bonds of the District duly authorized by at least two-thirds of the qualified voters of the District voting on a ballot measure ("Measure AA") at an election held on November 2, 2004. The 2005A Measure AA GO Bonds constitute the first issue of general obligation bonds being issued pursuant to the Measure AA authorization.

The 2005A Measure AA GO Bonds were issued to finance earthquake safety improvements to BART facilities, including aerial trackway structures, underground trackway structures, including the Transbay Tube, and at-grade trackway structures, stations, and administrative, maintenance, and operations facilities and to finance additional retrofits to facilitate a rapid return to service after an earthquake or other disasters.

6. Long-Term Debt (Continued)

The 2005A 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 2005A Measure AA GO Bonds. In October 2015, the remaining outstanding balance of $34,680,000 were refunded from the proceeds of the 2015 Measure AA GO Bonds.

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. At June 30, 2017, the remaining outstanding 2007B Measure GO Bonds consist of $4,050,000 serial bonds due on August 1, 2017 with interest rate of 4.1%.

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, 2017, the 2013C Measure AA GO Bonds consist of $205,420,000 in serial bonds due from 2018 to 2034 with interest ranging from 3.0% to 5.00%, and term bonds totaling $20,125,000 with interest of 5% due in 2038. The serial bonds maturing on or after August 1, 2024 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2023, at the principal amount called for redemption, without premium, plus accrued interest. The term bonds are also subject to mandatory sinking fund redemption on August 1 beginning 2034, at the principal amount, without premium, plus accrued interest.

2015 Measure AA General Obligation Bonds Refunding Series D (the 2015D Measure AA Refunding GO Bonds)
In October 2015, the District issued the 2015 Series D Measure AA Refunding General Obligation Bonds, with a principal amount of $276,805,000 and a premium of $42,300,000. The 2015D Measure AA Refunding GO Bonds are general obligations of the District, payable from and secured solely by ad valorem

6. Long-Term Debt (Continued)

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, 2017, the 2015D Measure AA Refunding GO Bonds consist of $276,805,000 in serial bonds due from 2018 to 2036 with interest ranging from 3.0% to 5.00%. The serial bonds maturing on or after August 1, 2026 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2025, at the principal amount of such 2015D Measure AA Refunding GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2015D Measure AA Refunding GO Bonds are called for redemption, the 2015D Measure AA Refunding GO Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2015D Measure AA Refunding GO Bonds of any given maturity are called for redemption, the portions of 2015D Measure AA Refunding GO Bonds of a given maturity shall be determined by lot. The refunding in 2015 resulted in economic gain of $42,384,000 and cash flow savings of $42,378,000.

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

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

At June 30, 2017, the 2017E Measure AA Refunding GO Bonds consist of $84,735,000 in serial bonds due from 2019 to 2038 with interest ranging from 4.0% to 5.00%. The serial bonds maturing on or after August 1, 2036 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2027, at the principal amount of such 2017E Measure AA Refunding GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2017E Measure AA Refunding GO Bonds are called for redemption, the 2017E Measure AA Refunding GO Bonds

6. Long-Term Debt (Continued)

shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2017E Measure AA Refunding GO Bonds of any given maturity are called for redemption, the portions of 2017E Measure AA Refunding GO Bonds of a given maturity shall be determined by lot. The refunding resulted in economic gain of $13,165,000 and cash flow savings of $15,370,000.

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

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

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

At June 30, 2017, the 2017A Measure RR GO Bonds has a total outstanding balance of $300,000,000, consisting of $271,600,000 2017A-1 Measure RR GO Bonds and $28,400,000 2017A-2 Measure RR GO Bonds. The 2017A-1 Measure RR GO Bonds consist of $140,480,000 in serial bonds due from 2019 to 2038 with interest ranging from 2.0% to 5.00%, a $58,500,000 term bond with interest of 4% maturing in 2043, and a $72,620,000 term bond with interest of 5% maturing in 2048. The 2017A-2 Measure RR GO Bonds consist of serial bonds maturing in 2018 with interest of .822%. 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.

6. Long-Term Debt (Continued)

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

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. Also, 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.

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

The outstanding principal balance of the defeased Measure AA General Obligation Bonds is $359,515,000 as of June 30, 2017 and $265,735,000 as of June 30, 2016. There are no outstanding principal balances for the defeased Sales Tax Revenue Bonds on June 30, 2017 and 2016.

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 2017 and 2016, which is included in accounts payable and other liabilities in the statements of net position.

Pledge of Revenue to Repay Sales Tax Revenue Bonds

The District issues sales tax revenue bonds primarily to finance a portion of its capital projects. The sales tax revenue bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts. The sales tax revenue bonds outstanding as of June 30, 2017 consist of the 2010 Refunding Bonds, the 2012A Refunding Bonds, the 2012B Bonds, 2015A Refunding Bonds, and the 2016A Refunding Bonds. Interest on the sales tax revenue bonds are payable on January 1 and July 1 of each year, and the principal on July 1 of the scheduled year until 2047. The total principal and interest remaining on these sales tax revenue bonds is $870,148,000 as of June 30, 2017 ($944,309,000 as of June 30, 2016), which is 7.24% in 2017 (9.31% in 2016) of the total projected sales tax revenues of $12,010,829,000 as of June 30, 2017 ($10,145,390,000 as of June 30, 2016). The total projected sales tax revenues cover the period from fiscal year 2018 through fiscal year 2047, which is the last scheduled bond principal payment.

6. Long-Term Debt (Continued)

The pledged sales tax revenues recognized in fiscal year 2017 was $247,185,000 ($241,547,000 in fiscal year 2016) as against a total debt service payment of $50,460,000 in fiscal year 2017, and $44,628,000 in fiscal year 2016.

6. Long-Term Debt (Continued)

Debt Repayments

The following is a schedule of long-term debt principal and interest payments required as of June 30, 2017 (dollar amounts in thousands):

Sales Tax Revenue Bonds

Year ending June 30:	2010 Refunding Bonds Principal	2010 Refunding Bonds Interest	2012A Refunding Bonds Principal	2012A Refunding Bonds Interest	2012B Bonds Principal	2012B Bonds Interest
2018	$ 3,045	$ 5,784	$ 2,605	$ 5,800	$ 2,580	$ 3,847
2019	3,165	5,660	3,045	5,687	2,615	3,807
2020	10,490	5,334	3,255	5,545	2,660	3,759
2021	11,020	4,797	3,565	5,393	2,715	3,701
2022	17,065	4,094	3,865	5,244	2,775	3,635
2023-2027	57,625	9,481	24,875	22,929	15,165	16,816
2028-2032	15,730	796	36,950	15,271	18,095	13,775
2033-2037	-	-	41,505	4,954	22,135	9,623
2038-2042	-	-	-	-	27,295	4,348
2043-2047	-	-	-	-	6,180	133
2048	-	-	-	-	-	-
	$ 118,140	$ 35,946	$ 119,665	$ 70,823	$ 102,215	$ 63,444

Year ending June 30:	2015A Refunding Bonds Principal	2015A Refunding Bonds Interest	2016A Refunding Bonds Principal	2016A Refunding Bonds Interest	Total Sales Tax Revenue Bonds Principal	Total Sales Tax Revenue Bonds Interest
2018	$ 15,585	$ 7,936	$ -	$ 3,204	$ 23,815	$ 26,571
2019	15,815	7,308	-	3,204	24,640	25,666
2020	7,405	6,807	3,135	3,126	26,945	24,571
2021	7,785	6,427	3,300	2,965	28,385	23,283
2022	2,675	6,165	3,465	2,796	29,845	21,934
2023-2027	56,905	25,596	20,190	11,146	174,760	85,968
2028-2032	50,810	7,693	24,835	6,740	146,420	44,275
2033-2037	14,260	1,093	28,875	2,669	106,775	18,339
2038-2042	-	-	-	-	27,295	4,348
2043-2047	-	-	-	-	6,180	133
2048	-	-	-	-	-	-
	$ 171,240	$ 69,025	$ 83,800	$ 35,850	$ 595,060	$ 275,088

6. Long-Term Debt (Continued)

	2007B Measure AA General Obligation Bonds		2013C Measure AA General Obligation Bonds		2015D Measure AA Refunding General Obligation Bonds	
Year ending June 30:	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 4,050	$ 83	$ 19,815	$ 10,046	$ 1,050	$ 12,340
2019	-	-	18,050	9,319	1,085	12,307
2020	-	-	18,100	8,566	1,115	12,269
2021	-	-	18,185	7,760	1,165	12,223
2022	-	-	18,365	6,942	8,235	12,118
2023-2027	-	-	52,995	26,219	57,430	54,711
2028-2032	-	-	45,305	14,080	94,645	36,371
2033-2037	-	-	31,030	4,415	112,080	9,530
2038-2042	-	-	3,700	93	-	-
2043-2047	-	-	-	-	-	-
2048	-	-	-	-	-	-
	$ 4,050	$ 83	$ 225,545	$ 87,440	$ 276,805	$ 161,869

6. Long-Term Debt (Continued)

Year ending June 30:	2017E Measure AA Refunding General Obligation Bonds		2017A Measure RR General Obligation Bonds		Total General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ -	$ 2,556	$ 28,400	$ 8,175	$ 53,315	$ 59,772
2019	4,455	3,745	4,570	12,113	28,160	63,151
2020	5,220	3,525	4,750	11,927	29,185	60,858
2021	6,125	3,242	4,940	11,708	30,415	58,216
2022	-	3,089	5,185	11,455	31,785	55,538
2023-2027	-	15,443	28,865	54,438	139,290	236,779
2028-2032	-	15,443	36,255	46,706	176,205	156,875
2033-2037	33,115	14,615	45,630	37,274	221,855	84,172
2038-2042	35,820	716	56,150	26,533	95,670	31,690
2043-2047	-	-	69,280	12,916	69,280	13,049
2048	-	-	15,975	399	15,975	399
	$ 84,735	$ 62,374	$ 300,000	$ 233,644	$ 891,135	$ 820,499

7. Risk Management

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

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

The estimated liability for insurance claims at June 30, 2017 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, 2017 and 2016, the estimated amounts of these liabilities were $55,951,000 and $53,308,000, respectively.

7. Risk Management (Continued)

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

	2017	2016
Liabilities at beginning of year	$ 53,308	$ 53,453
Current year claims and changes in estimates	20,063	15,747
Payments of claims	(17,420)	(15,892)
Liabilities at the end of year	55,951	53,308
Less current portion	(20,048)	(18,479)
Net noncurrent portion	$ 35,903	$ 34,829

8. Federal Capital Contributions and Operating Financial Assistance

The U.S. Department of Transportation and other federal agencies provide capital funding to the District for construction projects, planning and technical assistance. Cumulative information for grants which were active during the years ended June 30, 2017 and 2016 are summarized as follows (dollar amounts in thousands):

	2017	2016
Total approved project costs	$ 1,582,012	$ 1,520,634
Cumulative amounts of project costs incurred and earned	$ 1,068,825	$ 954,922
Less: approved federal allocations received	(1,033,906)	(916,474)
Government receivables - Federal	$ 34,919	$ 38,448

The District's fleet replacement project consisting of construction for the A, B, C1 and C2 fleet replacement was formally launched in 2013. To set aside funding for this program, the District and MTC, on May 24, 2006, entered into the BART Car Replacement Funding Exchange Agreement. Under the agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District will deposit an equal amount of local unrestricted funds into a restricted account established to fund BART's car replacement program. MTC is the exclusive administrator of the restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the District's Board. In accordance with the agreement, MTC allocated Federal Section 5307 and 5337 Grants for $52,548,000 in fiscal year 2017 and $50,176,000 in fiscal year 2016 to fund the District's preventive maintenance expenses. The District remitted to MTC the full amount of $52,548,000 in fiscal year 2017 and $50,176,000 in fiscal year 2016, the equivalent amount of its own funds, which were deposited by MTC to the restricted account. The federal grant is shown as nonoperating revenue – operating financial assistance and the District's remittance to MTC is shown as nonoperating expense in the District's financial statements. The restricted account for BART's car replacement program held by MTC, which is excluded from the District's financial statements, reported a balance of $381,528,000 as of June 30, 2017 and $327,340,000 as of June 30, 2016.

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 2017 or 2016. The District may also be entitled to receive state operating and capital assistance from the State Transit Assistance Funds (STA). These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies. The District was awarded STA operating allocations, which amounted to $490,000 in fiscal year 2013, $99,000 in fiscal year 2014, $17,697,000 in fiscal year 2015, $15,429,000 in fiscal year 2016, and $9,135,000 in fiscal year 2017. In addition, the allocation for fiscal 2016 was increased by $990,000 in fiscal year 2017. Of these allocations, $10,187,000 was earned in fiscal year 2017 and $11,253,000 was earned in fiscal year 2016. In fiscal year 2017, the district received an STA capital grant of $329,000. There were no STA capital revenues earned in fiscal year 2017 and fiscal year 2016.

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

The District receives Paratransit funds provided to cities and transit operators from Alameda County Transportation Commission (ACTC) Measure B funds to be used for services aimed at improving mobility for seniors and persons with disabilities. Beginning in April 2015, the ACTC also allocated to the District Measure BB funds to supplement the funding needed for the paratransit program. Additional Measure BB funds were also allocated to the District for transit operations, maintenance and safety programs. ACTC is the administrator of both Measure B and BB funds. The District's revenues that relate to the Measure B funds were $1,983,000 in fiscal year 2017 ($1,905,000 in fiscal year 2016). Revenues from Measure BB funds for transit operations were $674,000 in fiscal year 2017 ($653,000 in fiscal year 2016), and for paratransit operations, were $2,022,000 in fiscal year 2017 ($1,957,000 in fiscal year 2016). 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 2017 were $84,000 ($79,000 in fiscal year 2016).

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

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

The up-front funding of $24,000,000 from MTC was allocated to the District in 2008 in the form of Regional Measure 2 (RM2) revenues as local match to capital projects funded by the Transit Capital Priorities Program. For the purpose of the Tri-Party Agreement, the District made up-front deposits equivalent to the RM2 revenues in the reserve account, and is currently being reimbursed by MTC with RM2 revenues, as the funds are earned. 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, 2017 and 2016, the balance of the reserve account is as follows (dollar amounts in thousands):

	2017	2016
Reserve account at beginning of year	$ 34,655	$ 29,511
Received/accrued	2,596	5,935
Add interest earnings	36	10
Total	37,287	35,456
Less: amount used to cover SFO Extension operating shortfall	(801)	(801)
Reserve account at end of year	$ 36,486	$ 34,655

In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2017 of $2,453,000 from SamTrans ($2,396,000 in fiscal year 2016) and $144,000 from MTC ($3,539,000 in fiscal year 2016).

PTMISEA Grants

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

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

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

The following schedules show the changes in activities related to the PTMISEA grant funds during the fiscal years 2017 and 2016 (dollar amounts in thousands):

2017	Grant Fund Balance at Beginning of Year	Grants Received		Project Costs Incurred	Grant Fund Balance at End of Year	
eBART Extension	$ 2,490	$ -		$ 1,923	$ 567	
Ashby Elevator	262	-		50	212	
Station Modernization	109,914	1,287	3	11,672	99,529	
Seismic Retrofit	(405)	-		-	(405)	2
Oakland Airport Connector	(54)	-		-	(54)	2
Warm Springs Extension	159	350	4	407	102	
Balboa Park Eastside	8,323	-		5,032	3,291	
Berkeley Station Entrance	4,111	-		738	3,373	
Access Improvements	3,740	-		483	3,257	
Station Signage[1]	1,349	-		438	911	
Train Control	13,428	-		5,622	7,806	
	$ 143,317	$ 1,637		$ 26,365	$ 118,589	

2016	Grant Fund Balance at Beginning of Year	Grants Received		Project Costs Incurred	Grant Fund Balance at End of Year	
eBART Extension	$ 16,976	$ 1,098	4	$ 15,584	$ 2,490	
Ashby Elevator	272	-		10	262	
Station Modernization	89,764	39,134	5	18,984	109,914	
Seismic Retrofit	(405)	-		-	(405)	2
Oakland Airport Connector	(54)	-		-	(54)	2
Warm Springs Extension	160	-		1	159	
Balboa Park Eastside	359	9,028	4	1,064	8,323	
Berkeley Station Entrance	647	3,726	4	262	4,111	
Access Improvements	4,083	-		343	3,740	
Station Signage[1]	1,380	-		31	1,349	
Train Control	15,670	-		2,242	13,428	
	$ 128,852	$ 52,986		$ 38,521	$ 143,317	

[1] This grant is on a reimbursement basis.
[2] Covered by interest earnings.
[3] New grants of $1,637,000 received in fiscal year 2017, net of $350,000 reallocated to Warm Springs Extension.
[4] Amount was reallocated from Station Modernization.
[5] New grant of $52,986,000 received in FY 2016, net of $1,098,000 reallocated to eBART Extension, $9,028,000 reallocated to Balboa Park Eastside and $3,726,000 reallocated to Berkeley Station Entrance.

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

As of June 30, 2017 and 2016, 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):

	2017	2016
Cash Available, end of year	$ 118,028	$ 142,656
Less: noncurrent portion	(25,316)	(101,982)
Net current portion	$ 92,712	$ 40,674

At the end of fiscal year 2017, the PTMISEA funds had earned interest income of $2,621,000 from inception, of which $528,000 was earned in fiscal year 2017 and $526,000 in fiscal year 2016.

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.

10. Employees' Retirement Benefits (Continued)

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan		Safety Plan	
	Prior to	On or After	Prior to	On or After
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	7.00%	6.25%	9.00%	13.00%
Required employer contribution rates	16.38%	16.38%	56.47%	56.47%

At June 30, 2017 and 2016, the following employees were covered by the benefit terms:

June 30, 2017	**Miscellaneous Plan**	**Safety Plan**
Inactive employees or beneficiaries currently receiving benefits	2,694	286
Inactive employees entitled to but not yet receiving benefits	220	10
Active employees	3,290	186
Total	6,204	482

June 30, 2016	**Miscellaneous Plan**	**Safety Plan**
Inactive employees or beneficiaries currently receiving benefits	2,584	275
Inactive employees entitled to but not yet receiving benefits	192	10
Active employees	3,158	184
Total	5,934	469

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.

10. Employees' Retirement Benefits (Continued)

For fiscal year 2017, the average employee contribution rate for the Miscellaneous Plan is 6.987% and for the Safety Plan is 9.021% of their annual covered payroll. The District was required to contribute for fiscal year 2017 an actuarially determined rate of 16.38% (14.79% in fiscal year 2016) and 56.47% (51.61% in fiscal year 2016) for Miscellaneous and Safety Plans, respectively, of annual covered payroll for the District's employees. Annual covered payroll amounted to $309,590,000 and $286,188,000 for the fiscal years ended June 30, 2017 and 2016, respectively. The District contributed $ 58,386,000 and $50,426,000 in fiscal year 2017 and fiscal year 2016, respectively.

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, 2017 and 2016 were measured as of June 30, 2016 and 2015 (measurement date), using an annual actuarial valuation of June 30, 2015 and 2014, respectively. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The June 30, 2017 and June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

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

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

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

10. Employees' Retirement Benefits (Continued)

June 30, 2016	Miscellaneous	Safety
Valuation date	June 30, 2014	June 30, 2014
Measurement date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Investment rate of return[1]	7.50%	7.50%
Mortality rate table[2]	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

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

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

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

Notes to Actuarial Assumptions

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

10. Employees' Retirement Benefits (Continued)

For more details and additional rationale for the selection of the actuarial assumptions, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from January 2014 that can be found on the CalPERS website under Experience Study.

All actuarial assumptions (except discount rates used for the hypothetical termination liability) represent an estimate of future experience rather than observations of the estimates in market data.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2017 and 2016 was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Long-term rate of Return

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

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

10. Employees' Retirement Benefits (Continued)

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, 2016 measurement date was as follows:

	Miscellaneous & Safety Plans		
Asset Class	New Strategic Allocation	5- Year Return Years 1 - 10 (a)	10- Year Return Years 11+ (b)
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99	2.43
Inflation Sensitive	6%	0.45	3.36
Private Equity	10%	6.83	6.95
Real Assets	10%	4.50	5.13
Infrastructure and Forestland	2%	4.50	5.09
Liquidity	1%	(0.55)	(1.05)
Total	100%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

The target allocation for the June 30, 2015 measurement was as follows:

	Miscellaneous & Safety Plans		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99	2.43
Inflation Assets	6%	0.45	3.36
Private Equity	10%	6.83	6.95
Real Assets	12%	4.50	5.13
Liquidity	1%	(0.55)	(1.05)
Total	100%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

10. Employees' Retirement Benefits (Continued)

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

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

The following presents the net pension liability of the Plan as of the June 30, 2015 measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate (dollar amounts in thousands):

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan			
Plan's Net Pension Liability (Asset)	$ 617,713	$ 371,399	$ 164,394
Safety Plan			
Plan's Net Pension Liability (Asset)	133,363	95,823	64,982

Pension Plan Fiduciary Net Position

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

10. Employees' Retirement Benefits (Continued)

Change in Net Pension Liability

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

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

10. Employees' Retirement Benefits (Continued)

Safety Plan

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

Total of Miscellaneous and Safety Plans

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

10. Employees' Retirement Benefits (Continued)

The following table shows the changes in the net pension liability for the year ended June 30, 2016 (dollar amounts in thousands):

Miscellaneous Plan	**Increase (Decrease)**		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balance at June 30, 2015	$ 1,978,781	$ 1,666,408	312,373
Changes during the year:			
Service cost	36,151	-	36,151
Interest on the total pension liability	146,226	-	146,226
Changes of assumptions	(32,773)	-	(32,773)
Differences between expected and actual experience	(4,807)	-	(4,807)
Plan to Plan resource movement	-	(36)	36
Contributions from the employer	-	32,466	(32,466)
Contributions from the employees	-	17,818	(17,818)
Net investment income	-	37,388	(37,388)
Benefit payments, including refunds of employee contributions	(95,653)	(95,653)	-
Administrative expense	-	(1,865)	1,865
Net Changes	49,144	(9,882)	59,026
Balance at June 30, 2016	$ 2,027,925	$ 1,656,526	$ 371,399

10. Employees' Retirement Benefits (Continued)

Safety Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015	$ 266,981	$ 181,889	$ 85,092
Changes during the year:			
Service cost	5,935	-	5,935
Interest on the total pension liability	20,099	-	20,099
Changes of assumptions	(4,942)	-	(4,942)
Differences between expected and actual experience	4,794	-	4,794
Plan to Plan resource movement	-	1	(1)
Contributions from the employer	-	9,428	(9,428)
Contributions from the employees	-	1,917	(1,917)
Net investment income	-	4,015	(4,015)
Benefit payments, including refunds of employee contributions	(14,140)	(14,140)	-
Administrative expenses	-	(206)	206
Net Changes	11,746	1,015	10,731
Balance at June 30, 2016	$ 278,727	$ 182,904	$ 95,823

Total of Miscellaneous and Safety Plans

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015	$ 2,245,762	$ 1,848,297	$ 397,465
Changes during the year:			
Service cost	42,087	-	42,087
Interest on the total pension liability	166,325	-	166,325
Changes of assumptions	(37,715)	-	(37,715)
Differences between expected and actual experience	(14)	-	(14)
Plan to Plan resource movement	-	(35)	35
Contributions from the employer	-	41,894	(41,894)
Contributions from the employees	-	19,735	(19,735)
Net investment income	-	41,403	(41,403)
Benefit payments, including refunds of employee contributions	(109,793)	(109,793)	-
Administrative expense	-	(2,071)	2,071
Net Changes	60,890	(8,867)	69,757
Balance at June 30, 2016	$ 2,306,652	$ 1,839,430	$ 467,222

10. Employees' Retirement Benefits (Continued)

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

For the years ended June 30, 2017 and 2016, the District incurred a pension expense of $67,246,000 and $30,403,000, respectively.

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

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

10. Employees' Retirement Benefits (Continued)

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

Miscellaneous Plan	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Pension contributions subsequent to measurement date	$ 39,768	$ -
Changes of assumptions	-	(24,970)
Differences between actual and expected experience	-	(3,663)
Net differences between projected and actual earnings on plan investments	-	(15,848)
Total	$ 39,768	$ (44,481)
Safety Plan		
Pension contributions subsequent to measurement date	$ 10,658	$ -
Changes of assumptions	-	(3,530)
Differences between actual and expected experience	3,424	-
Net differences between projected and actual earnings on plan investments	-	(1,637)
Total	$ 14,082	$ (5,167)
Total Miscellaneous and Safety		
Pension contributions subsequent to measurement date	$ 50,426	$ -
Changes of assumptions	-	(28,500)
Differences between actual and expected experience	3,424	(3,663)
Net differences between projected and actual earnings on plan investments	-	(17,485)
Total	$ 53,850	$ (49,648)

The District recognized the $50,426,000 deferred outflow for pension contribution after the measurement date in fiscal year 2016 as reduction of pension liability in fiscal year 2017. The $58,386,000 deferred outflow for pension contribution after the measurement date in fiscal year 2017 will be recognized as a reduction of net pension liability in fiscal year 2018.

10. Employees' Retirement Benefits (Continued)

The deferred inflow of resources related to pensions will be recognized in future pension expense as follows (dollar amounts in thousands):

	Miscellaneous Plan	Safety Plan
Year Ending June 30,	Deferred Outflows/ (Inflows) of resources	Deferred Outflows/ (Inflows) of resources
2018	$ 3,391	$ 2,665
2019	3,391	2,685
2020	39,300	4,892
2021	23,190	2,565
Total	$ 69,272	$ 12,807

Payable to the Pension Plan
At June 30, 2017 and 2016, the District had no contributions payable outstanding to the pension plan.

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.

The District's total expense and funded contribution for this plan for the years ended June 30, 2017 and 2016 were $10,286,000 and $9,775,000 respectively. The MPPP assets at June 30, 2017 and 2016 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were $315,742,000 and $285,801,000, respectively. At June 30, 2017, there were approximately 221 (210 in 2016) 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.

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

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

12. Other Postemployment Benefits (Continued)

Funding Policy and Long-Term Contract for Contributions

The District's current collective bargaining agreements with its unions (CBA) describe the District's funding commitments to the Trust. Beginning fiscal year 2008, the District is funding 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 funds 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 shall commission an actuarial study of the retiree medical insurance plan liabilities and funding needs, including the ARC, every year. The revised "ramp-up" percentage shall be the basis of the District's contribution to the Trust, except when it is 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 benefits plan are actuarially determined and amounted to $28,912,000 for fiscal year 2017 (including $3,900,000 implied subsidy). The actuarial valuation for fiscal year 2015 was used to determine the actuarially determined contribution for fiscal year 2017. The District also paid in fiscal year 2017 survivor benefits and life insurance premiums, on a pay as you go basis, amounting to $346,000 and $ 685,000 (including $542,000 implied subsidy), respectively.

The annual OPEB cost for fiscal year 2016, using the June 30, 2014 actuarial valuation, as a percent of covered payroll for the year, was 9.89% for retiree medical benefits and 0.81% for additional OPEB, which amounted to $26,974,000 and $1,961,000, respectively. In fiscal year 2016, the District contributed cash equivalent to the full annual required contribution to the Trust amounting to $27,145,000 for the retiree medical benefits and zero for the additional OPEB to partially fund the OPEB cost for the year. The District also paid in fiscal year 2016 life insurance premiums, on a pay as you go basis, amounting to $154,000. The District does not charge any administration cost to the Trust. For fiscal year 2016, most retirees paid $137.79 per month for their share of the medical premium and the balance is paid by the District.

12. Other Postemployment Benefits (Continued)

The following tables show the components of the District's annual OPEB cost, the amount contributed to the Trust, pay-as-you-go payments and changes in the net OPEB obligation for fiscal year 2016 (dollar amounts in thousands):

Retiree Medical Benefits

	2016
Annual Required Contribution (ARC)	$ 27,145
Interest on net OPEB obligation	3,044
Adjustments to ARC	(3,215)
Annual OPEB Cost	26,974
Contributions made	(27,145)
Increase in Net OPEB obligation	(171)
Net OPEB obligation, beginning of year	45,093
Net OPEB obligation, end of year	$ 44,922

Additional OPEB

	2016
Annual Required Contribution (ARC)	$ 2,226
Interest on net OPEB obligation	693
Adjustments to ARC	(958)
Annual OPEB Cost	1,961
Contributions made	(154)
Increase in Net OPEB obligation	1,807
Net OPEB obligation, beginning of year	16,318
Net OPEB obligation, end of year	$ 18,125

The total net OPEB obligation of $63,047,000 in fiscal year 2016 is shown on the statements of net position as Other post-employment benefits, under noncurrent liabilities.

The notes and schedules above, for fiscal year 2016, are presented per GASB 45 reporting and comparative financial statement presentation purposes.

New Standard - 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.

12. Other Post Employment Benefits (Continued)

Employer's Net OPEB Liability

The net OPEB liability as of June 30, 2017 and June 30, 2016 for the Retiree Medical Benefit, Survivor Benefit and Retiree Life Insurance totals $ 380,392,000 and $ 384,647,000, respectively, detail of which is presented below (dollar amounts in thousands):

Fiscal Year ending		**6/30/2017**		**6/30/2016**
Measurement date		6/30/2017		6/30/2016
Retiree Medical Benefits				
Total OPEB Liability (TOL)	$	573,597	$	537,872
Fiduciary Net Position (FNP)		(270,151)		(237,403)
Net OPEB Liability	$	303,446	$	300,469
Survivor Benefit Plan				
Total OPEB Liability (TOL)	$	42,456	$	46,590
Fiduciary Net Position (FNP)		-		-
Net OPEB Liability	$	42,456	$	46,590
Retiree Life Insurance				
Total OPEB Liability (TOL)	$	34,490	$	37,588
Fiduciary Net Position (FNP)		-		-
Net OPEB Liability	$	34,490	$	37,588
Total				
Total OPEB Liability (TOL)	$	650,543	$	622,050
Fiduciary Net Position (FNP)	$	(270,151)	$	(237,403)
Net OPEB Liability	$	380,392	$	384,647

12. Other Post Employment Benefits (Continued)

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

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

Retiree Medical Benefits

	Jume 30, 2017 Measurement Date
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	Based on Crossover Test 6.75% at June 30, 2017 and June 30, 2016
Long -term investment rate of return on investments	6.75%
General inflation	3% per annum
Crossover test assumptions	Employer contributes full ADC Administrative expenses = 0.01% of pay Assets are projected to always exceed benefit payments
Mortality, disability, termination, retirement	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality porojected fully generational with Scale MP-14, modified to converge to ultimate improvements in 2022
Health care costs trend rate	Pre- Medicare- 6.5% for 2018 decreasing to 5.00% for 2021 and later Medicare- 6.7% for 2018, decreasing to 5% for 2021 and later
Healthcare participation for future retirees	Medical coverage: 98% of safety and 88% of Miscellaneous future retirees elect coverage Retirees not eligible for BART Medical Subsidy: 60% participate Spouse Coverage: varies by bargaining unit, 56% to 90% Assumptions based on study of recent retiree experience

12. Other Post Employment Benefits (Continued)

Survivor Benefit Plan

	June 30, 2017 Measurement Date
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	3.58% at June 30, 2017 and 2.85% June 30, 2016
Long term investment rate of return on investments	N/A at 6/30/2017 N/A at 6/30/2016
Municipal bond rate	3.58% based on the Bond Buyer 20-Bond General Obligation Index as of 6/30/2017
General inflation	3% per annum
Mortality improvement	Mortality projected fully generational with Scale MP-14, modified to converge to ultimate improvements in 2022
Trend	Dental and Vision- 4% per year Pre- Medicare- 6.5% for 2018, decreasing to 5% for 2021 and later Medicare- 6.7% for 2018, decreasing to 5% for 2021 and later
Participation	Current covered employees and retirees will continue paying premium for coverage. Future retirees will elect to be covered by District retiree healthcare benefits

12. Other Post Employment Benefits (Continued)

Retiree Life Insurance

	Jume 30, 2017 Measurement Date
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	3.58% at June 30, 2017 and 2.85% June 30, 2016
Long term investment rate of return on investments	N/A at 6/30/2017 N/A at 6/30/2016
Municipal bond rate	3.58% based on the Bond Buyer 20-Bond General Obligation Index as of 6/30/2017
General inflation	3% per annum
Mortality, disability, termination, retirement	CalPERS 1997-2011 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-14, modified to converge to ultimate improvements in 2022
Trend	Not applicable for this life insurance benefit
Salary increases	3.25% plus merit increases based on CalPERS 1997-2011 Experience Study
Life insurance participation for future retirees	100%

12. Other Post Employment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in Assumptions:

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

Retiree Medical Benefits

Discount Rate

	1% Decrease (5.75%)	Current Rate Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	$ 382,865	$ 303,446	$ 238,470

Health care costs trend rate

	1% Decrease (5.6% decreasing to 4.0%)	Current Rate (6.6% decreasing to 5.0%)	1% Increase (7.6% decreasing to 6.0%)
Net OPEB liability	$ 222,457	$ 303,446	$ 403,345

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

Survivor Benefit

Discount Rate

	1% Decrease (2.58%)	Current Rate Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	$ 53,538	$ 42,456	$ 34,266

Health care costs trend rate

	1% Decrease (5.7% decreasing to 4.0%)	Current Rate (6.7% decreasing to 5.0%)	1% Increase (7.7% decreasing to 6.0%)
Net OPEB liability	$ 41,154	$ 42,456	$ 43,967

12. Other Post Employment Benefits (Continued)

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

Retiree Life Insurance

Discount Rate

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

OPEB Expense for Fiscal Year

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

	Medical Benefit	Survivor Benefit	Life Insurance	Total
Fiscal Year 2016/2017				
OPEB expense	$ 40,098	$ 3,095	$ 1,608	$ 44,801

Employees covered by Benefit Terms

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

	Medical Benefits	Survivor Benefit	Life Insurance
Inactives currently receiving benefits	2,118	175	-
Inactives entitled to benefit payments	571	922	2,316
Active employees	3,553	2,208	3,553
Total	6,242	3,305	5,869

12. Other Post Employment Benefits (Continued)

Deferred Outflows/Inflows of Resources

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

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

12. Other Post Employment Benefits (Continued)

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

Year Ending June 30,	Deferred Outflows/ (Inflows) of resources	
Retiree Medical Benefits		
2018	$	(2,052)
2019	$	(2,052)
2020	$	(2,052)
2021	$	(2,053)
2022	$	-
Thereafter	$	-
Survivor Benefit		
2018	$	(860)
2019	$	(860)
2020	$	(860)
2021	$	(860)
2022	$	(860)
Thereafter	$	(2,583)
Retiree Life Insurance		
2018	$	(894)
2019	$	(894)
2020	$	(894)
2021	$	(894)
2022	$	(445)
Thereafter	$	-

12. Other Post Employment Benefits (Continued)

Net OPEB Liability/(Asset)

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

Retiree Medical Benefits	Increase (Decrease)		
	Total OPEB Liability	**Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30, 2016*	$ 537,873	$ 237,404	$ 300,469
Changes for the year			
Service cost	21,143	-	21,143
Interest	36,977	-	36,977
Changes of benefit terms	-	-	-
Difference beween expected and actual experience			
Change of assumptions	-	-	-
Contributions from the employer	-	28,912	(28,912)
Contributions from the employees	-	-	-
Net investment income	-	26,497	(26,497)
Benefit payments, including refunds ***	(22,396)	(22,396)	-
Administrative expense	-	(266)	266
Net Changes	35,724	32,747	2,977
Balance at June 30, 2017 **	$ 573,597	$ 270,151	$ 303,446

* Previous measurement date June 30, 2016
** Measurement date June 30, 2017
*** Includes $ 3,900 implied subsidy benefit payments

12. Other Post Employment Benefits (Continued)

Survivor Benefit Plan

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2016*	$ 46,590	$ -	$ 46,590
Changes for the year			
Service cost	2,559	-	2,559
Interest	1,396	-	1,396
Changes of benefit terms	-	-	-
Difference beween expected and actual experience			
Change of assumptions	(7,743)	-	(7,743)
Contributions from the employer	-	346	(346)
Contributions from the employees	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds	(346)	(346)	-
Administrative expense	-		-
Net Changes	(4,134)	-	(4,134)
Balance at June 30, 2017 **	$ 42,456	$ -	$ 42,456

* Previous measurement date June 30, 2016
** Measurement date June 30, 2017

Retiree Life Insurance

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2016*	$ 37,588	$ -	$ 37,588
Changes for the year			
Service cost	1,401	-	1,401
Interest	1,101	-	1,101
Changes of benefit terms	-	-	-
Difference beween expected and actual experience			
Change of assumptions	(4,915)	-	(4,915)
Contributions from the employer	-	685	-
Contributions from the employees	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds ***	(685)	(685)	(685)
Administrative expense	-		-
Net Changes	(3,098)	$ -	(3,098)
Balance at June 30, 2017 **	$ 34,490	$ -	$ 34,490

* Previous measurement date June 30, 2016
** Measurement date June 30, 2017
*** Includes $542 implied subsidy benefit payments

12. Other Postemployment Benefits (Continued)

Presented below is GASB 45 disclosure for comparative financial reporting purposes. The three-year trend for the OPEB costs and net OPEB obligation follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Retiree Medical Benefits	June 30, 2014	$ 27,076	99.8%	$ 45,151
	June 30, 2015	23,646	100.2%	45,093
	June 30, 2016	26,974	100.6%	44,922
Additional OPEB	June 30, 2014	2,187	3.5%	14,227
	June 30, 2015	2,258	7.4%	16,318
	June 30, 2016	1,961	7.9%	18,125

Funded Status and Funding Progress of the Retiree Medical Plan. As of June 30, 2016, based on Keenan and Associates (Keenan)'s most recent actuarial report, the Retiree Medical Plan is 66.57% funded. The actuarial accrued liability for benefits was $333,141,000, and the actuarial value of assets was $221,766,000 resulting in an unfunded actuarial accrued liability (UAAL) of $111,375,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $260,861,000 and the ratio of the UAAL to the covered payroll was 42.70%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress of the Additional OPEB Plan. As of June 30, 2016, based on Keenan's most recent actuarial report, the Additional OPEB Plan is zero percent funded. The actuarial accrued liability for benefits was $30,659,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $30,659,000. The covered payroll (annual payroll of active miscellaneous and safety employees covered by the plan) was $260,861,000, and the ratio of the UAAL to the covered payroll was 11.75%.

The Schedule of Funding Progress, presented as RSI, following the Notes to Financial Statements, presents the three-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

12. Other Postemployment Benefits (Continued)

Actuarial Assumptions and Methods

The latest OPEB actuarial valuation was performed by Keenan in February 2016 using District data as of June 30, 2015. A summary of principal assumptions and methods used by Keenan to determine the District's annual required contributions to the OPEB plans is shown below:

Valuation date	June 30, 2015	June 30, 2014	June 30, 2013
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Closed, Level percent of payroll	Closed, Level percent of payroll	Closed, Level percent of payroll
Remaining amortization period	18 years	19 years	20 years
Asset valuation method	Market value	Market value	Market value
Discount rate	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB	6.75% for the retiree medical plan; 4.25% for the additional OPEB
Inflation rate	2.75%	2.75%	2.75%
Payroll growth rate	3.00% per year	3.00% per year	3.00% per year
Health care cost trend rate for the first year	5.00%	5.50%	6.00%
Ultimate trend rate	3.75%	3.75%	3.75%
Year that rate reaches the ultimate rate	2020	2020	2020

13. Board of Directors' Expenses

Total Directors' expenses, consisting of travel and other business related expenses for the years ended June 30, 2017 and 2016 amounted to $18,900 and $26,000, 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 (Capitol Corridor), a public instrumentality of the State of California. Capitol Corridor 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 Capitol Corridor and in that capacity shall provide all necessary administrative support to Capitol Corridor. Capitol Corridor 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 Capitol Corridor consists of six members from the District and two members from each of the five other Agencies. Neither the District nor the other Agencies are responsible for any debt, liabilities and obligations of Capitol Corridor and the District would not be entitled to any of Capitol Corridor's net assets should it terminate.

The District charged Capitol Corridor a total of $3,561,000 for marketing and administrative services during 2017 and $3,504,000 during 2016. In addition, Capitol Corridor reimburses the District for its advances for capital project expenditures and other operating expenses. Reimbursements for expenses incurred by the District on behalf of and in providing services to Capitol Corridor 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 Capitol Corridor amount to $1,510,000 and $1,044,000 as of June 30, 2017 and 2016, 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 Capitol Corridor, its financial statements include only amounts related to the services and advances it provides to Capitol Corridor.

East Bay Paratransit Consortium

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

14. Related Organizations and Joint Venture Projects (Continued)

Pleasant Hill BART Station Leasing Authority

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

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

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

Richmond Redevelopment Agency or Successor Agency

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

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

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

The District had agreed to issue grant deeds to the developer pertaining to two parcels with approximate total size of 245,070 square feet in both the West side and the East side for the development projects. The agreement states that in exchange for the parcels, the Richmond Redevelopment Agency, at their expense, will construct a parking structure on the West side of BART's property, and transfer ownership of the garage to the District upon completion. The transfer of maintenance and responsibility to the District of the parking structure, which consisted of 750 parking spaces and approximately 9000 +/- square feet of commercial space, occurred in September 2014. As of June 30, 2017, only the parcel on the West side of the development project has been transferred by the District to the developer. The transfer of the parcel on the East side is expected to occur in fiscal year 2018.

14. Related Organizations and Joint Venture Projects (Continued)

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

MacArthur Transit Village

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

The District owns a portion of the project's real property totaling approximately 7.76 acres that is to be used to develop the project.

As a consideration for the purchase of parcels totaling 198,642 square feet and lease of a 34,404 square feet 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, Phase 1 of the project included BART Plaza and Transportation Improvements. 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 Phase 2 of the project which is for a 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 now occurred, December 29, 2016 for Parcels A and C1 and June 29, 2017 for Parcel B. The District recognized a gain from exchange of property of $24,839,000 resulting from the completion of required land transfers.

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

South Hayward Transit Oriented Development

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

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

14. Related Organizations and Joint Venture Projects (Continued)

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

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

The parking fees and traffic citation fees collected by the District for the South Hayward Station are transferred to the South Hayward JPA to cover maintenance and other expenses. Parking fees collected in fiscal year 2017 amounts to $537,000 ($516,000 in fiscal year 2016) and traffic citation fees collected in fiscal year 2017 amounts to $27,000 ($23,000 in fiscal year 2016). The District and the City of Hayward are entitled to reimbursement of operating and/or capital expenses incurred for the benefit of the South Hayward JPA. Net revenues will be used by the South Hayward JPA to implement parking and access projects in line with the objectives set forth in the Joint Exercise of Powers Agreement.

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

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

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

15. Commitments and Contingencies

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

Power Purchases
The District purchases electrical power for self-consumption at multiple points of delivery such as Traction Power, Passenger Station Power and Miscellaneous Power from the Northern California Power Agency (NCPA). Power purchase contracts with the NCPA are in place through December 31, 2017, with a total remaining contract value of $19,188,000 as of June 30, 2017.

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 $6,014,000 in fiscal year 2017 ($5,928,000 in fiscal year 2016). As part of the contract, the District is also required to deposit to a reserve account, the amount of $768,000 annually, subject to escalation, for Capital Asset Replacement Program (CARP). The CARP will cover all major maintenance and rehabilitation expenditures during the term of the Operations and Maintenance agreement. The OAC started revenue operations on November 22, 2014

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

Future minimum rental payments under noncancelable operating leases with initial or remaining lease terms of over one year at June 30, 2017 are as follows (dollar amounts in thousands):

Year ending June 30:	Operating Leases
2018	$ 13,705
2019	13,860
2020	14,064
2021	14,234
2022	3,312
2023-2027	12,634
2028-2032	12,500
2033-2037	12,500
2038-2042	12,500
2043-2047	12,500
2048-2055	4,792
Total minimum rental payments	$ 126,601

15. Commitments and Contingencies (Continued)

Rent expenses under all operating leases were $13,680,000 and $8,768,000 for the fiscal years ended June 30, 2017 and 2016, respectively.

Fruitvale Development Corp.

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

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

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

In October 2010, there was a second amendment to the ground lease agreement, which recalculated the initial Rent Credit available to FDC as it relates to the replacement parking. The amount of the Replacement Parking Rent Credit was revised to $4,642,000, after a payment of $5,500,000 coming from the proceeds of the sale of land at the Fruitvale BART Station to the City of Oakland Redevelopment Agency. The second amendment also stated that no interest shall accrue on the revised Replacement Parking Rent Credit and that beginning on December 1, 2003 and continuing throughout the term of the ground lease, base rent and percentage rent shall be subtracted from the Replacement Parking Rent Credit balance, until there is no longer a positive Replacement Parking Rent Credit. The offset base rent for fiscal year 2017 and fiscal year 2016 amounted to $169,000 each year. There is no percentage rent offset for fiscal year 2017 ($22,000 in fiscal year 2016). The remaining balance in the Replacement Parking Rent Credit was $2,753,000 as of June 30, 2017 ($2,922,000 as of June 30, 2016).

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

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DEFINED BENEFIT PENSION PLAN

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

Miscellaneous

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

*Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only three years of information is shown.
** Based on actuarial report

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

Safety

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

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB 68, therefore only three years of information is shown.
** Based on actuarial report

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 measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

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

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

	Miscellaneous				Safety			
	2017	**2016**	**2015**	**2014**	**2017**	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 46,709	$ 39,768	$ 32,756	$ 28,213	$ 11,677	$ 10,658	$ 9,512	$ 7,423
Contributions in relation to the actuarially determined contribution	(46,709)	(39,768)	(32,756)	(28,213)	(11,677)	(10,658)	(9,512)	(7,423)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll **	$ 288,637	$ 265,778	$ 245,593	$ 226,893	$ 20,953	$ 20,410	$ 19,741	$ 17,077
Contribution as a percentage of covered-employee payroll	16.18%	14.96%	13.34%	12.43%	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 four years of information is shown.
** Based on actual payroll

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were derived from the June 30, 2014 funding valuation report.

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

[1] Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

OTHER POST EMPLOYMENT BENEFITS

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

Retiree Medical Benefits

Total OPEB liability		**FY 2017**
Service cost	$	21,143
Interest		36,977
Changes of benefit terms		-
Difference beween expected and actual experience		
Change of assumptions		-
Benefit payments, including refunds ***		(22,396)
Net changes in total OPEB liability	$	35,724
Total OPEB liability- June 30, 2016*		537,873
Total OPEB liability- June 30, 2017**	$	573,597
Fiduciary net position		
Contributions from the employer	$	28,912
Contributions from the employees		-
Net investment income		26,497
Benefit payments, including refunds ***		(22,396)
Administrative expense		(266)
Net changes in total fiduciary net position	$	32,747
Total fiduciary net position- June 30, 2016*		237,404
Total fiduciary net position- June 30, 2017**	$	270,151
Net OPEB liability	$	303,446
Plan fiduciary net position as a percentage of the total OPEB liability		47.10%
Covered employee payroll		$372,887
Net OPEB liability as a percentage of covered-employee payroll		81.38%

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

Survivor Benefit Plan

Total OPEB liability	**FY 2017**
Service cost	$ 2,559
Interest	1,396
Changes of benefit terms	-
Difference beween expected and actual experience	
Change of assumptions	(7,743)
Benefit payments, including refunds	(346)
Net changes in total OPEB liability	$ (4,134)
Total OPEB liability- June 30, 2016*	46,590
Total OPEB liability- June 30, 2017**	$ 42,456
Fiduciary net position	
Contributions from the employer	$ 346
Contributions from the employees	-
Net investment income	
Benefit payments, including refunds	(346)
Administrative expense	
Net changes in total fiduciary net position	$ -
Total fiduciary net position- June 30, 2016*	-
Total fiduciary net position- June 30, 2017**	$ -
Net OPEB liability	$ 42,456
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered employee payroll	$372,887
Net OPEB liability as a percentage of covered-employee payroll	11.39%

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

Retiree Life Insurance

Total OPEB liability		**FY 2017**
Service cost	$	1,401
Interest		1,101
Changes of benefit terms		-
Difference beween expected and actual experience		
Change of assumptions		(4,915)
Benefit payments, including refunds ***		(685)
Net changes in total OPEB liability	$	(3,098)
Total OPEB liability- June 30, 2016*		37,588
Total OPEB liability June 30, 2017**	$	34,490
Fiduciary net position		
Contributions from the employer***	$	685
Contributions from the employees		-
Net investment income		
Benefit payments, including refunds ***		(685)
Administrative expense		
Net changes in total fiduciary net position		-
Total fiduciary net position- June 30, 2016*		-
Total fiduciary net position- June 30, 2017**		-
Net OPEB liability	$	34,490
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%
Covered employee payroll		$372,887
Net OPEB liability as a percentage of covered-employee payroll		9.25%

* Previous measurement date June 30, 2016
** Measurement date June 30, 2017
***Includes implied subsidy benefit payments

Schedule of Employer Contributions (dollar amounts in thousands):

Retiree Medical Benefits

	Fiscal year 2016/2017
Actuarially determined contribution (ADC)	$ 25,012
Contributions in relation to the actuarially determined contribution	$ (28,912)
Contribution deficiency /(excess)	$ (3,900)
Covered payroll*	$ 372,887
Contributions as a percentage of covered payroll	7.75%

* For the 12-month period ending on June 30, 2017

Survivor Benefit Plan

	Fiscal year 2016/2017
Actuarially determined contribution (ADC)	$ 3,138
Contributions in relation to the actuarially determined contribution	$ (346)
Contribution deficiency /(excess)	$ 2,792
Covered payroll*	$ 372,887
Contributions as a percentage of covered payroll	0.09%

*For the 12-month period ending on June 30, 2017

Retiree Life Insurance

		Fiscal year 2016/2017
Actuarially determined contribution (ADC)	$	2,450
Contributions in relation to the actuarially determined contribution	$	(685)
Contribution deficiency /(excess)	$	1,765
Covered payroll*	$	372,887
Contributions as a percentage of covered payroll		0.18%

*For the 12-month period ending on June 30, 2017

Notes to Schedule of Employer Contribution

Methods and Assumptions for Actuarially Determined Contribution for the 2016/2017 Fiscal Year

Valuation date	June 30, 2015
Actuary	Keenan/TCS
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%
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 Postemployment Benefits
Schedules of Funding Progress
(dollar amounts in thousands)

Retiree Medical Benefits

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (%)	Covered Payroll	UAAL as a Percentage of Covered Payroll (%)
6/30/13	$ 297,955	$ 165,639	$ 132,316	55.6	$ 243,406	54.36
6/30/14	331,352	202,181	129,171	61.0	253,264	51.00
6/30/15	333,141	221,766	111,375	66.6	260,861	42.70

Additional OPEB

Actuarial Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (%)	Covered Payroll	UAAL as a Percentage of Covered Payroll (%)
6/30/13	$ 33,027	$ -	$ 33,027	-	$ 245,406	13.57
6/30/14	29,130	-	29,130	-	253,264	11.50
6/30/15	30,659	-	30,659	-	260,861	11.75

Schedule of Funding progress is presented in accordance with GASB 45 reporting requirement for comparative periods.

APPENDIX C

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
STATEMENT OF INVESTMENT POLICY

SECTION I: INVESTMENT OBJECTIVES, SCOPE & SUITABILITY

The Controller-Treasurer of the District shall invest District funds in a manner the Controller-Treasurer deems prudent, suitable and advantageous under existing circumstances and in accordance with the following objectives, in order of priority:

1. Preservation of Capital – The investment portfolio should be structured to minimize the probability of a loss of principal value through adequate diversification of investments across a variety of security offerings, maturities, and financial institutions.

2. Liquidity – Funds shall be invested only until date of anticipated need or for a lesser period. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

3. Yield – generation of the best available return on investment without compromise of the first two objectives.

The District's investment policy shall also discourage the investment of funds in any institution or business which conducts operations or invests funds in any country whose laws discriminate against individuals based upon race, color or creed.

To the extent that District funds are invested pursuant to a Trust Agreement or other Security Agreement, the provisions of such document will control the investment of the funds held hereunder.

SECTION II: GOVERNING AUTHORITY

The Controller-Treasurer may invest in Securities authorized by the California Public Utilities Code Sections 29100 through 29103; Government Code Sections 53601, 53601.1 and 53635 and Board Resolution 2697 with the following exception: the Controller-Treasurer will not invest in financial or commodity futures, options contracts, medium-term corporate notes, or mutual funds unless specifically authorized by the Board. Should the provisions of respective Codes become more restrictive than those contained herein, such provisions will be considered as immediately incorporated into this investment policy.

SECTION III: AUTHORIZED INVESTMENTS

The Controller-Treasurer may invest in repurchase agreements and will accept as collateral only securities of the U.S. government and U.S. governmental agencies which have a market value, including accrued interest, equal to the amount of the repurchase agreement. The maturity date of the collateral may, however, be later than that required by Objective 2 above.

The Controller-Treasurer may invest in reverse repurchase agreements with a maturity of 90 days or less.

The Controller-Treasurer may invest in "swaps" defined as, the simultaneous buying and selling of a security of approximately the same maturity to increase yield, cash flow or to improve quality.

In addition to the securities authorized above, the Controller-Treasurer may invest in public time deposits in financial institutions having at least one branch within the District boundaries.

The Controller-Treasurer will accept as collateral securities authorized by the California Government Code Section 53651 (a) through (p) excluding subsection (m) promissory notes secured by first mortgages and first trust deeds. The Controller-Treasurer will require 110% collateralization, less the portion authorized by California Government Code Section 53653 on public time deposits, except for San Francisco Federal Home Loan Bank Letters of Credit, in which case the collateralization will be 105%.

The Controller-Treasurer has the authority to waive the required collateralization and substitute Federal Deposit Insurance Corporation (FDIC) for the first $250,000 of the investment.

The Controller-Treasurer will continue to seek minority depository institutions, as defined by the Federal Government, for the placement of some of the District's funds.

The Controller-Treasurer may invest in money market mutual funds up to 20% of District funds eligible to be invested under California Government Code 53601. The money market mutual funds must carry a credit rating equal to or higher than U.S. Treasury securities and their portfolio must consist entirely of direct obligations of the U.S. Government, its agencies or instrumentalities eligible, and repurchase agreements backed by such obligations.

The Controller-Treasurer may invest in the State of California Local Agency Investment Fund as authorized by California Government Code Sections 16429.1, 2, 3 & 4 up to 20% of District funds eligible to be invested under California Government Coe 53601.

The Controller-Treasurer may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank as authorized by California Government Code 53601 (q) up to 30% of District funds eligible to be invested under California Government Code 53601.

SECTION IV: REPORTING & ANNUAL REVIEW

The Controller-Treasurer shall report on the investments covered under this policy at least quarterly to the Board.

The foregoing defines the Controller-Treasurer's investment policies for calendar year 2017 and thereafter unless and until they are modified by the Controller-Treasurer. The Controller-Treasurer shall review this policy annually and submit modifications to the Board when needed.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of September 1, 2012, as supplemented and amended, including as supplemented and amended by the Fourth Supplemental Indenture, dated as of December 1, 2017 (the " Fourth Supplemental Indenture"), between the San Francisco Bay Area Rapid Transit District (the "District") and U.S. Bank National Association, as trustee (the "Trustee"). Such summary does not purport to be complete or definitive, is supplemental to the summary of other provisions of the Indenture contained elsewhere in this Official Statement, and is qualified in its entirety by reference to the full terms of the Indenture. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in the Indenture. Copies of the Indenture are available from the District.

Definitions

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon on each date specified therein and, with respect to any Combination Bond, the principal amount thereof plus the interest accrued thereon, compounded at the approximate interest rate thereon, on each date specified therein for compounding and after the last date specified for such compounding, the principal and interest so determined as of such last compounding date. The Accreted Value at any date shall be the amounts set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, as of the immediately preceding compounding date.

"Accreted Value Table" means the table denominated as such which appears as an exhibit to a Supplemental Indenture providing for a Series of Capital Appreciation Bonds issued pursuant to such Supplemental Indenture.

"Act" means Article 2, Chapter 7, Part 2, Division 10 of the Public Utilities Code of the State of California, as amended from time to time hereafter, and the Revenue Bond Law of 1941, as amended from time to time hereafter, to the extent made applicable to the District by Section 29143 of Article 2, Chapter 7, Part 2 of said Division 10, and Articles 10 and 11 of Chapter 3, Part 1 of Division 2 of Title 5 of, and other generally applicable provisions of, the Government Code of the State of California, as amended from time to time hereafter.

"Alternate Credit Enhancement" means, with respect to a Series of Bonds, any insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitution for any Credit Enhancement then in effect.

"Alternate Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as a replacement or substitute for any Liquidity Facility then in effect.

"Annual Debt Service" means for any Fiscal Year the aggregate amount of principal and interest on all Bonds and Parity Obligations becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Maximum Annual Debt Service.

"Associated Sales Tax Revenues" means, for any designated period, an amount of Sales Tax Revenues that would have been received by the District from a transaction and use tax imposed in a jurisdiction, if such jurisdiction had been annexed to the District during such period of time, as set forth in a Certificate of the District delivered to the Trustee.

"Authorized Representative" means the President of the Board, the General Manager, the Treasurer, or any other person designated to act on behalf of the District by a written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the District by any of such officials.

"Board" means the Board of Directors of the District.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, (2) with respect to any Outstanding Combination Bonds, the Accreted Value thereof and (3) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof.

"Bond Reserve Fund" means the fund by that name established with respect to one or more Series of Bonds pursuant to one or more Supplemental Indentures establishing the terms and provisions of such Series of Bonds.

"Bond Reserve Requirement" means, as of any date of calculation, an amount equal to the aggregate of the Bond Reserve Requirements, if any, established by the District for one or more Series of Bonds Outstanding as such requirement is specified in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

"Bonds" means the San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Business Day" means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed, and (2) for purposes of payments and other actions relating to Bonds secured by a Credit Enhancement or Liquidity Facility, a day upon which commercial banks in the city in which is located the office of the issuing bank at which demands for payment under the Credit Enhancement or Liquidity Facility are to be presented are authorized or obligated by law or executive order to be closed.

"Capital Appreciation Bonds" means the Bonds of any Series designated as Capital Appreciation Bonds in the Supplemental Indenture providing for the issuance of such Series and on which interest is compounded and paid at maturity or on prior redemption.

"Certificate," "Statement," "Request," "Requisition," and "Order" of the District mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the District by the President of the Board or the General Manager or the Secretary or Treasurer of the District or any other person authorized by the General Manager to execute such instruments.

"Code" means the Internal Revenue Code of 1986, and the regulations applicable thereto or issued thereunder, or any successor to the Internal Revenue Code of 1986. Reference to any particular Code section shall, in the event of such a successor Code, be deemed to be reference to the successor to such Code section.

"Combination Bonds" means the Bonds of any Series designated as Combination Bonds in the Supplemental Indenture providing for the issuance of such Series and on which interest is compounded for a period of time and, following a specific date, is paid currently on the compounded amount.

"Continuing Disclosure Agreement" means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12, the Continuing Disclosure Agreement, dated the date of issuance of such Series of Bonds, executed by the District and a Dissemination Agent, as the same may be supplemented, modified or amended in accordance with its terms.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, travel expenses and costs relating to rating agency meetings and other meetings concerning the Bonds, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance and credit enhancements costs, termination fees payable in connection with the termination of an Interest Rate Swap Agreement, and any other cost, charge or fee in connection with the delivery of Bonds.

"Credit Enhancement" means, with respect to a Series of Bonds, any insurance, letter of credit, line of credit, surety bond or other instrument, if any, which secures or guarantees the payment of principal of and interest on a Series of Bonds, issued by an insurance company, commercial bank or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Credit Enhancement, such Alternate Credit Enhancement.

"Credit Provider" means, with respect to a Series of Bonds, the insurance company, commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Credit Enhancement then in effect with respect to such Series of Bonds.

"Current Interest Bonds" means the Bonds of any Series designated as Current Interest Bonds in the Supplemental Indenture providing for the issuance of such Series of Bonds and which pay interest at least semiannually to the Owners thereof excluding the first payment of interest thereon.

"Dissemination Agent" means, with respect to each Series of Bonds requiring an undertaking regarding disclosure under Rule 15c2-12(b)(5), the dissemination agent under the Continuing Disclosure Agreement delivered in connection with such Series of Bonds, or any successor dissemination agent designated in writing by the District and which has entered into a Continuing Disclosure Agreement with the District.

"District" means San Francisco Bay Area Rapid Transit District and any successor entity thereto.

"DTC" means The Depository Trust Company, New York, New York, or any successor thereto.

"Electronic Means" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"EMMA" means Electronic Municipal Market Access.

"Event of Default" means any of the events specified as such in the Indenture.

"Expense Account" means the account by that name established pursuant to the provisions of the Indenture.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period hereafter selected and designated as the official fiscal year period of the District which designation shall be provided to the Trustee in a Certificate of the District.

"Fitch" means Fitch Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Indenture" means the Master Indenture, dated as of September 1, 2012, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered pursuant to the provisions thereof. As of the date of issuance of the Series 2017 Bonds, "Indenture" includes the Fourth Supplemental Indenture, dated as of December 1, 2017.

"Interest Fund" means the fund by that name established pursuant to the provisions of the Indenture.

"Interest Rate Swap Agreement" shall mean an interest rate swap agreement relating to a Series of Bonds or portion thereof or Parity Obligations in which the party with which the District or the Trustee may contract is at the time of entering into such contract limited to: (i) entities the debt securities of which are rated in one of the two highest long-term debt Rating Categories by either Fitch or Standard & Poor's and the debt securities of which are rated not lower than the third highest long-term debt Rating Category by the other rating agency; (ii) entities the obligations of which under the interest rate swap agreement are either guaranteed or insured by an entity the debt securities or insurance policies of which are so rated; or (iii) entities the debt securities of which are rated in the third highest long-term debt Rating Categories by Fitch or Standard & Poor's or whose obligations are guaranteed or insured by an entity so rated and, in either case, the obligations of which under the interest rate swap agreement are continuously and fully secured by Investment Securities described in clauses (i) through (iv) of the definition thereof, which shall have a market value determined, by the party designated in such interest rate swap agreement, at least monthly (exclusive of accrued interest) at least equal to the termination value, if any, that would be payable by the provider of the interest rate swap agreement under such interest rate swap agreement and which shall be deposited with a custodian acceptable to the District.

"Investment Securities" means the following:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies and federally sponsored entities set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) any certificates, receipts, securities or other obligations evidencing ownership of, or the right to receive, a specified portion of one or more interest payments or principal payments, or any combination thereof, to be made on any bond, note, or other obligation described above in clause (i);

(iii) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(iv) housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) obligations of any state, territory or commonwealth of the United States of America or any political subdivision thereof or any agency or department of the foregoing; provided that at the time of their purchase such obligations are rated in either of the two highest Rating Categories by Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(vi) any bonds or other obligations of any state of the United States of America or any political subdivision thereof (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described above in clause (i), (ii) or (iii) which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the interest payment dates and the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described above in clause (i), (ii) or (iii) which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay the principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vi) on the interest payment dates and the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (vi), as appropriate;

(vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by a nationally recognized rating agency in its highest short-term Rating Category, or, if the term of such indebtedness is longer than 3 years, rated by Standard & Poor's (if Standard & Poor's is then rating the Bonds) in one of its two highest long-term Rating Categories, for comparable types of debt obligations;

(viii) demand or time deposits or certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee), provided that such certificates of deposit shall be purchased directly from such a bank, trust company or national banking association and shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities and obligations as are described above in clauses (i) through (v), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit, and the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit and the Trustee shall be entitled to rely on each such undertaking or unsecured certificates of deposit, time deposits, money market deposits, demand deposits and bankers' acceptances of any bank (including those of the Trustee, its parent and its affiliates) the short-term obligations of which are rated on the date of purchase "A-1" or better by S&P and certificates of deposit (including those of the Trustee, its parent and its affiliates);

(ix) taxable commercial paper or tax-exempt commercial paper rated in the highest Rating Category by Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(x) variable rate obligations required to be redeemed or purchased by the obligor or its agent or designee upon demand of the Owner thereof secured as to such redemption or purchase requirement by a liquidity agreement with a corporation and as to the payment of interest and principal either upon maturity or redemption (other than upon demand by the Owner thereof) thereof by an unconditional credit facility of a corporation, provided that the variable rate obligations themselves are rated in the highest Rating Category for its short-term rating, if any, and in either of the two highest Rating Categories for its long-term rating, if any, by Standard & Poor's (if Standard & Poor's is then rating the Bonds), and that the corporations providing the liquidity agreement and credit facility have, at the date of acquisition of the variable rate obligation by the Trustee, an outstanding issue of unsecured, uninsured and unguaranteed debt obligations rated in either of the two highest long-term Rating Categories by Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(xi) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee) having a minimum permanent capital of one hundred million dollars ($100,000,000) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities and obligations described in clauses (i), (ii), (iii) or (iv) above, which shall have a market value (exclusive of accrued interest and valued at least monthly) at least equal to the principal amount of such investment and shall be lodged with the Trustee or other fiduciary, as custodian for the Trustee, by the bank, trust company, national banking association or bond dealer executing such repurchase agreement, and the entity executing each such repurchase agreement required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such repurchase agreement (as valued at least monthly) will be an amount equal to the principal amount of each such repurchase agreement and the Trustee shall be entitled to rely on each such undertaking;

(xii) any cash sweep or similar account arrangement of or available to the Trustee, the investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this definition of Investment Securities and any money market fund, the entire investments of which are limited to investments described in clauses (i), (ii), (iii), (iv), (v) and (xi) of this definition of Investment Securities; provided that as used in this clause (xii) and clause (xiii) investments will be deemed to satisfy the requirements of clause (xi) if they meet the requirements set forth in clause (xi) ending with the words "clauses (i), (ii), (iii) or (iv) above" and without regard to the remainder of such clause (xi);

(xiii) any investment agreement with a financial institution or insurance company or whose obligations are guaranteed by such an entity which has at the date of execution thereof and during the term thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated in either of the two highest long-term Rating Categories by Standard & Poor's (if Standard & Poor's is then rating the Bonds);

(xiv) bonds, notes, certificates, bills, acceptances or other securities in which funds of the District may now or hereafter be legally invested as provided by the law in effect at the time of such investment;

(xv) the Local Agency Investment Fund (LAIF) or similar pool operated by or on behalf of the State of California and is authorized to accept investments of money held under the Indenture; and

(xvi) any investment approved by the Board for which confirmation, which may be in the form of a general renewal of rating, is received from Fitch (if Fitch is then rating the Bonds) and Standard & Poor's (if Standard & Poor's is then rating the Bonds) that such investment will not adversely affect such agency's rating on such Bonds.

"Letter of Credit Account" means an account by that name established to hold funds that are drawn on Credit Enhancement provided in the form of a letter of credit and that are to be applied to pay the principal of or interest on a Series of Bonds, which account shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Liquidity Facility" means, with respect to a Series of Bonds, a line of credit, letter of credit, standby purchase agreement or similar liquidity facility securing or guaranteeing the payment of purchase price of such Series of Bonds and issued by a commercial bank, insurance company, pension fund or other financial institution, and delivered or made available to the Trustee, as from time to time supplemented or amended pursuant to its terms, or, in the event of the delivery or availability of an Alternate Liquidity Facility, such Alternate Liquidity Facility.

"Liquidity Facility Bonds" means any Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding any Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

"Liquidity Facility Rate" means, with respect to a Series of Bonds, the interest rate per annum, if any, specified as applicable to Liquidity Facility Bonds in the Liquidity Facility delivered in connection with such Series of Bonds.

"Liquidity Provider" means, with respect to a Series of Bonds, the commercial bank, insurance company, pension fund or other financial institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect with respect to such Series of Bonds.

"Mandatory Sinking Account Payment" means, with respect to Bonds of any Series and maturity, the amount required by the Indenture or a Supplemental Indenture to be deposited by the District in a Sinking Account for the payment of Term Bonds of such Series and maturity.

"Maximum Annual Debt Service" shall mean the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Obligations in the Fiscal Year in which the calculation is made or any subsequent Fiscal Year as set forth in a Certificate of the District; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) if the Bonds or Parity Obligations are Variable Rate Indebtedness for which an Interest Rate Swap Agreement is not in place, the interest rate on such debt shall be calculated at the greater per annum rate (not to exceed 12%) of: (i) the average of the SIFMA Swap Index for the ten years preceding the date of calculation, and (ii) the highest interest rate listed in The Bond Buyer "25 Bond Revenue Bond Index" published one month preceding the date of sale of such

Series of Bonds or Parity Obligations; or, if such Variable Rate Indebtedness is to bear interest expected to be included in gross income for federal income tax purposes (taxable bonds), such higher rate of interest as shall be specified in a Certificate of the District;

(b) principal and interest payments on Bonds and Parity Obligations shall be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or other fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from the proceeds of Bonds or Parity Obligations held by the Trustee or other fiduciary as capitalized interest specifically to pay such interest by the Trustee or other fiduciary and to the extent such payments are to be paid from pledged Subsidy Payments the District expects to receive;

(c) in determining the principal amount due in each Fiscal Year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Combination Bond;

(d) if the Bonds or Parity Obligations are debt, the principal of which the District determines (in a Supplemental Indenture or other document delivered on a date not later than the date of issuance of such Bonds or Parity Obligations) that the District intends to pay with moneys which are not Revenues (such as commercial paper, balloon indebtedness or bond anticipation notes), but from future debt obligations of the District, grants received from the State or federal government, or any agency or instrumentality thereof, or any other source of funds of the District, the principal of such Bonds or Parity Obligations will be treated as if such principal were due based upon a 30-year level amortization of principal from the date of calculation and the interest on such Bonds or Parity Obligations shall be calculated as if such Bonds were Variable Rate Indebtedness;

(e) if any Bonds feature an option, on the part of the Bondowners or an obligation under the terms of such Bonds, to tender all or a portion of such Bonds to the District, the Trustee, or other fiduciary or agent and require that such Bonds or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due in any Fiscal Year on such Bonds, the options or obligations of the Owners of such Bonds to tender the same for purchase or payment prior to their stated maturity or maturities shall be ignored and not treated as a principal maturity and repayment obligations related to the purchase price of such Bonds provided by a Liquidity Facility and the obligation of the District with respect to the provider of such Liquidity Facility, other than its obligations on such Bonds, shall be excluded from the tests for the issuance of Parity Obligations until such time as such obligation exist due to such purchase and thereafter, such repayment obligations of the District to the provider of such Liquidity Facility shall be included in the computation of the Maximum Annual Debt Service in accordance with the terms of such obligation;

(f) with respect to any Variable Rate Indebtedness for which an Interest Rate Swap Agreement is in place, if (i) the interest rate on such Variable Rate Indebtedness, plus (ii) the payments received and made by the District under an Interest Rate Swap Agreement with respect to such variable interest rate, are expected to produce a synthetic fixed rate to be paid by the District (e.g., an interest rate swap under which the District pays a fixed rate and receives a variable rate that is expected to equal or approximate the rate of interest on such Variable Rate Indebtedness), the Variable Rate Indebtedness shall be treated as bearing such synthetic fixed rate for the duration of the synthetic fixed rate; and

(g) if any Bonds or Parity Obligations bear a fixed interest rate or the Bonds or Parity Obligations proposed to be issued will bear a fixed interest rate and an Interest Rate Swap Agreement is entered into with respect to such Bonds or Parity Obligations, if (i) the interest rate on such fixed rate Bonds or Parity Obligations, plus (ii) the payments received and made by the District under an Interest Rate Swap Agreement with respect to such fixed rate Bonds or Parity Obligations, are expected to produce a synthetic variable rate to be paid by the District (e.g., an interest rate swap under which the District pays a variable rate and receives a fixed rate that is expected to equal or approximate the rate of interest on such fixed interest rate debt), the fixed interest rate debt, shall be treated as bearing such synthetic variable rate for the duration of the Interest Rate Swap Agreement calculated as if such Bonds or Parity Obligations were Variable Rate Indebtedness.

"1990 Indenture" means the indenture dated as of July 1, 1990, by and between the District and U.S. Bank National Association, as successor trustee, pursuant to which the District has issued sales tax revenue bonds, which bonds shall be Parity Obligations thereunder.

"Opinion of Bond Counsel" means a written opinion of a law firm of national standing in the field of public finance selected by the District.

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the District shall have been discharged in accordance with the provisions of the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; provided, however, that in the event the principal of or interest due on any Bonds shall be paid by the Credit Provider pursuant to the Credit Enhancement issued in connection with such Bonds, such Bonds shall remain Outstanding for all purposes and shall not be considered defeased or otherwise satisfied or paid by the District and the pledge of Revenues and all covenants, agreements and other obligations of the District to the Owners shall continue to exist and shall run to the benefit of such Credit Provider and such Credit Provider shall be subrogated to the rights of such Owners.

"Owner" or "Bondholder" or "Bondowner," whenever used with respect to a Bond, means the person in whose name such Bond is registered.

"Parity Obligations" means any indebtedness, bond, installment sale obligation, lease obligation or other obligation of the District for borrowed money or interest rate swap agreement (but only as to the regular payments thereunder, fees, expenses and termination payments being subordinate obligations) having an equal lien and charge upon the Sales Tax Revenues and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

"Person" means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Fund" means the fund by that name established pursuant to the provisions of the Indenture.

"Project" means the planning, acquisition, construction, operation or maintenance of any facility or facilities necessary or convenient for the transportation of passengers and their incidental baggage by any means, or incidental to, or in connection with, the operation of the transit system of the District, which shall constitute an "enterprise" within the meaning of Section 54309 of the California Government Code. Such facilities shall include, but are not limited to, any and all works, structures, property, rolling stock or other facilities of any kind which the District is authorized to acquire, construct or complete.

"Project Fund" means the fund by that name established by a Supplemental Indenture to hold the proceeds of a Series of Bonds or a portion thereof prior to expenditure on the Project.

"Proportionate Basis," when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided that if the amount available for redemption of Bonds of any maturity is insufficient to redeem a multiple of $5,000 principal amount or Accreted Value payable at maturity, such amount shall be applied to the redemption of the highest possible integral multiple (if any) of $5,000 principal amount or Accreted Value payable at maturity. For purposes of the foregoing, Term Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Account Payments, and Capital Appreciation Bonds, Combination Bonds and Current Interest Bonds maturing or subject to Mandatory Sinking Account Payments in the same year shall be treated as separate maturities. When used with respect to the payment or purchase of Bonds, "Proportionate Basis" shall have the same meaning set forth above except that "pay" or "purchase" shall be substituted for "redeem" or "redemption" and "paid" or "purchased" shall be substituted for "redeemed."

"Purchase Fund" means a fund by that name established to hold funds to be applied to pay the purchase price of a Series of Bonds, which fund shall be established pursuant to the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

"Rating Agency" means, as and to the extent applicable to a Series of Bonds, each of Fitch and Standard & Poor's then maintaining a rating on such Series of Bonds at the request of the District.

"Rating Category" means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Rebate Fund" means that fund by that name established pursuant to the provisions of the Indenture.

"Rebate Instructions" means those calculations and directions required to be delivered to the Trustee by the District under the Tax Certificate.

"Rebate Requirement" means the Rebate Requirement as such term is defined in the Tax Certificate.

"Redemption Price" means, with respect to any Bond (or portion thereof) the principal amount or accreted value of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Reserve Facility” means any insurance policy, letter of credit or surety bond issued by a Reserve Facility Provider, meeting the requirements set forth in the Indenture, and delivered to the Trustee in satisfaction of all or a portion of the Bond Reserve Requirement applicable to one or more Series of Bonds.

“Reserve Facility Provider” means any issuer of a Reserve Facility.

“Revenue Fund” means the Sales Tax Revenue Fund established pursuant to the provisions of the Indenture.

“Sales Tax Revenues” means the amounts available for distribution to the District pursuant to Section 29142.2(a) of the Act on account of the transactions and use tax imposed pursuant to Section 29140 of the Act.

“Serial Bonds” means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

“Series” whenever used with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (“SIFMA”) or by any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the District and effective from such date.

“Sinking Accounts” means the accounts in the Principal Fund so designated and established pursuant to the Indenture for the payment of Term Bonds.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“State” means the State of California.

“Subordinate Obligations” means any obligations of the District issued or incurred in accordance with the Indenture.

“Subordinate Obligations Fund” means the fund by that name established pursuant to the Indenture.

“Subsidy Payments” means payments to be made by the United States Treasury to the Trustee, for credit to the accounts held by the Trustee on behalf of the District, with respect to the interest due on a Series of Bonds that qualify for one or more direct subsidy payments or other form of credits or payments pursuant to the Code, including, without limitation, pursuant to Section 54AA or Section 6431 of the Code or any successor to either such provision.

"Supplemental Indenture" means any indenture duly executed and delivered, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Swap Revenues" means all regularly-scheduled amounts (but not termination payments) owed or paid to the District by any counterparty under any Interest Rate Swap Agreement after offset for the regularly-scheduled amounts (but not termination payments) owed or paid by the District to such counterparty under such Interest Rate Swap Agreement.

"System" means any and all works, structures, property, rolling stock or other facilities of any kind, which the District is now or hereafter authorized by law to acquire, construct or complete.

"Tax Certificate" means the Tax Certificate delivered by the District at the time of the issuance and delivery of any Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

"Term Bonds" means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successors as Trustee as provided in the Indenture.

"Variable Rate Indebtedness" means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire term of the indebtedness.

"2017 Costs of Issuance Fund" means the fund by that name established pursuant to the Fourth Supplemental Indenture.

Additional Bonds; Refunding Bonds; Parity Obligations; Subordinate Obligations

Additional Bonds. The District may, by Supplemental Indenture, establish one or more Series of Bonds, payable from Sales Tax Revenues and secured by a pledge under the Indenture equally and ratably with Bonds previously issued, and the District may issue, and the Trustee may authenticate and deliver to or upon the written order of the District, Bonds of any such Series so established, in such principal amount as shall be determined by the District, but only upon compliance by the District with certain requirements and conditions, including the following:

(a) The Trustee shall have received a Certificate of the District stating that no Event of Default has occurred and is then continuing.

(b) The Trustee shall have received an Opinion of Bond Counsel to the effect that the Supplemental Indenture authorizing such Series of Bonds has been duly executed and delivered by the District, that the Bonds of such Series, when duly executed by the District and authenticated by the Trustee, will be valid and binding special obligations of the District.

(c) The Trustee shall have received a Certificate of the District certifying that: (1) the amount of Sales Tax Revenues received plus the amount of Associated Sales Tax Revenues relating to any recently annexed jurisdiction for any period of 12 consecutive months during the 18 months immediately preceding the date on which such additional Series of Bonds will become

Outstanding shall have been at least equal to 1.5 times the amount of Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, and the additional Series of Bonds then proposed to be issued; (2) the amount of Sales Tax Revenues for the Fiscal Year in which the Bonds are to be issued and each of the next succeeding 4 Fiscal Years under the laws then in existence at the time of issuance of such additional Series of Bonds are estimated by the District to be at least 1.5 times the amount of Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, including the additional Series of Bonds then proposed to be issued, in each such Fiscal Year; and (3) Sales Tax Revenues for the Fiscal Year in which the additional Series of Bonds are to be issued under the laws then in existence at the time of the issuance of such additional Series of Bonds shall be at least 1.0 times the amount of the District's obligations with respect to repayment of any withdrawals under a Reserve Facility, if any, then due and owing under the Reserve Facility.

Refunding Bonds. Refunding Bonds may be authorized and issued by the District, without compliance with the requirements described immediately above under the subcaption "Additional Bonds," in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all of the following:

(a) The principal or Redemption Price of the Outstanding Bonds or Parity Obligations to be refunded.

(b) All expenses incident to the calling, retiring or paying of such Outstanding Bonds or Parity Obligations and the Costs of Issuance of such refunding Bonds.

(c) Interest on all Outstanding Bonds or Parity Obligations to be refunded to the date such Bonds or Parity Obligations will be called for redemption or paid at maturity.

(d) Interest on the refunding Bonds from the date thereof to the date of payment or redemption of the Bonds or Parity Obligations to be refunded.

Before such additional Series of refunding Bonds shall be issued and delivered, the District shall file the following documents with the Trustee:

(a) An Opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture authorizing the refunding Bonds has been duly authorized by the District, that such Series, when duly executed by the District and authenticated and delivered by the Trustee, will be valid and binding special obligations of the District, and that upon delivery of such Series the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or by the Indenture.

(b) If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Trustee to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Owners of all or the portion of the Bonds or Parity Obligations to be redeemed, or proof that such notice has been given by the District; provided, however, that in lieu of such instructions or waiver or proof of notice of redemption, the District may cause to be deposited with the Trustee all of the Bonds and Parity Obligations proposed to be redeemed (whether cancelled or uncancelled) with irrevocable instructions to the Trustee to cancel said Bonds or Parity Obligations so to be redeemed upon the exchange and delivery of said refunding Bonds.

(c) A Certificate of the District certifying that: (1) the amount of Sales Tax Revenues received plus the amount of Associated Sales Tax Revenues relating to any recently annexed jurisdiction for any period of 12 consecutive months during the 18 months immediately preceding the date on which such additional Series of Bonds will become Outstanding shall have been at least equal to 1.5 times the amount of Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, and the additional Series of Bonds then proposed to be issued (provided that in calculating the amount of Maximum Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, the Bonds and Parity Obligations to be refunded by such refunding Bonds shall not be treated as Outstanding); (2) the amount of Sales Tax Revenues for the Fiscal Year in which the Bonds are to be issued and each of the next succeeding 4 Fiscal Years under the laws then in existence at the time of issuance of such additional Series of Bonds are estimated by the District to be at least 1.5 times the amount of Annual Debt Service on all Series of Bonds and Parity Obligations then Outstanding, including the additional Series of Bonds then proposed to be issued, in each such Fiscal Year; and (3) Sales Tax Revenues for the Fiscal Year in which the additional Series of Bonds are to be issued under the laws then in existence at the time of the issuance of such additional Series of Bonds shall be at least 1.0 times the amount of the District's obligations with respect to repayment of any withdrawals under a Reserve Facility, if any, then due and owing under the Reserve Facility.

Parity Obligations. The District will not, so long as any of the Bonds are outstanding, issue any obligations or securities, payable in whole or in part from Sales Tax Revenues, except additional Bonds issued pursuant to the provisions of the Indenture described above under the subcaption "Additional Bonds," refunding Bonds issued pursuant to the provisions of the Indenture described above under the subcaption "Refunding Bonds," and Parity Obligations payable on a parity with the Bonds, which Parity Obligations will have, when issued, an equal lien and charge upon the Sales Tax Revenues, provided that the following conditions to the issuance of such Parity Obligations are satisfied:

(1) Such Parity Obligations have been duly and legally authorized for any lawful purpose.

(2) No Event of Default shall have occurred and then be continuing, as evidenced by a Certificate the District filed with the Trustee.

(3) Unless such Parity Obligations are for refunding purposes as specified in the Indenture, the District shall have obtained and placed on file with the Trustee a Certificate of the District certifying that the debt service coverage ratio requirements applicable to the issuance of additional Bonds described above under the subcaption "Additional Bonds" have been met with respect to such Parity Obligations.

(4) The District shall have filed with the Trustee an Opinion of Bond Counsel to the effect that such Parity Obligations have been duly authorized in accordance with law.

(5) The Trustee shall be designated as paying agent or trustee for such Parity Obligations and the District shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Parity Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Parity Obligations).

Subordinate Obligations. Subordinate Obligations that are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Sales Tax Revenues after the prior payment of all amounts then required to be paid under the Indenture from Sales Tax Revenues for principal, premium, interest and reserve fund requirements, if any, for all Bonds Outstanding, and all Parity Obligations outstanding, as the same become due and payable, and at the times and in the amounts as required in the Indenture and in the instrument or instruments pursuant to which any Parity Obligations were issued or incurred, provided that the following conditions to issuance or incurrence of such Subordinate Obligations are satisfied:

(1) Such Subordinate Obligations have been duly and legally authorized by the District for any lawful purpose.

(2) No Event of Default shall have occurred and then be continuing, as evidenced by the delivery to the Trustee of a Certificate of the District to that effect.

(3) As and to the extent applicable, the Trustee shall be designated as paying agent or trustee for such Subordinate Obligations and the District shall deliver to the Trustee a transcript of the proceedings providing for the issuance of such Subordinate Obligations (but the Trustee shall not be responsible for the validity or sufficiency of such proceedings or such Subordinate Obligations).

Termination Payments. Termination payments and fees and expenses on Interest Rate Swap Agreements, Liquidity Provider or Credit Provider fees and expenses and other obligations that may be secured by a lien and charge on the Sales Tax Revenues subordinate to the lien and charge upon the Sales Tax Revenues that secures the Bonds, Parity Obligations and payment of principal of and interest on Subordinate Obligations.

Mandatory Purchase In Lieu of Redemption

Each Owner, by purchase and acceptance of any Series 2017 Bonds, irrevocably grants to the District the option to purchase such Series 2017 Bonds at any time such Series 2017 Bonds is subject to optional redemption as provided in the Indenture at a purchase price equal to the Redemption Price then applicable to such Series 2017 Bonds. In order to exercise such option, the District shall direct the Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in the Indenture. On the date fixed for purchase of any Series 2017 Bonds pursuant to this paragraph, the District shall pay the purchase price of such Series 2017 Bonds to the Trustee in immediately available funds and the Trustee shall pay the same to the Owners of Series 2017 Bonds being purchased against delivery thereof. Following such purchase, the Trustee shall register such Series 2017 Bonds in accordance with the written instructions of the District. No purchase of any Series 2017 Bonds pursuant to this paragraph shall operate to extinguish the indebtedness evidenced by such Series 2017 Bonds. No Owner may elect to retain Series 2017 Bonds subject to mandatory purchase pursuant to this paragraph. Notwithstanding the foregoing, nothing contained herein is meant to prevent the District from purchasing Series 2017 Bonds on the open market for cancellation.

Establishment and Application of Funds and Accounts; Investments

The following funds and accounts are established pursuant to the Indenture: the Revenue Fund, the Interest Fund, the Principal Fund, the Bond Reserve Fund, the Redemption Fund, the Rebate Fund, Subordinate Obligations Fund and the Expense Account. In addition, the 2017 Costs of Issuance Fund is established pursuant to the Fourth Supplemental Indenture.

For a description of the allocation of Sales Tax Revenues and the Interest Fund, Principal Fund, Bond Reserve Fund and Expense Account see "SECURITY FOR THE SERIES 2017 BONDS" in the front portion of this Official Statement.

Redemption Fund. All moneys deposited by the District with the Trustee for the purpose of optionally redeeming Bonds of any Series shall, unless otherwise directed by the District, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds of such Series and maturity as shall be specified by the District in a request to the Trustee, in the manner, at the times and upon the terms and conditions specified in the Supplemental Indenture pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the District, apply such amounts to the purchase of Bonds of such Series at public or private sale, as and when and at such prices (including brokerage and other charges) as is directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the District.

Investments. All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested, as directed by the District solely in Investment Securities, subject to the limitations set forth in the Indenture. If and to the extent the Trustee does not receive investment instructions from the District with respect to the moneys in the funds and accounts held by the Trustee pursuant to the Indenture, such moneys will be invested in Investment Securities described in clause (xii) of the definition thereof and the Trustee shall request investment instructions from the District for such moneys.

Moneys in the Bond Reserve Fund shall be invested in Investment Securities available on demand or maturing within 10 years of the date of such investment. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

Unless otherwise provided in a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in any fund or account, other than the Rebate Fund or a Project Fund, shall be transferred to the District when received. All investment earnings on funds held in each Project Fund shall be deposited in such Project Fund unless transferred by the District to the Trustee to be deposited in the Rebate Fund. All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited in the Rebate Fund pursuant to the Indenture, unless the Trustee is otherwise directed by the District in accordance with the provisions of the Tax Certificate.

Interest Rate Swaps. The District may and the Trustee shall, upon the Request of the District, and provided that the Trustee is supplied with an Opinion of Bond Counsel to the effect that such action is permitted under the laws of the State of California, enter into an Interest Rate Swap Agreement corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof and the amounts received by the District or the Trustee, if any, pursuant to such an Interest Rate Swap Agreement may be applied to the deposits required under the Indenture. If the District so designates, amounts payable under the Interest Rate Swap Agreement shall be secured by Sales Tax Revenues and other assets pledged under the Indenture to the Bonds on a parity basis therewith and, in such event, the District shall pay to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by the provisions of the Indenture, the amounts to be paid under such Interest Rate Swap Agreement, as if such amounts were additional interest due on the Bonds to which such Interest Rate Swap Agreement relates, and the Trustee shall pay to the other party to the Interest Rate Swap Agreement, to the extent required thereunder, amounts deposited in the Interest Fund for the payment of interest on the Bonds with respect to which such agreement was entered into; provided that all termination payments payable with respect to an Interest Rate Swap Agreement shall only be payable on a subordinate basis to payment of principal and interest on the Bonds and to costs of replenishing the Bond Reserve Fund, including, without limitation, any account therein securing a Series of Bonds or any costs associated with a surety bond or other instrument permitted under the Indenture to be deposited therein to provide credit support for a Series of Bonds.

Certain Covenants of the District

Collection of Sales Tax Revenues. The District has duly levied a transactions and use tax in accordance with the Act, pursuant to and in accordance with Ordinance No. 1, as amended by Ordinance Nos. 2, 3, 4, 5, 7, 8, 9 and 10. Said Ordinance has not and will not be amended, modified or altered so long as any of the Bonds are Outstanding in any manner which would reduce the amount of or timing of receipt of Sales Tax Revenues, and the District will continue to levy and collect such transactions and use taxes to the full amount permitted by law. The District has entered into an agreement with the State Board of Equalization under and pursuant to which the State Board of Equalization processes and supervises collection of said transactions and use taxes and transmits Sales Tax Revenues directly to the Trustee. Said agreement will be continued in effect so long as any of the Bonds are Outstanding and shall not be amended, modified or altered without the written consent of the Trustee so long as any of the Bonds are Outstanding. The District will receive and hold in trust for (and remit immediately to) the Trustee any Sales Tax Revenues paid to the District by the State Board of Equalization.

The District covenants and agrees to separately account for all Sales Tax Revenues and to provide to the Trustee access to such accounting records at reasonable hours and under reasonable circumstances.

The District covenants that so long as the Bonds are Outstanding, it will not, to the best of its ability, suffer or permit any change, modification or alteration to be made to the legislation authorizing the levy and collection of the transactions and use tax which would materially and adversely affect the rights of Bondholders.

General Covenants. The District has covenanted, among other things, (1) to punctually pay or cause to be paid the principal or Redemption Price of and interest on the Bonds, but only out of Sales Tax Revenues as provided in the Indenture, (2) to maintain and preserve the System in good repair and working order at all times and to operate the System in an efficient and economical manner, (3) to keep proper books of record and accounts, prepared in accordance with generally accepted accounting principles, relating to Sales Tax Revenues, which shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances, (4) to cause the annual preparation and filing with the Trustee, so long as any of the Bonds are Outstanding, of reasonably detailed financial statements for the preceding Fiscal Year, which financial statements shall be accompanied by an opinion of an independent certified public accountant, (5) to pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, if any, lawfully imposed upon the System or any part thereof or upon any Sales Tax Revenues, when the same shall become due, and (6) to commence and continue to completion the acquisition and construction of all facilities for which any of the Bonds are issued.

Tax Covenants. The District has covenanted in the Indenture not to take any action, or fail to take any action, if any such action or failure to act would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code. The District has covenanted to comply with the provisions of the Tax Certificate.

The District specifically covenants to pay or cause to be paid to the federal government of the United States of America the Rebate Requirement at the times and in the amounts determined under and as described in the Tax Certificate. This covenant shall survive the defeasance of the Bonds or any Series thereof.

If the District shall receive an Opinion of Bond Counsel to the effect that any action required under the tax covenants of the Indenture is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the District and the Trustee may rely conclusively on such opinion in complying with the provisions of the Indenture, and such tax covenants in the Indenture shall be deemed to be modified to that extent.

Events of Default and Remedies

The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) if the District shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as described in subsection (a) or (b) above, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the District by the Trustee; except that, if such failure can be remedied but not within such 60-day period and if the District has taken all action reasonably possible to remedy such failure within such 60-day period, such failure shall not become an Event of Default for so long as the District shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Trustee;

(d) if any default shall exist under any agreement governing any Parity Obligations and such default shall continue beyond the grace period, if any, provided for with respect to such default;

(e) if the District files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself;

(f) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the District insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the District, or approving a petition filed against the District seeking reorganization of the District under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof;

(g) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the Sales Tax Revenues, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(h) if the Legislature of the State shall repeal or amend all or any portion of the provisions of the Act relating to the retail transactions and use tax, being Section 29140 of the Public Utilities Code, unless the District determines that said repeal or amendment does not materially and adversely affect the rights of Bondholders.

Application of Sales Tax Revenues and Other Funds After Default. If and for so long as an Event of Default shall occur and be continuing, the District shall immediately transfer to the Trustee all Sales Tax Revenues held by it and the Trustee shall apply all Sales Tax Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (except as otherwise provided in the Indenture) as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and Parity Obligations, including the costs and expenses of the Trustee and the Bondholders in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of the whole amount of Bond Obligation then due on the Bonds and Parity Obligations (upon presentation of the Bonds and Parity Obligations to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, with interest on such Bond Obligation, at the rate or rates of interest borne by the respective Bonds and Parity Obligations, to the payment to the persons entitled thereto of all installments of interest then due and the unpaid principal or Redemption Price of any Bonds and Parity Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue Bond Obligation and Parity Obligations at the rate borne by the respective Bonds and Parity Obligations, and, if the amount available shall not be sufficient to pay in full all the Bonds and Parity Obligations due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or interest or Accreted Value (plus accrued interest) due on such date to the persons entitled thereto, without any discrimination or preference.

(3) To the payment of reimbursement of withdrawals under any Reserve Facility and, at the written request of the provider of the Reserve Facility, costs and interested related thereto.

Trustee to Represent Bondholders. The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture, the Act and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Act or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Sales Tax Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Termination of Proceedings. In case any proceedings taken by the Trustee, the Bond Insurer or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, the Bond Insurer or the Owners, then in every such case the District, the Trustee, the Bond Insurer and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the District, the Trustee, the Bond Insurer and the Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee, the Bond Insurer or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

Bondholders' Direction of Proceedings. Except as provided under "Bond Insurer's Direction of Proceedings" anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, all as more fully described in the Indenture.

Limitation on Bondholders' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless: (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate amount of Bond Obligation of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner in the Indenture provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Defeasance

Bonds of any Series or a portion thereof may be paid by the District in any of the following ways:

(a) by paying or causing to be paid the Bond Obligations of and interest on such Outstanding Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem such Outstanding Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Outstanding Bonds.

If the District shall pay all Bonds Outstanding and also pay or cause to be paid all other sums payable under the Indenture by the District, then and in that case, at the election of the District (evidenced by a Certificate of the District filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Sales Tax Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture and described below under the subcaption "Deposit of Money or Securities with Trustee") to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease, terminate and be completely discharged, provided that the Owner thereof shall thereafter be entitled to the payment of the principal of and premium, if any, and interest on the Bonds, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture described below under the subcaption "Payment of Bonds After Discharge of Indenture," and continuing duties of the Trustee under the Indenture.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Non-callable Investment Securities described in clauses (i), (ii) or (vi) of the definition thereof the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Trustee, provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by request of the District) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Indenture. Any moneys held by the Trustee in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for 2 years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon Request of the District, be repaid to the District free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the registration books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal of Accreted Value of or interest or premium on Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than the District) for any interest earned on, moneys so held. Any interest earned thereon shall belong to the District and shall be deposited monthly by the Trustee into the Revenue Fund.

Amendments

The Indenture and the rights and obligations of the District, the Owners of the Bonds and the Trustee may be modified or amended at any time by a Supplemental Indenture, with the written consent of the Owners of a majority in the aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this caption.

The Indenture and the rights and obligations of the District and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Indenture entered into by the District and the Trustee which shall become binding when the written consents of each Credit Provider for the Bonds shall have been filed with the Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds shall be insured by a Credit Enhancement the provider of which shall be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such Credit Enhancement, in one of the two highest Rating Categories of Standard & Poor’s.

No such modification or amendment shall (a) extend the fixed maturity of any Bond or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Sales Tax Revenues or other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Sales Tax Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding.

The Indenture and the rights and obligations of the District, of the Trustee and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) To add to the covenants and agreements of the District in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof) or to surrender any right or power reserved to or conferred upon the District;

(2) To make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Owners of the Bonds;

(3) To modify, amend or supplement the Indenture in such manner as to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owners of the Bonds;

(4) To make modifications or adjustments necessary, appropriate or desirable to provide for the issuance of Variable Rate Indebtedness, Capital Appreciation Bonds or Parity Obligations with such interest rate, payment, maturity and other terms as the District may deem desirable, subject to the provisions of the Indenture described above under the caption "Additional Bonds, Refunding Bonds, Parity Obligations, Subordinate Obligations";

(5) To provide for the issuance of Bonds in book-entry form or bearer form, or as direct placements loans or as may be necessary to accommodate electronic transactions and recordkeeping and new technology;

(6) To make modifications or adjustments necessary, appropriate or desirable to accommodate liquidity or credit enhancements including Reserve Facilities delivered with respect to any Bond Reserve Fund;

(7) If the District agrees in a Supplemental Indenture to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(8) To provide for the issuance of an additional Series of Bonds pursuant to provisions of the Indenture described above under the caption "Additional Bonds, Refunding Bonds, Parity Obligations, Subordinate Obligations;"

(9) to make modifications or adjustments necessary, appropriate or desirable to provide for the appointment of an auction agent, a broker-dealer, a remarketing agent, a tender agent and/or a paying agent in connection with any Series of Bonds;

(10) to modify, alter, amend or supplement this Indenture in any other respect, including amendments that would otherwise be described in the Indenture, if the effective date of such amendments is a date on which all Bonds affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Indenture or if notice of the proposed amendments is given to Owners of the affected Bonds at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Owners have the right to demand purchase of their Bonds pursuant to the provisions of the Indenture or if all Bonds affected thereby are in an auction mode and a successful auction is held following notice of such amendment; and

(11) For any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Other Provisions

Waiver of Personal Liability. No Board member, officer, agent or employee of the District or the Trustee shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing in the Indenture contained shall relieve any such Board member, officer, agent or employee of the District or the Trustee from the performance of any official duty provided by law or by the Indenture.

APPENDIX E

THE ECONOMY OF THE THREE BART COUNTIES

General

The San Francisco Bay Area (the "Bay Area") encompasses the nine counties which border San Francisco Bay. The Three BART Counties (the City and County of San Francisco, Alameda County and Contra Costa County) comprise a 1,512-square-mile central core of the nearly 7,000 square miles of land in the Bay Area. The City and County of San Francisco occupies approximately 49 square miles, while Alameda County and Contra Costa County are approximately 733 and 734 square miles in size, respectively. The San Francisco Bay Area Rapid Transit District (the "District" or "BART") service area also includes northern San Mateo County, adjacent to the southern border of San Francisco. The surrounding non-member six counties, Marin, Sonoma, Napa and Solano to the north and San Mateo and Santa Clara to the south, provide reciprocal economic support, potential users and expansion area for the District's centrally located system. All capitalized terms used and not otherwise defined in this Appendix E shall have the meanings set forth in the front portion of this Official Statement.

The City and County of San Francisco occupies the tip of a peninsula situated between the Pacific Ocean and San Francisco Bay (the "Bay") and is separated from Marin County and other northerly counties by the Golden Gate, which forms the entrance to the Bay and is spanned by the Golden Gate Bridge. Alameda and Contra Costa Counties, bordering the east side of the Bay across from San Francisco, stretch eastward up to 40 miles beyond the series of hills between the Bay and the Central Valley (the Sacramento and San Joaquin Valleys) of California. Contra Costa County is bordered on the northwest by San Pablo Bay and the north by the Carquinez Strait and the extensive delta area of the Sacramento and San Joaquin Rivers, which empty into the Bay. Alameda County adjoins Santa Clara County at the southern end of the Bay. Linking the Bay Area are seven major bridges.

Sales taxes levied in the Three BART Counties are a principal source of District revenues. Sales tax revenues depend on economic activity and trends as well as the demographic characteristics of the Three BART Counties. Historical trends are summarized below and forecasts are presented for the population and employment of the Three BART Counties.

Historical Population and Employment Trends

Table 1 shows historical population for cities within the Three BART Counties for the selected years between 2000 and 2017. Population in the Three BART Counties increased approximately 15.4% between 2000 and 2017 and approximately 1.1% between 2016 and 2017.

Table 1
HISTORICAL POPULATION
Alameda and Contra Costa Counties and City and County of San Francisco
2000, 2010 and 2014 through 2017

	2000[1]	2010[1]	2014[2]	2015[2]	2016[2]	2017[2]	% Change 2016-2017
Alameda County							
Alameda	72,259	73,812	76,785	77,657	79,338	79,928	0.7%
Albany	16,444	18,539	18,682	18,841	18,905	18,988	0.4
Berkeley	102,743	112,580	117,399	118,923	119,997	121,238	1.0
Dublin	30,023	46,036	53,512	56,014	57,394	59,686	4.0
Emeryville	6,882	10,080	10,822	10,967	11,730	11,854	1.1
Fremont	203,413	214,089	224,836	227,582	229,504	231,664	0.9
Hayward	140,030	144,186	154,832	157,305	159,104	161,040	1.2
Livermore	73,464	80,968	85,049	86,368	88,207	89,648	1.6
Newark	42,471	42,573	43,835	44,284	44,767	45,422	1.5
Oakland	399,566	390,724	413,626	419,539	423,191	426,074	0.7
Piedmont	10,952	10,667	11,018	11,138	11,227	11,283	0.5
Pleasanton	63,654	70,285	71,990	73,776	75,040	75,916	1.2
San Leandro	79,452	84,950	86,453	87,209	87,882	88,274	0.4
Union City	66,869	69,516	71,719	72,412	73,010	73,452	0.6
Other Areas	135,717	141,266	147,079	148,750	149,937	150,892	0.6
	1,443,939	1,510,271	1,587,637	1,610,765	1,629,233	1,645,359	1.0%
Contra Costa County							
Antioch	90,532	102,372	110,028	111,973	113,495	114,241	0.7%
Brentwood	23,302	51,481	55,353	57,072	59,058	61,055	3.4
Clayton	10,762	10,897	11,096	11,159	11,262	11,284	0.2
Concord	121,872	122,067	126,851	128,063	128,280	128,370	0.1
Danville	41,715	42,039	42,145	42,491	43,287	43,355	0.2
El Cerrito	23,171	23,549	23,980	24,132	24,490	24,600	0.4
Hercules	19,488	24,060	24,430	24,578	24,909	25,675	3.1
Lafayette	23,908	23,893	24,321	24,732	25,041	25,199	0.6
Martinez	35,866	35,824	36,497	36,931	37,224	37,658	1.2
Moraga	16,290	16,016	16,337	16,434	16,581	16,676	0.6
Oakley[3]	25,619	35,432	38,864	39,609	40,327	41,199	2.2
Orinda	17,599	17,643	18,083	18,578	18,838	18,935	0.5
Pinole	19,039	18,390	18,560	18,660	18,827	18,975	0.8
Pittsburg	56,769	63,264	66,053	67,119	68,133	69,818	2.5
Pleasant Hill	32,837	33,152	33,708	33,918	34,232	34,657	1.2
Richmond	99,216	103,701	108,447	109,568	110,886	111,785	0.8
San Pablo	30,256	29,139	30,196	30,498	30,972	31,053	0.3
San Ramon	44,722	72,148	76,472	77,470	78,729	80,550	2.3
Walnut Creek	64,296	64,173	67,954	68,652	70,340	70,974	0.9
Other Areas	151,557	159,785	167,797	169,506	171,913	173,454	0.9
	948,816	1,049,025	1,097,172	1,111,143	1,126,824	1,139,513	1.1%
City and County of San Francisco	776,733	805,235	848,186	857,508	864,889	874,228	1.1%
Three BART Counties	3,169,488	3,364,531	3,542,317	3,579,416	3,620,946	3,659,100	1.1%

(1) As of April 1 of that year.
(2) As of January 1 of that year.
(3) The City of Oakley was incorporated in 1999.
Source: For 2000-2010**:** State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2010, with 2000 & 2010 Census Counts. Sacramento, California, November 2012; For 2011-15: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2016, with 2010 Census Benchmark. Sacramento, California, May 2016; For 2016-2017: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2016 and 2017. Sacramento, California, May 2017.

Table 2-A shows historical nonagricultural employment for the Three BART Counties by industry sector in calendar year 2016 and Table 2-B shows total nonagricultural employment for the Three BART Counties by industry sector in calendar years 2005 and 2016.

Table 2-A
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Year 2016
(Not Seasonally Adjusted)

	Alameda County		Contra Costa County		City and County of San Francisco	
	Number	**Percent[(2)]**	**Number**	**Percent[(2)]**	**Number**	**Percent[(2)]**
Total Nonagricultural Employment[(1)]	771,400	–	363,400	–	703,400	–
Major Classifications						
Manufacturing	75,000	9.7%	14,900	4.1%	12,200	1.7%
Transportation, Warehousing and Public Utilities	27,500	3.6	11,200	3.1	16,200	2.3
Wholesale Trade	38,700	5.0	10,400	2.9	15,600	2.2
Retail Trade	71,800	9.3	43,300	11.9	47,000	6.7
Finance and Insurance	20,300	2.6	20,000	5.5	42,200	6.0
Real Estate, Rental and Leasing	10,100	1.3	6,900	1.9	14,000	2.0
Information	18,200	2.4	8,100	2.2	39,000	5.5
Professional & Business Services	128,700	16.7	52,100	14.3	190,600	27.1
Educational & Health Services	117,600	15.2	67,300	18.5	87,700	12.5
Leisure & Hospitality	70,900	9.2	40,500	11.1	97,300	13.8
Other Services	26,200	3.4	13,000	3.6	26,900	3.8
Government	123,500	16.0	50,400	13.9	94,300	13.4

(1) Totals may reflect rounding.
(2) Represents percentage of total nonagricultural employment; reflects rounding.
Source: California Employment Development Department, Labor Market Information Division with March 2015 Benchmark.

Table 2-B
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR
Total Three BART Counties
Calendar Years 2005 and 2016
(Not Seasonally Adjusted)

	2005		2016	
	Number	**Percent[(2)]**	**Number**	**Percent[(2)]**
Total Nonagricultural Employment[(1)]	1,574,300	–	1,838,200	–
Major Classifications				
Manufacturing	105,600	6.7%	102,100	5.6%
Transportation, Warehousing and Public Utilities	49,800	3.2	54,900	3.0
Wholesale Trade	60,500	3.8	64,700	3.5
Retail Trade	155,200	9.9	162,100	8.8
Finance and Insurance	91,500	5.8	82,500	4.5
Real Estate, Rental, and Leasing	30,300	1.9	31,000	1.7
Information	48,000	3.0	65,300	3.6
Professional & Business Services	259,600	16.5	371,400	20.2
Educational & Health Services	203,300	12.9	272,600	14.8
Leisure & Hospitality	155,800	9.9	208,700	11.4
Other Services	56,900	3.6	66,100	3.6
Government	195,200	12.4	268,200	14.6

(1) Totals may reflect rounding.
(2) Represents percentage of total nonagricultural employment; reflects rounding.
Source: California Employment Development Department, Labor Market Information Division with 2015 Benchmark.

Total nonagricultural employment in the Three BART Counties increased approximately 16.8% between 2005 and 2016.

As shown in Table 2-A and Table 2-B, the economy of the Three BART Counties is well diversified, with emphasis on educational and health services, professional and business services, and government.

Alameda County. Alameda County accounts for approximately 45.0% of the population and approximately 42.0% of the nonagricultural employment of the Three BART Counties. Alameda County's population increased approximately 13.9% between 2000 and 2017.

Alameda County has a diverse economic base. A large number of new jobs have been, and are expected to be, created by firms classified in the services industry. Many of these jobs will be highly skilled professional, technical, and managerial positions. The two largest employment sectors are professional and business services and government, which account for approximately 32.7% of total nonagricultural employment. The transportation, warehousing and public utilities sector, accompanied by both retail trade and wholesale trade categories, averaged 138,000 jobs in 2016, comprising approximately 17.9% of total nonagricultural employment. The professional and business services industry averaged 128,700 jobs for 2016, comprising approximately 16.7% of total nonagricultural employment. Major employers in Alameda County include Kaiser Permanente, University of California at Berkeley, Alameda County, Lawrence Livermore National Laboratory, Oakland Unified School District, Alta Bates Summit Medical Center and Lawrence Berkeley National Laboratory, as shown in Table 4-A.

Contra Costa County. Contra Costa County, predominantly a low-density residential area, accounts for approximately 31.1% of the population and approximately 19.8% of total nonagricultural employment of the Three BART Counties in 2016. Contra Costa County's population increased approximately 20.1% between 2000 and 2017.

Contra Costa County has one of the fastest-growing work forces among Bay Area counties, with growth in its employment base being driven primarily by the need to provide services to an increasing local population. Contra Costa County has also experienced an influx of white-collar jobs due to the relocation of companies from more expensive locations in the Bay Area. The professional and business services, educational and health services, retail trade and government employment sectors account for approximately 58.6% of the nonagricultural employment base. Major employers in Contra Costa County include Contra Costa County, Safeway Inc., Chevron Corp. and John Muir/Mount Diablo Health System, as shown in Table 4-A.

City and County of San Francisco. The City and County of San Francisco (the "City") is a major employment center of the Three BART Counties, accounting for approximately 38.3% of the nonagricultural employment and approximately 23.9% of the population of the Three BART Counties. The population of San Francisco is relatively dense and has increased slowly in recent years, with an overall increase of approximately 1.1% between 2016 and 2017.

The City has the benefit of a highly skilled, professional labor force. Key industries include tourism, real estate, banking and finance, retailing, apparel design and manufacturing. Emerging industries include multimedia and bioscience. Major employers in San Francisco include the City and County of San Francisco, the University of California at San Francisco, Wells Fargo & Co. Inc., and the San Francisco Unified School District, as shown in Table 4-B.

Table 3 shows the average annual unemployment rates for the Three BART Counties and the State of California and the United States for the calendar years 2012 through 2017.

Table 3
AVERAGE ANNUAL UNEMPLOYMENT RATES

Alameda County, Contra Costa County, City and County of San Francisco, State of California and the United States
Calendar Years 2012 Through 2017

Calendar Year	Alameda County	Contra Costa County	City and County of San Francisco	State of California	United States
2012	8.7%	8.9%	6.8%	10.4%	8.1%
2013	7.2	7.5	5.5	8.9	7.4
2014	5.8	6.2	4.4	7.5	6.2
2015	4.7	5.0	3.6	6.2	5.3
2016	4.2	4.4	3.3	5.4	4.9
2017	4.4(1)	4.5(1)	3.5(1)	5.1(2)	4.4(3)

(1) Not seasonally adjusted figure as of August 2017.
(2) Seasonally adjusted figure as of August 2017.
(3) Projected national unemployment rate for 2017.
Sources: California Employment Development Department, U.S. Department of Labor, Bureau of Labor Statistics and International Monetary Fund

Table 4-A identifies the major employers of Alameda and Contra Costa Counties and Table 4-B identifies the major employers in the City and County of San Francisco.

Table 4-A
MAJOR EMPLOYERS
Alameda and Contra Costa Counties
As of 2015

Employer	Number of Employees
University of California, Berkeley	23,962
Kaiser Permanente	18,450
Alameda County	9,147
State of California	8,930
Contra Costa County	8,500
Chevron Corp.	6,631
Safeway Inc.	6,270
U.S. Postal Service	5,948
John Muir Health	5,857
Wells Fargo Bank	5,400
City of Oakland	5,055
PG&E Corp.	4,625
Alta Bates Summit Medical Center	4,471
Oakland Unified School District	4,359
Lawrence Livermore National Lab	4,051
FedEx Corp.	4,000
Alameda Health System	3,800
Lam Research Corp.	3,465
UPS	3,369
Contra Costa Community College District	3,100
Hayward Unified School District	3,054
Tesla Motors Inc.	3,000
West Contra Costa Unified School District	2,968
San Ramon Valley Unified School District	2,900

Sources: San Francisco Business Times, *2015 Book of Lists* and San Francisco Business Journal.

Table 4-B
MAJOR EMPLOYERS
City and County of San Francisco
As of 2016

Employer	Number of Employees[1]
City and County of San Francisco	26,207
University of California, San Francisco	20,600
San Francisco Unified School District	8,497
Wells Fargo Bank	8,300
California Pacific Medical Center	5,837
Salesforce	5,000
Gap Inc.	4,438
PG&E Corp.	4,297
State of California	4,078
Kaiser Permanente	3,500
San Francisco State University	3,234
United States Postal Service	2,980
Academy of Art University	2,519
Dignity Health	2,428
Charles Schwab & Co. Inc.	2,400
San Francisco VA Medical Center	2,354
City College of San Francisco	2,339
Accenture	2,200
University of San Francisco	2,141
Safeway Inc.	2,000
Twitter Inc.	2,000
Williams-Sonoma Inc.	1,760
BlackRock	1,547
Google Inc.	1,500
Lucasfilm Ltd.	1,500
PricewaterhouseCoopers LLP (PwC)	1,500

Source: San Francisco Business Times, *2016 Book of Lists*
[1] San Francisco employees.

Population and Employment Forecasts

Table 5 presents population and employment projections for the Three BART Counties prepared, respectively, by the Demographic Research Unit of the California Department of Finance ("DRU") and the Association of Bay Area Governments ("ABAG"). The projected population and employment figures presented below constitute forecasts by the DRU and ABAG and, as a result, are subject to substantial uncertainty. Such prospective data are based on certain assumptions and methodologies of the underlying source which may be affected by a number of exogenous factors and dependent on the occurrence of future events which may or may not occur. Accordingly, actual population and employment statistics in the Three BART Counties may differ materially from the data presented in this table and are not intended as representations of fact or guarantees of future results. Subsequently published prospective data from the DRU and ABAG may also differ as the underlying assumptions and methodologies on which such forecasts are based continue to develop. The District does not plan to issue any updates or revisions to this information if, or when, expected population and employment change. See "FORWARD LOOKING STATEMENTS" herein.

DRU projects the population of the Three BART Counties to increase to approximately 4,347,691 people by 2035, as compared with the actual population of 3,659,100 in January 2017, with most of the growth occurring in Contra Costa and Alameda counties. Employment in the Three BART Counties is projected by ABAG to increase to

2,402,160 in 2035, as compared with the actual 1,853,500 employment level as of May 2016 (the most recent data available). Most of the growth in employment is projected by ABAG to occur in the professional and managerial services and health and educational services sectors in each of the Three BART Counties. ABAG also projects the largest growth in employment will occur in San Francisco County.

Table 5
PROJECTED POPULATION AND EMPLOYMENT
Alameda and Contra Costa Counties and City and County of San Francisco
Population

County	2017[(1)] (Actual)	2035[(2)] (Projected)	% Change 2017-2035 (Projected)
Alameda	1,645,359	1,958,389	19.0%
Contra Costa	1,139,513	1,373,950	20.6
San Francisco	874,228	1,015,352	16.1
Three BART Counties	3,659,100	4,347,691	18.8%

Employment

County	2016[(3)]	2035[(2)] (Projected)	% Change 2016-2035 (Projected)
Alameda	792,700	1,039,680	31.2%
Contra Costa	526,900	555,650	5.5
San Francisco	533,900	806,830	51.1
Three BART Counties	1,853,500	2,402,160	29.6%

(1) As of January 1, 2017.
(2) Prospective data. Actual population and employment may materially differ.
(3) Preliminary data for May 2016; not seasonally adjusted.
Sources: State of California Department of Finance; State of California Employment Development Department; Association of Bay Area Governments, *Jobs-Housing Connections Strategy*.

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table 6 below presents the latest available total income and per capita personal income for the Three BART Counties, the State and the nation for the calendar years 2010 through 2015 (the most recent annual data available). The Three BART Counties have traditionally had per capita income levels significantly higher than those of the State and the nation.

Table 6
PERSONAL INCOME
Alameda County, Contra Costa County, City and County of San Francisco, State of California and United States
Calendar Years 2010 through 2015

Year and Area	Personal Income (millions of dollars)[1]	Per Capita Personal Income (dollars)
2010		
Alameda County	$72,194	$47,692
Contra Costa County	56,594	53,750
San Francisco County	61,333	76,114
State of California	1,617,134	43,315
United States	12,459,613	40,277
2011		
Alameda County	77,852	50,783
Contra Costa County	61,156	57,336
San Francisco County	66,094	80,974
State of California	1,727,434	45,820
United States	13,233,436	42,453
2012		
Alameda County	82,149	52,763
Contra Costa County	66,344	61,470
San Francisco County	73,115	88,141
State of California	1,838,567	48,312
United States	13,904,485	44,267
2013		
Alameda County	86,611	54,684
Contra Costa County	66,608	60,776
San Francisco County	74,677	88,825
State of California	1,861,957	48,471
United States	14,068,960	44,462
2014		
Alameda County	93,290	57,842
Contra Costa County	69,527	62,540
San Francisco County	83,120	97,498
State of California	1,977,924	50,988
United States	14,801,624	46,414
2015		
Alameda County	101,370	61,879
Contra Costa County	74,757	66,348
San Francisco County	89,533	103,529
State of California	2,103,669	53,741
United States	15,458,500	42,095

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
[1] Numbers reflect rounding.

Table 7 shows the total dollar volume of sales and other taxable transactions (which correlate with sales tax receipts) in the Three BART Counties for calendar years 2011 through 2015 (the most recent data available).

Table 7
HISTORICAL TAXABLE TRANSACTIONS
Alameda and Contra Costa Counties and City and County of San Francisco
Calendar Years 2011 Through 2015
($ in thousands)

Calendar Year	Alameda County	Contra Costa County	San Francisco County	Total Three BART Counties	Percentage Change
2011	$23,430,799	$12,799,857	$14,890,527	$51,121,183	8.9%
2012	25,181,571	13,997,249	15,953,605	55,132,425	7.8
2013	26,624,571	14,471,988	17,094,163	58,190,722	5.5
2014	28,377,714	15,030,047	18,469,729	61,877,490	6.3
2015	29,770,157	15,670,053	18,871,834	64,312,044	3.9

Source: California State Board of Equalization, 2011-2015 Annual Reports.

Table 8 shows taxable transactions by type of business for the Three BART Counties for the year ended December 31, 2015 (the most recent annual data available).

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Table 8
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
Alameda and Contra Costa Counties and the City and County of San Francisco
For Calendar Year 2015
($ in thousands)

Type of Business	Alameda County	Contra Costa County	City and County of San Francisco
Retail and Food Services			
Motor Vehicle and Parts Dealers	3,932,865	2,245,947	565,639
Home Furnishings and Appliance Stores	1,347,605	686,740	1,010,769
Building Material and Garden Equipment and Supplies Dealers	1,566,918	1,060,312	588,279
Food and Beverage Stores	1,146,357	816,995	830,061
Gasoline Stations	1,807,464	1,341,604	471,496
Clothing and Clothing Accessories Stores	1,573,419	902,810	2,163,743
General Merchandise Stores	1,787,594	1,392,414	825,300
Food Services and Drinking Places	3,027,990	1,613,644	4,441,352
Other Retail Group	2,512,594	1,359,781	2,136,115
***Total Retail and Food Services*[(1)]**	**18,702,806**	**11,420,248**	**13,032,755**
***All Other Outlets*[(1)]**	**11,067,352**	**4,249,805**	**5,839,079**
***Total All Outlets*[(1)]**	**29,770,157**	**15,670,053**	**18,871,834**

(1) Totals may reflect rounding.
Source: California State Board of Equalization.

Table 9 shows a comparison of taxable transactions among several large northern and southern California counties (including the Three BART Counties) and state-wide over the calendar years 2011 through 2015 (the most recent annual data available).

Table 9
COMPARISON OF TAXABLE TRANSACTIONS TRENDS
FOR MAJOR CALIFORNIA COUNTIES
Calendar Years 2011 Through 2015
($ in thousands)

	2011	2012	2013	2014	2015	% Change (2011-2015)
Three BART Northern Counties						
Alameda	$23,430,799	$25,181,571	$26,624,571	$28,377,714	$29,770,157	27.1%
Contra Costa	12,799,857	13,997,249	14,471,988	15,030,047	15,670,053	22.4
San Francisco	14,890,527	15,953,605	17,094,163	18,469,729	18,871,834	26.7
Total Three BART Counties	$51,121,183	$55,132,425	$58,190,722	61,877,490	64,312,044	25.8
Other Northern Counties						
Sacramento	$18,003,765	$19,089,848	$20,097,095	$21,061,901	$22,043,196	22.4%
San Mateo	13,020,643	13,906,978	14,611,618	15,298,434	15,478,010	18.9
Santa Clara	33,431,217	36,220,445	37,621,606	39,628,655	41,231,759	23.3
Southern Counties						
Los Angeles	$126,440,737	$135,295,582	$140,079,708	$147,446,927	$151,033,781	19.5%
Orange	51,731,139	55,230,612	57,591,217	60,097,128	61,358,087	18.6
Riverside	25,641,497	28,096,009	30,065,467	32,035,687	32,910,910	28.4
San Bernardino	27,322,980	29,531,921	31,177,823	33,055,967	35,338,556	29.3
San Diego	45,090,382	47,947,035	50,297,331	52,711,639	54,185,588	20.2
Ventura	11,020,181	11,958,260	12,824,296	13,366,628	13,784,346	25.1
Statewide	$520,568,055	$558,387,250	$586,839,618	$615,821,874	$633,941,952	21.8%

Source: California State Board of Equalization.

APPENDIX F

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system has been obtained from sources that the San Francisco Bay Area Rapid Transit District (the "District") believes to be reliable, but the District takes no responsibility for the accuracy thereof. The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on ("Debt Service") the Series 2017 Bonds; (b) confirmations of ownership interest in the Series 2017 Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2017 Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Direct Participants and Indirect Participants are on file with DTC.

Neither the District nor the Trustee will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Series 2017 Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Indenture; or (4) any consent given or other action taken by DTC as registered owner of the Series 2017 Bonds.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 Series A Bond (each a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District or to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Series 2017 Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of the Series 2017 Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of 2017 Series A Bond Owners and ownership of Series 2017 Bonds will govern the payment, registration, transfer, exchange and replacement of the Series 2017 Bonds. Interested persons should contact the District for further information regarding such provisions of the Indenture.

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APPENDIX G

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the San Francisco Bay Area Rapid Transit District (the "Issuer") and U.S. Bank National Association, as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $_________ principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series A (Green Bonds) (the "Series 2017A Bonds") and $________ principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series B (Federally Taxable) (Green Bonds) (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Series 2017 Bonds"). The Series 2017 Bonds are being issued pursuant to an Indenture, dated as of September 1, 2012 (the "Master Indenture"), as supplemented and amended by a First Supplemental Indenture, dated as of September 1, 2012 (the "First Supplemental Indenture") a Second Supplemental Indenture, dated as of October 1, 2015 (the "Second Supplemental Indenture"), a Third Supplemental Indenture, dated as of August 1, 2016 (the "Third Supplemental Indenture"), and a Fourth Supplemental Indenture, dated as of December 1, 2017 (the "Fourth Supplemental Indenture" and, together with the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, and the Third Supplemental Indenture, the "Indenture"), each by and between the Issuer and the Trustee. The Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Holders and the Beneficial Owners (as hereinafter defined) of the Series 2017 Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement and not otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2017 Bonds (including persons holding Series 2017 Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Controller/Treasurer of the Issuer or her designee, or such other officer or employee of the Issuer as the Controller/Treasurer of the Issuer shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"Holder" shall mean the person in whose name any Series 2017 Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2017 Bonds required to comply with the Rule in connection with offering of the Series 2017 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission or any successor agency thereto.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than eight (8) months after the end of the Issuer's fiscal year (presently June 30), commencing with the Annual Report for the fiscal year of the Issuer ending June 30, 2018, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Each Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. Neither the Trustee nor the Dissemination Agent shall have any duties or responsibilities with respect to the contents of the Annual Report. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice, in electronic format, to the MSRB, such notice to be in substantially the form attached as Exhibit A.

(d) If the Annual Report is delivered to the Dissemination Agent for filing, the Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to

Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, dated December __, 2017, relating to the Series 2017 Bonds (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when such audited financial statements become available.

(b) An update (as of the most recently ended fiscal year of the Issuer) for the table entitled "Sales Tax Revenues" set forth in the Official Statement under the caption "SECURITY FOR THE SERIES 2017 BONDS – Sales Tax Revenues" and an update for the table entitled "Debt Service Requirements" set forth in the Official Statement under the caption "DEBT SERVICE REQUIREMENTS."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2017 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or;

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2017 Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2017 Bonds or other material events affecting the tax status of the Series 2017 Bonds;

2. Modifications to rights of bond holders;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution, or sale of property securing repayment of the Series 2017 Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The Issuer shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Issuer shall determine if such event would be material under applicable federal securities laws.

(e) If the Issuer learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Issuer shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2017 Bonds pursuant to the Resolution.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2017 Bonds. If such termination occurs prior to the final maturity of the Series 2017 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the form or the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2017 Bonds, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2017 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Series 2017 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2017 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee, at the written request of any

Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2017 Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys, or any Owner or Beneficial Owner of the Series 2017 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Trustee and their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's or the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Trustee or the Dissemination Agent and payment of the Series 2017 Bonds. The Dissemination Agent has no power to enforce performance on the part of the Issuer under this Disclosure Agreement.

The Dissemination Agent agrees to accept and act upon instructions or directions pursuant to this Disclosure Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Dissemination Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Dissemination Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Dissemination Agent acts upon such instructions, the Dissemination Agent's understanding of such instructions shall be deemed controlling. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees: (i) to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Dissemination Agent and that there may be more secure methods of transmitting instructions than the method(s) selected by the Issuer; and (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the Issuer. The fact that the Dissemination

Agent or any affiliate thereof may have any fiduciary or banking relationship with the Issuer shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Issuer.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

(i) If to the Issuer:
San Francisco Bay Area Rapid Transit District
300 Lakeside Drive
Oakland, California 94612-3534
Attention: Controller/Treasurer
Telephone: (510) 464-6070
Fax: (510) 464-6011

(ii) If to the Dissemination Agent:
U.S. Bank National Association
One California Street, Suite 1000
San Francisco, California 94111
Attention: Global Corporate Trust Services
Telephone: (415) 677-3596
Fax: (415) 677-3769

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent. Notices may also be given by electronic means.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2017 Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed under the laws of the State of California.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: December __, 2017.

SAN FRANCISCO BAY AREA RAPID
TRANSIT DISTRICT

By_______________________________
Controller/Treasurer

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By_______________________________
Authorized Officer

Exhibit A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	San Francisco Bay Area Rapid Transit District
Name of Bond Issue:	San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series A (Green Bonds) San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series B (Federally Taxable) (Green Bonds)
Date of Issuance of Bonds:	December __, 2017

NOTICE IS HEREBY GIVEN that the San Francisco Bay Area Rapid Transit District (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement, dated December __, 2017, between the Issuer and U. S. Bank National Association, as dissemination agent. [The Issuer anticipates that the Annual Report will be filed by _____________.]

Dated: _____________

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent on behalf of the San Francisco Bay Area Rapid Transit District

cc: Issuer

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APPENDIX H

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

San Francisco Bay Area
Rapid Transit District
Oakland, California

San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds 2017 Refunding Series A (Green Bonds)	San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds 2017 Refunding Series B (Federally Taxable) (Green Bonds)

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Francisco Bay Area Rapid Transit District (the "District") in connection with the issuance by the District of $[2017A PAR] aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series A (Green Bonds) (the "Series 2017A Bonds") and $[2017B PAR] aggregate principal amount of San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds, 2017 Refunding Series B (Federally Taxable) (Green Bonds) (the "Series 2017B Bonds" and, together with the Series 2017A Bonds, the "Series 2017 Bonds"), issued pursuant to a Master Indenture, dated as of September 1, 2012, as supplemented and amended, including by a Fourth Supplemental Indenture, dated as of December 1, 2017 (hereinafter collectively referred to as the "Indenture"), between the District and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, dated the date hereof (the "Tax Certificate"), certificates of the District, the Trustee, and others, opinions of counsel to the District and the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2017 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2017A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2017 Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public transit districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2017 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2017 Bonds constitute the valid and binding special obligations of the District payable from and secured by a pledge of Sales Tax Revenues.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the District. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2017 Bonds, of the Sales Tax Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2017A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2017B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series 2017 Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2017 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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