

**SAN FRANCISCO BAY AREA  
RAPID TRANSIT DISTRICT**

Annual Financial Report

For the Years Ended June 30, 2020 and 2019



Certified  
Public  
Accountants

# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

## Annual Financial Report

For the Years Ended June 30, 2020 and 2019

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the San Francisco Bay Area Rapid Transit District (the District) as of and for the years ended June 30, 2020 and 2019, 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Retiree Health Benefit Trust Fund of the District as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash

flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of employer pension contributions, the schedule of changes in net other postemployment benefit (OPEB) liability and related ratios, and the schedule of employer OPEB contributions identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 audit 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 24, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Walnut Creek, California  
November 24, 2020

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
For the Years Ended June 30, 2020 and 2019

**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, 2020 and 2019. 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 operates a 131-mile, 50-station system serving the five counties of Alameda, Contra Costa, San Francisco, San Mateo and Santa Clara. On June 13, 2020 the District celebrated the opening of the Berryessa Extension in Santa Clara County, which added two (2) stations and 10 miles of track to the system. The Operating and Maintenance agreement provides guidance on the financial, maintenance and operating responsibilities of each party, where Valley Transportation Authority (VTA) owns the extensions including the transit centers and the District operates the service and maintains the system. 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 Change 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*

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*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.

**Condensed Statements of Revenues, Expenses and Change in Net Position**

A summary of the District's Statements of Revenues, Expenses and Change in Net Position for the years 2020, 2019 and 2018 is as follows (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 394,934	\$ 554,684	\$ 546,614
Operating expenses, net	<u>(1,067,529)</u>	<u>(998,174)</u>	<u>(992,816)</u>
Operating loss	(672,595)	(443,490)	(446,202)
Nonoperating revenues, net	675,601	457,632	410,173
Capital contributions	256,676	204,176	233,728
Special item	<u>-</u>	<u>-</u>	<u>(20,486)</u>
Change in net position	259,682	218,318	177,213
Net position, beginning of year	<u>6,770,152</u>	<u>6,551,834</u>	<u>6,374,621</u>
Net position, end of year	<u>\$ 7,029,834</u>	<u>\$ 6,770,152</u>	<u>\$ 6,551,834</u>

**Operating Revenues**

In fiscal year 2020, due to the COVID-19 pandemic and shelter in place order instituted in the San Francisco Bay Area in March 2020, operating revenues decreased by \$159,750,000 primarily due to significant decline in ridership, which directly impacted passenger fare, parking revenue and advertising revenue. Average weekday ridership was 288,271 in fiscal 2020 compared to 410,774 in fiscal year 2019, a 29.8% decline. Ridership deteriorated to as low as 6.0% of the pre-COVID baseline and slowly recovered to about 12.0% by the end of June. Fare revenue declined by \$141,057,000 and parking revenue was lower by \$8,804,000. The drop in ridership has also caused a steep decline in the District's advertising revenue by \$9,693,000.

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2020 and 2019

**Operating Expenses, Net**

In fiscal year 2020, net operating expenses increased by \$69,355,000 primarily due to (1) an increase of \$52,196,000 in net salaries and benefits mostly from (a) an increase of \$47,596,000 in employee wages from additional 250 net positions hired in fiscal year 2020 and from wage increases per contractual labor agreements; (b) an increase of \$5,357,000 in health insurance expense due mostly to an increase in the number of employees insured; (c) an increase of \$35,428,000 in net pension expense recognized based on an actuarially determined valuation under the GASB 68 requirement; (d) an increase of \$9,415,000 in other benefits for costs of leave benefits earned, medicare contributions and other expenses that moved in tandem with an increase in wages; and offset by (e) net decrease of \$1,791,000 in other postemployment benefit expenses associated with the adoption of GASB 75 which requires recognition of postemployment benefit expenses based on an actuarially determined valuation; and (f) a decrease in labor expenses of \$43,972,000 resulting from increase in labor reimbursements charged to capital grants due to increase activity in capital projects, which was made possible by the shortened train operating hours as ridership plummeted due to the pandemic; (2) an increase of \$22,854,000 in depreciation expense due to additions to depreciable assets during the fiscal year, specifically on new revenue vehicles and the Hayward Maintenance Complex (HMC) project; (3) an increase of \$2,543,000 in rental expenses primarily due to two months of free office rent recognized in fiscal year 2019 for the District's headquarters; (4) a modest increase of \$1,354,000 in traction & station power attributed to increased transmission costs, as well as a modest increase in the District's total cost of electricity and other wholesale compliance products; (5) a \$2,273,000 reduction in Clipper and interchange fees due to decline in ridership; (6) a decrease of \$2,467,000 in miscellaneous expenses primarily due to election costs incurred in fiscal year 2019; (7) a decrease of \$2,274,000 in repairs and maintenance due to reduced train service; and (8) a net decrease of \$2,603,000 in materials and supplies due to inventory write-up.

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

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Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2020 and 2019

**Nonoperating Revenues, Net**

In fiscal year 2020, nonoperating revenues, net, increased by \$217,969,000 primarily from (1) an increase of \$42,598,000 in property tax revenue earmarked based on required debt service payments for the General Obligation Bonds; (2) an increase of \$4,307,000 in property tax revenue for general operations due to continued rise in property valuations in the San Francisco Bay Area; (3) a net increase in operating financial assistance of \$217,244,000 primarily from the following sources: (a) \$186,000,000 CARES Act grants received from the Federal Transit Administration (FTA) to cover revenue losses in passenger fares due to the COVID-19 pandemic; (b) Utilization of \$15,365,000 in Measure A funds previously set aside in the San Francisco Extension reserves to cover net operating losses of the extension in fiscal year 2020; (c) \$8,374,000 in Low Carbon Transit Operations Program grant used to cover the net operating expenses of the eBART extension in fiscal year 2020; (d) \$1,282,000 from State Transit Assistance (STA) County Block grant program used to support the elevator attendant initiative at Powell Street Station and Civic Center Station; (e) \$1,602,000 STA grants received on behalf of Samtrans as part of the settlement agreement between Samtrans and the District to cover the SFO Extension operating loss, and (f) \$4,090,000 increase in proceeds from sale of Low Carbon Fuel Standards credits; offset by (4) decrease of \$13,490,000 in sales tax revenue due to depressed economic activity since the lockdown in March 2020 to control the spread of COVID-19; (5) increase of \$29,774,000 in interest expense related mainly to the issuance of the 2019A Sales Tax Revenue Bonds, the 2019B RR General Obligation Bonds and the 2019F AA General Obligation Bonds and the non-capitalization of interest expense due to adoption of GASB Statement No. 89, and (6) increase of \$3,517,000 in debt issuance cost associated with the new bonds issued in the current fiscal year.

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

**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 2020, revenue from capital contributions increased by \$52,500,000 primarily from (1) a net increase of \$56,703,000 in grants received from federal sources mostly from the FTA spent on the following capital projects: (a) increase of \$31,840,000 for new rail transit vehicles; (b) increase of \$6,193,000 for the HMC project; (c) increase of \$4,663,000 for Wayside Equipment Project; (d) increase of \$1,276,000 for Fare Gate Renovation and Rehabilitation; (e) increase of \$2,684,000 for Station Speed Encoding Project; (f) increase of \$1,031,000 for CCTV funded by Department of Homeland Security (DHS); and (g) net



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increase of \$9,016,000 for other miscellaneous projects; (2) net increase of \$62,794,000 in grants received from local grants mostly for capital project expenses related to: (a) increase of \$1,621,000 for the 19th Street Modernization Project funded by Alameda County Transportation Commission (ACTC) Measure BB; (b) increase of \$1,991,000 for the Warm Spring Irvington Station Design funded by ACTC Measure B; (c) increase of \$2,093,000 for eBART Vehicles and \$1,455,000 for eBART Parking Lot projects funded by Regional Measure 1 (RM1) administered by Metropolitan Transportation Commission (MTC); (d) increase of \$29,990,000 in funding from MTC Regional Measure 2 (RM2), offset by decrease of \$12,557,000 in funding from MTC AB664 for the acquisition of new rail transit vehicles; (e) decrease of \$4,331,000 in funding for the Warm Spring Extension from MTC RM2 due to project completion; (f) increase of \$41,350,000 for the HMC Project and \$1,818,000 for spare parts for new transit vehicles funded by Valley Transportation Authority (VTA); (g) increase of \$6,768,000 in funding from Union City for the Union City Intermodal Project Phase 2; (h) increase of \$2,851,000 for the Canopy Project funded by the City and County of San Francisco from Proposition A General Obligation Bonds; (i) decrease of \$9,348,000 from Measure J and \$500,000 from West Contra Costa Transportation Advisory Committee (WCCTAC) for the El Cerrito Del Norte Gateway Project; and (3) net decrease of \$67,169,000 in grants received from the State of California mostly for expenses incurred related to the following projects: (a) a reduction of \$10,247,000 compared to fiscal year 2019 for the acquisition of new rail car offset by increase of \$1,000,000 for the Second Trans-bay Tube Project funded by State Transit Assistance for State of Good Repair (STA-SGR); (b) a decrease of \$11,941,000 for the Transition Barrier Project funded by Proposition 1B Security Grant; (c) a decrease of \$10,465,000 for the HMC Project and \$24,149,000 for the new rail transit vehicles project funded by High Speed Rail funds; and (d) a decrease of \$12,179,000 in funding for new rail vehicles funded by California Department of Transportation (CALTRANS) Low Carbon Transit Operations Program (LCTOP).

In fiscal year 2019, revenue from capital contributions decreased by \$29,552,000 primarily from (1) a net decrease of \$19,517,000 in funding from the Department of Homeland Security (DHS) mostly for the Transition Barrier and CCTV projects; (2) a decrease of \$10,396,000 in funding utilized from Proposition 1 B funds mostly due to lower expenditures related to Station Modernization projects, Train Control, Balboa Westside and Richmond East Station Intermodal projects; (3) a decrease of \$5,275,000 in High Speed Rail funds due to the full utilization of available grant funds; (4) a decrease of \$1,190,000 in funds received from the State Water Resources Control Board as remaining grant funds are fully expended for the Lafayette Parking project; (5) a decrease of \$2,151,000 in funds received from State TCRP grant funds due to the completion of the Warm Springs Extension Project and full utilization of grant funds allocated to the Livermore Extension project; (6) a decrease of \$10,031,000 from VTA for expenses incurred related to the HMC project; (7) a decrease of \$13,435,000 in revenue from MTC Regional Measure 2 due to completion of both the eBART and Warm Springs Extension; (8) a decline of \$2,417,000 in revenue recognized from the grant received from the Alameda County Transportation Commission (ACTC) Measure F for the Berkeley Station Plaza Improvement; (9) a decrease of \$2,634,000 in grants received from the East Contra Costa Transportation Regional Fee and Financing Authority (ECCRFFA) due to the winding down of activities for the eBART Extension; (10) a decrease of \$2,347,000 in revenue received from the San Francisco Municipal Transportation Agency (SFMTA) due to reduced joint use related maintenance activities; (11) a decrease of \$1,497,000 in Proposition K funds received from the San Francisco County Transportation Authority for the Balboa Eastside Improvement project primarily due to a reduction in project activity charged to the grant as funding is utilized in full; and offset by (12) an increase of \$12,179,000 in revenue recognized from LCTOP as funds received in fiscal year 2016, 2017 and 2018 were utilized during the year for the acquisition of rail cars; (13) an increase of \$10,247,000 in funding received from STA-SGR funds spent for the acquisition of rail vehicles; (14) an increase of \$8,314,000 in grant revenue generated from the State Proposition 1B Security Funds spent for the Transition Barrier and CCTV projects; (15) an increase of \$9,665,000 in MTC Bridge Toll AB 664 funds expended for the acquisition of

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rail vehicles; and (16) an increase of \$1,000,000 for funds received from the WCCTAC for the El Cerrito Del Norte Gateway project.

The major additions in fiscal years 2020 and 2019 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, 2020, 2019 and 2018 is as follows (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,632,531	\$ 1,298,040	\$ 1,589,289
Noncurrent assets - capital assets, net	9,186,320	8,415,023	7,960,289
Noncurrent assets - other	13,287	12,779	12,179
Total assets	10,832,138	9,725,842	9,561,757
Deferred outflow of resources	221,708	209,600	250,274
Current liabilities	453,660	369,751	365,685
Noncurrent liabilities	3,467,825	2,705,413	2,824,587
Total liabilities	3,921,485	3,075,164	3,190,272
Deferred inflow of resources	102,527	90,126	69,925
Net position			
Net investment in capital assets	7,127,402	6,840,499	6,586,781
Restricted	178,326	191,394	156,387
Unrestricted (deficit)	(275,894)	(261,741)	(191,334)
Total net position	<u>\$ 7,029,834</u>	<u>\$ 6,770,152</u>	<u>\$ 6,551,834</u>

**Current Assets**

In fiscal year 2020, current assets increased by \$334,491,000 primarily from (1) a net increase of \$94,108,000 in cash, cash equivalent and current investments mostly attributable to the following: (a) net increase of \$113,138,000 held from the proceeds of the 2019F Measure AA General Obligation Bonds issued in fiscal year 2020 for payments of seismic upgrade related expenses and net increase of \$2,583,000 in funds set aside for debt service; (b) a net increase of \$76,758,000 in cash and cash equivalent held from the proceeds of the 2019B Measure RR Bonds issued in fiscal year 2020 for payment of project related expenses and net increase of \$17,452,000 in funds set aside for debt service; (c) net increase of \$85,535,000 from the unused portion of cash and cash equivalent held from the proceeds of the 2019A Sales Tax Revenue Bonds issued in fiscal year 2020 and net increase of \$13,234,000 for amount set aside for debt service; (d) increase of \$10,294,000 in cash and cash equivalent from the \$10,000,000 contributions to the Section 115 Pension Trust set up in fiscal year 2020 and the related investment income earned; and offset by (e) decrease of \$58,880,000 in restricted cash and cash equivalent mostly from utilization of cash advances received in prior years from Proposition 1B and LCTOP grants and from the SFO reserves to cover net operating shortfall in fiscal year 2020; and (f) decrease of \$166,040,000 in current unrestricted cash, cash equivalent and investments mostly due to steep decline in passenger fare and parking revenue due to COVID-19; (2) increase of \$229,677,000 in grants receivable from the \$185,510,000 receivable from the FTA related to the CARES Act grants received and \$44,167,000 mostly from receivables associated with grants from the FTA and MTC related to funding for the new rail car replacement project; and (3) an increase of \$9,952,000 in inventory balance primarily for spare parts received for the new rail vehicles.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2020 and 2019

In fiscal year 2019, current assets decreased by \$291,249,000 primarily from (1) a decrease of \$62,285,000 in cash equivalents and investments held from the proceeds of the Measure AA General Obligation Bonds (GOB-AA) for payments of seismic upgrade related expenses, offset by an increase of \$9,534,000 in funds set aside for debt service; (2) a decrease of \$190,279,000 held in cash equivalent and investments from the proceeds of the 2017 Measure RR General Obligation Bonds (GOB-RR) for payments of various project expenses, offset by an increase of \$2,904,000 in funds set aside for debt service; (3) a decrease of \$38,522,000 in cash and cash equivalents and investments due to timing of payment of vendor invoices; (4) decrease of \$26,805,000 in grants receivable due to timing of incurring costs funded by grant funds and collection of the receivables; and offset by (5) an increase of \$1,638,000 from funds held by the Trustee for debt service of outstanding sales tax revenue bonds; and (6) an increase of \$11,590,000 in inventory balance primarily for spare parts received for the new rail vehicles both for eBART and the core system.

**Noncurrent Assets - Other**

Noncurrent assets – other increased in fiscal year 2020 and 2019 by \$508,000 and \$600,000, respectively, primarily from interest earnings on deposits and net credits received from budget settlement credited by Northern California Power Agency (NCPA) for the Lodi Energy Center.

**Current Liabilities**

In fiscal year 2020, current liabilities increased by \$83,909,000 primarily due to (1) an increase of \$57,995,000 in payables to vendors and contractors due to timing differences in receipt and settlement of invoices; (2) an increase of \$7,339,000 in payables to employees due to 16 days of accrued payroll in fiscal year 2020 compared to 14 days of accrued payroll in fiscal year 2019 and timing differences in the remittances of payroll taxes and benefits; (3) an increase of \$241,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) a net increase of \$10,239,000 in interest payable primarily due to accrued interest on the new bonds issued in fiscal year 2020 for Measure RR GOB, Measure AA GOB and Sales Tax Revenue Bonds, offset by a net reduction in interest accrued for bonds issued prior to the current fiscal year; (5) a decrease of \$53,840,000 in principal balances of outstanding Sales Tax Revenue and General Obligation Bonds for debt service payments made during the fiscal year; and (6) an increase of \$62,015,000 in current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt based on debt service schedules.

In fiscal year 2019, current liabilities increased by \$4,066,000 primarily due to (1) an increase of \$10,704,000 in payables to vendors and contractors due to timing differences in receiving and settlement of invoices; (2) a decrease of \$1,087,000 in payables to employees due to timing differences in the remittances of payroll taxes and benefits; (3) an increase of \$3,513,000 in the accruals of compensated absences estimated to be paid in the following fiscal year; (4) a decrease of \$928,000 in interest payable primarily due to reduction of \$50,835,000 in the District's bond obligations; (5) a decrease of \$50,835,000 in principal balances of outstanding Sales Tax Revenue and General Obligation Bonds for debt service payments made during the fiscal year; (6) an increase of \$53,840,000 in current portion of outstanding balances of Sales Tax Revenue and General Obligation Bonds reclassified from long-term debt based on debt service schedules; and (7) a decrease of \$11,438,000 in the estimated current portion of grants received in advance from Proposition 1 B funds received based on estimated project utilization.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2020 and 2019

**Noncurrent Liabilities**

In fiscal year 2020, noncurrent liabilities increased by \$762,412,000 principally from (1) an increase of \$8,430,000 in payables to employees due to timing in the utilization of accrued compensated absences particularly accrued vacation due to travel restrictions and fear to travel due to the COVID-19 pandemic; (2) a net increase of \$727,925,000 in long-term debt from: a) an increase of \$303,310,000 in Sales Tax Revenue Bonds payable from the issuance of the 2019A and 2019B Sales Tax Revenue Bonds offset by a decrease of \$72,335,000 in the principal balance of outstanding 2012A Sales tax Revenue Bonds due to defeasance; (b) an increase of \$360,000,000 in General Obligation Bonds payable from the issuance of the 2019B Measure RR GOB; (c) an increase of \$283,500,000 in General Obligation Bonds payable from the issuance of the 2019F and 2019G Measure AA GOB, offset by a decrease of \$59,540,000 in the principal balance of outstanding 2013 Measure AA GOB due to defeasance; (d) a decrease of \$8,175,000 in noncurrent balances of bonds payable due to the higher amount reclassified to current liability for Sales Tax Revenue and General Obligation Bonds in fiscal year 2019 (\$62,015,000) compared to fiscal year 2018 (\$53,840,000); (e) a decrease of \$135,535,000 in the principal balance of Sales Tax Revenue and General Obligation bond obligations due to debt service payments made in fiscal year 2020; (f) an increase of \$56,700,000 in the balance of unamortized issue premium due to \$94,281,000 additions in the current fiscal year related to the issuance of 2019 Measure AA GOB, 2019 Measure RR GOB and 2019 Sales Tax Revenue Bonds, offset by \$37,580,000 amortization and adjustment related to bond defeasance recognized in fiscal year 2020; (3) an increase of \$2,851,000 in noncurrent portion of reserves for workers compensation and general liability insurance; (4) an increase of \$61,789,000 in net pension liability; and offset by (5) a net decrease of \$3,252,000 in liabilities for OPEB due to a decrease of \$31,161,000 in unfunded liability for the Retiree Health Benefit Program offset by increase of \$ 27,909,000 in unfunded liability for the Survivors Benefit Program and Retiree Life Benefit Program primarily due to a 1.29% decrease in the discount rate used in the actuarial valuation, which were based on the Bond Buyer 20-Bond Index rate; (6) a decrease of \$15,506,000 in deferred revenue set aside for the SFO Extension due to reclassification of \$2,029,000 to current liability and utilization of \$13,477,000 in fiscal year 2020 to cover the net operating shortfall of the SFO Extension; (7) a decrease of \$19,508,000 to noncurrent portion of advances from grantors as funds are expended on capital projects; (8) a decrease of \$685,000 primarily due to amortization of prepayments received from long-term fiber optics contracts; and (9) a decrease of \$44,000 in payables to vendors and contractors due to timing differences in receiving and paying of invoices.

In fiscal year 2019, noncurrent liabilities decreased by \$119,174,000 principally from (1) a decrease of \$2,088,000 in payables to employees due to timing in the utilization of accrued compensated absences; (2) a decrease of \$19,860,000 in liabilities for OPEB primarily from a decrease in unfunded liability for the Retiree Health Benefit Program; (3) a decrease of \$6,627,000 in net pension liability; (4) a reduction of \$16,297,000 in balance of unamortized issue premium due to amortization recognized in fiscal year 2019; (5) a decrease of \$3,005,000 in noncurrent balances of bonds payable due to the lower amount reclassified to current liability for Sales Tax Revenue and General Obligation Bonds in fiscal year 2019 (\$53,840,000) compared to fiscal year 2018 (\$50,835,000); (6) a decrease of \$50,835,000 in principal balance of bond obligations due to debt service payment of Sales Tax Revenue Bonds and General Obligation Bonds; (7) a decrease of \$25,951,000 in the noncurrent portion of advances from grantors as funds are expended on capital projects; (8) a decrease of \$999,000 primarily due to amortization of prepayments received from long-term fiber optics contracts; and offset by (9) an increase of \$2,820,000 in payables to vendors and contractors due to timing differences in receiving and paying of invoices; (10) an increase of \$1,966,000 in unearned revenue for funds received from the San Mateo County Transit District (SamTrans), representing 2% of Measure A half-cent sales tax imposed in San Mateo County as part of the Tri-Party Financial Agreement associated with the operation of the SFO Extension (see Note 9); and (11) an increase of \$2,647,000 in noncurrent portion of reserves required for workers compensation and general liability insurance.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2020 and 2019

**Capital Assets**

Details of capital assets, net of accumulated depreciation, as of June 30, 2020, 2019 and 2018 are as follows (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land and easements	\$ 672,998	\$ 630,248	\$ 631,156
Stations, track, structures and improvements	5,129,916	5,168,657	5,104,310
Buildings	409,187	108,846	111,733
Revenue transit vehicles	488,736	265,153	133,156
Other	796,195	824,510	816,125
Construction in progress	1,689,288	1,417,609	1,163,809
Total assets	<u>\$ 9,186,320</u>	<u>\$ 8,415,023</u>	<u>\$ 7,960,289</u>

The District's capital assets before depreciation and retirements showed a net increase of \$1,001,836,000 and \$664,516,000 in fiscal year 2020 and 2019, respectively. In fiscal year 2020 the District commenced the process of decommissioning an old fleet of rail transit vehicles. A total of 12 transit vehicles with carrying cost of \$1,100,000 were decommissioned in fiscal year 2020. There were no major retirements on depreciable assets in fiscal year 2020.

Additions in capital assets included capital expenditures for the acquisition and/or major improvements related to the following assets (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Guideway	\$ 372,532	\$ 344,327	\$ 256,794
Passenger stations	118,225	93,591	78,078
Maintenance & administration buildings	234,993	59,683	55,932
Revenue transit vehicles	237,131	132,941	55,209
Communication and information systems	26,742	26,401	13,737
Automatic fare collections and other equipment	12,213	7,573	10,363
	<u>\$ 1,001,836</u>	<u>\$ 664,516</u>	<u>\$ 470,113</u>

A significant portion of the additions to maintenance & administration buildings in the current fiscal year are related to the acquisition of the District's new headquarters. Total acquisition cost of the new administration building, prior to build out cost, was \$139,282,000. The purchase price and the build out cost for the new building was financed through the issuance of the 2019A Sales Tax Revenue Bonds – please refer to Note 6 for further information. Other significant additions during the fiscal year are related to the costs to build the new HMC project, which is being constructed to accommodate the much larger and more technologically advanced new rail fleet. The additions to revenue transit vehicles are associated with the project cost to procure and replace the existing rail cars. At June 30, 2020, the District has received 226 new revenue transit vehicles and deployed in revenue service 202 cars.

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$2,793,354,000 and \$2,999,189,000 at June 30, 2020 and 2019, respectively.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2020 and 2019

**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, 2020, 2019 and 2018 are as follows (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Bonds payable from and collateralized by a pledge of sales tax revenues	\$ 712,455	\$ 506,135	\$ 528,810
General obligation bonds	1,282,740	809,660	837,820
	<u>\$ 1,995,195</u>	<u>\$ 1,315,795</u>	<u>\$ 1,366,630</u>

Total long-term debt in fiscal year 2020 increased by \$736,100,000 due to (1) an increase of \$303,310,000 in Sales Tax Revenue Bonds payable from the issuance of the 2019A and 2019B Sales Tax Revenue Bonds, offset by decrease of \$72,335,000 in the principal balance of outstanding 2012A Sales tax Revenue Bonds due to defeasance; (2) an increase of \$360,000,000 in General Obligation Bonds payable from the issuance of the 2019B Measure RR GOB; (3) an increase of \$283,500,000 in General Obligation Bonds payable from the issuance of the 2019F and 2019G Measure AA GOB, offset by decrease of \$59,540,000 in the principal balance of outstanding 2013 Measure AA GOB due to defeasance; (4) a decrease of \$135,535,000 in the principal balance of Sales Tax Revenue and General Obligation bond obligations due to debt service payments made in fiscal year 2020.

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

**Economic Factors and Next Year's Budgets**

On June 28, 2020, the District's Board of Directors adopted a balanced operating budget of \$914,853,000 and a capital budget of \$1,506,672,000 for fiscal year 2021 (FY21).

The FY21 budget for operating sources is \$32,401,000 lower than the fiscal year 2020 (FY20) budget due to the continued impact of the COVID-19 pandemic depressing ridership and associated revenue sources. The adopted FY21 budget incorporates several substantial changes from FY20. Most notably, it assumes that annual ridership does not surpass 50% of pre-COVID annual ridership levels. Projected revenue declines are partially offset by the allocation of federal CARES Act funds, budgeted at \$251,000,000 in FY21. On the expenditure side, the FY21 adopted budget includes \$43,800,000 in COVID-related enhanced cleaning and personal protective equipment (PPE) funding. It also includes a full year of service of the District's Berryessa Extension, which added two stations and over 10 miles of track to the system, bringing service to Santa Clara County. This cost increase was more than offset by a \$92,300,000 reduction in capital allocations and \$36,200,000 in labor savings, primarily from the defunding of 251 vacant positions.

FY21 operating revenues are severely constrained due to the COVID-related ridership decline. Rail passenger revenue is budgeted to be 69% lower (\$331,200,000) in FY21 than in the FY20 budget due to pandemic ridership impacts. Sales tax revenue is estimated to decrease by 14% or about \$38,000,000 in FY21 compared to the FY20 budget. Property tax revenue is budgeted to stay flat in the FY21 as compared to the FY20, due to an expectation of no price growth in the Bay Area real estate market.

The FY21 budget funds a rail service plan that balances extraordinary uncertainty, guidance for physical distancing on the system, and BART's crucial role supporting the economic recovery of the Bay Area. This plan includes reduced operating hours and headways while providing service to two new stations. Reductions to labor costs were made primarily by defunding 251 positions that were vacant at the beginning

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Years Ended June 30, 2020 and 2019

of the COVID-19 pandemic. BART's reduced service schedule allows the District to hold them vacant in FY21.

Despite reductions to capital allocations, the current operating budget supplies critical funding to capital programs. The FY21 operating budget includes \$15,000,000 for "baseline" State of Good Repair allocation, which includes local match on capital grants, repair of buildings and facilities, and tools and equipment. Despite these investments, the District must aggressively seek other funding sources to increase capital resources in order to maintain reliability. The BART Capital Improvement Program has identified a wide variety of system infrastructure funding needs.

A full \$1,142,810,000 (76%) of capital expenditures in FY21 are directed to System Reinvestment including a portion of the New Rail Car Program, the HMC project, replacement of train control system, traction power, trackway renovation and other capital projects. Service and Capacity Enhancement represents 12% of the budget and will focus on station access improvements and continued Core Capacity program development. The Earthquake Safety Program, which represents 4.5% of the FY21 capital budget, will focus on the Transbay Tube Seismic Retrofit project. Other capital work on essential security upgrades, life safety improvements, service and capacity enhancements, and ADA/system accessibility improvements will also continue.

**Contacting the District's Financial Management**

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

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**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Enterprise Fund

Statements of Net Position

June 30, 2020 and 2019

(dollar amounts in thousands)

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets		
Unrestricted assets		
Cash and cash equivalents	\$ 397,886	\$ 253,015
Investments	143,798	454,709
Government receivables	346,249	116,572
Receivables and other assets	32,426	35,257
Materials and supplies	60,940	51,118
Total unrestricted current assets	981,299	910,671
Restricted assets		
Cash and cash equivalents	518,430	250,362
Investments	127,191	135,110
Receivables and other assets	5,611	1,897
Total restricted current assets	651,232	387,369
Total current assets	1,632,531	1,298,040
Noncurrent assets		
Capital assets		
Nondepreciable	2,362,286	2,047,857
Depreciable, net of accumulated depreciation	6,824,034	6,367,166
Unrestricted assets		
Receivables and other assets	101	119
Restricted assets		
Receivables and other assets	13,186	12,660
Total noncurrent assets	9,199,607	8,427,802
Total assets	10,832,138	9,725,842
<b>Deferred Outflows of Resources</b>		
Losses on refundings of debt	13,442	20,131
Pension related		
Pension contribution subsequent to measurement date	94,013	77,215
Net differences between projected and actual earnings	-	4,588
Differences between actual and expected experience	40,476	10,532
Changes in assumptions	31,825	67,602
Other Post Employment Benefits related		
Differences between actual and expected experience	707	109
Net differences between projected and actual earnings	-	817
Changes in assumptions	41,245	28,606
Total deferred outflows of resources	\$ 221,708	\$ 209,600

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Enterprise Fund

Statements of Net Position, continued

June 30, 2020 and 2019

(dollar amounts in thousands)

	<u>2020</u>	<u>2019</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and other liabilities	\$ 325,760	\$ 249,947
Unearned revenue	45,985	45,294
Current portion of long-term debt	62,015	53,840
Self-insurance liabilities	19,900	20,670
Total current liabilities	<u>453,660</u>	<u>369,751</u>
Noncurrent liabilities		
Accounts payable and other liabilities	53,808	45,421
Unearned revenue	116,896	152,185
Long-term debt, net of current portion	2,139,177	1,411,252
Self-insurance liabilities, net of current portion	43,958	41,106
Net other postemployment benefits liability	353,321	356,573
Net pension liability	760,665	698,876
Total noncurrent liabilities	<u>3,467,825</u>	<u>2,705,413</u>
Total liabilities	<u>3,921,485</u>	<u>3,075,164</u>
<b>Deferred Inflows of Resources</b>		
Pension related		
Differences between actual and expected experience	371	971
Changes in assumptions	8,889	14,921
Net differences between projected and actual earnings	11,361	-
Other Post Employment Benefits related		
Net differences between projected and actual earnings	11,017	6,985
Differences between actual and expected experience	55,498	52,530
Changes in assumptions	15,391	14,719
Total deferred inflows of resources	<u>102,527</u>	<u>90,126</u>
<b>Net position</b>		
Net investment in capital assets	7,127,402	6,840,499
Restricted for debt service and other liabilities	178,326	191,394
Unrestricted (deficit)	(275,894)	(261,741)
Total net position	<u>\$ 7,029,834</u>	<u>\$ 6,770,152</u>

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Enterprise Fund  
Statements of Revenues, Expenses and Change in Net Position  
For the Years Ended June 30, 2020 and 2019  
(dollar amounts in thousands)

	<b>2020</b>	<b>2019</b>
<b>Operating revenues</b>		
Fares	\$ 341,587	\$ 482,644
Other	53,347	72,040
Total operating revenues	394,934	554,684
<b>Operating expenses</b>		
Transportation	221,809	223,089
Maintenance	403,242	370,506
Police services	84,054	74,360
Construction and engineering	39,789	36,257
General and administrative	269,863	225,504
Depreciation	230,198	207,345
Total operating expenses	1,248,955	1,137,061
Less - capitalized costs	(181,426)	(138,887)
Net operating expenses	1,067,529	998,174
Operating loss	(672,595)	(443,490)
<b>Nonoperating revenues (expenses)</b>		
Transactions and use tax - sales tax	266,895	280,385
Property tax	170,582	123,677
Operating financial assistance	282,938	65,693
Investment income	19,653	19,337
Interest expense	(60,906)	(31,132)
Other expense, net	(3,561)	(328)
Total nonoperating revenues, net	675,601	457,632
Change in net position before capital contributions	3,006	14,142
Capital contributions	256,676	204,176
Change in net position	259,682	218,318
Net position, beginning of year	6,770,152	6,551,834
Net position, end of year	\$ 7,029,834	\$ 6,770,152

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Enterprise Fund

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

(dollar amounts in thousands)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 344,107	\$ 480,369
Payments to suppliers	(217,917)	(199,396)
Payments to employees	(566,296)	(557,969)
Other operating cash receipts	<u>58,875</u>	<u>72,959</u>
Net cash used in operating activities	<u>(381,231)</u>	<u>(204,037)</u>
<b>Cash flows from noncapital financing activities</b>		
Transactions and use tax (sales tax) received	220,965	233,725
Property tax received	52,182	50,204
Financial assistance received	<u>80,574</u>	<u>57,056</u>
Net cash provided by noncapital financing activities	<u>353,721</u>	<u>340,985</u>
<b>Cash flows from capital and related financing activities</b>		
Transactions and use tax (sales tax) received	45,930	46,660
Property tax received	125,179	77,659
Capital grants received	151,644	201,729
Expenditures for facilities, property and equipment	(910,034)	(663,286)
Proceeds from disposition of property	2	1,333
Principal paid on long-term debt	(267,410)	(50,835)
Payments of long-term debt issuance and service costs	(3,561)	(21)
Proceeds from issuance of General Obligation Bonds	679,332	-
Proceeds from issuance of Sales Tax Revenue Bonds	361,758	-
Deferred interest paid for defeased bonds	(13,698)	-
Interest paid on long-term debt	(67,861)	(46,682)
Deposit refunded	<u>(526)</u>	<u>(624)</u>
Net cash provided by (used in) capital and related financing activities	<u>100,755</u>	<u>(434,067)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale and maturity of investments	1,200,286	754,412
Purchase of investments	(880,701)	(762,338)
Investment income (loss)	<u>20,109</u>	<u>18,560</u>
Net cash provided by investing activities	<u>339,694</u>	<u>10,634</u>
Net change in cash and cash equivalents	412,939	(286,485)
Cash and cash equivalents, beginning of year	<u>503,377</u>	<u>789,862</u>
Cash and cash equivalents, end of year	<u>\$ 916,316</u>	<u>\$ 503,377</u>
<b>Reconciliation of cash and cash equivalents to the Statements of Net Position</b>		
Current, unrestricted assets - cash and cash equivalents	\$ 397,886	\$ 253,015
Current, restricted assets - cash and cash equivalents	<u>518,430</u>	<u>250,362</u>
Total cash and cash equivalents	<u>\$ 916,316</u>	<u>\$ 503,377</u>

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Enterprise Fund

Statements of Cash Flows, continued

For the Years Ended June 30, 2020 and 2019

(dollar amounts in thousands)

	<b>2020</b>	<b>2019</b>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (672,595)	\$ (443,490)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	230,456	207,345
Provision for inventory obsolescence	(2,935)	775
Provision for doubtful accounts	1,676	1,580
Amortization of deferred charges and leasehold improvements	281	284
Accrual of employee retirement and post employment obligations	52,142	32,713
Amortization of deferred ground lease	(1,090)	(552)
Loss on disposal of assets	1,438	-
Net effect of changes in		
Receivables and other assets	5,944	(5,667)
Materials and supplies	(6,887)	(12,365)
Accounts payable and other liabilities	9,699	12,322
Self-insurance liabilities	2,080	2,812
Unearned revenue	(1,440)	206
Net cash used in operating activities	\$ (381,231)	\$ (204,037)
<b>Noncash transactions</b>		
Capital assets acquired with a liability at year-end	\$ 156,841	\$ 104,618
Increase in fair value of investments	1,122	1,550
Amortization of long-term debt premium and discount	(37,580)	(16,298)
Amortization of loss on early debt retirement	1,384	1,675
Donated capital assets given	-	307
Gain from exchange of property	-	731,771

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Retiree Health Benefit Trust  
 Statements of Trust Net Position  
 June 30, 2020 and 2019  
 (dollar amounts in thousands)

	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 177	\$ 68
Receivables and other assets	19,493	7,184
Investments		
Domestic common stocks	39,679	187,362
Domestic preferred stocks	5	-
U.S. Treasury obligations	37,597	54,719
Money market mutual funds	40,305	26,610
Mutual funds - equity	161,202	21
Mutual funds - debt securities	78,202	59,861
Corporate obligations	42,539	15,017
Foreign stocks and obligations	7,136	10,046
Total investments	406,665	353,636
Total assets	426,335	360,888
<b>Liabilities</b>		
Accounts payable	172	173
Pending trades payable	37,035	20,245
Total liabilities	37,207	20,418
<b>Net position restricted for retiree health benefits</b>	<b>\$ 389,128</b>	<b>\$ 340,470</b>

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Retiree Health Benefit Trust

Statements of Change in Trust Net Position

For the Years Ended June 30, 2020 and 2019

(dollar amounts in thousands)

	<u>2020</u>	<u>2019</u>
<b>Additions</b>		
Employer contributions	\$ 41,832	\$ 39,511
Investment income		
Interest income	5,362	6,371
Net appreciation in fair value of investments	27,425	13,485
Investment expense	<u>(552)</u>	<u>(470)</u>
Net investment income	<u>32,235</u>	<u>19,386</u>
Total additions	<u>74,067</u>	<u>58,897</u>
<b>Deductions</b>		
Benefit payments	25,130	24,060
Legal fees	7	8
Audit fees	16	16
Insurance expense	29	27
Administrative fees	<u>227</u>	<u>167</u>
Total deductions	<u>25,409</u>	<u>24,278</u>
Change in net position	<u>48,658</u>	<u>34,619</u>
<b>Net position restricted for retiree health benefits</b>		
Beginning of year	<u>340,470</u>	<u>305,851</u>
End of year	<u>\$ 389,128</u>	<u>\$ 340,470</u>

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

# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

## 1. Reporting Entity and Summary of Significant Accounting Policies

### Description of Reporting Entity

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

### Basis of Accounting and Presentation

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

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

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

### Cash Equivalents

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

### Investments

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

### Restricted Assets

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



# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

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

### Capital Grants/Contributions

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

### Materials and Supplies

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

### Bond Discounts, Premiums and Losses on Refunding

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

### Capital Assets

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

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

Major improvements and betterments to existing facilities and equipment are capitalized. Costs for maintenance and repairs that do not extend the useful life or the service utility 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. There were no capitalized interest expense in fiscal year 2020.

# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

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

### Capital Assets (Continued)

The District adopted GASB Statement 89, effective July 1, 2019, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. The amount of capitalized interest in fiscal year 2019 was \$13,258,000.

### 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.

### Compensated Absences

Compensated absences are reported and accrued as a liability in the period incurred. Compensated absences have a total balance of \$75,824,000 and \$67,153,000 as of June 30, 2020 and 2019, respectively, and are shown in the statements of net position under accounts payable and other liabilities (see Note 5) as follows (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>
Current liabilities	\$ 25,077	\$ 24,835
Noncurrent liabilities	50,747	42,318
Total	<u>\$ 75,824</u>	<u>\$ 67,153</u>

### Pollution Remediation

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

### Net Position

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

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

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

#### Transactions and Use Tax (Sales Tax) Revenues

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

#### Property Taxes, Collection and Maximum Rates

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

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

#### Operating Financial Assistance

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

# SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

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

### Collective Bargaining

Approximately 86% of the District's employees are subject to collective bargaining. The current bargaining units consist of the following:

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

### Capitalized Costs

The District initially charges employee salaries, wages and benefits to operating expenses by functional expense category. Labor costs included in those amounts that are associated with capital projects are subsequently adjusted to be included in the cost of the related capital asset. This adjustment is reflected in the statements of revenues, expenses and changes in net position as a reduction of operating expenses. The amounts of \$181,426,000 and \$138,887,000 were capitalized during the fiscal years ended June 30, 2020 and 2019, 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.

### 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.

### New Accounting Pronouncements Adopted

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. The objectives of the Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement is effective for the District's fiscal year ended June 30, 2020.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

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

**New Accounting Pronouncements Adopted (Continued)**

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This Statement is effective for the District’s fiscal year ended June 30, 2020. This Statement did not have a significant impact to the District’s financial statements.

**2. Cash and Cash Equivalents, and Investments**

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

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

	2020			2019		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Current assets						
Cash and cash equivalents	\$ 397,886	\$ 518,430	\$ 916,316	\$ 253,015	\$ 250,362	\$ 503,377
Investments	143,798	127,191	270,989	454,709	135,110	589,819
Total	<u>\$ 541,684</u>	<u>\$ 645,621</u>	<u>\$ 1,187,305</u>	<u>\$ 707,724</u>	<u>\$ 385,472</u>	<u>\$ 1,093,196</u>

In March 2019, the Board approved the creation of Pension Funding Policy and an Internal Revenue Service (IRS) Section 115 Irrevocable Supplemental Pension Trust for the purpose of providing additional funds to pay down the District’s liability base or be used as stabilization fund if the required CalPERS pension contributions exceed the budgeted projections. In fiscal year 2020, \$10,000,000 was deposited to the Section 115 account and together with investment earnings of \$294,000 is presented in the Statement of Net Position as part of current restricted cash and cash equivalent.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**2. Cash and 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:

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

Footnotes

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**2. Cash and Cash Equivalents, and Investments (Continued)**

**Investments Authorized by Debt Agreements**

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

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**2. Cash and Cash Equivalents, and Investments (Continued)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. One of the District's primary objectives is to provide sufficient liquidity to meet its cash outflow needs, however, the District does not have any policies specifically addressing interest rate risk, except as outlined in the CGC. A summary of investments by type of investments and by segmented time distribution as of June 30, 2020 and 2019 is as follows (dollar amounts in thousands):

	2020	Investment Maturities	
		Less Than 1	1 - 5
Money market mutual funds*	\$ 383,856	\$ 383,856	\$ -
U.S. Treasury	290,609	286,690	3,919
U.S. government agencies	65,824	65,824	-
Commercial paper	62,904	62,904	-
Foreign government bonds	121,889	121,889	-
Mutual funds	10,289	10,289	-
Certificates of deposit	882	882	-
Total investments subject to interest rate risk	936,253	\$ 932,334	\$ 3,919
Deposits with banks	248,527		
Imprest funds	2,525		
Total cash and investments	\$ 1,187,305		

	2019	Investment Maturities	
		Less Than 1	1 - 5
Money market mutual funds*	\$ 110,065	\$ 110,065	\$ -
U.S. Treasury	516,436	516,436	-
U.S. government agencies	19,810	19,810	-
Commercial paper	66,417	66,417	-
Foreign government bonds	52,703	52,703	-
Certificates of deposit	871	871	-
Total investments subject to interest rate risk	766,302	\$ 766,302	\$ -
Deposits with banks	323,734		
Imprest funds	3,160		
Total cash and investments	\$ 1,093,196		

\* weighted-average maturity



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**2. Cash and Cash Equivalents, and Investments (Continued)**

**Credit Risk**

The District's credit rating risk is governed by Section 53601 of the CGC which, among others, limits investments in money market mutual funds to those funds with the highest evaluations granted by the rating agencies, which is AAAM. The District has investments in U.S. Treasury and government agencies, and in money market mutual funds. There are no investment limits on the securities of U.S. Treasury or certain U.S. government agencies that are backed by the full faith and credit of the United States government. The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's, Fitch Ratings and/or Moody's as of June 30, 2020 and 2019 (dollar amounts in thousands):

	2020	Credit Ratings			
		AAA	AA	A	Not Rated
Money market mutual funds	\$ 383,856	\$ 383,856	\$ -	\$ -	\$ -
U.S. Treasury	290,609	290,609	-	-	-
U.S. government agencies	65,824	65,824	-	-	-
Commercial paper	62,904	62,904	-	-	-
Foreign government bonds	121,889	121,889	-	-	-
Mutual funds	10,289	-	-	-	10,289
Certificates of deposit	882	-	-	-	882
Total investments subject to credit risk	936,253	<u>\$ 925,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,171</u>
Deposits with banks	248,527				
Imprest funds	2,525				
Total cash and investments	<u>\$ 1,187,305</u>				

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**2. Cash and Cash Equivalents, and Investments (Continued)**

**Fair Value Hierarchy**

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

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

The following is a summary of the fair value of investments of the District as of June 30, 2020 and June 30, 2019 (dollar amounts in thousands):

<u>Investments at Fair Value Level</u>	<u>6/30/2020</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>6/30/2019</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Money market mutual funds	\$ 383,856	\$ -	\$ 383,856	\$ 110,065	\$ -	\$ 110,065
U.S. Treasury	290,609	282,821	7,788	516,436	516,436	-
U.S. government agencies	65,824	-	65,824	19,810	-	19,810
Commercial paper	62,904	-	62,904	66,417	-	66,417
Foreign government bonds	121,889	-	121,889	52,703	-	52,703
Mutual funds	10,289	-	10,289	-	-	-
Total investments at fair value	<u>935,371</u>	<u>\$ 282,821</u>	<u>\$ 652,550</u>	<u>765,431</u>	<u>\$ 516,436</u>	<u>\$ 248,995</u>
Excluded from FMV hierarchy reporting						
Certificate of deposit	882			871		
Total investments	<u>\$ 936,253</u>			<u>\$ 766,302</u>		

Investments valued at \$282,821,000 and \$516,436,000 in fiscal years 2020 and 2019, respectively, are classified in Level 1 of the fair value hierarchy. This asset category mainly consists of U.S Treasury securities which are valued using Institutional Bond quotes, i.e., quoted market prices in active markets.

Total investments valued at \$652,550,000 and \$248,995,000 in fiscal years 2020 and 2019, respectively, are classified in Level 2 of the fair value hierarchy. Fair value was determined using Matrix Pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**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, 2020 and 2019, 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.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 2. Cash and Cash Equivalents, and Investments (Continued)

#### Custodial Credit Risk - Deposits

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

#### Custodial Credit Risk - Investments

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

### B. Investments of the Retiree Health Benefit Trust

#### Investment Policy

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

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**2. Cash and Cash Equivalents, and Investments (Continued)**

**Interest rate risk**

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

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
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, 2020 and 2019 is as follows (dollar amounts in thousands):

	<u>2020</u>	<u>Investment Maturities (in Years)</u>			
		Less			More
		Than 1	1 - 5	6 - 10	Than 10
U.S. Treasury obligations	\$ 37,597	\$ 10,923	\$ 365	\$ 2,799	\$ 23,510
Money market mutual funds*	40,305	40,305	-	-	-
Foreign Obligations	4,726	-	203	3,925	598
Corporate obligations	42,539	11	5,342	19,462	17,724
Investments subject to interest rate risk	125,167	<u>\$ 51,239</u>	<u>\$ 5,910</u>	<u>\$ 26,186</u>	<u>\$ 41,832</u>
Domestic common stocks	39,679				
Domestic preferred stocks	5				
Foreign stocks	2,410				
Mutual funds - debt securities	78,202				
Mutual funds - equity	161,202				
Total investments	<u>\$ 406,665</u>				

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

\* Weighted-average maturity

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**2. Cash and Cash Equivalents, and Investments (Continued)**

**Credit Risk**

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

The following is a summary of the credit quality distribution for securities with credit exposure as rated by Standard & Poor's and/or Moody's as of June 30, 2020 and 2019 (dollar amounts in thousands):

	Credit ratings							
	2020	AAA	AA	A	BBB	BB	B	Not rated
U.S. Treasury obligations	\$ 37,597	\$ 37,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Money market mutual funds	40,305	40,305	-	-	-	-	-	-
Corporate obligations	42,539	4,492	951	13,801	22,902	307	86	-
Foreign obligations	4,726	-	2,033	920	1,773	-	-	-
Mutual funds - debt securities	78,202	-	-	-	-	-	-	78,202
Investments subject to credit risk	203,369	\$ 82,394	\$ 2,984	\$ 14,721	\$ 24,675	\$ 307	\$ 86	\$ 78,202
Domestic common stocks	39,679							
Domestic preferred stocks	5							
Foreign stocks	2,410							
Mutual funds - equity	161,202							
Total investments	\$ 406,665							

  

	Credit ratings							
	2019	AAA	AA	A	BBB	BB	B	Not rated
U.S. Treasury obligations	\$ 54,719	\$ 54,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Money market mutual funds	26,610	26,610	-	-	-	-	-	-
Corporate obligations	15,017	4,059	992	6,832	2,405	-	-	729
Mutual funds - debt securities	59,861	-	-	-	-	-	-	59,861
Investments subject to credit risk	156,207	\$ 85,388	\$ 992	\$ 6,832	\$ 2,405	\$ -	\$ -	\$ 60,590
Domestic common stocks	187,362							
Foreign stocks	10,046							
Mutual funds - equity	21							
Total investments	\$ 353,636							

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**2. Cash and Cash Equivalents, and Investments (Continued)**

**Fair Value Hierarchy**

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

The following is a summary of the fair value hierarchy of the fair value of investments of the Trust as of June 30, 2020 and June 30, 2019 (dollar amounts in thousands):

Investments by Fair Value Level	Fair Value Hierarchy							
	6/30/2020	(Level 1)	(Level 2)	(Level 3)	6/30/2019	(Level 1)	(Level 2)	(Level 3)
Domestic common stocks	\$ 39,679	\$ 39,679	\$ -	\$ -	\$ 187,362	\$ 187,362	\$ -	\$ -
Domestic preferred stocks	5	5	-	-	-	-	-	-
Foreign stocks	2,410	2,410	-	-	10,046	10,046	-	-
Money market mutual funds	40,305	40,305	-	-	26,610	26,610	-	-
Mutual funds - equity	161,202	172	161,030	-	21	21	-	-
Mutual funds - debt securities	78,202	-	-	78,202	59,861	-	-	59,861
Foreign Obligations	4,726	-	4,726	-	-	-	-	-
U.S. Treasury obligations	37,597	12,502	25,095	-	54,719	32,351	22,368	-
Corporate obligations	42,539	-	42,539	-	15,017	-	15,017	-
Total investments at fair value	<u>\$ 406,665</u>	<u>\$ 95,073</u>	<u>\$ 233,390</u>	<u>\$ 78,202</u>	<u>\$ 353,636</u>	<u>\$ 256,390</u>	<u>\$ 37,385</u>	<u>\$ 59,861</u>

Investments classified in Level 1 of the fair value hierarchy valued at \$95,073,000 and \$256,390,000 in fiscal years 2020 and 2019, respectively, are valued using quoted prices in active markets.

Investments amounting to \$233,390,000 and \$37,385,000 in fiscal years 2020 and 2019, respectively, are classified under Level 2 of the fair value hierarchy and are valued using matrix pricing, which is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments amounting to \$78,202,000 and \$59,861,000 in fiscal years 2020 and 2019, respectively, are classified under Level 3 of the fair value hierarchy using value obtained from issuer or determined by US Bank Specialty Assets unit.

**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, 2020 and 2019, 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.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**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, 2020 and 2019 (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>
Interest receivable - other investments	\$ 1,376	\$ 2,954
Deferred charges	118	143
Deposit for power supply	13,186	12,660
Off-site ticket vendor receivable	178	2,264
Capitol Corridor Joint Powers Authority receivable (Note 14)	1,419	2,508
Property tax receivable	6,497	2,315
Prepaid expenses	17,332	13,549
Imprest deposits for self-insurance liabilities	1,848	2,768
Other	13,014	12,804
Allowance for doubtful accounts	<u>(3,644)</u>	<u>(2,032)</u>
Total receivables and other assets	<u>\$ 51,324</u>	<u>\$ 49,933</u>
Current, unrestricted portion	\$ 32,426	\$ 35,257
Current, restricted portion	5,611	1,897
Noncurrent, unrestricted portion	101	119
Noncurrent, restricted portion	<u>13,186</u>	<u>12,660</u>
Total receivables and other assets, as presented in the basic financial statements	<u>\$ 51,324</u>	<u>\$ 49,933</u>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**4. Capital Assets**

Changes to capital assets during the fiscal year ended June 30, 2020 were as follows (dollar amounts in thousands):

	<u>Lives (Years)</u>	<u>2019</u>	<u>Additions and Transfers</u>	<u>Retirements and Transfers</u>	<u>2020</u>
<b>Capital assets, not being depreciated</b>					
Land and easements	N/A	\$ 630,248	\$ 42,750	\$ -	\$ 672,998
Construction in progress	N/A	<u>1,417,609</u>	<u>1,001,836</u>	<u>(730,157)</u>	<u>1,689,288</u>
Total capital assets, not being depreciated		<u>2,047,857</u>	<u>1,044,586</u>	<u>(730,157)</u>	<u>2,362,286</u>
<b>Capital assets, being depreciated</b>					
<b>Tangible asset</b>					
Stations, track, structures and improvements	8-80	6,197,798	81,328	-	6,279,126
Buildings	5-80	124,912	303,568	-	428,480
System-wide operation and control	20	722,870	3,432	-	726,302
Revenue transit vehicles	10-30	1,351,393	259,727	(21,286)	1,589,834
Service and miscellaneous equipment	3-20	415,723	6,488	(3,855)	418,356
Capitalized construction and start-up costs	30	592,494	-	-	592,494
Repairable property items	30	604,596	33,788	(4)	638,380
<b>Intangible asset</b>					
Information systems	20	<u>60,646</u>	<u>431</u>	<u>(428)</u>	<u>60,649</u>
Total capital assets, being depreciated		<u>10,070,432</u>	<u>688,762</u>	<u>(25,573)</u>	<u>10,733,621</u>
Less accumulated depreciation		<u>(3,703,266)</u>	<u>(230,456)</u>	<u>24,135</u>	<u>(3,909,587)</u>
Total capital assets, being depreciated, net		<u>6,367,166</u>	<u>458,306</u>	<u>(1,438)</u>	<u>6,824,034</u>
Total capital assets, net		<u>\$ 8,415,023</u>	<u>\$ 1,502,892</u>	<u>\$ (731,595)</u>	<u>\$ 9,186,320</u>

To replace the District’s aging fleet of revenue rail vehicles, on May 10, 2012, the Board of Directors authorized the award of a contract to Bombardier Transit Corporation for the procurement of additional and replacement cars. The base contract provides for the design, engineering, manufacture, testing, supply spare parts, special tools, test equipment, cab simulator, documentation, drawings, program management, in-service support, warranty, training and data submittal, management and support of 260 heavy rail transit vehicles, with several options to procure additional vehicles thereafter, including two options for 150 vehicles, one option for 115 vehicles, and one option for 100 vehicles. The District awarded the base contract for 260 vehicles and exercised options to the additional vehicles for a total purchase of 775 vehicles, comprised of 310 “D” (control cab-equipped) and 465 “E” (non- control) cars. The total project cost for the 775 vehicles is approximately \$2,584,000,000 and is being paid from funding sources including funds from FTA, MTC, VTA and from the District. In addition to the 775 new vehicles on order, the District plans to acquire an additional 425 new cars to enable a peak capacity of 30 scheduled ten-car trains per hour via the Transbay Tube, for the network as expanded to Santa Clara by Phase II of the Silicon Valley Extension. These additional cars will be all “E” (non-control cars), which will bring the revenue fleet to 310 “D” and 890 “E” cars, for a total of 1,200 cars. As of June 30, 2020, a total of 226 cars have been delivered and 202 have been deployed in revenue service.



## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 4. Capital Assets (Continued)

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

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

The total budget for the new building is \$227,000,000. The actual purchase price of the building is \$139,282,000. The remaining funds will be used for the build out of the work space, including a new BART Board room, all furniture, fixtures, equipment, and technology infrastructure and the cost to relocate.

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**4. Capital Assets (Continued)**

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

	<b>Lives (Years)</b>	<b>2018</b>	<b>Additions and Transfers</b>	<b>Retirements and Transfers</b>	<b>2019</b>
<b>Capital assets, not being depreciated</b>					
Land and easements	N/A	\$ 631,156	\$ -	\$ (908)	\$ 630,248
Construction in progress	N/A	1,163,809	664,516	(410,716)	1,417,609
Total capital assets, not being depreciated		<u>1,794,965</u>	<u>664,516</u>	<u>(411,624)</u>	<u>2,047,857</u>
<b>Capital assets, being depreciated</b>					
<b>Tangible asset</b>					
Stations, track, structures and improvements	8-80	6,013,843	183,955	-	6,197,798
Buildings	5-80	124,912	-	-	124,912
System-wide operation and control	20	715,914	6,972	(16)	722,870
Revenue transit vehicles	10-30	1,201,775	149,618	-	1,351,393
Service and miscellaneous equipment	3-20	406,716	10,646	(1,639)	415,723
Capitalized construction and start-up costs	30	599,849	-	(7,355)	592,494
Repairable property items	30	539,914	66,037	(1,355)	604,596
<b>Intangible asset</b>					
Information systems	20	59,800	846	-	60,646
Total capital assets, being depreciated		9,662,723	418,074	(10,365)	10,070,432
Less accumulated depreciation		<u>(3,497,403)</u>	<u>(207,602)</u>	1,739	<u>(3,703,266)</u>
Total capital assets, being depreciated, net		<u>6,165,324</u>	<u>210,472</u>	<u>(8,626)</u>	<u>6,367,166</u>
Total capital assets, net		<u>\$ 7,960,289</u>	<u>\$ 874,988</u>	<u>\$ (420,250)</u>	<u>\$ 8,415,023</u>

The District has entered into contracts for the construction of various facilities and equipment totaling approximately \$2,793,354,000 and \$2,999,189,000 at June 30, 2020 and 2019, respectively.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**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, 2020 and 2019 (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>
Payable to vendors and contractors	\$ 218,750	\$ 160,799
Employee salaries and benefits	48,349	41,010
Accrued compensated absences	75,824	67,153
Accrued interest payable	<u>36,645</u>	<u>26,406</u>
Liabilities at the end of year	379,568	295,368
Less: noncurrent portion	<u>(53,808)</u>	<u>(45,421)</u>
Net current portion	<u>\$ 325,760</u>	<u>\$ 249,947</u>

**6. Long-Term Debt**

Long-term debt activity for the fiscal year ended June 30, 2020 is summarized as follows (dollar amounts in thousands):

	<u>2019</u>	<u>Additions</u>	<u>Payments/ Amortization</u>	<u>2020</u>
2012A Sales Tax Revenue Refunding Bonds	\$ 87,195	\$ -	\$ (75,590)	\$ 11,605
2012B Sales Tax Revenue Bonds	10,995	-	(2,660)	8,335
2015A Sales Tax Revenue Refunding Bonds	139,840	-	(7,405)	132,435
2016A Sales Tax Revenue Refunding Bonds	83,800	-	(3,135)	80,665
2017A Sales Tax Revenue Refunding Bonds	118,260	-	-	118,260
2017B Sales Tax Revenue Refunding Bonds	66,045	-	(8,200)	57,845
2019A Sales Tax Revenue Bonds	-	223,020	-	223,020
2019B Sales Tax Revenue Refunding Bonds	-	80,290	-	80,290
2013C General Obligation Bonds - Measure AA	187,680	-	(77,640)	110,040
2015D General Obligation Refunding Bonds - Measure AA	274,670	-	(1,115)	273,555
2017E General Obligation Refunding Bonds - Measure AA	80,280	-	(5,220)	75,060
2019F General Obligation Bonds - Measure AA	-	240,000	(34,900)	205,100
2019G General Obligation Refunding Bonds - Measure AA	-	43,500	-	43,500
2017A General Obligation Bonds - Measure RR	267,030	-	(4,750)	262,280
2019B General Obligation Bonds - Measure RR	-	360,000	(46,795)	313,205
	<u>1,315,795</u>	<u>946,810</u>	<u>(267,410)</u>	<u>1,995,195</u>
Add (less):				
Original issue premiums and discounts, net	149,297	94,281	(37,580)	205,997
Long-term debt, net of accumulated accretion and debt-related items	1,465,092	<u>\$ 1,041,091</u>	<u>\$ (304,990)</u>	2,201,192
Less: current portion of long-term debt	<u>(53,840)</u>			<u>(62,015)</u>
Net long-term debt	<u>\$ 1,411,252</u>			<u>\$ 2,139,177</u>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**6. Long-Term Debt (Continued)**

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

	<u>2018</u>	<u>Additions</u>	<u>Payments/ Amortization</u>	<u>2019</u>
2012A Sales Tax Revenue Refunding Bonds	\$ 90,240	\$ -	\$ (3,045)	\$ 87,195
2012B Sales Tax Revenue Bonds	13,610	-	(2,615)	10,995
2015A Sales Tax Revenue Refunding Bonds	155,655	-	(15,815)	139,840
2016A Sales Tax Revenue Refunding Bonds	83,800	-	-	83,800
2017A Sales Tax Revenue Refunding Bonds	118,260	-	-	118,260
2017B Sales Tax Revenue Refunding Bonds	67,245	-	(1,200)	66,045
2013C General Obligation Bonds - Measure AA	205,730	-	(18,050)	187,680
2015D General Obligation Refunding Bonds - Measure AA	275,755	-	(1,085)	274,670
2017E General Obligation Refunding Bonds - Measure AA	84,735	-	(4,455)	80,280
2017A General Obligation Bonds - Measure RR	271,600	-	(4,570)	267,030
	<u>1,366,630</u>	<u>-</u>	<u>(50,835)</u>	<u>1,315,795</u>
Add (less):				
Original issue premiums and discounts, net	<u>165,595</u>	<u>-</u>	<u>(16,298)</u>	<u>149,297</u>
Long-term debt, net of accumulated accretion and debt-related items	1,532,225	<u>\$ -</u>	<u>\$ (67,133)</u>	1,465,092
Less: current portion of long-term debt	<u>(50,835)</u>			<u>(53,840)</u>
Net long-term debt	<u>\$ 1,481,390</u>			<u>\$ 1,411,252</u>

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

On October 4, 2012, the District issued the 2012 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of \$130,475,000 and a premium of \$23,439,000 to provide sufficient funds, along with \$10,690,000 in other District funds, to refund \$51,605,000 principal amount of the Association of Bay Area Governments BART SFO Extension Bond (Airport Premium Fare), 2002A Bonds, to refund the remaining balance of the 2001 Bonds with an aggregate principal amount of \$41,745,000, to refund \$63,615,000 principal amount of the 2006 Bonds, and to fund costs of issuance of the 2012A Refunding Bonds. The 2012A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues. In December 2017, a portion of the 2012A Refunding Bonds in the amount of \$26,820,000 were refunded from the proceeds of 2017 Series A and 2017 Series B Sales Tax Revenue Refunding Bonds. Additionally, in October 2019, \$72,335,000 of the outstanding 2012A Refunding Bonds were refunded from the proceeds of the 2019B Refunding Bonds. At June 30, 2020, the 2012A Refunding Bonds consist of serial bonds amounting to \$11,605,000 with interest rates ranging from 4% to 5% with various maturity dates from July 1, 2020 to July 1, 2022.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 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. In December 2017, a portion of the 2012B Bonds in the amount of \$86,025,000 were refunded from the proceeds of the 2017 Series A and 2017 Series B Sales Tax Revenue Refunding Bonds. At June 30, 2020, the 2012B Bonds consist of serial bonds amounting to \$8,335,000 with interest rates ranging from 2.327% to 2.677% with various maturity dates from July 1, 2020 to July 1, 2022.

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

In October 2015, the District issued the 2015 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of \$186,640,000 and a premium of \$31,350,000 to, along with other District funds, provide sufficient funds to (1) refund \$231,250,000 principal amount of the District's 2005 Refunding Bonds; (2) refund \$720,000 principal amount of the District's 2006 Bonds; and (3) fund costs of issuance associated with the 2015A Refunding Bonds. The 2015A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. At June 30, 2020, the 2015A Refunding Bonds consist of serial bonds amounting to \$132,435,000 with interest rates of 5%, with various maturity dates from July 1, 2020 to July 1, 2034.

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

In August 2016, the District issued 2016 Series A Sales Tax Revenue Refunding Bonds, with a principal amount of \$83,800,000 and a premium of \$11,855,000 to provide sufficient funds, along with other District funds, to (1) refund \$94,450,000 principal amount of the District's 2006A Refunding Bonds, and (2) to fund costs of issuance associated with the 2016A Refunding Bonds. The 2016A Refunding Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. At June 30, 2020, the 2016A Refunding Bonds consist of serial bonds amounting to \$80,665,000 with interest rates ranging from 2.125% to 5.0%, with various maturity dates from July 1, 2020 to July 1, 2036.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 6. Long-Term Debt (Continued)

#### **2017 Series A and 2017 Series B Sales Tax Revenue Refunding Bonds (the 2017A Refunding Bonds and 2017B Refunding Bonds)**

In December 2017, the District issued 2017 Series A Sales Tax Revenue Refunding Bonds with a principal amount of \$118,260,000 and 2017 Series B Sales Tax Revenue Refunding Bonds with a principal amount of \$67,245,000 to provide sufficient funds, along with other District funds, to (1) refund all of the outstanding principal balance amounting to \$115,095,000 of the District's 2010 Sales Tax Refunding Bonds, refund a portion of the outstanding principal balance amounting to \$26,820,000 of the District's 2012 Series A Sales Tax Refunding Bonds, and refund a portion of outstanding principal balance amounting to \$86,025,000 of the District's 2012 Series B Sales Tax Revenue Bonds and 2) fund costs of issuance associated with the 2017 Series A and 2017 Series B Refunding Bonds. The 2017A Refunding Bonds and 2017B 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, 2020, the 2017A Refunding Bonds consist of serial bonds amounting to \$118,260,000 with interest rates ranging from 3% to 5%, with various maturity dates from July 1, 2023 to July 1, 2034; and the 2017B Refunding Bonds consist of serial bonds amounting to \$57,845,000 with interest rates ranging from 1.69% to 2.621% with various maturity dates from July 1, 2020 to July 1, 2023.

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

In October 2019, the District issued 2019 Series A Sales Tax Revenue Bonds with a principal amount of \$223,020,000 to provide sufficient funds to (1) the acquisition, renovation, improvement and equipping of facilities which will serve as the District's new headquarters; (2) to capitalize interest through July 1, 2021; and (3) to fund costs of issuance associated with the 2019A Bonds. The 2019A Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. At June 30, 2020, the 2019A Bonds consist of serial bonds amounting to \$113,485,000 with interest rates ranging from 4% to 5%, with various maturity dates from July 1, 2029 to July 1, 2039 and term bonds with interest rate of 4% in the amount of \$109,535,000 due on July 1, 2044, with mandatory redemptions at various dates beginning July 1, 2040 through July 1, 2044.

#### **2019 Series B Sales Tax Revenue Refunding Green Bonds (the 2019B Refunding Bonds)**

In October 2019, the District issued 2019 Series B Sales Tax Revenue Green Bonds with a principal amount of \$80,290,000 to provide sufficient funds to (1) refund \$72,335,000 of the District's 2012A Bonds; and (2) fund costs of issuance associated with issuance of the 2019B Refunding Bonds. The 2019B Refunding Bonds are special obligations of the District, payable from and secured by a pledge of Sales Tax Revenues derived from a transaction and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco. At June 30, 2020, the 2019B Refunding Bonds consist of serial bonds amounting to \$80,290,000 with interest rates ranging from 1.891% to 3.098%, with various maturity dates from July 1, 2023 to July 1, 2036. The refunding resulted in an economic gain of \$8,145,000 and cash flow savings of \$8,144,000.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 6. Long-Term Debt (Continued)

#### **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. In August 2019, a portion of the 2013C Measure AA GO Bonds in the amount of \$59,540,000 were refunded using other District funds and proceeds from the 2019 Series G Measure AA Green Bond Refunding GO Bonds. At June 30, 2020, the 2013C Measure AA GO Bonds consist of \$110,040,000 in serial bonds due from August 1, 2020 to August 1, 2033 with interest ranging from 3% to 5%.

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

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

At June 30, 2020, the 2015D Measure AA Refunding GO Bonds consist of \$273,555,000 in serial bonds due from August 1, 2020 to August 1, 2035 with interest ranging from 2% to 5%. The serial bonds maturing on or after August 1, 2026 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2025, at the principal amount of such 2015D Measure AA Refunding GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2015D Measure AA Refunding GO Bonds are called for redemption, the 2015D Measure AA Refunding GO Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2015D Measure AA Refunding GO Bonds of any given maturity are called for redemption, the portions of 2015D Measure AA Refunding GO Bonds of a given maturity shall be determined by lot.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 6. Long-Term Debt (Continued)

#### **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, 2020, the 2017E Measure AA Refunding GO Bonds consist of \$75,060,000 in serial bonds due from August 1, 2020 to August 1, 2037 with interest ranging from 4% to 5%. The serial bonds maturing on or after August 1, 2036 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2027, at the principal amount of such 2017E Measure AA Refunding GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2017E Measure AA Refunding GO Bonds are called for redemption, the 2017E Measure AA Refunding GO Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2017E Measure AA Refunding GO Bonds of any given maturity are called for redemption, the portions of 2017E Measure AA Refunding GO Bonds of a given maturity shall be determined by lot.



## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 6. Long-Term Debt (Continued)

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

In August 2019, the District issued the 2019 Measure AA General Obligation Bonds Series F-1 with a principal amount of \$205,100,000 and 2019 Measure AA General Obligation Series F-2 with a principal amount of \$34,900,000. The 2019 Measure AA GO Bonds Series F-1 and Series F-2 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 2019 Measure AA GO Bond Series F-1 and Series F-2. At June 30, 2020, the 2019F-1 Measure AA GO Bonds consist of \$205,100,000 in serial bonds due from August 1, 2022 to August 1, 2033 with interest ranging from 3% to 5%. There are no outstanding balance on the 2019F-2 Measure AA Go Bonds as of June 30, 2020.

The 2019F-1 Measure AA GO Bonds and 2019F-2 Measure AA GO Bonds constitute the last issuance 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.

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

In August 2019, the District issued the 2019 Measure AA Refunding Green Bond General Obligation Bonds Series G, with a principal amount of \$43,500,000. The 2019G Measure AA Refunding GO Bonds are general obligations of the District, payable from and secured solely by ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) levied in Alameda and Contra Costa Counties and the City and County of San Francisco. No other revenues of the District are pledged to the payment of the 2019G Measure AA Refunding GO Bonds. The purpose of the 2019G Measure AA Refunding GO Bonds is to apply the proceeds, together with other District funds, to refund \$59,540,000, principal amount of the District's 2013C Measure AA GO Bonds and to pay costs of issuance. The refunded bonds were issued to finance earthquake safety improvements authorized under Measure AA and will be redeemed on August 1, 2023. At June 30, 2020, the 2019G Measure AA Refunding GO Bonds consist of \$36,745,000 in serial bonds due from August 1, 2029 to August 1, 2034 with interest ranging from 2.622% to 2.922% and term bonds in the amount of \$6,755,000, with interest of 3.145% due from August 1, 2035 to August 1, 2037. The refunding resulted in an economic gain of \$6,592,000 and cash flow savings of \$30,166,000.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 6. Long-Term Debt (Continued)

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

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

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

At June 30, 2020, the remaining outstanding principal balance of \$262,280,000 related to the 2017A-1 Measure RR GO Bonds consist of \$131,160,000 in serial bonds due from August 1, 2020 to August 1, 2037 with interest ranging from 2% to 5%, a \$58,500,000 term bond with interest of 4% maturing in August 1, 2042, and a \$72,620,000 term bond with interest of 5% maturing in August 1, 2047. The 2017A-1 serial bonds maturing on or after August 1, 2028 are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2027, at the principal amount of such 2017A-1 Measure RR GO Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium. If less than all of the 2017A-1 Measure RR GO Bonds are called for redemption, the 2017A-1 Measure RR GO Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the 2017A-1 Measure RR GO Bonds of any given maturity are called for redemption, the portions of 2017A-1 Measure RR GO Bonds of a given maturity shall be determined by lot. The 2017A-1 Term Bonds maturing on August 1, 2042 and August 1, 2047 are subject to mandatory sinking fund redemption beginning August 1, 2038, at a redemption price equal to the principal amount to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**6. Long-Term Debt (Continued)**

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

In August 2019, the District issued the 2019 Measure RR General Obligation Bonds Series B-1 with an aggregate principal amount of \$313,205,000 and 2019 Measure RR General Obligation Bonds Series B-2 with an aggregate principal amount of \$46,795,000. The 2019B-1 Measure RR GO Bonds and 2019B-2 Measure RR GO Bonds constitute the second issuance under 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”.

The 2019 Measure RR GO Bonds Series B1 and Series B-2 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 for debt service of these bonds. At June 30, 2020, the full principal balance of \$46,795,000 pertaining to the 2019B-2 Measure RR GO Bonds were fully paid. The outstanding principal balance of \$313,205,000 related to the 2019B-1 Measure RR GO Bonds consist of \$165,375,000 in serial bonds due from August 1, 2020 to August 1, 2039 with interest ranging from 3% to 5%, a term bond with principal balance of \$ 37,750,000 due on August 1, 2044 with 4% interest, and a term bond with principal balance of \$110,080,000 due on August 1, 2049, with 3% interest.

After the issuance of the 2019 Measure RR GO Bonds, Series B-1 and Series B-2, the remaining Measure RR General Obligation Bonds that can be issued by the District as authorized under Measure RR is \$2,840,000,000.

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

2017 RR GO Bond Series A-1 and A-2 proceeds	\$ 300,000	
2019 RR GO Bond Series B-1 and B-2 proceeds	360,000	
Total bonds proceeds as of June 30, 2020	<u>660,000</u>	
Project fund expenditures:		
Fiscal year 2017	\$ 17,892	
Fiscal year 2018	87,435	
Fiscal year 2019	229,155	
Fiscal year 2020	<u>309,031</u>	<u>643,513</u> *
Remaining to be applied to subsequent bond issue - June 30, 2020		<u><u>\$ 16,487</u></u> **

\* Includes accrual of \$42,188,000.

\*\* The second tranche of Measure RR GO Bonds amounting to \$360,000,000 was issued in August 2019 (2019 Series B).

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**6. Long-Term Debt (Continued)**

The following are the major projects and related expenditures funded by proceeds from Measure RR GO Bonds issued through June 30, 2020 (dollar amounts in thousands):

Project	Description	Cumulative Expenditures through June 30, 2020	
15CQ002	Rails,Ties,Fasteners Phase 3	\$	106,730
15EKRR1	TP-Switch Stations & Gap Break		53,331
15EJRR1	34.5 KV AC Cable Replacement		49,544
15EJ450	M-Line 34.5 KV Replace Ph.II		46,092
09EK300	Emergency Generator for TBT		27,298
15CQ018	Rail Relay		25,281
15TC002	Renewal of Tunnels & Structures		22,027
49GH000	Train Control Modernization - CENGR		19,602
15CQ005	C35 Interlocking		18,031
15LK002	San Francisco Escalator Replacement		13,512
09AF002	Replace Cross Pass Doors TBT Control		11,491
15CQ006	C25 Interlocking		10,176
15EK350	Substation Replace/Install Grp II		9,115
54RR004	M&E Line Rail Equipment		8,866
15CQ004	Track C55 Interlocking		8,843
49GH002	TCMP- Enabling Work		8,774
01RQ100	HMC Phase 2 Preliminary Engineering		8,577
15ELRR1	MPR Install & Rectifier Rehabilitation		8,516
09JA000	2nd Trans Bay Tube Study		8,186
15CQ001	Rails, Ties, Fasteners 2		7,734
15ELRR3	Third Rail Replacement Phase 3		6,140
15CQ016	Direct Fixation Pads		6,030
15EK600	Substation for Core Capacity		5,644
15CQ008	K-Line InterlocksK23,K25,K33C15		5,554
96DARR1	FTA Core Capacity (Measure RR)		5,436
15EJRRK	K-Line 34.5kV AC Cable Replacement		5,315
05HA002	El Cerrito del Norte Station Modernization		5,297
15CQ017	Rail Re-profiling		4,552
15EJ400	Traction Power Cables- M Line		4,323
15TC011	Platform Edge Structure Rehabilitation		4,114
15IIRR1	Stations, Emergency Lighting		4,043
54RR250	Fire Services Yards- OCY		3,893
15AARR1	Tunnel LED Lighting Upgrade		3,888
07GJ000	MacArthur Transit Improvements		3,845
15ST002	A Line Operability Feasibility Study		3,810
79NKRR1	Train Control Room UPS System		3,804
11IA002	Civic Center Platform Stairs		3,756
15CQ011	A65/A75 Interlocking - Replacement		3,721
15EJRRC	C-Line 34.5kV AC Cable Replacement		3,625
15NU002	Accessibility Improvement Program		3,402
54RR410	Coverboard Enhancement C and L Lines		2,866
15ELRR2	34.5kV Blocking Scheme Systemwide		2,557
15EIRR1	CWS Bulk Supply Transformer		2,109
04SF190	eBART Additional Parking Lot		2,077
	Others		71,986
	<b>Total</b>	<b>\$</b>	<b>643,513</b>

Total Measure RR project costs reimbursed from bond proceeds since inception through June 30, 2020 amounted to \$557,038,000.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 6. Long-Term Debt (Continued)

#### Defeased Bonds

On various dates, the District issued bonds to refund certain outstanding sales tax revenue bonds previously issued by the District. In fiscal year 2018, the 2017A Sales Tax Revenue Refunding Bonds and 2017B Sales Tax Revenue Refunding Bonds were issued in December 2017 to refund all of the outstanding principal balance amounting to \$115,095,000 of the District's 2010 Sales Tax Refunding Bonds, refund a portion of outstanding principal balance amounting to \$26,820,000 of the District's 2012 Series A Sales Tax Refunding Bonds, and refund a portion of outstanding principal balance amounting to \$86,025,000 of the District's 2012 Series B Sales Tax Revenue Bonds. During fiscal year 2020, the District issued in August 2019, Measure AA Refunding General Obligation Bonds Series G, and together with other District funds, refunded a portion of the outstanding principal balance amounting to \$59,540,000 of the District's 2013C Measure AA GO Bonds. In October 2019, the District refunded \$72,335,000 of the outstanding principal balance of the District's 2012A Sales Tax Revenue Bonds from the proceeds of the 2019B Refunding Sales Tax Revenue Bonds.

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

The outstanding principal balance of the defeased Sales Tax Revenue Bonds were \$286,620,000 and \$224,775,000 as of June 30, 2020 and 2019, respectively. Outstanding defeased bonds associated with Measure AA General Obligation Bonds at June 30, 2020 were \$59,540,000 and none as of June 30, 2019.

#### 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 2020 and 2019, which is included in accounts payable and other liabilities in the statements of net position.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 6. Long-Term Debt (Continued)

#### Pledge of Revenue to Repay Sales Tax Revenue Bonds

The District issues sales tax revenue bonds primarily to finance a portion of its capital projects. The sales tax revenue bonds are special obligations of the District, payable from and secured by a pledge of sales tax revenues derived from a seventy-five percent (75.0%) portion of a transactions and use tax levied by the District in Alameda and Contra Costa Counties and the City and County of San Francisco in an amount equal to one-half of one percent (0.5%) of gross retail receipts. The sales tax revenue bonds outstanding as of June 30, 2020 consist of the 2012A Refunding Bonds, the 2012B Bonds, 2015A Refunding Bonds, the 2016A Refunding Bonds, the 2017A Refunding Bonds, and the 2017B Refunding Bonds, the 2019A Bonds, and the 2019B Refunding Bonds. Interest on the sales tax revenue bonds are payable on January 1 and July 1 of each year, and the principal is payable on July 1 of the scheduled year until July 1, 2036. The total principal and interest remaining on these sales tax revenue bonds is \$1,020,513,000 as of June 30, 2020 (\$689,464,000 as of June 30, 2019), which is 11.04% in 2020 (11.29% in 2019) of the total projected sales tax revenues of \$9,244,331,000 as of June 30, 2020 covering the period from fiscal year 2020 through fiscal year 2044 based on the last scheduled bond principal payment as of June 30, 2020 (\$6,104,747,000 as of June 30, 2019 covering the period from fiscal year 2020 through fiscal year 2037 based on the last scheduled bond principal payment as of June 30, 2019).

The pledged sales tax revenues recognized in fiscal year 2020 was \$266,895,000 (\$280,385,000 in fiscal year 2019) as against a total debt service payment of \$45,930,000 in fiscal year 2020, and \$46,660,000 in fiscal year 2019.

#### Events of Default and Acceleration Clauses

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**6. Long-Term Debt (Continued)**

**Debt Repayments**

The following is a schedule of long-term debt principal and interest payments required for sales tax revenue bonds as of June 30, 2020 (dollar amounts in thousands):

<b>Sales Tax Revenue Bonds</b>						
<b>Year ending June 30:</b>	<b>2012A Refunding Bonds</b>		<b>2012B Bonds</b>		<b>2015A Refunding Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 3,565	\$ 506	\$ 2,715	\$ 209	\$ 7,785	\$ 6,622
2022	3,865	363	2,775	146	2,675	6,233
2023	4,175	209	2,845	76	2,795	6,099
2024	-	-	-	-	2,935	5,959
2025	-	-	-	-	16,215	5,812
2026-2030	-	-	-	-	77,340	16,048
2031-2035	-	-	-	-	22,690	3,512
2036-2040	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-
	<u>\$ 11,605</u>	<u>\$ 1,078</u>	<u>\$ 8,335</u>	<u>\$ 431</u>	<u>\$ 132,435</u>	<u>\$ 50,285</u>
<b>Year ending June 30:</b>	<b>2016A Refunding Bonds</b>		<b>2017A Refunding Bonds</b>		<b>2017B Refunding Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 3,300	\$ 3,048	\$ -	\$ 5,652	\$ 8,795	\$ 1,424
2022	3,465	2,883	-	5,652	15,995	1,233
2023	3,640	2,708	-	5,653	17,995	851
2024	3,835	2,527	9,185	5,653	15,060	395
2025	4,030	2,336	12,065	5,193	-	-
2026-2030	23,160	8,726	60,755	16,401	-	-
2031-2035	27,005	4,997	36,255	4,149	-	-
2036-2037	12,230	614	-	-	-	-
	<u>\$ 80,665</u>	<u>\$ 27,839</u>	<u>\$ 118,260</u>	<u>\$ 48,353</u>	<u>\$ 57,845</u>	<u>\$ 3,903</u>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**6. Long-Term Debt (Continued)**

Year Ending June 30:	2019A Refunding Bonds		2019B Refunding Bonds		Total Sales Tax Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ 5,355	\$ -	\$ 1,420	\$ 26,160	\$ 24,236
2022	-	7,998	-	2,122	28,775	26,630
2023	-	7,999	-	2,122	31,450	25,717
2024	-	7,999	4,250	2,122	35,265	24,655
2025	-	7,999	4,440	2,042	36,750	23,382
2026-2030	3,210	39,994	26,240	8,629	190,705	89,798
2031-2035	19,920	37,463	33,745	4,663	139,615	54,785
2036-2040	90,355	27,648	11,615	541	114,200	28,803
2041-2045	109,535	10,052	-	-	109,535	10,052
	<u>\$ 223,020</u>	<u>\$ 152,507</u>	<u>\$ 80,290</u>	<u>\$ 23,661</u>	<u>\$ 712,455</u>	<u>\$ 308,058</u>



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**6. Long-Term Debt (Continued)**

**Debt Repayments**

The following is a schedule of long-term debt principal and interest payments required for general obligation bonds as of June 30, 2020 (dollar amounts in thousands):

Year ending June 30:	2013C Measure AA General Obligation Bonds		2015D Measure AA Refunding General Obligation Bonds		2017E Measure AA General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2021	\$ 18,185	\$ 4,783	\$ 1,165	\$ 12,223	\$ 6,125
2022	18,365	3,965	8,235	12,118	-	3,089
2023	10,985	3,292	9,235	11,897	-	3,089
2024	10,825	2,771	10,190	11,503	-	3,088
2025	10,640	2,250	11,405	11,021	-	3,088
2026-2030	39,885	4,118	77,995	44,989	-	15,443
2031-2035	1,155	162	123,995	20,576	-	15,442
2036-2040	-	-	31,335	627	68,935	6,066
	<u>\$ 110,040</u>	<u>\$ 21,341</u>	<u>\$ 273,555</u>	<u>\$ 124,954</u>	<u>\$ 75,060</u>	<u>\$ 52,547</u>

  

Year ending June 30:	2019F Measure AA General Obligation Bonds		2019G Measure AA General Obligation Bonds		Total Measure AA General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2021	\$ -	\$ 8,437	\$ -	\$ 1,228	\$ 25,475
2022	-	8,437	-	1,228	26,600	28,837
2023	6,095	8,315	-	1,228	26,315	27,821
2024	6,340	8,035	-	1,228	27,355	26,625
2025	6,660	7,743	-	1,229	28,705	25,331
2026-2030	38,955	33,702	8,190	6,035	165,025	104,287
2031-2035	53,755	22,215	28,555	2,834	207,460	61,229
2036-2040	93,295	7,560	6,755	252	200,320	14,505
	<u>\$ 205,100</u>	<u>\$ 104,444</u>	<u>\$ 43,500</u>	<u>\$ 15,262</u>	<u>\$ 707,255</u>	<u>\$ 318,548</u>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**6. Long-Term Debt (Continued)**

Year ending June 30:	2017A Measure RR General Obligation Bonds		2019B Measure RR General Obligation Bonds		Total Measure RR General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 4,940	\$ 11,708	\$ 5,440	\$ 12,332	\$ 10,380	\$ 24,040
2022	5,185	11,455	5,265	12,064	10,450	23,519
2023	5,445	11,271	5,525	11,795	10,970	23,066
2024	5,555	11,161	5,800	11,511	11,355	22,672
2025	5,665	10,964	6,090	11,214	11,755	22,178
2026-2030	32,885	50,161	35,340	51,065	68,225	101,226
2031-2035	41,800	41,107	45,110	41,056	86,910	82,163
2036-2040	51,720	31,052	56,805	29,381	108,525	60,433
2041-2045	63,405	19,051	67,880	18,199	131,285	37,250
2046-2050	45,680	3,500	79,950	6,138	125,630	9,638
	<u>\$ 262,280</u>	<u>\$ 201,430</u>	<u>\$ 313,205</u>	<u>\$ 204,755</u>	<u>\$ 575,485</u>	<u>\$ 406,185</u>

Year ending June 30:	Total General Obligation Bonds	
	Principal	Interest
2021	\$ 35,855	\$ 53,953
2022	37,050	52,356
2023	37,285	50,887
2024	38,710	49,297
2025	40,460	47,509
2026-2030	233,250	205,513
2031-2035	294,370	143,392
2036-2040	308,845	74,938
2041-2045	131,285	37,250
2046-2050	125,630	9,638
	<u>\$ 1,282,740</u>	<u>\$ 724,733</u>

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 7. Risk Management

The District is partially self-insured for workers' compensation, public liability and property damage claims. The self-insured retention for workers' compensation is \$4,000,000 per accident and the limit of liability is \$10,000,000. The self-insured retention for public liability and property damage is \$5,000,000 for any one occurrence. Claims in excess of self-insured retentions are covered up to a total of \$200,000,000 by insurance policies. There have been no settlement amounts during the past three years that have exceeded the District's insurance coverage.

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

The estimated liability for insurance claims at June 30, 2020 and 2019 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, 2020 and 2019, the estimated amounts of these liabilities were \$63,858,000 and \$61,776,000, respectively.

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

	<u>2020</u>	<u>2019</u>
Liabilities at beginning of year	\$ 61,776	\$ 58,964
Current year claims and changes in estimates	19,335	17,987
Payments of claims	<u>(17,253)</u>	<u>(15,175)</u>
Liabilities at the end of year	63,858	61,776
Less current portion	<u>(19,900)</u>	<u>(20,670)</u>
Net noncurrent portion	<u>\$ 43,958</u>	<u>\$ 41,106</u>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**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, 2020 and 2019 are summarized as follows (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>
Total approved project costs	<u>\$ 1,466,121</u>	<u>\$ 1,545,248</u>
Cumulative amounts of project costs incurred and earned	\$ 850,234	\$ 1,049,231
Less: approved federal allocations received	<u>(616,561)</u>	<u>(1,028,375)</u>
Government receivables - Federal	<u>\$ 233,673</u>	<u>\$ 20,856</u>

The District's fleet replacement project consisting of construction for the A, B, C1 and C2 fleet replacement was formally launched in 2013. To set aside funding for this program, the District and MTC, on May 24, 2006, entered into the BART Car Replacement Funding Exchange Agreement. Under the agreement, MTC agrees to program federal funds to eligible BART projects that are ready to be delivered within the year of MTC's programming action. In exchange for MTC programming funds for ready-to-go BART projects, the District will deposit an equal amount of local unrestricted funds into a restricted account established to fund BART's car replacement program. MTC is the exclusive administrator of the restricted account and any withdrawal of funds from the account requires prior approval from the MTC Commission and the District's Board. MTC did not allocate Federal Section 5307 and 5337 Grants in fiscal year 2020 and 2019 to fund the District's preventive maintenance expenses. The restricted account for BART's car replacement program held by MTC, which is excluded from the District's financial statements, reported a balance of \$401,495,000 and \$394,862,000 as of June 30, 2020 and 2019, respectively.

The District is a recipient of a grant under the CARES Act in the amount of \$377,053,000. The grant specifically covers operating shortfall resulting from the effect of the pandemic and to cover additional expenses incurred associated with preventing the spread and dealing with and responding to issues brought by the coronavirus. Eligibility period starts on January 20, 2020 up to December 31, 2023. As of June 30, 2020, the District has utilized \$185,510,000 of the grant.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 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 2020 and 2019. The District is also entitled to receive state operating and capital assistance from STA. These funds are allocated by MTC based on the ratio of the District's transit operation revenue and local support to the revenue and local support of all state transit agencies. The District was awarded STA operating allocations of \$250,000 in fiscal year 2015, \$38,563,000 in fiscal year 2019, and \$42,240,000 in fiscal year 2020. Of these allocations, \$41,139,000 and \$38,679,000 were earned in fiscal years 2020 and 2019, respectively. The District also received an STA capital grant of \$10,248,000 in fiscal year 2018 and \$825,000 in fiscal year 2019. Of these allocations, the District earned \$0 and \$10,248,000 of STA capital revenues in fiscal year 2020 and 2019, respectively.

Beginning in fiscal year 2015, the District has applied and received an allocation from the Low Carbon Transit Operations Program (LCTOP). The LCTOP is one of several programs established by the California Legislature in 2014 through Senate Bills 862 (SB 862) and 852 (SB 852). The source of funds for LCTOP is from the state's Cap-and-Trade Program annual proceeds and was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Eligible projects and programs include new or expanded bus or rail services, expanded intermodal transit facilities, equipment acquisition, fueling, maintenance and other operating costs. The District received an allocation of \$4,477,000 in fiscal year 2016, \$2,066,000 in fiscal year 2017, and \$5,636,000 in fiscal year 2018. These allocations were set aside by the District for the acquisition of new rail cars and the grant funds will be earned as revenue when capital expenditures are incurred. In fiscal year 2019, the total allocated amount of \$12,179,000, including interest income earned of \$75,000 on the funds set aside, were expended and corresponding revenues were recognized. In July 2019, the District received in cash the FY 19 LCTOP funding from the State of California for \$8,375,000. This money was provided by the State to partially offset operating costs associated with the Antioch Extension in fiscal year 2020. The District fully utilized this allocation in fiscal year 2020, including the interest earned, which amounted to \$20,000.

The District receives Paratransit funds provided to cities and transit operators from Alameda County Transportation Commission (ACTC) Measure B funds to be used for services aimed at improving mobility for seniors and persons with disabilities. Beginning in April 2015, the ACTC also allocated to the District Measure BB funds to supplement the funding needed for the paratransit program. Additional Measure BB funds were also allocated to the District for transit operations, maintenance and safety programs. ACTC is the administrator of both Measure B and BB funds. The District's revenues that relate to the Measure B funds were \$2,156,000 in fiscal year 2020 (\$2,320,000 in fiscal year 2019). Revenues from Measure BB funds for transit operations were \$736,000 in fiscal year 2020 (\$793,000 in fiscal year 2019), and for paratransit operations, were \$2,204,000 in fiscal year 2020 (\$2,378,000 in fiscal year 2019). 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 2020 were \$107,000 (\$17,000 in fiscal year 2019).

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

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

On February 28, 2007, the District, San Mateo County Transit District (SamTrans), and MTC entered into a Tri-Party Financial Agreement (Agreement) establishing the operational and financial arrangement regarding the BART San Francisco International Airport Extension. To fund the operating costs of the SFO Extension, the Agreement provided that (1) the District would receive up-front funding of \$24,000,000 from MTC and \$32,000,000 from SamTrans from their shares of Proposition 1B funds; (2) the District would also receive 2.0% of the San Mateo County half cent sales tax, Measure A, which was reauthorized by the voters of San Mateo County in 2004, for 25 years beginning in fiscal year 2009; this amount is currently equal to approximately \$1,600,000 per year; and (3) MTC shall allocate to the District additional STA revenue-based funds beginning in fiscal year 2009, which would otherwise be available for allocation to SamTrans as a result of the completion of the Traffic Congestion Relief Program projects, in an amount of \$801,000 annually. The above funds will be used first to cover any operating deficit on the SFO Extension and then to complete SamTrans' funding commitment of \$145,000,000 to the District's Warm Springs Extension Project. In December 2013, MTC adopted Resolution No. 4123, the Transit Core Capacity Challenge Grant Program, which re-directs the \$145,000,000 of SFO Net Operating Revenues to BART's New Railcar Procurement Program.

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

As of June 30, 2020 and 2019, the balance of the reserve account is as follows (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>
Reserve account at beginning of year	\$ 41,471	\$ 38,858
Received/accrued	3,489	1,967
Add: Interest earnings	<u>586</u>	<u>646</u>
Total	45,546	41,471
Less: Amount used to cover SFO Extension operating shortfall	<u>(16,966)</u>	<u>-</u>
Reserve account at end of year	<u>\$ 28,580</u>	<u>\$ 41,471</u>

In accordance with the Tri-Party Financial Agreement, the District recognized contributions in fiscal year 2020 of \$3,489,000 from SamTrans (\$1,967,000 in fiscal year 2019).

**PTMISEA Grants**

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of \$4,000,000,000 to be deposited in the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA). Of this amount, \$3,600,000,000 in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

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

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

The following schedules show the changes in activities related to the PTMISEA grant funds during fiscal years 2020 and 2019 (dollar amounts in thousands):

<b>2020</b>	<b>Grant Fund Balance at Beginning of Year</b>	<b>Grants Received</b>	<b>Project Costs Incurred</b>	<b>Grant Fund Balance at End of Year</b>	
eBART Extension	\$ (126)	\$ -	\$ -	\$ (126)	<sup>2</sup>
Ashby Elevator	(33)	-	-	(33)	<sup>2</sup>
Station Modernization	63,834	(300)	<sup>3</sup> 17,159	46,375	
Seismic Retrofit	(405)	<sup>2</sup> -	-	(405)	<sup>2</sup>
Oakland Airport Connector	(54)	<sup>2</sup> -	-	(54)	<sup>2</sup>
Warm Springs Extension	(35)	-	<sup>3</sup> -	(35)	<sup>2</sup>
Walnut Creek Transit Oriented Development	-	400	398	2	
Balboa Park Eastside	609	(100)	50	459	
Berkeley Station Entrance	260	-	202	58	
Access Improvements	650	-	244	406	
Station Signage <sup>1</sup>	324	-	-	324	
Train Control	2,418	-	830	1,588	
	<u>\$ 67,442</u>	<u>\$ -</u>	<u>\$ 18,883</u>	<u>\$ 48,559</u>	
<b>2019</b>	<b>Grant Fund Balance at Beginning of Year</b>	<b>Grants Received</b>	<b>Project Costs Incurred</b>	<b>Grant Fund Balance at End of Year</b>	
eBART Extension	\$ 267	\$ -	\$ 393	\$ (126)	<sup>2</sup>
Ashby Elevator	(31)	-	2	(33)	<sup>2</sup>
Station Modernization	80,172	(6)	<sup>3</sup> 16,332	63,834	
Seismic Retrofit	(405)	-	-	(405)	<sup>2</sup>
Oakland Airport Connector	(54)	-	-	(54)	<sup>2</sup>
Warm Springs Extension	-	6	<sup>3</sup> 41	(35)	<sup>2</sup>
Balboa Park Eastside	851	-	242	609	
Berkeley Station Entrance	1,510	-	1,250	260	
Access Improvements	1,571	-	921	650	
Station Signage <sup>1</sup>	324	-	-	324	
Train Control	3,864	-	1,446	2,418	
	<u>\$ 88,069</u>	<u>\$ -</u>	<u>\$ 20,627</u>	<u>\$ 67,442</u>	

<sup>1</sup> This grant is on a reimbursement basis.

<sup>2</sup> Covered by interest earnings.

<sup>3</sup> Amount was reallocated from Station Modernization and Balboa Park Eastside.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

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

As of June 30, 2020 and 2019, the unused portion of PTMISEA grant funds received in cash are shown on the statements of net position as a component of unearned revenues as follows (dollar amounts in thousands):

	<u>2020</u>	<u>2019</u>
Cash available, end of year	\$ 49,722	\$ 69,749
Less: noncurrent portion	<u>(29,797)</u>	<u>(49,406)</u>
Net current portion	<u>\$ 19,925</u>	<u>\$ 20,343</u>

For the fiscal years ended June 30, 2020 and 2019, the PTMISEA funds had earned interest income since inception of \$6,601,000 and \$5,434,000, respectively.

### 10. Employees' Retirement Benefits

#### Plan Description

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

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

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

#### Benefits Provided

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



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<b>Miscellaneous Plan</b>		<b>Safety Plan</b>	
	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	6.81%	7.00%	9.34%	13.75%
Required employer contribution rates	8.80%	8.80%	26.69%	26.69%

Starting in fiscal year 2019, in addition to the contributions noted above, employer contributions include additional unfunded liability payments, details of which are listed below (dollar amounts in thousands):

**Additional Unfunded Liability Payments:**

<b>Plan</b>	<b>2020</b>	<b>2019</b>
Miscellaneous Plan	\$ 42,667	\$ 34,570
Safety Plan	9,507	8,137
<b>Total</b>	<b>\$ 52,174</b>	<b>\$ 42,707</b>

At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

	<b>Miscellaneous Plan</b>	<b>Safety Plan</b>
<b>June 30, 2020</b>		
Inactive employees or beneficiaries currently receiving benefits	2,797	296
Inactive employees entitled to but not yet receiving benefits	98	2
Active employees	3,387	180
<b>Total</b>	<b>6,282</b>	<b>478</b>
<b>June 30, 2019</b>		
Inactive employees or beneficiaries currently receiving benefits	2,694	286
Inactive employees entitled to but not yet receiving benefits	121	3
Active employees	3,290	186
<b>Total</b>	<b>6,105</b>	<b>475</b>

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 10. Employees' Retirement Benefits (Continued)

#### Contributions

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

For fiscal year 2020, the average employee contribution rate for the Miscellaneous Plan is 6.807% and for the Safety Plan is 9.340% of their annual covered payroll. For employer's contribution, beginning in fiscal year 2018, CalPERS collects the employer contribution toward the plan's unfunded liability as a dollar amount instead of the prior method, which is based on a contribution rate. The District's actuarially determined employer contribution rate to cover the normal cost in fiscal year 2020 was 8.803% and 26.689% for Miscellaneous and Safety Plans, respectively, of annual covered payroll for the District's employees. Annual covered payroll amounted to \$431,207,000 for the fiscal year ended June 30, 2020 for the District's employees. The District's total employer contribution in fiscal year 2020 amounted to \$94,013,000, consisting of \$41,839,000 for normal cost and \$52,174,000 for payment of unfunded liability.

For fiscal year 2019, the average employee contribution rate for the Miscellaneous Plan is 6.856% and for the Safety Plan is 9.261% of their annual covered payroll. For employer's contribution, beginning in fiscal year 2018, CalPERS collects the employer contribution toward the plan's unfunded liability as a dollar amount instead of the prior method, which is based on a contribution rate. The District's actuarially determined employer contribution rate to cover the normal cost in fiscal year 2019 was 8.243% and 25.432% for Miscellaneous and Safety Plans, respectively, of annual covered payroll for the District's employees. Annual covered payroll amounted to \$368,617,000 for the fiscal year ended June 30, 2019 for the District's employees. The District's total employer contribution in fiscal year 2019 amounted to \$77,215,000, consisting of \$34,508,000 for normal cost and \$42,707,000 for payment of unfunded liability.

#### 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, 2020 and 2019 were measured as of June 30, 2019 and 2018 (measurement date), using an annual actuarial valuation of June 30, 2018 and 2017, respectively. A summary of principle assumptions and methods used to determine the net pension liability is shown below.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

**Actuarial Assumptions**

The June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Reporting date	June 30, 2020	June 30, 2020
Measurement date	June 30, 2019	June 30, 2019
Valuation date	June 30, 2018	June 30, 2018
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.150%	7.150%
Inflation	2.75%	2.75%
Payroll growth	2.75%	2.75%
Investment rate of return <sup>1</sup>	7.375%	7.375%
Mortality rate table <sup>2</sup>	Derived using CalPERS' Membership	Derived using CalPERS' Membership

<sup>1</sup> Net of pension plan investment and administrative expenses, including inflation.

<sup>2</sup> The probabilities of mortality are based on 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

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

	<u>Miscellaneous</u>	<u>Safety</u>
Reporting date	June 30, 2019	June 30, 2019
Measurement date	June 30, 2018	June 30, 2018
Valuation date	June 30, 2017	June 30, 2017
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Actuarial assumptions:		
Discount rate	7.150%	7.150%
Inflation	2.50%	2.50%
Payroll growth	3.00%	3.00%
Investment rate of return <sup>1</sup>	7.50%	7.50%
Mortality rate table <sup>2</sup>	Derived using CalPERS' Membership	Derived using CalPERS' Membership

<sup>1</sup> Net of pension plan investment and administrative expenses, including inflation.

<sup>2</sup> The probabilities of mortality are based on 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using Scale MP20 published by the Society of Actuaries.

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 10. Employees' Retirement Benefits (Continued)

The underlying mortality assumptions and other actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of 2014 actuarial experience study for the period from 1997 to 2011. The Experience Study report can be obtained on the CalPERS' website.

#### Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and June 30, 2019 was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Long-term Rate of Return

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

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.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**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, 2020, using measurement date as of June 30, 2019 was as follows:

<b>Miscellaneous &amp; Safety Plans</b>			
<b>Asset Class</b>	<b>New Interim Target Allocation <sup>1</sup></b>	<b>5 - Year Return Years 1 - 10</b>	<b>10 - Year Return Years 11+</b>
Public Equity	50%	7%	11%
Global Fixed Income	28%	4%	7%
Private Equity	8%	10%	14%
Real Assets	13%	8%	4%
Liquidity	1%	1%	1%
	<b>100%</b>		

<sup>1</sup> Adopted December 2017

The target allocation for the June 30, 2019, using measurement date as of June 30, 2018 was as follows:

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

<sup>1</sup> Adopted December 2017

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**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, 2019 measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate (dollar amounts in thousands):

	<u>Discount Rate - 1%</u> <u>(6.15%)</u>		<u>Current Discount</u> <u>Rate (7.15%)</u>		<u>Discount Rate + 1%</u> <u>(8.15%)</u>
<b>Miscellaneous Plan</b>					
Plan's Net Pension					
Liability (Asset)	\$ 930,588		\$ 622,836		\$ 364,200
<b>Safety Plan</b>					
Plan's Net Pension					
Liability (Asset)	\$ 186,847		\$ 137,829		\$ 97,531

The following presents the net pension liability of the Plan as of the June 30, 2018 measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate (dollar amounts in thousands):

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

**Pension Plan Fiduciary Net Position**

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

**Change in Net Pension Liability**

The following table shows the changes in the net pension liability for the miscellaneous plan for the fiscal year ended June 30, 2020, based on a measurement date of June 30, 2019 (dollar amounts in thousands):

<b>Miscellaneous Plan</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
<b>Balance at June 30, 2019</b>	\$ 2,421,971	\$ 1,853,868	\$ 568,103
<b>Changes during the year:</b>			
Service cost	52,659	-	52,659
Interest on the total pension liability	173,379	-	173,379
Differences between expected and actual experience	38,558	-	38,558
Net Plan to Plan resource movement	-	(17)	17
Contributions from the employer	-	65,138	(65,138)
Contributions from the employees	-	25,011	(25,011)
Net investment income	-	121,050	(121,050)
Benefit payments, including refunds of employee contributions	(123,955)	(123,955)	-
Administrative expense	-	(1,323)	1,323
Other miscellaneous income	-	4	(4)
<b>Net Changes</b>	<b>140,641</b>	<b>85,908</b>	<b>54,733</b>
<b>Balance at June 30, 2020</b>	<b>\$ 2,562,612</b>	<b>\$ 1,939,776</b>	<b>\$ 622,836</b>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

The following table shows the changes in the net pension liability for safety plan for the fiscal year ended June 30, 2020, based on measurement date of June 30, 2019 (dollar amounts in thousands):

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at June 30, 2019</b>	\$ 344,553	\$ 213,780	\$ 130,773
<b>Changes during the year:</b>			
Service cost	7,751	-	7,751
Interest on the total pension liability	24,689	-	24,689
Differences between expected and actual experience	5,967	-	5,967
Net Plan to Plan resource movement	-	17	(17)
Contributions from the employer	-	14,706	(14,706)
Contributions from the employees	-	2,687	(2,687)
Net investment income	-	14,093	(14,093)
Benefit payments, including refunds of employee contributions	(18,181)	(18,181)	-
Administrative expense	-	(153)	153
Other miscellaneous income	-	1	(1)
Net Changes	20,226	13,170	7,056
<b>Balance at June 30, 2020</b>	\$ 364,779	\$ 226,950	\$ 137,829



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

The following table shows the changes in the net pension liability for the total of miscellaneous and safety plan for the fiscal year ended June 30, 2020, based on measurement date of June 30, 2019 (dollar amounts in thousands):

**Total of Miscellaneous and Safety Plans**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
<b>Balance at June 30, 2019</b>	\$ 2,766,524	\$ 2,067,648	\$ 698,876
<b>Changes during the year:</b>			
Service cost	60,410	-	60,410
Interest on the total pension liability	198,068	-	198,068
Differences between expected and actual experience	44,525	-	44,525
Plan to Plan resource movement	-	-	-
Contributions from the employer	-	79,844	(79,844)
Contributions from the employees	-	27,698	(27,698)
Net investment income	-	135,143	(135,143)
Benefit payments, including refunds of employee contributions	(142,136)	(142,136)	-
Administrative expense	-	(1,476)	1,476
Other miscellaneous income	-	5	(5)
Net Changes	160,867	99,078	61,789
<b>Balance at June 30, 2020</b>	<b>\$ 2,927,391</b>	<b>\$ 2,166,726</b>	<b>\$ 760,665</b>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

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

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

**Change in Net Pension Liability (Continued)**

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

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

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

**Total of Miscellaneous and Safety Plans**

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

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

For the fiscal year ended June 30, 2020 and 2019, the District incurred a pension expense of \$156,783,000 and \$110,170,000, respectively.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Miscellaneous Plan</b>		
Pension contributions subsequent to measurement date	\$ 77,622	\$ -
Changes in assumptions	30,131	(8,435)
Differences between actual and expected experience	35,893	(371)
Net differences between projected and actual earnings on plan investments	-	(10,137)
<b>Total</b>	<u>\$ 143,646</u>	<u>\$ (18,943)</u>
<b>Safety Plan</b>		
Pension contributions subsequent to measurement date	\$ 16,391	\$ -
Changes in assumptions	1,694	(454)
Differences between actual and expected experience	4,583	-
Net differences between projected and actual earnings on plan investments	-	(1,224)
<b>Total</b>	<u>\$ 22,668</u>	<u>\$ (1,678)</u>
<b>Total Miscellaneous and Safety</b>		
Pension contributions subsequent to measurement date	\$ 94,013	\$ -
Changes in assumptions	31,825	(8,889)
Differences between actual and expected experience	40,476	(371)
Net differences between projected and actual earnings on plan investments	-	(11,361)
<b>Total</b>	<u>\$ 166,314</u>	<u>\$ (20,621)</u>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Miscellaneous Plan</b>		
Pension contributions subsequent to measurement date	\$ 64,169	\$ -
Changes in assumptions	60,262	(14,013)
Differences between actual and expected experience	9,013	(971)
Net differences between projected and actual earnings on plan investments	4,261	-
<b>Total</b>	<u>\$ 137,705</u>	<u>\$ (14,984)</u>
<b>Safety Plan</b>		
Pension contributions subsequent to measurement date	\$ 13,046	\$ -
Changes in assumptions	7,340	(908)
Differences between actual and expected experience	1,519	-
Net differences between projected and actual earnings on plan investments	327	-
<b>Total</b>	<u>\$ 22,232</u>	<u>\$ (908)</u>
<b>Total Miscellaneous and Safety</b>		
Pension contributions subsequent to measurement date	\$ 77,215	\$ -
Changes in assumptions	67,602	(14,921)
Differences between actual and expected experience	10,532	(971)
Net differences between projected and actual earnings on plan investments	4,588	-
<b>Total</b>	<u>\$ 159,937</u>	<u>\$ (15,892)</u>

The \$77,215,000 deferred outflow for pension contribution after the measurement date in fiscal year 2019 will be recognized as a reduction of net pension liability in fiscal year 2020. The \$94,013,000 deferred outflow for pension contribution after the measurement date in fiscal year 2020 will be recognized as a reduction of net pension liability in fiscal year 2021.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**10. Employees' Retirement Benefits (Continued)**

The deferred inflow and deferred outflow of resources as of June 30, 2020 related to pensions will be recognized in future pension expense as follows (dollar amounts in thousands):

<b>Measurement Period</b>	<b>Miscellaneous Plan</b>	<b>Safety Plan</b>
<b>Year Ending</b>	Deferred Outflows/ (Inflows) of resources	Deferred Outflows/ (Inflows) of resources
<b>June 30,</b>		
2020	\$ 44,052	\$ 4,320
2021	(8,898)	33
2022	5,616	24
2023	6,311	222
Total	<u>\$ 47,081</u>	<u>\$ 4,599</u>

**Payable to the Pension Plan**

At June 30, 2020 and 2019, the District had \$8,381,000 and \$6,425,000 contributions payable outstanding to the pension plan, respectively.

**11. Money Purchase Pension Plan**

Most District employees participate in the Money Purchase Pension Plan (MPPP), which is a supplemental retirement defined contribution plan. In January 1981, the District's employees elected to withdraw from the Federal Social Security System (FICA) and established the Money Purchase Pension Plan. The District contributes an amount equal to 6.65% of eligible employees' annual compensation (up to \$29,700 after deducting the first \$133 paid during each month) up to a maximum annual contribution of \$1,868 for all employees except those represented by BPOA and BPMA pursuant to their labor agreements effective January 1, 2010. An additional contribution to the MPPP equal to 1.627% of eligible compensation is provided to all employees except for represented sworn police officers. Payment of this additional contribution was also suspended for all CalPERS eligible individuals, with various effective dates, pursuant to labor agreements and District policy as a cost saving measure. These payments resumed on July 1, 2013. However, under the latest labor agreements with ATU, SEIU, and AFSCME, the District retained 0.0888% of the 1.627% contribution. The District also retained this same amount for non-represented employees. In addition, the District retained \$37 per month of the 1.627% for ATU, SEIU, and AFSCME employees who elected medical to pay for medical premiums.

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

## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 11. Money Purchase Pension Plan (Continued)

The District's total expense and funded contribution for this Plan for the years ended June 30, 2020 and 2019 were \$13,195,000 and \$11,964,000, respectively. The MPPP assets at June 30, 2020 and 2019 (excluded from the accompanying financial statements) per the plan administrator's unaudited reports were \$348,117,000 and \$342,381,000, respectively. At June 30, 2020, there were approximately 326 (334 in 2019) 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.



## SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

### 12. Other Postemployment Benefits (Continued)

In March 2015, the Board approved the creation of Life Insurance and Survivor Benefit Trust. In May 2020, the San Francisco Bay Area Rapid Transit District Retiree Survivor Benefit Program Trust was created for the purpose of providing retiree survivor health and welfare benefits to survivors of eligible District retirees and to create a trust to be maintained in accordance with Government code Sections 53206, 53620, 53622 et seq. The objective is to achieve consistent long-term growth for the Trust and 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. There were no financial transactions related to the Survivor Benefit Program Trust in fiscal year 2020.

#### **Basis of Accounting**

The financial statements of the Trust are prepared using the accrual basis of accounting. The Trust recognizes contributions from the District in accordance with the provisions contained in the District collective bargaining agreements, as described briefly in the following discussion.

#### **Method Used to Value Investments**

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

#### **Funding Policy and Long-Term Contract for Contributions**

The District's current collective bargaining agreements with its unions (CBA) describe the District's funding commitments to the Trust. Beginning in fiscal year 2008, the District funded the Trust with a "ramp up" (increasing) percentage of the "full" actuarial determined required contribution (ADC) in addition to funding the pay-as-you-go amount outside of the Trust every year for the following six years. Including fiscal years 2007 and 2008, this "ramp-up" contribution funded an eight-year period covering fiscal years 2006 through 2013. The CBAs include the baseline "ramp-up" percentages, which is the minimum amount that the District is committed to contribute to the Trust during the "ramp-up" period. The District commissions an actuarial study of the retiree medical insurance plan liabilities and funding needs, including the ADC, every year. The revised "ramp-up" percentage became the basis for the District's contribution to the Trust, except when it was less than the baseline "ramp-up" percentage. In addition, in fiscal year 2009 the District contributed into the Trust a lump sum makes 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 ADC. Also, effective on July 1, 2013, retiree medical insurance premiums and related administration fees are paid by the Trust.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

**Funding Policy**

Employer contributions to the retiree health benefits plan are actuarially determined and amounted to \$41,832,000 for fiscal year 2020 (including \$4,413,000 implied subsidy). The actuarial valuation for fiscal year 2018 was used to determine the actuarially determined contribution for fiscal year 2020. The District also paid in fiscal year 2020 survivor benefits and life insurance premiums, on a pay as you go basis, amounting to \$434,000 and \$1,367,000 (including \$1,210,000 implied subsidy), respectively.

Employer contributions to the retiree health benefits plan are actuarially determined and amounted to \$39,511,000 for fiscal year 2019 (including \$4,306,000 implied subsidy). The actuarial valuation for fiscal year 2017 was used to determine the actuarially determined contribution for fiscal year 2019. The District also paid in fiscal year 2019 survivor benefits and life insurance premiums, on a pay as you go basis, amounting to \$213,000 and \$821,000 (including \$679,000 implied subsidy), respectively.

The District does not charge any administration cost to the Retiree Health Benefit Trust. For calendar years 2020 and 2019 most retirees paid \$150.44 and \$147.14 per month, respectively, for their share of the medical premium and the balance is paid by the District.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

**Employer's Net OPEB Liability**

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.

The net OPEB liability as of June 30, 2020 and June 30, 2019 for the Retiree Medical Benefit, Survivor Benefit and Retiree Life Insurance totals \$353,321,000 and \$356,573,000, respectively, detail of which is presented below (dollar amounts in thousands):

<b>Fiscal Year Ending</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>Measurement Date</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>Valuation Date</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b><u>Retiree Medical Benefits</u></b>		
Total OPEB Liability (TOL)	\$ 642,692	\$ 625,195
Fiduciary Net Position (FNP)	(389,128)	(340,470)
Net OPEB Liability	<u>\$ 253,564</u>	<u>\$ 284,725</u>
<b><u>Survivor Benefit Plan</u></b>		
Total OPEB Liability (TOL)	\$ 49,452	\$ 34,220
Fiduciary Net Position (FNP)	-	-
Net OPEB Liability	<u>\$ 49,452</u>	<u>\$ 34,220</u>
<b><u>Retiree Life Insurance</u></b>		
Total OPEB Liability (TOL)	\$ 50,305	\$ 37,628
Fiduciary Net Position (FNP)	-	-
Net OPEB Liability	<u>\$ 50,305</u>	<u>\$ 37,628</u>
<b><u>Total</u></b>		
Total OPEB Liability (TOL)	\$ 742,449	\$ 697,043
Fiduciary Net Position (FNP)	(389,128)	(340,470)
Net OPEB Liability	<u>\$ 353,321</u>	<u>\$ 356,573</u>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

**Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability**

The total OPEB liability for retiree medical benefits were determined by actuarial valuations as of June 30, 2020 using the following actuarial assumptions:

***Retiree Medical Benefits***

	<u>June 30, 2020 Measurement Date</u>
Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	6.50%
Long -term investment rate of return	Plan assets projected to be sufficient to pay all benefits from the Trust 6.50% at June 30, 2020
General inflation	2.75% per annum
Contribution Policy	Employer contributes full ADC
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Mortality improvement	Mortality projected fully generational with Scale MP-2019
Medical trend	Non- Medicare-7.50% for 2020, decreasing to an ultimate rate of 4.0% in 2076  Medicare- 6.5% for 2020, decreasing to an ultimate rate of 4.0% for 2076
Healthcare participation for future retirees	Medical coverage: 98% of safety and 88% of Miscellaneous future retirees elect coverage Retirees not eligible for BART Medical Subsidy: 60% participate Spouse Coverage: varies by bargaining unit, 56% to 90% 10% of waived retirees under age 65 on valuation date assumed to elect coverage at 65 Assumptions based on study of recent retirees

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

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

***Retiree Medical Benefits***

	<u>June 30, 2019 Measurement Date</u>
Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	6.50%
	Plan assets projected to be sufficient to pay all benefits from the Trust
Long -term investment rate of return	6.50% at June 30, 2018
General inflation	2.75% per annum
	Employer contributes full ADC
Contribution Policy	CalPERS 1997-2015 Experience Study
Mortality, disability, termination, retirement	Mortality projected fully generational with Scale MP-2017
Mortality improvement	Non- Medicare-7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years
	Medicare- 6.3% for 2020, decreasing to an ultimate rate of 4.0% for 2076
Medical trend	Medical coverage: 98% of safety and 88% of Miscellaneous future retirees elect coverage
Healthcare participation for future retirees	Retirees not eligible for BART Medical Subsidy: 60% participate Spouse Coverage: varies by bargaining unit, 56% to 90% 10% of waived retirees under age 65 on valuation date assumed to elect coverage at 65 Assumptions based on study of recent retirees

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

The total OPEB liability for survivor medical benefits were determined by actuarial valuations as of June 30, 2020 using the following actuarial assumptions:

***Survivor Benefit Plan***

	<u>June 30, 2020 Measurement Date</u>
Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	2.21% (Bond Buyer 20-year Bond Index)
Long -term investment rate of return	N/A at June 30, 2019
General inflation	2.75% per annum
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019
Salary increases	Aggregate - 3% Merit - CalPERS 1997-2015 experience study
Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Participation	Current covered employees and retirees will continue paying premium for coverage. Future retirees will elect to be covered by District retiree healthcare benefits

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

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

***Survivor Benefit Plan***

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

The total OPEB liability for retiree life insurance were determined by actuarial valuations as of June 30, 2020 using the following actuarial assumptions:

***Retiree Life Insurance***

	<u>June 30, 2020 Measurement Date</u>
Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	2.21%
Long -term investment rate of return	N/A at June 30, 2019
Municipal bonds	2.21% based on the bond buyer 20-year general obligation index as of June 30, 2020
General inflation	2.75% per annum
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-2019
Trend	N/A
Life insurance participation for future retirees	100%, except BPOA and BPMA
Changes of benefit terms	BPOA and BPMA members retiring on or after January 1, 2019 do not have life insurance benefits provided by the District, nor would they be eligible to purchase life insurance through the District plan.
Benefit valued	Valuation based on death benefit payable, not premiums No administrative expense included



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

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

***Retiree Life Insurance***

	<b>June 30, 2019 Measurement Date</b>
Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Discount rate	3.50%
Long -term investment rate of return	N/A at June 30, 2018
Municipal bonds	3.50% based on the bond buyer 20-year general obligation index as of June 30, 2019
General inflation	2.75% per annum
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-2017
Trend	N/A
Life insurance participation for future retirees	100%, except BPOA and BPMA
Changes of benefit terms	BPOA and BPMA members retiring on or after January 1, 2019 do not have life insurance benefits provided by the District, nor would they be eligible to purchase life insurance through the District plan.
Benefit valued	Valuation based on death benefit payable, not premiums No administrative expense included

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in Assumptions**

**Retiree Medical Benefits**

The following presents the net OPEB liability of the Retiree Medical Benefits Plan as of the June 30, 2020 measurement date, calculated using the discount rate of 6.50%, and healthcare trend rate of 7.50% for non-Medicare and 6.50% for Medicare, decreasing to an ultimate rate of 4.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate (dollar amounts in thousands):

**Discount Rate**

	<b>1% Decrease (5.50%)</b>	<b>Current Rate Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Net OPEB liability	\$ 340,346	\$ 253,564	\$ 182,188

**Health care costs trend rate**

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB liability	\$ 165,113	\$ 253,564	\$ 362,598

The following presents the net OPEB liability of the Retiree Medical Benefits Plan as of the June 30, 2019 measurement date, calculated using the discount rate of 6.50%, and healthcare trend rate of 7.50% for non-Medicare and 6.50% for Medicare, decreasing to an ultimate rate of 4.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate (dollar amounts in thousands):

**Discount Rate**

	<b>1% Decrease (5.50%)</b>	<b>Current Rate Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Net OPEB liability	\$ 369,392	\$ 284,725	\$ 215,079

**Health care costs trend rate**

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB liability	\$ 198,219	\$ 284,725	\$ 391,194

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

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

**Survivor Benefit**

The following presents the net OPEB liability of the Survivor Benefit Plan as of the June 30, 2020 measurement date, calculated using the discount rate of 2.21%, and healthcare trend rate of 7.25% for non-Medicare and 6.3% for Medicare decreasing to an ultimate rate of 4.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate (dollar amounts in thousands):

<b>Discount Rate</b>	<b>1% Decrease (1.21%)</b>	<b>Current Rate Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Net OPEB liability	\$ 62,030	\$ 49,452	\$ 40,127
<b>Health care costs trend rate</b>	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB liability	\$ 39,032	\$ 49,452	\$ 63,907

The following presents the net OPEB liability of the Survivor Benefit Plan as of the June 30, 2019 measurement date, calculated using the discount rate of 3.50%, and healthcare trend rate of 7.50% for non-Medicare and 6.50% for Medicare decreasing to an ultimate rate of 4.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate (dollar amounts in thousands):

<b>Discount Rate</b>	<b>1% Decrease (2.50%)</b>	<b>Current Rate Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Net OPEB liability	\$ 46,910	\$ 34,220	\$ 30,851
<b>Health care costs trend rate</b>	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB liability	\$ 30,654	\$ 34,220	\$ 47,523

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

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

**Retiree Life Insurance**

The following presents the net OPEB liability of the Retiree Life Insurance Plan as of the June 30, 2020 measurement date, calculated using the discount rate of 2.21%, 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):

<b>Discount Rate</b>	<b>1% Decrease (1.21%)</b>	<b>Current Rate Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Net OPEB liability	\$ 61,076	\$ 50,305	\$ 41,987

The following presents the net OPEB liability of the Retiree Life Insurance Plan as of the June 30, 2019 measurement date, calculated using the discount rate of 3.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate. Healthcare trend rates are not applicable to the Retiree Life Insurance Plan (dollar amounts in thousands):

<b>Discount Rate</b>	<b>1% Decrease (2.50%)</b>	<b>Current Rate Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Net OPEB liability	\$ 45,035	\$ 37,628	\$ 34,307

**OPEB Expense**

For the fiscal year ended June 30, 2020 and 2019, the District recognized OPEB expense of \$35,633,000 and \$36,564,000 respectively. The details of the OPEB expense were as follow (dollar amounts in thousands):

	<b>Retiree Medical Benefit</b>	<b>Survivor Benefit</b>	<b>Life Insurance</b>	<b>Total</b>
Fiscal year 2020	\$ 30,050	\$ 1,866	\$ 3,717	\$ 35,633
Fiscal year 2019	\$ 35,491	\$ 336	\$ 737	\$ 36,564

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

**Employees covered by Benefit Terms\***

At June 30, 2020 reporting date, the following numbers of employees were covered by the benefit terms:

	<u>Retiree Medical Benefits</u>	<u>Survivor Benefits</u>	<u>Retiree Life Insurance</u>
Inactives currently receiving benefits	2,367	191	-
Inactives entitled to but not yet receiving benefits	432	1,077	2,551
Active Employees	<u>4,246</u>	<u>3,097</u>	<u>3,882</u>
Total	<u><u>7,045</u></u>	<u><u>4,365</u></u>	<u><u>6,433</u></u>

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

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

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

**Deferred Outflows/Inflows of Resources**

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

<b>Fiscal Year ending June 30, 2020</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
<b><u>Retiree Medical Benefits</u></b>		
Differences between actual and expected experience	\$           -	\$       49,464
Changes in assumptions	18,061	4,048
Net difference between projected and actual earnings on plan investments	-	11,017
Total	<u>\$       18,061</u>	<u>\$       64,529</u>
 <b><u>Survivor Benefit Plan</u></b>		
Differences between actual and expected experience	\$           -	\$       5,760
Changes in assumptions	13,049	9,581
Total	<u>\$       13,049</u>	<u>\$       15,341</u>
 <b><u>Retiree Life Insurance</u></b>		
Differences between actual and expected experience	\$           707	\$       274
Changes in assumptions	10,135	1,762
Total	<u>\$       10,842</u>	<u>\$       2,036</u>
Combined Plan Total	<u>\$       41,952</u>	<u>\$       81,906</u>

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

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

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2020 will be recognized in future OPEB expense as follows (dollar amounts in thousands):

<u>Year Ending June 30,</u>	<u>Deferred Outflows/ (Inflows) of resources</u>
<b><i>Retiree Medical Benefits</i></b>	
2021	\$ (12,411)
2022	(10,358)
2023	(9,398)
2024	(9,173)
2025	(3,418)
Thereafter	(1,710)
Total	<u>\$ (46,468)</u>
<b><i>Survivor Benefit</i></b>	
2021	\$ (1,405)
2022	(1,405)
2023	(1,405)
2024	(758)
2025	212
Thereafter	2,469
Total	<u>\$ (2,292)</u>
<b><i>Retiree Life Insurance</i></b>	
2021	\$ 1,057
2022	1,506
2023	1,989
2024	2,050
2025	1,836
Thereafter	368
Total	<u>\$ 8,806</u>



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

**Net OPEB Liability/(Asset)**

The following tables shows the changes in the net OPEB liability on retiree medical benefits for the fiscal years ended June 30, 2020 and 2019 (dollar amounts in thousands):

*Retiree Medical Benefits*

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2019*</b>	\$ 625,195	\$ 340,470	\$ 284,725
<b>Changes for the year</b>			
Service cost	23,497	-	23,497
Interest	41,348	-	41,348
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(17,434)	-	(17,434)
Change of assumptions	(4,784)	-	(4,784)
Contributions from the employer	-	41,832	(41,832)
Net investment income	-	32,235	(32,235)
Benefit payments, including refunds***	(25,130)	(25,130)	-
Administrative expense	-	(279)	279
<b>Net Changes</b>	<b>17,497</b>	<b>48,658</b>	<b>(31,161)</b>
<b>Balance at June 30, 2020 **</b>	<b>\$ 642,692</b>	<b>\$ 389,128</b>	<b>\$ 253,564</b>

\* Measurement date June 30, 2019

\*\* Measurement date June 30, 2020

\*\*\* Includes \$4,413,000 implied subsidy benefit payments for fiscal year 2020

*Retiree Medical Benefits*

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2018*</b>	\$ 611,681	\$ 305,850	\$ 305,831
<b>Changes for the year</b>			
Service cost	23,480	-	23,480
Interest	40,503	-	40,503
Changes of benefit terms	(1,224)	-	(1,224)
Difference between expected and actual experience	(29,522)	-	(29,522)
Change of assumptions	4,337	-	4,337
Contributions from the employer	-	39,511	(39,511)
Net investment income	-	19,355	(19,355)
Benefit payments, including refunds***	(24,060)	(24,060)	-
Administrative expense	-	(186)	186
<b>Net Changes</b>	<b>13,514</b>	<b>34,620</b>	<b>(21,106)</b>
<b>Balance at June 30, 2019 **</b>	<b>\$ 625,195</b>	<b>\$ 340,470</b>	<b>\$ 284,725</b>

\* Measurement date June 30, 2018

\*\* Measurement date June 30, 2019

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Notes to Financial Statements (Continued)  
June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

**Net OPEB Liability/(Asset) (Continued)**

The following tables shows the changes in the net OPEB liability on survivor benefit for the fiscal years ended June 30, 2020 and 2019 (dollar amounts in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2019**</b>	\$ 34,220	\$ -	\$ 34,220
<b>Changes for the year</b>			
Service cost	2,011	-	2,011
Interest	1,260	-	1,260
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(971)	-	(971)
Change of assumptions	13,366	-	13,366
Contributions from the employer	-	434	(434)
Benefit payments, including refunds	(434)	(434)	-
<b>Net Changes</b>	<b>15,232</b>	<b>-</b>	<b>15,232</b>
<b>Balance at June 30, 2020 ***</b>	<b>\$ 49,452</b>	<b>\$ -</b>	<b>\$ 49,452</b>
<b>Balance at June 30, 2018*</b>	<b>\$ 35,093</b>	<b>\$ -</b>	<b>\$ 35,093</b>
<b>Changes for the year</b>			
Service cost	1,901	-	1,901
Interest	1,428	-	1,428
Changes of benefit terms	22	-	22
Difference between expected and actual experience	(5,946)	-	(5,946)
Change of assumptions	1,935	-	1,935
Contributions from the employer	-	213	(213)
Benefit payments, including refunds	(213)	(213)	-
<b>Net Changes</b>	<b>(873)</b>	<b>-</b>	<b>(873)</b>
<b>Balance at June 30, 2019 **</b>	<b>\$ 34,220</b>	<b>\$ -</b>	<b>\$ 34,220</b>

\* Measurement date June 30, 2018

\*\* Measurement date June 30, 2019

\*\*\* Measurement date June 30, 2020

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements (Continued)

June 30, 2020 and 2019

**12. Other Postemployment Benefits (Continued)**

**Net OPEB Liability/(Asset) (Continued)**

The following tables shows the changes in the net OPEB liability on retiree life insurance for the fiscal years ended June 30, 2020 and 2019 (dollar amounts in thousands):

<u>Retiree Life Insurance</u>	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2019**</b>	\$ 37,628	\$ -	\$ 37,628
<b>Changes for the year</b>			
Service cost	1,321	-	1,321
Interest	1,339	-	1,339
Changes of benefit terms	-	-	-
Difference between expected and actual experience	748	-	748
Change of assumptions	10,636	-	10,636
Contributions from the employer	-	1,367	(1,367)
Benefit payments, including refunds****	(1,367)	(1,367)	-
<b>Net Changes</b>	12,677	-	12,677
<b>Balance at June 30, 2020***</b>	\$ 50,305	\$ -	\$ 50,305
<b>Balance at June 30, 2018*</b>	\$ 35,509	\$ -	\$ 35,509
<b>Changes for the year</b>			
Service cost	1,146	-	1,146
Interest	1,402	-	1,402
Changes of benefit terms	(1,032)	-	(1,032)
Difference between expected and actual experience	(414)	-	(414)
Change of assumptions	1,838	-	1,838
Contributions from the employer	-	821	(821)
Benefit payments, including refunds****	(821)	(821)	-
<b>Net Changes</b>	2,119	-	2,119
<b>Balance at June 30, 2019**</b>	\$ 37,628	\$ -	\$ 37,628

\* Measurement date June 30, 2018

\*\* Measurement date June 30, 2019

\*\*\* Measurement date June 30, 2020

\*\*\*\* Includes implied subsidy benefit payments of \$1,210,000 and \$679,000 in fiscal year 2020 and 2019, respectively.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**13. Board of Directors' Expenses**

Total Directors' expenses, consisting of travel and other business related expenses, for the fiscal year ended June 30, 2020 and 2019 amounted to \$7,159 and \$12,575, respectively.

**14. Related Organizations and Joint Venture Projects**

**Capitol Corridor Joint Powers Authority**

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

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

The District charged the CCJPA a total of \$4,248,000 for marketing and administrative services during fiscal year 2020 and \$4,101,000 during fiscal year 2019. In addition, CCJPA reimburses the District for its advances for capital project expenditures, overhead and other operating expenses. Reimbursements for expenses incurred by the District on behalf of and in providing services to the CCJPA are netted against the corresponding expense in the statements of revenues, expenses and changes in net position. Unreimbursed expenses and advances for capital project costs from CCJPA amount to \$1,419,000 and \$2,508,000 as of June 30, 2020 and 2019, respectively. All unreimbursed expenses and advances are included as current receivables and other assets in the statements of net position. As the District has no ownership involvement or ongoing financial interest or responsibility in CCJPA, its financial statements include only amounts related to the services and advances it provides to CCJPA.

**East Bay Paratransit Consortium**

In 1994, the District and the Alameda-Contra Costa Transit District (AC Transit) executed an agreement establishing the East Bay Paratransit Consortium (the Consortium). The purpose of the Consortium is to enable the District and AC Transit to jointly provide paratransit services in the overlapping service area of the District and AC Transit. Revenues and expenditures for the Consortium are split 31.0% and 69.0% between the District and AC Transit, respectively, except for program coordinator's expenses, which are split 50/50 starting in 2011. The District's financial statements reflect its portion of revenues and expenditures as operating activities. The District supported the project primarily through its own operating funds, with some financial assistance from Alameda County Measure B and BB funds and from the Contra Costa Transportation Authority Measure J funds (Note 9). The District has no equity interest in the Consortium.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**14. Related Organizations and Joint Venture Projects (Continued)**

**Pleasant Hill BART Station Leasing Authority**

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

On June 30, 2009, the District received as ground lease payments for the full term of the lease, a cash base rent of \$99 and a noncash base rent in the form of a newly constructed parking structure located at the Pleasant Hill BART station. The District accepted the completion of the new parking structure and became its new owner effective June 30, 2009. The replacement parking garage was recorded as a capital asset at a value of \$51,236,000, which is its final construction cost as reported by its developer. As a result of the Agency's funding of the replacement parking garage, future sublease revenue will be split between the County and BART at 75.0% and 25.0%, respectively, after defeasance of the Agency's final incremental contribution to the parking garage project.

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

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

**Richmond Redevelopment Agency or Successor Agency**

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

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

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**14. Related Organizations and Joint Venture Projects (Continued)**

**Richmond Redevelopment Agency or Successor Agency**

The District had agreed to issue grant deeds to the developer pertaining to two parcels with approximate total size of 245,070 square feet in both the West side and the East side for the development projects. The agreement states that in exchange for the parcels, the Richmond Redevelopment Agency, at their expense, will construct a parking structure on the West side of BART's property, and transfer ownership of the garage to the District upon completion. The transfer of maintenance and responsibility to the District of the parking structure, which consisted of 750 parking spaces and approximately 9000 +/- square feet of commercial space, occurred in September 2014. As of June 30, 2017, only the parcel on the West side of the development project has been transferred by the District to the developer. The transfer of the parcel on the East side will occur upon the request of the City of Richmond and/or their designated developer once all prerequisites are met. Prerequisites include a fully entitled East Side development project. The transfer could occur in fiscal year 2021 or later.

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

**MacArthur Transit Village**

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

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

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

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**14. Related Organizations and Joint Venture Projects (Continued)**

**South Hayward Transit Oriented Development**

On June 18, 2012, the District and JMJ Development LLC (Developer) entered into an Option Agreement for a Transit Oriented Development (TOD). That agreement also includes the right to purchase approximately 1.65 acres of land from the District. The right to purchase was exercised in fiscal year 2014 for a total consideration of \$692,000. Grant deed for the transfer was issued on October 8, 2014. The District recognized a gain of \$620,000 from this sale. An Option Agreement between the District and the Developer provided further consideration to the District of a transfer benefit fee (TBF) which guarantees the District a perpetual revenue stream. The TBF amounts to a 1% assessment against successive transfers of each of the development units (i.e. unit sales) or a 1% annual assessment against Gross Annual Rental Revenue from rental of the units. A total of 206 market rate rental units were completed in 2017. The TBF commenced accrual in October 2019, the first anniversary of the project stabilization date.

**South Hayward BART Station Access Authority**

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

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

The parking fees and traffic citation fees collected by the District for the South Hayward Station are transferred to the South Hayward JPA to cover maintenance and other expenses. Parking fees collected in fiscal year 2020 amounts to \$400,000 (\$552,000 in fiscal year 2019) and traffic citation fees collected in fiscal year 2020 amounts to \$36,000 (\$33,000 in fiscal year 2019). 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.

**Millbrae Transit Oriented Development**

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**14. Related Organizations and Joint Venture Projects (Continued)**

**Regional Administrative Facility Corporation**

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

Under the above Plan and Declaration, RAFC exercises a custodial responsibility on behalf of the owner occupants of the building located at 101 Eight Street, Oakland, California, to discharge operational obligations and to assess sufficient amounts to meet all required expenditures of the common areas and certain easements of the Project.

On January 27, 2017, the District entered into a Purchase Agreement with MTC for the acquisition of the land and building administered by the RAFC. As of June 22, 2017, the District became the sole owner of the property. The District paid a total amount of \$18,224,000 net of assets and liabilities assumed as a result of the purchase. The District assumed ownership of RAFC to be able to continue the utilization of existing procurement contracts. For fiscal year 2020 and 2019, RAFC was managed by the District's Real Estate group. Formal dissolution of RAFC is expected to occur in fiscal year 2021.

**Santa Clara Valley Transportation Authority**

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

The 16-mile extension is planned to include: six stations – one in Milpitas, four in San Jose and one in the city of Santa Clara; a five-mile tunnel in downtown San Jose and provision of a yard and shops at the end of the line in Santa Clara. The capital cost for the six-station extension is estimated at \$9.27 billion in Year-Of-Expenditure ("YOE") dollars. Construction of SVX is being implemented in phases.

The first phase, The Silicon Valley Berryessa Extension Project ("SVBX"), comprises of a 10-mile extension of BART service with two stations – one in Milpitas and one in San Jose at Berryessa Road. The first phase, with an estimated capital cost of \$2,420,000,000 in YOE dollars, was granted an FTA Full Funding Grant Agreement in March of 2012.



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**14. Related Organizations and Joint Venture Projects (Continued)**

**Santa Clara Valley Transportation Authority**

The second phase, the Silicon Valley Santa Clara Extension Project (“SVSX”) will comprise six miles of the extension with four stations. Planning and environmental studies for the second phase have been completed. In June 2019, the FTA selected VTA as its first Expedited Project Delivery (EPD) pilot program, and in August 2018, the FTA allocated \$125 million to the second phase of the Silicon Valley Extension. The VTA received a notice of funding opportunity from FTA on July 28, 2020, and the VTA is on track to submit to the FTA a formal application requesting federal funds under EPD by mid-August 2020. SVSX is forecasted to start revenue service by 2026.

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

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

On June 13, 2020, the first phase of SVBX Project, specifically, the Milpitas and Berryessa/North San Jose stations officially commenced revenue service. The Operating and Maintenance agreement provides guidance on the financial, maintenance and operating responsibilities of each party, where VTA owns the extensions including the transit centers and the District operates the service and maintains the system. The Operations and Maintenance agreement, dated May 22, 2020, requires VTA to be responsible for funding subsidies for the ongoing operating, maintenance and capital costs attributable to the extension including a share of the District’s core system, capital costs, and to provide dedicated funding for such costs.

**Northern California Power Agency (NCPA)**

The operation of the BART system requires substantial electricity. Historically, the District’s annual electric energy requirement is approximately 425,000 megawatt-hours (MWh), with peak electric demand of approximately 85 megawatts (MW); however, the District is currently operating at reduced service levels attributed to the COVID-19 global pandemic. With authorization granted under statute, the District currently procures its electric supply primarily from wholesale resources with support from the Northern California Power Agency (NCPA), a Joint Powers Authority comprised of 16 public entities, including BART. To support the price stability of the District’s long-term electric supply planning and budgeting, the Board has also authorized the District’s participation in funding the planning and development activities of NCPA’s Lodi Energy Center (LEC), a gas-fired generator commissioned in 2012. The District is a 6.6% equity share owner of NCPA’s LEC. The Lodi facility is operated according to the needs of the California Independent System Operator (CAISO), the entity responsible for grid operations and facilitation of wholesale electric markets in California.

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**15. Commitments and Contingencies**

**Litigation**

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

**Wholesale Electric Procurement**

The District purchases electricity and other wholesale products to serve its electrical load requirements and satisfy various compliance obligations as a wholesale market participant. Existing contracts for electricity and other wholesale products currently extend as far as calendar year 2040 with a total remaining contract value of approximately \$230,167,000 as of June 30, 2020. Contract values are subject to change over time as the District proceeds with its ongoing electric procurement activities.

Included in the above value are the contracts with NCPA, which are in place through calendar year 2036, with a total remaining contract value of \$51,956,000 and \$54,406,000 as of June 30, 2020 and June 30, 2019, respectively.

**Operations and Maintenance Agreement for the Oakland International Airport Connector**

On October 1, 2010, the District entered into an Operations and Maintenance Contract with Doppelmayr Cable Car, Inc., to operate and maintain the OAC for an amount not to exceed \$4,907,000 (base service payment in 2009 dollars) annually for a period of twenty (20) years from revenue service date, subject to annual escalation based on Consumer Price Index. Total operating expenses incurred under this agreement amounts to \$6,491,000 in fiscal year 2020 (\$6,448,000 in fiscal year 2019). As part of the contract, the District is also required to deposit to a reserve account, an amount of \$768,000 annually, subject to escalation, for Capital Asset Replacement Program (CARP). The District allocated to the CARP reserve account \$1,015,000 and \$991,000 in fiscal year 2020 and 2019, respectively. The CARP will cover all major maintenance and rehabilitation expenditures during the term of the Operations and Maintenance agreement. The OAC started revenue operations on November 22, 2014.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**15. Commitments and Contingencies (Continued)**

**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, 2020 are as follows (dollar amounts in thousands):

<u>Year ending June 30:</u>	<u>Operating Leases</u>
2021	\$ 20,337
2022	4,590
2023	3,351
2024	3,192
2025	3,203
2026-2030	14,274
2031-2035	12,500
2036-2040	12,500
2041-2045	12,500
2046-2050	12,500
2051-2055	7,292
Total minimum rental payments	<u>\$ 106,239</u>

Rent expenses under all operating leases were \$15,855,000 and \$12,994,000 for the fiscal years ended June 30, 2020 and 2019, respectively.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**15. Commitments and Contingencies (Continued)**

**Fruitvale Development Corp.**

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

The terms of the lease require FDC to pay the District a Base Rent and a Percentage Rent. The Base Rent is a fixed amount determined at the inception of the lease subject to periodic CPI adjustments. Percentage Rent is calculated equal to 15.0% of annual net revenues, as defined in the ground lease agreement.

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

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 2020 and fiscal year 2019 amounted to \$182,000 each year. There was no percentage rent offset for fiscal year 2020 (\$25,000 in fiscal year 2019). The remaining balance in the Replacement Parking Rent Credit was \$2,171,000 as of June 30, 2020 (\$2,353,000 as of June 30, 2019).

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

**COVID-19**

In October 2020, the Board approved the following seven-point plan to address the short and long term impact of the pandemic on ridership and revenue:

- Pursue efficiencies around contracting and other reductions to the District's non-labor budget
- Continue hiring freeze, eliminate most current vacancies
- Negotiate a retirement incentive package with union leadership
- Re-assign or re-train staff wherever possible to fill critical gaps created by departures
- Fill critical capital budget vacancies with operating staff wherever possible
- Load shed service dependent staff to capital projects to accelerate capital program delivery
- Explore additional cost savings measures with labor partners and non-represented employees

Savings from the seven-point plan will help the District reduce current operating shortfalls and become leaner. The District also has contingency plans in case it does not receive additional emergency funding from federal and state government.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
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**15. Commitments and Contingencies (Continued)**

As part of the contingency plans, the District is considering a number of scenarios and options including using five priorities to balance tradeoffs in service changes:

- Ridership - Maximize resources to attract more riders as people return to work and make transportation decisions
- Financial - Evaluate service based on cost effectiveness considering the District's limited budget while minimizing impacts to labor
- Equity - Minimize impacts to protected populations
- Capacity recovery - Responsiveness of the service plan in preserving the capability and expertise necessary to scale-up to assist in the economic recovery of the Bay Area as counties re-open and ridership potential grows
- Health Guidance - Evaluate how service levels meet public health guidelines and aid in regaining confidence from riders and employers contemplating bringing workers back into the office

The District's commitment is to do all it can to serve the region and support the Bay Area economy and the District's workforce while also making sure it appropriately responds to the immediate fiscal crisis and the longer-term deficit COVID-19 has exacerbated.

**16. Subsequent Events**

2020 Measure RR General Obligation Bonds Series C-1 Green Bonds and Series C-2 Federally Taxable Green Bonds (The 2020C Measure RR GO Bonds).

On August 27, 2020, the District issued the 2020C Measure RR General Obligation Bonds, with an aggregate principal amount of \$700,000,000. The 2020C Measure RR GO Bonds were issued in 2 series, 2020 Series C-1 Green Bonds in the amount of \$625,005,000 and 2020 Series C-2 Federally Taxable Green Bonds in the amount of \$74,995,000. The 2020C 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 2020C 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 2020C Measure RR GO Bonds. The 2020C Measure RR GO Bonds constitute the third issue of general obligation bonds being issued pursuant to the Measure RR authorization. Proceeds from the 2020C Measure RR Bonds will be used to finance specific acquisition, construction and improvement projects for District facilities approved by the voters and to pay the costs of issuance.

After the issuance of the 2020C Measure RR GO Bonds, the remaining Measure RR General Obligation Bonds that can be issued by the District as authorized under Measure RR is \$2,140,000,000

The District has evaluated subsequent events through November 24, 2020, the date that the financial statements were available to be issued. Other than the events aforementioned, there were no other subsequent events have occurred that would have a material impact on the presentation of the financial statements.

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**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Required Supplementary Information (Unaudited) (Continued)  
June 30, 2020 and 2019

**DEFINED BENEFIT PENSION PLAN**

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

Miscellaneous	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>						
Service cost	\$ 52,659	\$ 48,382	\$ 45,264	\$ 37,959	\$ 36,151	\$ 36,182
Interest on total pension liability	173,379	163,858	157,621	152,757	146,226	139,931
Changes of assumptions	-	(16,469)	120,524	-	(32,773)	-
Differences between expected and actual experience	38,558	11,525	(1,484)	1,193	(4,807)	-
Benefit payments, including refunds of employee contributions	(123,955)	(115,594)	(108,947)	(102,543)	(95,653)	(89,968)
Net change in total pension liability	140,641	91,702	212,978	89,366	49,144	86,145
Total pension liability - beginning	2,421,971	2,330,269	2,117,291	2,027,925	1,978,781	1,892,636
Total pension liability - ending	<u>\$ 2,562,612</u>	<u>\$ 2,421,971</u>	<u>\$ 2,330,269</u>	<u>\$ 2,117,291</u>	<u>\$ 2,027,925</u>	<u>\$ 1,978,781</u>
<b>Plan fiduciary net position</b>						
Contributions - Employer	65,138	52,106	47,272	\$ 38,283	\$ 32,466	\$ 28,276
Contributions - Employee	25,011	22,042	20,144	18,174	17,818	21,375
Plan to Plan resource movement	(17)	(7)	12	(1)	(36)	-
Net investment income	121,050	147,891	181,091	8,747	37,388	251,137
Benefit payments, including refunds of employee contributions	(123,955)	(115,594)	(108,947)	(102,543)	(95,653)	(89,968)
Administrative expense	(1,323)	(2,735)	(2,389)	(1,009)	(1,865)	-
Other miscellaneous income / (expenses)	4	(5,195)	-	-	-	-
Net change in fiduciary net position	85,908	98,508	137,183	(38,349)	(9,882)	210,820
Plan fiduciary net position - beginning	1,853,868	1,755,360	1,618,177	1,656,526	1,666,408	1,455,588
Plan fiduciary net position - ending	<u>\$ 1,939,776</u>	<u>\$ 1,853,868</u>	<u>\$ 1,755,360</u>	<u>\$ 1,618,177</u>	<u>\$ 1,656,526</u>	<u>\$ 1,666,408</u>
<b>Plan net pension liability - ending</b>	<u>\$ 622,836</u>	<u>\$ 568,103</u>	<u>\$ 574,909</u>	<u>\$ 499,114</u>	<u>\$ 371,399</u>	<u>\$ 312,373</u>
Plan fiduciary net position as a percentage of the total pension liability	75.70%	76.54%	75.33%	76.43%	81.69%	84.21%
Covered payroll**	\$ 331,836	\$ 307,661	\$ 285,848	\$ 264,024	\$ 246,901	\$ 240,171
Plan net pension liability as a percentage of covered payroll	187.69%	184.65%	201.12%	189.04%	150.42%	130.06%

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

\*\* Based on actuarial report

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

<b>Safety</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>						
Service cost	\$ 7,751	\$ 7,563	\$ 7,416	\$ 6,491	\$ 5,935	\$ 5,790
Interest on total pension liability	24,689	23,272	22,274	21,340	20,099	18,885
Changes of assumptions	-	(1,362)	18,632	-	(4,942)	-
Differences between expected and actual experience	5,967	1,241	745	4,387	4,794	-
Benefit payments, including refunds of employee contributions	(18,181)	(15,962)	(15,408)	(14,803)	(14,140)	(13,199)
Net change in total pension liability	20,226	14,752	33,659	17,415	11,746	11,476
Total pension liability - beginning	344,553	329,801	296,142	278,727	266,981	255,505
Total pension liability - ending	<u>\$ 364,779</u>	<u>\$ 344,553</u>	<u>\$ 329,801</u>	<u>\$ 296,142</u>	<u>\$ 278,727</u>	<u>\$ 266,981</u>
<b>Plan fiduciary net position</b>						
Contributions - Employer	14,706	12,357	11,742	\$ 10,038	\$ 9,428	\$ 7,442
Contributions - Employee	2,687	2,136	2,165	1,854	1,917	2,817
Plan to Plan resource movement	17	3	(14)	1	1	-
Net investment income	14,093	16,940	20,183	924	4,015	27,150
Benefit payments, including refunds of employee contributions	(18,181)	(15,962)	(15,408)	(14,803)	(14,140)	(13,199)
Administrative expense	(153)	(311)	(267)	(112)	(206)	-
Other miscellaneous income / (expenses)	1	(590)	-	-	-	-
Net change in fiduciary net position	13,170	14,573	18,401	(2,098)	1,015	24,210
Plan fiduciary net position - beginning	213,780	199,207	180,806	182,904	181,889	157,679
Plan fiduciary net position - ending	<u>\$ 226,950</u>	<u>\$ 213,780</u>	<u>\$ 199,207</u>	<u>\$ 180,806</u>	<u>\$ 182,904</u>	<u>\$ 181,889</u>
<b>Plan net pension liability - ending</b>	<u>\$ 137,829</u>	<u>\$ 130,773</u>	<u>\$ 130,594</u>	<u>\$ 115,336</u>	<u>\$ 95,823</u>	<u>\$ 85,092</u>
Plan fiduciary net position as a percentage of the total pension liability	62.22%	62.05%	60.40%	61.05%	65.62%	68.13%
Covered payroll**	\$ 20,974	\$ 20,809	\$ 20,420	\$ 19,738	\$ 17,941	\$ 17,377
Plan net pension liability as a percentage of covered payroll	657.15%	628.44%	639.54%	584.33%	534.10%	489.68%



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Required Supplementary Information (Unaudited) (Continued)  
June 30, 2020 and 2019

**DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

**Benefit changes** - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 valuation date. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions** – In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actual Assumptions December 2017. There was no change in the discount rate. In 2017, the accounting discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes in assumptions. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.50% discount rate.

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**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Miscellaneous 2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 77,622	\$ 64,169	\$ 56,040	\$ 46,709	\$ 39,768	\$ 32,756	\$ 28,213
Contributions in relation to the actuarially determined contribution	(77,622)	(64,169)	(56,040)	(46,709)	(39,768)	(32,756)	(28,213)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 403,146	\$ 345,828	\$ 315,184	\$ 288,637	\$ 265,778	\$ 245,593	\$ 226,893
Contribution as a percentage of covered payroll	19.25%	18.56%	17.78%	16.18%	14.96%	13.34%	12.43%
				<u>Safety 2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 16,391	\$ 13,046	\$ 12,162	\$ 11,677	\$ 10,658	\$ 9,512	\$ 7,423
Contributions in relation to the actuarially determined contribution	(16,391)	(13,046)	(12,162)	(11,677)	(10,658)	(9,512)	(7,423)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 28,061	\$ 22,789	\$ 21,946	\$ 20,953	\$ 20,410	\$ 19,741	\$ 17,077
Contribution as a percentage of covered payroll	58.41%	57.25%	55.42%	55.73%	52.22%	48.18%	43.47%

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

\*\* Based on actual payroll

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**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Pension Contributions**

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2020 were derived from the June 30, 2017 funding valuation reports, as presented below:

	<u>Miscellaneous</u>	<u>Safety</u>
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method/period	Level percentage of payroll	Level percentage of payroll
Asset valuation method	Market Value of Assets	Market Value of Assets
Inflation	2.625% compounded annually	2.625% compounded annually
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Payroll growth	2.875% compounded annually	2.875% compounded annually
Discount Rate	7.25% compounded annually, net of Investment & Administrative Expenses Derived using CalPERS' Membership	7.25% compounded annually, net of Investment & Administrative Expenses Derived using CalPERS' Membership
Retirement age	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality <sup>1</sup>	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011

<sup>1</sup> Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Pension Contributions (Continued)**

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2019 was derived from the June 30, 2016 funding valuation reports, as presented below:

	<u>Miscellaneous</u>	<u>Safety</u>
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method/period	Level percentage of payroll	Level percentage of payroll
Asset valuation method	Market Value of Assets	Market Value of Assets
Inflation	2.75% compounded annually	2.75% compounded annually
Projected salary increase	3.20% to 12.20% depending on Age, Service and Type of Employment	3.70% to 15.00% depending on Age, Service and Type of Employment
Payroll growth	3% compounded annually	3% compounded annually
Discount Rate	7.375% compounded annually, net of Investment & Administrative Expenses Derived using CalPERS' Membership	7.375% compounded annually, net of Investment & Administrative Expenses Derived using CalPERS' Membership
Retirement age	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality <sup>1</sup>	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011	Based on the 2014 CalPERS Experience Study for the period from 1997 to 2011

<sup>1</sup> Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Pension Contributions (Continued)**

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

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

<sup>1</sup> Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**OTHER POST EMPLOYMENT BENEFITS**

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

**Retiree Medical Benefits**

	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>
<b>Total OPEB liability</b>				
Service cost	\$ 23,497	\$ 23,480	\$ 21,777	\$ 21,143
Interest	41,348	40,503	39,409	36,977
Changes of benefit terms	-	(1,224)	-	-
Difference between expected and actual experience	(17,434)	(29,522)	(35,022)	-
Change of assumptions	(4,784)	4,337	35,015	-
Benefit payments, including refunds **	(25,130)	(24,060)	(23,095)	(22,396)
<b>Net changes in total OPEB liability</b>	<b>17,497</b>	<b>13,514</b>	<b>38,084</b>	<b>35,724</b>
<b>Total OPEB liability- beginning</b>	<b>625,195</b>	<b>611,681</b>	<b>573,597</b>	<b>537,873</b>
<b>Total OPEB liability- ending</b>	<b>\$ 642,692</b>	<b>\$ 625,195</b>	<b>\$ 611,681</b>	<b>\$ 573,597</b>
<b>Fiduciary net position</b>				
Contributions from the employer	\$ 41,832	\$ 39,511	\$ 35,569	\$ 28,912
Net investment income	32,235	19,355	23,448	26,497
Benefit payments, including refunds **	(25,130)	(24,060)	(23,095)	(22,396)
Administrative expense	(279)	(186)	(223)	(266)
<b>Net changes in total fiduciary net position</b>	<b>48,658</b>	<b>34,620</b>	<b>35,699</b>	<b>32,747</b>
<b>Total fiduciary net position- beginning</b>	<b>340,470</b>	<b>305,850</b>	<b>270,151</b>	<b>237,404</b>
<b>Total fiduciary net position- ending</b>	<b>\$ 389,128</b>	<b>\$ 340,470</b>	<b>\$ 305,850</b>	<b>\$ 270,151</b>
<b>Net OPEB liability</b>	<b>\$ 253,564</b>	<b>\$ 284,725</b>	<b>\$ 305,831</b>	<b>\$ 303,446</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>60.55%</b>	<b>54.46%</b>	<b>50.00%</b>	<b>47.10%</b>
<b>Covered employee payroll</b>	<b>\$508,509</b>	<b>\$463,124</b>	<b>\$418,573</b>	<b>\$372,887</b>
<b>Net OPEB liability as a percentage of covered employee payroll</b>	<b>49.86%</b>	<b>61.48%</b>	<b>73.07%</b>	<b>81.38%</b>

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

\*\* Includes implied subsidy benefit payments of \$4,413,000, \$4,306,000, \$4,196,000 and \$3,900,000 in fiscal years 2020, 2019, 2018 and 2017, respectively.



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

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

**Survivor Benefit Plan**

	<b><u>FY 2020</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2017</u></b>
<b>Total OPEB liability</b>				
Service cost	\$ 2,011	\$ 1,901	\$ 2,071	\$ 2,559
Interest	1,260	1,428	1,588	1,396
Changes of benefit terms	-	22	-	-
Difference between expected and actual experience	(971)	(5,946)	(1,017)	-
Change of assumptions	13,366	1,935	(9,676)	(7,743)
Benefit payments, including refunds	(434)	(213)	(329)	(346)
<b>Net changes in total OPEB liability</b>	<b>15,232</b>	<b>(873)</b>	<b>(7,363)</b>	<b>(4,134)</b>
<b>Total OPEB liability- beginning</b>	<b><u>34,220</u></b>	<b><u>35,093</u></b>	<b><u>42,456</u></b>	<b><u>46,590</u></b>
<b>Total OPEB liability- ending</b>	<b><u>\$ 49,452</u></b>	<b><u>\$ 34,220</u></b>	<b><u>\$ 35,093</u></b>	<b><u>\$ 42,456</u></b>
<b>Fiduciary net position</b>				
Contributions from the employer	\$ 434	\$ 213	\$ 329	\$ 346
Benefit payments, including refunds	(434)	(213)	(329)	(346)
<b>Net changes in total fiduciary net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total fiduciary net position- beginning</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total fiduciary net position- ending</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Net OPEB liability</b>	<b><u>\$ 49,452</u></b>	<b><u>\$ 34,220</u></b>	<b><u>\$ 35,093</u></b>	<b><u>\$ 42,456</u></b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.00%	0.00%	0.00%	0.00%
<b>Covered employee payroll</b>	\$ 508,509	\$ 463,124	\$ 418,573	\$ 372,887
<b>Net OPEB liability as a percentage of covered employee payroll</b>	9.72%	7.39%	8.38%	11.39%

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

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

**Retiree Life Insurance**

<b>Total OPEB liability</b>	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>
Service cost	\$ 1,321	\$ 1,146	\$ 1,158	\$ 1,401
Interest	1,339	1,402	1,264	1,101
Changes of benefit terms	-	(1,032)	-	-
Difference between expected and actual experience	748	(414)	167	-
Change of assumptions	10,636	1,838	(891)	(4,915)
Benefit payments, including refunds	(1,367)	(821)	(679)	(685)
<b>Net changes in total OPEB liability</b>	<b>12,677</b>	<b>2,119</b>	<b>1,019</b>	<b>(3,098)</b>
<b>Total OPEB liability- beginning</b>	<b>37,628</b>	<b>35,509</b>	<b>34,490</b>	<b>37,588</b>
<b>Total OPEB liability- ending</b>	<b>\$ 50,305</b>	<b>\$ 37,628</b>	<b>\$ 35,509</b>	<b>\$ 34,490</b>
<b>Fiduciary net position</b>				
Contributions from the employer	\$ 1,367	\$ 821	\$ 679	\$ 685
Benefit payments, including refunds	(1,367)	(821)	(679)	(685)
<b>Net changes in total fiduciary net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total fiduciary net position- beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total fiduciary net position- ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB liability</b>	<b>\$ 50,305</b>	<b>\$ 37,628</b>	<b>\$ 35,509</b>	<b>\$ 34,490</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered employee payroll</b>	<b>\$ 508,509</b>	<b>\$ 463,124</b>	<b>\$ 418,573</b>	<b>\$ 372,887</b>
<b>Net OPEB liability as a percentage of covered employee payroll</b>	<b>9.89%</b>	<b>8.12%</b>	<b>8.48%</b>	<b>9.25%</b>

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

\*\* Includes implied subsidy benefit payments, \$1,210,000, \$679,000, \$547,000 and \$542,000 in fiscal years 2020, 2019, 2018 and 2017, respectively.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

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

**Retiree Medical Benefits**

	<u>Fiscal year 2019/20</u>	<u>Fiscal year 2018/2019</u>	<u>Fiscal year 2017/2018</u>	<u>Fiscal year 2016/2017</u>
Actuarially determined contribution (ADC)	\$ 41,832	\$ 39,511	\$ 35,569	\$ 28,912
Contributions in relation to the actuarially determined contribution	(41,832)	(39,511)	(35,569)	(28,912)
Contribution deficiency / (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll **	\$ 508,509	\$ 463,124	\$ 418,573	\$ 372,887
Contributions as a percentage of covered payroll	8.23%	8.53%	8.50%	7.75%

**Survivor Benefit Plan**

	<u>Fiscal year 2019/20</u>	<u>Fiscal year 2018/2019</u>	<u>Fiscal year 2017/2018</u>	<u>Fiscal year 2016/2017</u>
Actuarially determined contribution (ADC)	\$ 3,019	\$ 2,911	\$ 2,672	\$ 3,138
Contributions in relation to the actuarially determined contribution	(434)	(213)	(329)	(349)
Contribution deficiency / (excess)	<u>\$ 2,585</u>	<u>\$ 2,698</u>	<u>\$ 2,343</u>	<u>\$ 2,789</u>
Covered payroll **	\$ 508,509	\$ 463,124	\$ 418,573	\$ 372,887
Contributions as a percentage of covered payroll	0.09%	0.05%	0.08%	0.09%

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

\*\* Based on actual payroll.

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

**Retiree Life Insurance**

	<u>Fiscal year 2019/20</u>	<u>Fiscal year 2018/2019</u>	<u>Fiscal year 2017/2018</u>	<u>Fiscal year 2016/2017</u>
Actuarially determined contribution (ADC)	\$ 3,860	\$ 3,624	\$ 3,071	\$ 2,450
Contributions in relation to the actuarially determined contribution	(1,367)	(821)	(679)	(685)
Contribution deficiency / (excess)	<u>\$ 2,493</u>	<u>\$ 2,803</u>	<u>\$ 2,392</u>	<u>\$ 1,765</u>
Covered payroll **	\$ 508,509	\$ 463,124	\$ 418,573	\$ 372,887
Contributions as a percentage of covered payroll	0.27%	0.18%	0.16%	0.18%

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

\*\* Based on actual payroll.

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution**

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2020 as follows:

**Retiree Medical Benefits**

Valuation Date	June 30, 2018		
Actuary	Bartel Associates, LLC		
Actuarial Cost Method	Entry Age, level percentage of payroll		
Amortization Method	Level percent of payroll		
Amortization Period	15- year fixed period for 2018 valuation changes		
Asset Valuation Method	Market value of asset		
Discount Rate and Long Term			
Expected Rate of Return on Assets	6.50%		
General Inflation	2.75%		
Medical Trend	Increase from Prior Year		
	Year	Non-Medicare	Medicare
	2018	Actual Premiums	
	2019	Actual Premiums	
	2020	7.50%	6.50%
	2021	7.25%	6.30%
	2022	7.00%	6.10%
	Decreasing to an ultimate rate of 4.0% in 2076 and after		
Medical Participation	98% of future Safety retirees and 88% of future Miscellaneous retirees. Retirees with less than 10 years of service not eligible for BART cash subsidy: 60%		
Mortality	CalPERS 1997-2015 Experience Study		
Mortality Improvement	Post-retirement mortality projected fully generational Scale MP-2017		

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

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

**Retiree Medical Benefits**

Valuation Date	June 30, 2017		
Actuary	Bartel Associates, LLC		
Actuarial Cost Method	Entry Age, level percentage of payroll		
Amortization Method	Level percent of payroll		
Amortization Period	16- year fixed period for 2017 valuation changes		
Asset Valuation Method	Market value of asset		
Discount Rate	6.50%		
General Inflation	2.75%		
Medical Trend		Increase from Prior Year	
	Year	Non-Medicare	Medicare
	2017	Actual Premiums	
	2018	Actual Premiums	
	2019	7.5%	6.5%
	2020	7.5%	6.5%
	2021 - 2029	7.25%	6.5%
	2030 - 2075	4.0% - 5.2%	4.2% - 4.7%
	2076 +	4.0%	4.0%
Mortality	CalPERS 1997-2011 Experience Study		
Mortality Improvement	Post-retirement mortality projected fully generational Scale MP-2017		

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

Methods and Assumptions for Actuarially Determined Contribution (ADC) for fiscal year 2018 as follows:

**Retiree Medical Benefits**

Valuation Date	June 30, 2016	
Actuary	Bartel Associates, LLC	
Actuarial Cost Method	Entry Age, level percentage of payroll	
Amortization Method	Level percent of payroll	
Amortization Period	17- year fixed period for 2016 valuation changes	
Asset Valuation Method	Market value of asset	
Discount Rate	6.75%	
General Inflation	3.00%	
Medical Trend	Increase from Prior Year	
	Year	Non-Medicare      Medicare
	2016	Actual Premiums
	2017	Actual Premiums
	2018	6.5%                  6.7%
	2019	6.0%                  6.1%
	2020	5.5%                  5.6%
	2021	5.0%                  5.0%
Mortality	CalPERS 1997-2011 Experience Study	
Mortality Improvement	Mortality projected fully generational Scale MP-2014 modified to foncerge to ultimate rates in 2022	

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
Required Supplementary Information (Unaudited) (Continued)  
June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

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

**Retiree Medical Benefits**

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

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**

Notes to Financial Statements

June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2020 as follows:

**Survivor Benefits**

Valuation Date	June 30, 2018
Actuary	Bartel Associates, LLC
Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	22-year fixed (closed) period beginning June 30, 2018
Future new entrants	Closed group, no new hires
Valuation Assets	Equal to District's reserves
Discount Rate	6.50%- for Actuarial Accrue Liability (AAL) and ADC Expected rate of return on Retiree Health Benefit Trust
General Inflation	2.75%
Mortality, withdrawal, disability	CalPERS 1997-2015 Experience Study Mortality projected fully generational Scale MP-2017
Medical Trend	Increase from Prior Year
	Year      Non-Medicare      Medicare
	2018              Actual Premiums
	2019              Actual Premiums
	2020              7.50%              6.50%
	2021              7.25%              6.30%
	2022              7.00%              6.10%
Aggregate salary increases	Decreasing to an ultimate rate of 4.0% in 2076 and after 3.00%. Used for level percent of payroll amortization and entry age allocation method only
Dental and Vision Trend	3.75% annual increases
Retiree Contribution Increase	\$75/month contribution: 3% annually \$37/month contribution: no future increase
Basis for Assumptions	No experience study performed for this plan CalPERS experience studies used, since covered employees are also in CalPERS plans Mortality improvement based on Society of Actuaries table Inflation based on the Plan's very long time horizon Participation and coverage based on plan experience



**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

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

**Survivor Benefits**

Valuation Date	June 30, 2017
Actuary	Bartel Associates, LLC
Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	23-year fixed (closed) period beginning June 30, 2017
Future New Entrants	Closed group, no new hires
Valuation Assets	Equal to District's reserves
Discount Rate	6.50%- for Actuarial Accrue Liability (AAL) and ADC
	Expected rate of return on Retiree Health Benefit Trust
General Inflation	2.75%
Mortality, Withdrawal, Disability	CalPERS 1997-2011 Experience Study
Medical Trend	Mortality projected fully generational Scale MP-2017
	Increase from Prior Year
	Year      Non-Medicare      Medicare
	2017      Actual Premiums
	2018      Actual Premiums
	2019      7.5%      6.5%
	2020      7.5%      6.5%
	2021      7.25%      6.3%
Aggregate Salary Increases	3.00%. Used for level percent of payroll amortization and entry age allocation method only
Dental and Vision Trend	3.75% annual increases
Retiree Contribution Increase	\$75/month contribution: 3% annually \$37/month contribution: no future increase
Basis for Assumptions	No experience study performed for this plan CalPERS experience studies used, since covered employees are also in CalPERS plans Inflation based on the Plan's long term horizon Age-based claim rates are based on Society of Actuaries publication Mortality improvement based on Society of Actuaries table Participation and coverage based on plan experience

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

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

**Survivor Benefits**

Valuation date	June 30, 2016
Actuary	Bartel Associates, LLC
Funding Policy	No current pre-funding Benefit paid from BART funds
Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	30-year fixed (closed) period beginning July 1, 2004 17-years remaining in July 1, 2017
Future new entrants	Closed group, no new hires
Valuation Assets	Equal to District's reserves
Discount rate	4.00%
General inflation	3.00%
Mortality, withdrawal, disability	CalPERS 1997-2011 Experience Study Mortality projected fully generational Scale MP-2014 modified to converge to ultimate rates in 2022
Medical Trend	Increase from Prior Year
	Year                      Non-Medicare                      Medicare
	2016                      Actual Premiums
	2017                      Actual Premiums
	2018                      6.5%                      6.7%
	2019                      6.0%                      6.1%
	2020                      5.5%                      5.6%
	2021                      5.0%                      5.0%
Aggregate Salary Increases	3.25%. Used for level percent of payroll amortization and entry age allocation method only
	2019                      6.0%                      6.1%
Dental and Vision Trend	4.0% annual increases
Basis for Assumptions:	No experience study performed for this plan CalPERS experience studies used, since covered employees are also in CalPERS plans Mortality improvement based on Society of Actuaries table Participation and coverage based in part on Plan experience

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

Methods and Assumptions for Actuarially Determined Contribution for fiscal year 2020 as follows:

**Retiree Life Insurance**

Valuation Date	June 30, 2018									
Actuary	Bartel Associates, LLC									
Funding Policy	No current pre-funding Benefit paid from BART funds									
General Inflation	2.75%									
Discount Rate	3.75%									
Payrol increase	Aggregate increases - 3.0% Merit increases CalPERS 1997-2011 experience study									
Cost Method	Entry age normal									
Amortization Method	Level percent of payroll									
Amortization Period	30-year fixed (closed) period beginning July 1, 2004 15- years remaining in July 1, 2019									
Mortality, Disability, Withdrawal	CalPERS 1997-2011 Experience Study Mortality projected fully generational Scale MP-2017									
Service Retirement	CalPERS 1997-2015 Experience Study <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><u>Expected retirement age</u></th> <th style="text-align: center;"><u>Classic</u></th> <th style="text-align: center;"><u>PEPRA</u></th> </tr> </thead> <tbody> <tr> <td>Safety</td> <td style="text-align: center;">55</td> <td style="text-align: center;">57.3</td> </tr> <tr> <td>Miscellaneous</td> <td style="text-align: center;">61.4</td> <td style="text-align: center;">62.3</td> </tr> </tbody> </table>	<u>Expected retirement age</u>	<u>Classic</u>	<u>PEPRA</u>	Safety	55	57.3	Miscellaneous	61.4	62.3
<u>Expected retirement age</u>	<u>Classic</u>	<u>PEPRA</u>								
Safety	55	57.3								
Miscellaneous	61.4	62.3								
Benefits Valued	Valuation based on death benefits payable.									
Basis for assumptions	No experience study performed for this plan CalPERS expereince studies used since covered employees are also in CalPERS plans. Mortality improvement based on a slightly modified Society of Actuaries table Age based claims are based on Society of Actuaries and PEMHCA demographic data Short-term medical trend developed in consultation with Axene Health Partners' health actuaries Long-term medical trend developed using Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends Participation and coverage based in part on Plan experience									

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

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

**Retiree Life Insurance**

Valuation date	June 30, 2017
Actuary	Bartel Associates LLC
Funding Policy	No current pre-funding Benefit paid from BART funds
General Inflation	2.75%
Discount Rate	3.75%
Payroll Increase	Aggregate Increases - 3.0% Merit increases- CalPERS 1997-2011 Experience Study
Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	30-year fixed (closed) period beginning July 1, 2004 16- years remaining in July 1, 2018
Mortality, Disability, Withdrawal	CalPERS 1997-2011 Experience Study Mortality projected fully generational Scale MP-2017
Service Retirement	CalPERS 1997-2011 Experience Study Safety: Expected Retirement Age: 54.6 Miscellaneous: Expected Retirement Age: 60.3
Benefits Valued	Valuation based on death benefits payable.
Basis for Assumptions:	No experience study performed for this plan CalPERS experience studies used since covered employees are also in CalPERS plans Mortality improvement based on a slightly modified Society of actuaries table Inflation based on the Plan's long time horizon

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

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

**Retiree Life Insurance**

Valuation date	June 30, 2016
Actuary	Bartel Associates, LLC
Funding Policy	No current pre-funding Benefit paid from BART funds
General Inflation	3.0%
Discount Rate	4.00%
Payroll Increase	Aggregate Increases - 3.25%
Merit Increases	CalPERS 1997-2011 experience study
Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	30-year fixed (closed) period beginning July 1, 2004 17- years remaining in July 1, 2017
Mortality, Disability, Withdrawal	CalPERS 1997-2011 Experience Study Mortality projected fully generational scale MP-2014 modified to converge to ultimate rates in 2022
Service Retirement	CalPERS 1997-2011 Experience Study Safety: Expected Retirement Age: 54 Miscellaneous: Expected Retirement Age: 60.2
Benefits Valued	Valuation based on death benefits payable. No administrative expense included
Basis of Assumptions	No experience study performed for this plan CalPERS experience studies used since covered employees are also in CalPERS plans. Mortality improvement based on a slightly modified Society of Actuaries table Inflation based on the Plan's long time horizon

**SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT**  
 Required Supplementary Information (Unaudited) (Continued)  
 June 30, 2020 and 2019

**Notes to Schedule of Employer Contribution (Continued)**

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

**Retiree Life Insurance**

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