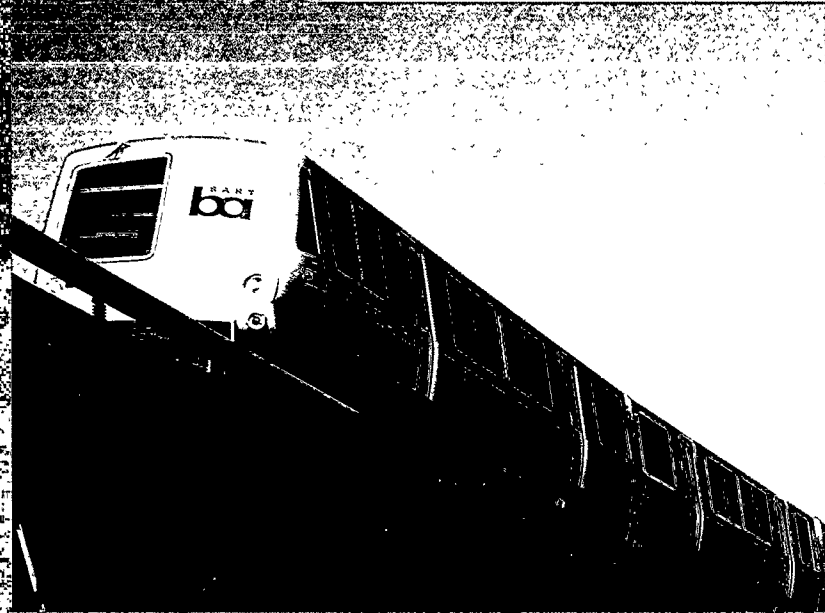
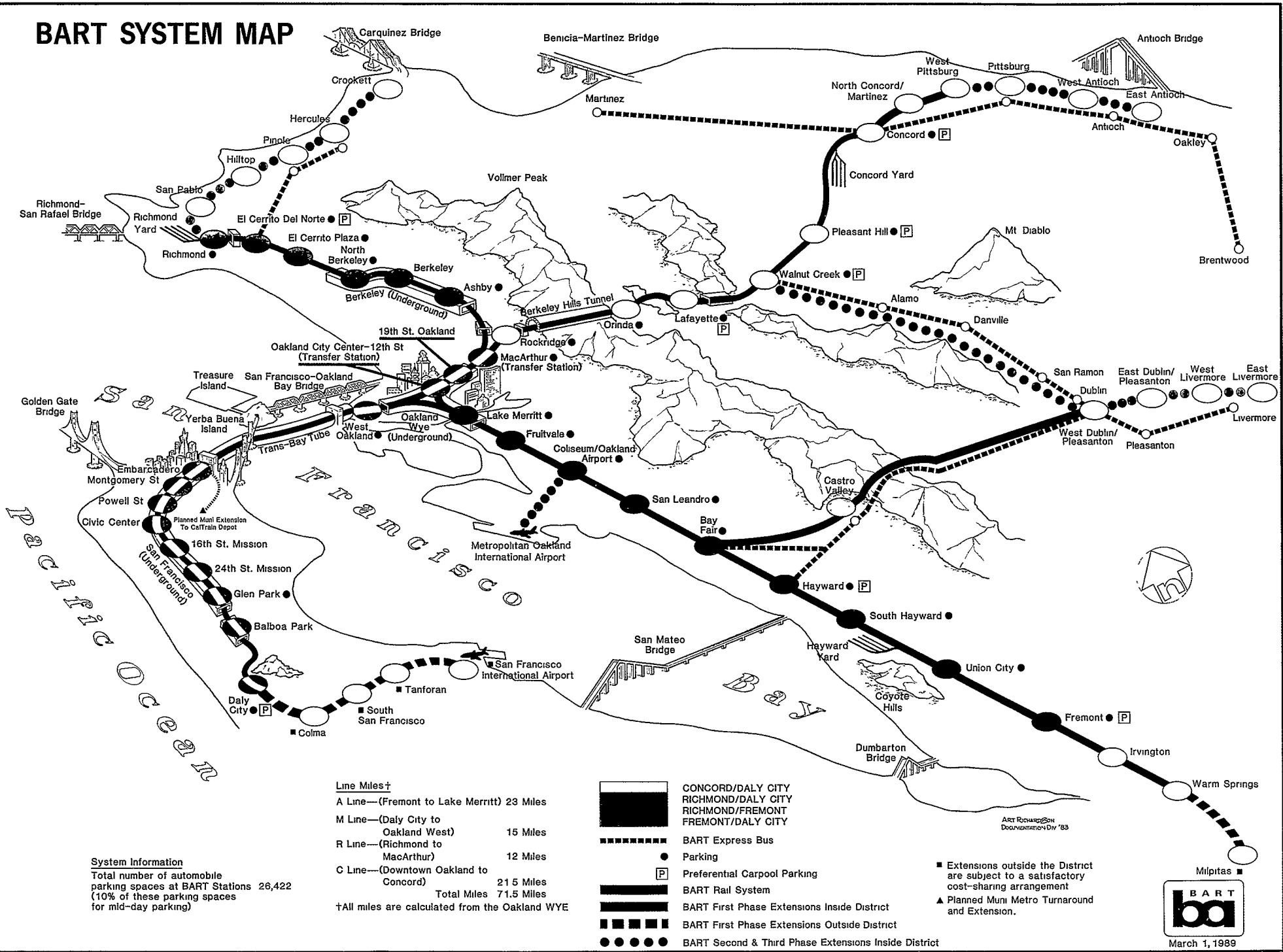


BAY AREA RAIL TRANSIT DISTRICT ANNUAL REPORT 1990



BART was ready
in the

BART SYSTEM MAP



System Information
 Total number of automobile parking spaces at BART Stations 26,422 (10% of these parking spaces for mid-day parking)

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

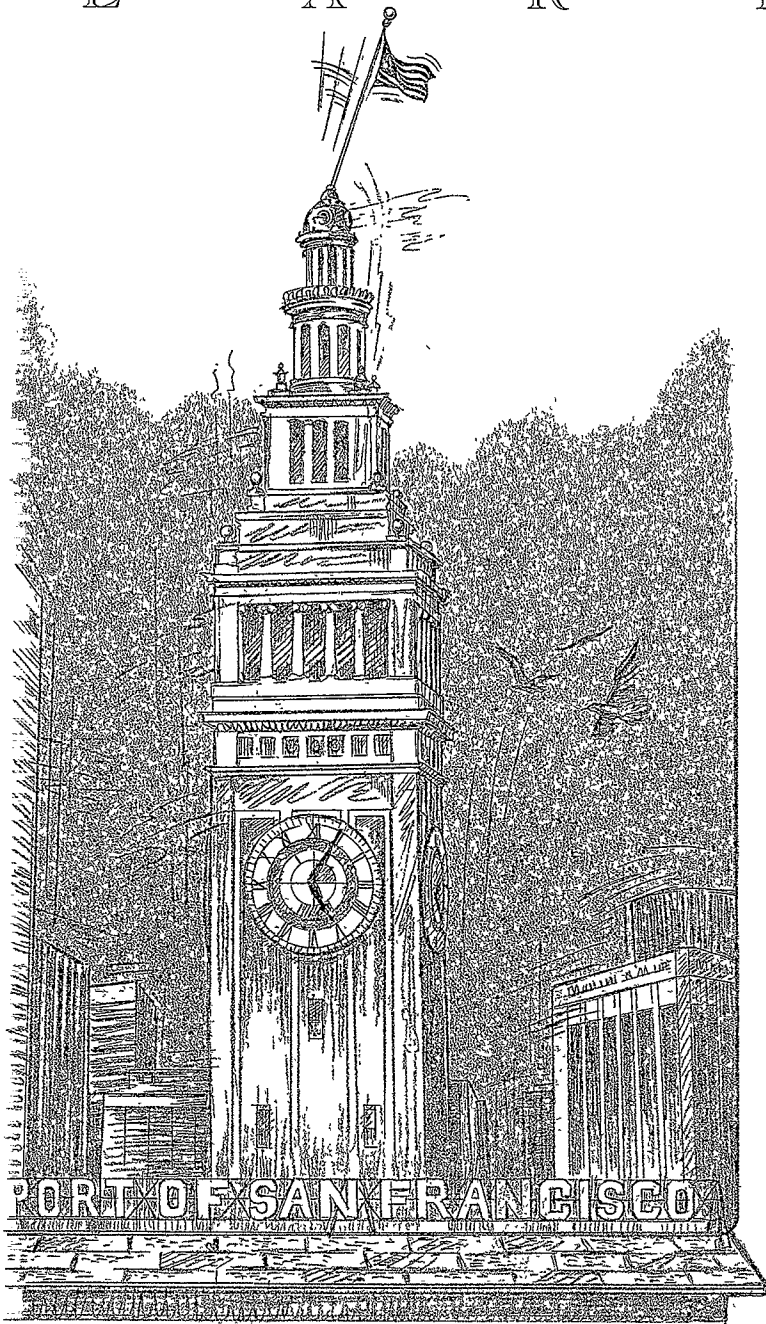
†All miles are calculated from the Oakland WYE

- CONCORD/DALY CITY
RICHMOND/DALY CITY
RICHMOND/FREMONT
FREMONT/DALY CITY
- BART Express Bus
- Parking
- Preferential Carpool Parking
- BART Rail System
- BART First Phase Extensions Inside District
- BART First Phase Extensions Outside District
- BART Second & Third Phase Extensions Inside District
- Extensions outside the District are subject to a satisfactory cost-sharing arrangement
- Planned Muni Metro Turnaround and Extension.



March 1, 1989

E A R T H Q U A K E



At four minutes after five o'clock on the afternoon of Tuesday, October 17, 1989, an earthquake rolled along the San Andreas Fault in Northern California.

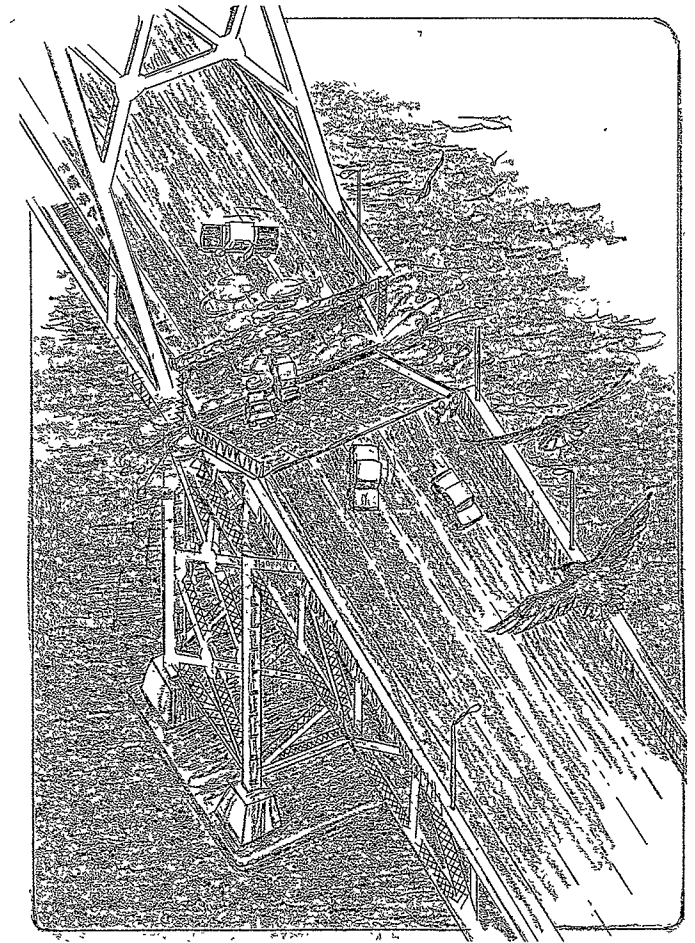
It was centered near Santa Cruz, south of the San Francisco Bay Area, but it caused death and destruction for more than 200 miles and disrupted the usual daily pattern of life for millions of people.

The quake was measured at 7.1 on the Richter Scale, the strongest tremor to hit Northern California since 1906, when a quake estimated at 8.0 struck along the same fault, and combined with fire, destroyed a large portion of San Francisco and caused widespread damage north and south of the city.

The 1989 earthquake, and its immediate aftershocks, collapsed and weakened buildings, homes and freeways. It caused a portion of the upper westbound level of the Oakland-San Francisco Bay Bridge to tear loose from its pinnings and collapse on to the lower level.

The 1989 quake struck at the peak commute hour. Thousands of people were in the process of heading home for the day. Some were already in their cars, on buses, or on BART trains, while others were getting ready to leave their offices. At Candlestick Park in southeast San Francisco more than 40,000 people were waiting for the first pitch of Game Three of the World Series between the San Francisco Giants and the Oakland Athletics.

At BART headquarters in Oakland, most employees had just left the building a moment or two before the earthquake struck, but many BART departmental managers and senior officials were still in their offices. When the rumbling and rolling stopped, and after they determined that those around them were not hurt, their first thought was to reach BART's Central Control, the nerve center of the





District's 71.5-mile system of track, trains and stations, and to find out if the system was still running, what damage had been sustained throughout the system, and what they could do to help.

Although copies of BART's long-established Emergency Plan were available for consultation it seemed in those first few minutes after the rumbling and rolling stopped, the printed BART plan was almost superfluous. People seemed to have it in their head without glancing at it as they went about the business of determining what had happened and figuring out what to do about it.



The first order of business was to determine if any BART passengers or employees had been killed or injured as a result of the earthquake and to make contact with all trains on the line and with all stations.

Radio communication with a few train operators out on the line was weak and sporadic, but telephone communication was intact throughout the system. All train operators were ordered to proceed to the nearest station, if possible, and to direct their passengers to leave the train and the station.

Two trains were in the 3.6-mile Transbay Tube, linking San Francisco and Oakland, when the earthquake struck, one headed west, the other east. The eastbound train, with ten cars and more than 1,000 commuters, was approaching the east end of the Tube. Although the train operator felt a "dip" at the moment of the quake, he did not realize an earthquake had taken place. The train proceeded to the West Oakland Station, where passengers disem-

barked. This same train was used less than three hours later by BART officials to proceed westward into the Tube to check for damage and reach the Embarcadero Station in San Francisco.

The westbound train, which was near the middle of the Tube when the earthquake struck, proceeded in "road manual" slowly to the Embarcadero Station. There, in complete darkness, except for the flashlights of BART train and station personnel, passengers left the train and the station.

Traction power to the tracks and some auxiliary station lighting in San Francisco was cut off by damage to a sub-station that supplied electricity to BART's West Bay facilities. Traction and station lighting power was gradually restored during the night on the west side of the Bay. Most of San Francisco itself was without electrical power during the first several hours after the earthquake, adding a measure of confusion, anxiety and discomfort, but full power was gradually restored to most parts of the city during the late-night and early-morning hours.

Meanwhile, from BART headquarters in Oakland, teams of BART engineers and officials fanned out to check the system. Reports of widespread destruction reached Central Control, but they proved to be completely unfounded as BART officials inspected each mile of track and every station and structure. Some of the preliminary inspection was carried out by helicopter.

As the evening progressed, it became obvious to officials at Central Control that the earthquake had not caused any injuries or deaths to BART passengers or personnel and that the system was intact. A lack of electricity throughout the San Francisco portion of the system remained a problem until early Wednesday morning.

BART employees worked throughout the night to make sure that the system was undamaged, to help restore power to the West Bay and to return to regular passenger service as soon as possible. Passenger trains resumed service in the East Bay, at least on a limited-schedule basis, within four hours of the quake.

In at least one instance, at the Daly City Station, BART passengers were not directed to leave BART cars and the station. BART-bound baseball fans, who reached the Daly City Station by bus following the cancellation of the World Series game, were allowed to wait in the station or in the cars that had been positioned at Daly City to carry them home after the game. The cars were lighted and heated.

If the Bay Bridge had not been damaged, the story of BART and

the 1989 earthquake would more or less have ended on October 18, as regular weekday service was restored throughout the system.

That closure, however, drastic, sudden and unexpected, created a new set of circumstances and propelled BART into a new phase of the story of the earthquake of 1989. The new phase had far-reaching consequences, not only for BART, but for the entire public transportation picture in the Bay Area.

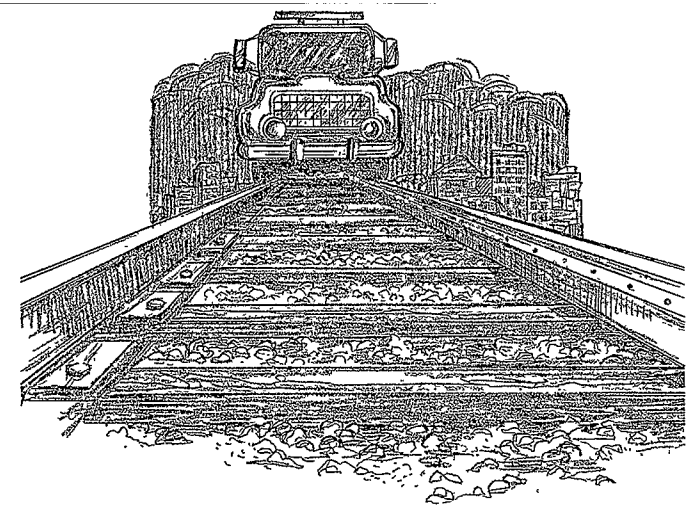
On an average weekday before the earthquake, approximately 343,000 "people trips" were made across the Bay Bridge in both directions, including occupants of cars, trucks and buses. BART's average weekday transbay patronage was approximately 102,000.

With the Bay Bridge closed, how were the commuters who customarily used the bridge going to get to and from work? The bridge commuters represented the majority of transbay commuters.

As soon as BART officials confirmed that the Bay Bridge was damaged and could not carry its usual load of commuter traffic, they began to make plans to take up the slack. How many bridge commuters would switch to BART?

Nobody could say for sure, but BART officials decided that BART had to be ready to carry as many passengers as the BART system could sustain. It was a matter of "pulling out all the stops." BART would have to be ready for whatever passenger load developed and to sustain that readiness for as long as the bridge was out.

Fortunately for BART, the full weekday commuter demand did not develop until Monday, October 23,



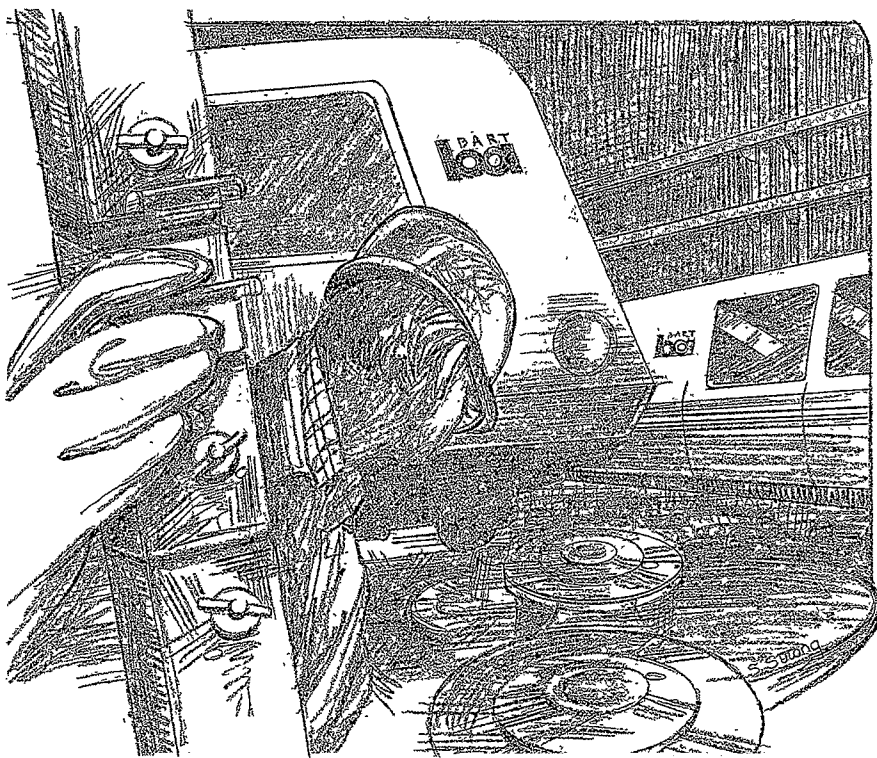
nearly a week after the earthquake. Many people simply stayed at home during the first few days after the quake and did not attempt to resume "business as usual" until the following Monday.

By that time, BART was ready for them. Even though it was impossible for BART to calculate exactly how many new passengers could be expected to ride BART trains, it was certainly obvious that there would be thousands of them.

BART officials had to ask themselves: How many additional passenger cars would be needed in weekday service? Can additional trains be scheduled? Will it be possible to keep the cars maintained at the customary level of safety and efficiency? Can the existing ticket facilities at stations accommodate thousands of new passengers? How many additional personnel would be required? How can the demand for additional parking spaces be met? How can the public best be informed about additional service, parking locations and connections with other transit agencies?

These questions are a mere sample of the ones that BART officials had to ask and answer in the first three days following the quake. The resources of the entire District, its people and equipment, were mobilized.

At the end of Monday, October 23, it was evident that BART was going to be busy. The day's passenger total was 290,060, compared with a pre-quake typical figure of 218,286, and the



Transbay Tube total was 180,775, compared to a typical weekday total of 102,152. And that was just the beginning. By the end of the week, on Friday, October 27, the day's passenger total was 329,276, with 207,170 through the Transbay Tube. The total passenger count for five weekdays from October 23 through October 27 was 1,580,325, nearly a million of them through the Tube. On October 23, BART inaugurated 24-hour service and continued it through November 30.

Patronage on the weekends also increased. On Saturday, October 28, the number of passengers totaled 159,129, compared to a pre-quake average of 92,610; the next day patronage totaled 97,749, compared with an average Sunday figure of 52,075.



Between Monday, October 30 and Friday, November 3, weekday patronage totaled 1,703,000, including 352,696 on November 3. During the first 15 weekdays beginning on October 23, daily patronage averaged 330,812. Within a week transbay patronage was running more than 200,000 every weekday.

The highest weekday total was reached on Thursday, November 16, with 357,135 passenger trips. The previous day, the highest Transbay figure was reached with 229,480. By November 16, the daily average weekday passenger trips reached 347,008.

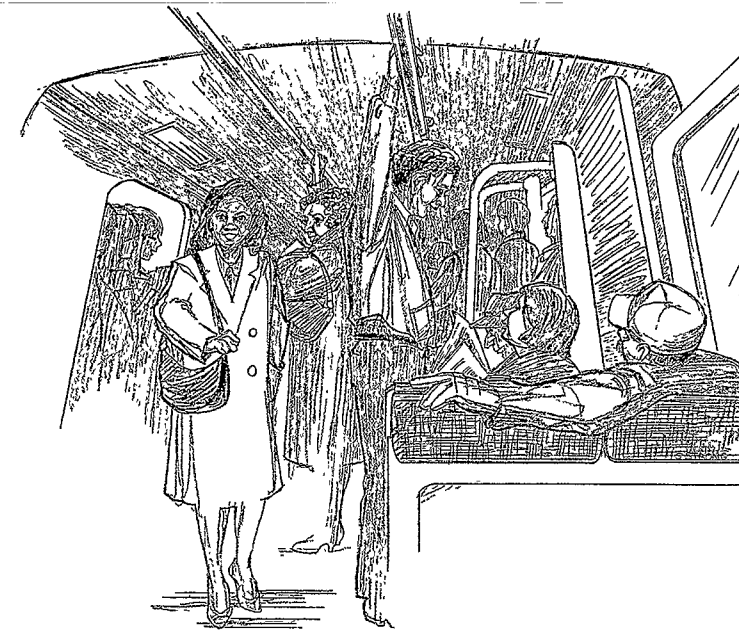
Not only did the number of passengers far exceed the amount that BART had carried before the earthquake, but it exceeded the maximum amount of passengers that BART planners had envisaged 25 years earlier.

BART had demonstrated that the system could handle unprecedented passenger demand day after day and that BART's people could cope with this demand.

Project Open Hand, a San Francisco based organization that provides meals for people in need, used BART to get meals to recipients in the East Bay following the closure of the Bay Bridge. The organization turned out 7,000 meals a day for earthquake victims.

What would happen on November 20, the first Monday after the Bay Bridge was reopened, and in the following days? How many commuters would stick with BART?

The effort shows. Weekday patronage is up to an average of more than a quarter-million riders per day, compared to about 218,000 a day in the weeks before the quake. Roughly 20 percent of the new riders who switched to BART last year because the



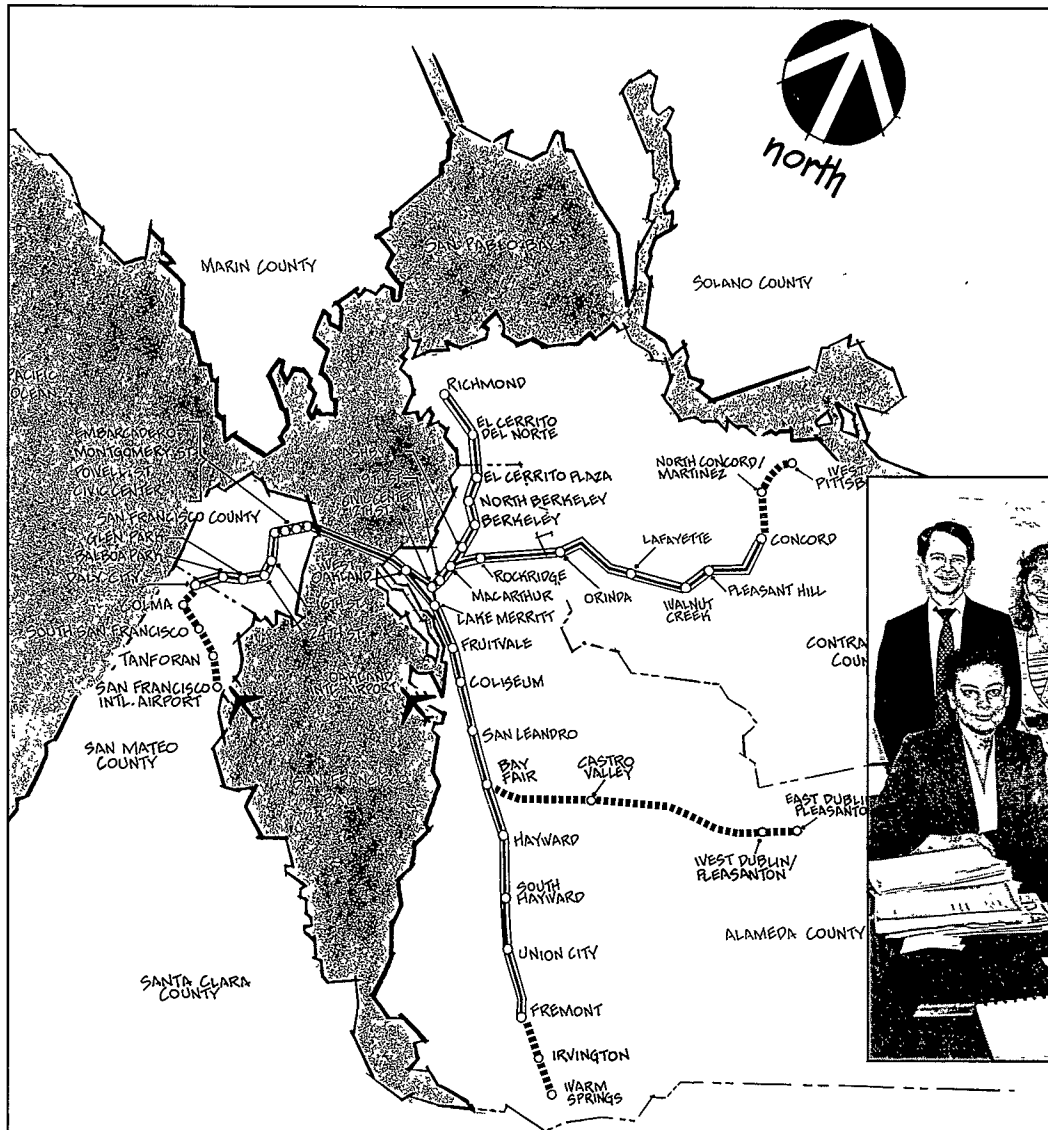
Bay Bridge was closed have stuck with BART.

The number of passengers who chose to continue to ride BART, however, is only one measure of the impact and important consequences of the role that BART played immediately following the earthquake. Thousands of Bay Area residents, including many public officials, came to have a new or heightened awareness of BART's capabilities and the role that BART does play, can play and could play in the region's transportation scene. This awareness was highlighted by local and national media plaudits and by Congressional recognition.

This awareness certainly was a factor in the widespread public support in June 1990, for additional taxes to ensure the financing of adequately equipping BART extensions.

Another consequence of the role that BART played following the closure of the Bay Bridge was the increased cooperation and coordination among BART and other transit agencies within BART's service area. By re-routing and re-scheduling bus service, other transit agencies, especially in the East Bay, provided an unprecedented level of coordinated transit service for their passengers.

E X T E N S I O N S



Shown here is the team of dedicated BART Planners who made major advances with the proposed BART extensions of rail service: (seated L/R) Andrea Gordon, Extension Planner; Marianne Payne, Manager of Extension Planning; Karita Zimmerman, Extension Planner; Theresa Dunn, Extension Planner. (standing



L/R) Alan Lee, Extension Planner; Marcy Heldt, Senior Secretary; Leo Rachal, Extension Planner and Molly Murphy, Community Relations Representative.

LEGEND
 ——— BART RAIL SYSTEM/STATIONS
 - - - - - BART FIRST PHASE EXTENSIONS/STATIONS
 * THIRD STATION PRIVATELY FINANCED

The District continued to make progress on its four Phase I extensions in Alameda, Contra Costa and San Mateo counties. When all of these extensions are completed by the turn of the century, they will add 33 miles and ten stations to the BART system.

Particularly significant was the final agreement between BART and the San Mateo Transit District (SamTrans), signed on March 1, 1990, which calls for BART to receive \$200 million from SamTrans and for BART to build an extension from Daly City to the San Francisco International Airport. An initial payment of \$10 million was made to BART on the day the final agreement was signed.

An additional \$90 million will be paid by SamTrans to BART when construction begins on the Colma portion of the extension in 1991. Another \$90 million will be paid to BART when construction begins on the extension from Colma to the airport, scheduled for 1994. The final \$10 million will be paid to BART when the project is completed. These payments totaling \$200 million will be used by BART to finance the extensions in Alameda and Contra Costa counties. The agreement also calls for SamTrans to pay 25 percent of the construction costs of the Colma Station and the line to the airport with the remaining cost expected to be made up from state and federal funding sources.

The final Environmental Impact Report (EIR) for the Colma link was nearing completion at the end of the fiscal year for submission to the Boards of Directors of BART and SamTrans. Preliminary engineering, which had been held up pending the final agreement,



went forward after March 1 and was approximately 15 percent complete at the end of June. Construction on the Colma portion of this extension is scheduled to begin by the middle of 1991 and to be completed by the end of 1995.

By the end of the 1990 fiscal year, BART had completed and received public comment on the final EIR for the Dublin/Pleasanton extension. Preliminary engineering was completed in March and final design began in April. Construction on the Dublin/Pleasanton extension is scheduled to begin by the fall of 1991 and to be completed by the fall of 1995.

A public meeting on the Warm Springs extension was held in October, 1989, prior to the preparation of a draft EIR on the project. In May the draft EIR was completed and circulated for public comment. A public hearing on that draft report was held in June. Meanwhile, preliminary engineering on the Warm Springs project was completed and final design engineering was underway at the close of the fiscal year.

Construction on the Warm Springs extension is scheduled to

begin by the fall of 1993 and to be completed by the spring of 1998.

The Metropolitan Transportation Commission, the Santa Clara County Transit District and BART began the preparation of an alignment study for a possible future extension of BART from the Warm Springs district of Fremont to Milpitas, San Jose and Santa Clara. This detailed study should result in the selection of a preferred alternative for future project development.

Preliminary engineering for the Concord to North Concord phase of the Pittsburg/Antioch extension was nearing completion at the end of June. Final design is scheduled to begin by October 1990. Preliminary design work for the North Concord to West Pittsburg phase of this extension was delayed as a result of additional environmental impact studies being carried out by Contra Costa County for the Bailey Road Interchange and the Willow Pass Road lowering projects. However, portions of final design work for this phase of the extension will be completed to the maximum extent possible.

Ballot Measures

Voters throughout California approved three ballot measures on June 5 that will benefit BART over the next ten years. The measures specifically direct funds to BART extension projects.

Proposition 111 enacted a statewide "traffic congestion relief program" and updated government spending limits to help meet the needs of the state's growing population.

The money under the provisions of Proposition 111 will come from increased truck weight fees and a five-cent per gallon increase in the gasoline tax (effective August 1, 1990) and an additional one-cent gas tax increase on January 1 of each of the following four years. A portion of the funds generated by Proposition 111 will be available for BART projects, but that amount is yet to be determined.

Proposition 108 authorized the state to sell \$1 billion in general obligation bonds to construct passenger rail facilities, including urban rail, commuter rail and intercity rail.

Proposition 116 authorized a \$1.99 billion bond issue for rail projects throughout the state. Of the total, approximately \$108 million could be earmarked for BART under Proposition 116, but the allocation of funds under both Propositions 108 and 116 are subject to approval by the transit authorities in Alameda, Contra Costa and San Mateo counties, in accordance with the regional plan of the Metropolitan Transportation Commission (MTC).

S Y S T E M R E H A B I L I T A T I O N

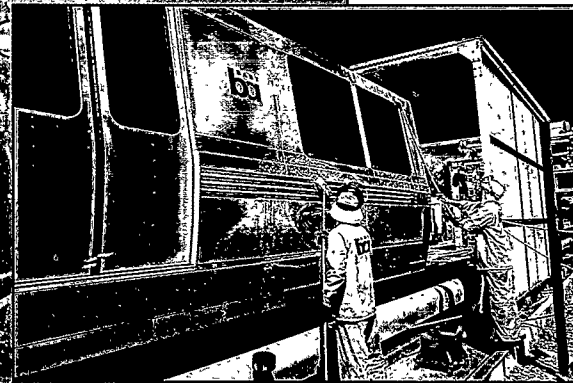
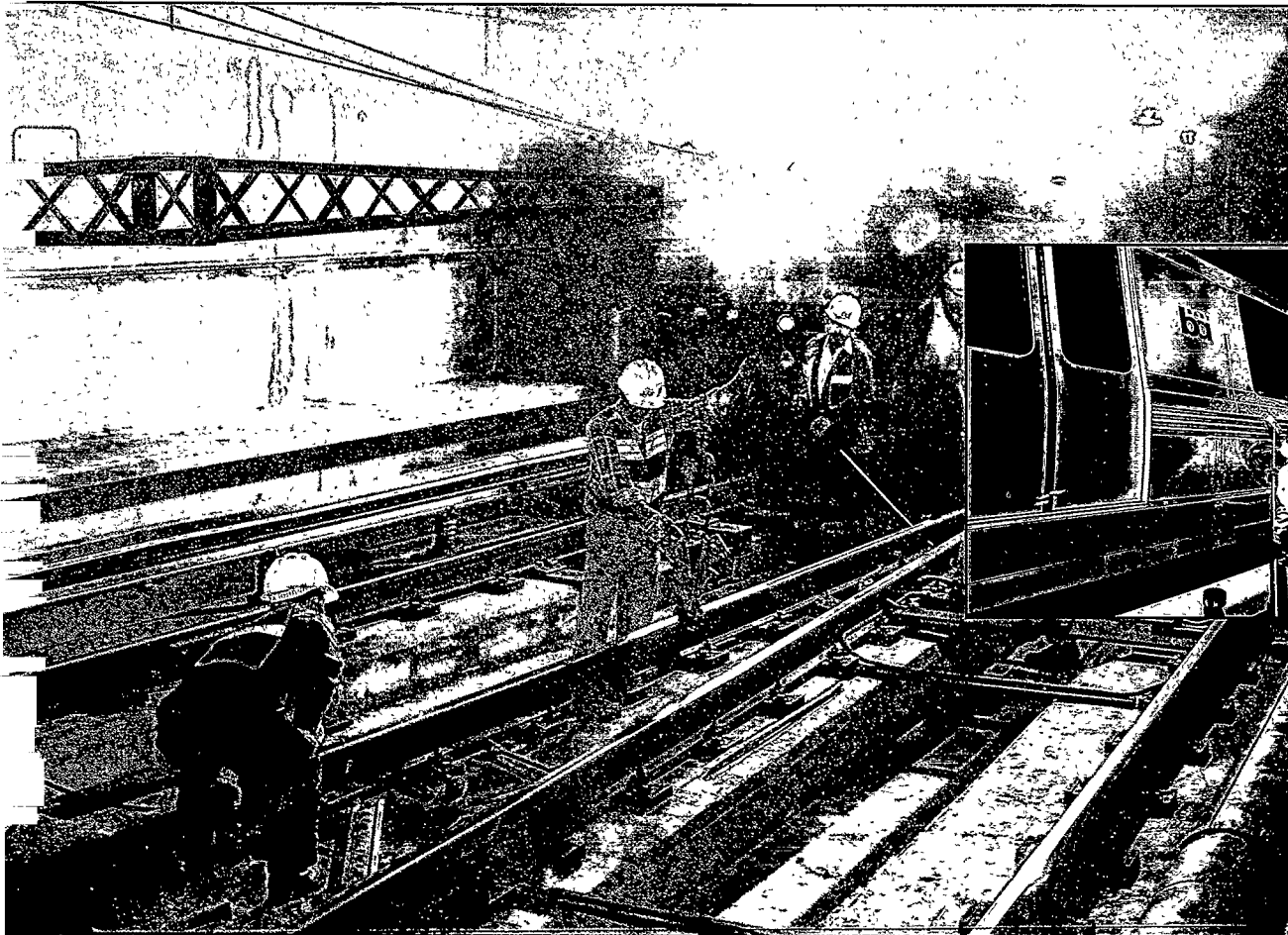
Following a thorough review during the year of all BART facilities and equipment, BART formulated a ten-year rehabilitation program to refurbish the entire system.

The program will cost an estimated \$500 million and is aimed at restoring and rehabilitating all major systems and components of the Districts "A" and "B" passenger cars, as well as all station facilities, track and maintenance structures and equipment. In short, the program will virtually restore BART's system to its original condition of 20 years ago.

The rehabilitation program is a natural outgrowth of a broad review of the District's facilities undertaken early in the fiscal year 1990. The new rehabilitation program consolidated several individual refurbishing projects then underway into a broader more comprehensive program to embrace the entire District and all of its facilities and equipment.

Rehabilitating the District's 439 A and B cars will cost an estimated \$319 million and will entail the replacement or refurbishing of brakes, undercar wiring, air conditioning, side doors, seats, carpets, seals and mounts, coupler assemblies, foam panels and electrical components, roofs and A-car cabs and roofs.

BART's shops in Richmond, Concord, Oakland and Hayward will be overhauled and upgraded. Roofs will be replaced; turntables, train-washers, lathes and cranes will be rehabilitated, and interiors and exteriors will be repainted. Cost of the shop and yard work is estimated to be \$32.5 million.



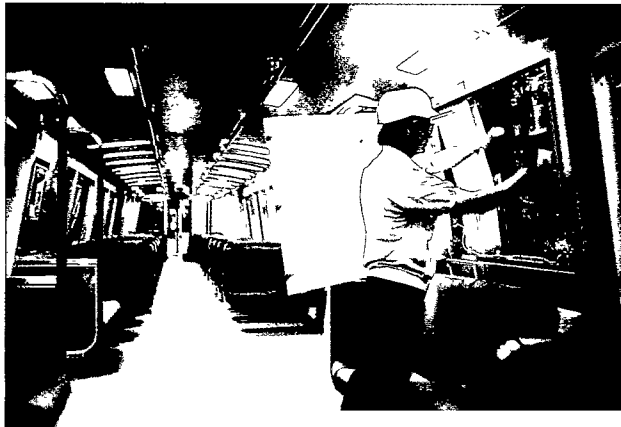
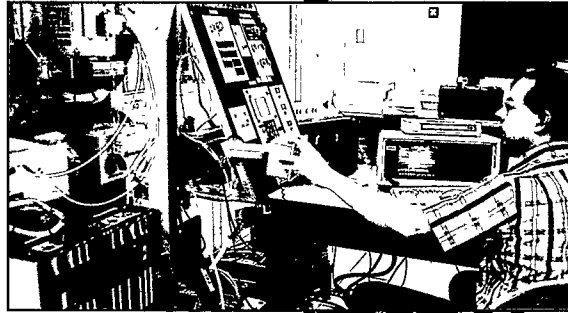


Other projects include the improvements of train, yard, maintenance and police radio communication systems; replacement of train destination signs; refurbishing and replacing fare collection machines; replacement of train control elements for train dispatching; replacement of track fixtures and various rails; and refurbishing power and mechanical facilities, including escalators and air conditioning equipment.

Delays, noise on the trains and the need for more labor-intensive repairs to keep the cars available for passenger service can all be traced to the gradually aging equipment. The doors on a typical car, for example, open and shut about 500 times a day. Those doors have opened and shut nearly three million times since the car was originally put into service. About 30 percent of all train delays on BART are due to door malfunctions.

The average BART car, logging about 54,000 miles a year in passenger service, has traveled almost one million miles since it was placed in service.

BART expects to pay for the \$500 million rehabilitation program from a variety of sources, including capital outlays by BART itself and from state, regional and federal entities.



PERFORMANCE HIGHLIGHTS

	FY 1990	FY 1989
Rail Ridership		
Annual passenger trips	70,549,547	60,457,004
Average weekday trips	241,525	207,231
Average trip length	12.6 miles	12.5 miles
Annual passenger miles	891,228,943	757,225,230
Patron trip on-time performance (%)	94.5%	95.3%
System utilization ratio (passenger miles to available seat miles)	30.7%	31.7%
End-of-period ratios:		
Peak patronage	47.6%	48.9%
Offpeak patronage	52.4%	51.1%
BART's estimated share of peak period transbay trips—cars, trains & buses (a)	50.0%	39.2%
Operations		
Annual revenue car miles	40,327,962	33,195,099
Unscheduled train removals—average per revenue day	2.2	2.9
Transit car availability to revenue car fleet (b)	82.5%	81.7%
Passenger accidents reported per million passenger trips	13.56	12.64
Patron-related crimes reported per million passenger trips	41.18	32.92
Financial		
Net passenger revenues	\$ 99,528,000	\$ 83,192,000
Other operating revenues	\$ 7,120,000	\$ 6,421,000
Total operating revenues	\$106,648,000	\$ 89,613,000
Net operating expenses (excluding depreciation)	\$192,983,000	\$172,216,000
Farebox ratio (net passenger revenues to net operating expenses)	51.6%	48.3%
Operating ratio (total operating revenues to net operating expenses)	55.3%	52.0%
Net rail passenger revenue per passenger mile	11.1¢	11.0¢
Rail operating cost per passenger mile	20.0¢	20.8¢
Net average rail passenger fare (c)	\$1.40	\$1.38

BART patronage for the fiscal year 1990 totaled 70,549,547, an increase of 10,092,543 over fiscal year 1989 and the highest patronage figure in the District's history. The record total reflects, of course, the unprecedented use of BART following the closure of the Oakland-San Francisco Bay Bridge on October 17, 1989.

The District estimated share of peak period transbay traffic during FY1990, including cars, buses and trains, reached 50 percent, based on surveys taken during the year by the Metropolitan Transportation Commission. BART's estimated share of transbay commute traffic was 39.2 percent for FY1989. The 1990 figure reflects the fact that, during the month that the Bay Bridge was out of service, average weekday commute patronage on BART regularly exceeded 350,000.

Net passenger revenues reached \$99,528,000 for FY1990, an increase of \$16,336,000 over the FY1989 figure of \$83,192,000. Total operating revenues, including more than \$7,120,000 in interest income, advertising in trains and stations and other income, were \$106,648,000, an increase of \$17,035,000 from the previous fiscal year.

BART funded 51.6 percent of its net operating expenses which amounted to \$192,983,000 (excluding depreciation) for FY1990 from net passenger revenues. This farebox ratio amounted to 48.3 percent the previous year.

BART's operating ratio, which relates total operating revenues to net operating expenses amounted to 55.3 percent for FY1990, compared with 52 percent for the previous year. The District's objective is to fund no less than one-half of its net rail operating expenses from operating revenues.

Net rail passenger revenue per passenger mile for FY1990 was 11.1 cents, compared to 11 cents for the previous year. Rail operating

costs per passenger mile for FY1990 was 20 cents, compared with 20.8 cents for the previous year.

Weekday passenger trips averaged 241,525 for FY1990, compared with 207,231 for FY1989. On November 16, 1989, passenger trips throughout the system reached a record peak of 357,135. Average weekday ridership for the fourth quarter of FY1990 was 244,268 trips, 14.2 percent above the same quarter for FY1989. Total trips on BART for the fourth quarter of FY1990 amounted to 18,081,579, 15.2 percent above the same quarter the year before. These quarterly figures indicate a marked "permanent" increase in BART ridership during the year, notwithstanding the extraordinary increase in patronage that took place temporarily following the closure of the Bay Bridge.

Annual passenger miles reached 891,228,943 for FY1990, an increase of 134,003,713 over the previous year.

In addition to funds derived from passenger fares, interest income and advertising, BART received \$106.1 million in revenue from 75 percent of the one half cent transit sales tax in the three BART counties, \$4 million in local funds and \$9.8 million in property tax available for operations.

Of the \$106.1 million derived from the sales tax, \$14.6 million was allocated to debt service and \$91.5 million was made available for operations.

BART Directors again reduced the property tax rate on the levy for repayment of the principal and interest of \$792 million in general obligation bonds approved by voters in 1962 for construction of the system. Directors set a tax rate of 3.19 cents per \$100 assessed value, down from 3.72 cents for the previous fiscal year. The property tax generated revenues of \$48.1 million from property owners in Alameda, Contra Costa and San Francisco counties, the three counties making up the District.

NOTES General note: Data represents annual averages unless otherwise noted.
 (a) Based on MTC Post-Earthquake Commute Survey (March 1990)
 (b) At 8 a.m. each day (c) Includes BART/MUNI Fast Pass

F I N A N C I A L S T A T E M E N T S

INDEPENDENT AUDITORS' REPORT The Board of Directors of San Francisco Bay Area Rapid Transit District:

We have audited the accompanying balance sheets of San Francisco Bay Area Rapid Transit District (the District) as of June 30, 1990 and 1989, and the related statements of operations, capital and changes in financial position for the years then ended. These financial statements and the supplemental schedule discussed below are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An

audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of San Francisco Bay Area Rapid Transit District at June 30, 1990 and 1989, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of reconciliation of excess operating revenues over (under) expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte + Touche

Deloitte & Touche
Oakland, California

Grant & Smith

Grant & Smith
September 7, 1990

BALANCE SHEETS,

JUNE 30, 1990 AND 1989 (In thousands)

ASSETS	1990	1989
CURRENT ASSETS:		
Cash and investments (Note 3)	\$ 274,035	\$ 304,544
Deposits held by trustee (Note 3)	24,551	24,332
Notes and other receivables	23,925	16,483
Materials and supplies - at average cost	15,884	14,623
Total Current assets	<u>338,395</u>	<u>359,982</u>
DEFERRED COMPENSATION PLAN INVESTMENTS (Notes 3 and 9)	55,558	47,855
INVESTMENTS RESTRICTED FOR BOARD DESIGNATED PURPOSES (Note 3)	20,586	25,270
FACILITIES, PROPERTY AND EQUIPMENT - At cost, less accumulated depreciation (Note 4)	<u>1,741,570</u>	<u>1,670,319</u>
TOTAL ASSETS	<u><u>\$2,156,109</u></u>	<u><u>\$2,103,426</u></u>

LIABILITIES AND CAPITAL	1990	1989
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 5)	\$ 36,290	\$ 42,585
Payroll and other liabilities	51,912	64,824
Self-insurance liabilities	10,946	7,669
Unearned passenger revenue	2,070	1,832
Total current liabilities	<u>101,218</u>	<u>116,910</u>
DEFERRED COMPENSATION (Note 9)	55,558	47,855
LONG-TERM DEBT (Note 5)	<u>460,775</u>	<u>497,065</u>
CAPITAL:		
Grants and contributions, net	775,555	746,535
Accumulated net revenues	763,003	695,061
Total Capital	<u>1,538,558</u>	<u>1,441,596</u>
TOTAL LIABILITIES AND CAPITAL	<u><u>\$2,156,109</u></u>	<u><u>\$2,103,426</u></u>

See notes to financial statements

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989 (In thousands)

	1990				1989			
	<u>OPERATIONS</u>	<u>CONSTRUCTION</u> (Note 2)	<u>DEBT SERVICE</u>	<u>COMBINED TOTAL</u>	<u>OPERATIONS</u>	<u>CONSTRUCTION</u> (Note 2)	<u>DEBT SERVICE</u>	<u>COMBINED TOTAL</u>
OPERATING REVENUES:								
Fares	\$ 99,528			\$ 99,528	\$ 83,192			\$ 83,192
Other (including investment income)	7,120			7,120	6,421			6,421
Total operating revenues	<u>106,648</u>			<u>106,648</u>	<u>89,613</u>			<u>89,613</u>
OPERATING EXPENSES:								
Transportation	65,033			65,033	61,656			61,656
Maintenance	79,186			79,186	71,598			71,598
Police services	11,011			11,011	9,801			9,801
Construction and engineering	6,322			6,322	6,722			6,722
General and administrative	40,075			40,075	31,772			31,772
Depreciation	44,634			44,634	37,767			37,767
Total operating expenses	<u>246,261</u>			<u>246,261</u>	<u>219,316</u>			<u>219,316</u>
Less capitalized costs	(8,644)			(8,644)	(9,333)			(9,333)
Net operating expenses	<u>237,617</u>			<u>237,617</u>	<u>209,983</u>			<u>209,983</u>
OPERATING LOSS	<u>(130,969)</u>			<u>(130,969)</u>	<u>(120,370)</u>			<u>(120,370)</u>
OTHER REVENUES (EXPENSES):								
Transactions and use tax	91,512		\$14,552	106,064	86,120		\$14,494	100,614
Property tax	9,782		51,671	61,453	9,083		54,995	64,078
State financial assistance					362			362
Local financial assistance	413			413	370			370
Sale of tax benefits		\$14,244		14,244		\$ 3,077		3,077
Other investment income		20,176	2,144	22,320		22,471	2,380	24,851
Interest expense			(27,926)	(27,926)			(25,683)	(25,683)
Other - net			(34)	(34)			(41)	(41)
Total other revenues	<u>101,707</u>	<u>34,420</u>	<u>40,407</u>	<u>176,534</u>	<u>95,935</u>	<u>25,548</u>	<u>46,145</u>	<u>167,628</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ (29,262)</u>	<u>\$34,420</u>	<u>\$40,407</u>	<u>\$ 45,565</u>	<u>\$ (24,435)</u>	<u>\$25,548</u>	<u>\$46,145</u>	<u>\$ 47,258</u>

See notes to financial statements.

STATEMENTS OF CAPITAL

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989 (In thousands)

	GRANTS AND CONTRIBUTIONS	ACCUMULATED NET REVENUES	TOTAL
BALANCES, JUNE 30, 1988	\$680,072	\$632,516	\$1,312,588
EXCESS OF REVENUES OVER EXPENSES		47,258	47,258
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	81,750		81,750
Depreciation and retirements of assets acquired with grants and contributions	(15,287)	15,287	
BALANCES, JUNE 30, 1989	746,535	695,061	1,441,596
EXCESS OF REVENUES OVER EXPENSES		45,565	45,565
OTHER ADDITIONS (DEDUCTIONS):			
Grants and contributions	51,397		51,397
Depreciation and retirements of assets acquired with grants and contributions	(22,377)	22,377	
BALANCES, JUNE 30, 1990	<u>\$775,555</u>	<u>\$763,003</u>	<u>\$1,538,558</u>

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED JUNE 30, 1990 AND 1989 (In thousands)

	1990	1989
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 45,565	\$ 47,258
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	44,634	37,767
Capitalized interest income (expense)	2,040	(4,052)
Net effect of changes in:		
Deferred compensation plan liabilities	7,703	10,361
Notes and other receivables	(1,388)	(1,092)
Materials and supplies	(1,261)	453
Payroll and other liabilities	(4,845)	4,108
Self-insurance liabilities	3,277	1,356
Unearned passenger revenue	238	212
Net cash provided by operating activities	<u>95,963</u>	<u>96,371</u>
INVESTMENT ACTIVITIES:		
Expenditures for facilities, property and equipment	(126,924)	(116,393)
Proceeds from sale of investments	432,152	308,335
Purchase of investments	(432,152)	(308,335)
Total cash used by investment activities	<u>(126,924)</u>	<u>(116,393)</u>
FINANCING ACTIVITIES:		
Repayments of long-term debt	(42,585)	(38,880)
Capital grant contributions received	45,343	75,498
Total cash provided by financing activities	<u>2,758</u>	<u>36,618</u>
CASH AND INVESTMENTS (Note 3):		
Net increase (decrease) for year	(28,203)	16,596
Beginning of year	398,388	381,792
End of year	<u>\$370,185</u>	<u>\$398,388</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The District capitalizes certain interest revenue and expenditures related to tax-free borrowings. The net effect of such interest capitalization was to decrease expenditures for facilities, property and equipment by \$2,040,000 during the year ended June 30, 1990 for excess interest revenue over interest expenses from applicable borrowings and to increase expenditures for facilities, property and equipment by \$4,052,000 during the year ended June 30, 1989 for excess interest expenses over interest revenue from applicable borrowings.

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

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

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

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

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

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

The District receives property tax revenues to meet the debt service requirements of its General Obligation Bonds. The District also receives an allocation of property tax revenues for transit operations.

San Francisco, Alameda and Contra Costa Counties assess properties, bill for, collect, and distribute property taxes. Property taxes are recorded as revenue and receivables, net of estimated uncollectibles, in the fiscal year of levy.

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

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

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

3. CASH AND INVESTMENTS

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

Deposits - At June 30, 1990 (and 1989), the District's cash on hand was \$2,082,000 (1989, \$968,000), and the carrying amount of the District's time and demand deposits was \$2,661,000 (1989, \$1,189,000) with the corresponding bank balance of \$9,826,000 (1989, \$4,867,000). Of the bank balance \$408,000 (1989, \$499,000) was insured by federal depository insurance or collateralized by securities held by the District's agent in the District's name, and \$9,418,000 (1989, \$4,368,000) was collateralized 110% as required by Section 53652 of the California Government Code by the pledging financial institutions. However, such collateral is not in the District's name.

Investments - State of California statutes and District policy authorize the District to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bankers' acceptances, repurchase and reverse repurchase agreements, and the State Treasurer's investment pool. The District did not enter into any reverse repurchase agreements during 1990 or 1989.

The District's investments are categorized below to give an indication of the credit risk assumed by the District at June 30, 1990. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

	(In Thousands)							Investments restricted for Board of Directors' designated purposes are summarized as follows (in thousands)		
	1990			1989						
	Category	Carrying Amount	Market Value	Carrying Amount	Market Value	Carrying Amount	Market Value			
1	2	3					1990	1989		
U S Treasury notes	\$ 25,155			\$ 25,155	\$ 25,219	\$ 12,955	\$ 12,959			
Federal agency obligations	241,324	\$15,921		257,245	257,185	303,494	303,849	Basic system completion	\$ 4,070	\$ 9,602
Repurchase agreements	17,802	9,682		27,484	27,484	31,927	31,927	System improvement	3,316	3,068
Total	<u>\$284,281</u>	<u>\$25,603</u>	<u>—</u>	309,884	309,888	348,376	348,735	Self-insurance	9,000	9,000
Cash on hand				2,082	2,082	968	968	Operating	4,200	3,600
Time and demand deposits				2,661	2,661	1,189	1,189	Total	<u>\$20,586</u>	<u>\$25,270</u>
Mutual funds - deferred compensation plan investments				55,558	55,558	47,855	47,855			
Total				<u>\$370,185</u>	<u>\$370,189</u>	<u>\$398,388</u>	<u>\$398,747</u>			
Reported as:										
Cash and investments				\$274,035		\$304,544				
Payroll and other liabilities (representing cash overdraft)				(4,545)		(3,613)				
Deposits held by trustee				24,551		24,332				
Deferred compensation plan investments				55,558		47,855				
Investments restricted for Board designated purposes				20,586		25,270				
Total				<u>\$370,185</u>		<u>\$398,388</u>				

4. FACILITIES, PROPERTY AND EQUIPMENT

Facilities, property and equipment, assets lives, and accumulated depreciation and amortization at June 30, 1990 and 1989 are summarized as follows (in thousands):

	Lives (Years)	1990		1989	
		Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land		\$ 203,466		\$ 184,048	
Improvements	80	1,191,500	\$223,488	1,168,682	\$208,521
System-wide operation and control	20	188,296	92,729	180,741	83,300
Revenue transit vehicles	30	375,563	100,440	305,348	86,898
Service and miscellaneous equipment	3-20	26,179	15,497	22,744	13,411
Capitalized construction and start-up costs	30	100,705	54,320	100,943	50,975
Repairable property items	30	12,087	3,379	10,141	3,409
Construction-in-progress		133,627		144,186	
Total		<u>\$2,231,423</u>	<u>\$489,853</u>	<u>\$2,116,833</u>	<u>\$446,514</u>

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$200 million at June 30, 1990

In June 1988, the District entered into Principles of Agreement (Agreement) with the San Mateo County Transit District (SamTrans) pertaining to extending the transit system to the vicinity of San Francisco International Airport (Airport). Under the terms of the Agreement, SamTrans will pay the District a \$200 million capital contribution, to be used for East Bay expansion and to be paid in installments (adjusted for inflation) upon reaching certain Airport extension milestones and, in addition, SamTrans will be responsible for funding 25% of the cost of extending the transit system to the Airport. District management's most current estimate, updated in 1990, of the cost of such Airport extension is approximately \$877 million. This project is contingent upon the District receiving adequate commitments for federal funding, and also upon expansion of the transit system in the East Bay.

5. LONG-TERM DEBT

Long-term debt at June 30, 1990 and 1989 is summarized as follows (in thousands):

	1990	1989
1962 General Obligation Bonds	\$349,100	\$389,300
1966 Special Service District Bonds	4,850	5,350
Total General Obligation Bonds	353,950	394,650
1985 Sales Tax Revenue Bonds	143,115	145,000
Total long-term debt	497,065	539,650
Current portion	(36,290)	(42,585)
Net long-term portion	\$460,775	\$497,065

1962 General Obligation Bonds - In 1962, voters of the member counties of the District authorized a bonded indebtedness totaling \$792 million of General Obligation Bonds. Payment of both principal and interest is provided by the levy of District-wide property taxes. Bond interest rates range from 1.5% to 6.0%.

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

1985 Sales Tax Revenue Bonds - The 1969 Legislature of the State of California authorized the District to impose a 1/2% transactions and use tax within District boundaries and issue Sales Tax Revenue Bonds. On September 30, 1977, the Governor signed legislation which extended the transactions and use tax indefinitely. The tax is collected and administered by the State Board of Equalization. Of amounts available for distribution, 75% is paid to the District's trustee for the purpose of paying bond interest, principal and expenses. Monies not required for these purposes are transmitted to the district. The remaining 25% is allocated by the MTC to the District, the City and County of San Francisco, and the Alameda-Contra Costa Transit District for transit services on the basis of regional priorities established by MTC.

In November 1985, the District issued sales tax revenue bonds (1985 bonds), totaling \$145,000,000, to refund and defease \$63,965,000 outstanding principal amount of sales tax revenue bonds issued in 1982, and to finance certain system improvements.

The 1985 bonds are special obligations of the District secured by a pledge of the sales tax revenues and are payable from revenues, including all sales tax revenues, all passenger fares, certain property tax revenues, and certain

interest, grants, and other income. Bond interest rates range from 6.40% to 9.00%. Bonds maturing on or after July 1, 1996 (\$127,250,000) are redeemable prior to maturity at the option of the District beginning July 1, 1995 on various dates at prices ranging from 103% to 100%, including bonds maturing July 1, 2004 (\$41,005,000) and July 1, 2011 (\$78,660,000) which are subject to redemption prior to maturity on or after July 1, 1998 and July 1, 2005, respectively, at 100%.

The following is a schedule of long-term debt principal repayments required as of June 30, 1990 (in thousands):

Year ending	1962 G.O. Bonds	1966 Special Service District Bonds	1985 Sales Tax Revenue Bonds	Total
June 30:				
1991	\$ 33,700	\$ 520	\$ 2,070	\$ 36,290
1992	34,975	540	2,270	37,785
1993	36,275	570	2,495	39,340
1994	37,525	590	2,735	40,850
1995	39,050	620	3,000	42,670
Thereafter	167,575	2,010	130,545	300,130
Total	\$349,100	\$4,850	\$143,115	\$497,065

1990 Sales Tax Revenue Refunding Bonds - In July 1990 the District issued sales tax revenue refunding bonds totaling \$158,478,000 with an average interest rate of 6.6% to advance refund \$141,045,000 of 1985 Sales Tax Revenue Bonds outstanding. The net proceeds of \$154,039,000, after payment of discount, underwriting fees, and insurance, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with a trustee to provide for all future debt service payments on the 1985 bonds. As a result, these bonds will be considered to be defeased and the liability for the bonds will be removed from the balance sheet during fiscal year 1991.

The advance refunding will result in the recognition of an accounting loss of \$15,961,000 during fiscal 1991. However, the advance refunding will reduce the District's aggregate debt service requirements by \$10,669,000 over the next 21 years and will result in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$9,600,000.

6. FEDERAL GRANTS

The U S Department of Transportation provides financial assistance to the District for capital projects and planning and training. Grants which were active during the year ended June 30, 1990 are summarized as follows (in thousands).

Total approved project costs	<u>\$451,837</u>
Total approved federal funds	\$353,478
Less cumulative amounts received	(288,962)
Remaining amount available under federal grants	<u>\$ 64,516</u>

7. LOCAL AND STATE FINANCIAL ASSISTANCE

The District receives local operating and capital assistance from Transportation Development Act Funds (TDA). For the year ended June 30, 1990 TDA assistance was \$413,000 (1989, \$375,000), of which none (1989, \$5,000) was used for capital purposes and \$413,000 (1989, \$370,000) was used for operating assistance. These funds are received from the counties of Alameda and Contra Costa to meet, in part, the District's operating and capital requirements based on annual claims filed by the District and approved by the MTC

The District receives state operating and capital assistance from State Transit Assistance Funds (STA). For the year ended June 30, 1990, STA assistance was \$183,000 (1989, \$501,000), of which \$164,000 (1989, \$139,000) was used for capital purposes, none (1989, \$362,000) was used for operating assistance and \$19,000 (1989, none) was used for flow-through projects. These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies.

8. EMPLOYEES RETIREMENT PLAN

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

The District was not required to make a contribution to the Fund for public safety personnel or for miscellaneous covered employees for the years ended June 30, 1990 and 1989 due to a surplus of the District's portion of the Fund's net assets over the District's pension benefit obligation caused by a change in 1988 in the actuarial valuation method and an actual rate of return on

investment assets that exceeded the assumed rate. The District's covered payroll for employees participating in the Fund for the years ended June 30, 1990 and 1989 was \$95,372,000 and \$85,746,000, respectively. The District's 1990 and 1989 payroll for all employees was \$109,991,000 and \$95,187,000, respectively. The District, due to a Collective Bargaining Agreement, also has a legal obligation to contribute an additional 9% for public safety personnel and 7% for miscellaneous covered employees. Employees have no obligation to contribute to the Fund.

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

The pension benefit obligation shown below was computed as part of an actuarial valuation performed as of June 30, 1989, the latest available for the Fund. The significant actuarial assumptions used in the 1989 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.5%, annual payroll increases of 5.5% attributable to inflation and 1.5% attributable to merit or seniority, and no postretirement benefit increases.

The funding status applicable to the District's employee group at June 30, 1989 (the latest available for the Fund) follows (in thousands):

<u>Pension benefit obligation:</u>	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 80,733
Current employees:	
Accumulated employee contributions and allocated investment earnings	82,326
Employer-financed, vested	28,972
Employer-financed, nonvested	1,534
Total pension benefit obligation	193,565
Net assets available for benefits, at cost (total market value, \$287,822)	<u>245,582</u>
Net assets in excess of pension benefit obligation	<u>\$ 52,017</u>

Actuarially Determined Contributions Required and Contributions

Made - The funding policy of the Fund provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to pay benefits when due. The District was not required to make a contribution to the Fund for the years ended June 30, 1990 and 1989 in accordance with the actuarially determined requirements computed as of June 30, 1989 and 1988, respectively. The District's surplus asset position is being offset against the current year's normal cost contribution. The actuarially determined normal cost contribution rate before reduction for the surplus asset amortization was 15.345% (1989, 15.342%) for public safety employees and 8.069% (1989, 8.201%) for miscellaneous employees.

The District's normal cost contribution rate is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. The Fund would use the same method to amortize any unfunded liability.

Significant actuarial assumptions used in the June 30, 1989 valuation to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

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

For the District's portion of the Fund, trend information for the years ended June 30, 1989, 1988, and 1987, follows (dollars in thousands).

	1989	1988	1987
Net assets available for benefits, at cost	\$245,582	\$214,290	\$189,801
Pension benefit obligation	\$193,565	\$171,353	\$151,795
Net assets available for benefits as a percentage of pension benefit obligation	127%	125%	125%
Assets in excess of pension benefit obligation	\$ 52,017	\$ 42,937	\$ 38,006
Annual covered payroll	\$ 85,746	\$ 83,178	\$ 79,940
Assets in excess of pension benefit obligation as a percentage of annual covered payroll	60.7%	51.6%	47.5%
Contributions made in accordance with actuarially determined requirements as a percentage of annual covered payroll	0%	0%	0%

Trend information for 1990 is not yet available.

9. DEFERRED COMPENSATION PLAN

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

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

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

10. MONEY PURCHASE PENSION PLAN

All District employees, except sworn police officers, participate in the Money Purchase Pension Plan which is a supplemental retirement program. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of covered employee's annual compensation (up to \$29,700 after deducting the first \$133 paid during each month) up to a maximum annual contribution of \$1,868. Additionally, the District contributes to each employee's account approximately 1.63% of covered payroll for the savings realized when the District de-pooled its Public Employees Retirement Fund (Fund) account. This amount was formerly paid to the employee's Fund account. Each employee's account is available for distribution upon such employee's termination.

The District's total expense and funded contribution for this plan for the years ended June 30, 1990 and 1989 was \$5,927,000 and \$5,587,000, respectively. Money Purchase Pension Plan assets at June 30, 1990 and 1989 (excluded from the accompanying financial statements) were \$76,878,000 and \$54,489,000, respectively.

11. LITIGATION AND DISPUTES WITH CONTRACTORS

In June 1990 the District received a claim from the manufacturer of the most recently acquired rail transit vehicles which the manufacturer values at \$128 million. The District is currently negotiating a settlement with the manufacturer and management believes that the ultimate resolution of this claim will

not have a material adverse impact on the financial position or results of operations of the District.

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

SUPPLEMENTAL SCHEDULE OF RECONCILIATION OF EXCESS OPERATING REVENUES OVER (UNDER) EXPENSES FOR THE YEARS ENDED JUNE 30, 1990 AND 1989

(In thousands)

The following is a reconciliation of excess operating revenues over (under) expenses after capital designations and before depreciation:

	1990	1989
EXCESS OF EXPENSES OVER REVENUES:		
Operations	\$(29,262)	\$(24,435)
CAPITAL DESIGNATIONS	(15,381)	(11,817)
DEPRECIATION	44,634	37,767
EXCESS OF OPERATING REVENUES OVER (UNDER) EXPENSES AFTER CAPITAL DESIGNATIONS AND BEFORE DEPRECIATION	<u>\$ (9)</u>	<u>\$ 1,515</u>

Capital designations are made by the District annually for capital purposes which represent the excess of revenue over expenses before depreciation generated by operations.

LEASING NEW BART CARS



BART is in the process of acquiring 70 new cars, including 20 to be for service on the District's existing 71.5-mile system. These 20 new cars will help to alleviate any shortage of cars during the time that the District's present A and B cars are gradually rebuilt during the next few years.

Another 50 new cars will be acquired to provide for increased passenger demand on the BART extensions underway in Alameda, Contra Costa and San Mateo counties.



The new BART Car Engineering and Maintenance team is shown here: (Front Row, L/R) Marcia McBrayer, Clerk; Kris Hari, Group Manager; Maurice Clapp, New Vehicle Engineering Manager, (Back Row L/R) Dave Johnston, Senior Engineer; R J Grimes, Engineer; Charles Jenkins, Supervising Engineer and John LaGuardia, Senior Engineer.

All of the new cars will be of the same basic configuration as BART's present C-Cars, but they will be modified in order to avoid specific problems that surfaced after the present C-Cars were placed in revenue service.

BART expects to acquire the 70 new cars through an innovative leasing arrangement that will save the District approximately \$20 million at the time of the transaction. In effect, BART will sell the depreciation rights in the cars to a company with tax liabilities that can be offset by depreciation costs. This arrangement not only lowers the costs of the cars to BART, but spreads over 20 years the District's cash requirements in acquiring the cars.

MONTHLY MANAGEMENT REPORT

BART instituted a monthly management report during the year that summarizes District performance as related to overall objectives. The new report includes an executive management summary that covers significant events during a month, and also identifies problems. Reports from managers below the executive level are also included.

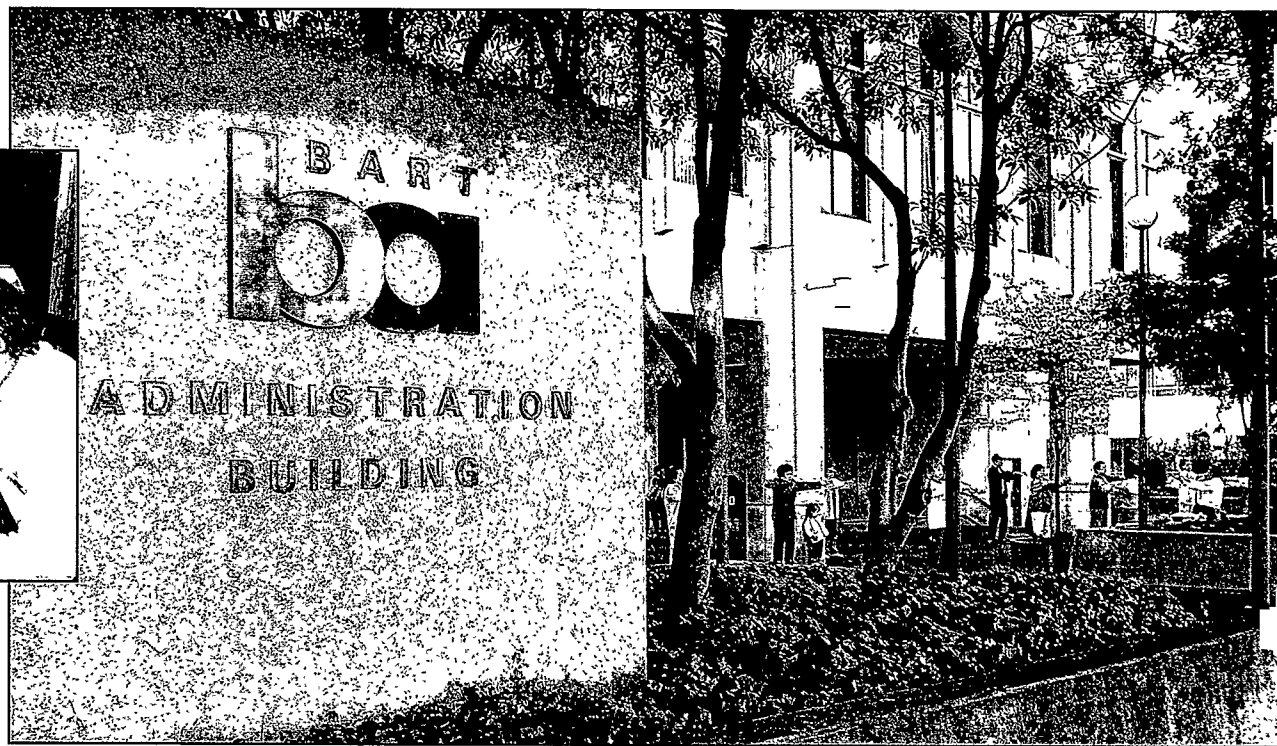
These managerial-level reports provide information on specific activities as defined, measured and costed during the new budget-making process. In other

words, the monthly reports are geared to tell how the District is doing, in terms of overall goals and budgeted resources; what problems are being encountered and how they're being addressed, and what remains to be accomplished of specific projects.

Recurring problems and trends are also identified in the monthly report. The report concludes with charts and graphs that provide, at a glance, information on the District's rail operations and how those operations relate to passenger satisfaction.



The preparation and distribution of the Monthly Management Report has resulted in a new line of communication with all BART employees, keeping them advised of new programs and progress on those in place. Shown here planning the report are (L/R) Julie Yim, BART Board Liaison Officer, principal architect of the report; Sherwood Wakeman, BART's General Counsel; John Haley, BART's Deputy General Manager and Frank Wilson, BART's General Manager.



NEW GOAL AND PERFORMANCE BUDGET

Bay Area Rapid Transit District – 1991

RENEWING TODAY
REALIZING THE VISION



The BART Budget is now linked to better service. Top Managers of the Budget Department are shown as they discuss the new budget planning process: (L/R) Barbara Oden, Budget Specialist; Beth Tripp; Department Manager, Office of Management and Budget; Joseph Evinger, Manager, Operating Budget.

People tend to think of a budget as a totaling up of expected spending and income over a year's time, a static device by an organization's top management to control spending.

BART instituted a new budget-making process during the year. The new process controls spending, of course, but it is more closely linked to BART's overall objectives and to ideas and suggestions from BART managers at all levels of the District.

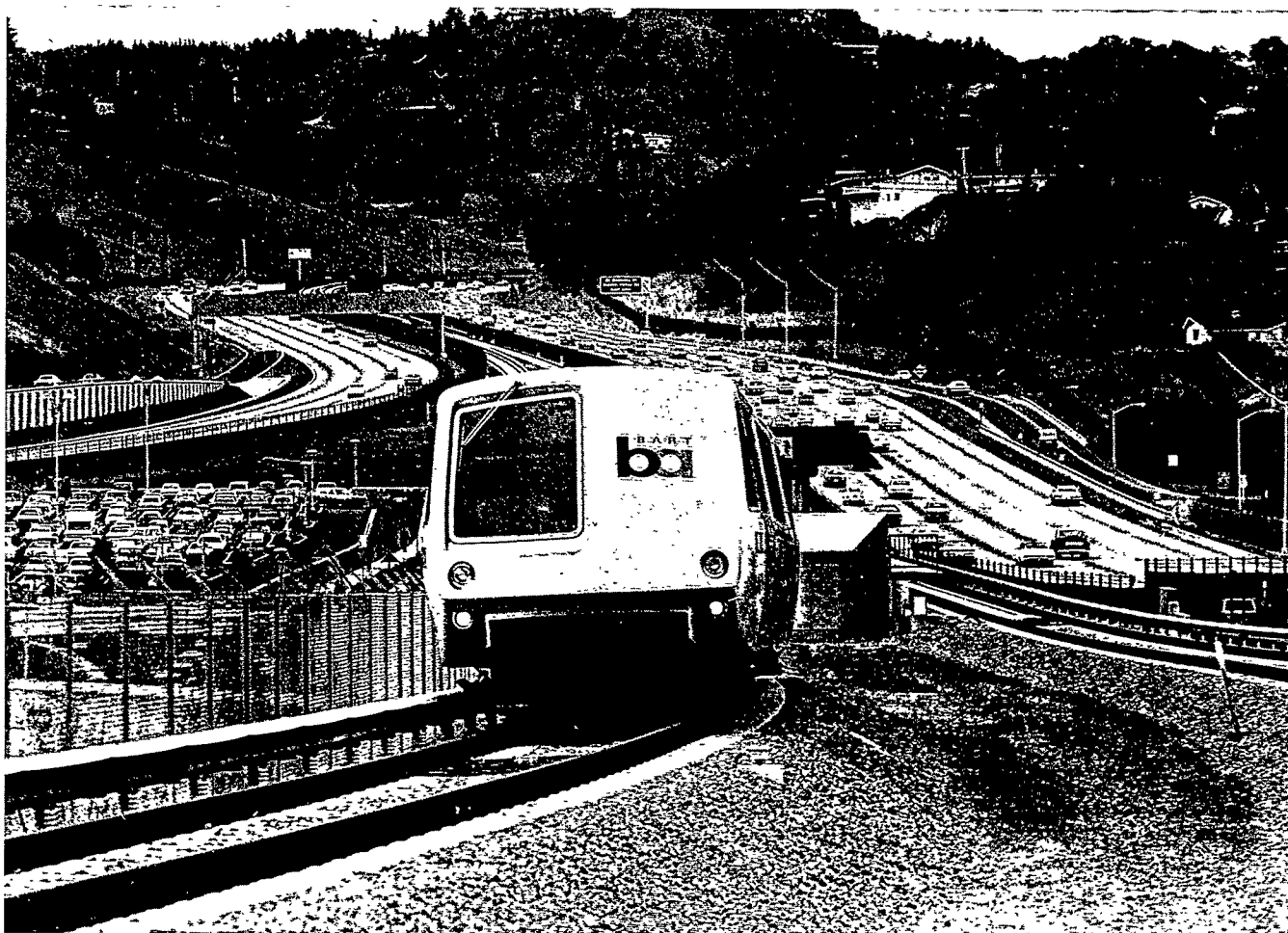
The new budget process is linked directly to BART's priority goal of providing better customer service. As they participate in the new process, managers at all levels of the District must ask themselves, "Does this activity contribute to better passenger service? Will the dollars spent really result in improved passenger satisfaction?"

Under the new process, budgeted activities must be measurable in terms of definite results linked to passenger service. The new process provides a comprehensive budget that defines the basis costs, department by department, to meeting BART's objectives. It also provides for new activities, but defines the exact cost of these new initiatives and specifies how they are to be measured.

In proposing a new program or procedure, as well as in retaining existing activities, BART managers are required to answer the questions, "How much does this activity cost in terms of money and human resources?" "How is it linked to the District's priority objectives?" and "How are its results to be measured and evaluated?"

The new budget process not only brings spending strictly in line with well defined District objectives, but it also encourages personal initiative and responsibility. It encourages managers to perceive their departmental 'domain' as part of a larger organization committed to passenger service. It encourages better communication among all levels of BART employees. Finally, it encourages improved personal accountability and better measurability of all BART activities.

MAXIMIZING EMPLOYEE RESOURCES



BART initiated the first stage of an organizational development program aimed at making the best possible use of its human resources. The overall objective of the program is to ensure better service to passengers.

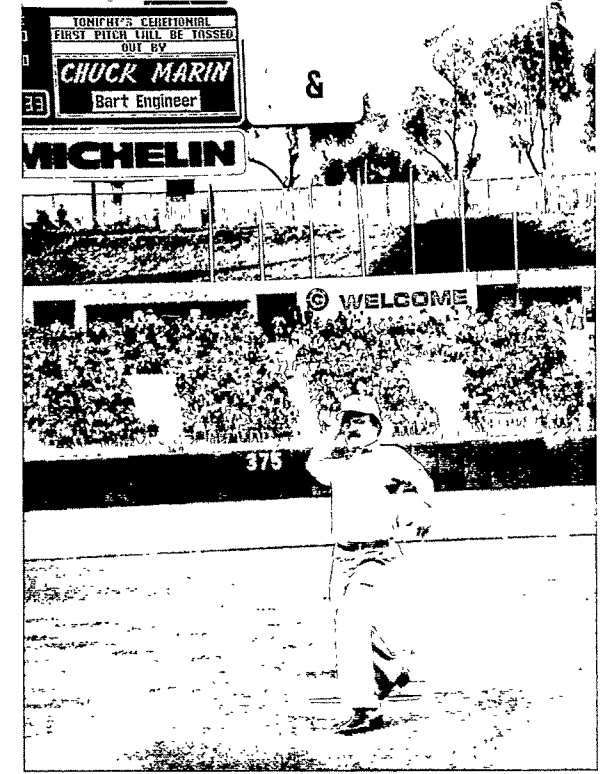
The new program is based on an employee “empowerment” concept, the idea that all employees should feel a personal responsibility and commitment for the way that BART operates and that outmoded bureaucratic procedures should not stifle personal initiative or get in the way of providing good customer service. The new program will involve every level of the District in an effort to improve overall performance in a cohesive and coordinated manner. One aspect of the program focuses on clearly identifying and stating the District’s guiding principles, values and goals and making sure activities throughout the District are in line with those principles, values and goals.

The program emphasizes personal accountability for better passenger service. It encourages decision making and initiative at lower levels of the organization, not just at the top. Special attention is focused on involving BART employees in decision making, problem solving, and team work to achieve better customer service. The new program will require two to three years to implement and is prompted by BART’s recognition that the District will require the best efforts of its employees as the system is extended, the present system is rehabilitated and the number of passengers continues to increase.

S P E C I A L E V E N T S

Whether it was to run in the Bay-to-Breakers race, watch the Valkyries ride, attend a baseball game, go to the fair, hear Nelson Mandela, listen to a rock concert or shop for the holidays, BART passengers were able to rely on specially scheduled trains and buses to carry them to and from events throughout the year.

Nearly half of the people who headed for the Oakland Coliseum on June 30 to hear Mandela, Deputy President of the African National Congress, used BART to get there. Patronage on BART that day reached 142,326, a record Saturday. Music lovers used BART trains to reach the San Francisco Opera House to attend performances of Richard Wagner's "Ring" operas. Free shuttle buses whisked BART passengers from BART to the Festival at the Lake in Oakland. BART provided more special train service and links with buses for special events than ever before.



GENERAL MANAGER'S MESSAGE



BART WAS READY...AND THEN SOME

A year ago I wrote in these pages about the heritage, maturity and challenge of BART. I rhapsodized about our system and how we must plan, operate and deliver on our abilities and our promises.

"We can't miss a beat," I wrote.

Came 5:04 on the afternoon of October 17, and we didn't. In fact, we picked up a step or two. When the earth shook and buildings rattled, BART was there.

The Loma Prieta 'quake tested with unprecedented severity the facilities, equipment and people who make up the Bay Area Rapid Transit District. Within seconds of the devastating temblor, transportation throughout the Bay Area came to a virtual halt.

BART, along with all electricity-run transit systems, stopped cold. San Francisco went dark. Traffic lights were snuffed out in the midst of the normally heavy Tuesday evening commute. Freeway traffic was halted while police and emergency crews inspected overpasses and superstructures. The Cypress Freeway collapsed, killing scores

of commuters and tying up rescue personnel and stranded motorists. And, of course, a portion of the Bay Bridge collapsed, leaving a power-starved BART the only link between the two economic, financial and employment hubs of the north Bay.

Yet by midnight BART trains again began carrying passengers on our East Bay tracks. At 2:30, the following morning, BART trains were rolling through the Transbay Tube and into a still-darkened San Francisco. Full passenger service on all 71.5 miles and 34 stations of BART had been restored.

To the great credit of the engineers and contractors who built BART two decades ago -- our heritage -- and to the people who make it run today our maturity -- no passenger or BART employee was injured. The tracks, trains and structures that let us carry passengers came through in perfect operating order. Only minor damage -- cracked plaster, tumbled bookshelves and the like -- to the tune of \$2 million was inflicted at some support facilities.

Our response was simply another laurel in the legend that is BART. How were we able to get up-and-running at full capacity 10 long, hectic hours after being jarred by the strongest jolt to hit the area since the fabled 'quake of 1906?

People, teamwork and dedication. That's our answer.

Dedicated people working together as a team conceived, designed and built the BART system in the 1960s -- and they built it right. Dedicated people working together as a team got BART back on track in the hours following the 'quake.

Not only did they get BART back on track, they kept it there for more than a month while the San Francisco-Oakland Bay Bridge was out of service, carrying more than 10 million passengers to their

jobs and homes around the clock. The day before the bridge reopened, we carried 357,135 passengers -- a figure far beyond the wildest expectations of the system's original designers. Yet that day was only the climax to a month of weekday patronage that regularly exceeded 350,000. Before the 'quake, we carried an average of 218,000 passengers per work day.

Once the bridge was open again, commuters began a gradual return to their old, pre-earthquake patterns. Almost. BART retained the earned loyalty of nearly 20 percent of the people who switched to BART when the bridge was down. Average weekday patronage has climbed to 250,000, Saturday patronage is up 21 percent to 107,500, and Sunday patronage has risen 26.7 percent to 66,400. And the numbers are still climbing.

So we look back on a year of unprecedented testing of both BART, the system, and its people. Both made the grade, handsomely.

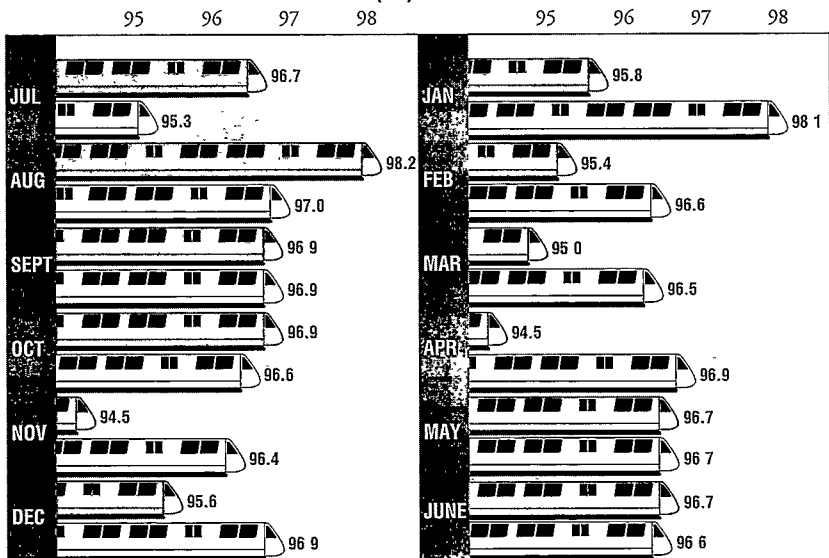
But the earthquake and closure of the Bay Bridge were not the only tests BART faced during the year. The renewal and expansion of BART's physical properties and the enhanced commitment of our employees have also been tested.

These are the tests -- the challenges -- that signify BART's future. They pose a greater test of our resources and of our spirit than even the Loma Prieta earthquake.

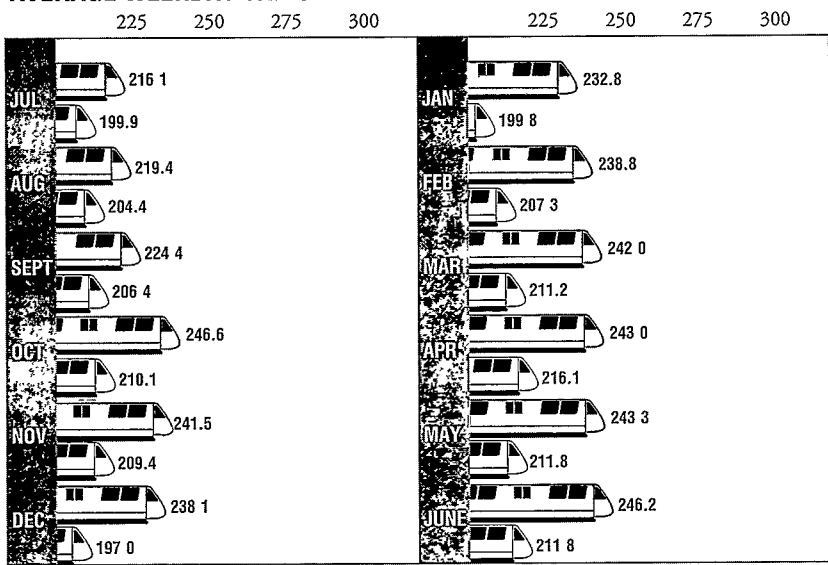
Let's look at the far limits of those challenges. First, we are expanding the BART system in three directions: eastward in Alameda and Contra Costa counties, and southward in San Mateo County. Second, we are revitalizing the original BART system, including passenger cars, stations, and control facilities.

Third, we are in the early stages of working to better channel our most valuable resource -- the people of BART. We are calling for

DAILY ON-TIME PERFORMANCE (%)



AVERAGE WEEKDAY TRIPS



greater individual responsibility and focusing our employees' efforts more sharply on the sine qua non of our professional existence: passenger service.

You will find details of BART's physical expansion program elsewhere in this Annual Report. Briefly, however, the bottom line is this: the basic programs are well underway and are solidly backed by the public. In June, the voters approved a trio of important transportation ballot measures that will provide a major portion of the funds we need to meet the commuting public's increasing demands.

But while we are expanding, we are also "rehabilitating" BART. My Webster's defines "rehabilitation" as "restoring to good health or good operation." BART is not sick and it is far from being in poor form. But a thorough review of our equipment and facilities shows that the original system, parts of which are 20 or more years old, need to be restored or replaced. Breakdowns have increased one-third in the past decade. Further deterioration will mean slower, less reliable and more costly service -- and disgruntled patrons.

We have targeted the original fleet of 439 passenger cars, power and mechanical facilities, tracks, structures and stations, train control and fare collection equipment, communication systems, destination signs, shops, towers and shop equipment.

Meanwhile, we have also embarked on a wholesale revision of our internal organization. Our objectives are twofold: to improve the efficiency of top management's decisions and the way they are followed through, and to encourage greater personal initiative and responsibility among all BART employees in carrying out the District's goals. A quintessential key to this revision is better internal communications -- not just from the top down, but from the bottom up.

Part of this "organizational rehabilitation" is our new budgeting procedures. Budgets now link department spending to goals and projects. This reform alone gives managers at all levels increased responsibilities and added rewards.

But our priority is still our passengers. All of the changes underway

at BART are geared to them.

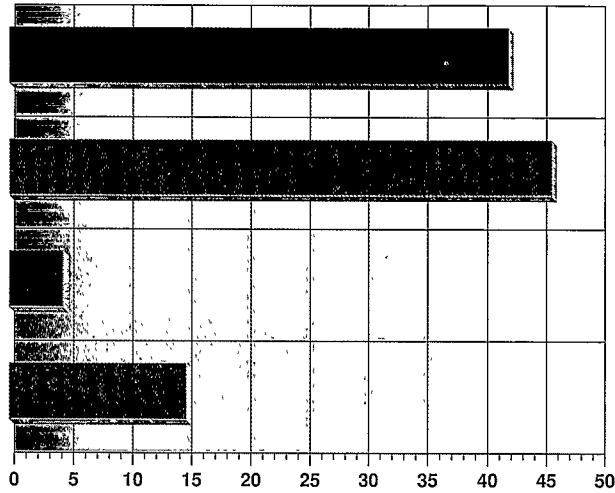
Before the dawn of the millennium -- less than a decade away -- most of our presently planned extensions should be in place, or nearly so, our physical rehabilitation program should be complete, and our organizational rehabilitation will have produced the finest corps of dedicated, motivated, empowered public transit employees in the world.

Our heritage is secure. Our maturity has been tested. Our challenge is clear: to harness our human and physical resources to improve our existing service delivery, and to provide, across the breadth of our expanded system, the best possible service to our future passengers.

When the earth moved, we met the challenge. We were ready... and then some. We face the challenges of the future with the same vigor.

Frank J. Wilson
General Manager, BART

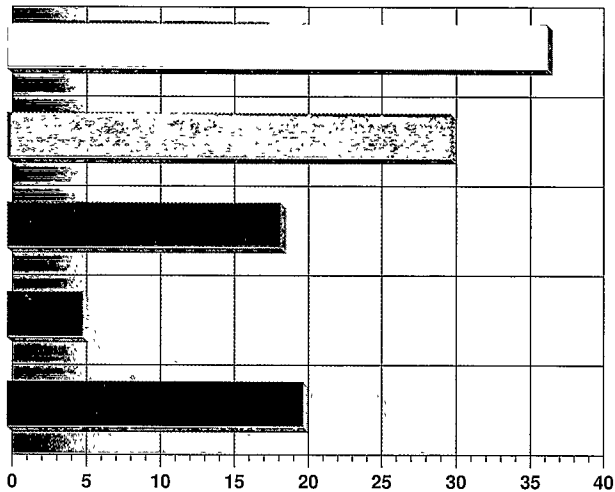
OPERATING FUNDS 1989/1990



SOURCE OF FUNDS (In Thousands)

- Transaction & Use Sales Tax
\$91,512 42.17%
- Fares
\$99,528 45.86%
- Property Tax
\$9,782 4.51%
- Other
\$16,186 7.46%
- Investment Income and Other Operating Revenues
\$7,120 3.28%
- Construction Funds
\$8,644 3.98%
- Regional Financial Assistance
\$413 0.19%
- Decrease in Working Capital*
\$9 0.01%

TOTAL
\$217,008 100.00%



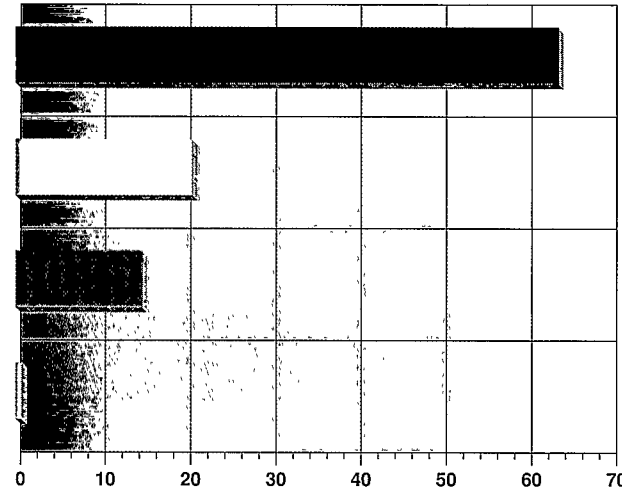
HOW FUNDS WERE APPLIED (In Thousands)

- Maintenance
\$79,186 36.49%
- Transportation
\$65,033 29.97%
- General Administration
\$40,075 18.47%
- Police Services
\$11,011 5.07%
- Other
\$21,703 10.00%
- Capital Designations
\$15,381 7.09%
- Construction & Engineering
\$6,322 2.91%

TOTAL
\$217,008 100.00%

* Funded excess of expenses over revenues

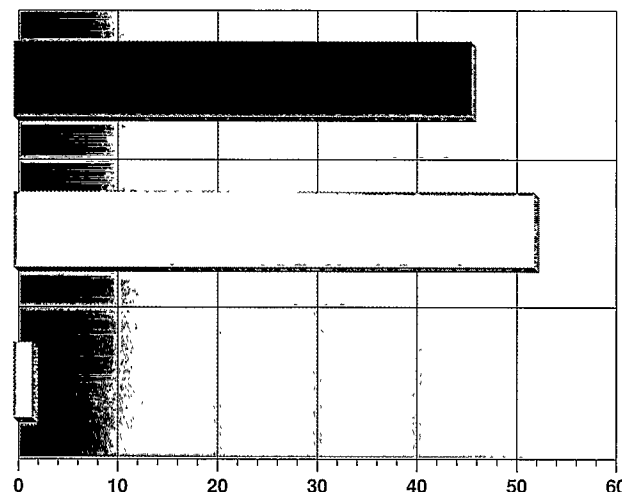
CAPITAL FUNDS 1989/1990



SOURCE OF FUNDS (In Thousands)

- District
\$82,343 63.70%
- Federal
\$26,841 20.76%
- State
\$19,230 14.87%
- Local
\$864 0.67%

TOTAL
\$129,278 100.00%



EXPENDITURES (In Thousands)

- Construction:
 - Line
\$4,121 3.19%
 - Systemwide
\$5,145 3.98%
 - Support Facilities
\$2,861 2.21%
- Equipment:
 - Train Control
\$60,202 46.57%
 - Communications
\$436 0.34%
 - Transit Vehicles
\$1,142 0.88%
 - Automatic Fare Collection
\$645 0.50%
 - Management Information
\$1,142 0.88%
 - Support Vehicles
\$645 0.50%
 - Other Equipment
\$1,811 1.40%
- Studies and Other
\$2,390 1.85%

TOTAL
\$129,278 100.00%

**San Francisco Bay Area
Rapid Transit District (BART)**

1000 HIGHTS #10 DOWNTOWN, OAKLAND, CALIFORNIA
1000 HIGHTS STREET, P.O. BOX 174333
OAKLAND, CA 94617-4333 (415) 749-6000

Established in 1957 by the California State Legislature,
BART is to plan, finance, construct, and operate a rapid
transit system.

BART is a Board of Directors elected for four-year terms
from the nine San Francisco Districts within the counties of
Alameda, Contra Costa and San Francisco.

BOARD OF DIRECTORS — Fiscal Year 1990

CHAIRMAN

John Bianco, El Sobrante

MEMBERS

John Boushous, Pleasanton

Members of the Board

Member 1 — Joe Fitzpatrick, Orinda

Member 2 — Nello Bianco, El Sobrante

Member 3 — Sue Hong, Berkeley

Member 4 — Margaret K. Pryor, Oakland

Member 5 — Erlene DeMarcus, Pleasanton

Member 6 — John Glenn, Fremont

Member 7 — William F. Ussery, San Francisco

Member 8 — Ade Hale Smith, San Francisco

Member 9 — Maura Bernick, San Francisco

Board-Appointed Officers

Frank F. Wilson, General Manager

Elizabeth Workman, General Counsel

John Fitzgerald, Controller/Treasurer

William E. Primmer, District Secretary

BART



**Executive Managers Reporting
to the General Manager**

John J. Haley, Jr., Deputy General Manager

Larry A. Williams, Executive Manager,

Human Resources & Support Services

Irene C. Borcover, Acting Executive Manager,

Public Relations & Support Services

Ralph S. Weule, Executive Manager,

Legal & Investigations

James T. Gallagher, Assistant General Manager,

Operations

Joseph C. Marzro, Assistant General Manager,

Development

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System Map: Arthur Richardson, BART Documentation

Writer: Dudley Creed, San Francisco

Editor: Sy Moubert, BART Public Information Office

